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Developing Sustainable Competitive Advantage: The Role of Dynamic Capability and Innovation Performance in Excelsa Coffee Bean Industry

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ABSTRACT

This study examines the influence of sensing ability, seizing ability, reconfiguring capability, and innovation performance on sustainable competitive advantage (SCA) of the Excelsa Coffee Bean Processing Industry in Bojonegoro. Data was collected through questionnaires that have been tested for validity and reliability. The data analysis uses Structural Equation Modeling (SEM) with SmartPLS software. The results show that these four variables have a positive and significant influence on SCA. Sensing ability plays a role in detecting market changes, while seizing ability allows companies to take advantage of existing opportunities. Reconfiguring capability helps companies adjust resources to stay competitive, and innovation performance is a key factor in creating new ideas that are relevant to the market. The study also found that innovation performance mediates the influence of sensing ability and seizing ability on SCA, making it a key catalyst in turning market potential into competitive advantage. This finding has important implications for the industry, namely the need to improve sensing, seizing, reconfiguring, and innovation performance. Stakeholders, such as local governments and supporting institutions, are also expected to play a role in helping the industry through policies that support this capacity building.

1. INTRODUCTION

Coffee is a global commodity that plays a vital role in the economies of many countries, offering a unique taste and rich drinking culture around the world. The existence of the coffee processing industry plays an important role in the Indonesian economy (Pradana *et al*., 2022). In 2021, the number of processing industry businesses in Indonesia reached 64.19 million with a contribution to the gross domestic product (GDP) of 61.97 percent or IDR 8,574 trillion (Aida, 2021). The processing industry sector plays a role in improving the Indonesian economy, as seen from its ability to absorb 97 percent of the workforce and integrate investment of 60.4 percent. However, the large number of processing industries in Indonesia is also not free from existing problems (Rodríguez-Rebés *et al*., 2024). To overcome this problem, the government has made various efforts to revitalize the performance of the processing industry as the backbone of the economy, ranging from capital assistance, credit restructuring, to skills improvement (Fitriyani *et al*., 2020; Garrido-Prada *et al*., 2024). However, the processing industry is difficult to survive if they are less dynamic in facing the turbulence of rapid environmental change (Pradana *et al*., 2020; Indrasari *et al*., 2022; Rodríguez-Espíndola *et al*., 2022).

Rapid and dynamic changes in the business environment result in that superior resources and capabilities offered becoming obsolete. Processing industry faces a challenge to develop in form of high competition (Ernst *et al*., 2022; Saeedikiya *et al*., 2024). Many players in an industry try to provide various offers that cause the resources and products offered to be relatively the same. In addition, the rapidly changing of external environment has become an unavoidable part of current business reality (Dewanti *et al*., 2022; Henriquez-Calvo & Diaz-Martinez, 2023; Ismail *et al*., 2014). This is triggered by the speed of information flow, a shorter learning curve to find the latest innovations or technologies, and

changes in socio-economic and political factors that are difficult to predict (Kristinawati & Tjakraatmadja, 2017). Therefore, companies need to pay attention to future performance in order to compete competitively (Djiu *et al*., 2024; Valdez-Juárez & Castillo-Vergara, 2021).

To face the dynamics of the business environment, the processing industry must be able to intelligently transform resources to gain sustainable competitive advantage (SCA) called dynamic capabilities. According to Teece (2007) dynamic capabilities include sensing, seizing and reconfiguring capabilities. Sensing consists of an analytical system to learn, feel, filter, shape and calibrate opportunities (de Andrés-Sánchez *et al*., 2022). Sensing includes processes that enable businesses to capture market opportunities through analysis of consumer, supplier and competitor behavior (Carrasco-Carvajal *et al*., 2023; Hidayat-ur-Rehman & Alsolamy, 2023). The next step is the reconfiguration process (Aziz & Samad, 2016; Priyono & Hidayat, 2024), which relates to combining and reconfiguring organizational resources to align with the latest business models developed according to existing opportunities (Okolo *et al*., 2023; Teece, 2007).

Developing dynamic capabilities is very important for the processing industry to face environmental dynamism so as to increase its competitive advantage (Khouroh *et al.*, 2021). Otherwise, environmental dynamism will reduce the competitive advantage of the processing industry. In addition, sensing, seizing and reconfiguring capabilities have a positive and significant effect on innovation performance in creative SMEs (Farida *et al*., 2022). Sensing and seizing capabilities also have a significant positive effect on SCA. According to Rahmawati & Nahartyo (2023), the ability to innovate, technology, government policy, and human resources have a positive and significant effect on the resilience of the processing industry. The lack of managerial ability in formulating strategies when facing changes in the business environment is a reason why processing industry is hard to survive (Silva *et al*., 2017; Aziz & Samad, 2016).

