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# Paradigm Shift: Dynamic Capabilities in Startups for Sustainable Advantage Through the Strategic Intangibles Triad

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**ABSTRACT:** The objectives of this study include analyzing the mechanism underlying the construction of sustainable competitive advantage in Indonesian digital startups through the integration of three strategic variables: Market-oriented Culture, Digital Capability, and Corporate Reputation, while Dynamic Capabilities act as the mediator. A hypothetical-deductive method design and covariance-based Structural Equation Modeling (SEM) analysis was used to collect data from 496 respondents with a structured questionnaire in three stages to minimize method bias. The results of the analysis show that each independent variable significantly influences Sustainable Competitive Advantage both directly and indirectly through the mediation of Dynamic Capabilities that enhance the sensing, seizing, and resource reconfiguring processes. The uniqueness of this study is the development of an integrated framework that combines organizational culture, digital capability, and corporate reputation in emerging-market contexts in a holistic manner. This study would contribute fresh insights on Dynamic Capabilities and unique strategies for making flexible and sustainable startup business models. From this study, theoretical and practical implications may imbue avenues for new research and offer strategic guidance to industry practitioners in adapting to the increasingly dynamic features of the global market.

**Keywords:** sustainable competitive advantage, market-oriented culture, digital capability, corporate reputation, dynamic capabilities, startup digital.

## I. INTRODUCTION

The world of digital technology redefined the whole landscape of entrepreneurship which comes with an intricate web of opportunities and challenges for contemporary digital startups. Indonesia represents a very good example of such changes, with 2,562 digital startups recorded as of January 2024, making it one of the most prominent hubs of digital entrepreneurship in Southeast Asia. However, such quantitative growth is often protective of serious structural challenges related to Sustainable Competitive Advantage (SCA) and organizational resilience. Most modern academia acknowledges that technological innovations do not only improve operational efficiency but also serve as key mechanisms in developing innovative business models and competitive strategies. Despite the promising growth, digital startups face substantial barriers, including intense market competition and high failure rates. Most of the online business sector approximately 56% is controlled by global entities, based on available data [1, 2]. Weak competitive positioning and ineffective business models remain the leading causes of startup failure in this context.

The theoretical perspectives of the Resource-Based View [3] and Dynamic Capabilities Theory [4] serve as a critical framework for gaining profound insights into the mechanisms of organizational competitiveness. Several of these frameworks explain how sustainable competitive advantage arises through organizational resources that are unique, valuable, and difficult to imitate. In relation to digital startups, such resources

would include dynamic capabilities, market-oriented culture, and corporate reputation. However, the interaction of these variables remains complicated.

Existing research has largely examined digital capability, organizational culture, and corporate reputation as separate variables, thus ignoring the dynamic interactions between them. Study [5] put emphasis on a holistic approach that addresses the complex arrangements of strategic resources that exist in the digital startup ecosystem. The majority of research on competitive advantage in startups has been conducted in the context of advanced markets, thereby failing to adequately consider the barriers and challenges faced by entrepreneurial ecosystems in developing countries such as Indonesia. Studies [6, 7] highlight the need for research that takes into account the specific complexities of emerging markets, including the mismatch between digital talent and industry needs [8]. Startups in Indonesia have yet to establish a clear reference model for building sustainable competitive advantage. Several startups have even gone bankrupt, negatively impacting the investment ecosystem in Indonesia such as eFishery in 2025, Pegipegi, which ceased operations on December 11, 2023, due to intense competition, and Ula, which shut down in 2024 as a result of business model misalignment with local market dynamics. Investree's 2025 crisis was largely attributable to insufficient insights into MSME credit risk dynamics following the pandemic, leading to a substantial increase in non-performing loans.

There is an urgent need for business models that prioritize dynamic capabilities and offer high potential for establishing long-term competitive advantage. Startup business models must be capable of creating, capturing, and delivering value to customers, while also maintaining business sustainability in dynamic market conditions [9]. A startup's business model serves as a conceptual tool that helps firms identify, design, and develop value propositions for their customers. However, understanding how startups adapt their business models to market changes remains limited [10]. Study [11] underscore the importance of sustainable business model innovation within the startup context. Startups are typically driven by innovation and technology, with a focus on scalability and rapid growth, yet often overlook the functioning of the circular economy [12]. The transformation of digital capabilities into competitive advantage remains poorly understood. Studies [13, 14] highlight the need for more contextual theoretical frameworks to understand the evolution of digital capabilities. In Indonesia, the digital capabilities of startups are continually reconfigured in response to competitive pressure, technological transformation, and the dynamics of emerging markets. Successful business model design must be developed and tested under conditions of limited resources and high uncertainty regarding both internal and external factors [15]. Corporate reputation also plays a crucial role in ensuring the sustainability of startups. The case of Investree's crisis in 2025 in Indonesia stemming from the company's poor reputation, compounded by the founder's status as a fugitive wanted by Interpol demonstrates how reputation can be a strategic determinant. A gap in understanding how startups build and leverage reputation as a strategic resource has been highlighted [16, 17].

While numerous studies have examined startup business models and the factors influencing their competitive advantage, the existing literature does not sufficiently explain the intrinsic mechanisms linking digital capabilities, organizational culture, and corporate reputation particularly within the Indonesian context. This study offers significant potential to contribute by developing an integrative theoretical framework that captures the complex configuration of strategic resources in digital startups. Moreover, the mechanism for achieving SCA through Dynamic Capabilities (DCs) involves a paradigm shift in understanding sustainability as a startup model. There is a reorientation of methodology that remains underexplored, which can provide new directions for developing sustainable startup models. This reorientation reflects a paradigm shift in managing companies to be oriented towards a shared agenda, namely sustainability.

This research expands theoretical understanding of the formation mechanisms of competitive advantage in emerging markets by integrating the perspectives of the resource-based view, dynamic capabilities, and market orientation within the context of Indonesian digital startups. Startups are encouraged to pay attention not only to profits but also to sustainability [18–21]. Empirically, this study provides evidence on the interaction between digital capabilities, organizational culture, and corporate reputation to produce a

conceptual model that explains the formation of sustainable competitive advantage. Furthermore, this research identifies key factors influencing the success and startups sustainability in Indonesia. By employing a complex configuration analysis approach and adopting multiple theoretical perspectives, this study not only fills existing theoretical gaps but also paves the way for future research into the strategic dynamics of digital startups in an increasingly complex and uncertain global economic landscape.

The research objectives are based on the research questions

- RQ1: Do dynamic resources consisting of market-oriented culture, digital capability and corporate reputation have an influence on sustainable competitive advantage?
- RQ2: Do market-oriented culture, digital capability and corporate reputation influence the process of sensing, seizing and reconfiguration in startups to realize sustainable competitive advantage?

## II. LITERATURE REVIEW

### *1. THEORITICAL UNDERPINING: DYNAMIC CAPABILITIES (DCs)*

DCs were developed to augment the limitations of the Resource-Based View (RBV), which is said to be too static in responding to a highly fluctuating business environment. Internally generated resources that are valuable, rare, and imperfectly imitable constitute the core arguments of the RBV in explaining sustainable competitive advantage [3]. However, it does not adequately elucidate how organizations should adapt themselves to changes in the environment [22]. To remedy this, [4] developed the DCs framework which had three essential processes: sensing (the identification of new opportunities), seizing (exploiting opportunities through innovation) and reconfiguring (adjusting and recombining resources to remain relevant). These processes continue in cycles and are always updated, regenerated to remain competitive [23]. However, DCs also facing some criticism in terms of the empirical challenges of measurement [24]. In this digital age, understanding organizational resources has changed into more flexible and scalable, where advantages in businesses are no longer founded mainly on owned physical assets but also in the "ownership" of digital ecosystems and knowledge networks [25]. Therefore, both RBV and DC must be reshaped into a new paradigm that mainly focuses on collaboration and open innovation as strategic resources [26].

### *2. MARKET ORIENTED CULTURE*

The market-oriented culture (MOC) is a strategic resource with a focus on value creation by investigating customer in-sight and market dynamics to achieve SCA [27, 28]. Particular culture stresses rapid responsiveness to changes in the market environment, and efficiency in resource allocation in order to enhance long-term competitiveness [29, 30]. The market-oriented culture includes behavioral patterns and attitudes that focus on understanding current and future customer needs and anticipating and acting on it to ensure a competitive advantage [31]. The integrating market orientation into organizational culture ensures that each department and function within the company contributes to value creation for customers and responds swiftly to market changes [32]. Market-Oriented Culture is a business approach in which companies focus on customer needs and desires in every strategic and operational decision [33].

