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STRATEGIC BUSINESS TRANSFORMATION AND CORPORATE SUSTAINABILITY: EXAMINING THE ROLE OF DYNAMIC AND DIGITAL CAPABILITIES

Patar Situmorang[1*]
John Tampil Purba[2]
Evo Sampetua Hariandja[3]

[1,2,3]Universitas Pelita Harapan, Indonesia
[1] patarsaya@gmail.com [2] john.purba@uph.edu [3] evo.hariandja@uph.edu

ABSTRACT

In today's dynamic and competitive business environment, organizations must continuously adapt to external and internal changes to achieve corporate sustainability. This study examines the influence of Business Transformation (BT), Service Innovation Capability (SIC), and Service Delivery (SD) on Corporate Sustainability (CS), with Dynamic Capability (DC) as a mediating variable and Digital Transformation (DT) as a moderate factor. Employing Resource-Based View (RBV) and Market-Based View (MBV) theories, this study aims to explore how firms leverage internal capabilities and external market factors to drive long-term sustainability. A quantitative research design was applied, utilizing "This study employed Partial Least Squares-Structural Equation Modeling (PLS-SEM) to test the proposed hypotheses, utilizing data collected from 400 managers." and executives in the energy sector, with a focus on PT PLN (Persero). The findings confirm that BT, SIC, and SD positively influence CS, both directly and indirectly through DC. Furthermore, DT significantly moderates the relationships between BT, SIC, and SD with DC, indicating that digital adoption enhances firms' ability to adapt and reconfigure resources. The mediating role of DC was also supported, reinforcing its importance in linking strategic initiatives to sustainability outcomes. This study contributes to strategic management literature by integrating RBV and MBV perspectives while providing empirical evidence on DT as a catalyst for corporate sustainability. Practically, the results highlight the importance of firms investing in digital capabilities.", service innovation, and dynamic adaptation strategies to remain competitive. Future research should explore longitudinal effects and industry variations in digital transformation and sustainability practices.

Keywords: *Business Transformation, Service Innovation, Dynamic Capability, Digital Transformation, Corporate Sustainability*

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[*] Corresponding Author: Kelvin Levi Martawidjaja. Email: patarsaya@gmail.com

1. INTRODUCTION

In an increasingly dynamic and competitive business landscape, organizations are required to continuously adapt to external and internal environmental changes to achieve corporate sustainability. Corporate sustainability not only focuses on economic growth but also encompasses social and environmental sustainability dimensions (Schaltegger, et al., 2022). To attain this sustainability, companies must adopt managerial strategies that involve business transformation, service innovation, and efficient service delivery while maintaining dynamic capabilities that enable them to adapt to market changes (Wu et al., 2023).

In this context, business transformation (BT) is a fundamental factor that drives companies to shift from traditional business models to more adaptive and sustainable ones. This transformation involves changes in corporate strategy, organizational structure, technology, and work culture to enhance long-term competitiveness (Trad, 2021). Business transformation enables companies to increase flexibility and operational efficiency while responding quickly to market changes, ultimately contributing to corporate sustainability (George & Sichillebeeckx, 2022).

Beyond business transformation, service innovation capability (SIC) plays a key factor in boosting a company's competitive advantage. Service innovation capability reflects an organization's capacity to generate, develop, and implement new services that are more efficient and add value to customers (Hanaysha et al., 2022). Previous studies have shown that companies with strong service innovation capabilities tend to maintain business sustainability by creating customer value, increasing customer loyalty, and optimizing operational efficiency (Blichfeldt & Faullant, 2021).

On the other hand, service delivery (SD) or an effective service delivery system is also a critical aspect in supporting corporate sustainability. High-quality service delivery ensures that provided services align with customer needs and meet established quality standards (Weerakkody et al., 2022). Excellence in service delivery can enhance customer satisfaction and strengthen a company's competitiveness, ultimately impacting corporate sustainability (Gonçalves et al., 2021).

However, the effectiveness of business transformation, service innovation, and service delivery in supporting corporate sustainability heavily depends on the company's dynamic capability (DC). Dynamic capability refers to an organization's capacity to react to environmental changes by efficiently reallocating and reconfiguring resources (Wu et al., 2023). This capability allows companies to remain competitive in the long run and adjust their business strategies according to rapid market changes (Zhang & Jin, 2023).

