How Strategic Innovation Capabilities Drive Revenue Model Diversification: A Capability–Mechanism–Context Analysis in Private Art Education

Hai Yang Chu[1], Ou Bai[2*], Suprawin Nachiangmai[3], and Apichaya Kunthino[4]

[*]*Corresponding author*

Innovation College, North–Chiang Mai University, Thailand

E–mail: 370979509@qq.com[1], Oubai@northcm.ac.th[2*]

suprawin@northcm.ac.th[3], Apinchaya@northcm.ac.th[4]

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Abstract

This Article aimed to study (1) the direct effects of strategic innovation capabilities—comprising Digital Capabilities, Brand–Culture Orientation, and Service Innovation Capability—on Revenue Model Diversification and Financial Performance; (2) the mediating mechanisms of Artistic Value Co–Creation and Educational Service Redesign; and (3) the moderating contingencies of Market Dynamism and Founder Strategic Vision. Utilizing a sequential explanatory mixed–methods design, the sample was 392 valid survey respondents representing private art education organizations across East and Southeast Asia (comprising China, Thailand, Vietnam, Malaysia, and Indonesia). They were selected by purposive sampling targeting organizational founders, senior managers, and instructional leaders. The instrument for collecting data was a structured multi–item questionnaire using Likert–type scales, supplemented by 18 semi–structured follow–up interviews. Data were analyzed using descriptive statistics, PLS–SEM (Partial Least Squares Structural Equation Modeling), and content analysis. The findings were as follows:

1 .Digital Capabilities (β = .241, p < .001), Brand–Culture Orientation (β = .287, p < .001), and Service Innovation Capability (β = .318, p < .001) positively influenced Revenue Model Diversification, with Service Innovation Capability producing the strongest direct effect. Revenue Model Diversification was strongly associated with Financial Performance (β = .541, p < .001).

2.Artistic Value Co–Creation mediated the relationship between Brand–Culture Orientation and Revenue Model Diversification (indirect β = .117, p < .001), while Educational Service Redesign mediated the relationship between Digital Capabilities and Revenue Model Diversification (indirect β = .139, p < .001).

3 .Market Dynamism positively moderated the relationship between Service Innovation Capability and Revenue Model Diversification (β = .143, p = .003), and Founder Strategic Vision

positively moderated the relationship between Revenue Model Diversification and Financial Performance (β = .168, p = .001). Qualitative findings revealed that transforming recorded courses into recurring memberships and modular content into certified learning pathways enabled institutions to break away from tuition dependence. This study advances Dynamic Capabilities Theory by establishing the Capability–Mechanism–Context framework to guide creative service managers toward sustainable business model innovation.

Keywords: revenue model diversification; strategic innovation capabilities; value co-creation; private art education; PLS-SEM

Introduction

Digital transformation fundamentally alters not only how service organizations create and deliver value, but also how they configure customer relationships, operating processes, and business models. Digital platforms, data analytics, and digitally mediated channels have expanded reach, personalization, and scalability across creative industries. Yet, the strategic value of technology depends on an organization's capability to integrate it into new configurations of resources, services, and market offerings rather than on technology adoption alone. This distinction exposes an important knowledge gap: organizations frequently create new value without redesigning how they capture economic returns. Recent research in business management confirms that service firms often experience a strategic disconnect between technological investments and economic monetization, limiting overall financial performance (Gong & Ribiere, 2021; Hanelt et al., 2021; Kraus et al., 2022; Wessel et al., 2021).

Private art education in East and Southeast Asia provides a critical context for investigating this phenomenon. The non-formal and creative education market across the region has expanded rapidly, with the East Asian art education sector valued at over USD 18.5 billion and ASEAN supplementary education growing at 8.4% annually; however, industry reports indicate that over 82% of provider revenues remain strictly reliant on conventional tuition fees, creating severe financial vulnerability during enrollment shocks (Liu et al., 2024; Verhoef et al., 2021).

Furthermore, regulatory shifts—such as China's 2021 'Double Reduction' policy restructuring private tutoring alongside post-COVID enrollment volatility across Thailand, Vietnam, Malaysia, and Indonesia—have forced institutions across these distinct regulatory regimes to seek alternative monetization streams beyond classroom instruction. The value generated in art education is experiential, relational, symbolic, and participatory, where learners seek aesthetic experiences, community affiliation, and cultural identity. Digital transformation has introduced flexible delivery formats including online masterclasses, virtual mentoring, hybrid programs, and modular courses. While Dynamic Capabilities Theory explains organizational adaptation through sensing, seizing, and reconfiguring resources (Liu et al., 2024; Matarazzo et al., 2021), prior

studies in creative and educational services focus predominantly on pedagogical value creation or general firm competitiveness, leaving a critical gap regarding how specific strategic capabilities structurally reconfigure actual revenue architectures and value–capture mechanisms.

