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SUSTAINABLE BUSINESS MODEL INNOVATION AND FIRM PERFORMANCE: THE MEDIATING ROLE OF DIGITAL MARKETING CAPABILITY

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Abstrak: Studi ini bertujuan menguji pengaruh inovasi model bisnis berkelanjutan (sustainable business model innovation/SBMI) terhadap kinerja perusahaan (firm performance/FP) dengan kapabilitas pemasaran digital (digital marketing capability/DMC) sebagai variabel mediasi pada UMKM ekonomi kreatif. Orisinalitas penelitian ini terletak pada pengujian empiris mekanisme SBMI-DMC-kinerja secara simultan pada UMKM ekonomi kreatif di kawasan ekonomi berkembang, yang belum banyak diuji dalam literatur. Pendekatan kuantitatif digunakan melalui survei terhadap 150 pemilik dan pengelola UMKM berorientasi konsumen di Lombok, Nusa Tenggara Barat. Data dianalisis menggunakan Structural Equation Modeling-Partial Least Squares (SEM-PLS) dengan bootstrapping 5.000 subsampel. Hasil menunjukkan SBMI berpengaruh positif dan signifikan terhadap FP (β = 0,36; p < 0,001) dan terhadap DMC (β = 0,75; p < 0,001), yang selanjutnya berpengaruh positif terhadap FP (β = 0,48; p < 0,001). Analisis mediasi mengonfirmasi bahwa DMC memediasi secara parsial hubungan SBMI-FP. Temuan ini menegaskan pentingnya mengintegrasikan inovasi berorientasi keberlanjutan dengan kapabilitas pemasaran digital untuk mencapai kinerja yang unggul, serta berimplikasi bagi pemilik UMKM, manajer, dan pembuat kebijakan agar memperlakukan keberlanjutan dan pemasaran digital sebagai agenda yang saling melengkapi.

Kata kunci: Kapabilitas Pemasaran Digital; Kinerja Perusahaan; UMKM; Inovasi Model Bisnis Berkelanjutan.

***Abstract**. This study aims to examine the effect of sustainable business model innovation (SBMI) on firm performance (FP) with digital marketing capability (DMC) as a mediating variable among creative economy SMEs. Its originality lies in the simultaneous empirical test of the SBMI-DMC-performance mechanism among creative economy SMEs in an emerging regional economy, which has rarely been tested jointly in the literature. A quantitative approach was employed using a survey of 150 SME owners and managers in Lombok, West Nusa Tenggara. Data were analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS) with 5,000 bootstrap subsamples. The results show that*

SBMI has a positive and significant effect on FP (β = 0.36, p < 0.001) and on DMC (β = 0.75, p < 0.001), which in turn positively affects FP (β = 0.48, p < 0.001). The mediation analysis confirms that DMC partially mediates the SBMI-FP relationship. These findings underscore the importance of integrating sustainability-oriented innovation with digital marketing capability to achieve superior performance, with implications for SME owners, managers, and policymakers to treat sustainability and digital marketing as complementary agendas.

Keywords: *Digital Marketing Capability; Firm Performance; SMEs; Sustainable Business Model Innovation.*

INTRODUCTION

Global business environments have undergone significant transformation due to digitalization and increasing sustainability pressures. Firms are no longer evaluated solely based on financial outcomes but also on their ability to create social and environmental value. Sustainable business model innovation (SBMI) has emerged as a strategic response to these challenges, enabling firms to redesign value creation, delivery, and capture mechanisms in alignment with sustainability principles (Bocken et al., 2019; Geissdoerfer et al., 2020). Recent bibliometric evidence confirms that research at the intersection of sustainability, innovation, and digital marketing has grown sharply since 2020, reflecting the urgency practitioners and scholars attach to this nexus.

Sustainable development has become a central concern for organizations seeking long-term competitiveness. Firms are increasingly required to balance economic performance with environmental and social responsibilities. Previous studies suggest that firms adopting sustainable business models tend to achieve superior performance through efficiency gains, enhanced reputation, and stronger stakeholder relationships (Amit & Zott, 2021; Goni et al., 2021). At the same time, digital transformation has reshaped how firms interact with markets and customers. Digital marketing capability (DMC), defined as a firm's ability to use digital technologies to plan, implement, and evaluate marketing activities, has become a critical organizational resource. Digital platforms, social media, and data analytics enable firms to communicate sustainability values more effectively and to reach broader markets (Kannan & Li, 2017; Wang et al., 2023).

