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Networked Value Co-creation: The Influence of Local Community Collaborations on the Dynamic Capabilities of Indonesian Coffee Shops

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الحمد لله الذي بنعمته تتم الصالحات

"All praise belongs to Allah, by whose grace every good deed finds its completion"

Finally, I arrive at this final page of my master's study journey, not simply as someone who has finished the work, but as an individual who has walked a long, potholed road and learned, somewhere along it, what I am truly made of.

To myself: thank you for holding on when the distance felt insurmountable, for choosing yourself, quietly, stubbornly, beautifully every single time. In choosing to enter this battle, I grew beyond what I ever knew myself to be. Of everything I carry, the one thing I will never stop saying is this: I am proud of myself, and I never stopped believing I was worth the effort. That belief, in its own way, was the greatest victory of all.

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Resumo

Em cidades indonésias como Yogyakarta, Surakarta e Bandung, as cafetarias estão a ser cada vez mais utilizadas como espaços partilhados pelas comunidades locais para encontros e atividades colaborativas. No entanto, a forma como o valor é cocriado através destas parcerias e como isso molda as capacidades dinâmicas das cafetarias ainda não foi totalmente explorada na literatura. Apesar deste fenómeno crescente, a dinâmica destas parcerias, incluindo a forma como o valor é trocado e como influenciam a adaptabilidade das pequenas empresas, permanece pouco explorada na literatura. Este estudo explora como a cocriação de valor entre as cafetarias e as redes comunitárias locais influencia as capacidades dinâmicas das pequenas e médias empresas de cafetarias.

Utilizando uma abordagem qualitativa, os dados foram recolhidos através de entrevistas semiestruturadas em profundidade em sete cafetarias e sete comunidades nas três cidades e analisados através de análise temática no MAXQDA. Os resultados mostram que a cocriação de valor nestas colaborações opera através de trocas recíprocas de recursos tangíveis, como o espaço e as instalações, e de recursos intangíveis, como a visibilidade e o acesso ao público, ao mesmo tempo que lida com tensões reais em torno das expectativas e da adequação operacional. Um processo de intercâmbio bem-sucedido fortalece as capacidades dinâmicas do lado da cafetaria, de forma mais visível na melhoria da qualidade do serviço e em operações diárias mais flexíveis.

Estas descobertas sugerem que a colaboração contínua com as comunidades locais deve ser tratada como uma prática estratégica, em vez de uma actividade social informal, o que permite a construção de capacidade adaptativa nas pequenas empresas de serviços ao longo do tempo.

Palavras-Chave: Cocriação de valor, Colaboração, Capacidades dinâmicas, Pequenas e médias empresas, Contexto de serviço local

Sistema de Classificação JEL:
M10 – Gestão de Empresas: Geral
M31 – Marketing e Publicidade: Marketing

Abstract

In Indonesian cities like Yogyakarta, Surakarta, and Bandung, coffee shops are increasingly being used as shared spaces by local communities for gathering and collaborative activities, yet how value is co-created through these partnerships and shapes the dynamic capabilities of coffee shops. Despite this growing phenomenon, the dynamics of these partnerships, including how value is exchanged and how they influence small business adaptability, remain underexplored in the literature. This study explores how value co-creation between coffee shops and local community networks influences the dynamic capabilities of small-to-medium coffee shop businesses.

Using a qualitative approach, data were gathered through in-depth semi-structured interviews with seven coffee shops and seven communities across the three cities and analysed using thematic analysis in MAXQDA. The findings show that value co-creation in these collaborations operates through reciprocal exchanges of tangible resources such as space and facilities, and intangible resources such as visibility and audience access, while navigating real tensions around expectations and operational fit. A successful exchange process strengthens dynamic capabilities on the coffee shop side, most visibly in improved service quality and more flexible day-to-day operations.

These findings suggest that sustained collaboration with local communities should be treated as a strategic practice rather than an informal social activity, which allows for building adaptive capacity in small service businesses over time.

Keywords: Value co-creation, Collaboration, Dynamic Capabilities, Small-Medium Enterprises, Local Service Context

JEL Classification System:
M10 – Business Administration: General
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1. Introduction

Modern businesses have shifted the way they create value; value creation now goes beyond a simple exchange of goods (Vargo & Lusch, 2016), as consumers seek meaningful experiences, ongoing relationships, and interactions that feel personally relevant to them (Pine II & Gilmore, 2020; Tran, et al., 2025). From the conventional Goods-Dominant Logic, where firms are positioned as the central creators of value, businesses are moving to the Service-Dominant (S-D) Logic, in which service is the application of specialised knowledge and skills as the core element of economic exchange (Vargo & Lusch, 2004). In this latter view, value is something that emerges subjectively through experience and interaction (Abid, Shamim, Khan, & Khan, 2022; Itani, Kassar, & Loureiro, 2019). With its subjective and dynamic characteristics, value can no longer be handed over by firms, but rather it is co-created through the integration of resources across organisations and the various actors they engage with (Vargo & Lusch, 2008).

The process is commonly referred to as Value Co-Creation (VCC) and involves continuous collaborative effort among multiple actors. The value is produced through ongoing exchange, coordination, and mutual engagement (Grönroos, 2011; Prahalad & Ramaswamy, 2004). Although value co-creation is relevant across all organisational settings, it is particularly significant in small, service-oriented businesses, where relationships with customers and local communities tend to be more personal and continuous (Laud & Karpen, 2017). Some empirical studies have shown that businesses engage actively with communities, which allows them to explore possibilities for drawing on complementary resources and co-create value collaboratively that neither party could generate independently (Widjojo, Fontana, Gayatri, & Soehadi, 2020).

In local service contexts, value co-creation highlights the significance of community-based interactions in shaping value outcomes, as value is created through continuous collaboration between businesses and community actors, emerging from regular interactions, shared practices, and mutual involvement (Czernek-Marszałek, 2020; Xu, Li, & Zhang, 2021), allowing actors to collectively shape experiences and create value that is significant to each actor (Mele, Russo-Spena, Marzullo, & Ruggiero, 2022).

The collaborative dimension of value creation depends heavily on consistent and practice-based routines, such as coordinating activities, sharing resources and spaces, and continuously renegotiating each actor's role and contribution (Perna, O'Toole, Baraldi, & Gregori, 2022; Mele, Russo-Spena, Marzullo, & Ruggiero, 2022; Saha, Hollebeek, Venkatesh, Goyal, &

Clark, 2025). Once these routines are integrated into day-to-day operations, value co-creation becomes a regular aspect of social interaction within the local service contexts, rather than an exceptional occurrence (Echeverri & Skålén, 2021). Viglia et al. (2023) suggest that it is more beneficial to understand value co-creation as an ongoing social process rooted in practice, instead of as a distinct outcome produced by firms.

Coffee shops represent local service contexts where value is collaboratively created with the involvement of multiple actors (Echeverri & Skålén, 2021). In urban settings, coffee shops offer an interesting example where they not merely function as commercial spaces, but as neutral, accessible spaces besides home, work, and school, to gather, socialise and form connections. This term to describe this, popularised by Oldenburg (1999), is called 'third places'. The third places, like coffee shops, naturally attract diverse social groups and can become embedded within the community networks around them. This positioning makes both coffee shops and local communities simultaneously participants and facilitators of value co-creation, as the boundaries between customer, community members and collaborator become less clearly defined.

Previous studies suggest that coffee shops in Indonesia have gradually evolved from simple beverage outlets into communal spaces that host social events, gatherings, and cultural activities (Azahra, Apriliani, Muabdan, Khumayah, & Wulandari, 2024; Ridaryanthi, Ahmad, & Dwityas, 2022). This integration into local community networks creates sustained collaborative relationships that can influence how these businesses adapt their operations, learn, and reconfigure their resources (Bartoloni, Ietto, & Pascucci, 2022; Ferreira, Ferreira, & Bos, 2021; Priyono, Shukor, Moin, & Salikin, 2025).

The capacity to adapt through changing demand, seize on emerging opportunity, and reconfigure internal resources is captured by the concept of dynamic capabilities (Teece, Pisano, & Shuen, 1997). Within the coffee shop business context, this framework offers a valuable perspective for understanding how sustained community engagement can lead businesses to renew their core competencies by integrating external knowledge with internal resources (Teece, 2007; Ambrosini, Bowman, & Collier, 2009; Eisenhardt & Martin, 2000). While dynamic capabilities have been extensively studied relating to firm performance and innovation (Araújo, Kato, & Corso, 2022), there has been limited attention on their emergence through value co-creation practice within the local community context.

Research on dynamic capabilities and value co-creation has developed in largely parallel streams. Empirical studies on dynamic capabilities have mostly focused on large, stable organisations, and have mainly examined how firms adapt and reconfigure resources in relation to performance and innovation outcomes (Teece, 2007; Eisenhardt & Martin, 2000; Helfat, et al., 2007). Comparably, value co-creation research has thoroughly examined collaborative value processes between businesses and customers, frequently in corporate or platform-based contexts (Vargo & Lusch, 2016; Prahalad & Ramaswamy, 2004; Payne, Storbacka, & Frow, 2008).

Although small and medium-sized enterprises (SMEs) have increasingly attracted scholarly attention, particularly in relation to innovation, learning, and relational capabilities (Ambrosini, Bowman, & Collier, 2009; Kindström, Kowalkowski, & Sandberg, 2013), existing studies tend to focus on either dynamic capabilities or value co-creation in isolation. As a result, empirical studies have examined how SMEs develop dynamic capabilities through sustained value co-creation and collaboration with local communities only to a limited extent.

In emerging economies like Indonesia, the gap is particularly evident in local service contexts, where being deeply rooted in the community is not simply a cultural backdrop but actively shapes how organisations learn and adapt. Exploring how community-embedded value co-creation shapes the development of dynamic capabilities requires a qualitative approach, which is effective in capturing how dynamic capabilities evolve through lived, relational practices of value co-creation, rather than treating dynamic capabilities as a predefined strategic construct.

This study thus aims to investigate how local communities and coffee shops co-create value through their collaboration, examining how these collaborative practices contribute to the development of dynamic capabilities in coffee shop businesses.

The following research questions are posed:

a. How do coffee shop owners and local communities perceive their collaboration and the co-creation of value that arises from it?
b. What are the challenges that arise from collaboration between coffee shops and local communities in the process of value co-creation?
c. How does collaboration and value co-creation with local communities affect coffee shops' dynamic capabilities?

It is hoped that this research will contribute to the developing literature on value co-creation and dynamic capabilities, particularly in local community-driven service contexts in Indonesia. The results of this study are expected to be significant to academics as they present novel knowledge on how to create value with local communities, and how that process contributes to the development of dynamic capabilities. The findings offer actionable insights for coffee shops into how to structure collaborations with local communities, in understanding what resources to exchange, how to navigate tensions around expectations and operational fit, and how these partnerships can strengthen their long-term adaptability. For local communities, the findings highlight how to engage more strategically with local businesses as active co-creators.

The remainder of this thesis is structured as follows: Chapter 1 sets the stage for the background and conceptual foundation, Chapter 2 reviews the relevant literature, Chapter 3 outlines the research methodology, Chapter 4 presents and discusses the research findings, and Chapter 5 draws conclusions and outlines implications, limitations, and recommendations for future research.

2. Literature Review

2.1. Value Co-Creation

Value co-creation is known as a collaborative process where value is created in a mutual exchange between two or more stakeholders. The concept has been extensively developed by Vargo and Lusch (2004) within the framework of service-dominant logic, which proposes that value is not created by the firm alone in its product, but produced together through interactions between providers and customers, drawing on their respective knowledge and skills. Within this framework, value co-creation refers to the collaborative process through which multiple actors together generate outcomes that none could produce independently. Value co-creation shifts the understanding of how value is co-created from a firm-centric exchange of goods to one where value emerges through service and interaction (Vargo & Lusch, 2004; Vargo & Lusch, 2008).

Traditional models of value creation positioned the firm as the primary value creator, and the customer consumed (Vargo & Lusch, 2004). The concept of value co-creation challenges this by arguing that value is not produced unilaterally; instead, it repositions customers as active participants who bring their experiences, knowledge and skills into the value creation process, meaning value is created in the moment of interaction (Prahalad & Ramaswamy, 2004; Vargo & Lusch, 2016).