This study presents an empirical investigation into how strategic innovation capabilities—comprising Digital Capabilities, Brand–Culture Orientation, and Service Innovation Capability—drive Revenue Model Diversification and Financial Performance among private art education organizations in East and Southeast Asia. Utilizing a sequential explanatory mixed–methods design, the study evaluates quantitative survey data from 392 respondents using Partial Least Squares Structural Equation Modeling (PLS–SEM), complemented by qualitative insights from 18 semi–structured interviews with organizational founders and senior managers. The structure of this article outlines: (1) theoretical background and hypothesis development, (2) quantitative and qualitative methodology, (3) empirical structural results and thematic findings, and (4) discussion, new knowledge synthesis, and practical recommendations. This research contributes to academia by uncovering dual conversion mechanisms (Artistic Value Co–Creation and Educational Service Redesign) and contextual contingencies (Market Dynamism and Founder Strategic Vision), while offering practical guidance for creative service managers seeking financial sustainability.

Objectives

1. To study the direct effects of strategic innovation capabilities (Digital Capabilities, Brand–Culture Orientation, and Service Innovation Capability) on Revenue Model Diversification, as well as the direct effect of Revenue Model Diversification on Financial Performance .

2 . To study the mediating roles of Artistic Value Co–Creation (between Brand–Culture Orientation and Revenue Model Diversification) and Educational Service Redesign (between Digital Capabilities and Revenue Model Diversification).

3 . To study the moderating effects of Market Dynamism (on the relationship between Service Innovation Capability and Revenue Model Diversification) and Founder Strategic Vision (on the relationship between Revenue Model Diversification and Financial Performance).

Literature Review

1. Dynamic Capabilities and Strategic Innovation Capabilities

Dynamic Capabilities Theory posits that an organization's sustained adaptation depends on its ability to sense opportunities, seize them, and reconfigure resources as external environments change (Liu et al., 2024; Matarazzo et al., 2021). These microfoundations map directly onto the three strategic capabilities chosen for this study: Digital Capabilities reflect sensing by identifying market trends and digital platforms (Liu et al., 2024); Brand–Culture Orientation reflects seizing by leveraging symbolic identity and community affiliation (Nørgård & Holflod, 2025; Omland et al., 2025; Yu et al., 2025), a routine directly transferable from higher education to private art

education due to their shared reliance on experiential learning; and Service Innovation Capability reflects reconfiguring by serving as an architectural routine to continually develop new service concepts (Gong & Ribiere, 2021; Verhoef et al., 2021). Together, these capabilities address the technological, cultural, and architectural drivers of transformation, where Service Innovation Capability acts as the overarching strategic capability while Educational Service Redesign serves as its operational process, with their conceptual distinctiveness empirically validated via Heterotrait–Monotrait (HTMT) discriminant validity.

H1: Digital Capabilities positively affect Revenue Model Diversification.

H2: Brand–Culture Orientation positively affects Revenue Model Diversification.

H3: Service Innovation Capability positively affects Revenue Model Diversification.

2. Value Capture and Revenue Model Diversification

While traditional strategic management research often conflates value creation with economic performance, recent business model literature emphasizes the analytical separation between value creation and value capture (Kraus et al., 2022; Wessel et al., 2021). Revenue Model Diversification refers to expanding income sources beyond conventional tuition fees toward a broad portfolio of revenue mechanisms, such as subscriptions, licensing, digital content, memberships, and premium services (Hanelt et al., 2021). As a core value–capture dimension of business model transformation, diversification mitigates demand shocks, monetizes differentiated learner needs, and enhances customer lifetime value (Liu et al., 2024).

However, strategy and non–profit finance literature presents mixed evidence regarding diversification, noting that excessive revenue streams can introduce complexity costs, operational friction, and potential curvilinear or inverted U–shaped performance effects if management attention becomes fragmented. Notwithstanding these complexity risks, this study argues that in private art education—where fixed infrastructure costs are high and enrollment is volatile—structured revenue diversification enhances financial stability when aligned with core capabilities.

H4: Revenue Model Diversification positively affects Financial Performance.

3. Conversion Mechanisms and Contextual Contingencies

Possessing strategic capabilities does not automatically yield superior economic outcomes; capabilities must be converted through specific organizational routines (Kraus et al., 2022). This study proposes selective mediation paths based on theoretical alignment: Brand–Culture Orientation requires Artistic Value Co–Creation as an *experiential conversion mechanism* because cultural symbolic assets yield economic returns only when stakeholders actively participate in shared artistic experiences (Nørgård & Holflod, 2025; Yu et al., 2025); concurrently, Digital Capabilities require Educational Service Redesign as a *structural conversion mechanism* because technological tools require reorganized curricula, service packages, and subscription architectures to generate income (Wessel et al., 2021); whereas Service Innovation Capability acts directly as

an operational reconfigurer without requiring a separate mediator. Furthermore, the economic impact of these capabilities is contingent upon external and internal boundary conditions: Market Dynamism serves as an *external moderator* that elevates the strategic returns of service innovation routines by forcing rapid adaptation (Jansen et al., 2006; Miller & Friesen, 1983), while internally, Founder Strategic Vision acts as an *internal moderating anchor* providing upper-echelons strategic leadership and cognitive coherence to align revenue experiments with core institutional identity for profitable value appropriation.

H5: Artistic Value Co-Creation mediates the Brand-Culture Orientation–Revenue Model Diversification relationship.

H6: Educational Service Redesign mediates the Digital Capabilities–Revenue Model Diversification relationship.

H7: Market Dynamism positively moderates the Service Innovation Capability–Revenue Model Diversification relationship.

H8: Founder Strategic Vision positively moderates the Revenue Model Diversification–Financial Performance relationship.