Micro, Small and Medium Enterprise (processing industry) is a productive business that can be carried out by anyone with low experience, education level and capital. The role of the processing industry in economic development reaches all regions in Indonesia, including Bojonegoro Regency. The recorded growth in the number of processing industries in Bojonegoro Regency in the last 4 years has increased continuously. In line with the increase in the number of processing industries in Bojonegoro, the problems faced by processing industry players have become increasingly complex. The general problems can be divided into four categories: capital, production management and technology, marketing, and human resources. Bojonegoro is one of the production centers for excelsa coffee plants in East Java (BPS, 2023). There are four varieties of coffee planted in Bojonegoro, namely robusta, liberica, arabica, and excelsa. Even though it is in the lowlands (41 m above sea level), coffee is successfully grown and harvested. This is considered extraordinary because coffee generally grows in the highlands (Saifullah *et al*., 2022). The collaboration of young farmers and the use of seeds from Mount Ringgit, Pasuruan, is the key to this success (Rahayu, 2021). Now, Bojonegoro authentic coffee can be enjoyed, proving that with innovation and hard work, geographical obstacles can be overcome by highlighting agricultural potential in Bojonegoro (Achmad *et al*., 2022; Rosadi *et al*., 2021). This phenomenon is in line with sustainability theory, which is an important element for business, it depends on the functions, processes and operations of business activities (Khan *et al*., 2019; Swatdikun *et al*., 2024). A business can be considered sustainable if it is able to achieve its business goals, increase value in the long term, and develop consistently (Huang *et al*., 2023).

The main problem faced by Micro, Small and Medium Enterprises (MSMEs), especially the excelsa coffee bean processing industry in Bojonegoro, is how they can survive and compete amidst the dynamics of a rapidly changing business environment. Even though this sector plays an important role in the Indonesian economy, with a significant contribution to GDP and employment, MSMEs in the processing industry often face complex challenges such as limited capital, production management and technology, marketing, and the quality of human resources. These factors can hinder MSMEs from continuing to innovate and respond effectively to market changes. Rapid changes in the business environment, high competition, and increasingly short innovation curves require business actors to have dynamic capabilities. Sensing, seizing, and reconfiguring capabilities are critical for companies to remain relevant and competitive. However, many MSMEs in this industry have not been able to develop these capabilities optimally, which has the potential to reduce their competitive advantage. This research is important because it provides insight into how sensing, seizing, and reconfiguring capabilities can help coffee industry MSMEs to adapt to market changes and create sustainable innovation. This understanding can be the basis for developing policies and strategies that support the sustainability and growth of the MSME sector in Indonesia.

2. METHODS

2.1. Research Design and Research Location

This research uses a quantitative approach with explanatory methods (Singarimbun & Effendi, 2011). This research instrument uses primary data by directly giving questionnaires to players in the Excelsa coffee bean processing industry. Meanwhile, secondary data comes from literature studies that have been read, such as journals, books, information on the internet and relevant previous research theses. The third activity, in the process of filling out the questionnaire according to the inclusions and tabulating the data for statistical analysis. Data was collected through a questionnaire that has been tested for validity and reliability. This data analysis uses Structural Equation Modeling (SEM) with SmartPLS software (Anggraeni *et al*., 2019; Hidayat-ur-Rehman & Alsolamy, 2023; Kumar *et al*., 2022). This technique allows testing research hypotheses and measuring the influence of the independent variable (green marketing strategy) on the dependent variable (sustainable competitive advantage or SCA).

2.1.1. Variable Description

A description of variables in research is a detailed explanation of each variable that will be measured or observed in a study. Variables can be characteristics, attributes, or factors that play a role in the relationship between the phenomena studied. Based on Table 1, the company's sensing capability is at a medium level with an average of 3.23, indicating sufficient ability to detect business opportunities. Seizing capability (3.85) and reconfiguring capability (3.68) were rated high, reflecting the company's strong capability in exploiting opportunities and rearranging resources to maintain competitiveness. Innovation performance is still at a moderate level with an average value of 3.05, indicating room for improvement in creating innovations that have a significant impact. However, the company's sustainable competitive advantage is at a high level (3.41), indicating the ability to maintain competitive advantage in the long term. Overall, the company has good capabilities in exploiting opportunities and adapting to environmental changes, although its innovation performance needs to be improved.

