Enterprise Development & Microfinance, 36:3s, 269-289

The Relationship Between Digital Marketing, Business Performance, and Capability: A Resource-Based View and Dynamic Capabilities Perspective

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Abstract: *Purpose – The purpose of this article is to conceptualize the development of digital marketing and business performance through business capability, grounded within the perspectives of the Resource-Based View (RBV) and Dynamic Capabilities. Design/methodology/approach – This research is a conceptual (non-empirical) study that synthesizes existing literature to construct a comprehensive theoretical framework. Findings – The conceptual analysis indicates that the implementation of digital marketing—driven by content quality, interactivity, ease of access, trust, personalization, user satisfaction, and digital advertising—plays a critical role in enhancing business performance. Furthermore, dynamic capabilities, specifically through sensing, seizing, and reconfiguring routines, serve as the key determinant of business success. Enterprises with robust capabilities are equipped to accurately detect digital market opportunities, exploit them effectively, and dynamically realign internal resources and business processes to optimize overall performance. Research limitations/implications – Although conceptual, this study is expected to enrich the field of strategic management, particularly by advancing the empirical utility of the Resource-Based View (RBV) and Dynamic Capabilities theories. The integrated model produced from this research offers valuable insights into how digital marketing, business capability, and business performance interact across various business sectors.*

Keywords: Digital marketing, Business performance, Capability, Resource Based View, Dynamic Capability

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Introduction

Business performance refers to the outcomes or level of success achieved by business actors in running their operations in accordance with predetermined targets (Kore Septarini, 2018). It reflects the capacity of an enterprise to achieve optimal results within the scope of business management. This encompasses effective governance, competent human resources, strategic marketing (including e-commerce), financial literacy, financial reporting, and the implementation of empirically studied best practices (Andreas et al., 2025).

The significance of business performance has become increasingly pronounced in the post-pandemic era and the digitalization of the economy. Escalating competition, shifting consumer behavior, and supply chain challenges demand that business actors enhance their efficiency, product quality, innovation, and marketing strategies (Suhaera, 2024). Robust performance not only influences business survival but also contributes to local economic sustainability, job creation, and broader community welfare (Heng et al., 2020 in Arif, 2024). Consequently, measuring and improving business performance has become a critical aspect to investigate and develop.

In general, various business sectors still confront several structural issues, such as technological constraints, low human resource quality, small scale of operations, as well as suboptimal access to capital and markets. Therefore, future performance enhancement requires integrated efforts through strengthening labor productivity, increasing investment efficiency, developing product value-added, and fostering policy support that stimulates sustainable innovation and business competitiveness. Factors such as financial management, leadership, human resource quality, product innovation, and technological adaptation must serve as the primary focus of business development (Wu et al., 2024). Research on business performance not only provides an overview of current business conditions but also establishes a foundation for formulating appropriate strategies to help enterprises optimize their operations and compete at both national and global levels.

Amidst the digital era and intensifying business competition, various studies indicate that digital marketing (Omar et al., 2020; Endayani, 2024; Hamdani et al., 2023) and business capabilities (Hermina et al., 2018; Kartini et al., 2025) serve as crucial factors directly contributing to enhanced business performance. The proficiency of business actors in leveraging digital technology for promotion, sales, and business management—combined with internal capabilities such as innovation, operational management, and strategic decision-making—has been proven to drive business competitiveness and sustainability (Hernández-Linares et al., 2021).

Digital marketing offers significant opportunities for businesses to reach a wider market more cost-effectively compared to conventional marketing methods. By utilizing digital platforms such as social media, websites, and e-commerce, businesses can introduce their products or services to prospective consumers more rapidly and accurately. Furthermore, digital marketing enables business actors to build direct relationships with customers through online interactions, testimonials, and digital-based customer service. This enhances customer loyalty and provides valuable insights into market preferences, thereby allowing business actors to adjust their business strategies more responsively. Overall, the implementation of digital marketing can boost brand visibility, drive sales growth, and strengthen competitiveness in an increasingly intense market. With the right digital strategy, enterprises can achieve sustainable growth and remain adaptive to changing consumer behavior. This highlights the vital role of digital transformation as a driver of competitiveness and sustainability for Small and Medium Enterprises/SMEs (Mulyanto & Budi, 2025).

