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How Firms Adapt Marketing and Business Strategies Amid Price Controls and Transparency-Driven Regulation in Indonesia

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ABSTRACT

In recent years, Indonesia has experienced a notable increase in corporate bankruptcies, especially among large firms struggling to adapt to shifting regulations and market dynamics, reflecting a growing tension between strategic agility and heightened government intervention. Under the current administration, policies such as price controls and stricter transparency requirements have pressured companies to adjust rapidly or risk decline. This study investigates how resilient Indonesian firms modify their marketing and business strategies to sustain growth under regulatory constraints. Using a quantitative approach, data were collected through surveys of senior executives in marketing, finance, and strategy from medium-to-large enterprises across highly regulated sectors, including manufacturing, consumer goods, logistics, and retail. The analysis examines the relationship between perceived regulatory pressure and key performance indicators—revenue growth, brand performance, and competitive positioning—while considering moderating factors such as industry sector and firm age. By framing the research within the context of rising bankruptcy trends, this thesis aims to identify the strategic characteristics that distinguish firms capable of surviving and growing from those that fail, thereby contributing practical insights to the fields of strategic marketing and management within Indonesia's evolving policy landscape.

Keywords: Marketing Strategies; Price Controls; Strategic Growth; Transparency-Driven Regulation

JEL Classification: 51; M21; L25; O53

INTRODUCTION

Indonesia's economy has transformed over the past decade, marked by stable growth and stricter regulations. With a 5.05% GDP growth in 2023 driven by manufacturing, trade, construction, and agriculture (Business Indonesia, 2024), companies now face the challenge of sustaining momentum amid tighter government interventions such as price controls and transparency regulations. Price controls, common in sectors like fuel, food, and transportation, limit pricing flexibility and create inefficiencies and distorted competition. Meanwhile, transparency rules such as Ministerial Regulation No. 36/2022 increase compliance costs and heighten public scrutiny. Together, these pressures force firms to become more agile and adaptive.

Strategic adaptation, involving adjustments in marketing and business strategies, is essential for firm survival (Maftei & Butnaru, 2023). However, evidence on how Indonesian firms adapt under regulatory pressure remains limited, particularly regarding how firm size, sector, or productivity may influence outcomes. This study examines how medium and large firms in Indonesia adjust their marketing and business operations in response to price control and transparency regulations, and how these strategic adaptations impact revenue growth, brand performance, and competitiveness. It bridges theoretical gaps in strategic adaptation and contingency theory while offering practical insights for managers and policymakers navigating Indonesia's evolving economic landscape.

LITERATURE REVIEW

Price Control Pressure

Price control is a government mechanism used to regulate market prices in order to stabilize the economy and protect consumer welfare (Muttaqien et al., 2023). Broadly, price control consists of two main types: price ceilings, which cap the maximum allowable price for essential goods, and price floors, which establish the minimum acceptable price for certain commodities or services. In Indonesia, price control mechanisms are implemented in a sector-specific manner, often coordinated through ministries such as the Ministry of Energy and Mineral Resources (MEMR), the Ministry of Trade, and the National Food Agency (Badan Pangan Nasional). These policies aim not only to manage inflation and ensure affordability but also to maintain social equity, market stability, and industrial competitiveness (Wijayanto et al., 2024).

Transparency-Driven Regulation

Transparency-driven regulation emphasizes openness, accountability, and traceability in both public governance and private sector activities. These policies are fundamental for preventing corruption, fostering stakeholder trust, and aligning national governance with international ESG (environmental, social, and corporate governance) standards (Rosidaini, 2023). Transparency systems encourage companies to operate responsibly and compete more fairly in the market.

However, transparency regulations also pose challenges. Small and medium-sized enterprises (SMEs) and informal-sector businesses often lack the literacy, resources, or administrative capacity needed to comply with complex disclosure requirements. Despite these difficulties, such policies remain essential for long-term governance improvement, strengthening regulatory discipline and fostering alignment between policy expectations and operational strategies.

Strategic Adaptation

Strategic adaptation refers to a company's ability to adjust its internal strategies in response to external changes (Alawwad, 2024). It highlights flexibility in reconfiguring resources, innovating operations, and modifying strategies to address regulatory and market pressures. In Indonesia's regulated environment, strategic adaptation manifests in two primary forms: (1) marketing strategy adaptation, which involves adjusting pricing, promotion, and branding to remain competitive under price controls; and (2) business strategy adaptation, which focuses on restructuring operations, managing costs, and strengthening compliance through digital and ethical governance. Overall, strategic adaptation links external regulatory pressures to firm performance, reflecting organizational resilience and proactive leadership.

