

The Influence of Market Attractiveness and Unique Capability on Collaboration Strategy and Business Performance: A Study at Digital Creative Industry in Java

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Abstract - The creative industry has been a fundamental part of the digital economy, but its profitability remained low, at less than 25% per year. Therefore, the research aimed to ascertain the impact of market attractiveness and unique capabilities on the collaboration strategy, along with their implications for the business performance of Java's digital creative sector. The population was digital creative industry players in Java Island which focused on the Games, Education, Digital Music, Animation, Software, and Social Media sectors (GEMASS). The sample taken was 50 respondents from the total population as many as 106 legalized digital creative industry players who had been established for more than 3 years. Data were processed using Partial Least Square (PLS-SEM). The findings show that both market attractiveness and unique capability positively and significantly influence collaboration. Market attractiveness has no effect on business performance but has an indirect effect through collaboration strategy. Unique capability positively and significantly affect business performance both directly and indirectly through collaboration strategy. Collaboration strategy positively and significantly affect performance, which is greater than the direct effect of unique capability. Digital creative industry in Java Island are suggested to prioritize the implementation of collaboration strategy that is built with unique capability and consider the market attractiveness.

Keywords: market attractiveness, unique capability, collaboration strategy, business performance

I. INTRODUCTION

The Ministry of National Development Planning (Bappenas) is responsible for coordinating and preparing the Indonesian Digital Industry Development Master Plan 2023-2025. The initiative is an effort to build a strong, resilient, growing, and prosperous digital industry towards an advanced Indonesia. The master plan serves as a reference for various stakeholders, facilitating their involvement in the growth of the digital industry, which accelerates both digital and economic transformation. This is achieved by changing the economic structure from low to high productivity (Ministry of National Development Planning, 2022). Based on the 2015 master plan, there are four targets for digital industry development in Indonesia, namely increasing the value of the Indonesia digital economy from IDR 1,490 trillion in 2021 to IDR 22,513 trillion in 2045, enhancing the ICT sector, providing an ICT sector trade surplus, and increasing the sector value from 30% to 60%.

During the pandemic, non-conservative jobs are created by the creative sector, which is based on the internet economy. Therefore, it is important to consider the creative industry as one of the cores of cooperation in the digital economy. Based on the observations in the field, the profitability of industrial business remains low, which is less than 25% per year. Meanwhile, profitability is one indicator of business performance (Khazaei, 2021; Spitsin et al., 2022). According to Hidayat et al. (2023) and Uno et al. (2021), business performance is measured by three dimensions

namely, profitability, asset growth, and market share. Vukovic et al. (2023) find that the industry maximized profitability when high revenue growth was achieved. Furthermore, profitability, industry size, and leverage are closely related to business performance (Cheong & Hoang, 2021). Sales growth and industry size have a positive impact on profitability (Nazir et al., 2021).

The majority of Indonesian startups originated and are based in Jakarta, Bogor, Tangerang, Bekasi, and Depok. Based on data from the Indonesian Information and Communication Technology Creative Industry Society (MIKTI) in 2019, 52.7% of startups were based in Jakarta, Bogor, Depok, Tangerang, and Bekasi (“Soal pemerataan yang masih”, 2021). Digital Competitiveness Index 2022 stated that Denpasar was the only City outside Java with a digital competitiveness ranking (Haryanto, 2023). Therefore, the research was conducted in Java as the region with the largest number of digital creative businesses in Indonesia.

Based on a survey of 992 startups conducted by the Creative Economy Agency in collaboration with the MIKTI, it was found that 38.83% of startups faced challenges related to accessing capital. Furthermore, there remains human resource (HR) issues experienced by 29.41% of startups (Nurhanisah, 2020). Other challenges faced in developing digital economy in Indonesia were related to cyber security, increasingly fierce competition, human resource development, internet access and infrastructure issues, as well as regulations (“5 tantangan digital ekonomi”, 2017).