Despite the growing body of research on sustainability and digitalization separately, three interrelated gaps remain. First, empirical research examining the mechanism through which SBMI influences firm performance is still limited, particularly the mediating role of digital marketing capability, which has not been sufficiently explored in emerging economies where SMEs face resource constraints (Zahoor et al., 2023). Second, most existing studies on digital transformation and business model innovation have been conducted in large firms or in developed-economy manufacturing contexts (Pang & Wang, 2024; Vuchkovski et al., 2023), leaving the creative economy SME segment in emerging regional economies under-represented. Third, prior local studies on digital marketing adoption among Indonesian SMEs have mostly been descriptive in nature (Abdurrahman et al., 2021), so a quantitative, theory-driven test of the SBMI–DMC–performance mechanism is still needed.

The novelty of this study lies in the integration of Resource-Based View (RBV) and Dynamic Capability Theory within a single empirical SEM-PLS model that simultaneously tests the direct effect of SBMI on firm performance and its indirect effect through digital marketing capability, using primary survey data from creative economy SMEs in Lombok, West Nusa Tenggara a regional emerging economy context that has received limited empirical attention in the sustainability-innovation-digital marketing literature to date. This study therefore aims to examine the effect of sustainable business model innovation on firm performance, and to investigate the mediating role of digital marketing capability in that relationship. Focusing on small and medium-sized enterprises (SMEs), this research contributes to the literature by integrating sustainability, innovation, and digital marketing perspectives within a unified empirical model.

The context of this study is particularly salient given the strategic position of SMEs in the Indonesian economy. SMEs contribute significantly to national gross domestic product and absorb the majority of the national workforce, yet many still face structural constraints in accessing capital, technology, and managerial knowledge (OECD, 2020). The creative economy sector in Lombok, West Nusa Tenggara, exemplifies these dynamics: handicraft, culinary, fashion, digital creative services, and cultural-based businesses increasingly rely on cultural heritage and local wisdom as sources of differentiation, while simultaneously facing pressure to adopt digital tools to reach markets beyond their traditional tourism-based customer base. This dual pressure to remain rooted in sustainability and authenticity while becoming digitally competitive makes the creative economy SME segment a theoretically and practically important setting in which to examine how SBMI and DMC jointly shape firm performance.

Furthermore, understanding this mechanism carries policy relevance beyond the firm level. Regional governments and business support institutions in emerging economies increasingly design programs that simultaneously target sustainability certification, product innovation, and digital capacity building for SMEs. However, without clear empirical evidence on how these initiatives interact to generate performance outcomes, such programs risk being designed and funded independently rather than as complementary interventions. By empirically demonstrating the mediating role of digital marketing capability, this study provides an evidence base that can inform more integrated SME development policy, particularly in regional and creative-economy contexts that share structural similarities with Lombok.

LITERATUR RIVIEW

Resource-Based View dan Dynamic Capability Theory

The Resource-Based View (RBV) posits that firms achieve sustained competitive advantage by possessing resources that are valuable, rare, inimitable, and non-substitutable. In this study, sustainable business model innovation is conceptualized as such a strategic resource: it is valuable because it allows firms to create economic, social, and environmental value simultaneously; it is comparatively rare among resource-constrained SMEs; and it is difficult for competitors to imitate quickly because it is embedded in a firm’s culture, relationships, and value proposition.

Dynamic Capability Theory extends RBV by explaining how firms sense opportunities, seize them, and reconfigure resources in response to changing environments (Teece, 2018). Digital marketing capability is conceptualized in this study as a dynamic capability: it enables firms to sense shifts in consumer behavior and digital platforms, seize opportunities to communicate sustainability value propositions, and continuously reconfigure marketing processes to remain competitive. Integrating RBV and Dynamic Capability Theory therefore provides a coherent theoretical lens for explaining why SBMI alone may be insufficient to guarantee superior performance unless it is complemented by the dynamic capability represented by DMC a reasoning that directly underpins the mediation hypothesis (H4) developed later in this section.

Sustainable Business Model Innovation (SBMI)

Sustainable business model innovation refers to deliberate changes in how a firm creates, delivers, and captures value by integrating economic, environmental, and social considerations. Over the past decade, SBMI has gained prominence as firms face mounting pressure from regulators, customers, and stakeholders to operate responsibly while remaining competitive. Scholars argue that SBMI enables firms to reconfigure resources and activities to achieve long-term resilience and legitimacy (Bocken et al., 2019; Geissdoerfer et al., 2020; Goni et al., 2021).

