



Dynamic Environment and Dynamic Capabilities Competitiveness Strategy in Indonesian Creative Culinary Businesses

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Abstract

This research aims to understand the dynamic environment and dynamic capabilities of small business creative culinary perpetrators in Indonesia through competitiveness strategies. Small business creative culinary establishments in Indonesia operate in a dynamic environment that is always facing change, so small business creative culinary establishments must have the ability to adapt, innovate, and configure resources to compete globally. The research used a quantitative method with a verification approach by applying Partial Least Square Structural Equation Modeling (PLS-SEM) with a sample of 250. The findings in this study show that dynamic environments and dynamic capabilities influence strategies of excellence to compete in small business creative culinary. The dynamic environment is how organizations can adapt to such rapid change. In contrast, the dynamic capacity is how organizations can create innovation to compete more and more in the creative culinary industries of the age to come.

Keywords: dynamic environment, dynamic capability, competitiveness strategy, small business creative culinary, Indonesia

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1. INTRODUCTION

United Nations Educational, Scientific and Cultural Organization (UNESCO), the cultural and creative industries (CCI) use human creativity to produce products, services, and activities that enrich life and strengthen cultural identity. (Gerlitz and Prause, 2021). The term cultural and creative industries has been discussed since the 1980s and 1990s, with the UK becoming one of the first countries to officially recognize these industries as an important sector in the economy that significantly contributes to gross domestic product. (Romero et al., 2023). The creative economy has been recognized as the key to urban development and planning, which the UNESCO Creative Cities Network (UCCN) has consolidated in playing an important role in developing creative industries (Arcos et al., 2023). Based on empirical findings, the future of the creative industry is an intangible asset with a high potential to support the creative economy. Also, according to (Morgner & Peters, 2024), some countries that have already experienced rapid growth, such as South America, including Brazil, Peru, Uruguay, and Argentina, in the creative industries; in Brazil, the creative sector produces about three times the national average. The creative industry sector will be linked to local intelligence-based products (Mahrinasari et al., 2024), stating that the performance of the creative industry business can support the creative economy sustainably. (Mahrinasari et al., 2024).

UNCTAD (2008) defines creative economics as an economic concept that begins with the creation, production, and distribution of highly creative goods and services as the main input of the production process. Howkins (2008) defines creative economics as creating value resulting from an idea. A creative economy must generate added value by creating products or services, producing, distributing, and using products and services that are creative, innovative, and unique. Indonesia is one of the countries that supports the development of creative industries; with an adequate resource potential of both human and natural resources, Indonesia is ready to compete (Burhanudin et al., 2020). The creative economy plays an important role as a driver of economic growth, labor absorption, and international trade, as well as a form of innovation. (Car, 2009). In the future, the position of the creative economy is creativity as a renewable resource. Creative industries (Howkins, 2008) comprise 16 subsectors: game development, architecture, interior design, music, visual arts, product design, fashion, culinary, film, animation and video, photography, visual communication design, television, radio, and creation.

Indonesia is a country that supports creative economic activities. Department of Commerce of the Republic of Indonesia (2008), a creative economy is a form of an economic development effort carried out sustainably with a competitive, healthy economy and a reserve of renewable resources. Indonesia's most dominant creative economies are culinary, fashion, and creation. (Kemenparekraf, 2023). Three of these sectors are the most active in Indonesia. Culinary is the sub-sector with the most potential among the others. Culinary also has a strategic role for Indonesia to strengthen its identity as a country with diverse culinary products. The elements present in creative culinary can be shaped in terms of presentation, aesthetics, local culture, unique tastes, and the appeal to buy creative gastronomic products. (Hamidah et al., 2022). The contribution of the culinary business sub-sector still has great potential from a global perspective. By leveraging local food for branding from a look at lifestyle changes, food trends, and food business growth, it enriches visitors' experience, strengthening the region's identity. Recuero and Arrospide, 2024).

Most of the culinary businesses in Indonesia are owned by small businesses. In a developing country, the success of governments in building a region can be determined by several factors, one of which is the steadily rising rate of economic growth. The existence of small and