However, MOC methodology tends to reduce the complexity of firm-customer relationships into economic constructs, neglecting more holistic sociocultural dimensions. This approach may result in what [34] identifies as an “illusion of understanding,” failing to penetrate deeper layers of interaction. MOC builds its methodology on the assumption that market behaviour can be predicted with a certain level of accuracy an assumption fundamentally questioned by complexity theory and studies on market uncertainty [35]. The methodology of Market-Oriented Culture represents a paradigm that seeks to integrate market understanding into organizational structures but faces fundamental challenges in its conceptual operationalization. Criticism of the methodology presents an opportunity to develop a framework that accommodates relational complexity, predictive uncertainty, and the ambiguity of value construction.

### 3. DIGITAL CAPABILITY

Digital capabilities are critical strategic resources for acquiring a sustained competitive advantage (SCA) in the digital age [36–38]. These capabilities include the organizational skills, expertise, and capacity necessary for managing the adoption of new digital technologies and innovations for operational efficiency [13]. Accelerated business transformation and improved adaptability to the changing environment have become dependent on technologies such as artificial intelligence (AI), the Internet of Things (IoT), and big data analytics [14]. Conceptually, digital capability has two key dimensions [39, 40]. Internal digitalization capability refers to an organization's ability to adopt and integrate digital technologies to improve internal operational efficiency and effectiveness, while external digitalization capability focuses on leveraging technology to strengthen relationships with customers, business partners, and the industry ecosystem. However, digital capability is not solely dependent on technology but also requires effective management of human capital and organizational knowledge to fully harness digital innovation [41]. In the digital economy, this capability becomes a crucial element for companies in maintaining competitiveness and creating sustainable added value [14].

Although digital capability contributes to competitive advantage, its development faces various challenges. Digital adoption is probably the most critical barrier to organizations with little resource capacity to engage in digital transformation. Internal resistance resulting from cultural barriers and other forms of reluctance to change are also impediments to technology implementation. Another challenge lies in the complexity of digital integration, particularly in aligning technology with business strategy effectively. Therefore, further research is needed to identify optimal strategies for developing and managing digital capability to support long-term competitive advantage.

### 4. CORPORATE REPUTATION

Corporate reputation is an intangible asset that plays a strategic role in building a company's credibility and legitimacy in the eyes of stakeholders [42, 43]. A positive reputation reflects public perception of a company's performance based on its track record and future prospects, and serves as a signal that influences market trust [44, 45]. Thus, reputation is not only an indicator of past success but also a key factor in shaping expectations and fostering long-term relationships with stakeholders. In the context of sustainability, corporate reputation is not merely a perceived image but a strategic asset that enhances a company's attractiveness and strengthens relationships with various parties [46]. Firms with strong reputations are better positioned to gain social legitimacy, access critical resources, and improve their long-term competitiveness [47, 48]. However, reputation is dynamic and influenced by varying norms and values across institutional and cultural contexts [49]. In a sustainability-driven economy, reputation increasingly depends on a company's commitment to ethical business practices, transparency, and social and environmental responsibility [39, 50]. Reputation management must therefore be integrated into sustainability strategy so that companies not only gain competitive advantage but also create long-term value for both the business ecosystem and society.

### 5. SUSTAINABLE COMPETITIVE ADVANTAGE

SCA is rooted in the RBV and the Balanced Scorecard Framework, both of which emphasize the importance of resource management to sustain long-term competitive advantage [51]. Competitive advantage arises from resources that are valuable, rare, inimitable, and non-substitutable, encompassing physical, human, and organizational assets [3]. SCA represents a unique advantage that is not easily replicated by competitors, thereby becoming a key factor in business sustainability [52]. However, a company's competitiveness is not solely determined by internal factors, but also by market dynamics and environmental sustainability [6, 53]. Empirically, SCA is measured through eight primary indicators, such as return on investment (ROI), profitability, operational efficiency, market responsiveness, customer satisfaction, profit and market share growth, and cost reduction [54]. Previous studies [55] further argue that employee well-being is also a significant indicator in assessing long-term competitive advantage. Another

study [56] present a digital business strategy framework that emphasizes the importance of merging IT strategy with business strategy to create differential value in the digital era value intended for all company stakeholders and sustainability.

In the context of startups, SCA relies not only on economic efficiency but also on the ability to innovate, integrate Environmental, Social, and Governance (ESG) principles, and adapt to dynamic business environments [57]. Therefore, SCA reflects not only economic advantage but also the effectiveness of strategies in creating sustainable value for organizations and stakeholders.

## III. HYPOTHESIS DEVELOPMENT

### *1. MARKET-ORIENTED CULTURE HAS AN INFLUENCE ON SUSTAINABLE COMPETITIVE ADVANTAGE*

MOC also functions as an adaptive framework that enables companies to improve operational processes and respond more effectively to external environments [58]. In line with theory of organizational culture, the underlying assumptions of an organization shape how it manages change and competition [59]. The impact of MOC on SCA has been demonstrated in various studies, showing that this culture accelerates market adaptation and enhances the effectiveness of business strategies [60–63]. However, competitive advantage cannot be achieved if a company fails to consistently execute market-based strategies. In the digital business environment, organizations must ensure that their market orientation remains relevant amid changing customer behaviour and technological disruption. MOC is a key factor in achieving SCA, but its effectiveness depends on the execution of adaptive strategies based on market research, customer interaction, and industry trend analysis [64]. Following the market carries high risks. Previous studies added that there is potential for inconsistency without resource certainty, which can lead to suboptimal results due to excessive market following [65]. Other studies added that various overly frequent strategy changes (vacillation) as an attempt to follow market changes can become a burden [66]. Strategy changes reduce company resilience [67]. Based on this statement, we propose the following hypothesis:

- Ha1: Market-oriented culture has a positive influence on sustainable competitive advantage.

### *2. DIGITAL CAPABILITY HAS AN INFLUENCE ON SUSTAINABLE COMPETITIVE ADVANTAGE*

Digital capability as a foundation for companies that enables sensing, seizing, and reconfiguration of resources to be carried out effectively and efficiently to support competitive advantages in terms of price, product, and delivery, in line with DCs Theory. Stakeholder support obtained through a good reputation plays an important role in building SCA [43, 68]. In addition, the adoption of digital technologies such as AI, IoT, and Big Data Analytics (BDA) enhances efficiency, innovation, and the company's ability to adapt to market changes [14, 41, 69, 70]. Digital capability has become a strategic factor that supports sustainable business growth, especially for digital startups operating in highly competitive business environments. The utilization of these technologies enables companies to respond to market dynamics more rapidly and meet customer needs more effectively [71, 72]. Digital capability is not merely an operational tool, but also a key element in maintaining long-term competitive advantage for startups [21]. However, previous research emphasized that there is a complex process in digital technology to realize sustainable competitive advantage [73]. Balance is needed because there is no single factor that can determine SCA.

The hypothesis proposed is:

- Ha2: Digital Capability has a positive influence on sustainable competitive advantage.

### *3. CORPORATE REPUTATION HAS AN INFLUENCE ON SUSTAINABLE COMPETITIVE ADVANTAGE*

Corporate reputation is a strategic asset that supports competitive advantage and ensures sustainability in dynamic markets. Corporate reputation is an intangible asset that plays a strategic role in building SCA [43]. A positive reputation not only enhances consumer trust but also strengthens market position, attracts investment, and fosters long-term relationships with stakeholders. In a competitive market context, a strong

corporate reputation enables organizations to face business challenges more effectively and secure market opportunities [46]. In the digital era, corporate reputation increasingly determines competitive advantage, as companies with a positive track record are more trusted by investors and consumers [47]. A positive corporate image contributes to customer and employee loyalty, which directly impacts improved business performance [45]. The association of reputation with trust, quality, and reliability also influences purchasing decisions and corporate innovation, which are key indicators of competitive advantage [39]. Corporate reputation is not merely an image, but a strategic resource that contributes to long-term competitiveness and sustainable business growth. However, high reputation is highly vulnerable to minor failures. Reputation incurs high costs that negatively affect resource support for sustaining competitive advantage. Companies that strive to maintain reputation may fall behind in innovation. Corporate reputation carries a high risk of increasing a company's systematic risk [74, 75]. It has been affirmed that startup corporate reputation is high-risk if information inaccuracy (misreporting) occurs [76]. These risks are not only financial, but also strategic: loss of networks, credibility, and attractiveness to new ventures. The hypothesis proposed is:

- Ha3: Corporate reputation has a positive influence on sustainable competitive advantage.