Empirical studies indicate that firms adopting sustainable business models are more likely to enhance operational efficiency, brand reputation, and stakeholder trust (Amit & Zott, 2021). In emerging economies, SBMI is particularly relevant for SMEs, as sustainability-oriented innovation allows them to differentiate themselves in highly competitive markets while addressing local social and environmental challenges (Hossain et al., 2022).

SBMI is typically manifested through three interrelated dimensions: value creation innovation (introducing sustainable inputs, materials, or production processes), value delivery innovation (redesigning channels and customer relationships around sustainability narratives), and value capture innovation (developing revenue and cost structures that reward sustainable practices). For creative economy SMEs, value creation often involves the use of local, natural, or upcycled materials; value delivery involves storytelling that connects products to cultural heritage and environmental stewardship; and value capture involves pricing strategies that reflect the added value of authenticity and sustainability. This multidimensional view is consistent with product-service system perspectives that treat sustainable business models as bundles of interrelated value propositions rather than isolated practices (Reim et al., 2015), and it provides the conceptual basis for the SBMI measurement items used in this study.

Digital Marketing Capability (DMC)

Digital marketing capability is defined as an organizational capability that enables firms to plan, execute, analyze, and optimize marketing activities using digital technologies such as social media, search engines, analytics tools, and online platforms. Drawing from dynamic capability theory, DMC allows firms to sense market changes, seize digital opportunities, and transform marketing processes accordingly (Teece, 2018).

Recent studies emphasize that DMC is a critical mediator between strategic orientation and performance outcomes. Firms with strong digital marketing capability can effectively communicate sustainability values, engage customers, and co-create value in digital ecosystems (Kannan & Li, 2017; Wang et al., 2023). At the SME level, digitally transforming firms rely on managerial digital literacy and technology-related attributes to convert digital tools into genuine marketing capability rather than mere technology adoption (Zahoor et al., 2023), while locally, transformation toward digital channels has also been linked to improved non-financial performance indicators such as ESG-related outcomes (Agustiningsih & Noviawan, 2024).

From a strategic marketing perspective, digital marketing capability is commonly decomposed into content and communication capability (the ability to create and disseminate engaging brand narratives across digital channels), customer engagement capability (the ability to build interactive relationships with customers through social media and e-commerce platforms), and analytics capability (the ability to collect and interpret digital data to refine marketing decisions) (Chaffey & Ellis-Chadwick, 2019). For creative economy SMEs, these three capabilities work together to translate sustainability narratives such as the cultural origin of a handicraft product or the environmental footprint of a culinary ingredient into digital content that resonates with increasingly values-conscious consumers, thereby connecting SBMI to market-facing outcomes.

Firm Performance

Firm performance is a multidimensional construct encompassing financial performance (profitability, sales growth, market share) and non-financial performance (customer satisfaction, brand image, innovation outcomes). Sustainability and digitalization research increasingly adopts a balanced performance perspective, recognizing that non-financial outcomes often precede long-term financial success (Elkington, 2018; Mikalef et al., 2020). Access to digital and financial resources has also been shown to matter for SME performance in other emerging-market settings, reinforcing the relevance of capability-based explanations of firm performance beyond firm size or industry alone (Chowdhury et al., 2022).

In the SME literature, firm performance is often measured using self-reported indicators, given that many SMEs, particularly in emerging economies, do not maintain externally audited financial statements. Common indicators include sales growth, profit growth, market share expansion, customer satisfaction, and new product or service success, following the entrepreneurial orientation and performance literature (Lumpkin & Dess, 2001). This study follows the same convention, operationalizing firm performance through both financial indicators (sales and profit growth) and non-financial indicators (customer satisfaction and market expansion), consistent with the balanced performance perspective outlined above.

Hypothesis Research and Development Framework

This study integrates Resource-Based View (RBV) and Dynamic Capability Theory to explain how SBMI and DMC jointly influence firm performance. SBMI is conceptualized as a strategic resource, while DMC represents a dynamic capability that enables firms to leverage sustainability-oriented innovations in digital markets. This view is consistent with recent evidence that dynamic managerial capabilities help translate business model innovation into performance outcomes such as market expansion (Merín-Rodrigáñez et al., 2025), and that digital transformation can promote innovation performance when firms possess the collaborative and organizational capacity to exploit it (Audretsch et al., 2023; Pang & Wang, 2024).