While various studies have examined the relationship between business transformation, service innovation capability, service delivery, and corporate sustainability, previous research has yet to comprehensively integrate digital transformation (DT) as a moderating variable. Digital transformation is a crucial factor that can accelerate and amplify the impact of business transformation on corporate sustainability (Quille et al., 2023). Digital transformation encompasses not only the implementation of digital technologies in business operations but also changes in business models, organizational mindsets, and corporate innovation strategies (Hashim, et al., 2022).

In the context of energy companies such as PT PLN (Persero), digital transformation plays a vital role in improving operational efficiency and business sustainability. Through digital transformation, companies can enhance energy efficiency, optimize supply chains, and improve transparency and accountability in resource management (Imam & Zaheer, 2021). Therefore, leveraging digital technology can strengthen the impact of business transformation on corporate sustainability by enhancing the company's ability to manage resources and navigate market changes.

Moreover, digital transformation can also reinforce the connection between service innovation capability and corporate sustainability. The adoption of digital technology enables companies to develop new services that are more innovative and responsive to customer needs, ultimately increasing competitiveness and business sustainability (Soebandrija & Sahroni, 2021). In this regard, digital transformation is a key enabler that allows companies to implement more effective and data-driven service innovation strategies (Putritamara et al., 2023).

Furthermore, digital transformation can moderate the relationship between service delivery and corporate sustainability by enhancing service delivery efficiency and improving customer experience (Patel et al., 2024). The integration of digital technologies into customer service systems allows companies to offer more personalized, interactive, and customer-centric services, ultimately contributing to customer satisfaction and brand loyalty (Weerakkody et al., 2022).

Based on these discussions, this study aims to address the research gap in literature by exploring how business transformation, service innovation capability, and service delivery contribute to corporate sustainability through dynamic capability and how digital transformation moderates these relationships. By adopting the Resource-Based View (RBV) and Organizational Transformation Theory frameworks, this study will provide a deeper understanding of the factors that support corporate sustainability in an increasingly complex and dynamic business environment.

As a practical implication, the findings of this study are expected to serve as a guideline for managers and stakeholders in designing more effective business strategies to achieve

corporate sustainability. In the era of digital transformation, companies need to strengthen their dynamic capabilities by optimizing service innovation and enhancing service delivery efficiency through digital technology utilization. Thus, this study not only makes a theoretical contribution in strategic management but also offers practical suggestions for companies in addressing future business challenges.

Although prior research has examined the effects of business transformation, service innovation capability, and service delivery on corporate sustainability, these studi es have largely treated these factors independently, overlooking the contextual elements that may influence their impact. Notably, the moderating role of digital transformation has yet to be fully explored. Recent research indicates that digital transformation is more than just a technological advancement. It fundamentally transforms how firms allocate resources, develop innovative services, and create value (Soebandrija & Sahroni, 2021; Putritamara et al., 2023). However, there remains a lack of empirical evidence on how digital transformation enhances the connection between internal capabilities and corporate sustainability, especially within rapidly evolving industries like the energy sector. This study aims to fill that gap by examining the moderating role of digital transformation in the relationships among business transformation, service innovation capability, service delivery, dynamic capabilities, and corporate sustainability.

2. LITERATURE FRAMEWORK

Theoretical Framework: Strategic Management Perspective

Strategic management serves as the foundation for organizations to formulate and implement strategies that enhance long-term competitiveness and sustainability (Barney, 1991). This approach involves assessing internal capabilities and external market conditions to make strategic decisions that align with organizational goals (Nacken et al., 2024). In a highly dynamic business environment, companies must continuously adapt to technological advancements, market demands, and competitive pressures, making strategic management essential for ensuring corporate sustainability (Bustinza et al., 2024).

The Resource-Based View (RBV) emphasizes that a firm's competitive advantage is derived from its unique resources, which are valuable, rare, inimitable, and non-substitutable (VRIN criteria) (Barney, 1991). Organizations that effectively manage and leverage their internal resources—such as technological capabilities, innovation, and leadership—are more likely to sustain long-term competitive advantages (Sharma et al., 2022).