medium-sized enterprises (SMEs) became the source of economic life. By 2023, the number of SMEs reached 66 million, small business contribution amounts to 61% of Indonesia's Gross Domestic Income (GDP), equivalent to Rs. 9,580 trillion. Small businesses absorb about 117 million workers (97%) of the total labor force (Indonesian Chamber of Commerce and Industry, 2023). Small businesses play an important role and strategy in the growth of Indonesian per capita (Bank Indonesia, 2015). Thus, the Indonesian Government must pursue various initiatives to increase the competitive advantage of SMEs globally. One contribution of small businesses is that the export contribution to small businesses has increased from 14.37% in 2020 to 15.69% in 2021. (Indonesian Chamber of Commerce and Industry, 2023). As an Indonesian economic driver, small business will rise to 83.3 million cases by 2034. (Kompas.com, 2024). This could be an opportunity for Indonesia to undertake small business development and continue contributing to the Indonesian economy. One of the best culinary in Indonesia is the typical West Java cuisine. The creative culinary growth in West Java, Indonesia, has created many jobs and increased the incomes of the community. The western answer is a province that has 27 towns and districts. According to the Central Statistical Agency (BPS) report, Indonesia had 3.9 million Micro and Small Enterprises (SMEs) in the food and beverage sector by 2019. West Java is the province with the largest number of small business food and beverages, with a total of 791.435 SMEs

Until now, small businesses have played an important role in international trade and the economic growth of a country, but small business is always faced with various challenges that affect the viability of their business, such as access to available financial resources, lack of infrastructure support, minimal marketing facilities, a lack of competent sources, still minimal deployment of technology, and lack of financial capital to develop enterprises. (Agarwal et al., 2023). One key to small business survival in developing countries is to meet product quality standards, keep up with technological developments, and provide competitive prices (Afdal et al., 2021). Moreover, small business sustainability is supported by the capacity to innovate (Endris & Kassegn, 2022) to have competitive products to market globally. The success of small culinary businesses depends on how the perpetrators adapt to changing dynamic environments, ranging from the tight competition of newcomers to changing consumer tastes, technological developments, regulatory changes, and other changes. A rapidly changing environment is characteristic of a developing country, and companies in a globalized country must develop dynamic capabilities to survive competitive competition. (Zhou & Li, 2010). At present, while the small business culinary offenders of West Java, Indonesia still has shortcomings that hinder the SMEs from creating a competitive advantage. Among these obstacles is the need for more funding to develop creative culinary enterprises (Santoso, 2020), so they need more dynamic capacity to create the latest innovations. Creating a competitive business advantage requires a business strategy, which includes continuous innovation (Farida & Setiawan, 2022) that can develop creative culinary products into products with global competitiveness.

The competitive advantage of small businesses can be demonstrated by their ability to adapt to rapidly changing markets, technologies, and business environments (Zastempowski & Cyfert, 2023) or agility. The success of applying competitive advantages can be seen from the extent to which small business creative culinary utilizes digital transformation as a responsive and agile form in a dynamic business environment (Saeedikiya et al., 2024). Thus, Indonesia's creative culinary business must have the dynamic capacity to exploit technological change through digital transformations to competitive advantage. To gain a competitive advantage, it is necessary to understand the dynamic environment, which is described as an environment with continuous instability and change (Lumpkin & Dess, 2001). (Drnevich & Kriauciunas

2011). Dynamic environments are also shown to constantly change markets and industries (Wiklund, 2005). Technological changes in dynamic environments impact competitive advantages such as quality, cost, delivery, and flexibility. (Aboelmaged, 2018). In a dynamic business environment, technological change can increase competitive advantage (Saeedikiya et al., 2024). Innovation activity must produce Innovation for Sustainability, a multi-factor challenge requiring an integrated approach, broad partnerships, and co-creation with stakeholders in creating more creative and innovative ideas. (Adams et al., 2012; Bocken et al., 2019; Maziliauske, 2024). Small business culinary creative Indonesia must be more adaptive in the face of increasingly massive technological change; technology capabilities must be used as a business strategy to generate unique resources and skills (Djiu et al., 2024). Thus, small business creative culinary practitioners can increase their competitive advantage and improve their profitability (Lin & Lai, 2021).

In addition to a dynamic environment, dynamic capabilities can be a support for competitive advantage. Innovation capacity can influence the dynamic capacity to analyze how stakeholder pressure affects small business innovation capability and company performance (M. Rubio-Andrés et al., 2023). Moreover, innovation capacities can solve external problems caused by stakeholders' pressure and play a mediating role in preventing business performance deterioration due to increased stakeholder pressure. (Rubio et al., 2023) In an organization, proactive employee behavior is essential for innovation initiatives responding to dynamic environmental changes in small and medium-sized enterprises (SMEs). (Huang et al., 2023). Small businesses with strategic orientation and limited capabilities prefer collaborating with external parties to drive internal innovation rather than independently. (Lin & Lin, 2016). For long-term business development, product innovation activities carried out by small businesses can affect their ability to react quickly to environmental change. (Zastempowski & Cyfert, 2021).