The first hypothesis draws on the logic that sustainability-oriented innovation requires firms to reconfigure their value proposition and communication strategy, which in turn stimulates investment in digital tools and skills needed to convey that new value proposition to the market (Kraus et al., 2019). Firms undergoing SBMI are therefore expected to simultaneously develop stronger digital marketing capability as a complementary resource.

The second hypothesis follows directly from the dynamic capability literature: firms that can sense, seize, and reconfigure their marketing activities through digital tools are better positioned to respond quickly to market feedback, personalize offerings, and reduce customer acquisition costs, all of which contribute to superior financial and non-financial performance (Kannan & Li, 2017; Mikalef et al., 2020).

The third hypothesis reflects the direct resource-based logic that sustainability-oriented innovation itself independent of its digital communication can generate performance benefits through efficiency gains, risk reduction, and reputational advantages, consistent with prior evidence on green and sustainable innovation (Chen et al., 2014; Goni et al., 2021).

The fourth hypothesis integrates the first three arguments into a mediation logic: because SBMI enhances DMC (H1), and DMC subsequently enhances FP (H2), part of the total effect of SBMI on FP (H3) is expected to operate indirectly through DMC. This is consistent with theoretical arguments that strategic resources alone rarely translate automatically into performance and instead require complementary dynamic capabilities to be fully realized in the market (Teece, 2018; Zahoor et al., 2023).

Based on this theoretical reasoning, the following hypotheses are proposed:
H1: Sustainable business model innovation has a positive effect on digital marketing capability.
H2: Digital marketing capability has a positive effect on firm performance.
H3: Sustainable business model innovation has a positive effect on firm performance.
H4: Digital marketing capability mediates the relationship between sustainable business model innovation and firm performance.

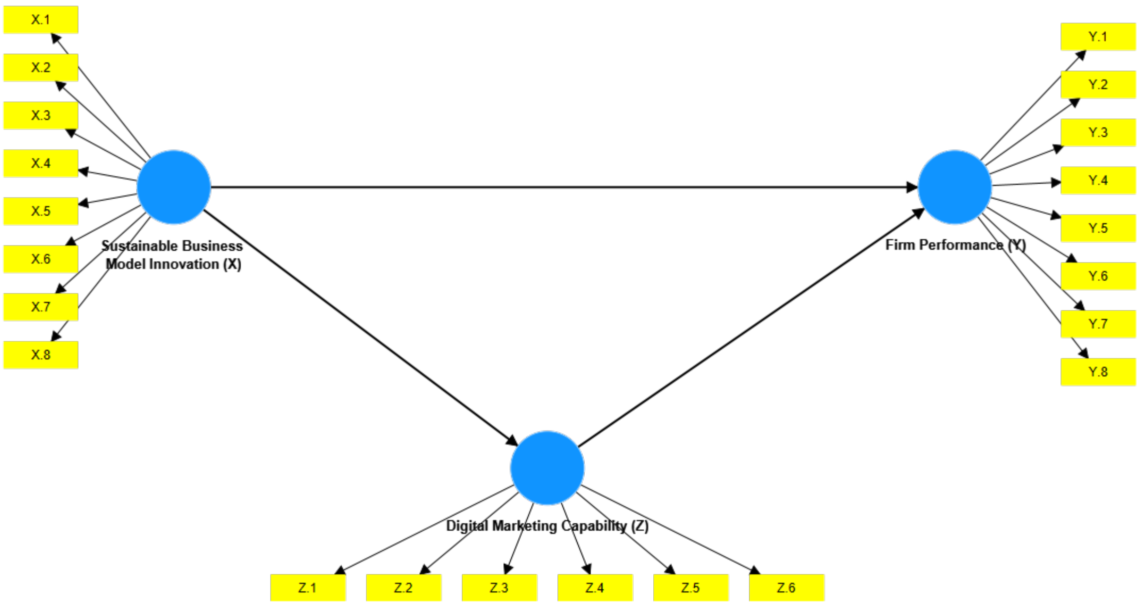

Figure 1. Research Framework
Source: processed by the author, 2026

METHODS

Research Design and Population

This study employed a quantitative research design using a cross-sectional survey. The population comprised SME owners and managers operating in consumer-oriented creative industries in Lombok, West Nusa Tenggara (NTB), Indonesia, including handicrafts, culinary businesses, fashion, digital creative services, and cultural-based products. A sample of 150 SMEs was selected using purposive sampling, with the criteria that the business had operated for at least one year and the respondent was directly involved in strategic and marketing decision-making. This sample size exceeds the minimum threshold recommended for PLS-SEM analysis based on the ten-times rule applied to the largest number of structural paths directed at a single construct in the model.