Table 1. Variable description

Variable	X1		X2		X3		Z		Y	
Item	Average	Mark	Average	Mark	Average	Mark	Average	Mark	Average	Mark
1	3.35	Neutral	3.97	Agree	3.66	Agree	3.01	Neutral	3.44	Agree
2	3.51	Agree	3.97	Agree	3.59	Agree	2.99	Neutral	3.39	Neutral
3	2.9	Neutral	3.83	Agree	3.83	Agree	3.01	Neutral	3.28	Neutral
4	3.39	Neutral	4.01	Agree	3.76	Agree	3.08	Neutral	3.3	Neutral
5	3.65	Agree	3.94	Agree	3.61	Agree	3.14	Neutral	3.52	Agree
6	3.32	Neutral	4.1	Agree	3.73	Agree	2.96	Neutral	3.35	Neutral
7	2.75	Wrong	3.83	Agree	3.66	Agree	3.17	Neutral	3.27	Neutral
8	3.27	Neutral	3.1	Neutral	3.63	Agree	3.13	Neutral	3.51	Agree
9	3.24	Neutral	3.85	Agree			3.06	Neutral	3.66	Agree
10	3.11	Neutral					3.18	Neutral		
11	2.93	Neutral					3.01	Neutral		
12	3.3	Neutral					2.89	Neutral		
Average	3.23	Medium	3.85	High	3.68	High	3.05	Medium	3.41	High

Note: X1 (Sensing Ability); X2 (Seizing Ability); X3 (Reconfiguring Capability); Z (Innovation Performance); Y (Sustainable Competitive Advantage)

This description is very detailed and provides a clear picture of how the Excelsa Bojonegoro Coffee Bean Processing Industry in Padangan District uses sensing capability to maintain the competitiveness and relevance of their business in an ever-changing market. Points to discuss included observing and analyzing market trends, quick response to change, learning from experience, and the ability to adapt to a rapidly changing business environment. One of the strengths of this description is detailed explanation of how the Excelsa Coffee Bean Processing Industry in Bojonegoro uses sensing ability in practice, including concrete examples such as new product development or business strategy adjustments.

This description provides a very good picture of how the Excelsa Coffee Bean Processing Industry in Padangan District (Bojonegoro) uses seizing capability to seize opportunities and develop in a competitive market. Points

discussed include identifying market opportunities, strategic steps to seize opportunities, efficient implementation of new ideas, adaptability to market changes, and managing risks associated with taking opportunities.

This description provides a good overview of how the Excelsa Coffee Bean Processing Industry in Bojonegoro uses reconfiguring capabilities in practice to face the challenges it faces. This shows their awareness of the importance of adaptation and flexibility in maintaining the competitiveness of their business. The invasion performance emphasizes the importance of innovation in maintaining the relevance and competitiveness of the Processing Industry business in the Excelsa Coffee Bean Processing Industry. This shows that business actors in the Excelsa Coffee Bean Processing Industry are aware of the importance of innovating and providing added value for their customers, which is a key factor for the growth and sustainability of their business. This description shows the awareness of business actors in the Excelsa Coffee Bean Processing Industry of the importance of utilizing local wisdom and the uniqueness of their products as part of a sustainable competitive advantage strategy. This shows that the Excelsa Coffee Bean Processing Industry has a strong foundation to maintain a strong competitive position in the long term in an ever-changing market.

2.1.2. Instrument Test

Convergent validity test is a type of validity test used to assess the extent to which an instrument or measuring tool can measure the concept or theoretical construct that should be measured, and the measurement results have a high correlation with other instruments that measure the same concept. Convergent validity test results were documented in Table 2. It can be concluded that all used indicators show a loading factor (LF) of at least equal to or greater than 0.7, in accordance with the guidelines suggested by Solimun *et al*. (2017). This shows that these indicators effectively and consistently measure the construct in question. This high LF value is also reinforced by the views of Ghozali (2016), who states that a loading value of 0.5 to 0.6 is sufficient in the initial stages of developing a measurement scale. Therefore, a LF value that reaches or exceeds the threshold of 0.7 indicates a high level of validity in measuring the variables represented by each indicator in this study.