Comparative studies across several regencies in Indonesia, including Sumbawa Regency, demonstrate that business groups utilizing digital marketing generate a higher average income than those that do not. The findings of this study confirm that digital marketing directly influences income growth, which ultimately reflects business performance (Haryadi et al., 2025). Similarly, the effectiveness of marketplaces, social media usage, and digital promotions have been proven to significantly increase sales in Sidoarjo Regency. Business owners need to strategically leverage digital tools to improve sales performance, as better sales performance reflects more optimal business performance (Sulistiyowati & Rahmawati, 2024). Digital marketing strategies are paramount for enhancing visibility, reaching new audiences, and increasing sales, which in turn reflects business performance. Success lies in consistency and a profound understanding of the target market (Utami et al., 2025). Prior empirical research by Huda & Munandar (2021), Dewi (2025), Halik (2023), Marjuka et al. (2021), Deku et al. (2024), and Sudirjo (2023) further substantiates that digital marketing positively affects business performance.

Business capability plays a pivotal role in bridging the relationship between digital marketing and business performance. While digital marketing is an essential strategy for businesses to expand market reach, enhance brand visibility, and strengthen customer relationships, its implementation does not automatically translate into improved business performance. This occurs because the effectiveness of digital marketing heavily relies on internal capabilities, such as technological proficiency, digital skills, organizational adaptation, and resource management. Hence, capability acts as a vital bridge that enables SMEs to optimize the benefits of digital marketing strategies, which are subsequently translated into superior business performance.

Without adequate capabilities—such as data analytics proficiency, responsiveness to digital markets, and technology-based innovation—digital marketing activities will be less effective or may even fail. In other words, digital marketing enhances business capabilities (e.g., in terms of operations or competitiveness), and these capabilities directly drive business performance. Positioning capability as a mediating variable aligns with the Resource-Based View (RBV) theory (Barney, 1991), which posits that organizational performance and competitive advantage depend on internal capacities to manage and exploit strategic resources, including digital technology.

Capability serves as a connector between digital marketing and business performance. This implies that digital marketing will be more effective if businesses possess adequate capabilities, such as managerial skills, innovation capability, digital technology proficiency, and adaptability to market changes. Without these capacities, the potential of digital marketing cannot be fully optimized and will not yield a significant impact on business performance. As a mediator, business capability processes inputs from digital strategies into outputs in the form of measurable business performance. Business actors who can manage marketing content, understand consumer data analytics, and respond to market demands digitally will be able to enhance marketing effectiveness. This then directly impacts revenue growth, customer loyalty, and operational efficiency. Consequently, the higher the business capability, the greater the contribution of digital marketing to business success. Previous research by Jung & Shegai (2023) substantiates that capability successfully mediates the effect of digital marketing on business performance.

Literature Review

1. Resource-Based View (RBV)

The Resource-Based View (RBV) theory is one of the dominant perspectives in strategic management studies. It posits that an organization's primary source of competitive advantage lies within its internal strategic resources. This perspective emerged as a response to traditional strategic approaches that heavily emphasized the analysis of an organization's external environment, such as industrial structures and market competition dynamics. Within the RBV framework, an organization is viewed as a heterogeneous and unique bundle of resources, which explains the variances in performance levels across different organizations (Barney & Hesterly, 2018).

According to Barney (1991), organizational resources encompass all assets, capabilities, organizational processes, firm attributes, information, and knowledge controlled by a firm that enable it to conceive of and implement strategies effectively and efficiently. Within the RBV paradigm, these resources are categorized into tangible and intangible assets. Tangible resources include financial capital, technology, physical facilities, and organizational infrastructure. Conversely, intangible resources comprise organizational reputation, corporate culture, human resource competencies, innovation, knowledge, and corporate relationships.

The RBV maintains that organizations possessing a unique combination of strategic resources can create higher value than their competitors. Consequently, organizational success is determined not only by the ability to respond to external environments but also by internal capabilities to manage and optimize existing strategic resources. This perspective is highly relevant in today's knowledge-based economy, where intangible resources—such as knowledge, innovation, and intellectual capital—increasingly serve as the primary drivers of an organization's competitive advantage.