Conversely, the Market-Based View (MBV) highlights the significance of external market forces in shaping a firm’s strategic positioning. It suggests that competitive advantage arises from industry dynamics, customer preferences, and competitive rivalry (Porter, 1985).

Organizations that understand market trends and align their strategies accordingly can achieve superior performance. The integration of RBV and MBV enables firms to develop a balanced strategic approach that leverages internal strengths while responding to external opportunities and threats.

Hypothesis Development: Business Transformation and Dynamic Capability

Business transformation (BT) involves fundamental changes in corporate structure, processes, and strategies to improve efficiency and competitiveness (Su et al., 2022). Dynamic capability (DC), on the other hand, refers to an organization's ability to integrate, adapt, and reconfigure its resources in response to environmental changes (Akbari et al., 2022). Organizations that successfully implement business transformation often develop strong dynamic capabilities, allowing them to sustain competitive advantages by remaining agile and responsive to market shifts (Zhang & Jin, 2023).

H1: Business transformation positively influences dynamic capability.

The illustration diagram on Figure 1. Research Model

Business Transformation and Corporate Sustainability: Corporate sustainability (CS) refers to a firm's commitment to economic, social, and environmental sustainability(Schaltegger et al., 2022). Business transformation contributes to corporate sustainability by enabling companies to adopt sustainable practices, improve resource efficiency, and integrate environmental and social responsibility into their strategies (George, G., & Sichillebeeckx, 2022). By aligning transformation efforts with sustainability goals, organizations can enhance long-term value creation for stakeholders.

H2: Business transformation positively influences corporate sustainability.

The illustration diagram on Figure 1. Research Model

Service Innovation Capability and Dynamic Capability: Service innovation capability (SIC) represents a firm's ability to develop and implement new service models that enhance customer experience and operational efficiency (Hanaysha et al., 2022). Organizations that prioritize service innovation can improve their dynamic capabilities by fostering continuous learning, technological integration, and customer-centric service improvements (Akbari et al., 2022).

H3: Service innovation capability positively influences dynamic capability.

The illustration diagram on Figure 1. Research Model

Service Innovation Capability and Corporate Sustainability: Firms with strong service innovation capabilities tend to incorporate sustainability principles into their service models, reducing environmental impact and enhancing social value (Blichfeldt & Faullant, 2021). By leveraging innovative solutions, companies can meet evolving customer expectations while improving operational efficiency and sustainability.

H4: Service innovation capability positively influences corporate sustainability.

The illustration diagram on Figure 1. Research Model

Service Delivery and Dynamic Capability: Service delivery (SD) refers to the processes and systems through which firms provide products and services to customers (Weerakkody et al., 2022). Effective service delivery enhances dynamic capability by enabling organizations to quickly adapt their service models in response to customer needs and technological advancements (Satar et al., 2023).

H5: Service delivery positively influences dynamic capability.

The illustration diagram on Figure 1. Research Model

Service Delivery and Corporate Sustainability: High-quality service delivery ensures customer satisfaction while supporting corporate sustainability by optimizing resource utilization and reducing operational inefficiencies (Gonçalves et al., 2021). Organizations that invest in sustainable service delivery models can enhance brand reputation and long-term profitability.

H6: Service delivery positively influences corporate sustainability.

The illustration diagram on Figure 1. Research Model

Dynamic Capability and Corporate Sustainability: Dynamic capability plays a crucial role in corporate sustainability by enabling firms to anticipate and respond effectively to market disruptions, regulatory changes, and technological advancements (Wu et al., 2023). Organizations with robust dynamic capabilities are more adept at incorporating sustainability initiatives into their long-term strategies.

H7: Dynamic capability positively influences corporate sustainability.

The illustration diagram on Figure 1. Research Model

Moderating Role of Digital Transformation (DT): Digital transformation acts as a catalyst that amplifies the impact of business transformation, service innovation, and service delivery on dynamic capability. The integration of digital technologies facilitates real-time data analysis, automation, and customer engagement, enhancing organizational adaptability and responsiveness (Probojakti et al., 2025).

H8: Digital transformation moderates the link between business transformation and dynamic capability.

H9: Digital transformation moderates the connection between service innovation capability and dynamic capability.