Firm Performance Outcomes

Firm performance represents the measurable outcomes of successful adaptation strategies, reflected in revenue growth, brand performance, and competitive positioning. Revenue growth indicates a firm's capacity to maintain or expand income under shifting regulations or market conditions. According to Daodu & Bhaumik (2024), firms that improve operational efficiency, enhance service quality, or diversify products can sustain growth even under strict price controls. Brand performance reflects the effectiveness of communicating value to consumers and stakeholders; in a transparency-driven environment, ethical behavior and accountability can strengthen brand trust and loyalty, turning compliance into a competitive advantage. Competitive positioning measures a firm's relative standing within its industry and depends on how quickly it can anticipate and respond to regulatory and market changes. As Costa et al. (2023) notes, firms that innovate through compliance can better differentiate themselves and maintain leadership. Collectively, these dimensions demonstrate how adaptive strategies convert regulatory pressures into opportunities for growth and renewal.

Moderating Variable: Firm Characteristics

Firm characteristics—particularly industry sector and organizational age—strongly moderate the way strategic adaptation occurs (Handoyo et al., 2023). Firms in highly regulated sectors such as energy, healthcare, and transportation invest more heavily in compliance and adaptive systems due to frequent policy changes, while firms in less regulated industries tend to respond more slowly. Firm age also influences adaptability: younger firms tend to be more flexible and innovative, whereas older organizations rely on established routines, networks, and institutional knowledge to comply with regulations. These differences help explain the varied outcomes of strategic adaptation across Indonesia's diverse regulatory landscape.

Theoretical Foundation

Organizations across industries are increasingly confronted with external pressures that challenge their strategic flexibility and long-term performance. These pressures—particularly regulatory mandates—strongly influence firm strategies and outcomes. Drawing from Contingency Theory (Abedin, 2022), Institutional Theory (Barron, Palmer, & Quinn, 2024), and the Resource-Based View (Lubis, 2022), this study examines how firms respond to external pressures—specifically price control and transparency regulations—through strategic adaptation, and how such adaptations subsequently influence organizational growth.

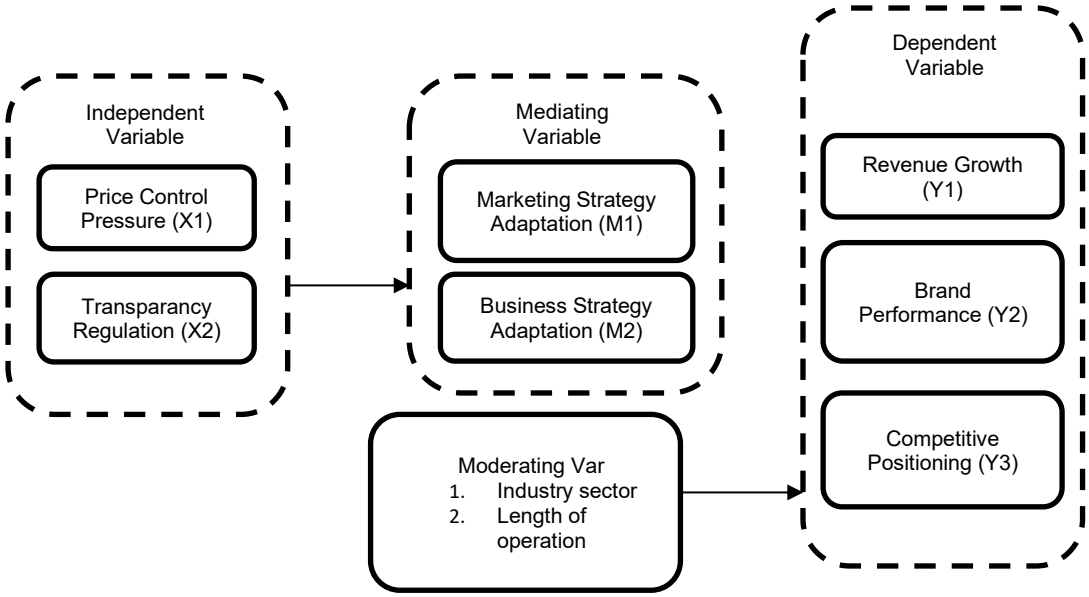
Hypotheses Development

H1a: Price control pressure significantly affects marketing strategy adaptation.
H1b: Price control pressure significantly affects business strategy adjustment.
H2a: Transparency regulation pressure significantly affects marketing strategy adaptation.