Table 1 Literature Synthesis of Framework Constructs

Construct	Concise Definition	Key Sources	Hyp.
Digital Capabilities (DC)	Integrating digital infrastructure into service delivery	Liu et al. (2024); Matarazzo et al. (2021)	H1, H6
Brand-Culture Orientation (BCO)	Embedding artistic identity and symbolic values into strategy	Nørgård & Holflod (2025); Yu et al. (2025)	H2, H5
Service Innovation Capability (SIC)	Architectural routine for recombining educational offerings	Gong & Ribiere (2021); Verhoef et al. (2021)	H3, H7
Artistic Value Co-Creation (AVC)	Participatory process engaging stakeholders in art activities	Nørgård & Holflod (2025); Yu et al. (2025)	H5
Educational Service Redesign (ESR)	Structural routine reorganizing curricula and subscriptions	Hanelt et al. (2021); Wessel et al. (2021)	H6
Revenue Model Diversification (RMD)	Expanding income streams beyond tuition fees	Kraus et al. (2022); Liu et al. (2024)	H1–H8
Financial Performance (FP)	Perceived economic growth, profitability, and sustainability	Kraus et al. (2022); Wessel et al. (2021)	H4, H8
Market Dynamism (MD)	Rate of technological, competitive, and demand changes	Jansen et al. (2006); Miller & Friesen (1983)	H7
Founder Strategic Vision (FSV)	Leadership guidance providing cognitive alignment	Upper-Echelons Theory	H8

This literature review demonstrates how the researchers applied Dynamic Capabilities Theory to resolve the strategic alignment between capability deployment, conversion mechanisms,

and economic value capture. Rather than assuming a direct link between technology adoption and performance (Kraus et al., 2022), the reviewed theories were operationalized to construct a comprehensive Capability–Mechanism–Context framework. Ultimately, this restates the core knowledge gap: while prior studies establish that creative service firms can generate value, empirical evidence remains lacking on how specific strategic capability configurations convert through targeted routines to structurally reconfigure revenue architectures in tuition-dependent educational institutions.

Conceptual Framework

This research utilizes a sequential explanatory mixed-methods design combining quantitative and qualitative approaches, where the qualitative phase followed and was explicitly informed by the quantitative structural modeling results to explain the underlying organizational routines (Fetters et al., 2013). Quantitative survey data were collected between January and April 2025, followed by qualitative follow-up interviews conducted between May and June 2025. The researcher has defined the research conceptual framework based on the concepts and microfoundations of Dynamic Capabilities Theory, incorporating strategic innovation capabilities, organizational conversion mechanisms, value-capture outcomes, and contextual contingencies, with details as follows:

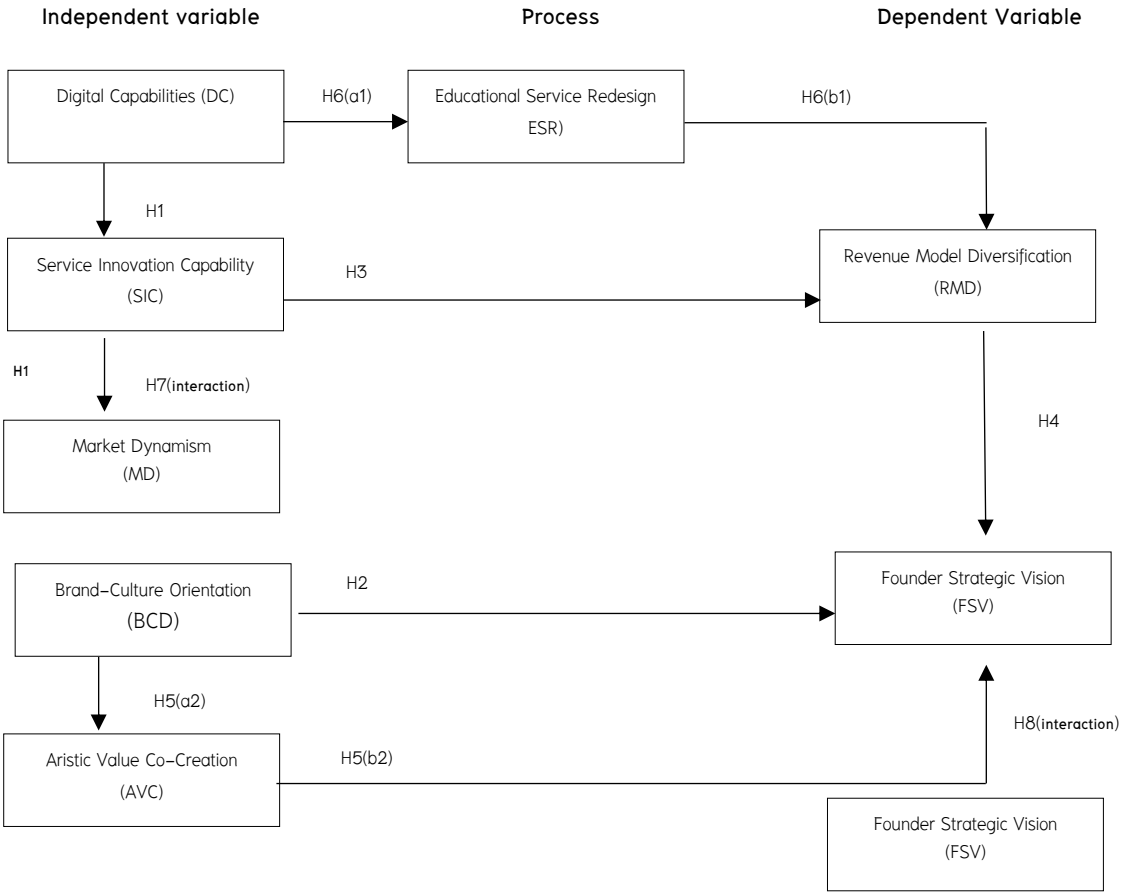


Figure 1 Research Conceptual Framework

Figure 1 outlines the operational structural paths linking strategic innovation capabilities to revenue model transformation and firm performance: direct paths test how Digital Capabilities (H1), Brand–Culture Orientation (H2), and Service Innovation Capability (H3) drive Revenue Model Diversification to enhance Financial Performance (H4); mediating routines evaluate how Educational Service Redesign converts technological assets (H6) and Artistic Value Co–Creation converts cultural assets (H5) into monetizable structures; and contextual moderators test Market Dynamism as an external boundary on service innovation (H7) alongside Founder Strategic Vision as an internal leadership anchor on financial value appropriation (H8).

Research Methodology

This research utilized an IRB–approved sequential explanatory mixed–methods design across private art education organizations in China (n = 124, 31.6%), Thailand (n = 88, 22.4%), Vietnam (n = 72, 18.4%), Malaysia (n = 60, 15.3%), and Indonesia (n = 48, 12.2%). Out of 428 questionnaires distributed via trade registries and professional association directories, 392 valid responses were obtained (91.59% usable response rate), well exceeding the minimum required

sample size of 160 derived from G*Power and inverse square-root calculations (8 predictors, α = .05, power = 0.80). To prevent data nesting, the unit of analysis was set at the organizational level, with N = 392 respondents representing 392 distinct institutions (one informant per organization). Executive key informants—comprising founders/owners (37.2%), senior managers (41.6%), and instructional leaders (21.2%)—were selected via purposive sampling based on minimum two-year tenure and direct involvement in revenue decisions, with incomplete or straight-lined submissions excluded. While purposive sampling maximized informant expertise, it bounds generalizability beyond private art education. Data were collected using two instruments:

1) A structured 36-item survey (5-point Likert scale across 9 constructs, 4 items each; adapted from literature; detailed in Appendix A) validated via expert IOC (> 0.80), 5-language translation back-translation, and a pilot test (n = 35). Measurement validity followed Hair et al. (2022) criteria (α = .876–.912; CR = .911–.935; AVE > .50; HTMT < .85; Henseler et al., 2015), with full-collinearity VIFs (< 3.3; Kock, 2015) confirming no common method bias.

2) A semi-structured qualitative protocol comprising 18 executive interviews across China (5), Thailand (4), Vietnam (3), Malaysia (3), and Indonesia (3) averaging 60 minutes in native languages. Qualitative trustworthiness was established via iterative coding, audit trails, and member checking, reaching theoretical saturation at the 15th interview, with Gioia-inspired thematic analysis (Gioia et al., 2013) yielding 92.4% inter-coder agreement.

Quantitative survey distribution occurred from January to April 2025, followed by qualitative interviews between May and June 2025. Structural model testing was conducted using SmartPLS 4 (v4.1.0) with 5,000 percentile bootstrap resamples, incorporating control variables (size, age, country, founder-led status) and generating moderation interaction terms (H7, H8) via the two-stage product-indicator approach.

Research Results

1. Preliminary Analysis and Measurement Model Evaluation

Prior to structural model testing, data were screened for missing values, outliers, and common method bias, with full-collinearity VIF diagnostics (1.42 to 2.87) falling well below the 3.3 threshold to confirm that common method bias was not a concern (Kock, 2015). Descriptive statistics confirmed that all 392 decision-makers across East and Southeast Asia reported construct mean scores between 3.68 and 4.12 on a 5-point scale, while measurement model evaluation strictly adhered to Hair et al. (2022) criteria, exhibiting outer indicator loadings exceeding 0.708 (.724 to .891), strong internal consistency via Cronbach's alpha (.876 to .912) and composite reliability (.911 to .935), convergent validity through AVE values exceeding 0.50 (.718 to .783), and discriminant validity as all HTMT ratios fell below the 0.85 threshold (Henseler

et al., 2015), particularly confirming the empirical distinctiveness between Service Innovation Capability and Educational Service Redesign (HTMT = 0.682).

2.Results for Objective 1: Direct Effects of Strategic Innovation Capabilities and Value Capture

Objective 1 evaluated the direct effects of strategic innovation capabilities on Revenue Model Diversification and its subsequent link to Financial Performance, yielding a satisfactory structural model fit (SRMR = 0.048) that explained 65.1% of the variance in Revenue Model Diversification (R^2 = .651, Q^2 = .438) and 48.7% in Financial Performance (R^2 = .487, Q^2 = .312 when accounting for direct control variables alongside RMD). Specifically, Revenue Model Diversification was directly promoted by Digital Capabilities (β = .241, t = 4.871, p < .001, f^2 = .082), Brand–Culture Orientation (β = .287, t = 5.426, p < .001, f^2 = .114), and most strongly by Service Innovation Capability (β = .318, t = 6.109, p < .001, f^2 = .145), while Revenue Model Diversification itself displayed a robust direct relationship with Financial Performance (β = .541, t = 11.364, p < .001, f^2 = .384).