To increase customer value through the cooperation of relevant stakeholders, an effective collaboration strategy is required. Rehman et al. (2023) have found a relationship between organizational strategy and performance. Kristinae et al. (2023) show that business strategy influences performance. Furthermore, Steiber and Alänge (2020) have found that collaboration with startups leads to a positive influence on business transformation. Hindi and Frenkel (2022) show that collaboration has the most significant effect on sales revenue. Sharma et al. (2022) find strong support for the non-linear effects of collaboration strategy on sustainable industry performance. In addition, Fafurida, Karsinah, and Bowo (2022) show that expansion partnership approach is effective in increasing village economy. Collaboration strategy had the potential to enhance the impact of exploitation and management of resources on business performance (Hidayat et al., 2023). Collaboration comes from the purpose of mutually beneficial cooperation, necessitating that industry needs to be coordinated at every stage in order to optimally execute their goals, strategies, and plans (Gepner et al., 2022). However, there is a lack of optimal collaboration strategy between industries and related stakeholders. Problems also arise in terms of government regulations that require ongoing adaptation of the licensing process and vigilant management of regulatory compliance.

According to Agustiana and Budiastuti

(2020), the competitive edge of industry is primarily established through collaboration strategy and reinforced by dynamic capability. The effectiveness of external collaboration is influenced by the internal capability, which ultimately impacts the financial and market outcomes of the organization (Wang et al., 2015). Furthermore, a competitive advantage is the direction achieved in the use of resources. The variables of industry resources are measured using tangible and non-tangible assets (Thompson et al., 2022). The resources are available factors or inputs, both tangible and intangible, which are owned and/or controlled by industry. Based on these concepts, unique capability is built by resources ownership consisting of tangible and intangible assets.

Empirically, unique capability has a positive and significant impact on industrial collaboration and business performance (Gunarto et al., 2021). Furthermore, organizational capability has a significant and positive influence on business performance (Sasmito, Nugroho, & Ridwan, 2023). Ambidexterity enables industry to effectively and efficiently manage operations, which led to an increase in performance (Suharto, 2023). The capability to strategize, conduct research and development, and successfully bring products or services to market has a positive impact on business performance (Kim & Jin, 2022). The results indicate that dynamic capability based on knowledge and agility at the organizational level had significant positive impacts on performance (Li, 2022). Kirono et al. (2019) find that a cooperation strategy improved industry efficiency in managing resources to achieve success. In addition, collaboration strategy has the potential to enhance the impact of resources exploitation and management on business performance (Hidayat et al., 2023).

Robust and agile competencies are essential for transforming open innovation into a means of gaining a competitive advantage because both are refined into valuable and unparalleled signature procedures that capitalize on the distinctive culture and methodologies of the corporation (Teece, 2020). The competitiveness is enhanced through market attractiveness and strategies based on market conditions (Majid et al., 2022). The primary factor that influenced industry performance is market access, followed by market strength, and the level of competition (Pamoengkas & Nidar, 2020). According to Halim et al. (2021) market access shows a significant positive impact on business performance. Furthermore, Pesanello, Thomas, and Mason (2010) show the factors that influenced market access readiness are development strategy, direction, and ability to implement strategy, understanding and proficiency of new entrants and markets, organizational flexibility with the process and operational excellence, as well as exchange and access of information and knowledge.

According to Urbsiene et al. (2014), market attractiveness is related to industry effort to enter new and unknown markets and closely associated with market competitiveness. Meanwhile, Walker and

Mullins (2014) state that market attractiveness was formed by three aspects, namely customer needs and behavior, market segment size and growth rate, as well as macro trends. The primary factor that influenced industry performance is market access, followed by market strength, and the level of competition (Pamoengkas & Nidar, 2020). Market forces include indicators such as the size, growth rate, buyer power, and customer loyalty. Meanwhile, competitive intensity involves the number of competitors, price of rivalry, ease of entry, and substitutes. Market access includes access to customers, familiarity, channel access, sales requirements, and industry fit.

In line with the Indonesian government initiative, and considering the prevailing trends, strengthened by previous studies that showed a relationship between market attractiveness, unique capability, collaboration strategy, and business performance, it becomes imperative to investigate these variables within the digital creative industry. The exploration aims to determine aspects that can enhance business performance. Therefore, the research aims to examine whether market attractiveness and unique capability positively and significantly affected collaboration strategy, as well as their implications for performance. The significance is to ascertain the factors impacting business performance, thereby offering actionable insights to the digital creative industry in developing suitable strategies regarding market attractiveness, unique capability, and collaboration. The research is conducted in Java because digital creative industry players are mostly concentrated on the island.