The RBV theory is built upon two core assumptions: resource heterogeneity and resource immobility. These two assumptions provide the foundation for explaining why organizations achieve different levels of performance.

a. **Resource Heterogeneity** The assumption of resource heterogeneity posits that every organization possesses a distinct set of resources and capabilities. These resource discrepancies cause organizations to employ different strategies, competencies, and capacities when confronting competition. From the RBV perspective, resource heterogeneity is viewed as the primary factor driving an organization's competitive advantage. Organizations with superior resources are better equipped to enhance operational effectiveness, innovate, and generate added value compared to their rivals. Conversely, firms with limited resources will face difficulties in maintaining competitiveness. Therefore, an organization's capability to identify, develop, and retain strategic resources is a critical factor in performance achievement.

b. **Resource Immobility** The second assumption is resource immobility, which argues that strategic resources are not easily transferred or replicated by other organizations. Certain resources are unique because they are developed through historical experience, organizational culture, social relations, and long-term knowledge accumulation. This condition creates significant barriers for competitors attempting to acquire or imitate these resources. Barney notes that resources which are difficult to imitate typically stem from three main factors:

1. Unique historical conditions,
2. Causal ambiguity, and
3. Social complexity.

Unique historical conditions mean that resources are developed through long-term processes that cannot be instantly replicated. Causal ambiguity occurs when the link between a firm's resources and its competitive advantage is difficult for competitors to clearly decipher. Meanwhile, social complexity involves social relationships, organizational culture, and interpersonal interactions that are inherently challenging for other organizations to copy.

Jay Barney's major contribution to the development of the RBV is the introduction of the VRIO framework as an analytical tool for evaluating strategic resources. The VRIO model assesses whether a resource can generate a sustained competitive advantage based on four attributes:

- **Valuable:** Resources must create value for the organization by either enhancing effectiveness or efficiency. Valuable resources enable an organization to exploit opportunities and neutralize external environmental threats.
- **Rare:** Resources must be uncommon and not possessed by a large number of competitors. If a resource is widely held by other organizations, it cannot serve as a source of competitive advantage.
- **Imitable:** Resources must be difficult for competitors to replicate. This difficulty can be attributed to the organization's history, corporate culture, social complexity, or the ambiguity surrounding the relationship between the resource and organizational success.
- **Organization:** The organization must possess the capabilities and systems required to support the optimal exploitation of its resources. Superior resources will not yield maximum benefits if the organization lacks the capacity to manage them appropriately.
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The VRIO framework is an essential instrument in strategic management research because it can analyze organizational competitive advantage across various contexts, including the business sector, public organizations, MSMEs/SMEs, and educational institutions. From the RBV perspective, a competitive advantage emerges when an organization creates economic value that cannot be replicated by competitors. This advantage becomes a sustained competitive advantage if rivals are unable to duplicate the organization's strategies and resources. The RBV reinforces that strategic resources are the bedrock of competitive advantage. Organizations with superior resources are more adaptive to environmental shifts and possess better innovation capacities. Therefore, organizations must develop sustainable resource management strategies to maintain long-term competitiveness.

In modern research, intangible resources—such as knowledge, human resource competencies, corporate culture, and technological capabilities—are viewed as the primary drivers of competitive advantage. This aligns with the paradigm shift in the global economy that increasingly emphasizes innovation and knowledge-based resources. Despite being a dominant theory in strategic management, the RBV has faced several criticisms from scholars. A primary critique is its heavy focus on internal factors, which tends to overlook external environmental influences. In reality, technological disruptions, market dynamics, and industry competition heavily influence organizational success. Additionally, the RBV is criticized for being tautological, as resources are often deemed strategic only after the organization has proven successful. Other critics argue that the RBV fails to sufficiently explain how organizations dynamically develop strategic resources in response to rapidly changing environments. This limitation catalyzed the development of the dynamic capabilities perspective by David Teece. This approach emphasizes an organization's ability to integrate, build, and reconfigure resources to respond rapidly and effectively to environmental shifts.