Table 2 Direct Hypothesis Testing

Hyp.	Structural Path	β	t	p	95% CI	f^2	Result
H1	Digital Capabilities ⟶ Revenue Model Diversification	.241	4.871	<.001	[.144, .338]	.082	Supported
H2	Brand–Culture Orientation ⟶ Revenue Model Diversification	.287	5.426	<.001	[.183, .391]	.114	Supported
H3	Service Innovation Capability ⟶ Revenue Model Diversification	.318	6.109	<.001	[.216, .420]	.145	Supported
H4	Revenue Model Diversification ⟶ Financial Performance	.541	11.364	<.001	[.448, .634]	.2384	Supported

The empirical results in Table 2 confirm that all three strategic innovation capabilities significantly drive Revenue Model Diversification, with Service Innovation Capability exerting the relative strongest direct impact (β= .318, p < .001, f^2 = .145), outperforming Brand–Culture Orientation (β = .287, p < .001) and Digital Capabilities (β = .241, p < .001). Furthermore, Revenue Model Diversification demonstrates a substantial direct link to Financial Performance (β = .541, p < .001, f^2 = .384), substantiating that transitioning away from traditional tuition dependence toward multi–stream monetization directly dictates financial outcomes in private art education institutions.

3. Results for Objective 2: Mediating Mechanisms of Capability Conversion

Objective 2 tested the organizational conversion mechanisms mediating capability deployment. Following Zhao et al. (2010) and Nitzl et al. (2016) procedures, mediation significance

was evaluated using 5,000 bias-corrected bootstrap resamples reporting a-path, b-path, direct effect (c'), and indirect effect. Specifically, Artistic Value Co-Creation significantly mediated the relationship between Brand-Culture Orientation and Revenue Model Diversification (indirect β = .117, t = 3.851, p < .001, 95%CI [.058, .176]), operating as complementary partial mediation (c' = .287, p < .001). Concurrently, Educational Service Redesign significantly mediated the link between Digital Capabilities and Revenue Model Diversification (indirect β = .139, t = 4.236, p < .001, 95%CI [.075, .203]), also representing complementary partial mediation (c' = .241, p < .001).

Table 3 Mediation Analysis Testing

Hyp.	Mediating Structural Path	a-path β	b-path β	Indirect Effect β	*t*	*p*	*95% bias-corrected CI*	c'	Mediation Type	Result
H5	Brand-Culture ⟶ Artistic Co-Creation ⟶ Revenue Diversification	.342***	.342***	.117	3.851	<.001	[.058, .176]	.287***	Complementary Partial	Supported
H6	Digital Capabilities ⟶ Service Redesign ⟶ Revenue Diversification	.386***	.386***	.139	4.236	<.001	[.075, .203]	.241***	Complementary Partial	Supported

The mediation path analysis in Table 3 reveals that organizational conversion routines operate as complementary partial mediators between capability inputs and revenue diversification. Specifically, Educational Service Redesign mediates the conversion of Digital Capabilities into revenue diversification (indirect β = .139, p < .001, 95%CI [.075, .203]), whereas Artistic Value Co-Creation converts Brand-Culture Orientation into economic outcomes (indirect β = .117, p < .001, 95%CI [.058, .176]). These findings prove that technological and cultural capabilities cannot generate monetization directly without structured service reorganization and participatory student experiences.

4. Results for Objective 3: Moderating Effects of Contextual Contingencies

Objective 3 evaluated external and internal contextual moderators using the two-stage product-indicator approach. External Market Dynamism significantly and positively moderated the relationship between Service Innovation Capability and Revenue Model Diversification (β = .143, t = 2.984, p = .003, f^2 = .042). Simple slope analysis confirmed that the positive impact of SIC on RMD is significantly stronger under high Market Dynamism (+1 SD). Internally, Founder Strategic Vision positively moderated the relationship between Revenue Model Diversification and Financial Performance (β = .168, t = 3.417, p < .001, f^2 = .058). Simple slope analysis demonstrated that diversified revenue streams yield substantially higher financial returns when guided by strong Founder Strategic Vision (+1 SD).

Table 4 Moderation Analysis Testing

Hyp.	Mediating Structural Interaction Path	Indirect Effect β	*t*	*p*	*95% CI*	f^2	Result
H7	Service Innovation x Market Dynamism ⟶ Revenue Diversification	.143	2.984	<.001	[.049, .237]	.042	Supported
H8	Revenue Diversification x Founder Vision ⟶ Financial Performance	.168	3.417	<.001	[.072, .264]	0.58	Supported

The moderation findings in Table 4 establish dual contextual boundary conditions across the value–capture process. External Market Dynamism significantly amplifies the impact of Service Innovation Capability on Revenue Model Diversification (β = .143, p = .003, f^2 = .042), indicating that environmental volatility increases the strategic returns to continuous service reconfiguration. Internally, Founder Strategic Vision significantly strengthens the conversion of Revenue Model Diversification into Financial Performance (β = .168, p < .001, f^2 = .058), confirming that future–oriented executive leadership is required to align novel revenue streams and mitigate organizational complexity.