Fundamentally, value co-creation is understood as a process that unfolds through ongoing interactions among multiple actors (Payne, Storbacka, & Frow, 2008; Vargo & Lusch, 2008). Rather than being independently produced, value takes shape through collaborative practices that enable interaction, engagement, and sharing of resources (Prahalad & Ramaswamy, 2004; Payne, Storbacka, & Frow, 2008). Collaboration, therefore, does not represent the main outcome of a value co-creation process, but functions as a key mechanism that facilitates sustained interaction and resource integration (Payne, Storbacka, & Frow, 2008; Vargo & Lusch, 2008). Through actor-to-actor relationships, value is continuously created, shaped, and experienced over time (Vargo, Maglio, & Akaka, 2008; Grönroos & Voima, 2013).

Beyond firms and consumers, communities can also represent important actors in the value co-creation process. Their role is shaped through collaborative relationships, in which communities function as collective actors that contribute shared resources, knowledge, and experiences in interaction with the firm and other actors to benefit both through reciprocal value exchange to solve problems or innovate service offerings (Jaakkola & Alexander, 2014;

Nahapiet & Ghoshal, 1998; Vargo & Lusch, 2008). Community-based value co-creation is characterised by its strong embeddedness in social ties, shared norms, and trust, which sustains engagement and cooperation among actors (Jaakkola & Alexander, 2014). In this context, social capital serves as a significant foundation for the quality and longevity of collaborative outcomes (Grönroos, 2011; Payne, Storbacka, & Frow, 2008).

The theoretical foundations discussed are particularly evident in collectivist societies, such as in Indonesia, where strong social connections, collective practices, and deeply held values associated with relationships and community life have significantly shaped how people interact with one another (Widjojo, Fontana, Gayatri, & Soehadi, 2020). This cultural foundation influences the processes and outcomes of co-creation, not only the nature that affects the character of the community-business relationship (Vargo & Lusch, 2016; Payne, Storbacka, & Frow, 2008; Bowen, Newenham-Kahindi, & Herremans, 2010).

2.2. Local Community in Indonesian Context

Fundamentally, a community can be understood as a group of individuals connected by common interests, identity, or values, sustained through repeated interaction and a sense of belonging (Hoffer, 1931; McMillan & Chavis, 1986; Putnam, 2000; Tönnies, 2002). These shared ties strengthen social unity and facilitate collective action and mutual support among community members (McMillan & Chavis, 1986). Communities provide more than a sense of identity; they also influence broader social and economic trends by functioning as dynamic entities that influence collective behaviour, lifestyle preferences, and cultural expression (McMillan & Chavis, 1986; Wenger, 2000). In contemporary urban life, communities have increasingly become social influencers, capable of spreading ideas and cultivating new norms and practices among their members (Putnam, 2000).

In Indonesia, the concept of community holds a strong cultural importance. Indonesian community life is deeply rooted in collectivist values that prioritise social harmony, mutual dependence, and shared responsibility. *Gotong royong*[1] refers to the traditional principle of collectively sharing efforts between individuals or even groups to achieve goals (Koentjaraningrat, 2009; Soekanto, 2014). This value encourages trust, reciprocity, and long-term social embeddedness, enabling communities to function as more than social groups but as collective actors in economic and social life (Fletcher, Fenton, Lord, & Griffiths, 2025).

[1] Mutual cooperation

Empirical studies have shown that local communities in Indonesia contribute to economic outcomes by collaborating with businesses through collective action and reinforcing these social values (Widiastuti, Mulyani, Riani, & Saputri, 2024; Perlambang, MS, Thalib, Santoso, & Prilosadoso, 2025).

Additionally, communities can offer a source of competitive advantage for businesses that engage with them in a meaningful manner. Bussgang and Bacon (2020) argue that strong community engagement enables organisations to mobilise collective effort, drive innovation, and strengthen legitimacy through shared purpose and participation. Businesses that actively co-create value with communities through shared knowledge, trust-based relationships, and genuine participation rather than transactional exchanges are likely to advance innovation, strengthen legitimacy and develop sustainable competitive advantage (Vargo & Lusch, 2008; Prahalad & Ramaswamy, 2004). In Indonesia, where *gotong royong* remains a core social value, collaboration between local communities and local businesses is culturally resonant, not merely a strategic decision. Through collaborations, communities become active co-creators rather than passive recipients, contributing to both economic outcomes and the development of dynamic capabilities with firms.

2.3. Dynamic Capabilities

In today's increasingly competitive environments, firms are under constant pressure to adapt to evolving customer demands, market trends, and external conditions that affect their strategies and day-to-day operations (Teece, 2007; Eisenhardt & Martin, 2000). However, adaptation does not happen automatically; it relies on internal organisation capabilities and the willingness of managers to initiate and maintain strategic change (Teece, 2007). This is where the dynamic capabilities concept is relevant. Teece, Pisano and Shuen (1997) define dynamic capabilities as a firm's ability to integrate, develop, and reconfigure its internal and external competencies in response to rapidly changing environments (p. 509). While the RBV emphasises the importance of maintaining valuable resources (Barney, 1991), dynamic capabilities extend this by illustrating how firms actively reconfigure resources as environments evolve (Teece, Pisano, & Shuen, 1997).

Research on organisational transformation has focused on large corporations with abundant resources and well-developed structures (Helfat, et al., 2007). However, small firms and small and medium-sized enterprises (SMEs) often face a different reality, characterised by limited resources, narrower knowledge bases, and a lack of specialist expertise (Zahra, Sapienza, &

Davidsson, 2006). In saturated markets such as the coffee shop industry, these limitations make adaptability not just desirable but necessary for survival and competitiveness. The dynamic capabilities framework provides a valuable perspective on how smaller firms navigate this challenge by continuously renewing core competencies through the integration of internal strengths and knowledge obtained externally (Teece, Pisano, & Shuen, 1997). Core competencies, in this context, refer to specific combinations of skills, knowledge, and routines of the firm that support sustained value creation and competitive advantage (Prahalad & Hamel, 1990).

Dynamic capabilities are commonly conceptualised into three key operations: Sensing, Seizing, and Reconfiguring (Teece, Pisano, & Shuen, 1997). Sensing refers to a firm's ability to identify and assess changes in the external environment, such as spotting new opportunities, shifts in customer preferences, or technological advancements. Seizing involves mobilising resources and strategic decision-making to act on those opportunities through a suitable value proposition. Lastly, reconfiguring refers to the continuous adaptation and renewal of organisational resources, routines, and competencies so the firm remains competitive over time (Teece, 2007). In the coffee shop context, these three key operations highlight how sustained engagement with local communities might support strategic adaptation and build long-term resilience by incorporating learning and integrating resources into everyday practices.

2.4. Coffee Shops in Indonesia

Coffee is one of the most widely consumed beverages in the world, with its significance extending beyond economic importance to social and cultural life. Over time, coffee has evolved from a traded commodity into a culturally rooted product, closely associated with social interaction, identity and lifestyle (ICO, 2024; Samoggia & Riedel, 2018). Historically, cafés and coffee houses have served as a communal space, a place for conversation, exchange of ideas, and community formation across diverse societies (Oldenburg, 1999). In contemporary markets, coffee shops are increasingly operating as 'third places' that facilitate socialisation, identity expression, and lifestyle engagement, not only as retail outlets.

Indonesia represents a significant case in this global story. Coffee was introduced to Indonesia by the Dutch East India Company (VOC)[2] in the 18th century, as the Dutch climate was unsuitable for coffee cultivation (Cramer, 1957). During the colonial period, coffee became

[2] *Vereenigde Oostindische Compagnie*

one of Indonesia's most valuable export commodities and secured a position in European markets (Hoffmann, 2018). Since then, coffee consumption has become deeply woven into Indonesian daily life. Traditionally, it was closely associated with masculinity and was consumed at *warung* or street stalls, where men would gather over strong black coffee and conversation (Nurhasanah & Dewi, 2019; Haswidi, 2017).

The rise of contemporary coffee shops in Indonesia has transformed these practices. Unlike their traditional counterparts, modern Indonesian coffee shops provide curated environments, speciality coffee preparation, and experiences centred around lifestyle and identity (Hapsari & Wijaya, 2024; Asys, Kusuma, & Ishak, 2022). Many of these establishments function simultaneously as social spaces, co-working environments, and venues for creative events and community activities (Krisnayana, 2020). These developments reflect a broader global trend in coffee consumption toward experiential and socially integrated practices (Oldenburg, 1999; Samoggia & Riedel, 2018), while in Indonesia, these trends are further shaped by collectivist values and communal orientations that prioritise social interaction and shared experience (Haswidi, 2017; Widjojo, Fontana, Gayatri, & Soehadi, 2020).

For younger generations, such as Millennials and Generation Z, coffee consumption has come to represent more than taste and carries social and cultural values and experience (Samoggia & Riedel, 2018). These younger generations are increasingly attracted to modern coffee shops as spaces for identity expression, creative engagement, and collaborating with others (Sudarman, 2025; Agustiarmaputri, 2025; Sondang, Pandusaputri, & Mokodompit, 2024; Ridaryanthi, Ahmad, & Dwityas, 2022). This trend creates both opportunity and challenge: coffee shops must adjust their strategies to align with shifting social expectations while maintaining commercial viability. With Indonesia's diverse culture and its deep tradition of community life, coffee shops provide a rich and valuable context for exploring how community engagement influences value co-creation and dynamic capabilities within a small business environment.

3. Methodology

This chapter contains the explanation of the research design, data collection methods, and analytical strategy used to address the study's objectives. This study aims to understand the perceptions between coffee shops and local communities in the collaborations as a process of value co-creation and its influence on dynamic capabilities. In order to achieve this, a qualitative research approach was selected to better understand the perceptions, practices, and interactions between coffee shops and local communities in Indonesia.

As discussed in the introduction and literature review, value in Indonesian coffee shops is generated through daily social interactions and collective cultural norms. These processes are dynamic and deeply linked to the context; the study requires a method that considers how meanings, experiences, and processes are constructed in practice.

3.1. Research Design

Therefore, this study adopted a qualitative research approach. Qualitative research allows a deeper exploration of how individuals make meaning from their experiences, capturing perspectives, motivations, and interactions (Schindler, 2022). This approach is relevant to the study given the nature of the research questions, which seek to understand how coffee shops and local communities perceive and experience their collaborations and their influence on the development of dynamic capabilities. Such questions can capture meaning, context, and lived experience, which qualitative research is uniquely positioned to provide. By focusing on how the coffee shop owners, on one hand, and the community representatives on the other, perceive and describe interactions, this study aims to develop a grounded understanding of the actual co-creation of value.

3.2. Data Collection Methods

This study gathered primary data, conducted through individual in-depth interviews with both those in managerial positions in coffee shops and community representatives. This method was chosen because it allows participants to share detailed accounts, such as experiences, perceptions, and practices, in their own words. Individual interviews offer participants more room to express themselves openly, without the pressure of group dynamics or the tendency to provide socially expected answers.

The interviews followed a semi-structured format, guided by two interview guides, one for coffee shop owners or managerial positions, and one for the local community leaders, developed based on the research objectives and existing literature review. The two guides were largely parallel in structure, with the exception of questions relating to dynamic capabilities, which were directed solely at coffee shop owners. The questions are open-ended and sometimes contemplated additional probes used to encourage participants to elaborate on specific experiences and practices in a flexible way.

A semi-structured interview is suitable for exploratory research, as it generally starts with specific questions and is followed by unexpected yet relevant additional probes by the interviewer, while maintaining consistent structure. The flexibility in an open-ended question provides greater variety of data, which is valuable, where the experiences of coffee shops and local communities are highly contextual and cannot be fully anticipated in advance (Schindler, 2022).

The interview guides were developed based on the research objectives and existing literature review. The questions designed to directly address each research question. The first question covered perceptions of collaborations, the second question about challenges that arise during the collaboration, and lastly, the development of dynamic capabilities in the coffee shop. A full overview of the interview guides, including the mapping to the research questions and literature review, is provided in Annex C and D.

