The Influence of Dynamic Capability on Program Uniqueness and Its Implications for Business Performance through Flexibility Strategy in the Coffee Business

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ABSTRACT

Objectives*: The coffee industry is characterized by intense competition, shifting consumer preferences, and vulnerability to external disruptions, creating challenges for businesses aiming to maintain sustainable performance. This study investigates the role of dynamic capabilities in shaping program uniqueness and enhancing business performance, with strategic flexibility examined as a mediating factor.*
Methodology*: Adopting a quantitative research design, the study utilizes a structured questionnaire distributed among decision-makers in small and medium-sized coffee enterprises across Indonesia, and analyzes the data using Structural Equation Modeling with AMOS.*
Finding*: The findings provide both theoretical advancement and practical implications for SMEs in the coffee sector by highlighting the importance of resource orchestration and adaptive strategies in sustaining competitive advantage. This research contributes to the broader discourse on strategic management and SME development, offering valuable insights for academics, practitioners, and policymakers aiming to enhance resilience and innovation in dynamic industry environments.*
Conclusion*: The results demonstrate that dynamic capabilities specifically sensing, seizing, and reconfiguring resources positively influence the development of unique programs and contribute to improved business outcomes. Furthermore, the presence of a flexibility strategy significantly mediates the effect of dynamic capabilities, enabling firms to adapt more effectively to environmental changes and align their strategic initiatives with market demands. By integrating the Conservation of Resources (COR) theory into the dynamic capabilities framework, this study offers a novel theoretical perspective on how firms can protect, allocate, and optimize resources under conditions of uncertainty.*

Keywords*: Dynamic Capability; Flexibility Strategy; Program Uniqueness; Business Performance.*

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INTRODUCTION

Consumer behavior and technological upgrades were the key drivers behind the rapid evolution of the coffee industry in the most recent years. The COVID-19 pandemic and other global disruptions have evolved the industry even further. Small and medium enterprises (SMEs), such as coffee shops, as a key agricultural product, face the dual challenge of increased market expectations and the need to meet operational resilience and optimal performance sustainability (Ramos et al., 2021). Creative coffee shops are transforming into the grades of the innovative economy (Purnomo, 2018). Companies operating in coffee shops are under extreme pressure from competitors to launch activities and develop sustainable differentiation. The competence of such activities is the ability to sense, seize, and reconfigure activities in response to a shift in demands (Tuschke & Buellet, 2020).

While there is an appreciation for the value of coffee businesses having dynamic capabilities, there is also an understanding that they struggle to achieve the benefits that come with it. Most of the literature is either focused on the innovation side of the operations, or the performance of the operations, but rarely do they examine the interface with dynamic capabilities, and how these affect the differentiation of strategic programs and the performance of the business as a whole (Sari et al., 2024). Also, while some literature has examined dynamic capabilities on a more general basis within service or manufacturing (Beltran & Ramesh, 2018), very few have gone on to examine the capacity of these capabilities to influence uniqueness of programs and strategies in the coffee sector. This has led to a huge gap in the literature and a lack of understanding, particularly on the role of mediation of the strategy of flexibility as an instrument in the conversion of dynamic capabilities to business performance (Suprapto et al., 2024).

This study is grounded in COR theory, which explains why organizations attempt to obtain, maintain, and utilize dear and relevant resources to manage risk and maintain a competitive edge (Hobfoll, 1989). Dynamic capability, in this context, is considered a superior strategic asset that allows firms to proactively conserve and defend existing resources while creating new value (Wibisono et al., 2024). Flexibility strategy also acts as a guard that improves a firm's ability to relocate and redistribute resources to adapt to changes in the environment (Rotjanakorn et al., 2020). This study integrates the dynamic capability with program distinctiveness and strategic flexibility as a mediator and extends the COR theory to a new area of industry, thus offering a rich conceptual basis for the study of the impact of resource orchestration on performance in dynamic environments.

The purpose of this study is to empirically examine the influence of dynamic capability on program uniqueness and its subsequent implications for business performance, with flexibility strategy serving as a mediating variable. Specifically, the study seeks to answer the following research question: *To what extent does dynamic capability influence business performance through the development of unique programs and the mediating effect of flexibility strategy in the coffee industry?* This inquiry is addressed through a quantitative, cross-sectional survey of small and medium-sized coffee businesses in Indonesia, using Structural Equation Modeling (SEM-AMOS) to test the proposed relationships. By focusing on decision-makers within these enterprises, the research captures strategic-level insights essential to understanding how firms navigate complex competitive landscapes (Chang, 2022).