H2b: Transparency regulation pressure significantly affects business strategy adjustment.
H3a: Marketing strategy adaptation significantly affects revenue growth.
H3b: Marketing strategy adaptation significantly affects brand performance.
H3c: Marketing strategy adaptation significantly affects competitive positioning.
H4a: Business strategy adjustment significantly affects revenue growth.
H4b: Business strategy adjustment significantly affects brand performance.
H4c: Business strategy adjustment significantly affects competitive positioning.

Conceptual Framework
The study framework model is depicted in Figure 1.

Figure 1. Research Framework



RESEARCH METHOD

This study uses a quantitative explanatory design to examine how regulatory pressures—specifically price control and transparency regulations—affect firm performance through strategic adaptation. Grounded in Contingency Theory, Institutional Theory, and the Resource-Based View, the research focuses on medium-to-large firms operating in Indonesia's regulated sectors. Data were collected through online questionnaires using a five-point Likert scale, complemented by secondary data from regulatory documents and industry reports. The sample targeted managerial-level respondents across the manufacturing, consumer goods, logistics, retail, finance, and energy sectors, with a minimum requirement of 200 valid responses. Analysis was conducted using PLS-SEM through SmartPLS 4, assessing both the measurement and structural models. Additional procedures included Multi-Group Analysis (MGA) to examine moderation effects of industry sector and firm age, and Importance–Performance Map Analysis (IPMA) to identify strategic priorities. Together, these analytical approaches provide empirical and practical insights into how Indonesian firms adapt their strategies amid regulatory change.

RESULTS

Cross Loading
Tabel 1. Cross Loading Result

INDICATOR	X1 PCP	X2 TGP	M1 MSA	M2 BSA	Y1 RG	Y2 BP	Y3 CP	REMARKS
PCP1	0.731							VALID
PCP2	0.728							VALID
PCP3	0.754							VALID
PCP4	0.732							VALID
PCP5	0.737							VALID
PCP6	0.762							VALID
PCP7	0.726							VALID
TGP1		0.757						VALID
TGP2		0.722						VALID
TGP3		0.706						VALID
TGP4		0.728						VALID
TGP5		0.716						VALID
TGP6		0.737						VALID
TGP7		0.779						VALID
MSA1			0.756					VALID
MSA2			0.709					VALID
MSA3			0.728					VALID
MSA4			0.736					VALID
MSA5			0.791					VALID
MSA6			0.795					VALID
MSA7			0.783					VALID
BSA1				0.729				VALID
BSA2				0.717				VALID
BSA3				0.71				VALID
BSA4				0.713				VALID
BSA5				0.702				VALID
BSA6				0.73				VALID
BSA7				0.753				VALID
RG1					0.807			VALID
RG2					0.763			VALID
RG3					0.77			VALID
RG4					0.703			VALID
RG5					0.712			VALID
RG6					0.826			VALID
BP1						0.714		VALID
BP2						0.711		VALID
BP3						0.75		VALID
BP4						0.729		VALID
BP5						0.737		VALID
BP6						0.733		VALID
CP1							0.738	VALID
CP2							0.741	VALID
CP3							0.751	VALID

CP4							0.726	VALID
CP5							0.716	VALID
CP6							0.738	VALID

Source: Processed Data (2025)

In summary, the results indicate that for all latent variables, the indicator loadings are higher than 0.7, with only one or two indicators approaching the lower threshold of 0.702. This confirms that all constructs in this study are valid and possess strong reliability, making them appropriate for further analysis using Structural Equation Modeling (SEM) or Partial Least Squares (PLS).

Construct Reliability

Table 2. Average Variance Extracted

Variable	Average Variance Extracted (AVE)	Remarks
X1 Price Control Pressure	0.546	Valid
X2 Transparency Regulation Pressure	0.541	Valid
M1 Marketing Strategy Adaptation	0.574	Valid
M2 Business Strategy Adaptation	0.522	Valid
Y1 Revenue Growth	0.577	Valid
Y2 Brand Performance	0.532	Valid
Y3 Competitive Positioning	0.54	Valid

Source: Processed Data (2025)

The average variance extracted (AVE), another measure of convergent validity, represents the amount of variance explained by each latent variable in the SEM model. According to Fornell and Larcker (1981), an AVE value greater than 0.50 is considered adequate. The results also indicate that discriminant validity is established, as the diagonal AVE values are higher than the off-diagonal values (Hauff et al., 2024).