3.3. Participants

This study was conducted on Java Island, Indonesia, as the research setting. As Indonesia's most populous island, with around 145.5 million residents (BPS, 2025), Java Island represents a diverse demographic landscape shaped by significant migration and a blend of cultural backgrounds (Wajdi, Mulder, & Adioetomo, 2017). The study centred on three cities, Yogyakarta, Surakarta, and Bandung, which were purposively selected for their reputation as hubs for youth creativity, active community life, and a thriving coffee culture (Sutisnawati, Amanda, Salsabilla, & Andestiani, 2025; Anggraeni & Palupi, 2023; Eldyansyah & Syah, 2026).

14 final samples comprised two participant categories: coffee shop owners and local community leaders. Coffee shops were required to have been operating for at least one year and to have held a minimum of three collaborative activities with local communities. The study

focused on independent establishments rather than large chains, although multi-branch independent businesses were also considered. Interviewees from these establishments were required to be the owners or hold managerial roles that were directly responsible for community event coordination. On the community side, groups were included if they conducted regular weekly or monthly activities and had taken part in at least three collaborations with coffee shops. Only founders and community coordinators were approached to ensure the responses reflected a strategic-level perspective.

Participants were recruited through social media screening on Instagram and TikTok, as well as internal referrals. Initial contact was multi-channel via direct message, WhatsApp, and email. If there was no reply within three days, the researcher visited the coffee shop in person, introduced themselves and the research, and assessed interest. If the local community representative did not reply to the message, the researcher scouted the other communities that have collaborated with a certain coffee shop. Once participants agreed to take part, interviews were scheduled at their convenience, with both online and offline options offered. Before interview sessions, participants were required to read and sign an informed consent form.

Data collection was conducted between 7 February 2026 and 17 March 2026. Participants from coffee shops included marketing personnel responsible for collaborative events, business owners, and a creative director. Community representatives included founders and board members. These roles were deliberately targeted, as individuals in such positions are ideally suited to discuss the entire process of community initiatives from early planning and implementation to evaluation (Faccin, Martins, Silva, Foguesatto, & Balestrin, 2023).

Participants of the interview included coffee shop owners or managerial positions who actively engaged with local communities, as well as selected community representatives who participated in collaborative activities with coffee shops. The duration of each interview varied between 30 and 45 minutes, depending on participants' availability. Interviews were audio-recorded with participants' prior consent through an informed consent form and later transcribed verbatim for analysis. The informed consent form is provided in Annex E and F.

Given the study's focus on examining collaboration between coffee shops and local communities, specific participants were purposively selected as paired cases, each pairing a coffee shop with the local community with which it had an established collaborative relationship. The final sample for data saturation consisted of seven pairs of coffee shops and

local communities: two from Yogyakarta, one from Surakarta, and four from Bandung. Out of seven coffee shops, four operated multiple branches. Among local community participants, four were sports-based groups and three focused on creative hobbies. Full details of all participants are presented in the table below:

Interview	Position	Location	Year(s) of Operating	Number of Branch(es)	Duration of Interview	Date of Interview	Type of Interview
CS1	Head of Marketing	Yogyakarta	7	0	34	07/02/2026	Offline
CS2	Head of Public Relations	Yogyakarta	2	2	35	11/02/2026	Offline
CS3	Creative Director	Surakarta	6	3	30	09/02/2026	Offline
CS4	Chief of Business Officer	Bandung	2	2	46	04/03/2026	Offline
CS5	Owner	Bandung	8	2	35	10/03/2026	Online
CS6	Operational Manager	Bandung	8	0	48	13/03/2026	Offline
CS7	Marketing	Bandung	8	0	37	17/03/2026	Offline

Table 3.1 Coffee Shop's Respondents

Interview	Position	Location	Year(s) of Operating	Type of Community	Duration of Interview	Date of Interview	Type of Interview
LC1	Leader	Yogyakarta	3	Running	49	08/02/2026	Offline
LC2	Founder	Yogyakarta	6	Cycling	40	12/02/2026	Offline
LC3	Coordinator	Surakarta	7	Cycling	36	23/02/2026	Online
LC4	Founder	Bandung	1	Walking	25	24/02/2026	Offline
LC5	Founder	Bandung	6	Board Game	75	02/03/2026	Offline
LC6	Coordinator	Bandung	4	Reading	60	03/03/2026	Offline
LC7	Coordinator	Bandung	3	Reading	41	06/03/2026	Online

Table 3.2 Local Communities' Respondents

Interview durations lasted between 25 and 75 minutes, with an average of 42 minutes. All sessions, whether conducted online or offline, were audio-recorded to preserve accuracy. Online interviews were screen-recorded with certain software. Once data collection was complete, all recordings were transcribed and translated into English for analysis.

3.4. Data Analysis

The data were transcribed and analysed using thematic analysis and followed by a reflexive and iterative approach. Thematic analysis was chosen for its flexibility in identifying and examining patterns of meaning across qualitative data guided by theoretical insights (Braun, Clarke, Hayfield, & Terry, 2019). This approach is particularly suited to interview-based studies that explore practices and perceptions (Alaba, Osaretin, & Rocha, 2026). To support the analysis, MAXQDA, a Computer-Assisted Qualitative Data Analysis Software (CAQDAS), was utilised. This software was selected for its ability to manage data from multiple participants' perspectives and to support a transparent coding process that enhances the credibility of the findings.

The coding followed a hybrid approach, combining inductive and deductive reasoning. Pre-established codes were initially developed based on the research questions and literature review, while open coding was applied at the same time to capture new patterns emerging directly from the transcripts. These initial codes were then reviewed and merged when they overlapped, reducing redundancy before moving to the next stage.

The codes were then refined using MAXQDA's Creative Coding tool to create a visual map of thematic patterns. This approach ensured that emerging categories remained connected to both the research question and the literature review. Each theme was further developed and defined, with each one written as a coherent narrative based on its category. Instead of simply describing content, each theme was named to reflect its interpretative meaning. This iterative method resulted in a final thematic structure that is both grounded in data and theoretically informed.

4. Findings and Discussion

In order to understand the collaboration between coffee shops and local communities and its role in value co-creation and dynamic capabilities, seven coffee shop owners and 7 local community leaders across three cities in Indonesia: Yogyakarta, Surakarta, and Bandung were interviewed. Overall, the findings generally indicate that collaborative engagement with local communities tends to support coffee shops in identifying market changes and seizing emerging opportunities. This kind of networking relationship also appears to play a meaningful role in encouraging business innovation and maintaining customer loyalty during times of market instability.

The chapter is divided into four parts. The first part covers the motivations for each party behind these collaborations and how coffee shops align their identity in relation to their communities. The second part explores the operational aspects of these collaborations, including their routines, outcomes, and the challenges that came with them. The third part connects these observations to the dynamic capabilities that appeared to have developed from community collaboration. Finally, a summary of all the findings is presented in Table 4.1 at the end of the chapter.

4.1. Collaboration, Purpose, and Identity

In order to understand the role of collaboration between coffee shops and local communities in value co-creation, we first wanted to understand what the motivations that drive participation in these collaborations were for both how coffee shop owners and community leaders. This subsection will explore the motivations driving the collaborations, the initial stages of the engagement process and how that then continues, and the outcomes of these collective efforts to create value together. The findings suggest that communities were primarily motivated by the accessible spaces and sense of belonging, while coffee shops were driven by community engagement and brand alignment.

As the primary actors in the collaboration, the coffee shop and the local community share an intense link in developing an ecosystem based on hobbies or purposes. The findings show that these collaborative activities were primarily motivated by the ‘contextual value’ of the coffee shop driving these connections, both tangible and intangible benefits, such as physical atmosphere, ‘third place’ belonging, identity of the place, and hospitality. For coffee shop owners, the motivations for these collaborations are often related to increasing brand

awareness, more so than seeking financial output. The collaboration between these two actors emerges both through organic relationships, such as friendships and shared interests, and intentional strategic intentions for brand visibility.

The motivation emerged among coffee shops whose identity is rooted in a specific hobby or subculture, which naturally draws them toward communities that share the same interest. Many coffee shops benefit from building a personal connection with their customers, a core objective that comes from their identity. One of the participants described their core drive to collaborate:

> *K-pop culture is intrinsically linked to communities. These fandoms and fanbases represent a massive market. We noticed that many fanbases wanted to hold events but struggled to find suitable venues. Most coffee shops are too general, whereas [Coffee Shop 5] provides the specific aesthetic they are looking for. Our goal is to provide a "Korean Comfort Coffee Shop" experience. This is reflected in our interior design, our products, and the overall atmosphere—right down to the playlist, which is curated with specific Korean-style characteristics.* (Coffee Shop 5, Bandung).

Within these motivations, the coffee shops see a close relationship with communities, which allows them to take on the role of a provider, bridging mutual needs and facilitating the exchange of value.

In this context, local communities are driven by a shared goal of amplifying their collective identity and presence, often through collaborative effort with local businesses. For instance, a local community representative shared their motivation to form a community:

> *Our goal is to bring together people who want to exercise but don't necessarily enjoy running. We focus on simple walking activities, but we wrap them in different concepts—almost like a 'walking speaker'[3] series. The club was born because I personally love walking*

[3] The term *'walking speaker'* is to describe one of the activities where participants walk together along the route, while engaging in light, casual conversation, either with fellow participants or the coordinator. As they walk, members can get to know one another or simply enjoy a relaxed exchange conversation.

around Bandung. So many people wanted to join me that I decided to facilitate and accommodate them. (Local Community 4, Walking Community).

Through the purpose of forming a community, they seek collaborations with coffee shops with multifaceted goals, centring on three key drivers: access to space, cultural alignment, and mission advancement. The most prominent motivation was access – having a venue with an appropriate atmosphere and the ability to accommodate the community's events. The coffee shop's image as a "third place" motivates communities to utilise these spaces for relaxation and socialising:

We needed space, and we targeted coffee shops that offered a cosy atmosphere. Also, it serves as a 'third space'; coffee shops have stepped in to fill this gap [the insufficient public spaces for gathering or socialising], offering places to gather, work, or relax for long periods. (Local Community 7, Reading Community).

Beyond logistics, the local communities found that coffee culture naturally aligned with their lifestyle and activities, making coffee shops a comfortable and intuitive meeting point and post-activity destination. As stated by one of the participants: *"It was a coincidence, formed by a cultural perception of cycling lifestyle that interconnected with coffee culture at that time. At the coffee shops, we hang out, talk about everything, and it's always been the meeting point for us, culturally."* (Local Community 3, Cycling Community).

Additionally, some of the communities held a more purposeful motivation, using the coffee shop as a strategic tool to normalise the main community activities in the public space and advance their core mission: *"The mission is to normalise reading in public. Many people in Indonesia feel shy or 'geeky' reading alone in public because of the social stigma. We want people to feel like they aren't alone in their love for books."* (Local Community 6, Reading Community).

The collaborations further enable local communities to share information and referrals with other communities; consequently, more communities reach out to the coffee shop for future collaborations.

Kotler and Keller (2016) stated that businesses prioritise material value in the first place; this value cannot be reached if they are not making an effort to be known to their market. The effort of awareness varies, depending on the business itself and its market (Butkouskaya, Llonch-Andreu, & Alarcón-del-Amo, 2024). In this study, the coffee shop is a service-context business that implements collaborations with local communities to raise its brand awareness. These collaborative activities demonstrate that word-of-mouth serves as an effective driver of brand awareness, strengthening the coffee shop's position and identity with the local communities. According to one of the coffee shop owners, this organic strategy for building brand awareness through collaborations with local communities is significantly more impactful than social media marketing campaigns:

> *In collaborations, building awareness is the most important goal. We don't prioritise revenue, even profit; instead, we focus on awareness first. Within a community, the primary output of that awareness is word-of-mouth. While social media presence is good, it doesn't always reach people on a personal level. However, personal word-of-mouth from those who are physically present is much more impactful.* (Coffee Shop 4, Bandung).

Ultimately, these collaborations between the coffee shops and local communities aim to raise awareness to maintain their identity. This aligns with brand community literature, which similarly emphasises identity maintenance as a collective motivation (Black & Veloutsou, 2017). By acknowledging and valuing each other's roles, the coffee shop provided the physical space, while the local community expressed their purpose by connecting people within a dedicated social hub.

