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The Impact of Capabilities, Business Models, and Digital Transformation on UMKM Performance: The Mediation Role of Strategic Partnership

Ragil Yoga Edi[1*], Willy Arafah[2], Justine Tanuwijaya[3]

Badan Riset dan Inovasi Nasional (BRIN)[1], Universitas Trisakti[2,3]

Correspondence Email: ragil.yoga.edi@brin.go.id[*]

Abstract

This study investigates the influence of capabilities, business models, and digital transformation on the success of MSMEs, with strategic partnerships functioning as a mediating factor. The research utilizes survey data from 247 MSME entrepreneurs and managers in Jakarta who have integrated digital platforms into their business operations. The collected data is analyzed using PLS-SEM. The findings reveal that business models, digital transformation, and strategic partnerships significantly impact SME performance in Jakarta. Strategic partnerships serve as a crucial intermediary, linking business models and digital transformation to corporate performance and amplifying their effect. In contrast, the broader relationship involving capabilities exhibits minimal influence on performance, either directly or through the mediation of strategic partnerships. The results highlight that the primary challenge hindering SME growth in Jakarta is limited capabilities, underscoring the need for more structured and targeted interventions. To address these constraints, strategic partnership initiatives involving government and private sector stakeholders should be tailored to meet the specific needs of MSMEs. Additionally, strengthening digital literacy is essential to enable SMEs to access broader market opportunities. The increasing reliance on social media and e-commerce platforms has emerged as a key digital literacy initiative among MSMEs, supporting their business expansion efforts.

Keywords: capability, business model, digital transformation, strategic partnership, performance, MSMEs.

INTRODUCTION

The advancement of digital technology, particularly within the framework of information and communication technology (ICT), has become a defining feature that drives a paradigm shift in business operations (Kamdjoug et al., 2019). Additionally, the global COVID-19 pandemic has created economic instability, triggering recessions across various sectors (Pant et al., 2023). This disruption has impacted both supply-side, including goods and service providers, and the demand-side, represented by consumers (Grondys et al., 2021). Historically, micro, small, and medium enterprises (MSMEs) have served as the backbone of economic resilience during past crises; however, they have emerged as the most vulnerable sector in the wake of the pandemic (Rustiarini et al., 2023). Government-enforced social restrictions aimed at curbing the virus's spread have significantly hindered the movement of people and goods, exacerbating economic challenges (Shen et al., 2020). The pandemic-induced constraints on supply chains and declining consumer demand were difficult for MSMEs to navigate due to their inherent limitations and sluggish adaptability to innovation (Nafi'atul Huda & Lestari, 2008; Rustiarini et al., 2023). Consequently, the pressing concern is

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how businesses can recover in the post-pandemic era and regain their role as vital contributors to Indonesia's economic growth (Yahaya & Nadarajah, 2023). This study conceptually provides contributions to empirical evidence regarding the influence of corporate resources on the performance of MSMEs. It also lays the groundwork for developing programs that would improve MSMEs' competitiveness and performance in Jakarta.

The dynamic shifts in the business environment necessitate the ability to recognize emerging opportunities and challenges, enabling organizations to formulate strategies that ensure long-term sustainability (Rahman et al., 2023). Adapting to rapid external changes requires the implementation of transformative business strategies alongside a strong entrepreneurial orientation (Kisubi et al., 2022). However, internal organizational capabilities and resources alone are insufficient; leveraging external resources is essential to sustaining competitiveness (Yang et al., 2022). Strengthening the performance of MSMEs necessitates a strategic emphasis on fundamental competencies such as entrepreneurial orientation, strategic planning, innovation, and business model development, internal attributes that are not easily transferable (Pucci et al., 2017). These elements play a decisive role in determining whether an enterprise thrives or falters in a competitive landscape (Singh et al., 2020). Innovation and business model evolution serve as integral components of organizational capabilities (Pucci et al., 2017), enhancing customer accessibility and, consequently, business performance (J. M. Müller et al., 2018). Furthermore, innovation in business models facilitates necessary adjustments in response to market disruptions driven by advancements in digital technologies (Gopisetty, 2020).

Pucci et al. (2017) examined the interplay between business model innovation, organizational capabilities, and firm performance, identifying the business model as a crucial intermediary that enhances corporate outcomes. Empirical findings demonstrate that business model innovation contributes positively to company performance (Pucci et al., 2017; Gerdoçi et al., 2018), offering insights into both static and dynamic dimensions of performance (Haggège et al., 2017). While static performance pertains to value creation and acquisition (Bouncken & Fredrich, 2016), dynamic performance encompasses an organization's ability to sustain long-term objectives (Haggège et al., 2017). Nonetheless, relying solely on internal capabilities and business model configurations is insufficient for advancing MSME performance in an increasingly volatile business (Khai et al., 2020). The integration of digital technology has become essential, as it serves as a strategic asset by generating actionable insights that inform decision-making and facilitate transformative business developments beyond mere structural modifications (Aydiner et al., 2019; and Stalmachova et al., 2022).

