

The Role of Dynamic Capabilities in Agrotourism as A Sustainable Business Model Innovation

Shofura Fityah Mutaharrikah

Universitas Islam Indonesia, Indonesia

shofurafityah@gmail.com

ABSTRACT

To meet the challenges of adapting to changing conditions, companies need to think about creating, expanding, and/or modifying existing resources and competencies. By using a resource-based view approach and a dynamic capabilities approach that is interpreted as a company's dynamic ability to sense, capture opportunities, and reconfigure capacity. A business model is used by a company when starting its business. In the concept of management, a business model can be used as a tool or concept that helps explain how the management of a company is carried out through the nine categories included in the business model canvas, namely key partners, key activities, key resources, value proposition, customer relationships, channels, customer segments, costs and revenue streams. Currently, many agritourisms are no longer operating due to not being able to survive in the midst of many other modern tourist attractions. This research was conducted at popular agrotourisms in the Sleman area, Yogyakarta Special Region which have different characteristics, namely at Ledok Sambu Ecopark & Outbound, Bhumi Merapi Agrotourism, Caping Merapi Agroeducation, and Indigen Farm. The method was carried out qualitatively and the results of interviews with manager-level employees, low-level employees, and visitors to agrotourism. From this research, 2 types of changes were obtained, namely incremental and radical. It is influenced by how to maintain the competitive advantage of each agrotourism.

Keyword: dynamic capabilities, business model canvas

Citation:

Mutaharrikah, S. F. (2024). Conference Proceedings Paper: The Role of Dynamic Capabilities in Agrotourism as A Sustainable Business Model Innovation. *Proceedings of ASBN International Conference 2024* (pp. 537-541), Yogyakarta, Indonesia. ASEAN School of Business Network.

DOI: <https://doi.org/10.64458/asbnic.v1.42>

INTRODUCTION

Global competitive battles have demonstrated the need for an expanded paradigm to understand how competitive advantage is achieved. Global companies have followed resource-based strategies to accumulate valuable technology assets, often guarded by aggressive intellectual property. However, these strategies are often insufficient to support significant competitive advantage. Winners in the global marketplace are companies that can demonstrate timely responsiveness and rapid, flexible product innovation, coupled with management of the ability to coordinate and redeploy internal and external competencies. Not surprisingly, industry observers say that companies can accumulate many valuable technology assets and still not have many useful capabilities. Dynamic capabilities consist of sensing capability, learning capability, and re-configure (Inigo E., Albareda L., Ritala P., 2017).

A business model is used by a company when starting its business. In the management concept, a business model can be used as a tool or concept that helps explain how the management of a company is carried out (Osterwalder and Pigneur, 2010) through nine categories, namely key partners, key activities, key resources, value proposition, customer relationships, channels, customer segments, costs and revenue streams. This tool can also be used to analyze, measure company performance, manage, communicate and even to make innovations (Osterwalder and Pigneur, 2010). By creating the right business model, companies can achieve profits according to their targets.

Business model innovation (BMI) as part of the business model concept continues to evolve over time. Business model innovation is studied to understand and facilitate the analysis and planning of transformation from one business model to another (Visnjic, et al., 2018). Business model innovation is often considered to increase an organization's resilience to changes in its environment successfully and is a sustainable competitive advantage (D. Mitchell & Coles, 2003). Business model innovation is also believed to be a configuration of either the overall business model or individual parts of it, a response to opportunities or challenges in the organizational environment, or mobilization for innovation and diversification (Geissdoerfer et al., 2018).

Sustainable business is a business that can be run both at seasonal tempo and annual implementation time. The presence of a business is expected not only to pay attention to the benefits obtained, but also to provide sustainable benefits that can be enjoyed in the future (Jorgensen & Pedersen, 2018). Sustainable business model innovation is the analysis and planning of transformation to a more sustainable business model or from a sustainable business model to another business model. Some types of sustainable business model innovation include sustainable entrepreneurial startups, sustainable business model transformation, sustainable business model diversification, and sustainable business model acquisition (Geissdoerfer et al., 2018). The implementation of sustainable business model innovation faces several challenges, namely fundamentals, mindset, resources, technological innovation, external relations, methods and tools (Agha, et al., 2012). Sustainable business has three main triggers in the development of existing business models, namely digitalization and technology as an opportunity space, changes in consumer lifestyles, and sustainability issues (Jorgensen & Pedersen, 2018).