Composite reliability test is a method used to measure the internal consistency of indicators that form a construct or latent variable in a measurement model. This test is often used in confirmatory factor analysis (CFA) and structural equation modeling (SEM) as an alternative or complement to Cronbach's α. Composite reliability measurements (Table 3), assessments are carried out on three main aspects: Crombach α, composite reliability, and AVE (average variance extracted), with expected values exceeding criteria of 0.7, 0.7, and 0.5 respectively, according to guidelines by Solimun *et al*. (2017). The assessment results show that these three aspects meet or even exceed the specified criteria. Crombach's α and composite reliability have reached values greater than 0.7, indicating a high level of reliability of the measurement instrument. In addition, the AVE value also exceeds the threshold of 0.5, indicating that the indicators are able to adequately explain the variability of the represented construct, and are therefore considered valid in the context of measuring the variables studied. Thus, the results of this composite reliability measurement provide confidence that the measurement instruments used in this research are reliable and provide accurate results in data collection.

Table 2. Convergent validity test

X1			X2			X3			Z			Y		
Q	**LF**	**Valid?**	**Q**	**LF**	**Valid?**	**Q**	**LF**	**Valid?**	**Q**	**LF**	**Valid?**	**Q**	**LF**	**Valid?**
X1·1	0.910	Yes	X2·1	0.833	Yes	X3·1	0.918	Yes	Z·1	0.944	Yes	Y·1	0.914	Yes
X1·2	0.867	Yes	X2·2	0.804	Yes	X3·2	0.895	Yes	Z·2	0.934	Yes	Y·2	0.925	Yes
X1·3	0.875	Yes	X2·3	0.716	Yes	X3·3	0.877	Yes	Z·3	0.862	Yes	Y·3	0.908	Yes
X1·4	0.891	Yes	X2·4	0.752	Yes	X3·4	0.874	Yes	Z·4	0.884	Yes	Y·4	0.905	Yes
X1·5	0.892	Yes	X2·5	0.771	Yes	X3·5	0.846	Yes	Z·5	0.937	Yes	Y·5	0.869	Yes
X1·6	0.871	Yes	X2·6	0.834	Yes	X3·6	0.892	Yes	Z·6	0.904	Yes	Y·6	0.893	Yes
X1·7	0.898	Yes	X2·7	0.874	Yes	X3·7	0.756	Yes	Z·7	0.929	Yes	Y·7	0.896	Yes
X1·8	0.855	Yes	X2·8	0.836	Yes	X3·8	0.88	Yes	Z·8	0.894	Yes	Y·8	0.905	Yes
X1·9	0.905	Yes	X2·9	0.843	Yes				Z·9	0.881	Yes	Y·9	0.9	Yes
X1·10	0.858	Yes							Z·10	0.863	Yes			
X1·11	0.815	Yes							Z·11	0.861	Yes			
X1·12	0.852	Yes							Z·12	0.87	Yes			

Note: Q = Questionnaire; LF = Loading Factor

Table 3. Composite reliability test

Variable	Crombachs α	Composite Reliability	Average Variance Extracted (AVE)
Sensing ability (X1)	0.972	0.973	0.765
Seizing ability (X2)	0.935	0.96	0.654
Reconfiguring Capability (X3)	0.953	0.963	0.754
Sustainable Competitive Advantage (Y)	0.971	0.971	0.813
Innovation Performance(Z)	0.978	0.979	0.806
Criteria	**>0.7**	**>0.7**	**>0.5**

2.2. Population and Sampling

This research uses the population in the Bojonegoro district area which is clustered using a non-probability sampling method with the inclusion of excelsa coffee processing industry players who are able to increase SCA, with a population of 58 people (Berndt, 2020; Uprichard, 2013). This sample was given to players in the Excelsa coffee bean processing industry, especially in the Padangan District, Bojonegoro Regency. The number of samples used in this research was 50 respondents who were measured using Slovin rule.

2.3. Data Analysis Techniques

From the results of a questionnaire to 50 respondents (excelsa coffee bean processing industry players in Padangan District) to measure sensing, seizing, reconfiguring and innovation performance sustainable competitive advantage, the program was analyzed using structural equation modeling or Structural Equation Modeling-Partial Least Square (SEM-PLS). The test included validity, reliability and SEM-PLS (Battistella *et al*., 2023; Soluk *et al*., 2023).