The integration of digital technology has significantly influenced the MSME sector, which has traditionally exhibited limited innovation capabilities (Yulianto & Supriono, 2023). The adoption of digital marketing tools, online payment systems, and social media platforms to enhance sales performance has become increasingly prevalent among MSMEs (Ledi et al., 2023). Proficiency in digital technologies, coupled with adequate digital literacy, has strengthened MSMEs' competitive edge (Chelliah et al., 2023) and driven European SMEs to refine their business models for improved corporate performance (Bouwman et al., 2018). From a consumer standpoint, the pandemic has reshaped purchasing behaviors (Stalmachova et al., 2022), shifting preferences from traditional physical marketplaces to digital platforms such as e-commerce and online marketplaces (Machfud & Kartiwi, 2013). The adoption of digital technologies facilitates greater accessibility, affordability, and convenience in the delivery of products and services to a broader consumer base (Prabawa & Rizan, 2015), thereby fostering sales growth and business expansion (E. Müller & Hopf, 2017).

The integration of digital technology into business operations has expanded dramatically in the post-pandemic era (Khai et al., 2020). In Indonesia, numerous MSMEs have

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adapted their business models to improve customer service by establishing collaborations with online shopping platforms and logistics providers (Priyono et al., 2020; Oktavenus, 2019). These partnerships create a cohesive ecosystem between product and service providers, marketplace operators, and logistics companies, offering a seamless experience through a single digital application accessible to customers (Foroudi et al., 2017). Concurrently, other enterprises are embracing digital transformation across their institutional and operational structures to enhance proximity and engagement with consumers (Oktavenus, 2019). Empirical studies indicate that digital transformation yields substantial improvements in organizational capabilities and business performance (Nwankpa & Roumani, 2016) (Prabawa & Rizan, 2015). Furthermore, strategic partnerships serve as a mechanism for firms to acquire external resources that are otherwise inaccessible within their internal structures (Ferreira & Franco, 2017).

The observed developments underscore the need to investigate how capabilities, business models, and digital transformation collectively influence company performance within the MSME sector, with strategic partnerships acting as a mediating factor. Strengthening organizational capabilities among SMEs is imperative to facilitate recovery and enhance business resilience during periods of economic turmoil (Ssenyonga, 2021). As Indonesia's largest metropolitan hub, Jakarta serves as a crucial economic benchmark, making it particularly relevant for analyzing the digital transformation of SMEs and their collaborative efforts to improve business outcomes. Examining these dynamics presents both theoretical insights and practical applications that contribute to accelerating MSME recovery, aligning with the long-term objectives of the Vision of Golden Indonesia 2045.

Hypothetical Development

Capability (X1) refers to an organization's ability to implement strategic initiatives in response to environmental dynamics, leveraging existing information and knowledge to achieve targeted business performance (Wattanawarangkoon et al., 2022; Liao et al., 2023). Empirical studies consistently highlight a positive correlation between various forms of capability and business success across different domains (Kamdjoug et al., 2019; Chen & Lin, 2021). Specific examples include expertise in utilizing information technology (Cheng & Krumwiede, 2018), managing international trade networks for export expansion (Krammer et al., 2018), and harnessing social media for business growth (Cheng & Krumwiede, 2018), all of which significantly enhance corporate performance (Hermano et al., 2022). Within the SME sector, research indicates that marketing and managerial competencies contribute to both financial success and customer satisfaction (Nusair et al., 2022). In the banking industry, proficiency in big data analytics plays a vital role in strengthening market and operational outcomes (Aziz et al., 2023).

Studies examining capability's influence on business performance (Y) consistently emphasize the role of rapidly evolving market conditions (Otache, 2024). Research in Nigeria suggests that innovation capability emerges from synthesizing external environmental factors and mobilizing resources to address prevailing challenges, thereby fostering the development of new, market-ready products and services that enhance corporate growth (Sari et al., 2023). Further investigations refine capability into distinct dimensions, such as marketing analytics, brand positioning, and networking proficiency, all of which contribute to financial strength, customer engagement, and operational efficiency (Abrokwah-Larbi, 2024). However, capabilities do not always exert a direct influence on business performance; instead, they often serve as intermediary variables that strengthen underlying relationships leading to improved company outcomes (Ranjan, 2024). From this review, the following hypothesis is proposed:

H1: Capability has a positive impact on company performance.

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The impact of capability (X1) on company performance (Y) is significantly shaped by the presence of a mediating variable (Nayak et al., 2021). Within the SME sector, strategic partnerships (Z) serve as a crucial intermediary that facilitates the relationship between organizational capabilities and business outcomes (R. da P. Costa et al., 2018). Through the exchange of information and knowledge adoption within these partnerships, firms gain new insights that contribute to their overall competencies (Prajogo et al., 2021). This process of integrating external resources into the firm strengthens its capabilities and enhances competitive advantage (Mamédio et al., 2019). One strategic approach to accessing external resources, such as technology, products, and market opportunities, is through collaborative partnerships with other entities (E. Costa et al., 2020). However, successful partnerships demand not only knowledge acquisition but also the ability to refine, leverage, and integrate that knowledge effectively (Jiang et al., 2015). Based on these perspectives, this study incorporates the theoretical insights of Jiang et al. (2015) and Costa et al. (2020) to propose the following hypothesis:

H2: Capabilities exert a positive influence on the formation of strategic partnerships.