Qualitative Findings and Mixed–Methods Joint Display

To explain the statistical results, qualitative interview transcripts from 18 leaders across China, Thailand, Vietnam, Malaysia, and Indonesia were analyzed using Gioia–inspired content analysis (Gioia et al., 2013). Table 5 displays the joint integration linking statistical hypotheses to qualitative themes and illustrative participant quotes.

Table 5 Joint Display of Mixed–Methods Findings

Hypothesis & Quantitative Finding	First–Order Qualitative Concepts	Aggregate Qualitative Theme	Illustrative Anonymized Participant Quotes
H1 & H6: DC ⟶ ESR ⟶ RMD (β= .241, Indirect β = .139)	Reorganizing recorded classes into recurring memberships; modularizing certification pathways.	Digital Scalability through Service Redesign	"Simply uploading recorded videos online didn't bring revenue. We had to redesign our entire curriculum into subscription tiers and micro–credentials."
H2 & H5: BCO ⟶ AVC ⟶ RMD (β = .287, Indirect β = .117)	Co–creating exhibitions, community art shows, and student–led creative projects.	Cultural Monetization via Experiential Co–Creation	"Parents and students don't just pay for art lessons; they pay for being part of our artistic community. Our annual co–created exhibitions generate over 25% of our non–tuition income."
H3 & H7: SIC ⟶ MD ⟶ RMD (β = .318, Interaction β = .143)	Rapidly packaging new hybrid formats during market shifts and platform disruptions.	Agile Service Innovation in Dynamic Environments	*"When market preferences shifted post–pandemic, our ability to launch weekend masterclass passes and studio access packages kept us profitable."*
H4 & H8: RMD ⟶ FSV ⟶ FP	Founder vision maintaining alignment between new	Visionary Leadership for Value Appropriation	"Adding new revenue streams can easily dilute your brand.

Hypothesis & Quantitative Finding	First-Order Qualitative Concepts	Aggregate Qualitative Theme	Illustrative Anonymized Participant Quotes
(β = .541, Interaction β = .168)	revenue streams and core identity.		Strategic vision ensures that every subscription or merchandise project directly reinforces our core artistic prestige."

The joint display integration in Table 5 corroborates the PLS-SEM statistical paths through process-level qualitative evidence across all five East and Southeast Asian markets. Executive accounts illustrate that raw digital content generates sustainable revenue only when restructured into recurring membership tiers and certified pathways, while cultural identity requires co-created student exhibitions to unlock non-tuition income. Furthermore, qualitative narratives confirm that founder vision prevents strategic dilution, providing clear empirical triangulation for the Capability–Mechanism–Context framework.

Discussion

The results of the research objective 1 found that strategic innovation capabilities positively affected Revenue Model Diversification, which subsequently enhanced Financial Performance (β = .541, p < .001). Notably, Service Innovation Capability exerted the strongest direct effect on Revenue Model Diversification (β = .318, p < .001), outperforming Digital Capabilities (β = .241) and Brand-Culture Orientation (β = .287). This result extends prior digital transformation research (Gong & Ribiere, 2021; Kraus et al., 2022; Verhoef et al., 2021) by demonstrating that technological adoption alone acts merely as an enabling infrastructure; economic value capture requires the continuous architectural reconfiguration of educational service structures. Furthermore, the positive effect of Brand-Culture Orientation confirms that creative service organizations compete heavily through symbolic meaning and aesthetic identity, enabling institutions to extend income beyond conventional tuition toward branded exhibitions and memberships (Nørgård & Holflod, 2025; Omland et al., 2025). While traditional strategic literature suggests that revenue diversification can introduce complexity costs and curvilinear risks, the strong positive link between Revenue Model Diversification and Financial Performance proves that in fixed-cost, tuition-dependent service sectors, multi-stream revenue architectures effectively buffer demand shocks and monetize differentiated learner needs without creating unmanageable operational friction (Liu et al., 2024; Wessel et al., 2021).

The results of the research objective 2 found that organizational conversion mechanisms significantly mediated the capability-to-diversification relationships. Artistic Value Co-Creation mediated the link between Brand-Culture Orientation and Revenue Model Diversification (indirect β = .117, p < .001), suggesting that cultural identity becomes economically consequential when

stakeholders actively experience and reproduce the institution's culture through exhibitions, performances, and collaborative projects (Nørgård & Holflod, 2025; Yu et al., 2025). Concurrently, Educational Service Redesign mediated the impact of Digital Capabilities on Revenue Model Diversification (indirect β = .139, p < .001). This finding aligns with digital transformation research demonstrating that raw IT infrastructure does not directly generate revenue unless organizations systematically reorganize curricula, learning journeys, service bundles, and pricing architectures (Hanelt et al., 2021; Wessel et al., 2021). These complementary partial mediation paths establish a differentiated capability conversion logic: cultural assets require experiential mobilization through participatory co–creation, whereas digital assets require structural service reconfiguration.