The study offers new insight into how dynamic capabilities affect innovation and differentiation in emerging economies, adding to strategic management research. Previous

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studies that examine the literature ignore the relationships between different performance indicators, different kinds of innovations, and the various different dimensions of dynamic capabilities. This study interrelates all three constructs in a single, empirically tested model. The findings of the model are useful for SMEs in the coffee industry, particularly while trying to build resilience and optimize market position amidst uncertainty (Ambedkar & Prakash, 2024). The model also benefits policymakers and industry practitioners interested in providing support to promote adaptive capabilities and competitive differentiation in the Indonesian coffee industry and comparable agri-food sectors around the world (Kanita & Respati, 2019).

LITERATURE REVIEW

The Conservation of Resources (COR) Theory as conceived by Hobfoll (1989) postulates that organizations and individuals seek to gain, maintain and protect valuable resources in the face of environmental pressures. In the case of business strategy, dynamic capabilities, defined as the ability of the firm to sense, seize and restructure resources, are fundamental to intangible assets that COR theory aligns with. A business's ability to protect and utilize strategic resources in times of uncertainty is a primary determinant of sustained competitive advantage (Yang & Gan, 2020). From COR theory, the conceptualization of flexibility strategy as a protective buffer is considered the reason organizations are able to adjust operations to avoid the loss of valuable resources, more so in unpredictable domains such as the coffee industry (Muneeb et al., 2022). For that reason, the unification of dynamic capabilities with COR Theory is helpful for understanding how businesses formulate new systems, improve their overall performance and manage to do more with less.

Prior investigations have underscored the significance of dynamic capabilities for handling complex and volatile business environments. For example, in the Peruvian coffee supply chain, Ramos et al. (2021) showed how organizational flexibility and integration as dynamic capabilities increased supply chain agility and performance. In the same way, Purnomo (2018) showed the research outcomes within the coffee business in Indonesia, describing how dynamic capabilities assist local industry players in developing networks and gaining legitimacy for competitive positioning. Furthermore, the literature mentions the mediating influence of strategic flexibility on the relationship between dynamic capabilities and firm performance, mainly during crises such as the COVID-19 pandemic (Chen et al., 2021). Outside the coffee industry, studies show that firms with well-designed flexibility strategies manage to better align their dynamic capabilities with desired innovation and performance outcomes (Chaudhary, 2019).

Though literature on dynamic capability theory continues to be published and developed, there are still significant gaps regarding the interaction of dynamic capability theory with program distinctiveness and flexibility strategy. Most literature assesses the outcomes of theory-differentiated programs in terms of supply chain innovation or focuses on the outcomes of innovation alone. There is a lack of theoretical or empirical models that assess the flexibility strategy, particularly in the context of Small and Medium-sized Enterprises (SME) in specific industries like coffee. Most theoretical models fail to assess the relationship of dynamic capability and strategic flexibility with overall business performance, both in its financial and non-financial aspects. Most empirical studies in the literature rely on single-source data and ignore the research context, which greatly shapes capability and its

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use, thus undermining the literature's overall significance, particularly in niche sectors like artisanal coffee.

This gap in the literature is largely due to the absence of empirical studies investigating the relationship between dynamic capability, program uniqueness, flexibility strategy, and business performance among Indonesian coffee SMEs. In contrast to previous studies that have analyzed each of these constructs in isolation, this study attempts to combine these constructs in a covariance-based SEM to test direct and mediated relationships simultaneously. This approach is necessary to disentangle the intricacies of capability development and capacity utilization in conditions of extreme resource scarcity and competition (Khristianto et al. 2023). By examining program uniqueness, the study contributes to the literature on dynamic capabilities by proposing that differentiation strategies, such as resource orchestration in the form of novel customer experience or menu innovations, should be treated as a substantive response to over-competitive environments. Furthermore, the decision-maker focus of SMEs within this study provides the contextual ill expertise that is often glossed over in large-n cross-sectional primary sector studies (Adiwibowo & Anam 2024).