LITERATURE REVIEW

The concept of dynamic capabilities and innovation i.e. BMIS is based on challenging and transforming the architecture of the previous business model, changing the resource base of the company that frames new organizational capabilities, transforming the organizational structure and value chain, and structuring new revenue models and value propositions (Demil & Lecocq, 2010). Therefore, developing new business models (for sustainability and beyond) requires aiming to transform organizational and managerial capabilities as key dimensions of successful BMIS and understanding the key dimensions of evolutionary and radical BMIS (Mezger, 2014). These demands can be usefully explained by the dynamic capabilities framework, which has been disaggregated into three functions (Teece 2007):

- a) detecting threats and opportunities,
- b) capitalizing on opportunities, and
- c) maintaining competitiveness by reconfiguring corporate assets.

Identification of new opportunities, design and implementation of new business models, are required in dynamic capabilities. Mezger (2014) argues that BMIS is a dynamic capability that is specific to itself. BMIS involves high-level capabilities for companies that aim to compete in a changing environment, and this learning-based approach facilitates organizational learning and transformation.

Sustainable business models are models that integrate economically relevant sustainability concerns with business success or competitive advantage (Schaltegger, Freund, & Hansen, 2012). BMIS

has emerged as a model that offers innovative solutions to minimize adverse impacts of the value chain on the environment, maximize social and environmental benefits, and generate new value propositions that support market needs and economic value while serving society and the natural environment. In the mainstream business model, the value proposition is mainly concerned with product and service innovation to generate economic value. On the other hand, in sustainable business models, value propositions serve to create new economic value while solving pressing social and environmental challenges (e.g. pollution prevention, climate change, energy efficiency, water and natural resource management, unemployment and inequality) (Boons & Lüdeke-Freund, 2013).

Agrotourism is a series of tourism activities that utilize the potential of agriculture as a tourist attraction, both potential in the form of natural scenery of the agricultural area as well as the uniqueness and diversity of production activities and agricultural technology and the culture of the farming community. Agrotourism activities aim to broaden the horizons of knowledge, recreational experiences and business relationships in agriculture which include food crops, horticulture, plantations, fisheries and animal husbandry. In addition, what is included in agro-tourism is forestry and agricultural resources. The combination of natural beauty, rural community life and agricultural potential if managed properly can develop tourist attraction. With the development of agrotourism in one tourist destination will provide benefits to increase the income of the community and government in other words, the function of tourism can be done with the function of agricultural cultivation and rural settlements and at the same time the function of conservation (Gumelar S. Sastrayuda, 2010).

METHOD

This research is a descriptive qualitative research with in-depth interviews as the main data collection method. The descriptive research type was chosen because it is expected to describe the phenomena related to the subject (Cooper and Schindler, 2014: 139). Qualitative research methods are widely used in making business plans and decision-making management in terms of customer segment exposure, new product development, concept testing, and understanding consumer decision making (Cooper and Schindler, 2014: 167). The research location was chosen based on criteria, namely agritourism with several different characters found in Sleman Regency, Yogyakarta Special Region. To support qualitative data, researchers conducted a simple survey to customers to see the alignment of the agritourism mission with what the company was doing. In this research, the population will be taken in 4 agritourism locations in the Sleman area, DIY, namely at Bhumi Merapi Agrotourism, Ledok Sambi Outbound & Ecopark, Caping Merapi Agroedukasi, and Indigen Farm. Main topics in the interview is value proposition: product/service, customer segments and relationships; Value creation & delivery: key activities, resources, channels, partners, technology; Value capture: cost structure & revenue streams. 3 types of dynamic capabilities: sense, seize, reconfigure. 3P's framework dynamic capabilities: positions, processes, and paths.

RESULTS

Dimension	Indicator	Action	Representative quotes
Sensing (ability to grasp opportunities and challenges in the context of the environment)	Making stakeholders into partners	Bhumi Merapi Agrotourism in its innovation always follows the latest trends.	"In principle, we will organize what is going viral. For example, now that the rainbow slide is viral, we are studying organizing the ride so that tourists can enjoy it. Incidentally, the Kaliurang area here does

	Adapting marketing methods to the digital age	All four companies have utilized social media, but some have not been maximized, such as Agroeducation Caping Merapi, whose content is still limited. Indigen Farm and Ledok Sambi are more widespread on the tiktok platform, and Bhumi Merapi Agrotourism is well known on the Instagram platform.	not have such a ride, so it can attract new visitors." "We are greatly helped by the current number of content creators who voluntarily and take the initiative to create content in the Ledok Sambi place. Content creators began to spread after the pandemic, before that there were also but not many."
Seizing			