The Resource-Based View theory is utilized in this study because it explains how organizations leverage strategic resources to enhance overall performance. The RBV perspective underscores that organizational success depends not only on external conditions but also on internal capacities to manage existing resources. In the context of this study, organizational resources such as human resource competencies, technological capabilities, organizational knowledge, and innovation capacities are viewed as strategic assets that can enhance competitive advantage and business performance. Thus, the RBV theory provides a relevant theoretical foundation to explain the relationships between the variables under study. Furthermore, digital marketing can be classified as a highly valuable strategic resource because it expands market reach, accelerates customer communication, and provides critical insights for business decision-making. However, to exert a significant impact, digital marketing must be cultivated into a capability that is not only valuable but also rare, inimitable, and well-organized according to the VRIO principles within the RBV framework (Kurniawan, 2020).

c. Dynamic Capability

Rapid environmental changes driven by technological advancements, globalization, and shifting consumer behavior demand that organizations possess the ability to adapt continuously. In dynamic competitive environments, firms cannot merely rely on static resources; they must develop the capacity to respond effectively to environmental shifts. This concept gave rise to the dynamic capability theory, which has become a cornerstone of modern strategic management.

The dynamic capability theory evolved from the Resource-Based View (RBV), which highlights internal resources as the primary source of competitive advantage. However, the RBV approach was deemed insufficient for explaining how firms sustain competitive advantages in rapidly changing business environments. Consequently, Teece, Pisano, and Shuen (1997) introduced the concept of dynamic capabilities, defined as a firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments.

Dynamic capability is understood as an organization's capacity to renew resources, manage change, and foster continuous innovation. This theory emphasizes that a firm's success is determined not just by resource ownership, but by its capability to manage and align those resources with market and technological shifts. Thus, firms with high dynamic capabilities will be more adaptive, flexible, and capable of maintaining long-term competitiveness. In modern organizations, dynamic capability is vital for enhancing strategic effectiveness. A firm's ability to sense market opportunities, counter competitive threats, and develop innovative products or services forms an integral part of its dynamic capabilities. Firms that fail to adapt will struggle to sustain operations amidst increasingly complex competition.

Dynamic capability is a core concept in strategic management because it underpins a firm's ability to maintain a sustained competitive advantage. Unlike traditional approaches that emphasize resource stability, dynamic capability focuses on organizational flexibility and adaptability. According to Eisenhardt and Martin (2000), dynamic capabilities are organizational routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die. Hence, dynamic capability is not merely a static asset, but rather a managerial ability and organizational process to create strategic renewals.

In modern business practices, dynamic capability is closely intertwined with innovation and digital transformation. Firms that develop dynamic capabilities can more easily adopt new technologies, improve operational efficiency, and generate customer value. Conversely, organizations lacking dynamic capabilities tend to stagnate and lose competitiveness. The application of dynamic capabilities is also vital for supporting digital marketing development. Firms must understand changing digital consumer behavior, leverage communication technologies, and develop marketing strategies that are highly responsive to market demands. These capacities enable firms to increase marketing effectiveness and expand market access more efficiently.

Teece (2018) explains that dynamic capabilities consist of three main dimensions: sensing, seizing, and transforming capabilities. These three dimensions are interrelated in supporting an organization's capacity to navigate business environment changes

1. **Sensing Capability** Sensing capability refers to an organization's ability to identify opportunities and threats emerging in the business environment. This capacity includes scanning the market for information, monitoring technological shifts, analyzing consumer needs, and identifying industry trends. Organizations with high sensing capabilities are quicker to comprehend market shifts and can make timely strategic decisions. In the digital era, sensing capability has become increasingly vital due to the rapid pace of market changes. Firms must utilize data and information technology to gain real-time market insights. Understanding digital consumer behavior, shifting customer preferences, and technological developments are critical elements of the sensing process. For small and medium enterprises, sensing capability can manifest as the entrepreneur's ability to read shifts in public consumption patterns, comprehend digital marketing trends, and identify new market opportunities to design more relevant and competitive marketing strategies.

2. **Seizing Capability** Seizing capability is an organization's ability to mobilize resources to capture identified opportunities and translate them into value-added business strategies. This capability involves decision-making, product development, technological investments, and the implementation of business innovations. Firms with robust seizing capabilities can allocate resources effectively to capture market openings. In the context of digital transformation, this capacity is evidenced by a firm's boldness in adopting new technologies, establishing digital marketing systems, and developing technology-driven business models. Seizing capability is also tied to organizational innovation, which encompasses not only new products but also process, service, and marketing strategy innovations. For small and medium industries, leveraging digital media to expand markets and boost customer engagement is a practical application of seizing capability.