Overall, these findings show that convergent validity is satisfactory, and therefore the constructs are suitable for structural model analysis in the next phase.

Table 3. Reliability Testing

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Remarks
X1 Price Control Pressure	0.861	0.862	0.894	Reliable
X2 Transparency Regulation Pressure	0.860	0.863	0.892	Reliable
M1 Marketing Strategy Adaptation	0.876	0.880	0.904	Reliable
M2 Business Strategy Adaptation	0.847	0.849	0.884	Reliable
Y1 Revenue Growth	0.878	0.893	0.905	Reliable
Y2 Brand Performance	0.780	0.783	0.850	Reliable
Y3 Competitive Positioning	0.831	0.835	0.876	Reliable

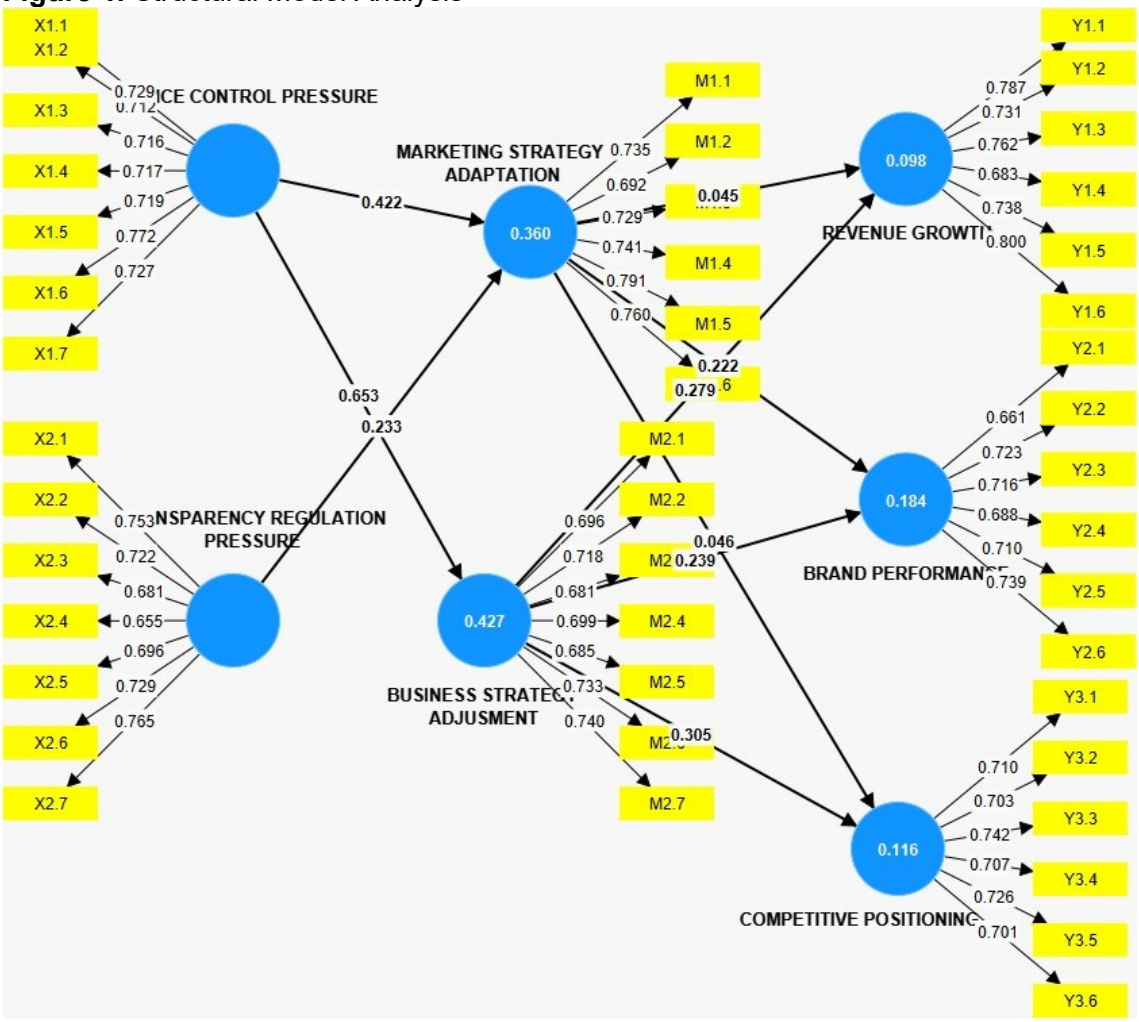
Source: Processed Data (2025)

The results of reliability testing (based on Cronbach's Alpha and rho_A) indicate that all constructs in the model are considerably reliable. As stated by Hauff et al. (2024) construct reliability is achieved when the internal consistency of indicators measuring the same latent variable is strong, reflected by Cronbach's Alpha and rho_A values ≥ 0.70.