II. METHODS

The verification research intends to establish the relationships between each variable and used field experiments to test the hypothesis. Based

on the literature review, market attractiveness is measured with three dimensions, namely market potential, competitive conditions, and market access. Furthermore, unique capability is measured with the dimensions of tangible and intangible assets. The collaboration strategy has three dimensions consisting of horizontal collaboration with similar industries, customers, and internal collaboration. There are dimensions used to measure business performance, namely profitability, sales growth, and market share. The operationalization of the variable is provided in Table 1.

The measurement is tested in the measurement model design and proved valid, so it can be used in the causality model. The unit of analysis is the digital creative industry in Java. Furthermore, the unit of observation is industry management in Java, and the data are collected in a cross-section/one-shoot period. The population includes business players, which focus on the Games, Education, Digital Music, Animation, Software, and Social Media (GEMASS) sectors.

The primary data are obtained through questionnaires. The distribution of questionnaires is carried out by census to a population of all digital creative industry players on the island of Java as many as 106 legalized digital creative industry players who have been established for more than 3 years. However, 57 questionnaires are returned with only 50 valid questionnaires, so that the sample taken is from 50 respondents. The questionnaire questions use 5-point Likert scales. Based on the results of confirmation with the association and digital valley coordinators within Telkom, the business actors have engaged in activities for more than 3 years. The data are processed using Partial Least Square (PLS-SEM), due to the small sample size. Data processing application uses SMARTPLS version 3. The latent construct is multidimensional, and the second order is used.

Table 1 Operationalization of Variable

Variable	Dimension	Indicator
Market attractiveness	Market Potential	Coverage of markets served
		Product/service growth rate
		The purchasing power of customers
		Customer loyalty
	Competitive condition	Number of competitor
		Competitor price
		Ease of entering the market
		Product substitution
	Market Access	Ease of customer access to the company
		Familiarity of the company's products/services in the eyes of customers
		Ease of obtaining company products/services
		Sales inquiries from customers
		Ease of management and market development

Table 1 Operationalization of Variable (Continued)

Variable	Dimension	Indicator
Unique capability	Tangible Asset	Capital ownership
		The strategic location of the company
		Ownership of production equipment
		Complete distribution facilities
		Ownership of technological resources (copyrights, patents, etc.)
		Employee's knowledge
	Intangible Asset	Employee's skill
		Level of employee ability in collaborating
		Level of employee capacity to innovate
		The degree of fame of the brand name of the company's products
		The level of public perception of the quality of the company's products
		Company reputation level
		Collaboration strategy
Collaboration in developing products that can be marketed together		
Collaboration with customer	Customer care reliability in serving customers	
	Accuracy of response to customer input	
	Accuracy of response to complaints from customers	
Internal collaboration	Company collaboration with educational institutions in research and development programs to create products that suit customer needs	
	Company collaboration with banks to strengthen business capital	
	Corporate collaboration with business organizations	
	Company collaboration with venture capital	
Business performance	Profitability	Collaboration with the government regarding licensing and deregulation
		The company's profitability achievement level compared to the target in the last year
	Sales growth	The level of achievement of sales growth compared to the target in the last year
		The level of achievement of market share compared to the target in the last year
	Market share	The level of achievement of market share compared to the target in the last year

III. RESULTS AND DISCUSSIONS

Table 2 provides the profile of respondent that completely filled the questionnaire. It can be seen that the majority occupation of respondent is director. In addition, most respondents are between 40-45 years old. Based on education level, most respondents have a bachelor's degree (45%) and only 5% have a master's degree. Based on the answers of the questionnaire, the average score of each variable is provided in Figure 1.

Based on the categorization of average score where: 1 - 1.80 (very low), 1.81 - 2.60 (low/poor), 2.61 - 3.40 (moderate), 3.41 - 4.20 (high/good/right), and 4.21 - 5.00 (very high/good/right), then the

adaptation to the market attractiveness is categorized as good, the development of unique capability and collaboration strategy are good, and the business performance achievement is also in the good category. Of the four variables, unique capability has the largest average score compared to collaboration strategy, business performance, and market attractiveness. It is considered that the management of digital creative companies in Java needs to make efforts to be better able to adapt to market attractiveness.

The starting point for the model evaluation is the goodness of the model fit (GoF). When the model does not fit properly, the data contains more information than can be represented. This situation

renders the results meaningless, making the inferences to be doubted.