### *4. DYNAMIC CAPABILITY MEDIATES THE INFLUENCE OF MARKET-ORIENTED CULTURE ON SUSTAINABLE COMPETITIVE ADVANTAGE*

MOC encourages organizations to systematically observe and respond to customer needs and market trends in order to generate strategic information [29]. However, to convert this information into sustainable competitive advantage, DCs are required namely, the organization's ability to integrate, build, and reconfigure internal resources to adapt to external dynamics [4, 64, 77]. Dynamic capability, which consists of sensing, seizing, and transforming/reconfiguring, serves as a mechanism that transforms resources into new configurations according to market demands and even creates value propositions that align with stakeholder demands [78]. Startup failures are caused by a lack of dynamic capabilities [79].

DCs act as a mediator that transforms market insights from MOC into innovations and adaptive strategies that support SCA through three main mechanisms. First, DCs integrate market information into strategic planning, enabling firms to identify innovation opportunities through market research, customer interaction, and industry trend analysis [23, 64, 80]. Second, DCs support innovation and adaptation, allowing companies to convert market insights into new products, services, or processes that respond to changes in the business environment [22, 64, 81]. Third, DCs help reconfigure organizational resources, ensuring that innovations remain relevant and sustainable in the face of intense competition [82, 83]. However, many startups that are still in their early or growth stages face resource constraints and simple organizational structures, making the development of complex DCs often suboptimal [22]. To address these limitations, strengthening corporate culture through the reconfiguring process can support long-term adaptation [84]. Thus, DCs become a key factor in converting MOC into SCA, ensuring that the use of digital technologies is not merely operational but also strategic in creating long-term added value [85]. The company's dynamic capabilities to effectively integrate sustainability practices [86].

However, referring to [67], there are potential obstacles stemming from the DC process itself. DCs, theoretically as repeated routines, have the potential to create inertia that disrupts the flexibility desperately needed by start-ups in unstable environments, including the high costs of capability development. Market uncertainty has been shown to hinder the innovation process and its conversion into tangible competitive advantage [87]. Based on this statement, the proposed hypothesis in this study is:

- Ha4: Dynamic capability plays a mediating role in the influence of market-oriented culture on sustainable competitive advantage.

### *5. DYNAMIC CAPABILITY MEDIATES THE INFLUENCE OF DIGITAL CAPABILITY ON SUSTAINABLE COMPETITIVE ADVANTAGE*

Digital capability refers to an organization's ability to integrate and leverage digital technologies such as IT infrastructure, digital expertise, and information systems to support business processes and innovation

[88]. However, to convert this potential into sustainable competitive advantage, DCs are needed as mediators to ensure that digital transformation remains competitive in a dynamic and uncertain business environment [77, 89, 90]. DCs enable organizations to develop sensing capabilities through data processing and external information analysis, allowing market trends and innovation opportunities to be identified and converted into new products or services [22, 84, 85, 91]. In addition, DCs play a role in reconfiguring, namely optimizing the use of digital assets such as data, platforms, and technological expertise to enhance efficiency and support sustainable innovation and organizational restructuring [64, 82, 92]. The ability to adapt to new technologies and adjust business processes becomes a mediating factor in improving organizational performance and maintaining SCA [13, 14]. Organizations must develop dynamic capabilities to manage disruptions caused by digital technologies and transform value creation processes [93]. However, in the context of startups, lean and agile approaches are often prioritized to support rapid innovation [94]. The internalization process of DCs which requires time and resources is often considered less suitable, as it may hinder the flexibility and adaptability that constitute the primary advantages of startups. While digital capability provides an essential foundation for organizations through the use of technology, dynamic capability serves as a critical factor in transforming that foundation into innovative and adaptive strategies that lead to sustainable competitive advantage [95].

Digital capability as a critical resource for developing dynamic capability to support SCA. Startups are often faced with pressure to acquire dynamic capabilities which are fundamentally high-risk [96]. Failure to develop dynamic capability results in losses in market access that potentially reduce SCA.

- Ha5: Dynamic capability plays a mediating role in the influence of digital capability on sustainable competitive advantage.

### *6. DYNAMIC CAPABILITY MEDIATES THE INFLUENCE OF CORPORATE REPUTATION ON SUSTAINABLE COMPETITIVE ADVANTAGE*

Corporate reputation is an intangible asset that builds stakeholder trust, enhances organizational legitimacy, and strengthens strategic relationships with investors and business partners [97, 98]. However, corporate reputation alone is not sufficient to create a SCA. To convert reputation into SCA, companies require effective DCs. A strong reputation serves as a credibility signal that enables companies to attract external resources, such as investment and strategic partnerships [73, 98]. DCs then transform this signal into innovative processes by integrating market feedback and internal knowledge to create new products or services and expand into new markets [22, 99]. In addition, DCs allow companies to systematically convert stakeholder support into strategic advantage through reconfiguring, which involves adjusting business strategies and restructuring operational processes to remain relevant in a dynamic market [82]. Corporate reputation generates high expectations for companies, requiring the ability to respond swiftly to market changes. DCs support companies in meeting and exceeding these expectations through continuous innovation, thereby reinforcing their competitive position in the long term [4]. However, challenges in measuring and evaluating DCs remain a critical concern, particularly because their assessment frameworks are still relatively abstract. This makes it difficult for startups to assess the development and contribution of DCs to SCA [4, 82]. Such ambiguity may reduce stakeholder confidence in the effectiveness of DCs as mediators in building sustainable competitive advantage. Nevertheless, DCs serve as a bridge that transforms the value of corporate reputation into adaptive strategies and innovations that strengthen a company's competitiveness.

However, a company's high reputation creates high expectations for products or services, including sustainable products or services. There is a risk of routines that limit flexibility to realize SCA. Companies become rigid in sensing and seizing [67]. Rigid transforming or reconfiguring capabilities also make it difficult to change production lines or supply chains to meet these expectations. DCs actually disrupt the mediation flow from reputation as a company resource to SCA as an outcome. On the other hand, high reputation also requires maintenance that demands resources which can drain resources that potentially hinder efforts to develop DCs for SCA. In this study, we hypothesize.

- Ha6: Dynamic capability mediates the influence of corporate reputation on sustainable competitive advantage.

The researchers developed a model for this study, which is shown in Figure 1.

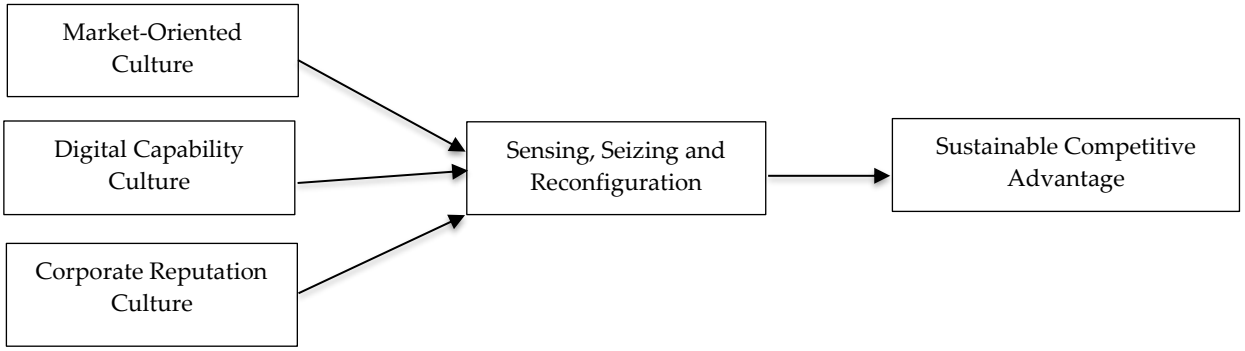


FIGURE 1. Proposed model (developed by researchers for this study).

