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A Strategic Framework for Business Model Pivot and Value Co-Creation: Evidence from Traditional Travel Agencies in Indonesia

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Abstract

*This study examines the strategic mechanisms that drive traditional travel agencies to pivot their business models in response to relentless digital disintermediation. By integrating Service-Dominant (S-D) Logic and Dynamic Capabilities theory, the research evaluates how internal orientations and collaborative processes enable traditional intermediaries to reclaim market relevance as Experience Architects. Using a quantitative research design, data were collected from 200 owners, directors, and senior managers of traditional travel agencies across Indonesia's primary tourism hubs. To ensure statistical rigor, the sample size was validated using G*Power 3.1, confirming its adequacy for detecting medium effect sizes within the complex structural model. The proposed structural model was assessed using Partial Least Squares Structural Equation Modeling (SEM-PLS), supplemented by an Importance-Performance Map Analysis (IPMA) to identify critical strategic priorities. The results demonstrate that while Digital Capability serves as a necessary operational foundation, it is not the primary driver of a strategic transformation. Instead, Value Co-Creation and Strategic Flexibility are found to be the dominant catalysts for a successful Business Model Pivot. Specifically, Value Co-Creation exerts a substantial influence, reinforcing the argument that a successful pivot is a relational achievement rooted in human-tech synergy rather than a purely technological one. Furthermore, the results confirm that a structured Business Model Pivot leads to a significant and sustained Competitive Advantage. This research contributes to the tourism management literature by providing a novel framework that bridges entrepreneurial intent with co-creative execution. It offers a practical roadmap for traditional travel agencies to transition from legacy ticketing brokers to specialized experience architects within a smarter tourism ecosystem.*

Keywords: *Business Model Pivot, Value Co-creation, Strategic Flexibility, Travel Agencies, Indonesia*

INTRODUCTION

The global tourism landscape is currently undergoing a radical reconfiguration, dictated by the relentless progression of digital ecosystems and shifting consumer paradigms (Santarsiero, Carlucci, & Schiuma, 2024). Traditional travel agencies, which historically functioned as the primary gatekeepers of travel information and logistics, now find themselves in a precarious state of strategic obsolescence. The rise of Online Travel Agencies (OTAs) and the proliferation of direct-to-consumer digital platforms have disintermediated the traditional value chain, forcing incumbent firms to confront a critical choice: absolute irrelevance or a comprehensive business

model pivot (Chutiphongdech, 2021; A. Y. Hsu et al., 2024). Despite the rapid automation of tourism, traditional agencies persist in 2026 because they offer a unique human-tech synergy. In this hybrid value proposition, digital efficiency meets human empathy to manage the high-stakes complexity of travel that algorithms alone cannot resolve.

This strategic pivot is not merely an operational adjustment but a fundamental transformation of the firm's value logic. The resilience of the human touch in an era of AI-driven travel justifies a shift toward a relational model, where the agent's role is redefined from a legacy broker to an Experience Architect. In the digital age, the survival of traditional intermediaries depends on their ability to transition from a transactional service model to a relational one anchored in value co-creation (Prikshat et al., 2025). This shift is grounded in the Service-Dominant Logic (S-D logic), which posits that value is not a commodity delivered to a passive consumer but a collaborative outcome co-produced through the integration of resources between the service provider and the traveller (Vargo & Lusch, 2016). For traditional agencies, this requires leveraging human expertise alongside digital capabilities to create highly curated, personalised travel experiences that algorithms alone cannot replicate (Yao et al., 2025).

However, executing such a pivot remains a formidable challenge. Many traditional agencies are hindered by legacy structures and a profound inertia that prevents the rapid realignment of resources (Noer et al., 2025). Emerging research suggests that a successful business model pivot depends on an organisation's entrepreneurial orientation (EO)—its proactiveness and risk-taking capacity—and its strategic flexibility (Abdullatif & Masri, 2024). Furthermore, the integration of digital technology is no longer an option but a core requirement to align with emerging economic opportunities and create multi-stakeholder value (del Vecchio et al., 2022; Yao et al., 2025).

Despite the growing body of literature on digital transformation in tourism, there remains a theoretical and empirical gap regarding the integrative mechanisms that link internal capabilities with the external co-creation process to facilitate a business model pivot. Current studies often examine these variables in isolation, failing to provide a holistic framework for traditional intermediaries navigating this transition. This study addresses this gap by developing and testing a comprehensive strategic framework. Using a Structural Equation Modelling (SEM-PLS) approach and Importance-Performance Map Analysis (IPMA), this research identifies the critical priorities for traditional travel agencies to align their internal orientations with the collaborative requirements of the digital era, thereby securing a sustainable competitive advantage.

LITERATURE REVIEW

Theoretical Framework: S-D Logic and Dynamic Capabilities

The conceptualisation of a strategic pivot in traditional travel agencies necessitates a synthesis of Service-Dominant (S-D) Logic and the Theory of Dynamic Capabilities. Historically, the tourism intermediary sector operated under a goods-dominant logic, wherein value was perceived as an intrinsic property of a travel package 'delivered' to a passive consumer (A. Y. Hsu et al., 2024). However, the contemporary digital landscape demands a paradigm shift. S-D Logic posits that service—defined as the application of specialised competences—is the fundamental basis of exchange, where value is uniquely and phenomenologically determined through co-creation (Vargo & Lusch, 2016). Within this framework, traditional agencies must transition from mere transactional conduits to orchestrators of complex innovation ecosystems as Experience Architects (A. Y. Hsu et al., 2024; Prikshat et al., 2025).

The necessity of this transition is underscored by the rapid acceleration of technological innovations, which requires agencies to develop a 'sustainable circular core' to remain competitive (Prikshat et al., 2025). This circular core is increasingly linked to broader SME resilience literature, suggesting that the ability to cycle continuously and re-integrate resources

is the hallmark of firms that survive systemic industry shocks. Value co-creation is no longer an optional strategy but a foundational requirement for navigating the disruptions caused by digital-first competitors (Yao et al., 2025). Empirical evidence suggests that engaging multiple stakeholders in the value-creation process enables agencies to modularise in-destination services, thereby facilitating the mass customization of travel experiences (A. Y. Hsu et al., 2024; Santarsiero, Carlucci, Lerro, et al., 2024).