Dynamic capabilities can drive small businesses to feel, take advantage of, and transform a vibrant environment to encourage organizations to innovate to enhance competitiveness. (Cadden et al., 2023). Generally, innovation is a process of upgrading a product or service, a new production technology, or a new management or marketing innovation (Weerawardena et al., 2015) that can reduce the operating costs of an organization and create higher product differentiation and competitive advantage (Duan et al., 2020; Heider et al., 2020). (Bilderback & Miller, 2023 and Heider et al., 2020). Thus, small business creative culinary must leverage the organization's internal capabilities to create globally competitive product innovations, such as product legalization, effective online and offline marketing, and strong branding for the creative gastronomic products created. Product innovations range from incremental to radical, with novelty and added value as the main indicators (Weerawardena et al., 2015). The degree of innovation of a product or service is measured by the extent to which new knowledge is integrated into its design and development. The approach of organizational subsystems in understanding the sources of innovation shows that technological innovation is rooted in the organizational socio-technical subsystem, including R&D and other experiential learning activities. (Weerawardena et al. 2015). Thus, the creative culinary business of Indonesia must always be an organization of learners to create innovation at all times.

In this study, we strive to contribute competitive excellence to small business creative culinary by involving dynamic environments and dynamic capabilities to enhance competitive advantage globally. Fulfilling dynamic capabilities such as learning organization, innovation capacity, adaptability, and collaborative partnership can make small business creative culinary

quickly adapt to dynamic environments such as technological change, market change, and economic change. Our research has a sample limit; only 250 samples are used. While small businesses creative culinary outside the same, many still need a strategy for competitive advantage, which should be like this. As expressed (Cadden et al., 2023), the success of competitiveness must be able to innovate both products and organizations; at present, creative culinary small businesses still need to improve innovation. A lot of this can happen because of the minimal organization of learners in the organization and the close collaboration of partnerships. One form of innovation is new marketing (Weerawardena et al., 2015); at present, small businesses that are creative culinary have efficiently maximized promotion and branding once the operating costs are high. The most crucial thing about this research is the limitations in the training and development of human resources; according to (Bilderback & Miller, 2023 and Heider et al. 2020), the capacity for human resources and good financial resources influences the ability to innovate to generate innovation within an organization. With the fulfilment of the organizational dynamic capabilities, small business creative culinary will be ready to follow the dynamic capacity.

2. LITERATURE REVIEW

2.1. Dynamic Environment and Competitive Advantage

The dynamic environment describes how organizations constantly interact with the changing external environment (D'Aveni, 1994). A company capable of adapting to a dynamic environment will have the ability to change quickly, thrive, and survive. Eisenhardt & Martin (2000) stated that dynamic environments are important to developing a company's dynamic capabilities. According to Eisenhardt and Martin (2000), companies must have management strategies to adapt and respond quickly to a dynamic environment. Teece et al. (1997) stated that competitive excellence must be supported by constantly changing knowledge, backed by a company's dynamic ability to adapt, learn, and innovate to compete with its competitors. A dynamic environment requires a dynamic capacity framework to analyze the sources and methods of wealth creation and capture by private companies operating in a rapidly changing technological environment. (Teece, Pisano, & Shuen, 1997). Dynamic capabilities can improve organizational performance and provide a competitive advantage (Tseng & Lee 2012). The dynamic environment within a company can be described as a system that interacts with each other. These elements include economic, political, social, cultural, and technological factors. Economic factors include macroeconomic conditions such as economic growth, inflation, and interest rates. Political factors include governments' attitudes to economic, trade, and regulatory policies. Social factors include demographic changes such as age changes, lifestyle, and educational levels. Cultural factors include values and norms of belief adopted by consumer behavior. Technological factors include the latest innovations, such as the constantly evolving developments in information and communication and the development of production technologies. The dynamic environment will achieve its goal when the dynamic capability supports the activities of dynamic environments.

2.2. Capabilities Environment and Competitive Advantage

Dynamic capacity is the capacity of an enterprise to make environmental changes. (Teece & Pisano, 1994). The function of dynamic capacity in a company is to integrate, reconfigure, and shape external and internal competencies when faced with the right environment. Zahra et al. (2006) and Teece (2007) define dynamic capacity as the ability to configure an enterprise's resources through the organization's ability to create and modify resources with appropriate methods. Barreto (2010) defines dynamic capacity as the potential to tackle problems by

identifying opportunities and threats, taking them on time, and focusing on the market and changes that are taking place. According to Zollo & Winter (2003), dynamic capacity is a studied and stable pattern of collective activity that an organization uses to generate and modify its routine operations to better efficiency systematically. Eisenhardt and Martin (2000) define a set of specific and identifiable processes such as product development, strategic decision-making, and alliances. In a dynamic market, dynamic capability resembles a traditional concept of routine processing through detailed, analytical, and predictable outcomes.