## IV. MATERIAL AND METHOD

This study adopts the explanatory sequential design in accordance with Creswell [100]. For the research in the quantitative phase, the Hypothetico-Deductive Method approach [101] to examine the relationship between Market-Oriented Culture, Digital Capability, and Corporate Reputation on SCA, with DCs as the mediating variable. The research population consists of entrepreneurs and founders of digital startups in Indonesia, with samples determined using a quota sampling technique. After determining the sample size based on [102], which is 9 x Indicators = 531 samples, the next step is to establish sample quotas based on internal (personal) and external funding proportionally according to the total population of each criterion. Startups are categorized into two groups based on funding structure, either personal (personal salary, bootstrapping / 62 samples) or external funding (528), which is divided among startups that obtained funding through Series A, Series B, Series C, including those that obtained KUR as well as angel investors. to anticipate insufficient data according to the target, A total of 700 questionnaires was distributed and 496. Data distribution was conducted randomly online to startups according to the email addresses possessed by the researcher. The data that could be collected totalled 496 (62 samples from internal funding and 434 from external funding). To reduce bias, data distribution was divided in the first and second weeks for the variables Digital Capability Culture and Corporate Reputation Culture. In the third and fourth weeks, the mediation variable and Sustainable Competitive Advantage variable were distributed. The data were completed within a four-week period. The acceptance of responses was based on the assumption that no significant changes occurred during the short data collection period and that organizational conditions remained relatively stable, thereby ensuring that the differences in measurement time between variables would not obscure the relationships under investigation. The respondents were employees of startups in various positions with a minimum of one year of work experience.

The research instrument consisted of a structured questionnaire using a 5-point scale, ranging from strongly disagree to strongly agree, or from never to always, developed based on previous studies. MOC was measured by assessing the extent to which companies place customers and markets at the centre of business strategy [103], consisting of 21 items across three dimensions. Previous studies have shown that this instrument is adequate, with AVE values ranging from 0.38 to a maximum of 0.77. The Goodness of Fit (GOF) test indicated that the instrument was acceptable, with results such as GFI = 0.95, AGFI = 0.94, CFI = 1.00, and RMSEA = 0.00. The study by Lee et al. (2007) further confirmed these findings. The validity test results were adequate, and the instrument demonstrated internal consistency with a Cronbach's alpha value greater than 0.7.

Digital Capability (DC) is examined through the organization's ability to adopt and manage digital

technologies for innovation and operational efficiency at both organizational and employee levels [5]. The Digital IT Capabilities dimension, comprising seven items, has been empirically tested [104]. This instrument has demonstrated strong validity, with factor loadings ranging from 0.612 to 0.912. The employees' digital capabilities dimension, using five items, has been validated based on the study by [105]. Proksch et al. [5] reported the lowest factor loading at 0.773 and the highest at 0.849, with the Average Variance Extracted (AVE) for IT capabilities at 0.648 and for employees' digital capabilities at 0.649. Corporate Reputation (CR) is measured based on stakeholders' perceptions of the company's credibility and image [106]. Fifteen items are drawn from the dimensions of affiliation with business groups, financing status of venture capital, supplier cooperation, enterprise innovation, and enterprise crisis. Test results show that the instrument demonstrates valid measurements and indicates high reliability within the relevant context. SCA is developed based on [57] and measured using 15 indicators across three dimensions: environmental, social, and governance. Conceptually, the results of the study show that the instrument has an adequate theoretical foundation. For example, the Environmental dimension was developed based on [107], while the Social dimension is based on [108].

Furthermore, DCs as the mediating variable are assessed through the dimensions of sensing, seizing, and reconfiguring [4]. This measurement has factor loadings ranging from 0.826 to 0.868, and demonstrates high reliability with a Cronbach's alpha of 0.967. To reduce Common Method Bias (CMB), measurements were conducted in three stages. In the first week, the measurement of exogenous variables was carried out, namely Market-Oriented Culture, Digital Capability, and Corporate Reputation. In the second week, the measurement of the mediating variable, Dynamic Capability, was conducted. In the third week, the measurement of the endogenous variable, namely SCA, was performed. These variables follow a logical sequence. The coordination and data collection mechanism were supported by a startup aggregator, which played a role in enhancing data validity and respondent engagement. To control for potential external bias, this study included control variables such as startup age, industry sector, and the amount of funding received. These variables function to ensure that the observed effects on SCA genuinely originate from the primary research variables, not from unmeasured external factors.

Referring to the recommendations of Podsakoff et al. [109], we employed Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) to examine the presence of common method bias. EFA was used to explore the underlying factor structure of the data, thereby allowing researchers to determine whether the measured variables formed consistent factors. Subsequently, CFA was applied to confirm this factor structure and assess the extent to which the measurement model fits the existing data. The use of both methods helps identify and control potential bias arising from the use of a single data collection method and ensures that data variation truly reflects differences between the constructs being studied, rather than measurement error.

Data analysis was conducted in two main stages. The first stage was descriptive analysis, which was used to describe the characteristics of the respondents and the distribution of the research variables. The second stage was inferential analysis, aimed at testing the hypotheses using Structural Equation Model (SEM) based on covariance (CB-SEM). This analytical approach refers to the procedures developed by Hair et al. [102], which include: defining individual constructs, developing an overall measurement model, designing the study to produce empirical results, validating the measurement model, and testing the structural relationships among variables. SEM was chosen because it allows for testing complex relationships among variables and identifying the mediating mechanism of DCs in a more comprehensive manner.

In the qualitative phase, a case study approach was used based on the uniqueness of startups viewed from low initial costs in market development and wide reach, especially thanks to digital technology, relying on internal capital and 3 cases of startups that obtained Series A–C funding. Semi-structured interviews were conducted with 11 digital startup founders, aggregators (2), including 2 relevant officials from the Ministry of Cooperatives and SMEs. The interview guide was developed based on the research model and exploration of themes related to financing and startup reputation issues in Indonesia. Data analysis used an abductive approach (deductive according to the research model, then inductive by discovering new themes empirically). Thematic analysis employed Reflexive Thematic Analysis (RTA) in accordance with [110]. The

type of RTA used was codebook TA, where there was an initial semi-structured coding framework such as DC for dynamic capability, CR (corporate reputation), SCA, and SS, including initial codes for indicators of each latent variable. The researcher constructed these themes through a reflective, creative, and interpretative analysis process in accordance with theory, data, and researcher subjectivity to discover coherent meaning patterns.

In the third phase, data integration, the quantitative results served as the basis for developing qualitative data collection instruments. Quantitative data provided direction, and qualitative analysis provided meaning and enriched interpretation. Qualitative analysis focused on why and how these relationships emerged. Data integration was conducted through side-by-side comparison. The qualitative results also highlighted the low or non-significant effects in the quantitative model based on theory, data, and the researcher's constructed results.

## V. RESULTS

The research results in the quantitative phase based on descriptive analysis are as presented in Table 1.

**Table 1.** Variable description.

| Variables | Mean | Std | Conclusion |
|---|---|---|---|
| Market Oriented Culture | 3.34 | 0.812 | Less |
| Digital Capability | 3.89 | 0.41 | Sufficient |
| Corporate Reputation | 3.7 | 0.57 | Sufficient |
| Sustainable Competitive Advantage | 3.4 | 0.916 | Sufficient |
| Dynamic Capabilities | 3.3 | 0.867 | Less |

Source: Data processing (2024)

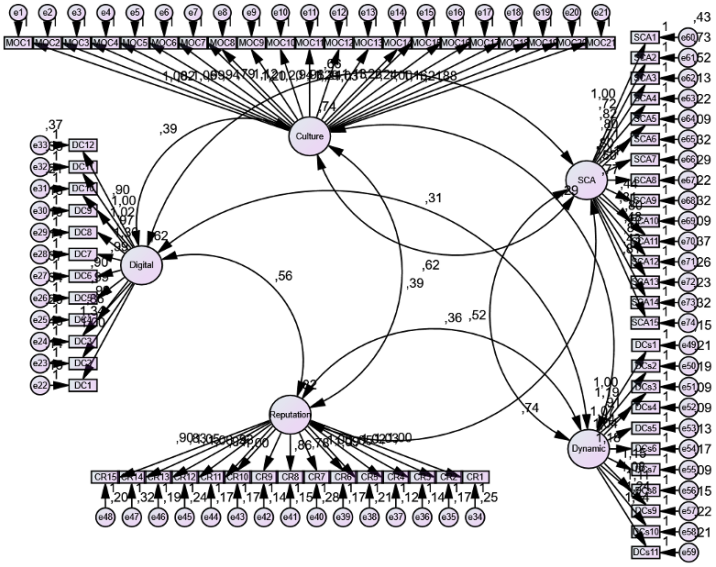


FIGURE 2. The CFA test result.