While S-D Logic provides the relational foundation for value, Dynamic Capabilities theory explains the organizational mechanism behind the 'pivot'. A business model pivot is essentially a strategic reconfiguration—a deliberate attempt by the firm to realign its value proposition with emerging market opportunities (Foss & Saebi, 2017; Teece, 2018). This process involves sensing digital disruptions, seizing economic opportunities through technological matching, and reconfiguring organizational structures to support new service delivery models (Chutiphongdech, 2021; Yao et al., 2025). Central to this study is the distinction between Table-Stakes and Differentiation capabilities. We argue that Digital Capability (DC) has become a table-stakes requirement; while essential for market entry, it lacks the unique competitive weight of differentiation capabilities like Value Co-Creation (VCC) and Strategic Flexibility (SF). Insights from Human-Computer Interaction (HCI) and Digital Trust frameworks suggest that while DC provides the interface, the strategic pivot is ultimately driven by the relational trust built through co-creative interaction, explaining why technological tools often yield smaller effect sizes on the pivot than relational variables.

Furthermore, the success of such a reconfiguration depends on an agency's strategic flexibility, which serves as a bridge between its entrepreneurial intent and its actual performance outcomes (Abdullatif & Masri, 2024). Agencies that integrate digital capabilities with flexible resource allocation are better positioned to drive innovative solutions and overcome the inertia inherent in legacy operations (Neupane et al., 2025; Noer et al., 2025). Consequently, integrating these two theoretical lenses provides a robust framework for understanding how traditional agencies can redefine their market position through a structured business model pivot (Marks & Golovey, 2020; Prikshat et al., 2025).

Entrepreneurial Orientation as an Antecedent to Capabilities

Entrepreneurial Orientation (EO) is a firm's strategic posture characterized by a propensity for innovativeness, proactiveness, and risk-taking (Lumpkin & Dess, 1996; Miller, 1983). In the volatile tourism sector, EO serves as a critical catalyst, compelling traditional agencies to move beyond legacy operations and embrace the complexities of the digital era (Abdullatif & Masri, 2024; Noer et al., 2025). Rather than being a static trait, EO functions as a precursor to resource mobilisation, dictating how an agency identifies and exploits technological advancements to facilitate a strategic pivot toward becoming an Experience Architect (Yao et al., 2025).

The relationship between EO and Digital Capability (DC) is fundamental to the digital transformation journey. Proactive firms are more likely to invest in sophisticated digital marketing infrastructures and integrated reservation systems, viewing technology not merely as a cost but as a strategic driver of innovation (Noer et al., 2025; Santarsiero, Carlucci, & Schiuma, 2024). Agencies with a strong entrepreneurial spirit are the first to recognize that while DC represents a table-stakes capability—essential for basic market participation—it requires constant proactive renewal to serve as a platform for deeper relational engagement. Agencies exhibiting high levels of innovativeness are better equipped to leverage digital technology to capitalize on emerging economic opportunities, thereby enhancing their overall capacity for business model innovation (Yao et al., 2025). This suggests that the depth of an agency's digital toolkit is inherently bound to its underlying entrepreneurial spirit.

Simultaneously, EO is a primary driver of Strategic Flexibility (SF). In a post-disruption environment, traditional agencies must possess the agility to reallocate resources and shift

strategic directions with minimal friction (Abdullatif & Masri, 2024; Neupane et al., 2025). This agility is a cornerstone of SME resilience, allowing smaller firms to survive systemic shocks by maintaining a sustainable circular core that reconfigures competencies in real-time. Empirical studies indicate that the dimensions of autonomy, proactiveness, and risk-taking are pivotal in achieving high performance through the mediation of strategic flexibility (Abdullatif & Masri, 2024). An entrepreneurial mindset prevents the competency trap—where past successes lead to structural rigidity—by encouraging managers to adopt flexible decision-making processes that respond to evolving market signals (del Vecchio et al., 2022; Prikshat et al., 2025). Thus, a travel agency's ability to remain strategically fluid is essentially a manifestation of its entrepreneurial proactiveness.

By positioning EO as the antecedent, this study recognizes that technological and structural transformations are not spontaneous events but are intentional outcomes of an agency's strategic philosophy. This internal orientation provides the necessary momentum to engage in the more complex, collaborative processes of value co-creation required for a successful pivot (A. Y. Hsu et al., 2024; Prikshat et al., 2025). Consequently, it is hypothesized that:

H1: Entrepreneurial Orientation has a significant positive influence on Digital Capability.

H2: Entrepreneurial Orientation has a significant positive influence on Strategic Flexibility.

The Enablers of Value Co-Creation (VCC)

Value co-creation (VCC) is defined as the collaborative process through which firms and customers integrate their respective resources to generate mutual benefit (Prahalad & Ramaswamy, 2004; Vargo & Lusch, 2016). In the traditional travel sector, VCC represents a departure from standardised tour packages toward highly individualized, smart tourism experiences orchestrated by Experience Architects (A. Y. Hsu et al., 2024; Yao et al., 2025). This collaborative engagement is not a spontaneous occurrence but is predicated on specific organizational enablers—primarily digital infrastructure and structural agility—that enable real-time interaction and resource integration (Prikshat et al., 2025; Santarsiero, Carlucci, Lerro, et al., 2024).

The influence of Digital Capability (DC) on VCC is profound. Modern digital technologies serve as engagement platforms that facilitate transparency, dialogue, and risk assessment between the agent and the traveler (Prahalad & Ramaswamy, 2004). Research indicates that when travel agencies select and match appropriate digital tools with economic opportunities, they significantly enhance their capacity for multi-stakeholder value co-creation (Yao et al., 2025). However, within the human-tech synergy framework, DC functions as a table-stakes capability; it provides the necessary Human-Computer Interaction (HCI) interface but requires a layer of Digital Trust to bridge the gap between the agent and the traveler effectively. Digital capabilities—ranging from AI-driven personalization to social media-based feedback loops—empower travelers to participate in the modularization of their own itineraries (A. Y. Hsu et al., 2024; Noer et al., 2025). Without a robust digital foundation, the agency remains trapped in a one-way communication model, unable to capture customers' latent knowledge and preferences (Prikshat et al., 2025; Santarsiero, Carlucci, Lerro, et al., 2024).

While technology provides the platform, Strategic Flexibility (SF) provides the organizational permission to co-create. Co-creation often leads to unpredictable service requirements that deviate from standard operating procedures (A. Y. Hsu et al., 2024). Strategic flexibility enables an agency to reconfigure its internal processes and resource allocations in response to a client's specific, co-designed needs (Abdullatif & Masri, 2024). As a critical driver of SME resilience, SF allows traditional agencies to maintain a sustainable circular core, ensuring that intangible competencies are continuously re-integrated into the service delivery process in real time. Empirical evidence suggests that flexibility is a core component of this resilience, enabling firms to channel intangible competencies into productive use in real time (Prikshat et al., 2025).