Prominent streams of scholarship within the field of dynamic capabilities have begun to include digital transformation, entrepreneurial orientation, and innovation strategies. More specifically, recent contributions focus on how digital leadership and market sensing promote strategic flexibility and help firms to thrive during the Fourth Industrial Revolution (Wetering et al., 2021). A case in point is how the combination of absorptive capacity and flexibility strategy fuels entrepreneurial growth in smaller firms operating in highly dynamic ecosystems (Yudistira et al., 2022). Strategic flexibility is also reported to have taken the role of an intervening or moderating variable in several analytical frameworks attempting to associate resource-based variables with various business outcomes, which indicates an important shift towards more flexible, process-based theories of the firm (Mhaibes, 2018). Nevertheless, these frameworks tend to present programmatic innovation or uniqueness as an afterthought, something of minor importance, rather than foundational to the firm's dynamic capabilities.

This review's conceptual integration depicts program distinctiveness as an operational manifestation of dynamic capability, sustained and augmented by a firm's flexibility strategy. In rivalry industries, especially in the coffee industry, program distinctiveness transcends promotion strategies as a product of strategic outputs shaped by sensing, seizing, and reconfiguration. This research integrates COR theory, dynamic capabilities, and real-world strategic actors, thus tapering the literature gap between theory and practice. Hence, the literature supports the formation of a singular framework in which capability orchestration, strategic adaptability, and differentiated program outputs explain business performance in volatile contexts.

METHOD

This study employs a quantitative explanatory research design which operates within a positivist paradigm that aims to assess theoretical claims within the scope of empirical testing. This research aims to determine the relationships between dynamic capability, program uniqueness, flexibility strategy, and business performance in the Indonesian coffee sector. Due to the objective nature of business dynamics, the quantitative approach was chosen, and the explanatory approach made it possible to test the hypotheses and validate the theories through statical models. Data was collected using a cross-sectional survey which ensures

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contextual accuracy, relevance, and temporal control to avoid time-related biases (Sarker et al., 2024).Data were both primary and secondary in nature. To construct the primary data, the researcher surveyed coffee enterprise owners, coffee roasters, and coffee shop managers. A survey, posing pertinent data related to the four study constructs of interest, direct capability, program uniqueness, flexible strategy, and business performance was distributed. Each study construct was measured through a set of valid survey items used in previous studies. For example, dimensions of sensing, seizing and reconfiguring were used to measure dynamic capability (Youssef, 2023), whereas, a firm's responsiveness and strategic adaptability were used to measure flexible strategy (Malca et al., 2020). Secondary data included government documents, industry reports and surveys, and peer-reviewed journal articles, and analyses of data based on the market to assist in contextualizing and interpreting the results.

The data collection, respondents were given a structured questionnaire that was partially distributed digitally and partially administered physically, given the differences in degrees of digital accessibility of the SMEs and given their geographical location. A structured questionnaire with several variables that pertained to the topic of the study was described in detail, and for each of the variables a five-point Likert scale was used so that they could assess the differences in the responses to the variables and between the variables (1=does not pertain at all, 5=very much pertains). Each of the variables questions was pertained to the literature that had been written previously in order to maintain the relevance of the questions, validity of the content, and to stay true to the variables that were measured (Azzani et al., 2024). Thirty respondents were given a test to assess the questions for clarity, and if the questions were reliable enough, deployment could begin.

The population for the study were people with a small to medium size business, specifically, people in the business with a value added to the process of roasting, sales, and running a specialty café. The technique used for this study was purposive sampling of these individuals, with a focus on individuals that hold a corner office, meaning that they hold the highest position in the company, partially a business owner, or they are senior managers of the business. This is significant to ensure that the responses that are given are not subjective, but instead they are formulated based on a viewed picture of the outlined vision of not only the business, but also the integration of strategy and the elements of the ecosystem that is at play. The sample size that could be used was based on the predictions that were provided for Structural Equation Modeling (SEM). It was predicted that for the model to be applicable and for people to be able generalize the model, the valid responses that were required were a minimum of 200, this is based on the predictions for the model of covariance based for SEM (Romain, 2020).

The Analytical method employed is Structural Equation Modeling (SEM) with AMOS (Analysis of Moment Structures). This permits the simultaneous estimation of several latent variables and their relations. Regression based methods are less preferred because SEM takes into account measurement error and provides indices of fit which indicate whether the data supports the complete structure of the theory. (Collier 2020). This analysis was done in two parts. In the first part the measurement model was assessed by confirmatory factor analysis and the factors of reliabilty (measured by Cronbach's alpha and composite reliabilty) and validity (using average variance extracted AVE) were assessed. In the second part the structural model was assessed to measure the direct and indirect relations of the constructs. The mediating effect of flexibility strategy was assessed by the bootstrapping method using 5000 functions to estimate indirect effects (Yang et al 2018).