The link between the variables and indicators was defined by the outer model using the SmartPLS v3.0 application, estimate outcome 1, Figure 2. Furthermore, the validity and reliability of the constructs are examined by using factor loadings, average variance extracted (AVE), and composite reliability (CR). The items have factor loadings that are greater than 0.6 and latent variables with CR values greater than 0.70. All factors AVE are greater than 0, which shows sufficient convergent validity. In addition, all the values are higher than those suggested by Edeh, Lo, and Khojasteh (2023), indicating sufficient dependability.

Table 2 Respondent Profile

No	Profile	Frequency	Percentage
Occupation			
1	Director	10	20%
2	General Manager	25	50%
3	Senior Manager	15	30%
Age			
1	30-45 years old	20	40%
2	40-45 years old	30	60%
Education			
1	Graduate/Master	5	10%
2	Bachelor degree	45	90%

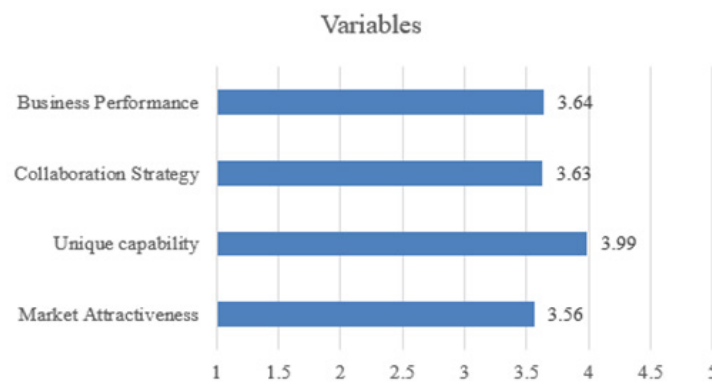


Figure 1 Scores of Variables

Table 3 Validity and Reliability

Variable	Dimension-Indicator	Loading Factor (I)	t count	Prob.	Average Variance Extracted (AVE)	Composite Reliability
Market Attractiveness	Market Attractiveness -> Potential	0.949	84.953	0.000	0.628	0.869
	MA1 <- Potential	0.712	9.264	0.000		
	MA2 <- Potential	0.878	40.177	0.000		
	MA3 <- Potential	0.657	11.744	0.000		
	MA4 <- Potential	0.895	54.323	0.000		
	Market Attractiveness -> Competitive	0.947	120.290	0.000	0.554	0.832
	MA5 <- Competitive	0.700	9.789	0.000		
	MA6 <- Competitive	0.669	12.595	0.000		
	MA7 <- Competitive	0.834	34.373	0.000		
	MA8 <- Competitive	0.764	19.663	0.000		
	Market Attractiveness -> Market access	0.975	230.392	0.000	0.525	0.847
	MA9 <- Market access	0.709	11.067	0.000		
	MA10 <- Market access	0.712	18.395	0.000		
MA11 <- Market access	0.705	15.531	0.000			
MA12 <- Market access	0.715	13.049	0.000			
MA13 <- Market access	0.780	21.473	0.000			
Unique Capability	Unique Capability -> Tangible	0.935	69.974	0.000	0.537	0.785
	UC1 <- Tangible	0.647	7.946	0.000		

Table 3 Validity and Reliability (Continued)