Table 3 summarizes the demographic and business profile of respondents. The sample was relatively balanced in terms of gender, dominated by respondents aged 31–50 years who typically occupy owner-manager roles with direct authority over strategic and marketing decisions, and included respondents across all five targeted creative-economy sectors, with handicraft and culinary businesses representing the largest shares. The majority of firms had operated for more than five years, indicating that respondents had sufficient organizational tenure to meaningfully evaluate sustainability-oriented innovation and digital marketing practices within their businesses.

Table 1. Respondent Profile

Features	Category	n	%
Gender	Male	82	54.7
	Women	68	45.3
Age	21–30 years old	29	19.3
	31–40 years	54	36.0
	41–50 years	46	30.7
	> 50 years	21	14.0
Final Education	High School/Equivalent	38	25.3
	Diploma	27	18.0
	Bachelor (S1)	71	47.3
	Postgraduate (S2/S3)	14	9.4
Length of Business Operation	1–5 years	41	27.3
	6–10 years	58	38.7
	> 10 years	51	34.0
Business Sector	Handicraft	42	28.0
	Culinary	37	24.7
	Fashion	29	19.3
	Digital Creative Services	24	16.0
	Culture-Based Products	18	12.0

Source: Primary data processed, 2026

Operational Definitions and Variable Measurements

All constructs of sustainable business model innovation, digital marketing capability, and firm performance were measured using validated multi-item scales adapted from prior studies and assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). SBMI was operationalized through indicators capturing value creation, value delivery, and value capture innovation adapted from Bocken et al. (2019) and Geissdoerfer et al. (2020). DMC was operationalized through indicators capturing content and communication capability, customer engagement capability, and digital analytics capability adapted from Kannan and Li (2017) and

Chaffey and Ellis-Chadwick (2019). Firm performance was operationalized through financial indicators (sales and profit growth) and non-financial indicators (customer satisfaction and market expansion) adapted from Lumpkin and Dess (2001).

Prior to full data collection, the questionnaire was pretested with 20 SME owners not included in the final sample to assess item clarity and face validity, resulting in minor wording revisions to improve comprehension among respondents with varying educational backgrounds. To minimize common method bias arising from single-source, self-reported data, procedural remedies were applied, including psychological separation of predictor and criterion items within the questionnaire, assurance of respondent anonymity, and use of validated scale anchors, following the recommendations of Podsakoff et al. (2003).

Data Analysis Techniques

Data were analyzed using Structural Equation Modeling with the Partial Least Squares approach (SEM-PLS) in SmartPLS software, following the two-step evaluation procedure recommended by Hair et al. (2021) and Sarstedt et al. (2021): assessment of the measurement model (reliability and validity), followed by assessment of the structural model (path coefficients, t-statistics, p-values, and coefficient of determination) using bootstrapping with 5,000 subsamples. Reliability and validity were assessed through composite reliability, Cronbach's alpha, and average variance extracted (AVE), while discriminant validity was assessed using both the Fornell–Larcker criterion (Fornell & Larcker, 1981) and the heterotrait-monotrait ratio of correlations (HTMT) recommended by Henseler et al. (2015) as a more sensitive complementary criterion. Mediation was tested following the bootstrapping approach for indirect effects, and the relative importance of each construct for firm performance was further examined through importance-performance map analysis (IPMA) as proposed by Ringle and Sarstedt (2016), which extends standard path-coefficient interpretation by also considering the average performance score of each predictor construct.

RESULTS OF RESEARCH AND DISCUSSION

The main result of this study is that sustainable business model innovation significantly improves firm performance both directly and indirectly through digital marketing capability, with all four hypotheses supported. The respondents consisted of 150 owners and managers of creative economy SMEs operating in Lombok, West Nusa Tenggara (NTB), Indonesia. The majority of respondents were engaged in handicrafts, culinary businesses, fashion, digital creative services, and cultural-based products. Most firms had been operating for more than five years, indicating sufficient managerial experience to evaluate sustainability-oriented innovation and digital marketing practices.