The formation of strategic partnerships is driven by the advantages they provide, such as access to knowledge, technology, and broader markets (Emami et al., 2022). The extent to which these partnerships contribute positively to company performance (Y) is shaped by various factors, including leadership style, trust, and organizational commitment in achieving alliance objectives (Loon et al., 2023). Empirical evidence further suggests that strategic collaborations enhance the export performance of SMEs (Zahoor & Lew, 2023), although the strength of this relationship is contingent upon several moderating influences (Lionora et al., 2023). For instance, relational capital reinforces the linkage between strategic cooperation and product buyer performance (Prajogo et al., 2021), while organizational agility further amplifies its effectiveness (Liu, 2021). Additionally, the impact of strategic partnerships (Z) on company performance (Y) is determined by several key attributes, including absorptive capacity, prior experience in alliances, partner learning, knowledge transfer efficiency, productivity, and the specific nature of the partnerships (Rajan et al., 2023) (Yu et al., 2019).

Drawing on these insights, the following hypothesis is proposed:

H3: Strategic partnerships positively influence company performance.

The discourse on business models (X2) gained prominence with the advancement of information technology and computing, which facilitated the emergence of various digital commercial platforms (Ng et al., 2013). Internet technology, which seamlessly connects individuals and communities beyond spatial and temporal constraints, has reshaped business paradigms. This shift extends beyond customer satisfaction, incorporating value chain integration derived from partnerships and formulated into strategic business approaches to enhance corporate performance (Ng et al., 2013). These strategic values encompass behavioral attributes, distinctive characteristics, and experiential knowledge (Cantele et al., 2020). Within partnerships, firms exchange insights and experiences, serving as foundational input for strategy development while mitigating asymmetrical conditions among partners (Payán-Sánchez et al., 2019). Strategic partnerships facilitate SMEs in leveraging complementary external resources and further developing their capabilities (Karami et al., 2022). The relationship between business models (X2) and strategic partnerships (Z) is predominantly shaped by the premise that business models are frequently constructed based on resources acquired through collaborative alliances (Sunandar et al., 2023). However, SMEs often face constraints in financial resources, networking opportunities, and technological adoption,

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limiting their ability to fully capitalize on available prospects (Saka et al., 2022). Furthermore, not all MSMEs possess the ability to absorb external resources effectively, even after establishing partnerships. Strategic alliances (Z) function as an intermediary variable that enhances competitive advantages, contingent upon factors such as partner selection and capital accumulation strategies (Lionora et al., 2023). Building upon these insights, this study incorporates the perspectives of Lionora et al. (2023) to formulate the following hypothesis:

H4: Business models influence the formation of strategic partnerships.

Digital transformation (X3) is widely recognized as a pivotal enabler of corporate growth, primarily through investments in digital technology that drive performance outcomes (Y) (Sun et al., 2023). Empirical evidence demonstrates that firms undergoing digital transformation benefit from enhanced organizational value (Senadjki et al., 2023) and improved operational efficiency, largely attributable to cost reductions and the optimization of transaction processes (Gun et al., 2024). Furthermore, digital adoption has been linked to advancements in gender equity and the reinforcement of corporate governance structures (Shehadeh et al., 2024). However, despite its advantages, digital transformation can also exert adverse effects on company performance (Y), particularly when substantial asset investments fail to be amortized effectively (Jardak & Ben Hamad, 2022). Based on these insights, the following hypothesis is proposed:

H5: Digital transformation influences company performance.

Digital transformation (X3) has fundamentally reshaped business practices, transitioning strategic partnerships (Z) from mere resource exchange mechanisms into dynamic platforms that foster innovation and enable firms to leverage advanced technology for the development of new products and services (He et al., 2020). The adoption of digital technologies facilitates cross-border communication, accelerates information dissemination, and enhances system integration, thereby improving operational efficiency and reducing costs (Mutambik, 2024). Additionally, strategic partnerships play a critical role in reinforcing digital transformation, as the digitization process significantly influences performance expectations and organizational adaptability (Al-Ajlouni et al., 2024).

Despite its transformative potential, digital adoption among SMEs remains limited, with many firms resisting change and maintaining traditional business models (Casprini & Palumbo, 2022). Given these challenges, partnerships become essential for encouraging SMEs to embrace digital transformation and integrate technological advancements to enhance business performance. The effectiveness of digital transformation within MSMEs is highly dependent on contextual factors and sector-specific challenges (Mick et al., 2024). The interplay between digital transformation (X3) and strategic partnerships (Z) functions as a determinant of partnership performance (Nushobah et al., 2023). However, despite the significance of digital adaptation, financial support for SMEs to develop digital infrastructure remains scarce, as only a limited number of banks and financial institutions offer loans in this regard (Tolstolesova et al., 2021). Empirical findings suggest that digital transformation can influence and serve as a fundamental input for strategic partnerships. Based on this framework, the following hypothesis is proposed:

H6: Digital transformation has a significant influence on strategic partnerships.