Variable	Dimension-Indicator	Loading Factor (l)	t count	Prob.	Average Variance Extracted (AVE)	Composite Reliability
Collaboration Strategy	UC2 <- Tangible	0.827	15.704	0.000	0.569	0.899
	UC3 <- Tangible	0.535	5.268	0.000		
	UC4 <- Tangible	0.803	15.198	0.000		
	UC5 <- Tangible	0.890	4.871	0.000		
	Unique Capability -> Intangible	0.977	184.689	0.000		
	UC6 <- Intangible	0.777	19.791	0.000	0.831	0.908
	UC7 <- Intangible	0.872	49.404	0.000		
	UC8 <- Intangible	0.637	10.054	0.000		
	UC9 <- Intangible	0.513	4.413	0.000		
	UC10 <- Intangible	0.746	13.531	0.000		
	UC11 <- Intangible	0.821	29.421	0.000		
	UC12 <- Intangible	0.903	61.204	0.000		
	Collaboration Strategy -> Horizontal collaboration	0.942	95.803	0.000		
	COLL1 <- Horizontal collaboration	0.915	81.032	0.000		
	COLL2 <- Horizontal collaboration	0.908	61.273	0.000		
	Collaboration Strategy -> Collaboration with customers	0.921	107.684	0.000		
	COLL3 <- Collaboration with customers	0.723	9.626	0.000		
	COLL4 <- Collaboration with customers	0.796	17.537	0.000		
	COLL5 <- Collaboration with customers	0.788	28.514	0.000		
	Collaboration Strategy -> Collaboration with Lateral	0.984	257.209	0.000		
COLL6 <- Collaboration with Lateral	0.861	31.624	0.000			
COLL7 <- Collaboration with Lateral	0.602	6.865	0.000			
COLL8 <- Collaboration with Lateral	0.665	10.487	0.000			
COLL9 <- Collaboration with Lateral	0.788	23.762	0.000			
COLL10 <- Collaboration with Lateral	0.877	36.278	0.000			
Business performance	Perf1 <- business performance	0.905	48.393	0.000	0.786	0.916
	Perf2 <- business performance	0.796	17.775	0.000		
	Perf3 <- business performance	0.951	112.477	0.000		

CR, factor loadings, and AVE are used to confirm the validity and reliability of the constructs. Furthermore, criteria called reliability and validity have to be achieved in the measurement model before evaluating the inner model. To assess the construct dependability, internal and composite reliabilities are used. Convergent validity is accomplished using factor loadings and average variance extracted with

an expected value greater than 0.50. The items have factor loadings greater than 0.50 and latent variables with CR values greater than 0.70. All factors AVE are greater than 0, which shows sufficient convergent validity. In addition, all values are higher than those suggested by Edeh (2023) which proves sufficient dependability.

The discriminant validity is used to determine

how much the latent concept varied from other constructs. A construct with a high discriminant validity score is distinct and capable of explaining the phenomenon being measured. Therefore, by contrasting the root value of AVE with the correlation between latent variables, the concept is considered to be legitimate. The correlation between the latent variables need to be higher than the AVE root value.

HTMT is the recommended alternative method for assessing discriminant validity. The HTMT value must be less than 0.9 to ensure discriminant validity between the two reflective constructs (Henseler et al., 2015). The HTMT on Table 4 shows that all HTMT values are <0.9, so it can be stated that all constructs have discriminant validity based on HTMT calculations.

Tenenhaus et al. (2000) state that GoF values are used to validate the PLS pathway model, where GOF was used to verify the relationship between structural models and measurement with the value of 0 - 0.25 (small), 0.25 - 0.36 (medium), and >0.36 (big). Meanwhile, according to Chin et al. (2020), the R-Squared value of 0.35–0.51 may be considered strong. The effect size or f square (f^2) is used to measure the size of the influence between variables in addition

to determining whether there were or not a significant relationship. The f^2 value of 0.02 was small, 0.15 was medium, and 0.35 was large, where values less than 0.02 could be disregarded or stated to have no impact.

The results show that the R-squared (R^2) value for business performance of 0.631 was moderate to strong, and the GOF of 0.691 is in the large category and the model fit. Based on the VIF full collinearity value which is below 3.3 (Kock, 2015), it indicates that there is no multicollinearity in the research model.

The f^2 analysis results, provided in Table 5, show a significant effect of collaboration strategy on business performance, while the others are medium and small. The model created from the hypothesis testing results is similar to Figure 2.

As seen in Figure 2, the structural model for each hypothesis is obtained:

- H_1 : COLL= 0.228* MA
- H_2 : COLL= 0.358* UC
- H_3 : BP= 0.067*MA
- H_4 : BP= 0.220*UC
- H_5 : BP= 0.670*COLL
- H_6 : BP= 0.153*MA*COLL
- H_7 : BP= 0.239*UC*COLL

Table 4 Heterotrait-Monotriat Ratio of Correlations (HTMT)

	Business Performance	Collaboration Strategy	Market Attractiveness	Unique Capability
Business Performance				
Collaboration Strategy	0.831			
Market Attractiveness	0.301	0.305		
Unique Capability	0.493	0.442	0.224	