SPSS was also used in AMOS to derive additional analyses such as descriptives and normality to confirm the data was adequate prior to SEM processing. The assumptions of the SEM model were met which include multivariate normality, no multicollinearity, and sufficient sample size. This strategy is also considerably comprehensive which corresponds to critera of management research and increases the empirical validity of the results (Sarker et al. 2024)

RESULTS AND DISCUSSION

Table 1 presents a summary of the descriptive analysis results, including the mean values, standard deviations, minimum values, and maximum values of the research variables.

Table 1. Descriptive Statistics Mean Score

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
DC1	370	2,40	7,00	5,8773	,95149
DC2	370	1,00	7,00	6,1703	1,05251
DC3	370	1,00	7,00	6,1878	,88145
DC4	370	1,00	7,00	6,1486	,96879
DC5	370	1,00	7,00	5,8500	1,09126
Total Dinamic Capability	370	1,48	7,00	6,0468	,89538
FS1	370	1,00	7,00	5,9554	,95851
FS2	370	1,00	7,00	5,7811	1,17709
FS3	370	1,00	7,00	5,9284	1,06350
FS4	370	1,50	7,00	5,6851	1,00347
Total Flexibility Strategy	370	1,13	7,00	5,8395	,88144
UP1	370	1,00	7,00	6,1527	,92228
UP2	370	1,00	7,00	5,8818	1,00542
UP3	370	1,00	7,00	5,8689	1,00476
Total Uniquiness Program	370	1,00	7,00	5,9680	,91894
BP1	370	1,00	7,00	6,1099	,96509
BP2	370	1,00	7,00	5,8874	1,02353
BP3	370	2,33	7,00	6,1217	,91207
BP4	370	1,00	7,00	5,9598	,92948
BP5	370	1,00	7,00	6,0472	,92735
Total Business Performance	370	1,40	7,00	6,0250	,86071
Valid N (listwise)	370				

Considering that the averages for all the variables are above 5, it shows that there is a strong tendency towards the respondents being positive and agreeable towards the statements that were being evaluated. The greatest mean for the variables was the Dynamic Capability, where Total Dynamic Capability was at 6.0468. Individual items such as DC2 (6.1703) and DC3 (6.1878) were particularly high and this indicates that respondents associate strong dynamic capabilities as an organization major strength.

Business Performance also showed a mean that is above average in the 6.000 range. Total Business Performance had a mean of 6.0250, where BP1 (6.1099) and BP3 (6.1217) were the most positive rated indicators of performance.

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The mean values for Total Flexibility Strategy and Total Uniqueness Program were 5.8395 and 5.9680, respectively, indicating lower, but still positive, values for Flexibility Strategy and Program Uniqueness. Respondents were overall positive towards strategic flexibility and uniqueness, but these were seen less positively than the other measured variables, such as dynamic capabilities and strategic business performance.

The values for the standard deviation (SD) also determine the dispersion of the data. Most of the variables had standard deviation values below 1.00. This indicates the responses were closely pack around the mean. There were a few exceptions, but lower SD values of Total Dynamic Capability (0.89538), Total Flexibility Strategy (0.88144), Total Uniqueness Program (0.91894), and Total Business Performance (0.86071) affirm that the totaling variables had a higher level of agreement among the respondents.

The overall conclusion of this analysis indicates that the respondents view all the measured variables positively, and all variables had a mean above 5 (1 - 7 scale). There was an overall stronger positive perception within Dynamic Capability and Business Performance as measured variables. It is important to also notice the variation in the standard deviation values, as seen in the case of items FS2 and FS4. Overall, the data provides evidence that the respondents had a strong perception regarding all the measured variables.

According to Table 2, all variables, including Dynamic Capability, Flexibility Strategy, Uniqueness Program, and Business Performance, have all their indicators attained all requirements for valid measures. The validity of these values is evidenced by their factor loadings, all of which exceeded the required 0.5 and above needed for validity with the lowest values 0.686 and the highest 0.945. This signifies that all their variables and the intended latent construct have a measure of correlation if not significant. Notably, more than the average 0.5 factor loading value for all other variables are UP1 with 0.945 and DC4 with 0.944. This evidence supports the contention that the variables of the research propose a valid instrument for their respective constructs and all variables beg to be included in the research instrument for the validity of other constructs.