As shown in the table, all constructs have Cronbach's Alpha values ranging from 0.780 to 0.878 and rho_A values ranging from 0.783 to 0.893, confirming that all constructs meet the reliability criteria. Composite Reliability (CR), which evaluates the internal consistency and the degree to which a construct is reliable as a whole, also follows the same threshold of ≥ 0.70.

Overall, these findings demonstrate that each construct is reliable and internally consistent, indicating that all indicators effectively measure their intended latent variables. This high level of reliability affirms the adequacy of the measurement model and supports proceeding to the structural model testing with confidence.

Figure 1. Structural Model Analysis



Source: Processed Data (2025)

Inner Model

Table 4. R Square

Variable	R Square	R Square Adjusted
M1 Marketing Strategy Adaptation	0.391	0.386
M2 Business Strategy Adjusment	0.473	0.469
Y1 Revenue Growth	0.114	0.107
Y2 Brand Performance	0.188	0.181
Y3 Competitive Positioning	0.114	0.106

Source: Processed Data (2025)

In PLS-SEM, the coefficient of determination (R^2) assesses the extent to which exogenous latent variables explain the variance of endogenous latent constructs. R^2 serves as an indicator of the model's overall predictive accuracy, with values ranging from 0 to 1. Higher R^2 values indicate stronger explanatory power and a better model fit in capturing variance within the dependent constructs (Hair et al., 2014; Sarstedt et al., 2019). Overall, these findings suggest that the model has moderate explanatory power for the strategy adaptation constructs (M1 and M2) and relatively weak explanatory power for the firm performance outcomes (Y1–Y3). Nonetheless, this level of explanatory strength is acceptable in behavioral and management research, where organizational outcomes are influenced by multiple external and contextual factors.

Table 5. F Size

Variable	M1 (MSA)	M2 (BSA)	X1 (PC)	X2 (TRP)	Y1 (RG)	Y2 (BP)	Y3 (CP)
M1 Marketing Strategy Adaptation					0.204	0.203	0.284
M2 Business Strategy Adjustment					0.044	0.042	0.064
X1 Price Control Pressure	0.202	0.247					
X2 Transparency Regulation Pressure	0.041	0.077					
Y1 Revenue Growth							
Y2 Brand Performance							
Y3 Competitive Positioning							

Source: Processed Data (2025)

Effect size (f^2) assesses how the removal of each construct worsens the overall model fit. According to Hauff et al. (2024), values above 0.35 indicate a large effect. Through this measure, researchers can identify which independent variables exert the strongest influence on the dependent variables, providing deeper insight into the structural dynamics of the model.

The f^2 test results show that both Price Control Pressure (X1) and Transparency Regulation Pressure (X2) positively influence Marketing Strategy Adaptation (M1) and Business Strategy Adjustment (M2), with X1 demonstrating stronger effects (0.202 and 0.247) than X2 (0.041 and 0.077). This indicates that firms respond more actively to price control mechanisms than to transparency regulations. Marketing Strategy Adaptation (M1) has a moderate impact on Revenue Growth (0.204), Brand Performance (0.203), and Competitive Positioning (0.28), underscoring its critical role in driving firm outcomes. Meanwhile, Business Strategy Adjustment (M2) shows weaker effects (0.042–0.06), confirming that marketing adaptation is the more influential mediator in sustaining firm performance under regulatory pressure.

Table 6. Q Square

VARIABLE	SSO	SSE	Q^2 (=1-SSE/SSO)
Brand Performance	1392.000	1290.234	0.073
Business Strategy Adaptation	1624.000	1281.965	0.211
Competitive Positioning	1392.000	1331.144	0.044

Marketing Strategy Adaptation	1392.000	1126.447	0.191
Price Control Pressure	1624.000	1624.000	0.000
Revenue Growth	1392.000	1328.151	0.046
Transparency Regulation Pressure	1624.000	1624.000	0.000

Source: Processed Data (2025)

The predictive significance of the structural model was evaluated using the Q^2 (Stone–Geisser's Q^2) statistic generated through the blindfolding procedure in SmartPLS. This test assesses the model's ability to accurately predict the observed values of endogenous constructs. A Q^2 value greater than zero indicates predictive relevance, whereas values below zero suggest a lack of predictive capability (Hair et al., 2017).