The business model (X2) represents a structured approach to transforming commercial concepts into economic value (Gerdoçi et al., 2023). Additionally, Bouwman highlights that business models are inherently linked to organizational networks (Revindo & Gan, 2018), facilitating collaboration at both strategic and operational levels to successfully deliver

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products to the market (Bouwman et al., 2019). Similar to the Resource-Based View (RBV), business models are shaped by external dynamics, including competitive strategies and technological advancements, as well as internal factors arising from shifts in corporate strategy (Haggège et al., 2017). The necessity for continuous adaptation within business models reflects the imperative to align with evolving market conditions, ensuring sustainable success (Spieth et al., 2020). Recent scholarly discourse on business model evolution has increasingly focused on MSMEs (Garzella et al., 2021), highlighting its association with profitability and long-term viability (Gerdoçi et al., 2018). Based on these insights, this study proposes the following hypothesis:

H7: Business models significantly influence company performance.

Over the past two decades, empirical studies have demonstrated that firms engaged in strategic partnerships tend to achieve substantial success, with those maintaining extensive collaborative networks (Z) exhibiting well-developed partnership capabilities (Kale & Singh, 2007). Strategic alliances (Z) facilitate cooperation by leveraging complementary strengths while minimizing inefficiencies, thereby improving overall corporate performance (Whipple & Frankel, 2000; Winata & Devie, 2013; Muttaqien & Putra, 2018). SMEs that establish international partnerships benefit from expanded market opportunities, ultimately contributing to improved business performance (Y) (Haase & Franco, 2015). Additionally, strategic partnerships (Z) function as mediators in the relationship between the strategic value of key suppliers and the effectiveness of buyer product performance (Prajogo et al., 2021). The strength of this mediation is contingent upon the proximity between suppliers and buyers, as closer partnerships amplify the strategic impact on product performance. Furthermore, Rajan et al. (2023) identify additional determinants of strategic partnerships' mediating role, including accumulated experience, knowledge transfer, absorptive capacity, and internalized expertise resulting from collaborative interactions. Based on these insights, this study proposes the following hypothesis:

H8: Capability influences company performance through the mediation of strategic alliances.

An adaptive and innovative business model (X2) enables firms to effectively integrate internal resources with external opportunities, fostering synergies that enhance corporate performance (Y) (Muchsin & Nasito, 2022). This strategic alignment contributes to improved operational efficiency, broader market reach, and the establishment of sustainable competitive advantages (Basuki & Al-Hasin, 2024). Moreover, strategic partnerships founded on trust, transparent communication (Basuki & Al-Hasin, 2024), and shared objectives play a crucial role in strengthening efficiency and fostering innovation, ultimately driving positive performance outcomes (Purba, 2008). Thus, strategic partnerships (Z) are not merely supplementary mechanisms but essential components in optimizing the potential of business models (X2). For micro-enterprises, collaboration with strategic partners serves as a critical tool for addressing resource constraints and navigating competitive market landscapes (Basuki & Al-Hasin, 2024). Based on this framework, the study formulates the following hypothesis:

H9: Business models influence company performance, mediated by strategic partnerships.

Strategic partnerships (Z) play a crucial role in enhancing company performance, with digital transformation (X3) serving as a key enabler that strengthens collaboration and operational efficiency. This integration facilitates informed decision-making, accelerates

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response times, increases supply chain flexibility, and improves organizational adaptability, all of which contribute to superior business outcomes (Mutambik, 2024). As a moderating variable, digital transformation significantly influences performance optimization by providing advanced technological capabilities, enabling firms to unlock greater potential and sustain long-term growth (Al-Ajlouni et al., 2024).

The fundamental rationale behind firms establishing strategic partnerships is to gain access to knowledge, technological advancements, and expanded market opportunities, which are acquired through collaborative business interactions (Emami et al., 2022). The relationship between digital transformation (X3) and company performance (Y), with strategic partnerships (Z) acting as an intermediary, aligns with the findings of Nushobah et al. (2023), who explored how digital transformation, strategic alliances, and service innovation contribute to partnership performance (Y). That study positioned digital transformation and strategic partnerships as independent variables. Building upon the insights from Nushobah et al. (2023) and Al-Ajlouni et al. (2024), this research further refines the theoretical framework and proposes the following hypothesis:

H10: Digital transformation influences company performance, mediated by strategic partnerships.

The comprehensive set of hypotheses is systematically integrated within the conceptual framework, as illustrated in Figure 1.