4.2. Value Co-Creation Practices, Outcomes, and Tensions

This subsection elaborates on the relevant answer to the second research question: to address the challenges that arise during the collaboration in the process of value co-creation between coffee shops and local communities. The analysis is structured into two parts: the practices of collaboration in co-creating value, and the challenges that occurred throughout the collaborations.

4.2.1. Practices of Collaborative Network Process

The findings show that the value co-creation process between coffee shops and local communities unfolds as a dynamic, reciprocal engagement, one that moves beyond transactional interactions toward a relational exchange in which both parties actively contribute resources, knowledge, and social capital to generate shared benefits. This mutually constitutive dynamic, where neither party is a passive recipient, but both simultaneously contribute and receive, defines the co-creation process as it operates in this context.

The collaborative activity often originated not as a standalone partnership but emerged as natural extensions of communities' established routines and activities, with the coffee shop becoming the new venue for practices that were already underway. These collaboration activities typically take place on a weekly or monthly basis, depending on each actor's specific objectives. For many communities, these collaborations were primarily social, serving as a habitual way to engage with their hobbies: *"The main activities, originally, we just cycled normally, just for fun, just to hang out, for a hobby, to channel the hobby."* (Local Community 2, Cycling Community).

Conversely, coffee shops tend to approach these collaborations with greater intentionality, embedding them into a structured activation program, such as collaborative events, art exhibitions, themed pop-up markets, etc., a formally designed initiative in which community engagement is treated as a core operational strategy rather than an incidental occurrence. This stands in contrast to the more organic, convenience-driven way communities find themselves gravitating toward coffee shops; for the businesses, collaboration is deliberately planned, targeted, and monitored. For some coffee shops, particularly those whose primary market segment is the community itself, this means setting strict quantitative targets for the number of collaborative events: *"The marketing team has a target: 10 events per outlet per year. Since there are currently three outlets, that's 30 events total. The events differ by outlet; this one is more focused on sports and the coffee community."* (Coffee Shop 3, Surakarta).

To execute the collaborative activities effectively, both coffee shops and local communities adopt two distinct approaches, depending on the nature and scale of the collaboration: an informal approach characterised by casual meetings to align mutual benefits, and a formal procedure utilising an official proposal. While some opt exclusively for one approach, others progress through both stages sequentially, beginning informally and formalising the arrangement, often specifically to secure written evidence of the agreement.

From the coffee shop's perspective, the informal approach typically begins with a direct conversation with the community leader to assess compatibility. This involves evaluating the community's vision, mission, and demographic profile, as well as their social media presence, given that digital engagement is often central to the collaboration: *"We start by talking to the community leader to understand their vision and mission. We review their demographic—things like average age and social media presence. Since we collaborate on social media, their digital engagement is important to us. The leaders also visit to see if our ambience fits their activity."* (Coffee Shop 6, Bandung).

From the community's perspective, the evaluation process is equally deliberate, with representatives conducting a secret survey, visiting the venue to assess whether its atmosphere and spatial capacity can adequately accommodate their activities:

> *We discuss it internally first. If the team is interested, we do a 'survey' or a 'secret shop' visit. We check the lighting, the noise levels, and the seating. Reading requires a specific atmosphere—if the music is too loud or the chairs are uncomfortable, it won't work. Once we're satisfied, we finalise the details.* (Local Community 6, Reading Community).

Under the formal procedure, actors exchange detailed proposals covering schedules, technical requirements, anticipated benefits, consent forms, supporting facilities, and the ticket price, if the community charge it. This structured approach ensures professionalism and alignment with strategic targets: *"Operationally, we use a formal proposal to ensure that the collaboration must be mutually beneficial, such as providing a discount or coupon for our participants. Some coffee shops have their own collaboration proposals that we can compare with ours."* (Local Community 7, Reading Community).

Specific technical requirements are frequently an important aspect needed by the community to ensure their core activities are not compromised: *"We have specific 'technical specifications': Table Dimensions: Minimum 100 x 160 cm. Non-Smoking: To prevent ash or smoke from damaging components. Space/Acoustics: Board gamers are loud and enthusiastic; we need space, so we don't disturb other patrons."* (Local Community 5, Board Game Community).

In terms of the benefits, for coffee shops, it extends beyond direct transactions. By remaining open to hosting community gatherings, coffee shops gain increased brand awareness and

visibility within the local community. Meanwhile, local communities point to access to the facilities, coffee shop atmosphere, and financial benefits such as product discounts to complement the activities.

4.2.2. Outcomes of Collaborative Network Process

The benefits provided by coffee shops act as a reciprocal gesture for the community's contribution toward the coffee shop's visibility and engagement goals. These rewards must be commensurate with the effort required to mobilise the community members. The rewards vary based on community needs, ranging from product discounts and refreshments to specialised facilities, such as dedicated spaces for the activity, equipment, or activity-specific arrangements, and door prizes, which refer to small gifts or vouchers distributed to participants during collaboration: *"Basically, it's a symbiotic relationship. We get refreshments, and the cafe gets exposure from us. This also opens paths for other products that usually work with the coffee shop to give out things like door prizes."* (Local Community 1, Running Community).

As mentioned in Section 4.1. 'Collaboration, Purpose, and Identity', the coffee shop's initial motivation is primarily to build brand awareness and expand its reach through community collaboration. Beyond this primary goal, however, several secondary goals emerge, such as livening the vibrancy of the space, deepening engagement with customers, and the acquisition of real-time feedback regarding the overall experience: *"I ask for feedback on the event itself; the baristas are briefed to ask about the taste [of the coffee] and the place. This makes us more engaged with the community. We want to provide a different level of hospitality."* (Coffee Shop 1, Yogyakarta).

Beyond the direct feedback, coffee shops experience a significant boost in brand awareness by leveraging the community's reach. This is often prioritised over immediate sales, as stated by the participant:

> *Regarding the business side, working with communities helps achieve broader brand awareness. We don't necessarily expect high sales immediately from the collaboration itself. So, the current goal is that by being welcoming to communities, we gain a wider reach of awareness. So, the primary goal right now is still branding and introducing to a wider audience.* (Coffee Shop 1, Yogyakarta).

A key mechanism through which this awareness is generated is participant-driven social media activity. Community members organically document and share their experiences online, creating a compounding ripple effect of exposure that extends well beyond the event itself: *"It's all about leads and awareness. Every event brings in a high volume of new people who constantly upload stories to social media. This maintains our 'organic awareness' and its undeniable spike."* (Coffee Shop 5, Bandung).

The social value generated through community collaborations presents a strategic opportunity for coffee shops to expand their market reach and deepen their understanding of diverse customer segments. By engaging with communities with diverse interests, demographics, and lifestyles, coffee shops reach new audiences beyond their existing customer base, enabling them to refine their offerings and improve responsiveness to evolving customer needs: *"When people from different circles meet here, and it turns into a personal or professional connection, that's where we see the most value"* (Coffee Shop 6, Bandung).

Networking through these communities often leads to new partnerships with brands from other industries. For instance, the coffee shop collaborating with the cycling community may attract partnerships with sports apparel brands, museums, or skincare brands seeking access to the same audience. As one of the participants put it, *"Networking and growth come from collaborating, which leads to being noticed by others. We work with brands for quite a long time, so the collaboration is felt, and customers experience the impact more than just once or twice [collaborations with brands]"* (Coffee Shop 2, Yogyakarta).

By connecting with new markets, coffee shops can adapt their vision to meet evolving consumer behaviours. This market intelligence allows them to refine their service quality, products, and facilities, and maintain long-term sustainability:

> *We also get a 'new Point of View' on customer behaviour. We see the different spending characteristics of various groups. While our usual daytime market is students, the community events bring in working professionals and families who "bring their lives" into the cafe. They give us insights, too—like asking for certain menu items. It's interesting because our segment is middle-to-upper, as our prices aren't the cheapest.* (Coffee Shop 6, Bandung).

Tangible value also remains as an achievable objective through collaborative activities. Increased foot traffic often translates into repeat orders and higher transaction volumes: *"Our collaborations bring in many new customers and have high potential for repeat business. The collaboration opportunity is now starting to involve activation and transactions. As community events get bigger, we see more transactions as well."* (Coffee Shop 2, Yogyakarta).

These benefits similarly fulfil the motivations for local communities, while also generating their own distinct value. The most significant benefit for local communities is the ability to gather individuals with similar interests in a space that functions as a gathering place, offering specialised access and the opportunity for the community and its members to connect.

Essentially, collaborations focused on awareness generate significant social value to both parties. The most impactful element is that the coffee shop's role as a venue for gathering, interacting, and connecting encourages the coffee shop's staff and community members to exchange information, which encourages the development of new networks: *"The role is mostly silaturahmi[4], and basically connecting friendship, because if we were invited, they just told us to liven up the atmosphere at the coffee shop."* (Local Community 3, Sport Community). This suggests that the motivations driving collaborations extend beyond the operational and are shaped by deeply rooted cultural and religious values, adding a further dimension to the co-creation process.

Social connections within the collaboration activities are the essential benefit for local communities, allowing them to bring individuals with similar interests and goals together, gathering in the same place. With this motivation, the local communities then normalise certain shared activities as a complementary benefit to achieve their purpose:

> *Our vision is to be a 'sandbox'—a space where anyone, regardless of age or background, can join and contribute to building the community from the basics. When we hold these events in busy cafes, it shows people that reading is a fun, social activity. It increases literacy awareness for the customers around us.* (Local Community 6, Reading Community).

[4] *Silaturahmi* is an Indonesian term rooted in Islamic culture that rooted in Islamic culture. Derived from Arabic roots meaning the practice of maintaining and nurturing bonds between individuals and communities. It involves encompass a broader social obligation to sustain relationships, prioritising mutual respect, and strengthen communal ties.

A tangible benefit is achieved through access to coffee shops, as physical venues provider, serving as a platform for collaboration activities that enable the actors to expand their connections and reintroduce their purposes to each other:

> *We needed a meeting point, and in Bandung, it's often hard to find accessible parking. Our initial collaborations were honestly just to secure parking and a gathering spot. Beyond that, there is mutual value, where many coffee shops today are segmented toward a specific 'skena'[5] (subculture). By collaborating with us, they show that their space isn't just for 'skena', but for the public too. We provide the shop with access to a wider demographic through our activities.* (Local Community 4, Walking Community).

Additionally, financial value is also realised by the community through membership discounts or direct financial support in the form of sponsorship: *"For certain events, they can fully support us to maintain our mission in cycling with cash support as a sponsor."* (Local Community 3, Cycling Community).

4.2.3. Challenges in Collaborative Network Process

The findings show that there are tensions during the collaboration activities between coffee shops and local communities. Despite the inherent optimism and ambition surrounding these collaborations, several challenges inevitably arise. These issues often stem from misalignment of expectations, both explicitly stated and unstated.

Although, as previously noted, coffee shops did not have financial gain as their main motivation, they did need brand awareness and visibility as a practical necessity; however, it is a common challenge that only a small percentage of community members convert their engagement into actual purchases. While a minimum order is not frequently a formal requirement, it serves as a form of informal community governance intended to support the venue by encouraging product purchases. As stated by one participant:

[5] *Skena* is a definition from a localized phonetic of spelling 'scene', which refers to a specific subculture such as music and fashion, and underground community. With its essential activity to meet, wander, and socialise together.

The main challenge is the balance between social engagement and sales. A community needs social media engagement, but as a business, we also need sales. Sometimes an event fills the cafe for half a day, but the members might just use the refreshment station and not buy additional snacks. That represents a loss in potential sales from regular customers who couldn't find a seat. (Coffee Shop 6, Bandung).

A further challenge is the operational overlap: the simultaneous presence of community participants and regular patrons when the venue's physical capacity is insufficient for the volume of participants. The result is that manpower allocation often becomes inefficient, as the operational team focuses almost exclusively on the community, neglecting regular patrons. This can lead to regular customers feeling marginalised, as the atmosphere loses its original "vibe" during these high-activity periods:

Since community culture is informal, there can be a clash with professional business standards, like estimating participant numbers. We have financial and crowd capacity limits to consider. We once had 200-300 people at an event, which was overwhelming. We usually ask for participant data, but the actual turnout is often much higher than promised. (Coffee Shop 3, Surakarta).