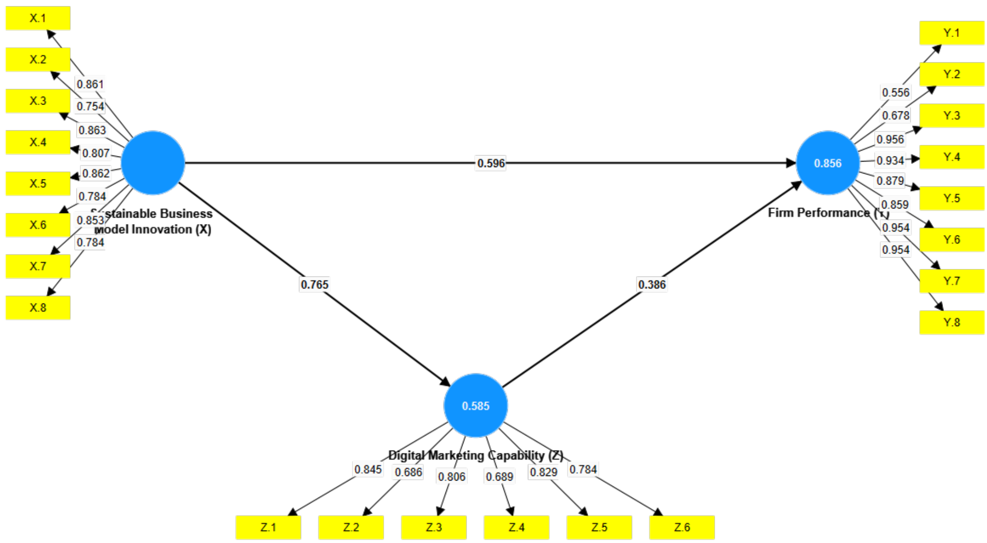

Figure 2. Research Framework Results
Source: processed by the author, 2026

Descriptive Statistics

Table 4 presents the descriptive statistics for the three main constructs. The mean scores for SBMI, DMC, and FP were all above the scale midpoint of 3.0, ranging from 3.85 to 3.92, indicating that respondents generally perceived their firms as moderately to highly engaged in sustainability-oriented innovation, digital marketing practices, and performance achievement. The relatively small standard deviations (0.51–0.58) suggest reasonably consistent perceptions across respondents, while the minimum values indicate that some firms in the sample still reported comparatively low engagement with sustainability and digital marketing practices, providing sufficient variance for meaningful structural analysis.

Table 2. Statistics Descriptive Statistics

Construct	Mean	Std. Deviation	Min-Max
Sustainable Business Model Innovation (SBMI)	3.92	0.54	2.00–5.00
Digital Marketing Capability (DMC)	3.85	0.58	1.80–5.00
Firm Performance (FP)	3.88	0.51	2.20–5.00

Source: Primary data processed, 2026

Evaluation of Measurement Models

The measurement model was assessed using reliability and validity criteria. All indicator loadings exceeded the recommended threshold of 0.70, confirming indicator reliability. Cronbach's Alpha and Composite Reliability (CR) values for all constructs were above 0.70, indicating internal consistency. Average Variance Extracted (AVE) values exceeded 0.50, confirming convergent validity, as summarized in Table 3.

Table 3. Measurement Model Assessment Results

Konstruk / Construct	Cronbach's Alpha	Composite Reliability	AVE
Sustainable Business Model Innovation (SBMI)	0.91	0.93	0.68
Digital Marketing Capability (DMC)	0.89	0.92	0.65
Firm Performance (FP)	0.90	0.93	0.69

Source: Primary data processed, 2026

Discriminant validity was assessed using the Fornell–Larcker criterion, which showed that the square root of AVE for each construct (shown in bold on the diagonal of Table 4) exceeded its correlations with other constructs, confirming that the three constructs are empirically distinct.

Tabel 4. Discriminant Validity – Kriteria Fornell–Larcker

Construct	DMC	FP	SBMI
DMC	**0.806**		
FP	0.612	**0.831**	
SBMI	0.754	0.588	**0.825**

Source: Primary data processed, 2026

As an additional and more conservative test, the heterotrait-monotrait ratio of correlations (HTMT) was also examined. As shown in Table 5, all HTMT values were below the conservative threshold of 0.85, providing further confirmation that discriminant validity was achieved between SBMI, DMC, and FP (Henseler et al., 2015).

Tabel 5. Heterotrait-Monotrait Ratio (HTMT)

Construct	DMC	FP	SBMI
DMC	–		
FP	0.681	–	
SBMI	0.823	0.647	–

Source: Primary data processed, 2026

Structural Model Evaluation

The structural model was evaluated by examining path coefficients, t-statistics, and p-values obtained through bootstrapping (5,000 subsamples). The coefficient of determination (R^2) for digital marketing capability was 0.57, indicating that SBMI explained 57% of the variance in DMC. The R^2 value for firm performance was 0.63, suggesting substantial explanatory power, as summarized in Table 6.