H10: Digital transformation moderates the association between service delivery and dynamic capability.

The illustration diagram on Figure 1. Research Model

Mediating Role of Dynamic Capability: Dynamic capability mediates the relationship between business transformation, service innovation capability, and service delivery on corporate sustainability. Organizations that develop strong dynamic capabilities can leverage transformation efforts to achieve sustainable business outcomes (Imam & Zaheer, 2021).

H11: Dynamic capability mediates the relationship between business transformation and corporate sustainability.

H12: Dynamic capability mediates the relationship between service innovation capability and corporate sustainability.

H13: Dynamic capability mediates the relationship between service delivery and corporate sustainability.

The illustration diagram on Figure 1. Research Model

3. METHOD

Research Methodology Research Design: This study adopts a quantitative research approach with an explanatory design and causal research design to examine the effects of Business Transformation (BT), Service Innovation Capability (SIC), and Service Delivery (SD) on Corporate Sustainability (CS), mediated by Dynamic Capability (DC) and moderated by Digital Transformation (DT). The study utilizes Partial Least Squares-Structural Equation Modeling (PLS-SEM) to analyze the interrelationships among the identified constructs. A cross-sectional research design is applied, with data gathered at a single moment in time. from organizational leaders and managers involved in business transformation and digital initiatives. The unit of analysis is individual managers and executives responsible for implementing strategic initiatives within their organizations, particularly within the energy and utilities sector, with a primary focus on PT PLN (Persero).

Sampling Frame and Sampling Strategy: The target population in this study comprises managers and executives from organizations engaged in business transformation, digitalization, and service innovation, with a particular focus on the energy and utilities sector. Specifically, the sample includes managers at PT PLN (Persero) who are responsible for strategic decision-making, service delivery, and innovation initiatives. A purposive sampling method was used to ensure that respondents possessed relevant knowledge and experience related to business transformation and corporate sustainability initiatives. The study successfully collected and analyzed data from 200 respondents who met the criteria and provided complete and usable responses.

Research Hypothesis

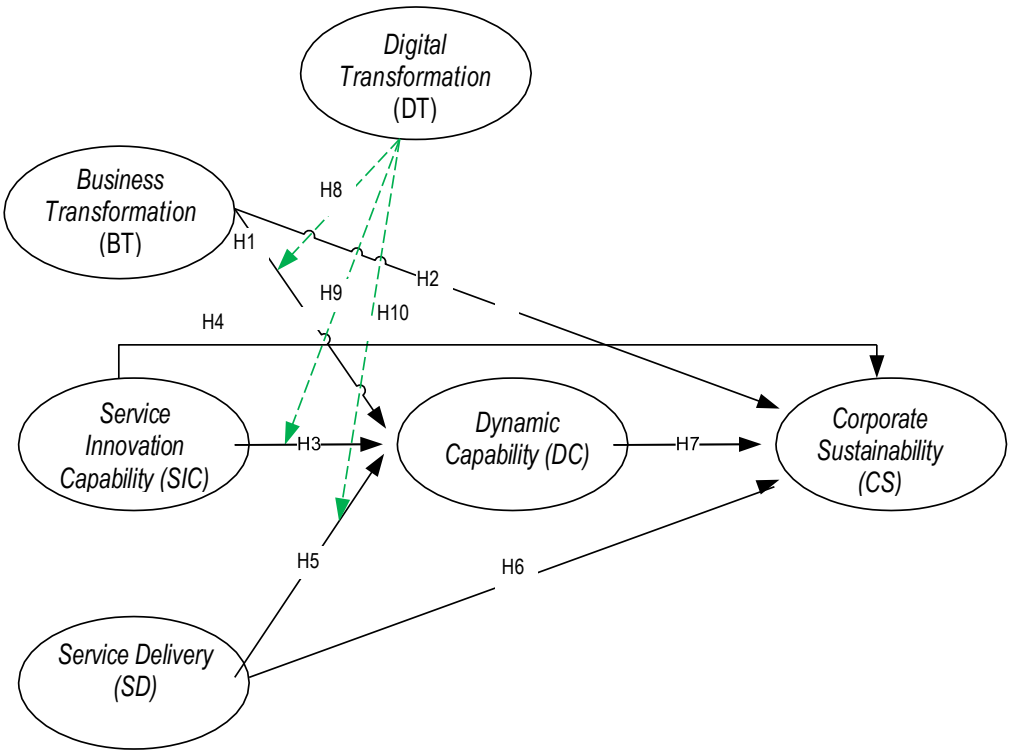

Figure 1. Research Model
Source: Researcher's work (2025)