Teece (2007) states that dynamic capabilities can define business models and interdependent strategies. Business models will affect the company's dynamic capabilities and place limits on the smoothness of certain strategies. Dynamic capability provides a better understanding of business model innovation, implementation, and important aspects of dynamic capability. The strength of corporate capabilities implies when a business model change is translated into an organizational transformation. Developing dynamic capabilities is important for UMKM actors to respond to environmental change. Business models are derived from strategic analysis that comes from dynamic capabilities. Teece et al. (1997) stated that a framework covers processes, positions, and paths that emphasize setting up managerial processes in an organization to meet competitive constraints. Teece et al. (1997) states that the new framework for dynamic capabilities is sensing, seizing, and reconfiguration. (Teece, 2007).

2.3 SMEs Competitiveness Strategies

A competitor gains a competitive advantage by offering a greater advantage at a higher price or offering a lower value at a lower price. A competitive advantage can increase from the value that a company creates to satisfy its customers. Other customers will pay a value or benefit; a superior value is a lowprice setting compared to the competitor's price (Porter, 1991). Competitive superiority refers to a company's ability to build a defensive position against its competitors (Porter, 1980). A company's competitive edge can be measured by several indicators: price, quality, delivery reliability, product innovation, and time market. In a company, the concept of resources is an important factor in Barney's (1991) competitive excellence. Firms can use competitiveness strategies to explain that they can choose effective competitive strategies.

A competitive strategy must provide a company with an advantage. It can include a low-cost strategy, a differentiation strategy, or a Porter-focus strategy (1980). A low-cost strategy focuses on reducing production and distribution costs to produce cheaper products than competitors. Kotler's (2016) competitiveness strategy is influenced by several factors, such as the character of the industry, the strength of competition, and the availability of the power supply that the company owns.

2.4 Conceptual model and hypotheses

This research verifies the relationship between dynamic environments, dynamic capabilities, and competitive advantage. The conceptual model represents how dynamic environment variables, dynamic capabilities, and competitive waiting are applied to creative culinary UMKM perpetrators to gain a competitive advantage. Figure 1 shows the correlation between dynamic environments, dynamic capabilities, and competitive advantage.

a. Dynamic environment and competitive excellence

Teece, Pisano, and Shuen (1997) define a dynamic environment as an environment that is

constantly changing unexpectedly. Some factors that can cause the environment to change are rapid technological changes, regulatory changes on new rules, competitive competition, and future economic uncertainty. The dynamic environment explains how a change occurs quickly and unpredictably. In a dynamic environment, companies must emphasize the importance of adaptation and flexibility to a competitive edge in dynamic markets. One of the things that happens in a dynamic environment is how difficult it is for a company to predict the level of uncertainty for the future of its business, so high uncertainties make it quite difficult for the company to implement strategies that have already been made.

Competitive advantage (Porter, 1991) will disappear if companies are unable to have the readiness to adapt to technology, experience market turbulence such as economic crisis, recession, or inflation, and the intensity of competition such as the increasing number of competitors, the market share of the counterparts, the degree of product differentiation and the rate of industrial growth that occurs. To meet the challenges of a dynamic environment, companies must use various strategies to enable them to survive. Some strategies can be used to have high flexibility in change, innovate in product and service development, collaborate with other companies and business partners, and enhance the ability with the learning process to a competitive advantage in an ever-changing market.

H1: A dynamic environment will have a positive impact on strategic competitiveness

b. Dynamic capacity and competitive advantage

Teece, Pisano, and Shuen (1997) define dynamic capacity as the ability of an enterprise to develop, integrate, build, and reconfigure internal and external environments in a business environment. To adapt to dynamic or rapidly changing business conditions, a company must be competent in business processes, market positions, and expansion paths. Teece et al. (1997) stated that dynamic capability is more critical than traditional resources and capabilities in achieving competitive advantages in dynamic environments. Thus, dynamic capacity allows companies to adapt to changing dynamic environmental capabilities, such as learning and applying technology and changing strategies in responding to changes in consumer preferences. Other capability changes are creating and exploiting new opportunities, as well as adaptability and innovation, to diminish the competitive advantage of companies.

One of the dynamic capacity developments is to prioritize organizational learning Teece et al. (1997). Organizational learning is the process by which companies collectively learn from experience and enhance their ability to adapt and innovate. The dynamic capacity framework developed by Teece et al. (1997) has become one of the most influential frameworks in strategic management to understand how a company is achieving competitive advantage in an ever-changing environment.