Agencies that lack flexibility often reject customer input that contradicts their existing resource constraints, whereas flexible firms leverage such input as a source of innovation and performance (Marks & Golovey, 2020; Neupane et al., 2025). Consequently, a travel agency's ability to act upon co-created value is contingent upon its structural fluidity.

Together, DC and SF form a dual-enabler system. DC ensures that the agency has the means to interact, while SF ensures the agency has the capacity to adapt its offerings based on those interactions (Abdullatif & Masri, 2024; Yao et al., 2025). This synergy is the defining characteristic of a successful Experience Architect, allowing the firm to move beyond legacy disintermediation by creating a relational achievement that software alone cannot replicate (A. Y. Hsu et al., 2024; Santarsiero, Carlucci, Lerro, et al., 2024). Therefore:

H3: Digital Capability has a significant positive influence on Value Co-Creation.

H4: Strategic Flexibility has a significant positive influence on Value Co-Creation.

Driving the Business Model Pivot (BMP)

A business model pivot is defined as a fundamental redirection of a firm's value proposition, revenue model, or target market to ensure survival and growth in a disrupted environment (Foss & Saebi, 2017; Ries, 2011). For traditional travel agencies, this pivot requires moving beyond their legacy role as ticket intermediaries to become Experience Architects—specialized providers of technology-enabled, highly curated destination products (Chutiphongdech, 2021; A. Y. Hsu et al., 2024). This transformation is a core indicator of SME resilience, representing a deliberate departure from strategic obsolescence toward a sustainable circular innovation core. This transformation is not merely an internal reconfiguration but is deeply embedded in the agency's ability to leverage external stakeholder intelligence through Value Co-Creation (VCC).

The role of Value Co-Creation in driving the pivot is critical. VCC provides the real-time market intelligence required to validate new strategic directions (A. Y. Hsu et al., 2024). When agencies involve travelers in the design of smart tourism ecosystems, they gain insights that enable them to match digital capabilities with latent economic opportunities better (Prikshat et al., 2025; Yao et al., 2025). These co-creation outcomes act as the primary fuel for business model innovation, proving that a successful pivot is fundamentally a relational achievement rather than a purely structural one. Empirical studies suggest that co-creation outcomes—both first and second-order—ensure that the pivot is market-driven rather than purely technology-driven (Prikshat et al., 2025; Santarsiero, Carlucci, & Schiuma, 2024).

Concurrently, Digital Capability (DC) serves as the technical architect of the pivot. However, within the Direct-Action Paradox, DC is categorized primarily as a Table-Stakes capability—essential for operationalizing the pivot but possessing less transformative power than relational variables. Drawing from Human-Computer Interaction (HCI) and Digital Trust frameworks, we argue that while technology discovery facilitates new configurations, it remains a secondary driver because digital tools alone cannot establish the profound interpersonal trust necessary for high-value travel orchestration. This explains why DC often exhibits a smaller effect size on the pivot compared to Value Co-Creation. DC enables the selection and matching process, in which appropriate technologies facilitate the discovery of new business model configurations (Noer et al., 2025; Yao et al., 2025). Agencies with high digital maturity can implement mass customization and modularize services, hallmarks of a modern, pivoted business model (Chutiphongdech, 2021; A. Y. Hsu et al., 2024).

Beyond direct effects, the transition from entrepreneurial intent (EO) to a structural pivot is often indirect. While EO provides the proactiveness to change, Strategic Flexibility (SF) provides the mechanism to execute that change and serves as a bridge for SME resilience (Abdullatif & Masri, 2024). Research on SMEs indicates that strategic flexibility acts as a vital mediator; it allows firms to adopt entrepreneurial dimensions as a strategic construct, which then translates into tangible performance and model adjustments (Abdullatif & Masri, 2024; Neupane et al., 2025).

Without SF, an agency's entrepreneurial drive may be stifled by structural inertia, preventing a successful pivot (del Vecchio et al., 2022; Marks & Golovey, 2020). This logic implies that a successful pivot requires a synchronized effort: EO provides the initial momentum, DC and SF provide the means and capacity, while VCC provides the strategic compass (W.-L. Hsu et al., 2024; Yao et al., 2025). Thus, we hypothesize:

H5: Value Co-Creation has a significant positive influence on Business Model Pivot.

H6: Digital Capability has a significant positive influence on Business Model Pivot.

H7: Strategic Flexibility significantly mediates the relationship between Entrepreneurial Orientation and Business Model Pivot.

Realizing Competitive Advantage (CA)

Competitive advantage (CA) refers to a firm's ability to create and implement a value-creating strategy that is not simultaneously pursued by any current or potential competitors (Barney, 1991). For traditional travel agencies, the digital age has eroded the conventional advantages of location or exclusive access to inventory. Consequently, CA must be re-anchored in the Experience Architect's capacity to offer specialized, non-substitutable experiences as a core mechanism for SME resilience through a successful Business Model Pivot (BMP) and continuous Value Co-Creation (VCC) (Noer et al., 2025; Prikshat et al., 2025).

The link between a Business Model Pivot and CA is grounded in the necessity of strategic differentiation. A pivot allows an agency to move away from the commodity trap of ticket and hotel brokerage—where it competes directly with OTAs—and toward a niche as a high-value Experience Architect. By reconfiguring its value proposition and revenue streams, the agency develops a unique organizational identity that is difficult for purely algorithmic competitors to replicate (Noer et al., 2025; Yao et al., 2025). This strategic transformation acts as a driver of sustained innovation, ensuring that the firm's competitive edge is not easily eroded by market turbulence and enhancing the firm's overall resilience (Noer et al., 2025; Santarsiero, Carlucci, & Schiuma, 2024).

Furthermore, Value Co-Creation serves as a direct source of CA by fostering deeper customer loyalty and operational excellence. Within the framework of a sustainable circular core linked to SME resilience, co-creation outcomes go beyond immediate transaction satisfaction to include first and second-order value gains for the HT industry (Prikshat et al., 2025). When agencies involve travelers in the modularisation of destination services, they create a locked-in relationship in which the traveler's knowledge and preferences are embedded in service delivery (A. Y. Hsu et al., 2024; Yao et al., 2025). This stakeholder-centric approach creates a unique human-tech synergy that generates competitive performance even in resource-limited environments (Neupane et al., 2025; Santarsiero, Carlucci, & Schiuma, 2024). Agencies that excel in VCC effectively transform their customers into partners, creating a social and relational achievement that functions as a non-technological barrier to entry (A. Y. Hsu et al., 2024; Prikshat et al., 2025).