Table 5 f square (f^2), R-squared (R^2), and Collinearity Test

	f^2	R^2	Full Collinearity VIF
Market Attractiveness	0.076	-	1.065
Unique Capability	0.27	-	1.158
Collaboration Strategy	0.991	0.185	1.227
Business performance	-	0.631	-

Table 6 Hypothesis Testing

No	Hypothesis	Path Coefficient	Std. Error	t-value	P value	R^2	f^2
1	Market Attractiveness -> Collaboration Strategy	0.228	0.106	2.155	0.036	0.052	0.064
2	Unique Capability -> Collaboration Strategy	0.358	0.092	3.893	0.000	0.128	0.157
3	Market Attractiveness -> Business Performance	0.067	0.085	0.793	0.432	0.005	0.012
4	Unique Capability -> Business Performance	0.220	0.065	3.374	0.001	0.048	0.113
5	Collaboration Strategy -> Business Performance	0.670	0.070	9.546	0.000	0.449	0.991
6	Market Attractiveness -> Collaboration Strategy -> Business Performance	0.153	0.073	2.102	0.041	0.153	-
7	Unique Capability -> Collaboration Strategy -> Business Performance	0.239	0.067	3.599	0.001	0.239	-

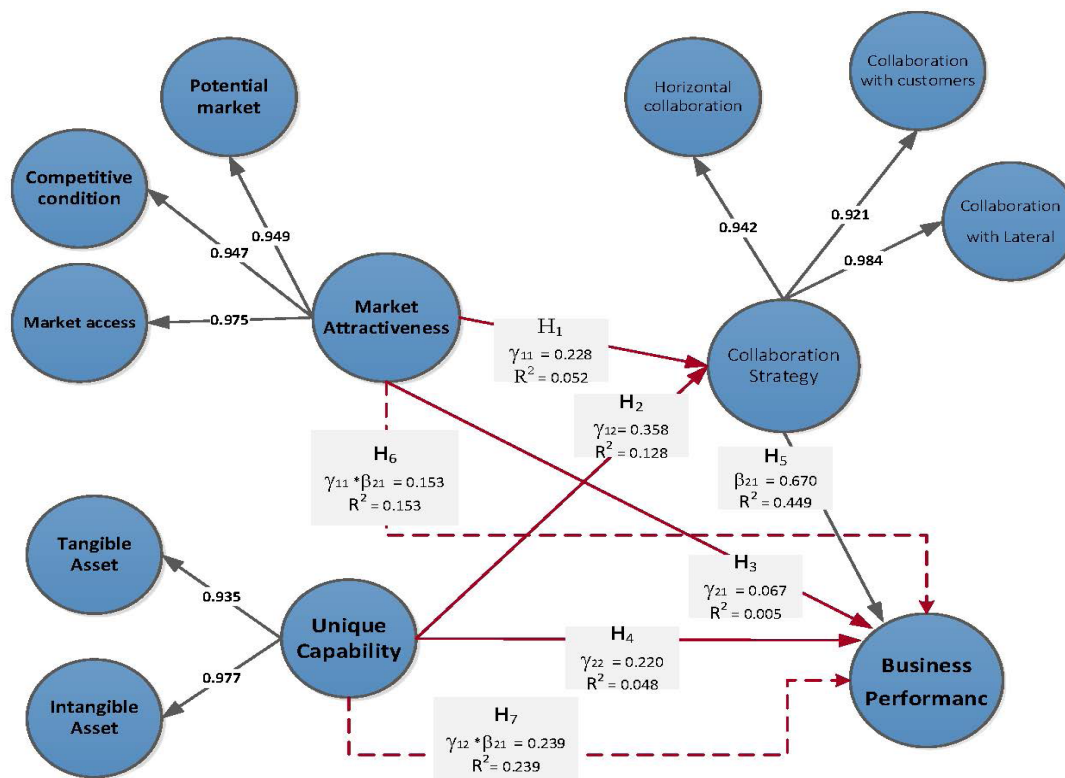


Figure 2 Study Finding Model

Annotation:

- γ = is the estimated coefficient from exogenous to endogenous
- β = is the estimated coefficient from endogenous to endogenous
- MA = Market Attractiveness
- UC = Unique Capability
- COLL = Collaboration Strategy
- BP = Business Performance

Using sub-samples 500 times and a significance level of 0.05 the results of hypothesis testing are obtained as shown in Table 6.