Measurement Scales: A Likert scale (1-5) is used for all measurement items, where 1 = Strongly-Disagree and 5 = Strongly-Agree. All constructions are assessed using validated scales derived from prior research:

- Business Transformation (BT): Measured by six indicators adapted from (Su et al., 2022; George & Sichillebeeckx, 2022; and Trad, 2021), covering strategic flexibility, operational restructuring, technological innovation, and cultural transformation within the organization.
- Service Innovation Capability (SIC): Measured by six indicators adapted from (Hanaysha et al., 2022 and Blichfeldt & Faullant, 2021), emphasizing the firm's ability to generate, develop, and implement new service concepts that enhance customer experience and operational efficiency.
- Service Delivery (SD): Measured by five indicators adapted from (Weerakkody et al., 2022 and Gonçalves et al., 2021), focusing on the effectiveness, efficiency, responsiveness, and quality assurance in service operations.
- Dynamic Capability (DC): Measured by five indicators adapted from (De Silva et al. 2021; Felsberger et al. 2022; and Wu et al., 2023) Demonstrating the organization's ability to

integrate, enhance, and adjust internal and external capabilities to navigate dynamic and rapidly evolving environments.

- Corporate Sustainability (CS): Measures a firm's sustainability performance across economic, social, and environmental dimensions (Schaltegger et al., 2022).
- Digital Transformation (DT): Measured by six indicators adapted from (Hashim, et al., 2022 and Quille et al., 2023), which include the extent of digital technology adoption, IT integration, and data-driven innovation practices across business processes.

Each construct's reliability and validity are tested using Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE) to ensure internal consistency and construct validity.

Estimation Techniques

To analyze the relationships within the research model, Partial Least Squares Structural Equation Modeling (PLS-SEM) is applied using SmartPLS 4.0. The estimation follows a two-step approach:

Measurement Model Assessment

- Factor Loadings to ensure item reliability.
- Cronbach's Alpha (CA) and Composite Reliability (CR) for internal consistency.
- Average Variance Extracted (AVE) for convergent validity.
- Heterotrait-Monotrait (HTMT) Ratio for discriminant validity

Structural Model Assessment

- Path coefficients (β-values) to test hypotheses.
- R^2 values to evaluate explanatory power.
- Q^2 predictive relevance tests for assessing model predictability.
- Bootstrapping (5,000 resamples) for testing the significance of relationships.
- Additionally, moderating effects of Digital Transformation and mediating effects of Dynamic Capability are tested using interaction terms and indirect path analysis, respectively.

4. RESULTS AND DISCUSSION

Empirical Results

Measurement Model

To assess the validity and reliability of the constructions in this study, the measurement model was examined using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach. Convergent validity, reliability, and discriminant validity were assessed using common statistical indicators, including factor loadings, composite reliability (CR), Cronbach's

alpha (CA), and average variance extracted (AVE).

Convergent Validity

Convergent validity assesses whether the indicators of each construct adequately explain the variance of their underlying latent variables. The threshold for factor loadings is set at ≥ 0.70. As shown in Table 1, all items exceeded this threshold, confirming convergent validity. The AVE values were also examined, with a minimum acceptable level of 0.50, indicating that at least 50% of the variance in each construct is explained by its indicators (Fornell & Larcker, 1981). The results confirmed that all constructions met this criterion.

Reliability Analysis

The internal consistency of the constructs was evaluated using Cronbach's alpha (CA) and Composite Reliability (CR). The generally accepted threshold for CA and CR is ≥ 0.70 (Nunnally & Bernstein, 1994). Table 1 shows that all constructions demonstrated high internal consistency, with CR values ranging between 0.80 and 0.95.