According to the questionnaire results, three research variables, namely DC, CR, and SCA, are in the moderate category, while MOC and Dynamic Capabilities are low. This condition indicates that startups, which are generally new companies, do not yet have systematic and structured mechanisms to capture customer needs and value trends, lack marketing coordination for products, including the development of

value propositions that serve as the basis for creating products or services. Product or service decision-making is not yet fully market-based. As new players in business, startups experience difficulties in responding to various changes in market demands, including stakeholders such as investors and government, as well as environmental changes (sensing), are less capable of leveraging new opportunities (seizing), and lack the capability to reconfigure resources for innovation, especially during drastic changes in conditions. There is potential for sustainability supported by digital capability capital and company image. The CFA test results based on the SEM Covariant procedure with the MLE method (maximum likelihood estimation) is as follows (see Figure 2).

The test results indicate that the CFA model is valid as most of the loading factors are greater than 0.50. The results of the convergent validity test show that the required criteria are met, with AVE values greater than 0.50 and strong loading factors. Composite Reliability scores are above CR > 0.70. There is no dominant relationship between variables, meaning that from the perspective of nomological validity, the model is adequate. The results of the nomological validity test indicate that the relationships among constructs are consistent with theory and statistically significant (see Table 2).

**Table 2.** Unstandardized and standardized regression weights.

| | | **Estimate (Unstandardized Reg.Weight)** | **Critical Ratio** | **P** | **Estimate (Standardized Reg.Weight)** |
|---|---|---|---|---|---|
| MOC1-MOC 21 | Market-Oriented Culture | 0.713-0.942 | 16.162-21.332 | 0.00 | 0.713-0.953 |
| DC1-DC12 | Digital Capability Culture | 0.719-0.958 | 20.263-38.291 | 0.00 | 0.719-0.958 |
| CR1-CR15 | Corporate Reputation Culture | 0.801-0.841 | 23.607-33.247 | 0.00 | 0.8-0.941 |
| DCs1-DCs11 | Dynamic Capabilities (Sensing, Seizing and Reconfiguration) | 0.772-0.899 | 20.755-26.8 | 0.00 | 0.772-0.899 |
| SCA1-SCA21 | Sustainable Competitive Advantage | 0.71-0.954 | 18.225-33.685 | 0.00 | 0.683-0.954 |

Source: Data processing (2025) ***= 0.000

The average variant extracted (AVE) score and Composite reliability means excellent latent variable/construct convergence. AVE score and composite reliability are shown in Table 3.

**Table 3.** Summary of AVE score and composite reliability testing results.

| Laten Variables | AVE | Composite Reliability | Discriminate Validity | | | | |
|---|---|---|---|---|---|---|---|
| | | | MOC | DC | CR | DCs | SCA |
| Market Oriented Culture | 0.733 | 0.951 | 0.856 | | | | |
| Digital Capability | 0.721 | 0.947 | 0,149 | 0.849 | | | |
| Corporate Reputation | 0.796 | 0.938 | 0,156 | 0,312 | 0.892 | | |
| Dynamic Capabilites | 0.733 | 0.942 | 0,084 | 0,099 | 0,130 | 0.856 | |
| Sustainable Compotitive Advantage | 0.697 | 0.927 | 0,383 | 0,429 | 0,543 | 0,271 | 0.834 |

Source: Data processing (2024)

According to Table 3, the study examines how well the constructs in the Structural Equation Modelling (SEM) framework are validated and reliable. All latent variables demonstrate AVE scores exceeding 0.50, which confirms that each construct exhibits satisfactory convergent validity. Additionally, Composite Reliability (CR) scores surpass the 0.70 threshold, demonstrating robust internal consistency across all variables. To assess discriminant validity, researchers compared the square root of AVE against correlations between variables. The diagonal entries reveal that each variable shows stronger correlation with its own

measurement items compared to other variables, thus satisfying the discriminant validity criterion. For example, the observed variable can explain changes in the latent variable MOC by 0.856, which is higher compared to the observed variable of digital capability at 0.149. The inter-variable correlations indicate fairly strong relationships, particularly between SCA and Corporate Reputation (0.543) as well as Digital Capability (0.429), which highlights the important roles of these two factors in building sustainable competitive advantage.

The normality assessment confirms that the data follows a normal distribution pattern. Using the Kolmogorov-Smirnov test at a 95% confidence interval, the p-value of 0.215 exceeds the 0.05 threshold, supporting this conclusion. The multivariate examination reveals a critical ratio (c.r.) of 1.82, which lies within the permissible range of -2.58 to 2.58. No outlier data points were detected in the dataset. The Mahalanobis D-squared values computed through AMOS are below the chi-square threshold at a 0.000 significance level, confirming the absence of multivariate outliers. These results demonstrate that the model can generate reliable estimates. The investigation revealed no negative error variance values and all correlation coefficients between estimation parameters remained below the 0.9 threshold. At this point, three types of relationships are examined: the connections between indicator/item measurements and their respective constructs; the structural linkages among constructs; and the correlation patterns between constructs, as presented in Tables 4 and 5.

**Table 4.** Results of association tests.

| Path | | | Estimate | S.E. | C.R. | P |
|---|---|---|---|---|---|---|
| Dynamic | <--- | Digital | 0,2 | 0,041 | 4,861 | *** |
| Dynamic | <--- | Culture | 0,169 | 0,028 | 6,092 | *** |
| Dynamic | <--- | Reputation | 0,222 | 0,035 | 6,411 | *** |
| SCA | <--- | Dynamic | 0,802 | 0,092 | 8,711 | *** |
| SCA | <--- | Culture | 0,253 | 0,051 | 5,002 | *** |
| SCA | <--- | Digital | 0,279 | 0,075 | 3,722 | *** |
| SCA | <--- | Reputation | 0,235 | 0,063 | 3,709 | *** |

**Table 5.** Results of mediation tests.

| Path | | | | | Estimate | Sobel Test |
|---|---|---|---|---|---|---|
| SCA | <- | Dynamic | <- | Culture | 0.098 | 4.256 |
| SCA | <- | Dynamic | <- | Digital | 0.107 | 4.962 |
| SCA | <- | Dynamic | <- | Reputation | 0.136 | 5.128 |

Base on Table 4 and Table 5, the analysis indicate that Dynamic Capabilities serve as a key mediator in the relationship between Market-Oriented Culture, Digital Capability, and Corporate Reputation on SCA. Accordingly, companies aiming to achieve sustainable competitive advantage must enhance their dynamic capabilities by optimizing organizational culture, digital capabilities, and corporate reputation. The results of the interpretation of the model indicate the need for improvement. The interpretation results are based on the goodness of fit value as follows (see Table 6).

**Table 6.** Overall model fit analysis.

| Criteria | Cut-Off Value | Results (initial) | Improvement Results | Suitability |
|---|---|---|---|---|
| Absolut fit measure: | | | | |
| CMIN/Df | 2 > CMIN < 3 | 4.124 | 2.346 | Fit |
| GFI | ≥ 0.90 | 0.71 | 0.932 | Fit |
| RMSEA | ≤0.08 | 0.144 | 0.063 | Fit |

| | | | | |
|---|---|---|---|---|
| Incremental fit measure: | | | | |
| AGFI | ≥ 0.90 | 0.814 | 0.9019 | Fit |
| CFI | ≥ 0.90 | 0.714 | 0.931 | Fit |
| IFI | ≥ 0.90 | 0.815 | 0.941 | Fit |
| Parsimonious fit measure: | | | | |
| PNFI | > 0.6 | 0.76 | 0.784 | Fit |
| PGFI | Nearing 1 | 0.617 | 0.633 | Marginal fit |

Based on Table 6, the results of the association test as in table 4 and mediation partially, it was concluded that all hypotheses were accepted. The research results focus on research variables and relationships between variables. It is acknowledged by data sources that as a new or startup company, the existence of company resources is not yet optimal. There is a need for resources to support competitiveness, including following the direction of demands from both government and customers for startups to be oriented towards sustainability. Currently, one founder acknowledges that there are obstacles to realizing competitiveness while achieving sustainability. Based on interview results with the founder (STA), it was explained that various rapid changes in customer orientation toward products and services produced by the company force the company to have faster and more accurate sensing. This accuracy and speed need to be supported not only by digital tools that function for customer trend analysis but also by the company's focus on customers. The company must even change the direction of its business model or core strategy if deemed ineffective in achieving business growth and sustainability. In accordance with the company's focus on consumers, including customers who are critical of sustainability issues, especially customers from abroad who are more critical of sustainability issues. It was conveyed that: Active interaction with customers enables the company to have sensitivity to customer orientation. The company often shifts focus and creates new value propositions after directly hearing user complaints and their views on superior products. This is more adaptive, even with a limited budget (MOC-DC.SCA.STA). However, it is acknowledged that such interaction is not easy to conduct, especially for new startups. There are limitations in focus of attention, insufficient understanding of trends, and very low ability to follow the market. The company still sets boundaries in meeting market expectations. Field findings support [4] that MOC as an internal capability serves as the foundation for increased sensing capability that drives startups to be proactive toward customer demands and makes them more competitive.