H2: Dynamic capability will have a positive impact on strategic competitiveness

c. Dynamic environments and dynamic capabilities

Porter (1980) stated that a competitiveness strategy is a framework that can help companies gain a competitive advantage. Teece, Pisano, and Shuen (1997) stated that dynamic environments and dynamic capabilities can help the enterprise environment achieve a competitive advantage. A dynamic environment is a rapidly changing environment, while a dynamic capacity is the ability of an enterprise to adapt quickly to changing environments. A company will have a competitive advantage when its sensing, seizing, and reconfiguring

capabilities are maximized by following dynamic environmental changes, such as adapting rapidly to technological changes and competing with cost leadership, differentiation, and focus. Companies with high dynamic capabilities can adapt to a rapidly changing dynamic environment. Proper collaboration is the history of dynamic capabilities and environments that create competitive advantages. Companies that maximize their dynamic capabilities are likelier to enter new markets and gain a competitive advantage.

H3: Dynamic environment and dynamic capabilities will positively impact strategic competitiveness.

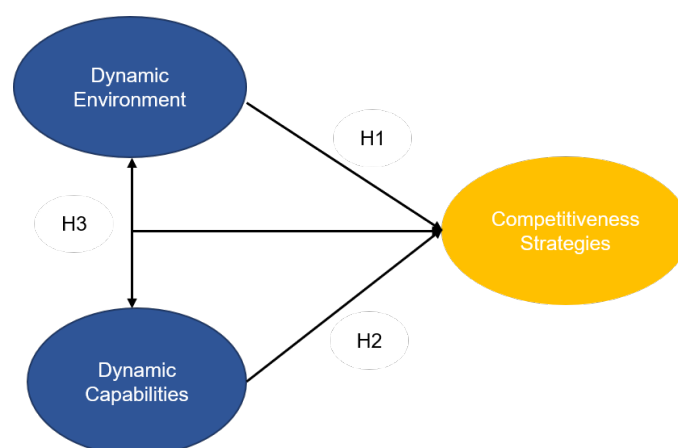


Figure 1.

2. METHODOLOGY

The research used a quantitative method with a verification approach by applying Partial Least Square Structural Equation Modeling (PLS-SEM) to understand the complex relationship between dynamic capacity, dynamic environment, and competitive advantage. The total population of creative culinary perpetrators, with 650 perpetrators found in West Java, Indonesia. Hair et al. (2022), the number of samples in the study is at least 5-10 research indicators, and the total indicators in this study are 39. Thus, the number of samples targeted is 170 – 340 creative culinary UMKM perpetrators. To maximize the number of samples targeted, the researchers scattered a sample of 350 questionnaires offline. The questionnaires will be distributed by meeting the owners or business leaders of creative culinary perpetrators in West Java, Indonesia. The questionnaire given in the form of hardcopy has a total of 350 pieces, and the number of questionnaires returned to the respondent is 98 queries. Thus, the response rate using the offline method is 28%. Given the fact that the response percentage of offline questionnaires is still low, the researchers conducted the dissemination of the questionnaire online using the link Google form distributed through the WhatsApp group to several communities such as the hands-on community, the UN community, halal and healthy food community, mocap lover community, and the craft culinary committee. The total number of online questionnaire responses received was 152 respondents, with the limit of collection and filling of questionnaires until December 30, 2023. Finally, the researchers used a sample of the study with a total of 250 respondents, including 98 offline respondents and 152 online respondents, that were made as samples of the research analyzed with the demographics of respondents.

Table 1. Research Variable Measurement Items

Latent Constructs	Items
Technological Changes	<p>Small business creative culinary uses social media to promote products</p> <p>Small business creative culinary using a food ordering app through e-commerce</p> <p>Small business creative culinary uses artificial intelligence (AI) applications to analyze social media to understand popular trends.</p> <p>Small business creative culinary applications apply artificial intelligence (AI) to maximize consumer service.</p> <p>Small business creative culinary uses artificial intelligence (AI) in running business</p>
Market Changes	<p>Small business Creative Culinary understands the rapidly changing consumer tastes of the creative culinary industry.</p> <p>Small business Creative Culinary creates sustainable product innovation in the creative culinary industry.</p> <p>Small business creative culinary companies can adapt to dynamic market trends in the creative gastronomic industry.</p> <p>Small business Creative Culinary utilizes digital platforms to introduce products widely.</p> <p>Small business Creative Culinary leverages market changes to improve product quality for consumer expectations.</p>
Economic Changes	<p>Small business creative culinary monitors economic conditions periodically to understand the trends produced affect business</p> <p>Small business Creative Culinary diversifies products to reduce the risks associated with economic change.</p> <p>Small business Creative Culinary monitors economic growth as an indicator of consumer purchasing power</p> <p>Small business creative culinary understands interest rate increases to gain access to capital.</p>
Learning Organization	<p>Small business culinary creative developing new skills through a learning culture</p> <p>Small business creative culinary doing learning from personal experience to add knowledge</p>