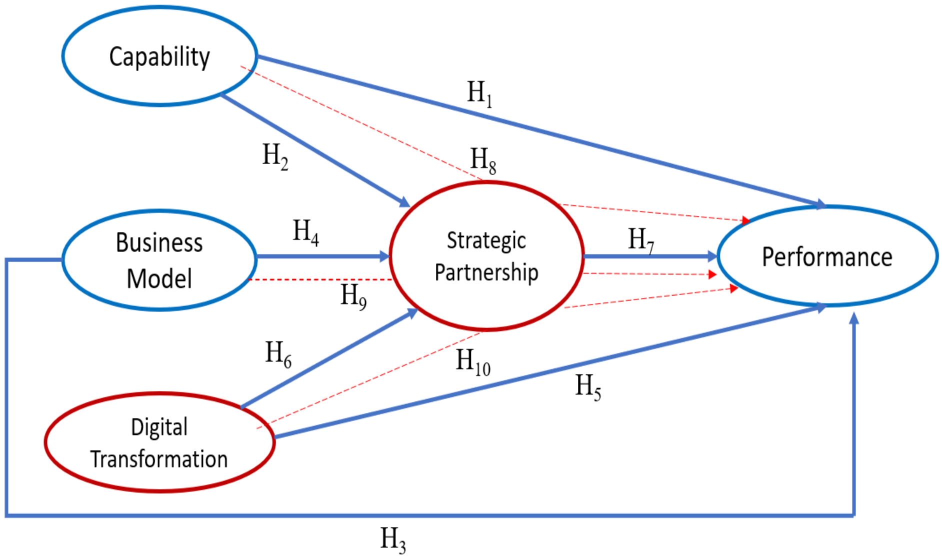

Figure 1. Conceptual Framework

METHOD

This study adopts a quantitative research methodology, focusing on the correlation among the examined variables. The research employs a survey-based approach to empirically test the proposed hypotheses. The unit of analysis consists of individual respondents, specifically 247 owners or managers of MSMEs operating in the Jakarta area who have integrated digital technology into their business processes. Data collection is conducted through a structured questionnaire designed to capture various dimensions of the research variables. Each variable is assessed using multiple items, with response options provided on a five-point Likert scale ranging from "strongly disagree" to "strongly agree." The collected data is subsequently processed and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to derive meaningful insights and validate the relationships between the study variables.

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RESULT AND DISCUSSION

The findings from the SEM-PLS analysis conducted in this study are presented below:

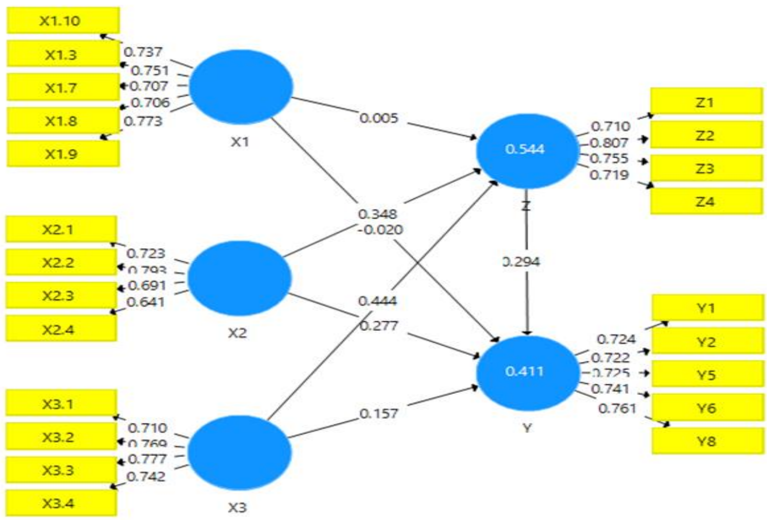

Figure 2. Bootstrapping
Source: PLS Output

The hypothesis testing results, derived from survey data analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), are presented in the form of t-statistics and p-values, as detailed in Table 1 below.

Table 1. Path Coefficient

Hypothesis		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Results
H1: Capability has a positive impact on company performance	X_1 -> Y	-0,020	-0,015	0,069	0,294	0,384	Not Supported
H2: Capabilities exert a positive influence on the formation of strategic partnerships	X_1 -> Z	0,005	0,009	0,057	0,084	0,467	Not Supported
H3: Strategic partnerships positively influence company performance	X_2 -> Y	0,277	0,266	0,087	3,204	0,001	Supported
H4: Business models influence the strategic partnerships	X_2 -> Z	0,348	0,355	0,082	4,251	0,000	Supported
H5: Digital transformation influences company performance	X_3 -> Y	0,157	0,160	0,089	1,759	0,040	Supported

H6: Digital transformation has a significant influence on strategic partnerships	X_3 -> Z	0,444	0,435	0,079	5,596	0,000	Supported
H7: Business models significantly influence company performance	Z -> Y	0,294	0,307	0,095	3,085	0,001	Supported
H8: Capability influences company performance through the mediation of strategic alliances	X_1 -> Z -> Y	0,001	0,004	0,019	0,073	0,471	Not Supported
H9: Business models influence company performance, mediated by strategic partnerships	X_2 -> Z -> Y	0,102	0,110	0,045	2,259	0,012	Supported
H10: Digital transformation influences company performance, mediated by strategic partnerships	X_3 -> Z -> Y	0,131	0,132	0,044	2,942	0,002	Supported

Source: PLS Output

H1: The Positive Influence of Capability on Company Performance

The analysis indicates that the relationship between capability (X1) and company performance (Y) does not reach statistical significance at the conventional 95% confidence level, as reflected in the p-value of 0.384 (p-value > 0.05). Consequently, the findings do not provide sufficient empirical evidence to confirm a significant association between these two latent variables within the population. Similar observations were reported in prior studies conducted by Harahap (2014) and Wijaya & Simamora (2022), which demonstrated that MSME capabilities, particularly those related to innovation (Wijaya & Simamora, 2022) and financial reporting practices, do not significantly contribute to business performance. This outcome is attributed to the tendency of MSMEs to rely more heavily on intuition and experiential knowledge rather than structured managerial competencies (Harahap, 2014).