2.4. Hypothesis Model

To evaluate the role of sensing ability, seizing ability, reconfiguring capability, and innovation performance towards SCA, 10 hypotheses were constructed, including:

- Ha1: Sensing ability positively affects innovation performance (X1 → Z)
- Ha2: Seizing ability positively affects innovation performance (X2 → Z)
- Ha3: Reconfiguring capability positively affects innovation performance (X3 → Z)
- Ha4: Sensing ability positively affects Sustainable Competitive Advantage (SCA) (X1 → Y)
- Ha5: Seizing ability positively affects Sustainable Competitive Advantage (X2 → Y)
- Ha6: Reconfiguring capability positively affects on Sustainable Competitive Advantage (X3 → Y)
- Ha7: Innovation performance positively affects Sustainable Competitive Advantage (Z → Y)
- Ha8: Innovation performance is able to significantly mediate the influence of sensing ability on SCA (X1→ Z→ Y)
- Ha9: Innovation performance is able to significantly mediate the influence of seizing ability on SCA (X2→ Z→ Y)
- Ha10: Innovation performance is able to significantly mediate the influence of reconfiguring capability on SCA

3. RESULTS AND DISCUSSION

3.1. Inner Model Test Results

Testing the Inner Model, or Structural Model, is a key stage in data analysis. The goal is to evaluate the relationships between constructs and their significance. The main focus is on R^2, t test, and significance of structural path parameter coefficients. The R^2 measures how much variation in the dependent variable is explained by the independent variable. The higher the R^2 value, the greater the influence of the independent variable on the dependent variable. Based on Figure 1, the structural model provided, there are five main latent variables: X1 (Sensing Ability), X2 (Seizing Ability), X3 (Reconfiguring Capability), Z (Innovation Performance), and Y (Sustainable Competitive Advantage). Each variable has several indicators which are measured through loading factors, with values close to or above 0.7, indicating a strong indicator contribution to the latent variable. The relationship between variables is shown through path coefficients which describe the influence of one variable on other variables. For example, X1, X2, and X3 directly influence on Z and Y.