Table 2. Validity Test Confirmatory Factor Analysis

Variable Laten	Indicator	*Loading Factor*>0,5	Description
Dinamic Capability	DC1	0,856	Valid
	DC2	0,915	Valid
	DC3	0,833	Valid
	DC4	0,944	Valid
	DC5	0,856	Valid
Flexibility Strategy	FS1	0,912	Valid
	FS2	0,710	Valid
	FS3	0,824	Valid
	FS4	0,686	Valid
Uniqueness Program	UP1	0,945	Valid
	UP2	0,853	Valid

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Variable Laten	Indicator	*Loading Factor*>0,5	Description
	UP3	0,860	Valid
Bussines Performance	BP1	0,878	Valid
	BP2	0,830	Valid
	BP3	0,915	Valid
	BP4	0,892	Valid
	BP5	0,846	Valid

Table 3 below presents the results of the reliability analysis, showing the Composite Reliability (CR) values and Average Variance Extracted (AVE) scores for each construct.

Table 3. Reliability Test

	Average Variance Extracted (AVE)	Composite Reliability
Dinamic Capability	0,719	0,927
Flexibility Strategy	0,649	0,879
Uniqueness Program	0,697	0,873
Business Performance	0,734	0,932

The Composite Reliability (CR) value should ideally exceed 0.70, and the Average Variance Extracted (AVE) value should exceed 0.50 to indicate good reliability. Judging from the AVE results, all constructs had AVE values greater than the suggested 0.50, so all constructs were satisfactory.

Information from the table shows that all the latent variables comprising Dynamic Capability, Flexibility Strategy, Uniqueness Program, as well as Business Performance all exhibit extremely strong reliability. All the reliability standards have been attained as each of the variables has an AVE value above the 0.50 mark alongside a higher than 0.70 mark for the CR value. To be specific, the values of AVE fall in the range of 0.649 to 0.734, meaning that each of the constructs had in excess of 50% of the variance in the indicators accounted for. Composite Reliability points also land in the range of 0.873 to 0.932, thus ascertaining that each of the measurement instruments had a lot of internal consistency. Hence, these results signify that the instruments that this research employed were reliable, thus confirming that the appropriate latent variables were measured.

The previously conducted reliability test fully corroborates that every single predictive variable consisting of Dynamic Capability to Business Performance are dependable and remain unchanged over time. This also proves that the research tool which aims to examine these variables is valid and can be trusted for further assessments. Therefore, the output of the following table 4 contains the analyzed paths utilized to test the remaining hypotheses.

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Table 4. Direct and Indirect Hypotheses Effects

Hypotesis	State of hypothesis	Estimate	t-Statistic	p Value
1	Dynamic Capability has a positive effect on Flexibility Strategy	0,801	12,791	0,00**
2	Dynamic Capability has a positive effect on Program Uniqueness	0,445	8,626	0,00**
3	Flexibility Strategy has a positive effect on Program Uniqueness	0,538	9,110	0,00**
4	Flexibility Strategy has a positive effect on Business Performance	0,142	2,271	0,023*
5	Program Uniqueness has a positive effect on Business Performance	0,868	12,922	0,00**
6	Dynamic Capability positively affects Business Performance through Flexibility Strategy	0,114	2,236	0,025*
7	Dynamic Capability positively affects Business Performance through Program Uniqueness	0,386	7,174	0,00**
8	Flexibility Strategy positively affects Business Performance through Program Uniqueness	0,467	7,446	0,00**

**) significant level at 99%*

Based on the hypothesis testing table, the following is a detailed analysis of each hypothesis by comparing the t-statistic value with 1.96 and the p-value with 0.05. The critical threshold for the t-statistic at a 0.05 significance level (two-tailed) is 1.96, meaning that if the t-statistic exceeds 1.96 and the p-value is below 0.05, the hypothesis is accepted.

Hypothesis 1: *Dynamic Capability has a positive effect on Flexibility Strategy.* This hypothesis is accepted. With a t-statistic of 12.791 and a p-value of 0.000, the result shows a strong and significant relationship between dynamic capability and flexibility strategy. This indicates that the better a company is at sensing and responding to changes, the more effectively it can implement flexible strategies.

Hypothesis 2: *Dynamic Capability has a positive effect on Program Uniqueness.* This hypothesis is also accepted. A t-statistic of 8.626 and p-value of 0.000 demonstrate a significant and positive influence of dynamic capability on program uniqueness. Firms with strong dynamic capabilities are more likely to create and implement distinctive, innovative programs.

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Hypothesis 3: *Flexibility Strategy has a positive effect on Program Uniqueness.* This hypothesis is confirmed. The t-statistic of 9.110 and p-value of 0.000 show that flexibility strategy significantly influences program uniqueness. A flexible strategic orientation enables firms to quickly adapt and design innovative, unique programs in response to market conditions.