3. **Transforming Capability** Transforming capability is an organization's capacity to continuously align and reconfigure assets and organizational structures to remain relevant amidst environmental changes. This involves organizational restructuring, fostering a culture of innovation, organizational learning, and enhancing human resource competencies. Transforming capability is crucial because the business environment is continuously evolving. Organizations must adjust their strategies, structures, and business processes to remain competitive. Firms with superior transformation capabilities are better prepared for technological disruptions and market variations. In the context of small and medium enterprises, transforming capability can be observed in an entrepreneur's ability to transition from traditional to digital marketing methods, upgrade technological skills, and build broader business networks to increase efficiency and strengthen competitiveness.

Numerous studies demonstrate that dynamic capabilities exert a positive influence on firm business performance. Dynamic capabilities help organizations boost innovation capacity, accelerate market adaptation, and maximize operational efficiency. Firms with high dynamic capabilities are more likely to achieve a competitive advantage and maintain long-term sustainability. In the context of small and medium enterprises, dynamic capability is an important factor in facing market competition and technological shifts. Business actors who develop adaptation, innovation, and digital transformation capacities will optimize their business performance more easily. This performance is reflected in increased sales, customer growth, enhanced profitability, and market expansion.

Dynamic capabilities also support the successful implementation of digital marketing. An organization's capacity to leverage digital technology, interpret consumer data, and construct technology-based marketing strategies is essential for increasing marketing effectiveness. Consequently, dynamic capability functions not only as an adaptive mechanism but also as a source of value creation and competitive advantage. In the agricultural small and medium industry sector, dynamic capability is highly relevant because agribusiness environments are notoriously dynamic and susceptible to technological changes, market demand fluctuations, and global competition. Therefore, developing dynamic capabilities is a strategic necessity to enhance competitiveness and business sustainability

The Dynamic Capabilities Theory explains how firms can integrate, build, and reconfigure internal and external competences to address rapidly changing environments. It emphasizes that organizations capable of adaptively changing their resource base will be more resilient and successful in the face of swift market and technological changes. Dynamic capabilities involve three primary processes: sensing (the ability to detect and identify opportunities and threats in the external environment), seizing (the ability to capture those opportunities by designing and implementing innovative strategies), and reconfiguring/transforming (the ability to reorganize resources and internal processes to exploit opportunities and mitigate threats).

The Dynamic Capabilities Theory explains that to achieve a competitive advantage in a volatile business environment, every business must be able to detect digital market opportunities (sensing), exploit them through effective digital marketing strategies (seizing), and adjust internal structures and processes (reconfiguring). Digital marketing is not merely about utilizing social media or online platforms; it reflects a dynamic capability that actively monitors digital trends, understands consumer behavior, and rapidly responds to changes through marketing strategy innovation. When a business possesses robust dynamic capabilities in digital marketing, it can adapt to market shifts more easily, optimize digital technology usage, and build superior customer engagement. This adaptation process ultimately contributes directly to improved business performance, such as increased sales, marketing efficiency, customer loyalty, and business competitiveness. Therefore, the ability of SMEs to continuously learn and adjust digital strategies is the key to success in the era of digital transformation (Sudirjo et al., 2023).

d. Digital Marketin

The definition of digital marketing as outlined by Chaffey et al. (2025), cited in Chakti (2019), states: "Digital marketing is the achievement of marketing objectives through applying digital technology and media." In other words, digital marketing is the application of the internet and digital technologies in tandem with traditional communications to achieve marketing objectives. Chaffey (2025) summarizes the primary benefits and objectives of digital marketing through five elements, known as the 5Ss, which help organizations set clear and strategic goals for their digital marketing initiatives:

- **Sell – Grow Sales:** Focuses on increasing direct online sales transactions as well as offline sales influenced by digital channels.
- **Speak – Get Closer to Customers:** Encourages direct communication through inbound marketing (such as search engine optimization and social media) to better understand audience needs. Example targets include increasing website traffic or social media followers by 10% within a year.
- **Serve – Add Value:** Delivers content and offers that enrich the customer experience, such as through informative newsletters or exclusive content.
- **Save – Save Costs:** Reduces operational and marketing expenses for offline media and customer service through inbound strategies and digital automation.
- **Sizzle – Extend the Brand Online:** Enhances the brand experience through digital offerings, customer communities, or online campaigns. Specific goals may include building brand awareness, familiarity, and purchase intent.