Several startups obtained external funding in Series A, B, and C. This support can optimally enhance digital capability. Supported by digital infrastructure, startups have high capability for seizing opportunities according to customer needs. This differs from startups that are only supported by internal capital (founder funds or bootstrapping). The company experiences significant limitations in developing digital infrastructure, including developing digital capability, especially since digital investment is not cheap. These results indicate that human resource capability in digital is very important, in line with [5]. Digital capability determines startup reconfiguration when there are opportunities or commercialization of new value propositions created based on sensing and seizing. Making strategic decisions to be more competitive or increase SCA can be done more quickly with the support of human resources with high digital capability. The company can perform rearrangement, integration, and resource changes to align with the value proposition offered to customers or new strategies that better ensure SCA. However, the company is also faced with resource capacity to enhance digital capability.

Startups in Indonesia are in the early stages of development and face various obstacles, especially regarding resources. In addition, there are various current issues that make startup reputation low, as expressed by the founder of Agriculture/Agrotech (RAB). It was explained that currently the challenge is not only about how to be competitive but how to build a reputation as a startup with high dedication not only to customers but to other stakeholders such as investors. Performance has become the company's main orientation. Good performance will enhance reputation. However, sustainability performance still faces obstacles both in implementation and in maintaining its balance with core business performance. CR is a company's strategic asset.

The study results show the important role of reputation in driving dynamic capabilities and SCA. Several company founders consider that reputation is not an initial factor, but rather an output of performance. 'We are more focused on growth and revenue, whereas reputation also needs to be built to support growth.' If a startup's brand is already trusted, regional markets will be more open, including investor support. Startup reputation functions as a long-term enabler, not just a direct driver of SCA. Reputation is built based on the company's consistency in providing assurance to both customers and investors. Along with various reputation issues and their impact on company development, startups realize that a good reputation in the eyes of investors and customers will increase the company's ability to adjust the organization to align with opportunities seized, with value propositions that continue to evolve according to market demands and sustainability.

The positive association of MOC with Dynamic capabilities and SCA is proven to be significant. This result is reinforced by qualitative data showing that companies with high MOC have faster sensing capabilities based on various changes in customer and investor demands. The company has a more adaptive competitive strategy in line with various rapid changes. Digital Capability has a significant association with DC and SCA. Startups supported by adequate digital capability are able to capture and leverage opportunities based on digital data sources, while startups with limited digital human resource competencies experience difficulties in seizing and reconfiguring business structures and processes according to superior value propositions that are oriented toward customers and investors (related to funding). The relationship between CR and SCA is confirmed through qualitative research. CR is also viewed as an output of sustainable competitive advantage. Reputation also has important meaning for regional and global markets and serves as a driver for the short term (funding) and long term (sustainability of competitive advantage). Reputation in the digital era is key to realizing SCA. Dynamic capabilities play a partial mediating role in the influence of MOC, DC, and CR on SCA. Dynamic capabilities such as sensing, seizing, and reconfiguring are built based on internal resources. Companies that have unique, distinctive, and difficult-to-imitate characteristics can realize competitiveness based on the DCs process. Dynamic capabilities are an effective mechanism for achieving SCA. However, there are negative sides of MOC, DC, CR, and DCs that can hinder efforts to realize SCA.

## VI. DISCUSSION

The empirical findings reveal a significant positive relationship between Market-Oriented Culture, Digital Capability, and Corporate Reputation with Sustainable Competitive Advantage. These findings support the perspective of DCs [4], which emphasizes the importance of organizational capabilities in transforming dynamic resources into sustainable competitive advantage. MOC represents a simultaneous-complex epistemological approach to understanding the dynamics of consumer needs. This aligns with [27], who conceptualize manifest needs as explicit articulations of consumer preferences, while latent customer needs are considered cognitive-affective constructs that remain unarticulated but potentially hold superior strategic significance in the development of innovative value propositions. Organizations with a mature MOC implement inferential mechanisms that facilitate the identification of latent needs through an abductive approach, integrating both explicit and tacit knowledge in strategic decision-making processes. Market-oriented organizational culture serves as a fundamental mechanism to enhance sensing, seizing, and reconfiguration capabilities. In this framework, a market-oriented culture functions as the first epistemological foundation. Startups are no longer viewed merely as profit-seeking entities but as systemic transformation agents with comprehensive responsibilities toward the business ecosystem and the environment. Therefore, cultural reorientation becomes the basis for building startups with holistic organizational awareness.

In the context of complex global economic transformation, startups face significant epistemological and strategic challenges in building sustainable competitive advantage. Research indicates the existence of a fundamental mechanism that enables emerging organizations not only to survive but also to systematically grow through the integration of market-oriented culture, digital capabilities, and reputational construction.

The theoretical framework of this study is built upon the DCs paradigm as proposed by [4]. In line with [93], capabilities such as IT capabilities and organizational virtues play an important role in helping startups achieve competitive advantage and readiness to implement sustainable practices.

Digital capability serves as a strategic infrastructure in mediating organizational transformation. The integration of artificial intelligence and marketing analytics allows startups to expand the scope of market intelligence, identify emerging opportunities, and redesign organizational architecture with high responsiveness. Corporate reputation is understood as a strategic resource that is unique, valuable, and difficult to imitate. From the Resource-Based View perspective, reputation becomes a guarantee of startup sustainability, especially within the context of dependency on a complex funding ecosystem. This underscores the importance of symbolic capital in building institutional legitimacy. The integration of artificial intelligence systems with marketing analytics represents a significant paradigmatic shift in how emerging organizations conceptualize and operationalize market intelligence gathering. This technological convergence facilitates the expansion of market intelligence parameters beyond traditional boundaries, the identification of emerging market opportunities through algorithmic pattern recognition, and the reconfiguration of organizational architecture to enhance adaptive capacity. Contemporary research on digital transformation indicates that such an integrative approach enables nascent companies to transcend the limitations of conventional market scanning through computational augmentation of strategic decision-making processes [111, 112]. Four key themes in digital capability scope, scale, speed, and sources of value creation and capture describe how digital resources and dynamic capabilities play a role in reshaping business processes, expanding operational reach, and building an integrated ecosystem.

This study simplifies the concept of corporate reputation by integrating two main perspectives: the RBV and DCs. According to RBV, reputation is seen as an intangible asset that holds value because it meets the VRIN criteria (Valuable, Rare, Inimitable, Non-substitutable), thereby considered a rare and hard-to-imitate resource that supports long-term competitive advantage [3]. On the other hand, the Dynamic Capabilities perspective emphasizes that reputation is the result of an organization's ability to continuously adapt, transform, and manage resources dynamically in response to environmental changes [22, 113]. This approach shifts the traditional view of reputation as a static asset to a capability that must be continuously regenerated through the orchestration of resources and the reconfiguration of processes [4], while highlighting internal mechanisms that facilitate the construction and reconstruction of reputational capital [114]. Thus, in the context of startups, the application of the Dynamic Capabilities framework reveals dimensions of dynamism that are not fully captured by conventional RBV approaches, thereby positioning corporate reputation as a manifestation of dynamic capabilities that enable sustainable organizational transformation in the face of environmental volatility [115].