Hypothesis 4: *Flexibility Strategy has a positive effect on Business Performance.* This hypothesis is accepted. A t-statistic of 2.271 and p-value of 0.023 indicate a significant, though relatively weaker, positive relationship. This finding supports the view that adaptive strategies contribute positively to business outcomes.

Hypothesis 5: *Program Uniqueness has a positive effect on Business Performance.* This hypothesis is strongly supported. With a t-statistic of 12.922 and a p-value of 0.000, the results show that program uniqueness has a dominant and significant effect on business performance. The estimate coefficient of 0.868 is the highest among all paths, highlighting the critical role of offering unique value propositions in driving superior performance.

Hypothesis 6: *Dynamic Capability positively affects Business Performance through Flexibility Strategy.* This hypothesis is accepted, demonstrating an indirect effect. With a t-statistic of 2.236 and p-value of 0.025, it can be concluded that dynamic capabilities influence performance both directly and indirectly through the mediation of flexibility strategy.

Hypothesis 7: *Dynamic Capability positively affects Business Performance through Program Uniqueness.* This hypothesis is accepted. A t-statistic of 7.174 and a p-value of 0.000 indicate that program uniqueness serves as a significant mediator between dynamic capability and business performance. This implies that the ability to sense and respond to market opportunities leads to the development of unique programs that enhance firm performance.

Hypothesis 8: *Flexibility Strategy positively affects Business Performance through Program Uniqueness.* This final hypothesis is also accepted. With a t-statistic of 7.446 and a p-value of 0.000, the results confirm that the influence of flexibility strategy on business performance is significantly mediated by program uniqueness. This means that a flexible strategic orientation enables the creation of unique programs, which in turn enhance business performance.

Testing the research propositions yields a specific range of results, findings related to the core analytical outcomes of this research, i.e., core contributions to the advancing scholarship in this field. All research propositions hypotheses, both direct and indirect, are supported, and this is indicated by the p-values that have been obtained and are all statistically significant as all fall below the cutoff of 0.05.

Effects of Hypothesis 5 and Hypothesis 6 Directly and Independently of Each Other. The findings of this research revealed that Dynamic Capability has a statistically significant effect on both Flexibility Strategy and on Program Uniqueness respectively, all at p < 0.001. This thus consolidates even further the fact that you need to be adaptable and to integrate changes in to be able to obtain and achieve a level of innovation that allows you to have strategic flexibility and the creation of a value that is of a criterion which is unique. The strongest effect in relation to business performance was as a result of the effect that is brought about by the Program Uniqueness (p < 0.001, estimate = 0.868), and this in fact goes further to attest and support the notion and argument that the innovation of products and services is a significant performance outcomes differentiator of a business.

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Effects of Hypothesis 8 and Hypothesis 9 are Mediation Effects. These changes and outcomes that have been attained are the result of Dynamic Capability and Flexibility Strategy because these are the two. This performance of the business is as a result of the unique nature of the programs that have been offered. The core p value signifies the overriding dominance and the fact that uniqueness is the core closure by means of which internal capabilities are converted to value that is enhanced and external. This offers a complete and collective practical aspect in the sense that even when a business has in its possession a great of flexible strategies that are dynamic in nature, that in itself will not be sufficient or be enough. The dynamic capabilities must be designed and used to create and provide new market offerings that are unique and valuable to the market.

The Findings of this investigation show that Dynamic Capability, Flexibility Strategy, and Program Uniqueness remain interlinked and, as a unit, they form a determinant for shaping a firm's Performance. Moreover, a firm's capacity to formulate distinct programs serves as a vital intermediary connecting the internal competencies of a firm to their external achievements.