However, these structural arrangements do not always prevent friction; some coffee shops acknowledge the difficulty of managing demands simultaneously. This friction happens when community activities spill into spaces used by regular customers, and management is forced to intervene personally, for instance, by apologising and/or offering complimentary items

For example, some communities hold activities in the outdoor area. We can't really stop the community, but we also don't want the regular customers to feel disturbed. Usually, I let the community finish, then I approach the regular customers to apologise and sometimes compliment them. (Coffee Shop 1, Yogyakarta).

However, sometimes the frictions can be more difficult to resolve. For instance, some participants described situations such as being double-booked on the same day, forcing one

group outside and ultimately leading to cancellation, which also prompted them to discontinue one of the collaborations due to logistical complexity:

> *We accidentally booked a running group and a motorcycle community at nearly the same time. We had to move the runners outside, and eventually, one group cancelled because of our mistake. That's also why we stopped the yoga—it was too complicated. We had to move all the dining tables out of the cafe just to make room*. (Coffee Shop 4, Bandung).

Such challenges are not inevitable but point to gaps between management's expectations and actual operational capacity, which could potentially be addressed through more structured planning and communications between the parties involved.

While coffee shops often experience the challenge of operational constraints, communities also sometimes experience a lack of hospitality during these collaborations, because the treatment of community members can differ from that of regular customers due to the nature of their activities. In many cases, although the coffee shops provide the communities with basic amenities such as infused water or a dedicated gathering space, they are sometimes under-prepared to meet the specific physical demands of the group:

> *Some coffee shops don't know how to service runners yet—simple things like providing proper mineral water or a locker/place to drop off bags would make it much more comfortable. We give them the best possible presence and effort from our side. If they are short on refreshments, we try to be patient because maybe the shop wasn't fully prepared. Since we've worked with many shops, we can offer advice to help them improve their service specifically for the runner segment.* (Local Community 1, Running Community).

Miscommunication is another recurring issue between communities and coffee shops. From the local community perspective, there is a feeling that some venues fail to deliver the specific benefits or facilities agreed upon during the planning phase, treating informally stated preferences as negotiable even when they were not:

> *Unclear communication is a big one. Sometimes we ask for specific refreshments—water, fruit, etc. We might say some things are optional, but water is essential. Sometimes they'll*

just cut the water because 'we're already serving coffee'. They don't realise water is for hydration, while coffee is for energy; not everyone wants coffee immediately. (Local Community 1, Running Community).

This illustrates how a simple discrepancy in expected participant numbers – local communities estimating one turnout, coffee shop preparing for another can translate directly into organisational failures on the day, blurring the line between miscommunication and a failure to honour prior agreements.

In addition to miscommunication, participant discrepancies in the information shared were also common, often leaving the coffee shop feeling under-prepared for the actual turnout and intensifying the operational overlap discussed above. This was sometimes worsened by organisational shortcomings on the coffee shop's side, which can also present a challenge. Where a lack of internal synchronisation led to scheduling conflicts and overlapping activities.

Disappointment usually happens when the number of members who show up is much lower than what was communicated. We need those numbers to estimate refreshments. If it's too little, we feel it's a waste; if it's too much, we might get complaints from the community for being under-prepared. (Coffee Shop 1, Yogyakarta)

Beyond the internal dynamics of each party, both coffee shops and local communities are subject to external pressures that neither can fully control. The weather represents a significant, uncontrollable obstacle for both parties. During the rainy season, community members are often hesitant to participate in events, which leads to substantial attendance discrepancies.

Coordination is the biggest hurdle. Sometimes we deal with a PIC (Person in Charge) who is slow to respond or changes halfway through the planning process. At one famous chain, the PIC kept changing, and by the time we arrived for the event, the new staff had no idea who we were. We had to explain everything from scratch and move the furniture ourselves. (Local Community 6, Reading Community).

While coffee shops may expect a full turnout, momentum can wane, leading participants to cancel: *"Rain is a big one. I call it the "Lettuce Effect". Bandung people tend to wilt and get lazy and choose to stay at home. This decision leads to cutting the attendance in half, mostly."* (Local Community 5 and 6, Board Game and Reading Community).

Aside from the weather, the "event-heavy" nature of the industry means multiple activities often happen at once, forcing community members to choose: *"Conversely, if the shop asks why there are so few participants, we explain the context. In Jogja, even though there are many coffee shops, there are also many running events happening on the same day or close together."* (Local Community 1, Running Community). In these instances, coffee shops may find themselves "over-prepared", having staffed up and stocked up based on the initial agreement that the community would bring a specific number of participants.

In response to these issues, some preventive and resolving actions have been implemented to avoid recurring problems in future collaborations. For example, participants might be required to register in advance, so the coffee shop can have a clear forecast of attendance. Several communities have introduced a "commitment fee" for participants; this serves as a guarantee of attendance, as the fee is non-refundable if the members fail to show up. This logistical information is shared in detail and broadcast through the community's official channels to manage expectations:

> *To manage this, we use 'preventive' measures: we do a lot of social media promotion (shout-outs), and we often require a pre-paid ticket. If they've already paid the Rp 60,000 [~€2.91] for their food and drink, it guarantees our revenue regardless of the final turnout.* (Coffee Shop 5, Bandung).

To mitigate weather-related issues, activities are often postponed or rescheduled through mutual agreement. Additionally, coffee shops demonstrate flexibility by helping communities adjust their event settings from outdoor to indoor spaces when necessary:

> *We had to think fast because they had already paid. We cleared the indoor area twice. We had cleared the outdoor area, but then it rained, so we immediately cleared the indoor space. Thankfully, the participants were happy because they could still do the activity, even*

if it was a bit cramped. There was also a time when it rained, and we just rescheduled the event. (Coffee Shop 2, Yogyakarta).

4.3. Dynamic Capabilities of Value Co-Creation in Collaboration

This subsection elaborates on the third research question: to examine the influence of collaborations between coffee shops and local communities on the former's dynamic capabilities over time. In the business landscape, dynamic capabilities are needed for companies to be more adaptive to the available business opportunities (Teece, 2014). The results of this study show that by collaborating with local communities, several critical elements emerge that help coffee shops align with the three operational components of dynamic capabilities: Sensing, Seizing, and Reconfiguring. The subsection is divided into three main parts that cover these components.

4.3.1. Sensing

Sensing, as defined by Teece (2014), happens when the organisations are able to identify and assess the opportunities and threats in the external environment. In the context of the coffee shop industry, this capability was evident in how coffee shops actively experimented with different local community partnerships and activities to test what resonated with their market: "Through these collaborations, we are searching for our brand identity. We've tried several communities to collaborate to see which direction resonates most. Honestly, we haven't 'cracked the code' yet or found our exact focus; we're still in that discovery phase." (Coffee Shop 4, Bandung)

Through this process, coffee shops were able to determine the direction of their offerings and gradually establish a clearer brand identity. However, the brand identity is not invented from scratch but is discovered through practice, identifying which collaborations and experiences best reflect its values and positioning: *"We don't accept everyone who wants to collaborate; we curate requests based on our brand image. We look for something that isn't too formal and has a diverse age range that matches Coffee Shop 3 target market and behaviour."* (Coffee Shop 3, Surakarta)

Another example of sensing activity among coffee shops was their attentiveness to customer needs and community behaviours. Coffee shops actively observed patterns such as the rise of young people's creative projects seeking venues and platforms, or the unmet demand for breakfast services among tourists visiting the area:

We once hosted a residency for an artist who displayed sketches about sea-level abrasion. It made customers stop and ask, 'Why is this here?' We also had a 'Fantasy/Medieval' event where people showed up in full iron armour with swords. Regular customers were fascinated. They started asking, 'What's happening next month? A flower workshop? A skateboard event?' It builds a sense of anticipation. After rebranding to 'communal space', we monitored the morning market in areas like Gempol and Tirtayasa, and we realised there was a high demand for breakfast and tourist-focused service. (Coffee Shop 7, Bandung).

Acting on these observations, some coffee shops tested new offerings, such as refreshments during weekend morning hours, and gauged customer preferences regarding shared facilities and the suitability of their spaces for specific demographics: *"Initially, the 'infused water' service started as a weekend-only thing for runners, but the demand was so high that we now provide it every day"* (Coffee Shop 6, Bandung). This market sensing also extended to identifying broader industry trends to fill the existing gaps in the local market, for instance, observing the new revenue streams through a partnership with a wedding organiser, a lack of accessible community event spaces, and working spaces that offer comfortable seating and a peaceful atmosphere.

Coffee shops, through the outcomes of their collaborations, further developed their sensing capability by becoming aware of new business ventures they had not initially anticipated. For instance, some coffee shops came up with new offerings called "special booth" packages. These dedicated, pre-priced offerings bundled a set quantity of beverages and services with a curated booth for special occasions such as weddings or corporate functions, which opened a new and recurring revenue stream. Additionally, a successful collaboration between coffee shops and local communities attracts the attention of larger commercial brands. These brands typically sponsored the communities' activities and events to provide financial support or products, with the coffee shop serving as the primary venue. In some cases, coffee shops allocate a dedicated space or corner within the premises for commercial brands to promote and showcase their products directly to customers. These relationships further expanded the coffee shops' sensing horizon, as exposure to larger networks surfaced more opportunities, such as big events involving local communities, for growth and collaboration.

Furthermore, the coffee shops recognise opportunities to provide facilities that cater to the specific needs and preferences of their target communities. Through sensing community demand, coffee shops identify what physical adaptations could make them more attractive as collaboration partners. Some communities require safe and inclusive spaces, such as dedicated areas for women customers. Signalling those tailored facilities for their comfort and safety represents a meaningful opportunity to strengthen community appeal:

> *Initially, we accepted everyone to collaborate. But now, we are looking for those whose image aligns with Coffee Shop 2 as a brand. So, we look for collaborations that are in line. One focus now is on female-led communities and agendas, because our community and market are primarily female. We want to provide a safe and comfortable space for women.* (Coffee Shop 2, Yogyakarta).

Another example of sensing is how coffee shops identify opportunities to leverage their facilities to serve as connective spaces for diverse community interests. Some of the coffee shops identified an opportunity to position themselves as a broader community destination by observing that different community groups, from runners to cyclists, were naturally drawn to a single venue and could potentially be united there:

> *Once we held an event during Indonesia's Independence Day, where we merged the running and cycling community to be involved together. Both the cycling and running communities finished their activities at Coffee Shop 2 and continue to connect and build relations between the two different communities, which are surprisingly successful and left memorable moments for them.* (Coffee Shop 2, Yogyakarta).

Other community feedback affected the coffee shop's sensing action to provide free sanitary pads across all its branches after conducting customer interviews. It initially began with a modest stock but quickly grew into a significant monthly expenditure due to a strong reception:

> *Last year, we started something new that was very well received. We interviewed people first, then we started providing free sanitary pads in all M branches. At first, we stocked Rp*

100,000 [~€4.85], but now we buy a huge amount every month. (Coffee Shop 2, Yogyakarta).

This recognition of the coffee shop's potential role as "community connector" represents a sensing activity, understanding that the space could do more than host individual groups by actively bridging them. This illustrates that sensing extends beyond market trends and customer preferences. It also involves recognising whether a coffee shop's own physical capacity meets the operational requirements of potential community partners.

Alongside these operational insights, coffee shops recognised that community collaborations carried significant marketing value. Local communities become an effective marketing channel compared to Key Opinion Leaders. A KOL is a trusted individual with expertise in a certain personality, skills, and knowledge to influence the purchasing decisions of a specific audience (Kotler & Keller, 2016; McKinsey & Company, 2023). Following the collaboration activities, one coffee shop reported that the daily customer numbers grew from approximately 30 to over 50 following regular community engagement, attributing this growth to increased visibility among diverse community backgrounds:

Before we did this [collaboration] regularly, we had about 30 regular customers a day: now it's over 50. Out of all our marketing efforts—KOLs, promos, social media, and communities—I'd say communities are the second most effective after KOLs. It really boosts sales. (Coffee Shop 1, Yogyakarta).

This recognition allows collaborations with local communities to function as organic, trust-based promotional networks, representing a key sensing outcome that informed subsequent seizing and reconfiguring decisions.

4.3.2. Seizing

Coffee shops must act on the opportunities assessed through collaboration, utilising the mobilisation process. Seizing refers to coherent actions to turn insights into concrete decisions and executions (Teece, 2014).