Using the one-tail test (right side) with an alpha of 5%, it is known that H_0 is rejected when the t value exceeds the value of t table 1.677 ($\alpha=0.05$ and $df = 50-2 = 48$). Based on Table 4, the following conclusions were obtained that there was a positive and significant effect of market attractiveness (H_1) and unique capability (H_2) on collaboration strategy (p value <0.05). Unique capability had a dominant effect ($R^2=0.128$). The result of H_3 shows that there is no significant effect of market attractiveness on business performance (p value >0.05). There is an indirect effect of market attractiveness (H_6) and unique capability (H_7) on business performance through collaboration strategy with p value < 0.05 . Unique capability has a dominant effect ($R^2=0.239$).

Figure 2 shows that in digital creative industry in Java, market attractiveness and unique capability significantly and positively affected collaboration strategy. Unique capability had a bigger role than market attractiveness. Market attractiveness did not directly changed business performance, but unique capability positively and significantly affected

performance.

The results of Hypothesis 1 testing show that attractiveness of digital industry market promoted industry to positively conduct collaboration strategy, with R^2 of 0.052. Furthermore, market access had the most dominant role compared to potential market and competitive position. According to Bitzer et al. (2013), partnerships stimulated the adoption of standards to receive market access. This means that with expanding market access, industry needs to carry out various collaborations to meet market needs. This showed market attractiveness level had implications for collaboration strategy model, which needs to be carried out. The results of the first hypothesis testing proved that market attractiveness had a significant effect on how industry management builds the right collaboration strategy with its various partners, both with customers, as well as lateral and horizontal collaboration.

Results of Hypothesis 2 testing reveal that unique capability had a significant effect on collaboration strategy with an R^2 value of 0.128. This supports previous research that the effectiveness of external collaboration is influenced by internal capability. It ultimately impacts the financial and market outcomes

of the organization (Wang et al., 2015). Furthermore, unique capability is built by tangible and intangible assets. These intangible assets have a bigger role in building collaboration strategy. In this case, customers and collaboration partners trust intangible assets more than the tangibles. Intangible assets in the form of competencies, skills, and intellectual property rights tend to attract more partners to collaborate.

Hypothesis 3 testing show that market attractiveness has no significant effect on business performance of digital creative industry in Java. This is not in accordance with Pamoengkas & Nidar (2020), pointing out that market attractiveness affected business performance. In addition, it is not in line with Halim et al. (2021) that market access has a significant positive impact on business performance. Even though market attractiveness is high, when it is not followed up with superior products and services, it will not have an impact on business performance. To achieve superior performance, the right strategy is needed in taking advantage of opportunities from attractive markets to issue a product and service that meets the demands of the existing market.

Hypothesis 4 results reveal that unique capability had a significant, though little (R^2 of 0.048) effect on business performance. The results are in line with previous research that organizational capability had a significant and positive influence on business performance (Sasmito et al, 2023). The ability to manage operations and strategy led to an increase in industry performance (Suharto, 2023). Furthermore, the capability to strategize, conduct research and development, as well as successfully bring products or services to market has a positive impact on performance (Kim & Jin, 2022). Knowledge and agility at the organizational level impact industry performance (Li, 2022).

In digital creative industry, intangible assets has a more dominant influence than tangible assets. Tangible assets are not the only factor that ensure organizational profitability, but other factors play a bigger role (Peshkov, 2020). In 2018, the value of intangible assets in Russia was estimated at 172 billion rubles and rose to 210-220 billion by the end of 2019. This was in line with the global trend where intellectual property accounted for more than 75% of total world economic income (Cheglov et al., 2021).

Hypothesis 5 testing proves that collaboration strategy has a significant effect on business performance with an R^2 of 0.449. The results support previous research pointing out that collaboration with startups has a positive influence on business transformation (Steiber & Alänge, 2020) and sales revenue (Hindi & Frenkel, 2022). This is in line with Sharma et al. (2022) which find strong support for the non-linear effects of collaboration strategy for sustainable industry performance.

The strategic significance of capability as the key latent variable in boosting business performance is the capacity to execute cooperation strategy (Kirono et al., 2019). It is proven that collaboration carried out

both horizontally with customers, and laterally, brings significant impact on business performance. Based on statistical tests, it is shown that lateral partnerships has the most dominant impact (with loading factor = 0.984), followed by horizontal partnerships (loading factor = 0.941), and partnerships with customers (loading factor = 0.921).