The following figure presents the final model results computed using IBM AMOS version 26.0.
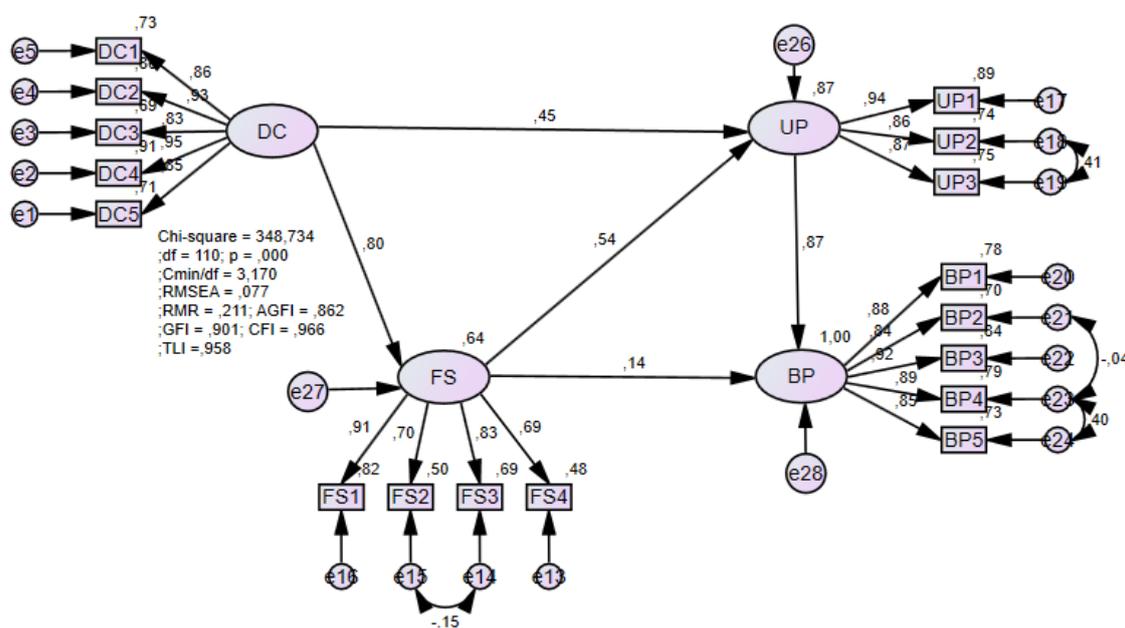
Figure 1. Structural Model Testing Results

Table 5. *R-Square* (R^2)

	R-Square
Flexibility Strategy	0,641
Uniqueness Program	0,872
Business Performance	0,996

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The R-Square (R^2) table shows the extent to which variability in endogenous (dependent) variables can be explained by exogenous (independent) variables within the model.

- Flexibility Strategy (R^2 = 0.641): This value indicates that 64.1% of the variation in the Flexibility Strategy variable is explained by Dynamic Capability. This suggests that the model demonstrates a good ability to account for variability in strategic flexibility.

- Uniqueness Program (R^2 = 0.872): This high value indicates that 87.2% of the variation in the Uniqueness Program variable is explained by the combination of Dynamic Capability and Flexibility Strategy. It shows that the model has a very strong predictive power for program uniqueness.

- Business Performance (R^2 = 0.996): This near-perfect value of 99.6% shows that nearly all variation in the Business Performance variable can be explained by the combination of Flexibility Strategy and Uniqueness Program. This is an exceptional finding, indicating that the proposed model has extremely high predictive strength in explaining business performance.

The findings of the structural model testing and the R-Square values show that the research model fits well and can make extremely accurate predictions. Dynamic Capability has a big effect on both the Flexibility Strategy and the Uniqueness Program. The Flexibility Strategy and the Uniqueness Program are the most important factors that affect Business Performance, with the Uniqueness Program being the most important. The very high R-Square values, notably for company Performance, show that the exogenous factors we looked at are very important and reliable predictors of company performance.The goodness-of-fit results also indicate that the model is well-fitted. The fit indices include: GFI = 0.901 > 0.9, CFI = 0.966 > 0.9, NFI = 0.952 > 0.9, TLI = 0.958 > 0.9, RFI = 0.940 > 0.9, RMSEA = 0.077 < 0.08, and PNFI = 0.770 > 0.5, all of which approach or exceed recommended thresholds. Therefore, the model in this study is concluded to be a good fit.

Discussion

This study's strengths lie in its reminiscence of the distinctive capabilities of dynamic capabilities, particularly sensing, seizing, and reconfiguring, which has a positive effect on program diversification and performance improvement in Indonesian small and medium enterprises (SMEs) in the coffee sector. Results from the Structural Equation Model (SEM) validated the connections and flexibility strategy mediation hypotheses. There was a reduction in the correlations between the unique program flexibility approach, company performance, entrepreneurial immobility, and the efficacy of dynamic skills in this setting. This goes along with the goals of the study, which were to find out how the adaptive techniques may turn the dynamic capabilities into useful outcomes.