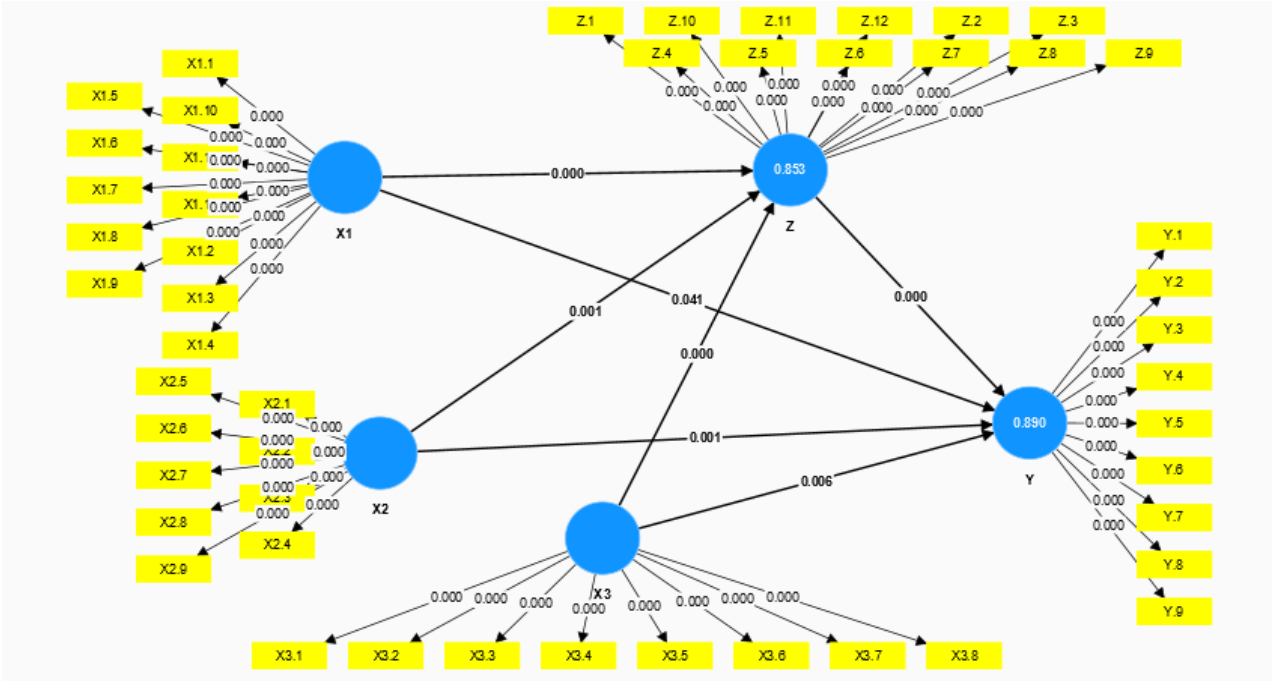

Figure 1. Inner model test results

Innovation performance also directly influences Y, indicating the importance of innovation in creating sustainable competitive advantage. The high R^2 value, namely 0.853 for Z and 0.890 for Y, indicates that the independent variables in this model significantly explain variations in innovation performance and SCA. Overall, this model confirms that sensing, seizing, and reconfiguring capabilities play an important role in improving innovation performance and sustainable competitive advantage for companies.

3.1.2. Coefficient of Determination Results (R^2)

To evaluate the model using Partial Least Squares (PLS), the initial step is to check the R^2 value for each dependent latent variable, according to suggestions from Solimun *et al*. (2017). Estimation of the R^2 value of the model built with SmartPLS has been carried out. The R-square value in the Structural Equation Modeling (SEM) Partial Least Squares (PLS) analysis for the SCA (Y) variable is 0.890, indicating that 89% of the variation in SCA can be explained by the independent variables in the model. In other words, about 89% of the variability or change in SCA can be attributed or explained by the variables considered in the analysis. It indicates the degree of success of the model in predicting or explaining the observed phenomenon.

3.1.3. Hypothesis Testing

The significance of the estimated parameters provides important information about the relationship between the research variables. The results in Table 4 explain the estimation output for testing the structural model.

3.1.4. Discussion

This description provides a comprehensive picture of the various variables studied in the context of the Excelsa Coffee Bean Processing Industry in Padangan District, Bojonegoro. The following is a summary of each variable.

1. Sensing Capability: The Excelsa Coffee Bean Processing Industry shows sensing capabilities which are quite important in maintaining the competitiveness and relevance of their business in a dynamic market. They are active in observing and analyzing market trends and respond quickly to the information received, not only passively, but also by taking concrete actions to change business strategies according to the observed changes.

Table 4. Research path coefficients

Variable	Test Parameters		
	Coefficient	*p* values	Significant?
Direct Effect			
X1 → Y	0.179	0.041	Yes
X1 → Z	0.634	0.000	Yes
X2 → Y	0.174	0.001	Yes
X2 → Z	0.185	0.001	Yes
X3 → Y	0.232	0.006	Yes
X3 → Z	0.246	0.000	Yes
Z → Y	0.486	0.000	Yes
Indirect Effect			
X1 → Z → Y	0.308	0.015	Yes
X2 → Z → Y	0.090	0.000	Yes
X3 → Z → Y	0.119	0.014	Yes

Note: X1 (Sensing Ability); X2 (Seizing Ability); X3 (Reconfiguring Capability); Z (Innovation Performance); Y (Sustainable Competitive Advantage)

2. Seizing Capability: Business actors in the Excelsa Coffee Bean Processing Industry stand out with their high seizing capability, enabling them to seize opportunities and develop in a competitive market. They are able to identify potential market opportunities, analyze consumer trends, and industry and regulatory changes to create innovative new products or services.
3. Reconfiguring Capability: The Excelsa Coffee Bean Processing Industry stands out with its high reconfiguring capability, enabling them to remain relevant and competitive in an ever-changing market. They are proactive in identifying environmental changes and anticipating their impacts, and respond quickly and effectively with flexible organizational structures and business processes.
4. Innovation Performance: Innovation performance in the Excelsa Coffee Bean Processing Industry shows the ability to create and implement new ideas that are relevant to the market and customer needs, with a focus on developing products or services that are unique and inspired by local wisdom.
5. Sustainable Competitive Advantage: The Excelsa Coffee Bean Processing Industry stands out with its sustainable competitive advantage, especially in terms of local wisdom and the uniqueness of their products. Their products are inspired by local traditions and cultural uniqueness, creating an advantage difficult for competitors to imitate.

3.2. The Influence of Sensing Ability on Innovation Performance

Research on the relationship between sensing ability and innovation performance in the Excelsa Coffee Bean Processing Industry with a coefficient value of 0.634 with $p = 0.000$, which shows a very significant effect. Highlights the importance of the processing industry ability to detect market changes and consumer trends in achieving high innovation performance. Good sensing abilities play a crucial role in directing innovation efforts, enabling the industry to identify market needs and desires and respond to them with creative solutions (Al-Tabbaa & Zahoor, 2024).