	<p>Small business Creative Culinary uses technology to support learning processes to acquire new knowledge.</p> <p>Small business creative culinary conduct business evaluation process through the learning process</p> <p>Small business Creative culinary boosts innovation in product development</p>
Innovation Capacity	<p>Small business Creative Culinary can generate new ideas</p> <p>Small business Creative Culinary has creative human resources to produce innovative products</p> <p>Small business Creative culinary makes technological development a new opportunity to create new product innovations</p> <p>Small business Creative culinary makes social trends a new opportunity to innovate</p> <p>Small business Creative culinary creates a culture of learning in the form of long-term business innovation</p>
Adaptation Capacity	<p>Small business Creative Culinary possesses the ability to access information to learn something new.</p> <p>Small businesses' creative culinary businesses have flexibility in transforming creative culinary businesses.</p> <p>Small business Creative Culinary has an organizational culture to support learning and creativity.</p>
Partnership collaboration	<p>Small business Creative Culinary can build networks to collaborate and create better resource support.</p> <p>Small businesses that are creative culinary chefs in a successful partnership must have a strong culture of collaboration.</p> <p>Small business Creative Culinary has trust with partners to create successful collaborations.</p>
Product Competitiveness	<p>Small business creative culinary creates unique products from competitors to attract new customers.</p> <p>Small business creative culinary creates products designed to meet customer satisfaction.</p> <p>Small business Creative Culinary creates products with a high added value, thus increasing business profitability.</p>

Quality Competitiveness	<p>Small business creative culinary has products that have standard quality</p> <p>Small business Culinary uses high-quality raw materials to produce durable products</p> <p>Small business Creative Culinary ensures the production process produces products that meet quality standards.</p>
Service Competitiveness	<p>Small business creative culinary provides high-quality service to meet customer expectations.</p> <p>Small business creative culinary provide the services that customers need</p> <p>Small businesses with creative culinary providing effective service can reach the desired goals of customers</p>

Source: author's work.

3. DISCUSSION

Result and Analysis

4.1 Demographic analysis

Based on the field survey results, the age distribution of respondents showed that most positions in small business creative culinary were in the owner position, with a percentage of 97%, or as many as 240 respondents. As for the gender distribution of respondents, most small business creative culinary is dominated by women, with a percentage of 68% or as many as 170 respondents. For the results of the age distribution of respondents, small business creative culinary is dominated by those aged 30–50 years, with a percentage of 93%, or 232 respondents. The results of the respondents' distribution are based on the education level of small business creative culinary actors, which are dominated mainly by high school or vocational school education, with a percentage of 49%, or 122 respondents. According to the results of the distribution of respondents in the culinary sector, most of the positions in small business creative culinary are dominated by the food sector, with a percentage of 88%, or 220 respondents, for the distribution of respondents based on business type, most creative culinary business types are dominated by small-scale actors, with a percentage of 74%, or 185 respondents. For the distribution of respondents based on length of business, most Small business creative culinary businesses are dominated by a period of 5–10 years, with a percentage of 70%, or as many as 175 respondents. For the distribution of respondents based on average annual income, some of the average annual income of small business creative culinary is dominated by small-scale, with a percentage of 74%, or 185 respondents. To see the frequency and percentage of respondent data, see the table below.

Table 2. Respondent Demographics

Category		Frequency	%
Position	Owner	240	96
	Manager	10	4
Gender	Male	80	32
	Female	170	68
Age	< more than 30 years	8	3
	30-50 years	232	93
	> more than 50 years	10	6
Education	Senior High School	122	49
	Diploma	10	4
	Bachelor (S1)	110	44
	S2	-	0
	S3	8	3
Culinary sector	Food	220	88
	Drink	30	12
Type of Business	Micro	52	20,8
	Small	185	74
	Intermediate	13	5,2
Time in Business	< 5 years	45	18
	5 – 10 years	175	70
	10–20 years	25	10
	> 20 years	5	2
Average income/year	Micro 0 – 300 Juta	52	20,8
	Small 300 juta – 2,5 M	185	74
	Intermediate 2,5 M – 10	13	5,2

Source: author's work.

4.2. Measurement model assessment

This study has ten dimensions and research variables with several statements of 39 research instruments tested for validity and feasibility using the Partial Least Square (PLS) (SEM) method. The analysis process is carried out in two stages (Hair et al., 2022), which start with a measurement model that covers the realism and validity of the structure, and the second stage is the testing of the structural model that connects the hypothesis. The measurement model is assessed by testing the validity of the construction's concurrent construction, discrimination, and rehabilitation. For structural rehabilitation, the Cronbach composite realism value (CR) is used to evaluate the realizability of each significant variable in the measuring model. The realism result only shows problems if most items exceed the recommended threshold of 0.70 (Hair et al., 2022), as illustrated in Table 3. It was found that all Cronbach's α realism values of each dimension were between 0.879 and 0.924, exceeding the suggested 0.70 (Hair et al.,

2022). The reliability results of constructions that already have valid perimeters can be seen in Table 3.