Collaboration is a trend that continues to grow in both scientific studies and in business practices. In the bibliometric analysis conducted by Brinker et al. (2018), it is shown that collaboration expanded as evidenced by a 103% increase in the average number of authors per paper and an 18% increase in the average number of participating nations. In general, teamwork resulted in the fulfillment of shared objectives and benefited all participants. The internet, telecommunications, and file-sharing capability have all advanced technology, making collaboration easier than it was thirty years ago. This is closely tied to the use of digital technology by creative industry.

The effect of a collaboration strategy on business performance is greater than the effect of unique capability. In addition, the results of testing Hypothesis 6 and Hypothesis 7 show that collaboration strategy mediated the effect of market attractiveness and unique capability on business performance. The influence is more dominant in mediating the effect of unique capability on business performance ($R^2 = 0.239$) compared to mediating market attractiveness with business performance (0.153). Market attractiveness indirectly affects performance because of its role in collaboration strategy. Meanwhile, unique capability directly affects performance, and the role is bigger when unique capability was first used for collaboration strategy. This is consistent with previous study that a cooperation strategy improved the effectiveness of industry in managing its resources to achieve success (Hidayat et al., 2023). Furthermore, unique capability had a positive and significant impact on industrial collaboration and business performance (Gunarto et al., 2021). The expansion partnership approach was effective in increasing the village economy (Fafurida et al., 2022).

The findings show that collaboration strategy brings a significant impact on financial performance of enterprises in Java digital creative economy. Collaboration strategy is dominantly influenced by unique capability, but market attractiveness also has a role on collaboration strategy. The results provide managerial implications for management to prioritize collaboration strategy built with unique capability and consider market attractiveness. Horizontal collaboration with similar industry through cooperation in developing resources and products contributed the highest in creating collaboration strategy.

Digital creative industry can combine expertise and resources through collaboration to create better products or services. It will produce more innovative and attractive solutions for customers by combining strengths and overcoming weaknesses, as well as improve competitiveness. Industry also shares

resources such as infrastructure, technology, or labor. Cooperation allows industry to improve operational efficiency and optimize available resources. For example, industry can share data centers or technology infrastructure, reducing the investment and maintenance costs required individually.

Digital creative industry can expand market reach through horizontal cooperation with similar industry. In fact, industry can reach new customers by combining user bases, networks, or distribution channels. This provides an opportunity for faster growth and greater earnings. Digital creative industry collaborates on product development, thereby sharing the burden of risk and research, as well as development costs. Through collaboration, industry share knowledge, experience, and resources to create innovative products. In addition, industry can build a strong and sustainable ecosystem to address common challenges, share knowledge and resources, and collectively advance industry.

IV. CONCLUSIONS

Research findings show that market attractiveness positively and significantly influences collaboration strategy. Furthermore, unique capability has a positive and significant influence on collaboration strategy. The collaboration strategy was more dominantly built by unique capability and supported by adapting to market attractiveness. Market attractiveness did not affect business performance. Meanwhile, unique capability positively and significantly affected performance both directly and indirectly through collaboration strategy. Collaboration strategy positively and significantly affect business performance, and the influence is greater than the direct effect of unique capability. In addition, market attractiveness affects business performance because of its role in collaboration strategy.

The findings show the unique capability of the digital creative industry in Java is the dominant factor affecting the implementation of collaboration strategy, which can further affect business performance. The research contributes to the literature regarding the importance of industry collaboration. In addition, the significant effect of unique capability on collaboration strategy and business performance reinforced the resource-based view that emphasized the importance of resources for competitive advantage. Findings also provide managerial implications for the digital creative industry in Java to prioritize collaboration strategies that are built with unique capability by considering market attractiveness.

The research is limited to data obtained from 50 respondents who are owners or managers engaged in the digital creative industry in Java. Therefore, respondents' answers represented the characteristics of the business environment and the perceptions of business people in Java. Future research can use the same variables as the research does, but with a larger

sample to compare whether the results are the same or different. In addition, with the dominant influence of unique capability on collaboration strategy, other indicators of unique capability can be added.

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