Factors that influence the sensing ability of the Excelsa Bojonegoro Coffee Bean Processing Industry include the level of openness to market information, the ability to understand and analyze consumer trends, and a strong network with customers and business partners. Processing industries that are active in collecting market information and have the ability to understand and respond to changes in consumer behavior tend to have better sensing abilities. In addition, collaboration with external parties can expand access to new resources, knowledge and technology that supports innovation efforts (Aisjah *et al*., 2023).

3.3. The Influence of Seizing Ability on Innovation Performance

Research that reveals a positive and significant relationship between Seizing ability and innovation performance in the Excelsa Coffee Bean Processing Industry with a coefficient value of 0.185 with $p = 0.001$, which is significant. This confirms that seizing capability also influences innovation performance directly. Highlights the importance of the ability

of processing industry to take quick and effective action to exploit market opportunities (Almutairi, 2015). Seizing ability is a crucial factor in identifying and responding to new opportunities that emerge in the business environment (Bhatti *et al*., 2023).

3.4. The influence of Reconfiguring Capability on Innovation Performance

Research that reveals the positive and significant influence of reconfiguring capability on innovation performance in the Excelsa Coffee Bean Processing Industry with a coefficient value of 0.246 with $p = 0.000$, which is significant, confirms the influence of reconfiguring capability on innovation performance. Provides a deep understanding of the importance of the ability to readjust or restructure internal resources and capabilities to suit market changes and business demands (Majali *et al*., 2022). Reconfiguring capability is a crucial factor in enabling the industry to change, adapt and modify their resources, processes and strategies to create added value and achieve better business goals (Murray *et al*., 2022).

3.5. The Effect of Sensing Ability on Sustainable Competitive Advantage

Research that reveals the positive and significant influence of sensing ability on SCA in the Excelsa Coffee Bean Processing Industry with a coefficient of 0.179 with a p value = 0.041, which shows a significant influence. Highlights the importance of the ability to detect market changes, consumer trends, and business opportunities in creating sustainable competitive advantage. Sensing ability, as the ability of the processing industry to observe, analyze and respond to market dynamics quickly and precisely, is a key element in building and maintaining a strong position in a competitive market.

3.6. The Influence of Seizing Ability on Sustainable Competitive Advantage

Research shows that seizing ability has a positive and significant influence on SCA in the Excelsa Coffee Bean Processing Industry with a coefficient value of 0.174 with $p = 0.001$, which is significant. This means that seizing capabilities have a direct influence on sustainable competitive advantage illustrating the importance of the ability of Processing Industry to take opportunities that arise in the market and turn them into SCA (Murray *et al*., 2022). Seizing ability, which includes the ability to recognize, evaluate and exploit business opportunities quickly and effectively, is a key aspect in building a lasting competitive advantage.

3.7. The Effect of Reconfiguring Capability on Sustainable Competitive Advantage

Research reveals the positive and significant influence of reconfiguring capability on SCA in the Excelsa Coffee Bean Processing Industry with a coefficient value of 0.232 with $p = 0.006$, which is significant. This suggests that reconfiguring capabilities directly enhance sustainable competitive advantage highlighting the importance of the ability of the industry to realign or restructure their resources, processes and business strategies to create sustainable competitive advantage. Reconfiguring capability refers to the ability of the processing industry to adapt to changes in the business, technological and market environment, as well as to change their structure and operations according to emerging demands and opportunities (Khan *et al*., 2019; Mardiyono, 2018; Straková *et al*., 2020).

3.8. The Influence of Innovation Performance on SCA

Research shows that innovation performance has a positive and significant influence on SCA in the Excelsa Coffee Bean Processing Industry with a coefficient value of 0.486 with $p = 0.000$, which is very significant, indicating that innovation performance plays an important role in influencing sustainable competitive advantage highlighting the role innovation is important in creating and maintaining sustainable competitive advantage. Innovation performance refers to the ability of processing industry to create and implement new ideas that provide added value to customers and enable them to compete effectively in the market.

3.9. Role of Innovation Performance in Mediating Sensing Ability Influence on SCA

Sensing Ability with a coefficient value of 0.308 with $p = 0.015$, which is significant. This shows that sensing capabilities influence competitive advantage through innovation performance as a mediator which includes the industry ability to

observe, analyze and respond to market changes quickly and precisely, being key in understanding consumer trends, market needs and emerging business opportunities. By having good sensing ability, the processing industry can identify opportunities for innovation, whether for new product development, business process improvements, or strategic differentiation.