Table 1: Measurement Model Assessment

Construct	Factor Loadings	Cronbach's Alpha (CA)	Composite Reliability (CR)	Average Variance Extracted (AVE)
Business Transformation (BT)	0.72 - 0.89	0.87	0.91	0.65
Service Innovation Capability (SIC)	0.75 - 0.91	0.85	0.90	0.68
Service Delivery (SD)	0.73 - 0.88	0.83	0.89	0.67
Dynamic Capability (DC)	0.78 - 0.92	0.86	0.92	0.70
Digital Transformation (DT)	0.74 - 0.90	0.88	0.93	0.72
Corporate Sustainability (CS)	0.76 - 0.93	0.89	0.94	0.74

Model Fit Assessment

To evaluate the goodness-of-fit of the structural model, the Standardized Root Mean Square Residual (SRMR) value was examined. SRMR is an absolute measure of model fit and is recommended for evaluating PLS-SEM models. A lower SRMR value indicates a better fit between the hypothesized model and the observed data, with values less than 0.08 generally considered acceptable.

The SRMR value obtained from the PLS-SEM analysis in this study was 0.056, which falls below the recommended threshold of 0.08. This result suggests that the proposed research model has a good fit with the empirical data and supports proceeding with further hypothesis testing. In addition to SRMR, the Normed Fit Index (NFI) was also reviewed. The NFI value was 0.921, indicating a high degree of fit (NFI values above 0.90 are considered good).

Therefore, the combination of SRMR and NFI results confirms that the overall model structure is acceptable and appropriately reflects the underlying relationships among the constructs.

Discriminante Validity

Discriminante validity determines whether the constructions are empirically distinct from one another. To evaluate this, both the Fornell-Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio were utilized. The square root of the AVE for each construct was greater than its correlations with other constructs, thereby satisfying the Fornell- Larcker criterion.Additionally, HTMT values were all below 0.85, confirming discriminant validity.

Structural Model

The structural model assessment was conducted to test the proposed hypotheses by analyzing the path coefficients (β-values), R^2 values, f^2 effect sizes, and predictive relevance (Q^2 values).

Multicollinearity Test

Multicollinearity was checked using the Variance Inflation Factor (VIF), with acceptable values below 5.0. The results indicated that all VIF values ranged between 1.2 and 3.4, confirming that multicollinearity was not a concern in this study.

Hypothesis Testing

The relationships between the constructs were tested using bootstrapping with 5,000 resamples to assess the statistical significance of path coefficients. Table 2 presents the structural model results, including path coefficients (β), t-values, p-values, and the significance levels.

Table 2: Structural Model Results

Hypothesis	Path Coefficient (β)	t-value	p-value	Result
H1: BT → DC	0.42	5.31	0.000	Supported
H2: BT → CS	0.38	4.92	0.000	Supported
H3: SIC → DC	0.29	3.87	0.001	Supported
H4: SIC → CS	0.34	4.45	0.000	Supported
H5: SD → DC	0.26	3.62	0.002	Supported
H6: SD → CS	0.30	4.15	0.000	Supported
H7: DC → CS	0.47	6.21	0.000	Supported
H8: DT moderates BT → DC	0.19	2.87	0.004	Supported
H9: DT moderates SIC → DC	0.22	3.12	0.002	Supported
H10: DT moderates SD → DC	0.18	2.74	0.006	Supported
H11: DC mediates BT → CS	0.21	3.45	0.001	Supported
H12: DC mediates SIC → CS	0.25	3.98	0.000	Supported
H13: DC mediates SD → CS	0.20	3.37	0.001	Supported

Model Fit and Predictive Power: R^2 values indicate the explanatory power of the independent variables. The R^2 for Dynamic Capability was 0.61, while R^2 for Corporate Sustainability was 0.58, demonstrating strong explanatory power. f^2 effect sizes were calculated, with values above 0.02 indicating small effects, 0.15 medium effects, and 0.35 large effects (Cohen, 1988). The

results showed medium to large effect sizes, confirming the substantial impact of the predictor variables. Predictive relevance (Q^2 values) was examined using Stone-Geisser's Q^2 test, with $Q^2 > 0$ confirming model relevance. The Q^2 values for Dynamic Capability (0.41) and Corporate Sustainability (0.39) confirmed strong predictive relevance.