One of the evident seizing actions is deliberate curation of collaboration partners to protect brand identity. Rather than accepting every community that approaches the coffee shops to collaborate, they actively screen potential collaborators. They prioritise the local communities

that align with the brand's image, and whose age range and lifestyle match with the target market: *"We don't accept everyone who wants to collaborate; we curate requests based on our brand image. We look for something that isn't too formal and has a diverse age range that matches L's target market and behaviour."* (Coffee Shop 3, Surakarta). This selective approach reflects a strategic decision to treat collaboration as a brand-building tool rather than a mere footfall exercise.

Seizing also manifests in the spatial mobilisation of the coffee shop's physical environment. Coffee shops treat their spaces as flexible assets, reconfiguring layouts and expanding their physical capacity to host diverse community activities. From a small space, one of the coffee shops developed a large outdoor area specifically to accommodate community events, with the intention of turning every occasion into an activation: *"We want every moment to be turned into an event like this going forward, as the meaning we wanted to be more connected to our customers."* (Coffee Shop 1, Yogyakarta).

Another example of seizing action is the decision to open an additional outlet, which was originally conceived as a production house to scale a bigger capacity, and simultaneously became a wide collaborative space capable of attracting different community segments beyond their original sports-focused customer base: *"To support a higher production capacity, we opened another outlet in Pasteur, which was originally for a production house. But we decided to generate revenue with the new outlet by collaborating with communities, because we have a wider space here."* (Coffee Shop 4, Bandung).

Beyond spatial decisions, seizing involves the targeted allocation of resources to meet specific community demands. Based on direct feedback and observed market gaps, the coffee shops implement highly specific amenities as concrete expressions of responsiveness. This included reconfiguring furniture for cycling meetups, providing ice baths and shower rooms for sports communities, and extending operating hours to accommodate early morning runs; these actions were taken in direct response to sensed community needs: *"Usually, we provide basic refreshments, but we improved it. For example, we found out sports communities need ice baths, so we provided those."* (Coffee Shop 1, Yogyakarta).

The seizing process also facilitates service diversification through the formalisation of new revenue formats. To cater to community needs, the coffee shop develops two distinct pricing structures for different event formats, where the collaboration with the sports community usually receives complimentary refreshments and special discounts for the products to

encourage post-event dwell time. While the collaboration with certain events operates on a minimum spending model of Rp 50,000 to 60,000 per person [~€2.42 - €2.91], with additional fees for technical facilities, such as a sound system and a screen projector:

> *For K-pop communities, the events are paid for via a minimum spend of around Rp 50,000 to 60,000 per person [~€2.42 - €2.91], which covers food and drinks for a 3–4 hour event. If they need extra facilities like a projector or sound system, there are additional fees.* (Coffee Shop 5, Bandung).

This conversion of temporary community engagements into structured commercial arrangements reflects the maturation of seizing as a capability.

Eventually, this action phase demonstrates that seizing in the coffee shop context is neither reactive nor accidental. It is a deliberate, experience-driven process allowing coffee shops to translate community insights into operational decisions, spatial investments, resource allocations, and new business formats.

4.3.3. Reconfiguring

Teece (2014) defines reconfiguring as the ability to continuously renew, realign, and leverage resources and the company structure in response to changing conditions. Unlike sensing and seizing, which focus on identifying and acting on opportunities, reconfiguring in the organisation is concerned with the long-term transformation of overall business operations, such as reshaping routines, structures, and assets to remain competitive and not outdated in the way of working. In the context of coffee shops collaborating with local communities, reconfiguring translated into ongoing organisational adaptation driven by accumulated experience, community feedback, and the evolving demands of an active local network.

Through optimising collaborations with local communities, coffee shops are increasingly integrating community engagement directly into their core business model. This process of reconfiguration involves significant modifications to operating hours and service offerings. Rather than treating early morning community events as exceptions, coffee shops restructured their schedules: *"We used to open from 8:00 AM, then we shifted to 6:00 AM to accommodate communities' activity"* (Coffee Shop 3, Surakarta). In some coffee shops, flexibility is formalised through the establishment of designated 'work hours' during the collaboration events, achieved by restructuring staff arrival times to ensure baristas and the event's PIC are

on-site before the official opening hours: *"Fortunately, we open at 7:00 AM every day. Runners usually start gathering at 6:00 AM. The event PIC arrives early to meet them around 6:30 AM"* (Coffee Shop 6, Bandung).

In addition, coffee shops are introducing specialised services that begin as community-driven experiments and then evolve into permanent value propositions. Coffee shops invest in upgrading their facilities beyond their original design, recognising that physical infrastructure directly shapes their attractiveness as collaboration venues. For instance, turning a functional space into a large outdoor area specifically to support community events: *"We started providing a large outdoor area and frequently holding events with local communities."* (Coffee Shop 1, Yogyakarta). Another example of transforming, with the current infrastructure, was one of the coffee shop's observing that within its popular outdoor seating area patrons consistently gravitate toward avoiding the heat. To accommodate customer needs, the coffee shop is now building a permanent canopy: *"We are currently improving the back area. Initially, we used trees for shade, and it turned out to be the favourite spot for customers. So, seeing that, we are in the process of building a proper canopy/roof there."* (Coffee Shop 2, Yogyakarta).

Central to a community-focused strategy is the continuous improvement of facilities and physical spaces to attract and retain community members. Coffee shops invest in upgrading their facilities beyond their original design, recognising that physical infrastructure directly shapes their attractiveness as collaboration venues. Specific facilities, such as a prayer room and inclusive amenities like sanitary pads for women, are increasingly seen as the bare minimum in infrastructure. The philosophy 'People, Place, Product' draws loosely on McCarthy (1960) 4Ps Marketing Mix – Product, Price, Place, and Promotion – through this version replaces 'Price' and 'Promotion' with 'People', reflecting the emphasis on human connections over transactional elements. Within this philosophy, 'Place' encompasses practical facilities like electrical sockets, comfortable seating, and a prayer room as non-negotiable components of the customer experience:

> *We prioritise customers through the facilities we have. As I said: People, Place, Product. People (baristas/management), Place (facilities like sockets, comfortable chairs, prayer*

rooms/musola[6]). Product—well, if I say it's good, I'm biased. I'm just confident in the product, so I let the customers answer that. (Coffee Shop 2, Yogyakarta).

In some cases, the specialised facilities go further by installing free shower rooms and dedicated wall space for communities to post promotional material at no cost: *"In Surabaya, we even have free shower rooms for those who have been out on the road. We also told the communities they could post posters for free for publication and daily promotions."* (Coffee Shop 3, Surakarta). Free refreshment service, such as 'infused water', began as a weekend offering exclusively for runners but was made permanent across all operating days due to sustained demand: *"It started as a weekend-only thing for runners, but the demand was so high that we now provide it every day"* (Coffee Shop 6, Bandung). Collectively, these adaptations reflect a broader reconfiguration logic: what works for communities becomes embedded into the business as a default.

To ensure these community engagements do not disrupt daily service, coffee shops strive to implement clear operational alignments and a structured division of responsibility, though this balance remains an ongoing challenge rather than a fully resolved one. During the events, coffee shops often apply a deliberate spatial split for the community event and the regular customers: *"We divide our space by area. Usually, it's a 40/60 split: 40% of the area is dedicated to the event, and 60% remains open for regular customers."* (Coffee Shop 7, Bandung). Staffing is reconfigured through a clear role separation between the operational and marketing divisions, who coordinate events on the day and keep baristas free from event logistics.

These challenges highlight that the reconfiguration of operational roles and spatial divisions is something coffee shops are actively working toward, rather than a challenge they have fully resolved.

Finally, as these coffee shop businesses grow and take on investors, they evolve from informal, household-style management into more systematic and disciplined organisations. This trajectory clearly illustrates a broader shift from an informal, volunteer-driven culture toward formal accountability and operational structure. For example, in the early stages, staff would

[6] A musola is a designated room for prayer, typically provided in office, malls, schools, restaurants, and airport. Unlike a mosque, it is not subject to the same formal religious-legal restrictions and is generally more accessible for daily use

voluntarily take over the morning shifts to prepare the 6:00 AM events, and undergo a deliberate shift toward formal accountability and operational targets:

> *As we grew and took on investors, we had to move away from the informal 'hangout' management style to become more systematic to meet sales targets and ensure operational discipline. Now, the concept is more mature, and the system must match that maturity.* (Coffee Shop 7, Bandung).

This internal transformation represents the deepest layer of reconfiguration, not just adapting spaces or schedules, but reshaping the organisation itself to sustain the long-term demands of community engagement.

Table 4.1 presents a summary of key findings related to the themes of collaborations in co-creating value between coffee shops and local communities, and their influence to the dynamic capabilities:

Summary of the Findings and Discussion	
Collaboration, Purpose & Identity	- **The collaboration is an organic process built on mutual connection and contextual value.** - **The partnership bridges mutual needs from the coffee shops serve the physical venue and social hub, and from the local community act as a facilitator that connects individuals and spread shared purpose dynamically.** - **The activities vary and often driven by the identity of the communities. Coffee shops provide curated environments that accommodate specific needs.** - **The primary motivations based on the building personal connection, utilising personal interest to drive professional collaboration, and seeking suitable venues for the activities.** - **The focus is brand-awareness and organic word-of-mouth as the most significant outcome.**

Motivations and Practices of Collaboration Network Process	- **Collaboration often happens as a habitual extension of community life.** - **There are two methods to execute a collaboration, informal and formal.** - **To rewards the community's mobilization effort, the coffee shops provide refreshments, product discount, and specialized facilities.** - **These interactions create a social value that allows coffee shops to expand market segmentation, cross-industry partnership, and gather market intelligence to refine service quality in the long run.** - **Direct value is achieved through increased foot traffic, repeat orders, and higher transaction volumes. Communities benefit financially through membership discounts or direct sponsorship support.**
Challenges in Collaborative Network Process	- **There is often a misalignment between the coffee shop's need for financial sustainability and the community's actual spending.** - **A "hospitality gap" occurs where community members may receive different treatment than regular patrons.** - **High-volume community activities can strain physical capacity and manpower. This leads to inefficient labor allocation and the marginalization of regular customers.** - **Miscommunication often leads to scheduling overlaps and a failure to provide agreed-upon facilities.** - **Weather is a major uncontrollable factor that causes attendance drops.** - **To mitigate these gaps, actors implement an advanced registration and non-refundable "commitment fees", detailed broadcasting via official channels, and relational governance from both actors.**

Dynamic Capabilities in Value Co-Creation Practices	- **Sensing: Coffee shops have opportunities to provide facilities that serve versatile venues for community events, which can strengthen their ties with communities and enhance their brand identity.** - **Seizing: Coffee shops are transitioning from passive service to proactive strategic engagement by curating brand-aligned community collaborations, optimizing spatial flexibility, and leveraging data-driven operational intelligence to provide niche amenities that deepen loyalty and diversify revenue streams.** - **Reconfiguring: To optimize community collaboration, coffee shops are professionalising their business models by integrating specialised amenities, extended operating hours, and dedicated staffing structures to seamlessly balance niche community activations with standard daily service.**

Table 4.1 Summary of the Findings and Discussion

5. Conclusions, Limitations and Recommendations for Future Studies

Coffee shops in Indonesia have grown beyond simply selling beverages to become venues that host community events and build collaborations with local people. As small and medium enterprises (SMEs), these businesses offer a relevant context for exploring how value co-creation influences dynamic capabilities such as innovation, learning, and relationship-building. Although value co-creation, dynamic capabilities, and service context in small and medium enterprises have received scholarly attention, relatively little research has looked at how they interact, particularly in informal, community-driven settings such as independent coffee shops. Understanding this relationship is important because it reveals how small businesses leverage community relationships not only for social, contextual, and financial value, but as a mechanism for building long-term organisational resilience.

Based on this research problem, the purpose of this study was to understand value co-creation practices between coffee shops and local communities through collaborative activities, and to examine their influence on the development of dynamic capabilities, particularly within the Indonesian context, where a deeply rooted communal culture shapes how organisations learn and adapt. According to Vargo (2016), value exchange is a modern business paradigm realised through the value co-creation approach. This study reveals that the value co-creation process that emerges from the collaboration between coffee shops and local communities is examined in terms of how it builds mutual engagement and subsequently shapes the development of dynamic capabilities. In the Indonesian coffee shop context, to co-create value through collaboration did not merely act as a transactional value, but extended to joint mobilisation of resources, practices, and knowledge, which neither actor could do alone.