Furthermore, various managerial, technological, and operational capabilities possessed by SMEs may not yet be effectively integrated into their business strategies, limiting their tangible impact on performance improvement. Organizational transformation remains a key challenge for MSMEs in Jakarta, impeding their ability to translate internal capabilities into measurable outcomes. Given their resource constraints, MSMEs often exhibit slower rates of innovation (Yulianto & Supriono, 2023; Rustiarini et al., 2023), particularly in areas such as managerial proficiency and technology adoption for operational efficiency. Additionally, navigating the complexities of an evolving business environment, including market fluctuations, competitive pressures, and shifting consumer preferences, further complicates the ability of SMEs to leverage existing capabilities effectively. As a result, the expected contribution of capability (X1) to business performance (Y) remains constrained, consistent

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with the empirical findings of this study.

These results diverge from prior research demonstrating a positive correlation between various forms of capability and firm performance across different contexts (Kamdjoug et al., 2019; Chen & Lin, 2021). For instance, studies have previously validated the role of technological capability in improving operational efficiency (Cheng & Krumwiede, 2018), the strategic management of export networks in facilitating global market expansion (Krammer et al., 2018), and the effective use of social media to strengthen corporate performance (Hermano et al., 2022). However, the current study challenges these assertions, presenting findings that suggest the opposite.

H2: The Influence of Capability on Strategic Partnerships

The statistical analysis reveals that the relationship between capability (X1) and strategic partnerships (Z) is not significant, indicating that hypothesis H2, suggesting a direct influence of capability (X1) on strategic partnerships (Z), is not supported. These findings diverge from the argument proposed by Jiang et al. (2015), who assert that firms with strong integrative capacity can leverage partnership-derived resources to generate value, making strategic collaborations highly effective in enhancing company performance.

Additionally, the results suggest that the existing capabilities (X1) within firms, whether managerial, technical, or operational, are insufficient to directly establish or strengthen strategic partnerships (Z) within the scope of this study. This limitation may stem from a lack of emphasis on cultivating strategic alliances or from external variables such as trust, communication effectiveness, and environmental factors, which may exert a greater influence on partnership success. Consequently, these findings underscore the need for firms to reassess their capability-development strategies (X1), placing greater importance on collaborative initiatives and synergy-building efforts to maximize the effectiveness of strategic partnerships (Z).

H3: The Influence of Business Models on Company Performance

The statistical analysis confirms that the relationship between the business model variable (X2) and company performance (Y) is significant, as evidenced by a p-value of 0.001, which falls below the 0.05 threshold for significance. This result provides strong empirical support for the assertion that business models (X2) exert a positive and meaningful impact on corporate performance (Y). Consequently, the proposed hypothesis regarding the influence of business models on company performance is validated.

These findings underscore the critical role of efficient business model management in driving MSME growth and sustainability. Furthermore, integrating additional elements such as innovation and strategic marketing may further enhance business model effectiveness. This study aligns with the perspective of Gerdoçi et al., (2018), who observed that business models adopted by SMEs in Jakarta account for nearly one-third of performance variations. This substantial impact can be attributed to the highly competitive market dynamics in Jakarta, where SMEs are compelled to develop adaptive, innovative, and market-driven business models to remain viable.

As Indonesia's economic hub, Jakarta presents vast opportunities for MSMEs to expand their market reach; however, significant constraints persist, particularly in the ability of SMEs to implement strategic business models that ensure long-term survival. Many SMEs in Jakarta have begun integrating digital technologies into their business models, including cashless payment systems, e-commerce platforms, social media marketing, and business management applications. These digital strategies enable broader consumer engagement, improve operational efficiency, and generate added value, all of which directly contribute to enhanced

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corporate performance.

The principal challenge for SMEs in Jakarta lies in ensuring that their business models remain adaptable to ever-changing market demands. Ultimately, the findings of this research reinforce the notion that business models represent a fundamental strategic element in supporting MSME growth and long-term sustainability within Jakarta's dynamic commercial ecosystem.