In the reputational dynamics of startups, the application of the dynamic capabilities' framework reveals dimensions of dynamism that are not fully captured by the conventional Resource-Based View perspective. From a temporal standpoint, there are path dependency dynamics, wherein early reputational decisions create trajectory dependencies that influence the subsequent development of reputation [116], variations in the pace of reputation accumulation throughout the startup's journey [117], as well as temporal compression challenges that necessitate the accumulation of reputation within a compressed timeframe (118). In the contextual dimension, shifts in the institutional landscape reconfigure the evaluative criteria of reputation [119], the evolution of the competitive landscape recalibrates the relative value of different reputational dimensions [120], and the recalculation of stakeholder expectations triggers the need for reputational reconfiguration [121]. Meanwhile, internal dynamism is reflected in the evolution of resource endowments that may facilitate or hinder the construction of reputation [122], shifts in strategic orientation that reshape priorities and focus in reputation development [123], and the impact of leadership transitions on the coherence and continuity of reputation [124]. The dynamic capabilities approach thus provides a deeper understanding of how startups can actively manage and develop their reputation to remain adaptive amid ever-changing environments.

Dynamic capabilities not only expand opportunities for achieving competitive advantage but also have the potential to drive sustainable business model innovation. The conceptual framework developed by [11]

indicates that business models based on sustainable principles such as material efficiency, waste minimization, and resource optimization can generate inclusive value for society and the environment. Startups that are able to adapt to dynamic and uncertain environments, as suggested by [9, 10], may lead to more efficient and sustainability-oriented resource management. Furthermore, inclusive value creation and the development of scalable sustainable business models become key in supporting the transition toward a circular and low-carbon economy.

How to operationalize the support of Market-Oriented Culture, Digital capability, and corporate reputation to drive Sensing, Seizing, and reconfiguration in the context of startups in Indonesia remains a homework assignment. A performative perspective has been proposed [64], namely social interaction and communication rather than formal structured routines. In this digital era, interaction and communication can reach various parties to observe the environment and market trends. Bridging and sharing to articulate experiences and ideas as practices for obtaining sensing. Seizing is carried out through dialogue and monitoring to provide space to assess inconsistencies in opportunity ideas, while reconfiguring by connecting skills, interests, and talents of human resources as well as digital support to achieve excellence, including how to adjust resource limitations.

In the context of startups, MOC encourages companies to capture latent needs not only of customers but also of other stakeholders who have interests such as investors. MOC encourages startups to continuously activate sensing as a strategy so that the company remains adaptive. MOC can even change the core business model when strategic objectives require a change in orientation. High MOC makes dynamic capabilities such as sensing direct toward sustainable competitive advantage. For companies, DC is not only a technical capability but a strategic one. Digital capability operationalized as a strategic tool to leverage opportunities quickly and accurately. DC drives companies to transform sensing information into actions oriented toward SCA. Adequate digital capability enables companies to develop market intelligence scope, opportunity identification, and organizational architecture redesign with high responsiveness according to competitive demands. DC facilitates the speed and accuracy of companies in mobilizing resources to realize products or services according to value propositions that fit the market. CR is a dynamic resource that supports the company's ability to align with value propositions that become customer and investor preferences. CR legitimizes investor support for funding or expanding new markets as well as maintaining competitiveness. Company reputation attracts investors and new customers which then influences organizational ability to adjust, change, and re-orchestrate assets, structures, resources, including internal processes toward sustainable competitive advantage.

The study results also expand understanding that MOC is not only a tool for capturing latent customer needs but also stakeholders such as investors. MOC as a strategic foundation that drives company sensing to be more sensitive and can even change the core business when the value proposition offered by the company is not relevant to the market or other stakeholders. There is a paradigm shift in understanding excellence. The concept of digital capability is developing. DC facilitates the speed and accuracy of startups to transform sensing information into actions to optimize opportunities toward SCA. Corporate reputation is theoretically positioned as a dynamic resource that legitimizes and supports company reconfiguring. CR as a resource to adjust, change, and re-orchestrate assets, structures, and internal processes. CR as providing a path to reconfiguring directed toward SCA. MOC, Digital, and CR function as specific mechanisms that underlie and drive each stage of DC (Sensing, Seizing, Reconfiguring) to realize SCA in startups in line with [71, 77].

The study's findings also offer a methodological approach to transforming organizational resources in order to develop sustainable business models, as proposed by [11]. Through the mechanisms of sensing, seizing, and reconfiguration, startups can develop strategic responsiveness that enables continuous adaptation in hyper-complex business environments. First, the sensing mechanism allows startups to develop deep knowledge through systematic monitoring of changes in their environment. Second, the seizing mechanism enhances the ability to intelligently mobilize resources, optimize capital allocation, align tangible and intangible assets, and responsively redesign organizational competencies. Third, the reconfiguration mechanism provides an evolutionary dimension to organizational capabilities, enabling

startups to adjust and develop their internal capacities to create adaptive organizational flexibility. These three mechanisms are important phases developed in line with [125], for sustainable competitive advantage in changing environments. In line with [78], the process between dynamic capabilities and output is a reciprocal causality process. High sustainable competitive advantage increases the provision of resources and the enhancement of sustainable Dynamic Capabilities.

However, it is acknowledged that the relationship between internal resources, dynamic capabilities, and SCA is not always linear. Qualitative studies show risks, especially for relatively new companies. Market orientation actually increases barriers to radical innovation, which is the strength of new companies. In line with [65, 126], efforts to follow market changes can become a burden and reduce company resilience [67]. Increasing Digital capability requires high digital investment that becomes a burden for the company and can cause cashflow problems. In line with [73], managing digital capability requires large resources, creates organizational rigidity, and creates strategic vacillation that hinders sustainable competitive advantage. Maintaining reputation is not easy. High reputation can turn into a liability when the company cannot meet market expectations. This condition has a higher destructive power on legitimacy and customer and investor trust compared to companies with moderate CR. In line with [74], although reputation reduces unsystematic risk (internal risk), there is still a trade-off in the form of increased systematic risk. Companies with high CR face high company performance variation due to overall market changes (market-related factors). Reputation is a fragile asset. It takes a long time to build CR, but it can be destroyed quickly. There are high reputation risks, especially in Social aspects such as product liability, stakeholder opposition, and Governance (corporate governance failures) as stated by [75]. To reduce risks as stated by [76], startups in Indonesia ensure information accuracy in reports to reduce financial and strategic risks such as loss of networks, credibility, and attractiveness to new ventures.

The process of Sensing, seizing, and reconfiguring as mediating variables has a dark side. Rapid repetitive cycles can trigger fatigue at various levels, both organizational and employee. Changes in strategy, priorities, and focus according to market or environmental demands can create instability in the organization. Repeated strategy changes consume limited time, energy, and capital, which ultimately reduce SCA. Furthermore, referring to [67], to overcome routines that can hinder innovation and high costs in developing dynamic capabilities, resilience is needed at various levels, both individual and organizational, especially since new startups have low resources with less resilience to uncertain environments as stated by [96]. In addition, orchestration is needed in mobilizing resources so that the company not only develops dynamic capability for SCA but also anticipates the risk of losing resources and market access.

Understanding the position of MOC, DC, CR, and DCs from two sides reflects the need for a paradigm shift in understanding business for startups. Realizing competitive advantage and supporting sustainability as two sides of achievement that require priority a more comprehensive business model. MOC, DC, and CR are a series of non-physical resources (Strategic Intangible Triad) as the main prerequisite in designing startup company strategies to realize sustainable competitive advantage. The Triad as an epistemological prerequisite that underlies the emergence of DCs in the context of startups. MOC creates a collective mindset that is market-oriented. DC provides the speed, scale, and reach that enable startups to 'leapfrog' traditional resource limitations. This transforms the qualitative-cultural sensing process into measurable and responsive action. CR is symbolic capital that functions as an external resource to legitimize change and transformation. CR reduces risk (especially funding risk) and attracts important stakeholders (investors, partners).