In summary, the strategic framework proposed in this study suggests that while a business model pivot provides the structural basis for competition, value co-creation provides the relational achievement necessary to sustain that advantage (Abdullatif & Masri, 2024; Yao et al., 2025). For the traditional travel agency, the convergence of these two paths represents the only viable route to thriving in an increasingly smarter tourism ecosystem as a resilient Experience Architect (A. Y. Hsu et al., 2024; Prikshat et al., 2025). Thus, we hypothesize:

H8: Business Model Pivot has a significant positive influence on Competitive Advantage.

H9: Value Co-Creation has a significant positive influence on Competitive Advantage.

Synthesis of the Proposed Research Model

The culmination of the preceding theoretical discourse and hypothesis formulation is represented in the proposed structural model (see Figure 1). This framework integrates the firm's

internal strategic drivers with the external relational processes required by Service-Dominant Logic (Vargo & Lusch, 2016) to illustrate the fundamental transformation of traditional intermediaries into Experience Architects. The model is structured as a multi-stage progression: it begins with Entrepreneurial Orientation (EO) as the primary psychological and strategic antecedent that mobilizes Digital Capability (DC) and Strategic Flexibility (SF)—the latter being a vital bridge for enhancing SME resilience in a disrupted market (Abdullatif & Masri, 2024; Noer et al., 2025).

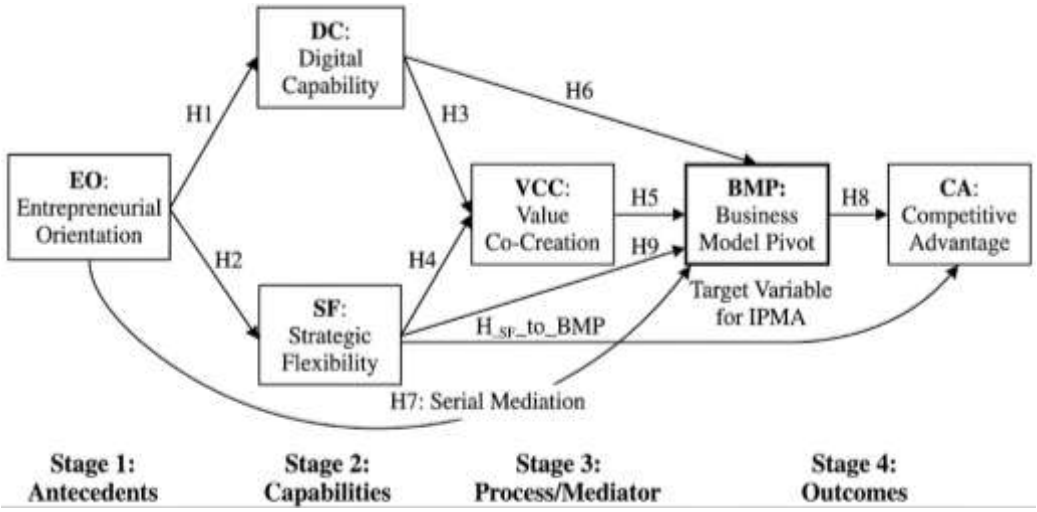


Figure 1. Proposed Theoretical Framework
Source: Research data, 2026

Central to this framework is the role of Value Co-Creation (VCC), which acts as the engine room of the transformation, translating organizational capabilities into a market-validated Business Model Pivot (BMP) (A. Y. Hsu et al., 2024; Yao et al., 2025). This conceptualization highlights the strategic pivot as a relational achievement, emphasizing that the human-tech synergy is what ultimately differentiates the Experience Architect from purely automated competitors. By positioning BMP as the target variable for the Importance-Performance Map Analysis (IPMA), the model seeks to identify not only the theoretical significance of these paths but also the practical priorities for travel agency managers seeking a sustainable pivot (Prikshat et al., 2025; Ringle & Sarstedt, 2016). Ultimately, the model posits that the convergence of a structured strategic pivot and deep stakeholder engagement is the definitive pathway to achieving a sustainable Competitive Advantage (CA) in an increasingly smarter tourism ecosystem (Santarsiero, Carlucci, Lerro, et al., 2024; Yao et al., 2025).

METHODS

Research Design and Context

This study adopts a deductive, cross-sectional research design to examine the causal relationships between internal orientations, digital capabilities, and business model transformation. The empirical context is centered on traditional travel agencies in Indonesia, a sector currently navigating extreme digital disintermediation. This choice of context is particularly salient as traditional intermediaries represent a mature industry undergoing a forced strategic pivot toward becoming Experience Architects, providing a rich environment for testing Service-Dominant Logic and Dynamic Capabilities.

Sampling and Data Collection

The target population comprised owners, directors, and senior managers of traditional travel agencies, as these individuals possess the strategic oversight necessary to report on business model shifts and organizational capabilities. Data were collected through a structured online survey distributed via professional associations. To ensure statistical rigor, the sample size was determined using G*Power 3.1 rather than legacy rules of thumb. Based on a medium effect size ($f^2 = 0.15$), a significance level (α) of 0.05, and a target power of 0.80, a minimum sample of 160 was required. Our final dataset of N=200 senior leaders achieved a power level of approximately 0.92, providing high confidence in the model's ability to detect the complex paths proposed (Hair et al., 2022).

Operationalization of Constructs

All constructs were operationalized using multi-item scales adapted from established literature to ensure content validity. 1) Entrepreneurial Orientation (EO): Measured through indicators of proactiveness, innovativeness, and risk-taking (Abdullatif & Masri, 2024; Lumpkin & Dess, 1996); 2) Digital Capability (DC): Focused on the agency's ability to leverage digital technology for economic opportunity matching and service modularization (Noer et al., 2025; Yao et al., 2025); 3) Strategic Flexibility (SF): Adapted from scales measuring resource reconfiguration and adaptive capacity in response to market turbulence as a measure of SME resilience (Abdullatif & Masri, 2024; ZHOU & WU, 2010); 4) Value Co-Creation (VCC): Operationalized through the lenses of dialogue, transparency, and resource integration between the agency and stakeholders (A. Y. Hsu et al., 2024; Prikshat et al., 2025; Vargo & Lusch, 2016); 5) Business Model Pivot (BMP): Measured as the degree of fundamental change in the firm's value proposition and revenue architecture to assume the role of an Experience Architect (Chutiphongdech, 2021; Foss & Saebi, 2017; Yao et al., 2025); and 6) Competitive Advantage (CA): Assessed through relative market performance, service differentiation, and customer retention metrics (Barney, 1991; Neupane et al., 2025; Noer et al., 2025).