Table 6. Structural Model Results

Hipotesis	Jalur / Path	b	t-value	p-value	Results
H1	SBMI → DMC	0.75	15.32	<0.001	Supported

H2	DMC → FP	0.48	7.84	<0.001	Supported
H3	SBMI → FP	0.36	6.11	<0.001	Supported
H4	SBMI → DMC → FP	0.36	6.95	<0.001	Partial Mediation

Source: Primary data processed, 2026

Mediation analysis revealed that digital marketing capability partially mediated the relationship between SBMI and firm performance, as both the direct effect (H3) and the indirect effect through DMC (H4) were statistically significant. The variance accounted for (VAF) by the indirect path was approximately 45.6%, further supporting the classification of the mediation as partial rather than full, since a substantial share of SBMI's total effect on firm performance remained direct.

Complementing the path-coefficient results, the importance-performance map analysis (IPMA) indicated that although DMC exerted a somewhat smaller total effect on firm performance than SBMI, its average performance score across respondents was comparatively lower, suggesting that digital marketing capability represents a higher-priority area for managerial improvement relative to its current level of attainment (Ringle & Sarstedt, 2016). In practical terms, this implies that even modest investments in strengthening digital marketing capability may yield disproportionately large gains in firm performance, because many sampled SMEs have not yet fully realized their potential in this area.

Discussion

The findings support the theoretical assumption that sustainability-oriented innovation enhances firm performance, and they are consistent with prior studies emphasizing the complementary role of sustainability and digitalization (Amit & Zott, 2021; Goni et al., 2021). The results demonstrate that sustainable business model innovation significantly enhances digital marketing capability among creative economy SMEs in Lombok (H1 supported, $\beta = 0.75$). This finding supports dynamic capability theory, which posits that sustainability-oriented innovation enables firms to reconfigure resources and adapt to digital market environments (Teece, 2018). SMEs that embedded sustainability into their value propositions were more capable of communicating authenticity, cultural value, and environmental responsibility through digital channels, in line with evidence that digital literacy and managerial attributes shape how effectively SMEs convert digital tools into marketing capability (Zahoor et al., 2023).

The positive relationship between digital marketing capability and firm performance (H2 supported, $\beta = 0.48$) indicates that SMEs leveraging social media, online platforms, and digital analytics achieved higher levels of financial and non-financial performance. This result is consistent with prior studies highlighting the strategic role of digital capabilities in enhancing competitiveness in emerging markets (Mikalef et al., 2020; Pang & Wang, 2024), and echoes evidence from other Indonesian settings that digital transformation is associated with improved non-financial performance indicators (Agustiningsih & Noviawan, 2024).

Furthermore, the partial mediating role of digital marketing capability (H4 supported) suggests that SBMI alone is insufficient to maximize performance outcomes; sustainability-driven innovation needs to be supported by effective digital marketing execution. This is consistent with earlier descriptive evidence that digital marketing adoption directly supports sales performance among Mataram-area MSMEs (Abdurrahman et al., 2021), and it extends that evidence by showing, in a theory-driven SEM-PLS model, the specific mechanism through which sustainability orientation is converted into performance via digital marketing capability. The result also parallels findings on the importance of dynamic managerial capabilities for translating business model innovation into performance in other emerging-market contexts (Merín-Rodrigáñez et al., 2025) and on the role of collaboration and absorptive capacity in enabling SMEs to benefit from innovation-oriented strategies (Audretsch et al., 2023).

At the same time, digital adoption in emerging-market SMEs is not without risk; evidence on the misuse of digital payment instruments among Mataram SMEs indicates that digital transformation must be accompanied by adequate digital governance and financial literacy to fully translate into positive performance outcomes (Dinda & Ajiani, 2025). This suggests a boundary condition for the SBMI–DMC–performance mechanism identified in this study: the benefits of digital marketing capability are more likely to materialize when SMEs also possess adequate digital risk-management capacity. These findings extend existing literature by empirically validating an integrated SBMI–DMC–performance framework in a regional emerging economy context, complementing evidence on access to finance and firm quality as performance drivers in other emerging SME populations (Chowdhury et al., 2022).