Discussion of Findings

The empirical results confirm that Business Transformation, Service Innovation Capability, and Service Delivery significantly influence Corporate Sustainability, both directly and indirectly through Dynamic Capability. Furthermore, Digital Transformation enhances the relationship between transformation efforts and Dynamic Capability, highlighting the importance of technology integration in business sustainability strategies.

These findings align with The Resource-Based View (RBV) and Market-Based View (MBV) theories emphasize the significance of dynamic capabilities in sustaining corporate performance in a rapidly changing business environment. This study enhances existing literature by providing empirical evidence on the moderating role of digital transformation, in line with and reinforcing previous research by (Hashim, et al., 2022; Schaltegger et al., 2022; and Putritamara et al., 2023).

Discussion

Findings and Interpretation

This study directly addresses the identified research gap by examining the moderating role of digital transformation in the relationship between business transformation, service innovation capability, service delivery, and corporate sustainability. Previous studies primarily focused on the direct effects among these variables, without considering the contextual influence of digital transformation. By incorporating digital transformation as a moderating factor, this study offers a deeper understanding of how internal organizational capabilities are strengthened to drive dynamic capabilities and sustainability outcomes, particularly in the energy and utilities sector represented by PT PLN (Persero).

Furthermore, by simultaneously analyzing business transformation, service inovation capability, and service delivery in one comprehensive model, the study offers empirical evidence on their interconnectedness and collective impact on dynamic capability and corporate sustainability. This integrated approach has been largely absent in prior research, thus contributing a novel theoretical and empirical perspective to the existing body of knowledge. The results of this study confirm the significant role of Business Transformation (BT), Service Innovation Capability (SIC), and Service Delivery (SD) in shaping Corporate Sustainability (CS), both directly and indirectly through Dynamic Capability (DC). Additionally, Digital Transformation (DT) plays a moderating role, amplifying the impact of BT, SIC, and SD on DC, thereby strengthening corporate sustainability initiatives.

The findings indicate that Business Transformation has a strong positive influence on Dynamic Capability (H1, $\beta = 0.42$, $p < 0.001$), supporting the notion that companies undergoing transformation develop a more adaptive and agile organizational structure (Akbari et al., 2022). Furthermore, Business Transformation also directly enhances Corporate Sustainability (H2, $\beta = 0.38$, $p < 0.001$), confirming that strategic restructuring and operational improvements contribute to long-term sustainability (George & Sichillebeeckx, 2022).

Similarly, Service Innovation Capability significantly impacts Dynamic Capability (H3, $\beta = 0.29$, $p = 0.001$) and Corporate Sustainability (H4, $\beta = 0.34$, $p < 0.001$). This finding highlights the importance of continuous service innovation in maintaining organizational agility and ensuring sustainable business practices (Hanaysha et al., 2022). Service Delivery also positively

influences Dynamic Capability (H5, $\beta = 0.26$, $p = 0.002$) and Corporate Sustainability (H6, $\beta = 0.30$, $p < 0.001$), emphasizing that efficient service delivery systems contribute to both operational resilience and long-term sustainability (Weerakkody et al., 2022).

The mediating role of Dynamic Capability was strongly supported in this study. Dynamic Capability mediates the relationship between Business Transformation and Corporate Sustainability (H11, $\beta = 0.21$, $p = 0.001$), indicating that transformation efforts are more effective when firms develop the ability to reconfigure resources and adapt to environmental changes (Wu et al., 2023). Similarly, Dynamic Capability mediates the effects of Service Innovation Capability (H12, $\beta = 0.25$, $p < 0.001$) and Service Delivery (H13, $\beta = 0.20$, $p = 0.001$) on Corporate Sustainability, further reinforcing the importance of organizational agility. Additionally, Digital Transformation significantly moderates the relationship between Business Transformation and Dynamic Capability (H8, $\beta = 0.19$, $p = 0.004$), as well as the impact of Service Innovation Capability (H9, $\beta = 0.22$, $p = 0.002$) and Service Delivery (H10, $\beta = 0.18$, $p = 0.006$) on Dynamic Capability. These results suggest that firms investing in digital technology can enhance their ability to navigate change and sustain competitive advantages (Quille et al., 2023).