Data Analysis Strategy: SEM-PLS and IPMA

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4. PLS-SEM was chosen over covariance-based SEM due to its superior ability to handle complex models with multiple mediators, non-normal data distributions, and the exploratory nature of the business model pivot construct (Hair et al., 2022; Ringle & Sarstedt, 2016). The analysis followed a rigorous two-stage protocol: 1) Measurement Model Assessment: Evaluating the reliability and validity of the constructs through Indicator Reliability, Composite Reliability (CR), Average Variance Extracted (AVE), and the Heterotrait-Monotrait (HTMT) ratio for discriminant validity (Hair et al., 2022); and 2) Structural Model Assessment: Testing the nine hypotheses using bootstrapping (5,000 resamples) to determine path coefficients (β), significance levels, and the predictive relevance (R^2 and Q2) of the model (Hair et al., 2022; Yao et al., 2025).

Beyond standard path analysis, this study integrates Importance-Performance Map Analysis (IPMA). By designating Business Model Pivot (BMP) as the target construct, IPMA enables a dual-dimensional evaluation that contrasts the total effects (Importance) of predecessor constructs with their average latent-variable scores (Performance) (Ringle & Sarstedt, 2016). This methodological choice is critical for providing actionable managerial insights and for identifying specific areas where traditional agencies have high strategic potential but currently exhibit low operational performance.

RESULTS AND DISCUSSION

Descriptive Analysis of Respondent Profiles

The empirical investigation interrogated a heterogeneous sample of 200 travel agency leaders across Indonesia's primary tourism hubs. Table 1 summarizes the demographic and organizational characteristics, revealing a sector characterized by seasoned leadership and a notable drive toward academic professionalization.

Table 1. Profile of Respondents and Organizational Characteristics (n=200)

Category	Sub-category	Frequency	Percentage
Gender	Male	114	57%
	Female	86	43%
Age Group	28 – 39 years	78	39%
	40 – 50 years	74	37%
	> 50 years	48	24%
Education	Bachelor (S1)	122	61%
	Master (S2)	48	24%
	Doctoral (S3)	18	9%
	Vocational/Others	12	6%
Role	Manager	81	40.5%
	Owner	61	30.5%
	Director	58	29%
Business Focus	Inbound	68	34%
	Outbound	72	36%
	Mixed	60	30%
Main Service	Ticketing / Legacy	42	21%
	MICE	38	19%
	Leisure / Tour	44	22%
	Special Interest	76	38%

Source: Research data, 2026

The data reveals a sector in transition. A significant portion of the respondents (33%) holds postgraduate degrees (Master's and Doctoral), aligning with the emerging requirement for high-level analytical capabilities to navigate digital transformation. Geographically, the sample is anchored in major hubs such as Jakarta, Bali, and Yogyakarta, where the tension between traditional operations and digital disintermediation is most acute. A critical observation lies in the Main Service distribution. While 21% of the firms remain tethered to legacy ticketing services—a segment highly vulnerable to OTA dominance—a substantial 38% have shifted toward Special Interest Travel. This suggests that a significant segment of Indonesian agencies has already begun the initial phases of a business model pivot, seeking refuge in niche markets where Value Co-Creation is more easily facilitated.

Furthermore, the operational longevity of these firms (averaging 19.5 years) points to a cohort of incumbent agencies. These firms possess deep industry knowledge but face the highest risk of structural inertia. The high representation of managers and directors (69.5%) ensures that the responses capture the strategic intent required to execute the nine-hypothesis model proposed in this study.

Measurement Model Assessment

The evaluation of the reflective measurement model involves an analysis of indicator reliability, internal consistency, and validity. According to the criteria established by (Hair et al., 2022), indicator loadings should ideally exceed 0.708, demonstrating that the construct explains more than 50% of the indicator's variance. As illustrated in Table 2, all factor loadings in this study

range from 0.881 to 0.940, well above the recommended threshold, thereby confirming high indicator reliability.

Table 2. Reliability and Convergent Validity Results

Construct	Item	Reflective Measurement Instrument	Loading
Entrepreneurial Orientation (EO) [α: 0.909; CR: 0.943; AVE: 0.847]	EO1	Active seeking of new tourism market opportunities	0.924
	EO2	Frequent introduction of innovative travel packages	0.911
	EO3	Willingness to take calculated risks for growth	0.925
Digital Capability (DC) [α: 0.919; CR: 0.949; AVE: 0.860]	DC1	Mastery of digital tools for travel operations	0.912
	DC2	Proficiency in utilizing digital platforms for marketing	0.931
	DC3	Robust digital infrastructure for stakeholder interaction	0.940
Strategic Flexibility (SF) [α: 0.891; CR: 0.932; AVE: 0.821]	SF1	Ability to quickly reallocate organizational resources	0.901
	SF2	Rapid adaptation of strategies to industry disruptions	0.920
	SF3	Maintenance of diverse service options for shifting demands	0.897
Value Co-Creation (VCC) [α: 0.867; CR: 0.919; AVE: 0.790]	VCC1	Integration of traveler feedback into service design	0.890
	VCC2	Maintenance of transparent dialogue with stakeholders	0.890
	VCC3	Active customer involvement in itinerary personalization	0.887
Business Model Pivot (BMP) [α: 0.871; CR: 0.921; AVE: 0.795]	BMP1	Fundamental alteration of the core value proposition	0.881
	BMP2	Strategic shift to new target customer segments	0.892
	BMP3	Update of revenue models to reflect digital realities	0.901
Competitive Advantage (CA) [α: 0.891; CR: 0.932; AVE: 0.821]	CA1	High differentiation of services from competitors	0.902
	CA2	Superior market positioning relative to peers	0.911
	CA3	Operational efficiency exceeding industry averages	0.906

Source: Research data, 2026

Internal consistency was further validated through Cronbach's Alpha and Composite Reliability (CR). All constructs exhibited α values exceeding 0.867 and CR values exceeding 0.919, surpassing the 0.70 threshold and indicating excellent reliability (Hair et al., 2022; Yao et al., 2025). Furthermore, convergent validity was confirmed as the Average Variance Extracted (AVE) for every construct ranged from 0.790 to 0.860, comfortably exceeding the 0.50 minimum requirement (Abdullatif & Masri, 2024).

Discriminant validity was assessed using the Heterotrait-Monotrait (HTMT) ratio, currently considered the most stringent criterion in PLS-SEM (Hair et al., 2022). As shown in Table 3, all HTMT values are below the 0.85 threshold, confirming that each construct represents a distinct phenomenon within the strategic framework (Ringle & Sarstedt, 2016).