	Sensing	Seizing	Reconfiguring
Incremental BMIS	Actively communicate with stakeholders, in this case the relevant government such as the Ministry or Department of Agriculture.	Improve value proposition for sustainability.	Established a Reasearch & Development division to develop the area.
Radikal BMIS	Pro-active to trends and will procure rides that are on trend.	-Design new value propositions including products and services that have an impact on social and environmental change. -Generate business model architectures that transform socio-technical communities and systems.	-Orchestrating disruptive sustainability-oriented innovation teams and spin-offs. - Become a pioneer in brand image and top of mind in the minds of travelers.

DISCUSSION

This research can be developed with the number of subjects studied so that the assessment of dynamic capabilities in agrotourism becomes more references. In agrotourism, what is needed is synergy with stakeholders who have the power to open up existing market opportunities. To compete with other tourist attractions, agrotourism must have a uniqueness that tourists do not find elsewhere.

CONCLUSION

Explain the role of agrotourism companies in applying dynamic capabilities to innovate business models. Two business model innovation sustainability is obtained, namely incremental and radical, which plays a role in the creation of strategic plans and innovations in agritourism.

REFERENCES

- Agha, S., Alrubaiee, L., & Jamhour, M. (2012). Effect of core competence on competitive advantage and organizational performance. *International Journal of Business and management*, 7(1), 192.
- Boons, F., Lüdeke-Freund, F., 2013. Business models for sustainable innovation: State-of-the-art and steps towards a research agenda. *J. Clean. Prod.*, 45, pp. 9- 19.
- Cooper dan Schindler. (2014). *Bussiners Research Method*. New York: McGrawHill
- Demil, B. and Lecocq, X. (2010) 'Business model evolution: In search of dynamic consistency', *Long Range Planning*, 43(2-3), pp. 227-246.
- Geissdoerfer, M., Vladimirova, D., & Evans, S. (2018). Sustainable business model innovation: A review. In *Journal of Cleaner Production* (Vol. 198, pp. 401-416). Elsevier Ltd. <https://doi.org/10.1016/j.jclepro.2018.06.240>
- Gumelar, S Sastrayuda. 2010. Konsep Pengembangan Kawasan Agrowisata (Hand Out Mata Kuliah Concept Resort and Leisure). http://file.upi.edu/Direktori/FPIPS/LAINNYA/GUMELAR_S/HAND_OUT_MATKUL_KONSEP_RESORT_AND_LEISURE/PENGEMBANGAN_KAWASAN_AGOWISATA
- Inigo, E. A., Albareda, L. and Ritala, P. (2017) 'Business model innovation for sustainability: exploring evolutionary and radical approaches through dynamic capabilities', *Industry and Innovation*. Routledge, 24(5), pp. 515- 542.
- Jorgensen, S., & Pedersen, T. L. (2018). *RESTART Sustainable Business Model Innovation*. Cham, Switzerland: Springer Nature Switzerland AG.
- Mezger, F. (2014) 'Toward a capability-based conceptualization of business model innovation: Insights from an explorative study', *R and D Management*, 44(5), pp. 429-449.
- Mitchell, D., & Coles, C. (2003). The ultimate competitive advantage of continuing business model innovation. *Journal of Business Strategy*.
- Osterwalder, A. et al. (2010) 'Business Model Generation: book reviw', *Business Model Generation*, 5(7), p. 288.
- Sangari, M. S., & Razmi, J. (2015). Business intelligence competence, agile capabilities, and agile performance in supply chain. *The International Journal of Logistics Management*.
- Schaltegger, S., Lüdeke-Freund, F. and Hansen, E. G. (2010) 'Business cases for sustainability: The role of business model innovation for corporate sustainability', *International Journal of Innovation and Sustainable Development*, 6(2).
- Visnjic, I., Wiengarten, F., & Neely, A. (2016). Only the brave: Product innovation, service business model innovation, and their impact on performance. *Journal of Product Innovation Management*, 33(1), 36-52.
- Teece, D. J. (2007) 'Explicating Dynamic Capabilities: The Nature and Microfoundations of (Sustainable) Enterprise Performance', *Strategic Management Journal*, 28, pp. 1319-1350.