The results are explained in terms of the Conservation of Resources (COR) Theory, which places a focus on dynamic capacities and uses resource streamlining to acquire, maintain, and utilize key resources to their full potential in an unpredictable environment. The COR hypothesis describes a stressful and competitive setting for an entity. To succeed in this setting, you'll need to focus on what makes your program stand out from the crowd: its distinctiveness. (The work of Hobboll, 1989) Incorporating the mediating technique of flexibility provides a clear explanation of this theory, wherein flexibility serves as a buffer or

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adaptive shield, ensuring that the system's resources are protected and utilized to their max potential. Awain et al. (2024)

These findings are in line with those of Evanthi and Azhar (2023), who found that a company's ability to adapt to changing market conditions is correlated with its level of strategic flexibility; similarly, Gorondutse et al. (2020) verified that strategic flexibility boosts performance, but only when combined with a sustainability approach and applied to small and medium-sized businesses. The impact of dynamic strategy planning on financial performance is indirect, according to Ojha et al. (2020), who contend that intermediary variables like operational capabilities affect this impact. Even if the company has dynamic skills, they won't be enough without strategic molding.

While the subject of dynamic capability's connection with performance has received little attention in the literature thus far, this study fills that gap by positing program uniqueness as a crucial mediating feature. Prior studies have mainly examined strategic innovation and flexibility as mediators (Uddin et al., 2023), but this article adds to the existing literature by elucidating the strategic function that distinctive offerings (such as locally sourced ingredients, ethical sourcing, and experiential design) can perform in setting coffee businesses apart. Moreover, by utilizing data from a developing country, this study offers a fresh viewpoint on competitive adaptation in these regions and broadens the applicability of the COR theory outside of Western contexts.

However, the results are not fully applicable or interpretable due to a number of limitations. To begin, hypotheses on the long-term causal effects cannot be drawn from the study using cross-sectional data. Since dynamic skills change with time, Mukhtar et al. (2023) argue that longitudinal data is more appropriate for charting this change. Second, the results may not be generalizable to other contexts due to the study's focus on small and medium-sized enterprises (SMEs) in Indonesia. This is because SMEs in other countries have distinct institutional, cultural, and economic makeup. Third, there is a good chance that social desirability bias will be introduced due to the survey's use of self-reported instruments and the fact that assessments of dynamic capacity and strategic flexibility are partial goals of the survey.

These results provide a number of avenues that researchers and practitioners could pursue. A fascinating and potentially fruitful area of research might be the study of how certain dynamic skills evolve over time and how these capabilities interact with both the external environment's volatility and internal innovation cycles. Potential alternate mediators that may be studied in the future include ambidextrous learning and absorptive ability (Ahmadi & Osman, 2020). Managers in the coffee industry would do well to put more resources into creating creative programs that appeal to customers' senses and encourage reconfiguration, as well as to employ more flexible management practices. More controllable and integrated new efforts are required for ongoing distinctiveness and profitability.

Small and medium-sized enterprises (SMEs) in the coffee sector now have the tools they need to ensure their rivals' survival thanks to this research that effectively linked the dynamic capacity theory and the mediating logic of conservation of resources (CRO) theory in this area.

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CONCLUSION

This research analyzed the cause-and-effect relationships among dynamic capabilities, program uniqueness, flexibility strategy, and performance in the coffee industry in Indonesia through a quantitative cross-sectional approach. The results confirmed that the firm's dynamic capabilities, especially sensing, seizing, and reconfiguring resources, determine the uniqueness of business programs and performance. The flexibility strategy also mediated the translation of dynamic capabilities into strategies that are adaptable and relevant to the market, improving competitiveness. The results confirmed the research objectives and provided answers to the proposed hypotheses in the relationships between the core variables of the study.

This research theoretically contributes to extending the application of the Conservation of Resources theory explaining how strategically combining dynamic capabilities and flexibility interacts to defend and increase the firm's value even under adverse conditions. Conceptually, the study advances the understanding of program uniqueness as a realized output of capability orchestration and a mechanism that captures and sustains performance in differentiation. Practically, the study provides a framework for entrepreneurs and managers in the coffee industry to understand the importance of dynamic resource management and flexibility in organizational practices for improving the industry's resilience and innovative capability.

In the future, research should include designs longitudinal studies to understand how dynamic capabilities change over time and shape the future of firms in varying conditions in the market. It would be beneficial to conduct industry and geographical comparative analysis to improve the developmental integrations and to be able to generalize the research findings. Developing ecosystems that encourage innovation, flexibility, and knowledge flow among small and medium enterprises would enhance the competitiveness of the coffee sector and other creative sectors, which would be of interest to policymakers and practitioners.

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