Table 3. Discriminant Validity Results (HTMT Criterion)

Construct	BMP	CA	DC	EO	SF
Competitive Advantage	0.668				
Digital Capability	0.294	0.122			
Entrepreneurial Orientation	0.371	0.160	0.522		
Strategic Flexibility	0.422	0.222	0.105	0.330	
Value Co-Creation	0.644	0.578	0.264	0.315	0.427

Source: Research data, 2026

Collinearity among the predictors was also examined. The inner Variance Inflation Factor (VIF) values ranged from 1.000 to 1.226, well below the conservative threshold of 3.3, suggesting that multicollinearity is not a concern for this model. Finally, the model fit indices, particularly the

SRMR (Saturated: 0.045; Estimated: 0.064), are below the 0.08 limit, indicating an acceptable fit between the proposed model and the empirical data.

Structural Model Assessment

The results of the structural model analysis, as visualized in Figure 2, confirm that all nine hypothesized paths are statistically significant. The firm's (EO) inherent entrepreneurial spirit serves as a potent catalyst for both digital infrastructure and organizational agility. Specifically, EO significantly influences Digital Capability ($\beta = 0.478$, $p < 0.001$) and Strategic Flexibility ($\beta = 0.301$, $p < 0.001$), supporting H1 and H2. This corroborates recent findings by Abdullatif & Masri (2024), suggesting that an entrepreneurial posture is a non-negotiable precursor to resource reconfiguration in volatile markets.

Table 4. Hypotheses Testing and Path Coefficients

Hyp.	Path	β	T Statistics	P Values	Result
H1	EO → DC	0.478	8.754	0.000	Supported
H2	EO → SF	0.301	4.862	0.000	Supported
H3	DC → VCC	0.201	3.208	0.001	Supported
H4	SF → VCC	0.360	7.364	0.000	Supported
H5	VCC → BMP	0.455	8.957	0.000	Supported
H6	DC → BMP	0.136	2.506	0.012	Supported
H7a	SF → BMP	0.192	3.204	0.001	Supported
H8	BMP → CA	0.590	12.855	0.000	Supported
H9	VCC → CA	0.268*	6.601	0.000	Supported

Note: *Indirect
Source: Research data, 2026

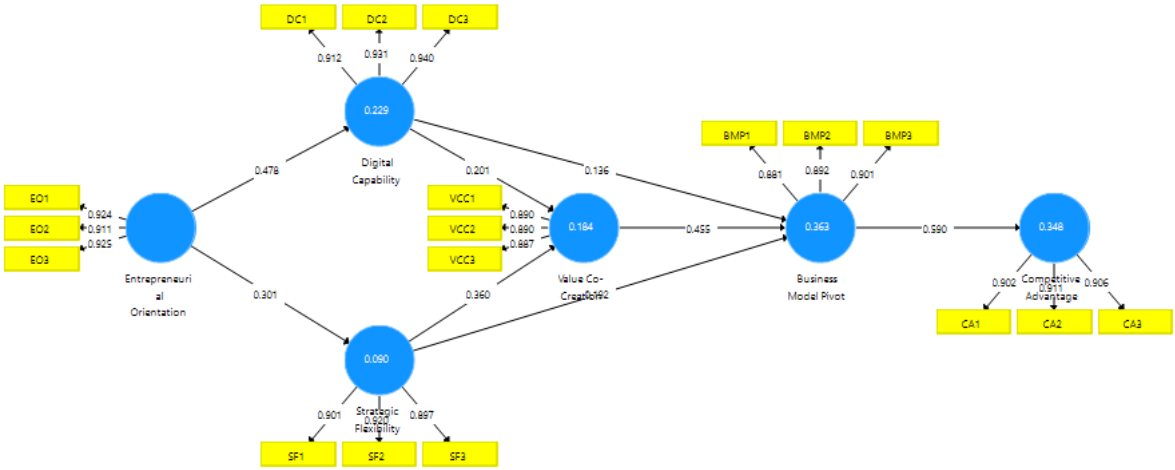


Figure 2. Evaluated Structural Model
Source: Research data, 2026

The model highlights Value Co-Creation (VCC) as the central engine of the strategic pivot. Both Digital Capability ($\beta = 0.201$, $p = 0.001$) and Strategic Flexibility ($\beta = 0.360$, $p < 0.001$) are vital enablers of VCC, validating H3 and H4. Most importantly, VCC exerts a dominant influence on the Business Model Pivot ($\beta = 0.455$, $p < 0.001$), far exceeding the direct effects of digital tools alone. This underscores the argument by (A. Y. Hsu et al., 2024; Yao et al., 2025) that a successful pivot requires the active integration of stakeholder knowledge rather than mere technological adoption.

Table 5. Explanatory and Predictive Power

Construct	R^2	R^2 Adjusted	Q^2	Effect Size (f^2) on Target
Business Model Pivot	0.363	0.353	0.281	-
Competitive Advantage	0.348	0.344	0.282	$f^2_{BMP\ to\ CA}$ = 0.533 (Large)
Value Co-Creation	0.184	0.176	0.137	$f^2_{VCC\ to\ BMP}$ = 0.265 (Medium)
Digital Capability	0.229	0.225	0.192	$f^2_{DC\ to\ BMP}$ = 0.028 (Small)

Source: Research data, 2026

The structural model exhibits moderate to high explanatory power, with the Business Model Pivot achieving an R^2 of 0.363. The predictive relevance (Q^2) for all endogenous constructs is greater than zero, confirming the model's out-of-sample robustness (Hair et al., 2022). Notably, the effect size (f^2) of BMP on Competitive Advantage is exceptionally large (0.533), suggesting that the strategic pivot is the definitive driver of superior market performance in the Indonesian travel agency landscape (Chutiphongdech, 2021; Noer et al., 2025).

Hypothesis H7 explored the indirect mechanisms between EO and the resulting pivot. As demonstrated in Table 6, Strategic Flexibility significantly mediates the path from EO to BMP (β = 0.058, p = 0.011). Interestingly, the serial mediation involving Value Co-Creation (EO → SF → VCC → BMP) is also highly significant (β = 0.049, p = 0.001). This suggests that an entrepreneurial mindset does not lead to a pivot through a linear process but rather by fostering a flexible environment that enables collaborative value creation (Prikshat et al., 2025; Santarsiero, Carlucci, & Schiuma, 2024).

Table 6. Key Specific Indirect Effects

Path	Effect	T Statistics	P Values
EO → SF → BMP	0.058	2.548	0.011
SF → VCC → BMP	0.164	5.820	0.000
EO → SF → VCC → BMP	0.049	3.414	0.001
VCC → BMP → CA	0.268	6.601	0.000

Source: Research data, 2026

Ultimately, the model proves that the pivot is a relational achievement. While Digital Capability matches economic opportunities, it is the synergy of flexibility and co-creation that translates these opportunities into a sustainable competitive edge.