Taken together, the pattern of results is consistent with the theoretical integration of RBV and Dynamic Capability Theory proposed in the literature review: SBMI functions as a strategic resource that is valuable and difficult to imitate, but its full performance potential is only realized when firms also develop the dynamic capability represented by digital marketing. This dual requirement helps explain why some sustainability-oriented SMEs in emerging economies fail to translate their innovation efforts into measurable performance gains - not because sustainability orientation is ineffective, but because it is not yet adequately supported by digital marketing execution capacity (Zahoor et al., 2023).

Theoretical and Managerial Implications

Theoretically, this study contributes in three ways. First, it provides empirical support for treating digital marketing capability as a dynamic capability that mediates, rather than merely moderates, the relationship between a strategic resource (SBMI) and firm performance, thereby extending the applicability of Dynamic Capability Theory to the sustainability-marketing interface. Second, it validates an integrated SBMI–DMC–FP framework using primary data from an emerging regional economy and a creative economy sector that has been under-represented in prior SME digitalization research (Pang & Wang, 2024; Vuchkovski et al., 2023). Third, by incorporating both Fornell–Larcker and HTMT discriminant validity tests alongside IPMA, this study offers methodological reassurance that the SBMI, DMC, and FP constructs are empirically distinct and that their relative managerial priority can be meaningfully differentiated.

Managerially, the findings suggest several concrete actions. SME owners and managers should treat sustainability initiatives and digital marketing investments as complementary rather than sequential agendas, embedding sustainability narratives directly into digital content, customer engagement activities, and data-driven marketing decisions. Given the IPMA results, particular attention should be given to strengthening digital analytics and customer engagement capabilities, as these appear to be comparatively underdeveloped relative to their importance for performance. For policymakers and business development agencies, the results support the design of integrated capacity-building programs that combine sustainability certification or mentoring with digital marketing training, rather than offering these as separate, disconnected programs, since their joint presence appears necessary to maximize SME performance outcomes.

CONCLUSION

This study investigated the effect of sustainable business model innovation on firm performance with digital marketing capability as a mediating variable among creative economy SMEs in Lombok, West Nusa Tenggara. The findings demonstrate that sustainable business model innovation significantly enhances firm performance both directly and indirectly through digital marketing capability. These results confirm that sustainability-oriented innovation represents a strategic resource that enables SMEs to build competitive advantage when effectively leveraged through digital marketing practices.

From a theoretical perspective, this study contributes to the management and sustainability literature by integrating Resource-Based View and Dynamic Capability Theory within a single empirical framework, and by empirically validating the mediating role of digital marketing capability in an emerging economy context, particularly within the creative economy sector. From a managerial perspective, the results suggest that SME owners and managers in Lombok should not treat sustainability and digital marketing as separate initiatives; sustainability values should instead be embedded into product design, storytelling, branding, and digital communication strategies to enhance customer engagement and performance outcomes. Policymakers and local government agencies are encouraged to support capacity-building programs that strengthen digital marketing capability, together with adequate digital governance, alongside sustainability-oriented business innovation.

Despite its contributions, this study has several limitations that should be acknowledged. The cross-sectional design limits causal inference, since data on SBMI, DMC, and FP were collected at a single point in time; longitudinal or experimental designs would allow stronger causal claims about the direction and stability of these relationships over time. The focus on a single region - Lombok, West Nusa Tenggara - and a specific set of creative economy sub-sectors may also restrict the generalizability of findings to other regions, industries, or firm sizes, particularly larger enterprises with more formalized marketing and sustainability functions. In addition, because all constructs were measured through self-reported perceptions of owners and managers, the results may be subject to some degree of common method variance, notwithstanding the procedural remedies applied during questionnaire design.

Future research could address these limitations in several ways. Longitudinal designs that track SBMI, DMC, and firm performance over multiple periods would help clarify causal ordering and capture the cumulative nature of capability development. Incorporating additional mediating or moderating variables - such as digital governance, financial literacy, entrepreneurial orientation, or institutional support - could provide a more complete picture of the boundary conditions under which SBMI translates into performance. Expanding the sampling frame to other regions, industries, and firm sizes, including comparative studies between creative economy SMEs and manufacturing or service SMEs, would further test the generalizability of the integrated SBMI–DMC–FP framework proposed in this study. Finally, future studies could complement the quantitative SEM-PLS approach used here with qualitative case studies to gain deeper insight into how individual SME owners and managers cognitively and operationally integrate sustainability and digital marketing strategies in daily practice.

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