In this section, direct hypotheses H₁ to H₃ are presented. Table 4 presents findings regarding multicollinearity; based on the analysis results, it is not a problem because the VIF (Variance Inflation Factor) value is much lower than the limit of 5.0 (Hair et al., 2022), as seen in Table 4. The hypothesis (H₁) direct influence test shows a significant relationship between dynamic environment and competitive advantage. The results of H₁ are accepted with $\beta = 0.230$, $t = 2.120$, and $p < 0.000$. The second hypothesis (H₂) tests the direct influence of dynamic capabilities on competitive advantage; there is a significant relationship with $\beta = 0.253$, $t = 2.452$, and $p < 0.000$. The results of the H₃ dynamic environment and dynamic capabilities test on competitive advantage have a significant relationship with $\beta = 0.323$, $t = 2.865$, and $p < 0.000$.

Table 3. Construct Reliability

Construct Reliability						
Constructs		Items	Loading (0.5)	Cronbach's α	Composite reliability (rho c)	AVE (>0.5)
Dynamic Environment	Technological Changes	TC1	0,921	0,924	0,930	0,835
		TC2	0,901			
		TC3	0,899			
		TC4	0,903			
		TC5	0,887			
	Market Changes	MC1	0,876	0,923	0,880	0,820
		MC2	0,846			
		MC3	0,830			
		MC4	0,815			
		MC5	0,803			
	Economic Changes	EC1	0,903	0,913	0,893	0,846
		EC2	0,890			
		EC3	0,884			
Dynamic Capabilities	Learning Organization	LO1	0,915	0,920	0,822	0,880
		LO2	0,905			
		LO3	0,895			
		LO4	0,886			
		LO5	0,875			
	Innovation Capacity	IC1	0,925	0,934	0,945	0,895
		IC2	0,910			
		IC3	0,901			
		IC4	0,894			
		IC5	0,879			
	Adaptation Capacity	AC1	0,899	0,911	0,891	0,901
		AC2	0,850			

Competitiveness Strategies	Partnership collaboration	AC3	0,876	0,899	0,891	0,901
		PN1	0,872			
		PN2	0,854			
		PN3	0,865			
	Product Competitiveness	PC1	0,785	0,879	0,878	0,755
		PC2	0,766			
		PC3	0,740			
	Quality Competitiveness	QC1	0,876	0,893	0,873	0,790
		QC2	0,832			
		QC3	0,793			
	Service Competitiveness	SC1	0,868	0,891	0,856	0,780
		SC2	0,845			
		SC3	0,798			

Source: author's work.

Table 4. Structural path analysis: Direct effect

Bias and Corrected Bootstrap 95% CI							
Hypothesis	Relationship	Std Beta	Std Error	t-value	p-values	[Lower Level; Upper Level]	Decision
H1	Dynamic Environment -> Competitiveness Strategies	0.230	0.034	2.120	0.000	[0.175; 0.375]	Yes
H2	Dynamic Capabilities -> Competitiveness Strategies	0.253	0.027	2.452	0.000	[0.210; 0.425]	Yes
H3	Dynamic Environment & Dynamic Capabilities -> Competitiveness Strategies	0.323	0.032	2.865	0.000	[0.225; 0.524]	Yes

Source: author's work.

4. CONCLUSION AND RECOMMENDATION

The result of this enlightenment is fascinating, encompassing the complex relationship between dynamic environments, dynamic capabilities, and competitive advantage. First, dynamic environment variables that have dimensions of technological change, market change, and economic change directly affect the competitive advantage of small business creative culinary. As explained (Saeedikiya et al., 2024), the success of applying competitive advantage is to the extent to which small business creative culinary will adapt to technological change, such as using digital transformation as a form of response to such a dynamic business environment.

Technological change can affect how small businesses use social media and e-commerce to market their products, expand their market share, and set the desired target market. The influence of market and economic changes will always be challenging for small businesses and creatives in Indonesia. As a developing country with many limitations, small businesses that are creative and culinary must meet the standards of product quality desired by global consumers. (Afdal et al., 2021). Besides, thinking about business sustainability by continuing to innovate products and services to have competitive products in the global market. A dynamic environment is an environment that cannot be predicted with certainty; in a developing country that changes dynamic environments so rapidly (Zhou & Li., 2010), it is necessary to collaborate between dynamic surroundings and dynamic capabilities in the face of competitive partnerships.