Importance-Performance Map Analysis (IPMA)

The IPMA results, with Business Model Pivot (BMP) as the target construct, provide a nuanced perspective on the strategic landscape of Indonesian travel agencies. As illustrated in Figure 3 and Table 7, the findings suggest that while agencies have invested significantly in certain capabilities, these investments do not always align with the drivers that have the greatest impact on a successful pivot.

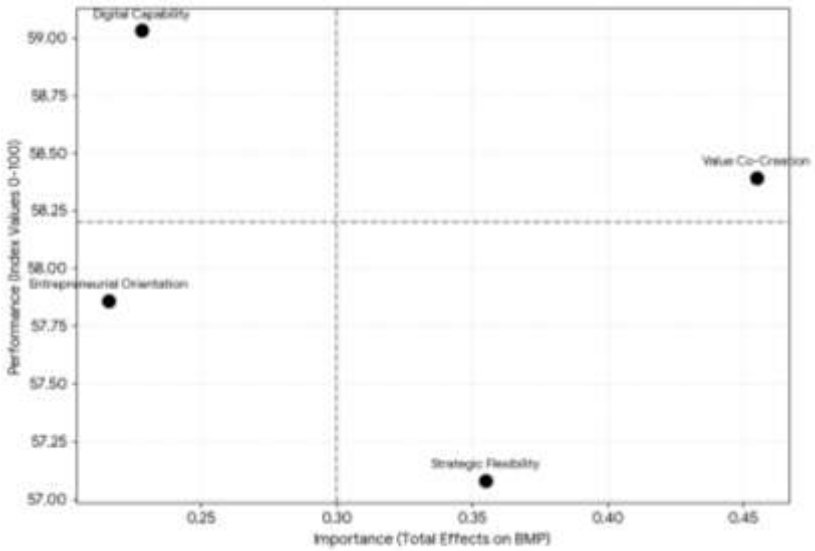


Figure 3. Importance-Performance Map Analysis (IPMA)
Source: Research data, 2026

Table 7. IPMA Results for Business Model Pivot

Construct	Importance	Performance	Strategic Quadrant
Value Co-Creation (VCC)	0.455	58.39	Major Priority
Strategic Flexibility (SF)	0.355	57.08	Major Priority
Digital Capability (DC)	0.228	59.03	Keep Up / Possible Over-investment
Entrepreneurial Orientation (EO)	0.216	57.86	Low Priority

Source: Research data, 2026

The analysis reveals that Value Co-Creation (VCC) and Strategic Flexibility (SF) reside in the high-importance, moderate-performance quadrant. This signifies that these two constructs are the most potent drivers of a business model pivot, yet they currently exhibit significant room for operational improvement. In contrast, Digital Capability (DC) shows the highest performance score (59.03) but a relatively lower importance (0.228) compared to relational factors. This suggests that traditional agencies have achieved a baseline of digital literacy, but the mere possession of technology is insufficient for a strategic pivot without the accompanying flexibility and stakeholder engagement.

A granular examination of the indicators further refines these priorities. Among the co-creation dimensions, VCC1 (Integration of traveler feedback) and VCC2 (Transparent dialogue) exhibit the highest total effects (0.179 and 0.171, respectively). For strategic flexibility, SF2 (Rapid adaptation to disruptions) is the most critical driver (0.151). These results imply that for Indonesian practitioners, the quickest wins in facilitating a pivot lie in improving mechanisms for integrating customer feedback rather than in seeking increasingly complex technological solutions.

Ultimately, the IPMA provides a clear roadmap: traditional agencies must redirect their strategic focus from pure technology acquisition (DC) toward cultivating deep relational competencies (VCC) and structural agility (SF). This reallocation of effort is essential for transitioning from legacy ticketing intermediaries to specialized experience architects capable of sustaining a competitive edge.

Discussion

A salient finding of this study is the secondary role of Digital Capability (DC) relative to Value Co-Creation (VCC) as a driver of the Business Model Pivot (BMP). While the path from DC to BMP

is significant (β = 0.136), its effect size (f^2 = 0.028) is minimal compared to the robust impact of VCC (β = 0.455, f^2 = 0.265). This result addresses the digital-humanist tension prevalent in the Indonesian tourism sector (Noer et al., 2025; Santarsiero, Carlucci, & Schiuma, 2024). It suggests that while agencies have achieved operational performance in digital tools (as shown in the IPMA), these tools serve as mere table stakes—necessary for participation but insufficient for strategic differentiation (A. Y. Hsu et al., 2024; Yao et al., 2025). The IPMA identifies VCC as the Major Priority, indicating that the competitive edge of traditional agencies resides in their ability to integrate traveler feedback and maintain transparent dialogue—capabilities that pure algorithms cannot easily replicate (A. Y. Hsu et al., 2024; Prikshat et al., 2025). For agencies in hubs like Bali or Yogyakarta, where relational norms are high, the pivot is validated when travelers are treated as co-architects of their journeys rather than passive recipients of standardized packages.

The significant mediation of Strategic Flexibility (SF) between Entrepreneurial Orientation (EO) and the pivot (β = 0.058) provides critical insight into the how of organizational transformation. An entrepreneurial mindset (proactiveness and risk-taking) does not automatically trigger a pivot; instead, it fosters a fluid environment in which resources can be reallocated to meet co-creative demands (Abdullatif & Masri, 2024; Neupane et al., 2025). This finding is particularly relevant for the incumbent agencies in our sample, many of which have operated for over two decades. These firms face the highest risk of structural inertia (Abdullatif & Masri, 2024). The results imply that the successful pivot in these legacy firms is driven by SF's ability to dismantle rigid hierarchies and enable ad-hocism in service delivery, matching digital technology with emerging economic opportunities (Buhalis & Sinarta, 2019; Yao et al., 2025).

The exceptionally large effect of BMP on Competitive Advantage (CA) (f^2 = 0.533) reinforces the necessity of the pivot. Agencies that have successfully redirected their value propositions toward MICE or Special Interest travel report higher levels of differentiation and market positioning (Chutiphongdech, 2021; Noer et al., 2025). This validates the Dynamic Capabilities perspective: the firm's survival depends on its ability to sense disintermediation and reconfigure its model before legacy revenue streams (e.g., standardized ticketing) completely vanish. Ultimately, the study reconciles the internal (EO, DC, SF) and external (VCC) drivers. It posits that the traditional agency's future is not digital-exclusive but digital-enabled and human-centric. By orchestrating a sustainable circular innovation ecosystem, agencies can move beyond the intermediary trap and secure a unique role in the smarter tourism ecosystem.