However, startups must first build and develop these three assets to generate SCA through the processes of sensing, seizing, and reconfiguring carefully. In line with [18, 19] who explain sustainable startups. Sustainability has been positioned as a core value proposition by startups [20], indicating a strong commitment to making it a primary business objective rather than a complementary element. Startups have also been identified as major contributors [21] to the development and commercialization of sustainable innovations and to the provision of solutions addressing environmental and social challenges. Focus on sustainability is not only an ethical responsibility but also a strategic advantage. Integrating sustainability into startup business models provides insights into how sustainability principles can be applied practically in decision-making processes. The results of this study show that the strategic intangible triad and DCs serve

as a conceptual framework for developing and expanding AI startup business models aimed at achieving sustainability.

## VII. CONCLUSION

Dynamic Capabilities serve as the primary mechanism for managing sustainable competitive advantage amid economic uncertainty and technological disruption. Market-Oriented Culture (MOC), digital capability, and corporate reputation exert significant influence on competitive advantage, both directly and through the processes of sensing, seizing, and resource reconfiguration. The integration of marketing analytics capabilities with the adoption of artificial intelligence significantly enhances organizational capacity to sustain competitive advantage. This approach requires a deep understanding of market dynamics as well as the adoption of advanced technologies. Through such strategies, startups are not only able to adapt but also proactively reshape the competitive landscape of their industry. Organizational culture, digital capabilities, and reputational capital become the foundation of the strategic intangible triad that enables startups to perform sensing, seizing, and reconfiguring of resources under conditions of uncertainty for SCA. Although DCs mediate the influence of MOC, DC, and CR on SCA, startups in Indonesia need to carefully orchestrate MOC, DC, and CR as interdependent mechanisms in driving dynamic capabilities. There is a dark side of dynamic capabilities that requires balanced trade-off management to mitigate risks of over-investment, rigidity, and reputational vulnerability that can actually hinder the function of these strategic resources for SCA.

### *1. THEORETICAL IMPLICATION*

The theoretical implications of this study are highly fundamental. Startups are transformed from merely economic entities into systemic change agents with the potential to drive the transition toward more sustainable economic models. The DCs framework offers a methodological mechanism that enables firms particularly those in the emerging stage not only to comprehend sustainability principles, but to substantively integrate them into organizational practices. The operationalization of DCs can drive SCA, but if not done carefully, it will hinder the function of strategic resources whether MOC, DC, or CR in creating SCA. The relationship between internal resources, dynamic capabilities, and SCA is not always linear. The operationalization of DCs supported by MOC can inhibit radical innovation. The courage to innovate and avoid excessive market adaptation are keys to minimizing the negative side of DCs interaction with MOC. On the other hand, although DC has a significant role in driving DCs and SCA, increasing DC requires large investments and increases cash flow risks as well as organizational rigidity. DC structuring is necessary so that Digital Capability development aligns with capacity and corresponds with business cycles and metrics that indicate the company's competitive position. Understanding the position of CR as a mediating variable also needs to be supported by understanding the risk side of reputation. Therefore, CR strategy is implemented based on efforts to maintain healthy reputation, avoid over-claiming, expand transparency and information accuracy. Developing a system to detect potential reputation crises early, connected with sensing, seizing, and reconfiguring to overcome crises while maintaining SCA. This framework extends existing literature on dynamic capabilities by explicitly incorporating digital affordances as mediating mechanisms in the process of organizational adaptation for sustainability. The development of an integrative framework that explains how these variables interact through the mediating role of Dynamic Capabilities (via the processes of sensing, seizing, and reconfiguring) within the context of digital startups in emerging markets provides a novel perspective in understanding the internal mechanisms that enable firms to continuously adapt and sustain competitive advantage amid complex market dynamics and high uncertainty.

### *2. PRACTICAL IMPLICATION*

In practical terms, the findings of this study offer strategic guidance for industry players and digital startup managers in designing adaptive and innovative business strategies by minimizing various dark sides

faced by the company. The business model developed is a business model that implements the principles of sustainable competitive advantage. One key implication is the encouragement of developing a market-oriented culture that is responsive to customer needs and behavioral changes. However, integration into the Dynamic capability design process is done carefully by paying attention to the dark side or risks of internal resource support on sensing, seizing, and reconfiguring capabilities. High MOC can increase strategic rigidity. On the other hand, customer orientation is used as a reference, but should not kill radical exploratory innovation, which can actually demonstrate sustainable advantage. There is also a pressing need for sustained investment in resources aimed at adopting digital technologies and enhancing digital competencies to improve operational efficiency and product or service innovation. Digital investment also needs to be carried out in stages according to growth phases and market validation so as not to burden the market.

Reputation is an important resource for the company. However, reputation needs to be managed transparently with business practices that truly uphold high credibility. The company integrates sensing seizing–reconfiguring with reputation management. The company builds business reputation while ensuring that business ethics remain the primary responsibility. Both companies must establish and maintain a strong reputation through transparency, trust, and strategic stakeholder relationships, which are essential for supporting long-term growth and competitiveness. The implementation of these strategies can enable startups to be more adaptive in responding to global market dynamics, optimize resource utilization, and enhance sustainable competitive advantage. To support the dynamic organizational resources, it is imperative to design a supportive startup ecosystem that fosters coordination and synergy among various actors and factors within the ecosystem.

## *3. LIMITATION*

This study reflectively acknowledges the complexity of the startup ecosystem. We recognize the limitations of linear predictive models and emphasize the importance of continuous epistemological refinement. The research is limited to startups in Indonesia, which limits generalization as well as explanation of changes in endogenous variables and indicators for each latent variable. The use of quota sampling and a sample size that may not fully represent the entire digital startup ecosystem in Indonesia suggests that generalizing the findings to the broader population should be approached with caution. Qualitative data collected based on quantitative findings may not fully explain the data sources' perspectives on research variables or relationships between variables. Future longitudinal studies could provide deeper insights into the evolution of competitive advantage. The use of structured questionnaires through self-report methods introduces potential subjective bias from respondents, despite efforts to minimize common method bias through phased data collection. Long-term studies are needed to capture the evolutionary dynamics of competitive advantage over time, as well as to observe the shifting roles of strategic variables within an ever-changing context.

Future research could benefit from employing exploratory sequential design approaches or qualitative methodologies to explore the internal mechanisms and dynamic processes underlying the interactions between organizational culture, digital capabilities, and corporate reputation. Including moderating variables such as industry characteristics, firm size, or macroeconomic context could help assess whether and how these variables influence the observed relationships. Comparative studies across different countries or regions are also warranted to examine the generalizability of the model and to determine whether similar mechanisms apply across startup ecosystems in both developed and emerging markets.

Fiki Satari, as the first author, drafted the manuscript and contributed to data collection through questionnaires. He was responsible for data validity, data processing, and adherence to research ethics. He also developed the proposed conceptual framework and its novelty. Yudi Azis contributed to the theoretical development and refinement of the constructs in accordance with the research context. Diana Sari contributed to manuscript revisions, guided the research stages, and provided final approval of the conceptual framework used. Asep Mulyana contributed to the development of research instruments relevant to the study context and to the research design, ensuring bias control to maintain the reliability and validity

of the data and results. All authors are scientifically accountable and contributed to the discussion of findings by engaging in critical reflection on data interpretation, reviewing previous studies, conducting comparative and contrastive analysis, and articulating how this research addresses theoretical gaps based on the RBV framework.

- Author Contributions

Fiki Satari led the drafting of the manuscript, contributed to data collection using questionnaires, ensured the validity and processing of data, and was responsible for research ethics. He also developed the conceptual framework and articulated its theoretical novelty. Yudi Azis contributed to strengthening the conceptual and construct development in line with the research context. Diana Sari contributed to manuscript revision, guided the research process, and approved the final version of the conceptual framework. Asep Mulyana contributed to the development of context-specific instruments and research design, ensuring appropriate bias control to enhance the credibility of data and results. All authors contributed to the interpretation and discussion of the findings, including comparative analysis with prior literature, and collectively reflected on how the study fills knowledge gaps based on the RBV framework. All authors have read and approved the final manuscript and agree to be accountable for all aspects of the work.

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## Author Contributions

Conceptualization, F.S. and Y.A.; methodology, F.S.; software, F.S.; validation, Y.A., D.S., and A.M.; formal analysis, F.S.; investigation, F.S.; resources, Y.S; data curation, D.A.; writing—original draft preparation, F.S.; writing—review and editing, A.M.; visualization, D.S.; supervision, D.S. All authors made an equal contribution to the development and planning of the study.

## Conflicts of Interest

The authors declare no conflicts of interest.

## Data Availability Statement

Data are available from the authors upon request.

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