H4: The Influence of Business Models on Strategic Partnerships

The empirical test evaluating hypothesis H4, which examines the relationship between business models (X2) and strategic partnerships (Z), yielded a statistically significant result, as indicated by a p-value of 0.000, well below the 0.05 threshold. This finding substantiates the assertion that business models (X2) play a pivotal role in the formation and reinforcement of strategic alliances (Z), aligning with the perspective of Lionora et al. (2023). Within Jakarta's highly competitive economic environment, characterized by the interplay between large corporations and SMEs, effective business model management becomes imperative. The ability to adapt and innovate is essential for fostering sustainable collaborations. Key determinants of successful partnerships include mutual trust among partners, innovation capacity, and external support mechanisms provided by governmental entities and financial institutions. Furthermore, organizational culture and communication strategies are critical components that SMEs must address to enhance the efficacy of their strategic partnerships. These findings underscore the necessity for SMEs in Jakarta to develop business models that are both relevant and strategically tailored to their operational landscape. Additionally, external interventions, such as training programs and technology access initiatives, can facilitate SMEs in optimizing the potential of strategic partnerships, equipping them to navigate increasingly complex market dynamics. Through a comprehensive and integrative approach, SMEs can enhance their competitive positioning, fostering both local and global market expansion.

H5: The Influence of Digital Transformation on Company Performance

The findings of the data analysis indicate a p-value of 0.040, which falls below the 5% significance threshold ($p < 0.05$), thereby confirming the statistically significant impact of digital transformation (X3) on company performance (Y). This result underscores the role of digital transformation (X3) as a key determinant in enhancing business performance, particularly within the SME sector. The study reinforces the proposed hypothesis that digital transformation (X3) exerts a positive and meaningful influence on company performance (Y), aligning with prior research by Senadjki et al. (2023) and Gun et al. (2024), which demonstrates that the integration of digital technologies in MSME operations contributes to overall performance improvements.

Digital transformation has emerged as a strategic tool for MSMEs, facilitating operational efficiency, market expansion, and enhanced customer experience. In Jakarta, a majority of MSMEs are actively integrating digital solutions across various domains, including cashless payment systems, e-commerce platforms for marketing, and social media channels for promotion and customer engagement. These technological advancements enable SMEs to optimize business processes through automation, streamlined inventory management, and improved transactional efficiency. Moreover, digital adoption empowers MSMEs to extend their consumer reach beyond local markets, fostering increased revenue potential. Despite its strategic importance, digital transformation has yet to establish itself as a dominant driver of MSME performance in Jakarta. Several barriers contribute to this limitation, including low adoption rates, inadequate access to digital infrastructure, and

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financial constraints in implementing advanced technological solutions. Many SMEs continue to rely on manual operations due to workforce skill gaps, preventing them from fully leveraging the benefits of digital transformation. Consequently, while digital technology holds immense potential for business optimization, its full realization remains a challenge for MSMEs navigating these constraints.

H6: The Influence of Digital Transformation on Strategic Partnerships

The analysis examining the impact of digital transformation (X3) on strategic partnerships (Z) indicates a statistically significant relationship, as evidenced by a p-value of 0.000, well below the 5% significance threshold ($p < 0.05$). These findings confirm the proposed H6 hypothesis, highlighting the critical role of digital transformation in fostering and strengthening interorganizational collaborations.

This study aligns with the work of Mutambik (2024), which emphasizes that digital technology enhances efficiency and reduces operational costs for firms. Additionally, the results reinforce the conclusions of Mutambik (2024) and Al-Ajlouni et al. (2024), who demonstrate that digital transformation exerts a significantly positive influence on strategic partnerships, particularly within the SME sector. The adoption of digital technology facilitates collaboration among SMEs in Jakarta, enabling them to build and sustain strategic relationships that support business growth. Given Jakarta's dynamic and competitive commercial landscape, digital tools serve as essential mechanisms for improving connectivity and streamlining partnership formation.

Digital platforms, including e-commerce marketplaces and technology-based business networks, empower SMEs to identify and collaborate with partners whose visions and objectives align. By leveraging digital technology, MSMEs can establish more efficient, data-driven partnerships while minimizing operational inefficiencies, thereby enhancing the sustainability of strategic alliances. This transformation may involve the use of digital platforms for collaborative engagement, cloud-based system integration, and investments in advanced technological solutions. Furthermore, external interventions, such as training programs on digital adoption and policy-driven incentives, can accelerate the successful implementation of this strategy, ensuring SMEs maximize the potential of strategic collaborations.

H7: The Influence of Strategic Partnerships on Company Performance

The statistical analysis confirms a significant positive relationship between strategic partnerships (Z) and company performance (Y), as indicated by a p-value of 0.001, which is below the conventional 5% significance threshold ($p < 0.05$). This finding provides empirical support for the hypothesis that strategic collaborations contribute meaningfully to business success. These results align with previous studies conducted by Emami et al. (2022) and (Zahoor & Lew, 2023), which demonstrate that strategic partnerships enhance company performance by fostering entrepreneurial orientation. Specifically, such collaborations cultivate innovation, encourage risk-taking, and promote proactive knowledge acquisition, ultimately influencing business outcomes both directly and indirectly. Within Jakarta's dynamic business environment, SMEs benefit significantly from strategic partnerships, as these alliances enable greater flexibility in adapting to shifting market demands. Through collaborative efforts, SMEs can secure stable raw material supplies, optimize product distribution channels, and enhance consumer service quality. Additionally, partnerships create avenues for technological and innovative exchange, strengthening SMEs' competitiveness amid intensifying market rivalry. Thus, allocating resources toward the development and reinforcement of strategic partnerships represents a pivotal strategy for

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ensuring sustained business growth and resilience in an increasingly complex competitive landscape.