Theoretical and Practical Implications

This study makes several significant contributions to the literature on tourism intermediaries and business model innovation, specifically within the context of emerging markets: While existing literature often treats the pivot as a purely internal strategic shift (Foss & Saebi, 2017; Ries, 2011), this study extends the construct by positioning Value Co-Creation (VCC) as its primary engine. We argue that for traditional travel agencies, a successful business model pivot is not a solitary organizational feat but a relational achievement (Hsu et al., 2024). By proving that VCC has a significantly larger effect size (f^2 = 0.265) on the pivot than pure Digital Capability, this study reinforces the axioms of S-D Logic—positing that value is phenomenologically determined through stakeholder resource integration (Vargo & Lusch, 2016).

A critical contribution lies in the empirical distinction between table-stakes capabilities and differentiation capabilities. The findings suggest a hierarchy in which Digital Capability (DC) serves as an antecedent that enables interaction, while Strategic Flexibility (SF) serves as the critical mechanism that enables the firm to act on co-created insights. This nuance adds depth to the Dynamic Capabilities theory, suggesting that sensing digital opportunities (via DC) must be paired with reconfiguring structures (via SF) to translate market signals into a sustainable competitive advantage (Abdullatif & Masri, 2024; Teece, 2018).

This research provides a theoretical roadmap for traditional incumbent firms navigating extreme disintermediation. By validating the mediating role of Strategic Flexibility ($\beta = 0.058$), we demonstrate that the competency trap of long-standing agencies can be overcome through an Entrepreneurial Orientation that prioritizes fluidity over structural rigidity (Abdullatif & Masri, 2024; Santarsiero, Carlucci, & Schiuma, 2024). This contributes to the literature on SME resilience, showing that agility is the bridge between entrepreneurial intent and actual model transformation (Neupane et al., 2025).

Finally, this study contributes to the burgeoning field of smart tourism by empirically validating the Sustainable Circular Innovation Core (Prikshat et al., 2025). We prove that when agencies modularize their services through stakeholder dialogue, they move from being simple brokers to becoming experienced architects (A. Y. Hsu et al., 2024). This shift from transactional to ecosystem-based value creation provides a new theoretical framework for assessing the relevance of intermediaries in an increasingly automated industry (Noer et al., 2025; Yao et al., 2025).

Managerial Implications

The IPMA results reveal a critical strategic misalignment: while agencies perform well in Digital Capability (DC), its importance in driving a Business Model Pivot (BMP) is significantly lower than that of Value Co-Creation (VCC). Managers should resist the urge to invest in increasingly complex, standalone automation tools. Instead, digital investments should be redirected toward engagement platforms that facilitate real-time dialogue and the integration of customer feedback. Use technology to empower the human touch, allowing staff to transition from ticket brokers to expert travel consultants who co-design unique itineraries with their clients (A. Y. Hsu et al., 2024; Yao et al., 2025).

The study proves that Strategic Flexibility (SF) is a Major Priority with high importance but currently lower performance index scores. Agency directors must dismantle rigid hierarchical structures that prevent rapid adaptation. This involves training staff to be multi-functional and authorizing frontline employees to make ad-hoc service adjustments based on customer needs. By fostering an environment where resources can be reallocated with minimal friction, agencies can maintain a sustainable circular core that adapts to market turbulence before competitors can react (Abdullatif & Masri, 2024; Prikshat et al., 2025).

The exceptionally large effect of the pivot on Competitive Advantage (CA) suggests that survival is impossible within the standardized ticketing segment where OTAs dominate. Agencies should accelerate their pivot toward Special Interest Travel, MICE, and Inbound Destination Management. These segments inherently require greater co-creation and specialized knowledge, providing a natural defense against algorithmic disintermediation. Rebranding the agency's value proposition from transactional convenience to curated expertise and personalized co-creation (Chutiphongdech, 2021; Santarsiero, Carlucci, Lerro, et al., 2024).

Since the study identifies Value Co-Creation as a relational achievement, individual agencies cannot thrive in isolation. Professional bodies like ASITA should transition from purely administrative support to becoming innovation hubs. This includes facilitating B2B co-creation among agencies, local communities, and technology providers to develop regional master plans and smart tourism ecosystems, and to build collective resilience that supports small-scale agencies in matching digital capabilities with localized economic opportunities (Noer et al., 2025; Yao et al., 2025).

CONCLUSION

This study provides a comprehensive empirical validation of the strategic transition required for traditional travel agencies in a smarter tourism ecosystem. The findings confirm that while

Digital Capability (DC) is a necessary operational foundation, it is not the primary driver of a Business Model Pivot (BMP). Instead, the engine room of organizational transformation resides in Value Co-Creation (VCC) and Strategic Flexibility (SF). The results highlight a critical path: an Entrepreneurial Orientation (EO) fosters the structural agility needed to dismantle legacy hierarchies, enabling agencies to engage in deep, collaborative dialogue with stakeholders. It is this relational synergy—rather than pure technological adoption—that allows agencies to successfully pivot their value propositions and secure a superior Competitive Advantage (CA). Ultimately, the future of the traditional travel intermediary in Indonesia depends on its ability to transition from a transactional ticket broker to a co-creative experience architect.

Limitations

Despite its rigorous methodology, this study is subject to several limitations: First, Cross-sectional Nature: The data represent a snapshot in time. Given the volatility of the tourism sector, a longitudinal approach would be more effective in capturing the long-term evolution of a business model pivot. Second, Geographical Bias: Although the sample covers major hubs in Indonesia (Jakarta, Bali, Bandung, etc.), the findings may not be fully generalizable to smaller, more remote agencies that operate under different resource constraints. Third, Self-Reported Data: Relying on managers' and owners' perceptions may introduce a social desirability bias, particularly regarding their own organizational capabilities.

Future Research Directions

Based on the findings and limitations, future inquiries should consider the following avenues: First, The Impact of Generative AI on Co-Creation: Future studies should investigate how advanced AI tools specifically influence the VCC process. Can AI enhance the human touch in personalization, or does it risk returning the agency to a transactional model?. Second, Multi-Stakeholder Perspectives: Subsequent research would benefit from pairing agency-side data with traveler-side perceptions to measure the Co-creation Gap and its impact on performance. Third, Moderating Role of Business Focus: A key question is whether the path to a pivot differs significantly between Inbound/MICE agencies and Ticketing/Outbound firms. Multi-group analysis (MGA) could provide deeper insights into segment-specific survival strategies. Fourth, Longitudinal Pivot Assessment: Tracking a cohort of agencies over a 3–5-year period would clarify the survival rates of firms that perform well in SF and VCC versus those that rely solely on DC.

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