This research took a qualitative approach to understand how coffee shops and local communities engaged in value co-creation, as well as how the collaborative practices that they develop over time can contribute to dynamic capabilities in these businesses. The findings show that in most cases, the initial relationship between the two parties (coffee shops and communities) started and grew organically, driven more by a mutual interest in building connections than by any formal arrangements. The value generated from these collaborations was largely contextual, primarily shaped by specific social conditions and local settings where they occurred. Each party contributed with a different kind of resources: coffee shops provided physical space, infrastructure, and service capacity, while local communities offered social networks, established routines, and engaged audiences.

This value exchange served different but complementary purposes for each party. Coffee shops discovered that hosting community activities helped strengthen their brand awareness and visibility within the nearby social networks. Local communities in turn benefited from having a reliable and accessible venue, which made organising regular gatherings considerably easier. Over time, coffee shops began to view these arrangements as something more than just acts of goodwill and deliberately built their identity and reputation around them.

These collaborations required continuous negotiations between both parties, covering practical matters such as scheduling, use of facilities, and benefits distribution. From the coffee shops' perspective, this process helped them to expand market segmentation, pursue new partnerships with other industries, such as sportswear and beauty brands, tourism businesses, event organisers, artists, libraries, and animal welfare, and increase transaction volume. Meanwhile, local communities frequently benefited from financial support through sponsorships, which helped them sustain their activities. Despite these mutual advantages, the process was not without challenges. Tensions emerged when expectations exceeded what either party could realistically deliver, particularly around event organisation, service quality, and staffing during the events. To address these challenges, both parties implemented practical measures, including advance coordination meetings and contingency plans for unforeseen circumstances such as adverse weather or low attendance.

As these collaboration routines became more regular, they gradually became integrated into the day-to-day operations of coffee shops, thereby contributing to the development of dynamic capabilities. Through repeated interactions with local communities, owners and managers developed a stronger capacity to *sense* shifts in partnership requirements, such as the need for more space and specific facilities for community events beyond a typical café setup, for instance. This awareness was accompanied in most cases by an ability to *seize* emerging opportunities: for example, coffee shops began to more intentionally identify suitable community partners, adjust furniture arrangements, and revise pricing structures to better support event-based activities. Over time, these changes become structural. Some coffee shops *reconfigured* their broader operations by integrating community programming as a permanent feature, assigning specific staff for event-related tasks, and building more flexible space management approaches into their standard procedures. These dynamic capabilities developed gradually through the relational experiences with local communities, rather than through prior, formal, deliberate planning.

The most notable theoretical contribution of this study is the integration of two distinct scholarly traditions that largely developed on separate tracks. Research on dynamic capabilities has traditionally focused on how firms build strategic agility through deliberate managerial actions and resource development (Teece, Pisano, & Shuen, 1997; Eisenhardt & Martin, 2000). In contrast, research on value co-creation has centred on the relational and collaborative process by which multiple actors jointly generate value (Prahalad & Ramaswamy, 2004; Grönroos, 2011). This study, however, identifies a causal link between these perspectives within the context of coffee shop and local community collaboration. The value co-creation practice actively generates the development of dynamic capabilities. The processes of sensing, seizing, and reconfiguring emerged as outcomes of sustained relational engagement. This points towards a view of dynamic capabilities that is socially embedded and practice-driven through the routine of maintaining relationships rather than guided by exclusive strategic planning.

These findings also carry important theoretical implications in the context of SMEs operating in emerging economies, where community embeddedness is not simply a contextual backdrop but an active driver of organisational learning and adaptation (Fletcher, Fenton, Lord, & Griffiths, 2025). The dynamic capabilities literature has focused on resource-rich firms (Helfat, et al., 2007; Ambrosini, Bowman, & Collier, 2009), and this study extends and contextualises that work by showing that sensing, seizing, and reconfiguring can emerge through very different pathways in smaller, community-embedded settings (Widiastuti, Mulyani, Riani, & Saputri, 2024; Perlambang, MS, Thalib, Santoso, & Prilosadoso, 2025; Bussgang & Bacon, 2020). In the Indonesian context, where social connections and relational trust play a crucial role in daily business operations, the development of dynamic capabilities in small and medium enterprises appeared through community networks, such as collaboration activities.

In addition to its theoretical insights, this study provides practical implications for coffee shop owners, community leaders, and policymakers. For coffee shop owners, a key takeaway is that collaborations with communities are effective when managed diligently and carefully, like other business operations. In practice, this might involve the establishment of basic coordination mechanisms, such as regular joint meetings, shared event schedules, and a clear written agreement regarding space use and shared benefits. These strategies transform collaborations into a reliable aspect of business operations instead of occasional activities. Beyond logistical factors, coffee shop owners should also consider the presence of the venue's identity. Instead

of focusing on products, it is valuable to develop the coffee shop's role as a 'third place', a space that provides openness, flexibility, and a true sense of belonging within the local community.

For community leaders or coordinators, the findings suggest that partnerships with coffee shops are more productive when communities approach them as a genuine collaboration rather than just passive collaborations, such as just using the space. Resilient partnerships occur when both the coffee shops and local communities work together in a cycle, avoiding a simple transactional relationship. This requires clear communication about the activity needs and growth plans, actively contributing to the design of events, and ensuring reciprocity in sharing the same benefits.

The current Indonesian SME policy, as reflected in initiatives by the Ministry of Cooperatives, the Ministry of Micro, Small, and Medium Enterprises and the Ministry of Creative Economy, has tended to prioritise transactional capabilities, digital adoption, regulatory compliance, and business formalisation (Peraturan Presiden Nomor 2, 2022). However, the findings of this study suggest that these measures should also adequately consider important elements, such as the relational dimensions of how SMEs develop adaptive capacity, particularly in businesses that are deeply integrated into their local communities. For policymakers, an effective advancement would involve expanding existing support frameworks to better acknowledge community engagement as a legitimate business development activity. For instance, a small business grant scheme could be extended to include event-based collaboration as an eligible activity, rather than restricting funding to infrastructure upgrades or digitalisation initiatives. Such adjustments would align support mechanisms more closely with the practical development of adaptive capacity.

The findings of this study should be interpreted within specific limitations. Geographically, the research was conducted in only three cities: Yogyakarta, Surakarta, and Bandung, each possessing unique cultural and economic characteristics that influenced the nature of collaborations observed. While these locations provided rich and grounded context for the study, they do not represent the entire spectrum of coffee shop environments across Indonesia. Regions with different social structures or economic conditions may yield different findings about the development and value generation of coffee shop-community collaborations. The communities involved in this study also presented a particular limitation: most came from sport communities, whose regular and location-dependent activities made coffee shops a natural fit for their gatherings. While the study included hobby communities such as reading and board

game communities, other community types, such as art collectives or creative groups, automotive enthusiasts, or those organised around different interests, were less represented. Collectively, these factors suggest that the findings offer significant depth within their specific scope; but should be regarded as context-specific rather than universally applicable to all community types and regional settings across Indonesia.

Extending this study to other regions of Indonesia would strengthen the transferability of these findings and help clarify whether community-embedded value co-creation operates differently across the country's diverse local contexts. Furthermore, cross-country research involving other developing economies in Asia would offer valuable insights on whether the relationship between community collaboration and dynamic capabilities development reflects a culturally specific pattern or a wider phenomenon shared across community-oriented settings. Future research may also explore the maturity of collaborations between coffee shops and local communities, examining how the nature and outcomes of value co-creation evolve as a partnership. Finally, replicating this study framework in other community-embedded service sectors, such as restaurants, local fashion retailers, and community-based fitness studios, would test whether the findings extend beyond coffee shops and potentially establish community embeddedness as a broader driver of dynamic capabilities development across the local service economy.

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Annex A – Initial Message to Coffee Shop

Dear (insert coffee shop name),

Selamat siang,
Perkenalkan, saya Nadya Khairunnisa, mahasiswa program double-degree MBA Universitas Gadjah Mada dan ISCTE Business School (Lisbon) yang saat ini sedang menyusun tesis. Melalui pesan ini, saya bermaksud mengajukan permohonan kesediaan Bapak/Ibu untuk berpartisipasi sebagai narasumber dalam penelitian tesis saya yang berjudul:

"Networked Value Co-creation: The Influence of Local Community Collaborations on the Dynamic Capabilities of Indonesian Coffee Shops."

Secara singkat, penelitian ini bertujuan untuk mengeksplorasi bagaimana pemilik dan pengelola coffee shop memaknai serta menjalankan kolaborasi dengan komunitas lokal, bagaimana proses *value co-creation* terbentuk melalui kolaborasi tersebut, serta bagaimana praktik ini berkontribusi terhadap pengembangan *dynamic capabilities* dalam manajemen dan operasional coffee shop.

Berdasarkan observasi awal, saya melihat bahwa (insert coffee shop name) secara aktif menjalin kolaborasi dengan berbagai komunitas lokal, sehingga sangat relevan dan potensial untuk menjadi narasumber dalam penelitian ini.

Sehubungan dengan hal tersebut, saya ingin menanyakan kesediaan pihak (insert coffee shop name) untuk berpartisipasi dalam wawancara penelitian ini. Seluruh data dan informasi yang diperoleh akan digunakan semata-mata untuk keperluan akademik dan dijaga kerahasiaannya sesuai dengan etika penelitian.

Atas perhatian dan kesediaan Bapak/Ibu, saya ucapkan terima kasih.

Hormat saya,
Nadya Khairunnisa

Annex B – Initial Message to Local Communities

Dear (insert local communities name),

Selamat siang,
Perkenalkan, saya Nadya Khairunnisa, mahasiswa program double-degree MBA Universitas Gadjah Mada dan ISCTE Business School (Lisbon) yang saat ini sedang menyusun tesis. Melalui pesan ini, saya bermaksud mengajukan permohonan kesediaan Bapak/Ibu untuk berpartisipasi sebagai narasumber dalam penelitian tesis saya yang berjudul:

"Networked Value Co-creation: The Influence of Local Community Collaborations on the Dynamic Capabilities of Indonesian Coffee Shops."

Dalam penelitian ini, saya berfokus pada peran komunitas lokal dalam menjalin kolaborasi dengan coffee shops, khususnya bagaimana komunitas memaknai keterlibatan tersebut, berpartisipasi dalam proses *value co-creation*, serta bagaimana coffee shops berfungsi sebagai ruang dan mitra dalam praktik komunitas.

Berdasarkan observasi awal, saya melihat bahwa (insert local communities name) memiliki pengalaman kolaborasi dengan berbagai coffee shops, sehingga sangat relevan untuk menjadi narasumber dalam penelitian ini.

Sehubungan dengan hal tersebut, saya ingin menanyakan kesediaan pihak (insert local communities name) untuk berpartisipasi dalam wawancara penelitian ini. Seluruh data dan informasi yang diperoleh akan digunakan semata-mata untuk keperluan akademik dan dijaga kerahasiaannya sesuai dengan etika penelitian.

Atas perhatian dan kesediaan Bapak/Ibu, saya ucapkan terima kasih.

Hormat saya,
Nadya Khairunnisa

Annex C – Interview Guide for Coffee Shops

Interviewee	Coffee Shop Owner/Managerial Executive		
Type of Interview	In-depth, Semi-Structured (in Indonesian)		
Purpose of the Interview	To explore how coffee shop owners perceive and perform the collaboration with local communities, how value is co-created through these collaborations, and how such practices contribute to the development of dynamic capabilities within their business		
Duration	50 – 60 minutes		
Aspect	**Question**	**Focus**	**Expected Outcomes**
BACKGROUND	1. Dapatkah Anda menceritakan konsep coffee shop Anda dan bagaimana Anda melihat perannya dalam konteks lokal?	General information of the industry and the business.	Contextual understanding of the coffee shop and background for interpreting later answers.
COLLABORATION WITH LOCAL COMMUNITIES	1. Jenis komunitas lokal apa yang biasanya berkolaborasi dengan Anda?	Knowing the forms of collaboration.	Forms of collaboration, resource sharing, and role coordination process.
	2. Bagaimana coffee shop Anda pertama kali mulai terlibat dengan komunitas lokal?		
	3. Apa motivasi Anda berkolaborasi dengan komunitas-komunitas tersebut?		
	4. Bagaimana prosedur umum saat sebuah komunitas ingin berkolaborasi?		
	5. Bagaimana Anda membagi peran dan tanggung jawab antara coffee shop dan komunitas?		
VALUE CO-CREATION PROCESS	1. Dari sudut pandang Anda, "value" apa saja yang muncul dari kolaborasi ini?	How value is co-created.	Business-side understanding of value co-creation with practice-based
	2. Apakah kolaborasi ini memengaruhi pengalaman pelanggan atau suasana coffee shop Anda? Dalam hal apa?		