The results of the research objective 3 found thatexternal and internal contingencies dynamically moderated the transformation process. Market Dynamism positively moderated the effect of Service Innovation Capability on Revenue Model Diversification (β = .143, p = .003), demonstrating that rapid shifts in technology, competition, and learner expectations elevate the strategic returns of service innovation routines by forcing organizations to continuously adapt their offerings (Jansen et al., 2006; Liu et al., 2024; Miller & Friesen, 1983). Internally, Founder Strategic Vision positively moderated the relationship between Revenue Model Diversification and Financial Performance (β = .168, p < .001). This reveals that diversifying revenue streams introduces organizational uncertainty and potential resource friction, which require future–oriented leadership to align experiments with core institutional identity, sustain necessary resource allocations, and integrate novel income streams into a coherent business architecture as grounded in Upper–Echelons and Strategic Leadership theories.

Theoretical Implications

This research advances Dynamic Capabilities Theory in three ways. First, it explicitly extends the theory toward value capture by establishing Revenue Model Diversification as an intermediate outcome, bridging the gap between capability deployment and economic returns. Second, it unpacks the conversion "black box" by proving that heterogeneous capabilities (digital vs. cultural) require distinct conversion routines (structural vs. experiential). Third, it introduces a dual–contextual logic, showing that external market dynamism drives capability deployment, whereas internal founder vision dictates financial value appropriation.

Limitations and Future Research

Several limitations should be noted. First, the cross–sectional design limits definitive causal assertions, suggesting that future studies should utilize longitudinal panels to track revenue model evolution. Second, reliance on single–informant perceptual financial measures introduces potential self–report bias, although procedural remedies and full–collinearity VIF diagnostics verified data robustness. Third, while purposive sampling targeting executive decision–makers ensured knowledgeable responses, it places boundaries on generalizability across non–creative sectors.

Fourth, sampling across five East and Southeast Asian countries introduces unobserved regulatory heterogeneity (e.g., China's 'Double Reduction' policy vs. ASEAN market dynamics). Future research should examine objective financial metrics and test the CMC framework across broader creative industries.

New Knowledge from Research

This research synthesizes a new theoretical model termed the "Capability–Mechanism–Context Model of Value Capture" (CMC Model) in creative service organizations. The knowledge derived from this study bridges the gap between value creation and economic value capture by illustrating how heterogeneous strategic capabilities convert into diversified revenue architectures through specific organizational routines and contextual boundary conditions, supported by empirical path coefficients (β) and grounded qualitative insights:

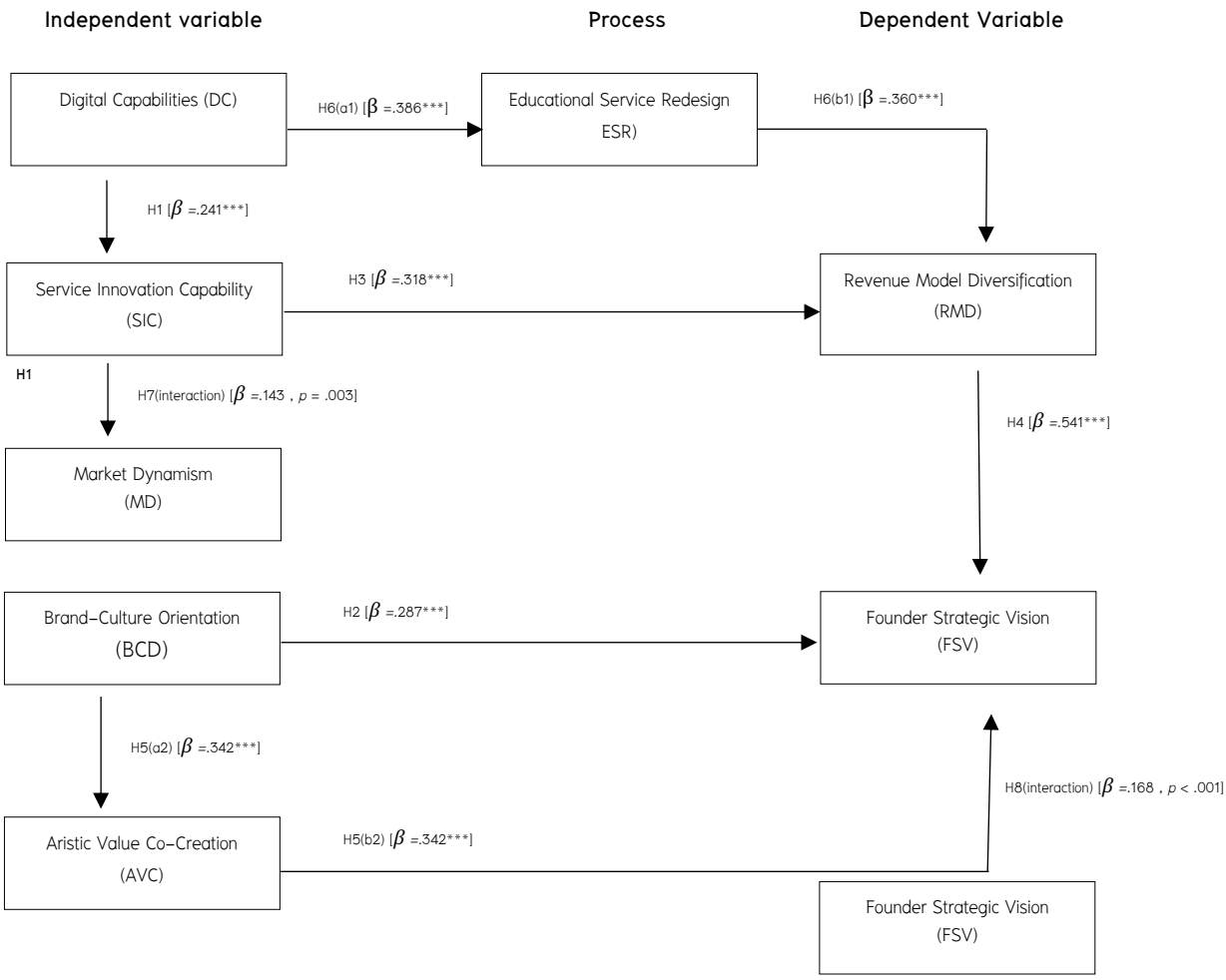


Figure 2 The Capability–Mechanism–Context (CMC) Model of Value Capture

Figure 2 illustrates the empirical path coefficients and contextual boundary conditions of the Capability–Mechanism–Context (CMC) Model of Value Capture: Stage 1 establishes direct positive impacts from Digital Capabilities (H1: β = .241), Brand–Culture Orientation (H2: β = .287), and Service Innovation Capability (H3: β = .318) onto Revenue Model Diversification; Stage 2 demonstrates that capability conversion relies on complementary partial mediation, where Educational Service Redesign converts digital tools (H6: indirect β = .139) and Artistic Value Co–Creation converts brand identity (H5: indirect β = .117) into monetizable structures, while Service Innovation Capability acts directly without requiring a Stage 2 routine; Stage 3 confirms that Revenue Model Diversification strongly dictates Financial Performance (H4: β = .541); and Contextual Anchors show that Market Dynamism significantly accelerates service innovation returns (H7: interaction β = .143, p = .003), while Founder Strategic Vision ensures financial value appropriation (H8: interaction β = .168, p < .001).

Conclusion

This study provides direct answers to its core objectives regarding how strategic innovation capabilities translate into revenue diversification and financial outcomes in private art education across East and Southeast Asia. The empirical findings reveal that strategic innovation capabilities significantly drive Revenue Model Diversification—with Service Innovation Capability exerting the relative strongest direct effect (β = .318, p < .001), followed by Brand–Culture Orientation (β = .287) and Digital Capabilities (β = .241)—which subsequently dictates perceived financial performance β = .541, p < .001). Furthermore, capability conversion depends on differentiated routines, where Educational Service Redesign bridges Digital Capabilities to revenue diversification (indirect β = .139, p < .001) and Artistic Value Co–Creation bridges Brand–Culture Orientation to economic value capture (indirect β = .117, p < .001), while being bounded by external Market Dynamism (β = .143, p = .003) and internal Founder Strategic Vision (β = .168, p < .001). Ultimately, the study's main theoretical contribution lies in synthesizing the Capability–Mechanism–Context (CMC) Model of Value Capture, which advances Dynamic Capabilities Theory by demonstrating that value capture requires matching technological assets with structural service redesign and cultural assets with experiential co–creation, though findings should be interpreted within the boundaries of a cross–sectional survey design, purposive executive sampling, single–informant perceptual financial measures, and unobserved multi–country regulatory heterogeneity.

Suggestions

Based on the research findings, the researchers make the following recommendations:

1. Suggestion for Implementing the Research Findings

To operationalize these empirical findings, institution owners, administrative bodies, and creative service managers must align strategic capability deployment with targeted conversion routines and leadership practices across three core areas. First, addressing Objective 1, organizations should restructure conventional tuition–dependent models by continuously deploying modular courses, micro–credentials, and hybrid offerings, ensuring that service architectures directly enable flexible pricing and recurring subscription tiers driven by Service Innovation Capability. Second, in alignment with Objective 2, managers must pair digital infrastructure with structural curriculum reorganization—such as converting recorded content into recurring memberships—while simultaneously mobilizing brand culture through participatory student exhibitions, public performances, and co–created cultural events that generate direct experiential revenue. Third, reflecting Objective 3, executive boards and founders must establish agile market–sensing routines to dynamically reconfigure offerings during high market dynamism, while exercising future–oriented strategic vision to align novel revenue experiments with core institutional identity, thereby preventing strategic fragmentation and securing long–term profitability.

2. Suggestion for Future Research

Future research may extend the Capability–Mechanism–Context (CMC) Model to broader creative, experiential, and service–intensive sectors—such as design institutes, performing arts academies, and heritage institutions—while investigating how emerging technologies like generative AI and platform orchestration reshape value–capture routines, alongside additional mechanisms including data–driven personalization and ecosystem partnerships. To build upon these insights, scholars should adopt longitudinal empirical designs to observe temporal revenue model causality over time, addressing the boundaries of the present study. Readers must interpret current findings within specific methodological constraints: the cross–sectional survey design reflects statistical associations rather than longitudinal causality; reliance on single–informant respondent–reported measures for capabilities and financial outcomes introduces potential self–report bias (mitigated via full–collinearity VIF diagnostics); purposive sampling of executive decision–makers places generalizability limits beyond private art education; and multi–country sampling across five East and Southeast Asian markets incorporates unobserved regulatory heterogeneity—such as China's 'Double Reduction' policy versus ASEAN market dynamics—that warrants dedicated cross–national comparative analysis.

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