According to Agrotek.id (2023), digital marketing delivers a series of vital benefits for modern businesses, including:

- **Reaching and engaging audiences effectively:** Digital marketing enables businesses to reach precise audiences via digital platforms such as social media, websites, email, and search engines.
- **Brand Building:** Through digital content and communication, companies can reinforce their brand image and heighten consumer awareness of their products or services.
- **Generating conversions or sales:** Various elements of digital marketing—such as SEO optimization, social media, email, and content marketing—contribute to driving customer actions, such as purchases or service registrations.

According to Kotler, Kartajaya, and Setiawan (2021), the objectives of digital marketing are as follows:

1. **Creating a loyal customer experience:** The main goal is to build a frictionless and engaging customer experience (CX) by leveraging a balanced technology approach between human and computer intelligence.
2. **Data-driven decision making and accurate consumer visualization:** Digital marketing aims to utilize big data and analytics to enable highly personalized marketing with granular profiling down to the individual-segment level.
3. **Predicting and optimizing marketing strategies:** Digital marketing helps project strategy outcomes through predictive marketing, analyzing patterns from previous campaigns to determine the most effective and optimal approach.
4. **Creating contextual and relevant interactions:** One objective is to deliver contextual marketing, which provides real-time, personalized interactions based on the customer's conditions, preferences, or location.
5. **Augmenting human capacity with technology:** Through augmented marketing, digital marketing strengthens the capabilities of marketers and frontline staff with technology (e.g., chatbots, AI) to make interactions more efficient yet empathetic.
6. **Adopting an agile approach to marketing:** Another goal is to implement agile marketing, which involves responding to market changes rapidly through continuous experimentation and learning.

According to Nelson-Field (2024), the dimensions and indicators of digital marketing include:

1. **User Attention:** Measures how long and how intensely the audience focuses their attention on digital marketing content. Indicators include:
   - Attention duration (how long users view an ad or content)
   - Viewability rate (the percentage of ads actually visible to users)
   - Click-Through Rate (CTR) as an indicator of active attention
   - Scroll depth (how far users scroll through the content)

2. **Emotional Engagement:** Measures the audience's emotional response to marketing messages, which can influence recall and purchasing decisions. Indicators include:
   - Sentiment scores from social media comments or reactions (positive, negative, neutral)
   - Biometric response (physiological measurements such as heart rate or facial expressions used in neuromarketing research)
   - Emotional resonance (customer perception surveys or questionnaires utilizing Likert scales)

3. **Context and Relevance:** The degree to which an ad or content aligns with the audience's situation and matches their needs or interests. Indicators include:
   - Relevance score (ad platform algorithmic evaluations, such as Facebook Ads relevance scores)
   - Content alignment rate (survey results regarding perceived content relevance)
   - Engagement rate within specific audience segments (e.g., demographics, interests)

4. **Long-term Impact:** Measures the long-term influence of digital marketing on consumer attitude shifts, loyalty, and behavior. Indicators include:
   - Brand recall (the consumer's ability to remember the brand after a campaign)
   - Brand loyalty rate (the percentage of returning or recommending customers)
   - Net Promoter Score (NPS)
   - Brand perception shifts (measured via longitudinal surveys)

According to Chaffey (2025), the primary goals of digital marketing are:

- **Achieving marketing objectives through digital media:** Utilizing various digital channels to meet set marketing targets.
- **Utilizing data and technology for optimization:** Using data and technology to enhance marketing effectiveness and efficiency.
- **Integrating digital channels within marketing strategies:** Linking various digital channels to establish a cohesive and effective marketing experience.

Capability

Capabilities are an organization's capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end. They represent the ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece et al., 1997, cited in Purwatiningsih et al., 2022).