	3. Dapatkah Anda mendeskripsikan contoh spesifik di mana kolaborasi menciptakan "value" bagi bisnis Anda?		insights. Concrete examples for thematic analysis.
DYNAMIC CAPABILITIES	1. Apakah kolaborasi ini membantu Anda mengenali peluang baru atau perubahan kebutuhan pelanggan? (Contoh spesifik?)	Link to Dynamic Capabilities theory	Evidence of sensing (awareness, learning), seizing (decision making, opportunity capture, and reconfiguring (adaptation, change).
	2. Bagaimana peluang tersebut memengaruhi keputusan bisnis Anda? (Contoh: layanan baru, acara, atau strategi bisnis?)		
	3. Bagaimana kerja sama ini mengubah cara Anda menjalankan bisnis sehari-hari? Adakah rutinitas atau sumber daya yang dialihkan?		
CHALLENGES AND REFLECTIONS	1. Tantangan apa yang Anda hadapi saat berkolaborasi dengan komunitas lokal?	Critical reflection	Limits of collaboration, strategic reflection, and insights for the future
	2. Bagaimana Anda mengelola perbedaan ekspektasi atau kepentingan?		
	3. Bagaimana Anda melihat evolusi peran kolaborasi ini di masa depan bagi kedai kopi Anda maupun sektor kedai kopi secara luas?		

Annex D – Interview Guide for Local Communities

Interviewee	Local Community Representative		
Type of Interview	In-depth, Semi-Structured (in Indonesian)		
Purpose of the Interview	To explore how local communities perceive collaboration with coffee shops, how they participate in value co-creation, and how coffee shops function as spaces and partners within community practices.		
Duration	45 – 55 minutes		
Aspect	**Question**	**Focus**	**Expected Outcomes**
BACKGROUND	1. Dapatkah Anda menceritakan tentang komunitas Anda, tujuannya, dan kegiatan utamanya?	General information of the industry and the business.	Contextual understanding of the coffee shop and background for interpreting later answers.
	2. Bagaimana komunitas Anda pertama kali mulai menggunakan coffee shop sebagai ruang kegiatan?		
	3. Apa peran coffee shop dalam aktivitas komunitas Anda?		
COLLABORATION WITH COFFEE SHOPS	1. Mengapa komunitas Anda memilih berkolaborasi dengan coffee shop dibandingkan tempat lain?	Community perspective of collaboration	Community motivations, relationship dynamics, and coordination practices.
	2. Bagaimana Anda mendeskripsikan hubungan Anda dengan pemilik atau staf coffee shop? (Formal/Informal/Professional/Pertemanan/Short-term/Long-term)		
	3. Bagaimana kegiatan biasanya direncanakan dan dikoordinasikan dengan pihak coffee shop?		
VALUE CO-CREATION FROM COMMUNITY PERSPECTIVE	1. "Value" apa yang diperoleh komunitas Anda dari kolaborasi dengan coffee shop?	Perceived value	Value from community's perspective, mutual contribution and engagement, and social and experiential
	2. Bagaimana lingkungan coffee shop memengaruhi aktivitas atau interaksi komunitas Anda?		
	3. Ceritakan pengalaman spesifik di mana kolaborasi ini sangat berarti bagi komunitas Anda?		

	4. Apa peran anggota komunitas selama kegiatan (selain menjadi pelanggan)? Contoh: kontribusi ide, keterampilan, atau konten. Apakah keterlibatan mereka memengaruhi identitas coffee shop tersebut?		dimensions of value co-creation.
PRACTICES AND EVERYDAY INTERACTION	1. Menurut Anda, dengan cara apa aktivitas komunitas memengaruhi suasana atau identitas coffee shop?	Routines and practices	Practice-based value co-creation, relational embeddedness, and social capital development.
REFLECTION AND FUTURE COLLABORATION	1. Tantangan apa yang dihadapi komunitas Anda saat berkolaborasi dengan coffee shop?	Critical reflection	Constraints and tensions, governance of collaboration, and sustainability of value co-creation.
	2. Bagaimana konflik atau kesalahpahaman biasanya diselesaikan?		
	3. Bagaimana Anda melihat masa depan kolaborasi antara komunitas dan coffee shop?		

Annex E – Informed Consent Form for Interview (Coffee Shops)

Perkenalkan, saya **Nadya Khairunnisa**, mahasiswa program double-degree MBA Universitas Gadjah Mada dan ISCTE Business School (Lisbon) yang saat ini sedang menyusun tesis. Melalui form ini, saya mengajukan permohonan kesediaan Bapak/Ibu untuk berpartisipasi sebagai narasumber dalam penelitian tesis saya yang berjudul:

"Networked Value Co-creation: The Influence of Local Community Collaborations on the Dynamic Capabilities of Indonesian Coffee Shops."

Secara singkat, penelitian ini bertujuan untuk mengeksplorasi bagaimana pemilik dan pengelola coffee shop memaknai serta menjalankan kolaborasi dengan komunitas lokal, bagaimana proses *value co-creation* terbentuk melalui kolaborasi tersebut, serta bagaimana praktik ini berkontribusi terhadap pengembangan *dynamic capabilities* dalam manajemen dan operasional coffee shop.

Partisipasi Bapak/Ibu dalam penelitian ini berupa wawancara *semi-structured* dengan perkiraan durasi 45–60 menit, yang akan membahas pengalaman dan pandangan terkait kolaborasi antara coffee shop dan komunitas lokal. Dengan persetujuan Bapak/Ibu, wawancara ini akan direkam dalam bentuk audio untuk keperluan transkripsi dan analisis data.

Keikutsertaan dalam penelitian ini bersifat sukarela. Bapak/Ibu berhak untuk menolak menjawab pertanyaan tertentu atau menghentikan partisipasi kapan saja tanpa konsekuensi apa pun.

Seluruh data dan informasi yang diperoleh dari wawancara akan digunakan hanya untuk keperluan akademik. Identitas pribadi maupun organisasi Bapak/Ibu akan dijaga kerahasiaannya, dan hasil penelitian akan disajikan dalam bentuk anonim kecuali terdapat persetujuan tertulis lainnya.

Penelitian ini tidak menimbulkan risiko yang signifikan bagi partisipan. Tidak terdapat imbalan finansial atas partisipasi ini, namun diharapkan penelitian ini dapat memberikan kontribusi akademik dan praktis terkait pengembangan kolaborasi antara coffee shop dan komunitas lokal di Indonesia.

Apabila Bapak/Ibu memiliki pertanyaan lebih lanjut mengenai penelitian ini, Bapak/Ibu dapat menghubungi saya melalui:

WhatsApp: 0811XXXXXXX (Nadya Khairunnisa)

Dengan menyetujui form ini, Bapak/Ibu menyatakan telah membaca dan memahami informasi di atas serta bersedia berpartisipasi dalam penelitian ini secara sukarela.

Data Partisipan:

Nama Lengkap	
Posisi/Jabatan	
Mode Wawancara	Daring/Luring
Tanggal Wawancara	
Nomor WhatsApp	
Surel (opsional)	
Nama Perusahaan	
Lokasi	
Tahun Didirikan	
Tipe Coffee Shop	Independen/Independen dengan cabang/Lainnya:
Jumlah Cabang (jika ada)	
Dengan ini saya menyatakan persetujuan saya untuk dapat berpartisipasi sebagai narasumber dari penelitian yang berjudul *"Networked Value Co-creation: The Influence of Local Community Collaborations on the Dynamic Capabilities of Indonesian Coffee Shops"*. Saya menyatakan bahwa keikutsertaan saya dalam penelitian ini saya lakukan secara sukarela atau tanpa paksaan dari pihak manapun. Saya juga memperkenankan kepada peneliti untuk menggunakan data dan informasi yang diberikan sesuai dan kepentingan dan tujuan penelitian.	Setuju/Tidak Setuju

Annex F – Informed Consent Form for Interview (Local Communities)

Perkenalkan, saya **Nadya Khairunnisa**, mahasiswa program double-degree MBA Universitas Gadjah Mada dan ISCTE Business School (Lisbon) yang saat ini sedang menyusun tesis. Melalui form ini, saya mengajukan permohonan kesediaan Bapak/Ibu untuk berpartisipasi sebagai narasumber dalam penelitian tesis saya yang berjudul:

"Networked Value Co-creation: The Influence of Local Community Collaborations on the Dynamic Capabilities of Indonesian Coffee Shops."

Secara singkat, penelitian ini bertujuan untuk mengeksplorasi bagaimana pemilik dan pengelola coffee shop memaknai serta menjalankan kolaborasi dengan komunitas lokal, bagaimana proses *value co-creation* terbentuk melalui kolaborasi tersebut, serta bagaimana praktik ini berkontribusi terhadap pengembangan *dynamic capabilities* dalam manajemen dan operasional coffee shop.

Partisipasi Bapak/Ibu dalam penelitian ini berupa wawancara semi-structured dengan perkiraan durasi 45–60 menit, yang akan membahas pengalaman dan pandangan terkait kolaborasi antara coffee shop dan komunitas lokal. Dengan persetujuan Bapak/Ibu, wawancara ini akan direkam dalam bentuk audio untuk keperluan transkripsi dan analisis data.

Keikutsertaan dalam penelitian ini bersifat sukarela. Bapak/Ibu berhak untuk menolak menjawab pertanyaan tertentu atau menghentikan partisipasi kapan saja tanpa konsekuensi apa pun.

Seluruh data dan informasi yang diperoleh dari wawancara akan digunakan hanya untuk keperluan akademik. Identitas pribadi maupun organisasi Bapak/Ibu akan dijaga kerahasiaannya, dan hasil penelitian akan disajikan dalam bentuk anonim kecuali terdapat persetujuan tertulis lainnya.

Penelitian ini tidak menimbulkan risiko yang signifikan bagi partisipan. Tidak terdapat imbalan finansial atas partisipasi ini, namun diharapkan penelitian ini dapat memberikan kontribusi akademik dan praktis terkait pengembangan kolaborasi antara coffee shop dan komunitas lokal di Indonesia.

Apabila Bapak/Ibu memiliki pertanyaan lebih lanjut mengenai penelitian ini, Bapak/Ibu dapat menghubungi saya melalui:

WhatsApp: 0811XXXXXXXX (Nadya Khairunnisa)

Dengan menyetujui form ini, Bapak/Ibu menyatakan telah membaca dan memahami informasi di atas serta bersedia berpartisipasi dalam penelitian ini secara sukarela.

Data Partisipan:

Nama Lengkap	
Posisi/Jabatan	
Mode Wawancara	Daring/Luring
Tanggal Wawancara	
Nomor WhatsApp	
Surel (opsional)	
Nama Komunitas	
Lokasi	
Tahun Didirikan	
Fokus Komunitas (cth. Lari/Sepeda/Membaca/Zine dll.)	
Frekuensi Aktivitas	
Dengan ini saya menyatakan persetujuan saya untuk dapat berpartisipasi sebagai narasumber dari penelitian yang berjudul *"Networked Value Co-creation: The Influence of Local Community Collaborations on the Dynamic Capabilities of Indonesian Coffee Shops"*. Saya menyatakan bahwa keikutsertaan saya dalam penelitian ini saya lakukan secara sukarela atau tanpa paksaan dari pihak manapun. Saya juga memperkenankan kepada peneliti untuk menggunakan data dan informasi yang diberikan sesuai dan kepentingan dan tujuan penelitian.	Setuju/Tidak Setuju