In this study, dynamic capabilities influence competitive advantage. With such influence, the dynamic business environment brings the success of small business culinary in achieving a competitive advantage. One way to improve competitive advantage is to have competitiveness strategies such as supporting an organizational learning culture, innovation capacity, adaptation capacity, and partnership collaboration with stakeholders such as joining the business community, export community, or government activities. Application of competitiveness strategies will be successful when small business creative culinary can configure the company's resources through the organization's ability to create and modify resources with the proper methods (Zahra et al., 2006; Teece, 2007). By knowing competitiveness strategies, small business creative culinary will have stable dynamic capacity conditions that enable companies to develop new products and services quickly, enter new markets easily, improve operational efficiency, and build strong relationships with customers and business partners. In addition, dynamic capabilities play an essential role in the company's internal environment; with a strong internal environment, the company will be competitive.

The results of this research provide theoretical contributions to the strategic management theory from internal and external resource-based perspectives. The study of dynamic environment theory is challenged because of the difficulty of companies trying to quickly make changes to keep up with external changes occurring; the main challenge comes from the company's difficulty with the uniqueness of human resources, especially its difficulty competence to adapt to the rapidly changing and uncertain external environment. The macro-environment comprises economic, political, legal, technological, social, and cultural forces (Wheelen et al., 2018). All of the forces that exist in these macro environments have a direct influence on the company's prospects. Still, at the same time, they also have an indirect influence through the industrial environment. The internal environment comprises structure, culture, and resources (Wheelen & Hunger, 2018). Teece's (1997) dynamic capabilities have dimensions of sensing the need to change, learning how to respond to opportunities and threats, and reaching reconfiguration. (reconfiguring). The three capabilities in Wang & Ahmed's (2007) dynamic environment are adaptive capability, absorbent capacity, and innovative capability. The study highlights the need for small business-based creative economists in developing countries to implement dynamic environments and capabilities to have a competitive edge. However, small business creative culinary perpetrators still have limitations in some aspects. In practice, small business creative culinary perpetrators have yet to fully understand the application of dynamic environment concepts and dynamic capabilities. To develop a larger creative culinary business, small business creative operators must be capable of having a competitive advantage, especially those in developing countries such as Indonesia.

This research can contribute to the competitive advantage of small business creative culinary. First, small business creative culinary players will be more open to technological changes, like starting to follow social media trends in marketing their products and selling their products on various existing e-commerce sites. In addition, payment products can use digital payments that have no time limit at the time of payment. Cloud-based services have become increasingly popular among small businesses, as these services offer many advantages, such as easy accessibility, scalability, and lower costs, that allow small businesses to work collaboratively, store their data securely, and access their files from anywhere. Small business Creative culinaries can use data analysis to understand their customers, increase sales, and make better business decisions. Besides, artificial intelligence (AI) helps facilitate small businesses with various tasks, such as customer service, chatbots, and marketing automation. Technological change will bring many opportunities for small business creative culinary in developing its business. With these technological changes, adapting quickly and learning to use technology to enhance their business is necessary. Second, small business creative actors will be more open to market changes caused by the growing use of e-commerce for sales processes, consumer preferences are more valued than personalized shopping experiences, and consumers are likelier to buy from small businesses that offer good customer service. Through this market change, small business creative culinaries invest in technology to automate tasks, improve efficiency, and reach new customers. The three small business creative culinary players should be more concerned with global economic changes because global economic change significantly influences purchasing power. As in the 2020 COVID-19 pandemic, social restrictions and lockdowns are imposed in many countries; many small businesses have to close there and experience sales decommissioning. Small business creative culinary actors must understand inflation and the general rise in prices of goods and services, which has risen in many countries in recent years. Besides, there are fluctuating interest rate increases, international political uncertainty, and unpredictable economic changes like floods and other natural disasters.

Regarding dynamic capabilities, first, small business culinary creatives must apply the concept of learning organization, a continuous learning culture, and the adaptation process to the environment. The application of learning organizations is embedded so that learning culture becomes a habit that encourages small businesses to develop various ideas. However, not all small business creative culinary players can do so; there are some challenges to face, such as having limited resources, which can make it difficult for them to provide training and employee development. Second, small business creative culinary players must be able to innovate to generate new ideas and transform them into new products, services, or processes that are successful in the market. Capacity for innovation is essential to competitive advantage and thrive in a dynamic environment. Factors influencing innovation capacity are visionary leadership, strong organizational culture, access to information and knowledge, networking, and collaboration. Third, small business creative culinary performers must be able to adapt to changing internal and external environments. Adaptation is essential to remain competitive and sustainable in facing market changes, new technologies, and economic crises. Fourthly, small business creative culinary players must have a partnership strategy for small businesses to increase competitiveness with large corporations, expand the reach of new markets that have never been accessed, enhance innovation that can develop innovative products and services, and improve access to necessary resources such as capital and technology.

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