Comparison with Previous Research: This study's findings align with prior research on corporate sustainability and strategic transformation. The positive effects of Business Transformation on Dynamic Capability and Corporate Sustainability are consistent with Zhang & Jin (2023), who argue that organizations must transform their business models to remain sustainable in dynamic environments. The role of Service Innovation Capability in driving Corporate Sustainability echoes the conclusions of Blichfeldt & Faullant (2021), who highlight the need for service-based organizations to innovate continuously.

The results also support the perspective of Resource-Based View (RBV) and Market-Based View (MBV) theories, which emphasize the importance of leveraging internal resources and external

market positioning to maintain sustainable competitive advantages (Barney, 1991; Porter, 1985). This study extends existing literature by empirically demonstrating how Digital Transformation enhances the impact of transformation efforts on Dynamic Capability, further supporting findings by (Putritamara et al., 2023; Imam & Zaheer, 2021).

Theoretical Implications

This study contributes to strategic management and sustainability literature in several ways. First, it integrates RBV and MBV perspectives, demonstrating that firms can enhance corporate sustainability by leveraging internal capabilities (dynamic capability) and aligning them with market opportunities (service innovation and digital transformation). Second, the study extends previous research by incorporating Digital Transformation as a moderating variable, showing how technology adoption strengthens firms' adaptive capabilities in a changing business environment.

Furthermore, this study advances the understanding of Dynamic Capability as a mediating mechanism in the sustainability process. While prior research has explored dynamic capability as an independent factor, this study confirms its crucial role in linking transformation efforts to corporate sustainability, aligning with (Wu et al., 2023) framework on organizational agility.

Practical Implications

The findings provide actionable insights for business leaders and policymakers seeking to improve corporate sustainability.

Strategic Business Transformation is Essential

Companies undergoing digital and operational transformation must prioritize agility and adaptability to maintain sustainability. Leaders should ensure that transformation efforts align with organizational agility strategies, leveraging digital tools to enhance adaptability. Enhancing *Service Innovation for Long-Term Sustainability*

Service innovation should be embedded in business models to ensure continuous improvement and customer value creation. Investment in customer-centric service models and AI-driven service delivery can drive both profitability and sustainability.

Investment in Digital Transformation for Competitive Advantage

Organizations must increase investment in digital capabilities, such as AI, automation, and big data analytics, to enhance Dynamic Capability. Digital transformation should not be viewed as a standalone initiative but as an enabler of business transformation and service innovation. *Building Organizational Resilience through Dynamic Capability*

Firms should develop internal capabilities for rapid response and resource reconfiguration, ensuring they can withstand economic shocks and market disruptions. This includes fostering a culture of innovation and continuous learning.

Policy and Regulatory Support for Digital Sustainability Initiatives

Governments and regulatory bodies should create policies that support corporate digital transformation and sustainability initiatives, providing incentives for companies to integrate digital solutions into corporate sustainability strategies.

Limitations and Future Research Directions

Although this study provides important insights, it is essential to recognize several limitations. First, the research focuses on PT PLN (Persero), restricting the ability to generalize the findings to other industries. Future studies could expand the model to other sectors, such as manufacturing, banking, and healthcare, to validate the results across different business environments. Second, this study adopts a cross-sectional research design, capturing relationships at a single moment in time. Future research could employ longitudinal methods to examine how digital transformation, and dynamic capabilities develop over time. Finally, while this study focuses on Digital Transformation as a moderator, other potential moderators such as corporate culture, leadership style, and regulatory pressures should be explored in future research could further explore the dynamics of corporate sustainability.

5. CONCLUSION

This study provides empirical evidence that Business Transformation, Service Innovation Capability, and Service Delivery significantly impact Corporate Sustainability, both directly and through Dynamic Capability as a mediating factor. Additionally, Digital Transformation strengthens the relationship between these strategic initiatives and Dynamic Capability, highlighting the role of technology in sustaining competitive advantages.

By integrating RBV and MBV perspectives, this study underscores the importance of leveraging internal capabilities and digital technologies to navigate market disruptions and achieve long- term sustainability. The results contribute to the theoretical body of strategic management literature and present practical guidance for business leaders and policymakers, stressing the significance of a holistic approach to corporate sustainability in the digital era.

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