3.10. Role of Innovation Performance in Mediating Seizing Ability Influence on SCA

Research related to the influence of innovation performance on SCA in Micro, Small and Medium Enterprises (Processing Industry) led by Excelsa Coffee Beans with a coefficient value of 0.090 with $p = 0.000$, which is significant, indicating an indirect influence on seizing ability on competitive advantage through innovation performance. Highlights important aspects in the local economic context. Through this research, it has been found that innovation performance has a significant role in strengthening the influence of the ability to take opportunities (seizing ability) on achieving SCA in the processing industry in Bojonegoro (Zehir *et al*., 2015). This reflects the importance of innovation as a key catalyst that enables the processing industry to maintain a sustainable competitive advantage in a rapidly changing business environment.

3.11. Role of Innovation Performance in Mediating Reconfiguring Capability on SCA

The research results highlight the role of innovation performance in strengthening the influence of reconfiguring on SCA in Micro, Small and Medium Enterprises led by Excelsa Coffee Beans Processing Industry in Bojonegoro with a coefficient value of 0.119 with $p = 0.014$, which is significant, indicating that reconfiguring capabilities influence sustainable competitive advantage through innovation performance. Marks an important step in the understanding of business success strategies at the local level. These findings confirm that innovation performance has a significant impact in strengthening the relationship between reconfiguring capabilities and achieving SCA in the processing industry in Bojonegoro, reflecting the complex dynamics in the processing industry business environment. Reconfiguring, as the ability to adapt and change resources, organizational structure, or business strategy flexibly to respond to changes in the market and external environment, becomes important in maintaining the competitiveness of the processing industry. In a context that continues to change rapidly, the processing industry needs to have the ability to adapt and change direction quickly to remain relevant and competitive (Wibowo *et al*., 2015). However, without strong innovation performance, the potential of the reconfiguring capabilities may be limited, as innovation is often the primary driver behind necessary changes in business strategy and operations. Thus, innovation performance is the key in strengthening the influence of reconfiguring on achieving SCA for the Excelsa Coffee Bean Industry in Bojonegoro.

Through continuous innovation in products, processes or business models, processing industries can improve their ability to change and adapt to market changes and existing competition. In this way, innovation is not only a tool for creating initial competitive advantage, but also a foundation for maintaining that advantage in the long term. These findings have important implications for stakeholders at the local level, including business actors, local governments, and processing industry supporting institutions. Understanding the importance of investment in innovation efforts, as well as how innovation can be used to strengthen the reconfiguring capabilities of the processing industry, can assist in developing policies and programs that support the growth and sustainability of the processing industry sector in Bojonegoro. Thus, the results of this research not only provide new insights into the business dynamics of the Processing Industry at the local level, but also offer practical guidance for increasing the competitiveness and resilience of the processing industry in facing increasingly complex market challenges.

4. CONCLUSION

Based on the results of data analysis of the Excelsa Coffee Bean Processing Industry in Bojonegoro, it can be concluded that sensing, seizing, reconfiguring capabilities, as well as innovation performance have a positive and significant effect on achieving sustainable competitive advantage (SCA). Mean scores between 3.05 and 3.85 indicate that these capabilities are implemented at a moderate to high level in the industry. Sensing ability has a significant influence on innovation performance (coefficient 0.634; $p = 0.000$), which shows the importance of industry ability in detecting market changes to encourage innovation. Seizing ability also has a positive effect on innovation performance (coefficient

0.185; $p = 0.001$), emphasizing the importance of seizing market opportunities quickly and effectively. Reconfiguration capability, with a coefficient of 0.246 and $p = 0.000$, reinforces the importance of adapting resources to support innovation. In addition, sensing ability, seizing ability, and reconfiguring capability all have a significant influence on SCA. Sensing ability (coefficient 0.179; $p = 0.041$) and seizing ability (coefficient 0.174; $p = 0.001$) play a role in helping industry identify and exploit market opportunities to maintain competitiveness. Reconfiguring capability (coefficient 0.232; $p = 0.006$) shows the ability to adapt business strategies in the face of market and technological changes. Innovation performance itself has a significant influence on SCA (coefficient 0.486; $p = 0.000$) and acts as a mediator between sensing, seizing, and reconfiguring capability on SCA. Innovation is a key factor that not only directly influences SCA, but also strengthens the impact of other capabilities on the SCA.

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