H8: The Influence of Capability on Company Performance Mediated by Strategic Partnerships

The statistical analysis reveals that the mediating role of strategic partnerships (Z) in the relationship between capability (X1) and company performance (Y) is not significant, as indicated by a p-value exceeding the 0.05 threshold. Consequently, the proposed hypothesis regarding the indirect influence of capabilities on company performance through strategic partnerships is not supported. The results suggest that strategic partnerships (Z) do not serve as a linking mechanism between capability (X1) and company performance (Y) in this study. Several factors may contribute to this outcome, including market conditions that affect the effectiveness of partnerships in driving company performance. Additionally, variations in how firms manage strategic alliances may influence the extent to which such collaborations contribute to performance enhancement. These findings align with research by Ulpah et al. (2018), which indicates that partnerships do not mediate the relationship between technical capabilities and increased profitability among farmers. Although that study did not explicitly examine the mediating role of strategic alliances, its findings confirm that partnerships do not necessarily improve operational efficiency to a degree that enhances business profitability. The implications of these results suggest that SMEs must reassess how internal capabilities are leveraged to develop more relevant and impactful strategic partnerships. A refined approach to collaboration and resource integration may be necessary to ensure that strategic partnerships effectively contribute to company performance.

H9: The Influence of Business Models on Company Performance Mediated by Strategic Partnerships

The statistical analysis confirms that the relationship between business models (X2) and company performance (Y), mediated by strategic partnerships (Z), is significant, as indicated by a p-value of 0.012, below the 5% significance threshold ($p < 0.05$). This result demonstrates that strategic partnerships (Z) reinforce the positive impact of business models (X2) on company performance (Y), leading to enhanced operational efficiency and more effective collaboration. Based on these findings, the proposed hypothesis is validated, affirming that the implementation of a well-structured business model, when complemented by strong strategic partnerships, significantly contributes to improved company performance. These conclusions align with the perspectives of Muchsin & Nasito (2022), Basuki & Al-Hasin (2024), and Purba (2008), who emphasize that partnerships founded on trust, transparent communication, and shared objectives enhance efficiency and foster innovation, ultimately yield positive business outcomes. The implications of this research highlight crucial recommendations for businesses, particularly SMEs, suggesting that firms should not only focus on developing innovative business models but also prioritize building and managing strategic alliances to optimize performance. Furthermore, the findings underscore the necessity of a more refined approach to managing strategic partnerships, recognizing their vital role in sustaining long-term business success.

H10: The Influence of Digital Transformation on Company Performance Mediated by Strategic Partnerships

The statistical analysis confirms a significant positive relationship between digital transformation (X3) and company performance (Y), with strategic partnerships (Z) acting as a mediating factor. The p-value of 0.002, which falls below the conventional 5% significance

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threshold ($p < 0.05$), substantiates this finding. This result highlights the essential role of strategic partnerships (Z) in bridging digital transformation (X3) with enhanced company performance (Y). More specifically, the adoption of digital technologies facilitates operational efficiency and strengthens collaborative networks, ultimately contributing to the achievement of business objectives. The research findings align with the study conducted by Nushobah et al. (2023), which affirms the positive impact of digital transformation on company performance, mediated through strategic alliances. This result is particularly relevant in the context of SMEs in Jakarta, many of which have already embraced digital transformation, albeit at a fundamental level, such as transitioning to cashless payment systems. Strategic partnerships further enable SMEs to access timely market intelligence, equipping them to respond effectively to emerging trends in a dynamic and highly competitive business environment.

CONCLUSION

Business models, digital transformation, and strategic partnerships significantly contribute to the performance enhancement of MSMEs in Jakarta. However, findings indicate that capabilities, whether directly or mediated by strategic partnerships, do not exhibit a meaningful impact on business performance. In other words, capabilities do not directly influence company success, nor do strategic partnerships serve as an effective mediating mechanism in this relationship.

Despite this, strategic partnerships offer substantial benefits to SMEs, particularly in facilitating knowledge acquisition and leveraging collaborative advantages. To maximize the potential of these alliances, improving the quality of intercompany coordination remains essential. Additionally, the study reveals a strong commitment among Jakarta's SMEs toward digital transformation, driven by advancements in digital literacy and technology adoption. However, disparities in technological integration and strategic planning highlight the need for further support, including targeted training programs and structured mentorship.

The sustainable development of MSMEs in Jakarta would be more effectively realized through the broader utilization of digital platforms in business operations. Digital technology fosters seamless connectivity among MSME entrepreneurs, facilitating interaction with both industry peers and external stakeholders, including government entities and private sector collaborators. This enhanced communication network promotes collaboration, facilitates knowledge exchange, and ultimately serves as a foundational asset in strengthening the competitive positioning of MSMEs in an increasingly dynamic market environment.

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