Dynamic capabilities represent a company's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece et al., 1997, cited in Purwatiningsih et al., 2022). According to Teece et al. (1997), as cited in Purwatiningsih et al. (2022), dynamic capabilities aim to:

- Adapt rapidly to external variations (especially technological and market shifts).
- Integrate, build, and reconfigure internal and external competencies to match continuously changing business environments.
- Create a sustained competitive advantage, not merely through asset ownership, but through the capacity to innovate and transform continuously.

According to Teece et al. (1997), as cited in Purwatiningsih et al. (2022), the primary factors influencing dynamic capabilities include:

1. **Managerial and Organizational Processes:** This refers to how the firm learns, adapts, and coordinates its activities. This includes:
   - Coordination/integration routines
   - Organizational learning processes
   - Asset reconfiguration/transformation

2. **Asset Positions:** Dynamic capabilities are heavily influenced by the firm's strategic asset positions, including:

3. Technological assets (owned technologies)
   - Complementary assets (such as relations with customers, suppliers, and partners)
   - Financial assets
   - Reputational and trust assets
   - Human resource capacities

4. **Paths / Trajectories:** Dynamic capabilities are shaped by the firm's history and experiences.
   - Path dependence influences the strategic options currently available to the firm.
   - Past decisions and investments shape current adaptive capacities.
   - Lock-in effects" may occur if a firm becomes overly tethered to legacy paths.

According to Teece et al. (1997), as cited in Purwatiningsih et al. (2022), the three primary dimensions of dynamic capabilities are:

1. **Sensing (Detecting):** The ability to identify opportunities and threats within the business environment. Indicators include:
   - The organization routinely conducts market research and industry trend analysis.
   - Customer and competitor information gathering systems operate effectively.
   - The capacity to identify new business opportunities ahead of competitors.
   - The utilization of technology and big data to detect market changes.
   - Sensitivity toward regulatory and policy changes affecting the business.

2. **Seizing (Capturing):** The ability to exploit opportunities through innovation, investment, or the development of new products/services. Indicators include:
   - Speed in decision-making regarding new product/service development.
   - Rapid and effective resource allocation for innovative projects.
   - The adoption of new business models aligned with emerging opportunities.
   - Internal and external collaboration in developing new products/services.
   - The ability to integrate new technologies into operational business routines.

3. **Reconfiguring (Transforming):** The capability to continuously reconfigure assets and organizational structures. Indicators include:
   - The ability to restructure organizational designs to support strategic transformation.
   - High flexibility in reallocating human and physical capital when market disruptions occur.
   - Effective traditional-to-digital business process transformations.
   - Fostering a continuous learning culture to renew core competencies.

Implications and Recommendations

This study offers several theoretical and practical implications, particularly within the field of management science, which can be detailed as follows:

1. Theoretical Contributions to RBV and Dynamic Capabilities Theories The findings of this study contribute significantly to the development and empirical application of the Resource-Based View (RBV) and Dynamic Capabilities theories. Specifically, it extends these frameworks by demonstrating how they underpin the strategic integration of digital marketing, business capability, and business performance.
2. Enriching Management Literature Across Business Sectors This research enriches the existing body of management literature by providing empirical insights into the relationships between digital marketing, business capability, and business performance. It offers a versatile conceptual framework that can be applied across various business sectors to understand how internal capacities drive market success.
3. Advancing Scientific Knowledge on Marketing and Operational Capabilities For scientific and academic development, this study expands the literature on how digital marketing and internal capabilities synergistically optimize business performance.

On one hand, implementing digital marketing dimensions—such as high-quality content, interactivity, ease of access, trust, personalization, user satisfaction, and digital advertising—is proven to strengthen a firm's internal capabilities, particularly across marketing, managerial, and innovation dimensions. In this context, digital marketing serves as a catalyst for organizational learning and adaptation, enabling enterprises to become highly responsive to volatile market shifts.

On the other hand, business capability—specifically through sensing, seizing, and reconfiguring routines—acts as the critical determinant of business performance. Possessing robust dynamic capabilities empowers firms to accurately detect emerging market opportunities, exploit them effectively, and dynamically realign their internal resources and business processes to achieve superior business performance.

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