The Q^2 results show that all endogenous variables possess positive predictive relevance, confirming the model's predictive capability. Business Strategy Adaptation (Q^2 = 0.211) and Marketing Strategy Adaptation (Q^2 = 0.191) demonstrate the strongest predictive values, indicating robust predictability of firms' adaptive behavior. Brand Performance (Q^2 = 0.073), Revenue Growth (Q^2 = 0.046), and Competitive Positioning (Q^2 = 0.044) exhibit modest predictive relevance, indicating partial variance explained. As expected, Price Control Pressure and Transparency Regulation Pressure show Q^2 = 0.000 because they are exogenous constructs. Overall, these results confirm that the model has acceptable predictive relevance, particularly for strategic adaptation constructs, reinforcing the role of adaptive capabilities as key mediators linking institutional pressures to organizational outcomes.

Table 6. PLS Predict

VARIABLE	Q²predict	RMSE	MAE
Brand Performance	0.012	1.020	0.676
Business Strategy Adaptation	0.414	0.776	0.547
Competitive Positioning	0.007	1.020	0.698
Marketing Strategy Adaptation	0.335	0.833	0.556
Revenue Growth	0.012	1.016	0.698

Source: Processed Data (2025)

The PLS Predict results demonstrate strong predictive relevance for the strategic adaptation constructs. Business Strategy Adaptation (Q^2 = 0.414) and Marketing Strategy Adaptation (Q^2 = 0.335) exhibit high out-of-sample predictive power, indicating that the model effectively predicts firms' adaptive responses to regulatory pressures. In contrast, Brand Performance (Q^2 = 0.012), Revenue Growth (Q^2 = 0.012), and Competitive Positioning (Q^2 = 0.007) show low predictive values, suggesting limited predictive capability for performance outcomes. The RMSE and MAE values are lowest for business and marketing adaptation, confirming smaller prediction errors and stronger predictive accuracy for these constructs. Overall, the model demonstrates superior predictive ability for adaptive strategies compared to direct performance outcomes, reinforcing the integrated perspectives of Institutional Theory, the Resource-Based View, and Contingency Theory in explaining how firms navigate regulatory environments.

Table 7. CVPAT (Cross-Validated Predictive Ability Test)

Variable	PLS Loss	IA Loss	Average Loss Difference	t-value	p-value
Brand Performance	0.712	0.716	-0.004	0.233	0.816
Business Strategy Adjustment	0.871	1.093	-0.222	4.132	0.000

Competitive Positioning	0.799	0.799	0.000	0.015	0.988
Marketing Strategy Adaptation	0.906	1.105	-0.199	3.264	0.001
Revenue Growth	0.820	0.823	-0.003	0.223	0.824
Overall	0.823	0.913	-0.090	3.227	0.001

Source: Processed Data (2025)

The CVPAT results confirm that the PLS model outperforms the linear benchmark, particularly for Business Strategy Adaptation and Marketing Strategy Adaptation, which show strong t-values (4.132, p = 0.000; 3.264, p = 0.001) and negative loss differences (−0.222; −0.199). These findings indicate smaller prediction errors and superior predictive accuracy for adaptive strategic constructs. In contrast, Brand Performance, Competitive Positioning, and Revenue Growth exhibit non-significant results (p > 0.05), suggesting weaker predictive capability for performance outcomes. The overall test (t = 3.227, p = 0.001) further confirms the model's superior predictive ability compared to the benchmark. Collectively, these results reinforce Institutional Theory, the Resource-Based View (RBV), and Contingency Theory, demonstrating that external regulatory pressures drive context-dependent strategic adaptations grounded in firms' internal capabilities.

Hypotheses Testing

Table 8. Bootstrapping Result for Direct Effect

Variable	O	STDEV	T Statistics (|O/STDEV|)	P Values	Remarks
Marketing Strategy Adaptation -> Revenue Growth	0.265	0.102	3.8	0.004	Accept
Marketing Strategy Adaptation -> Brand Performance	0.299	0.119	2.255	0.001	Accept
Marketing Strategy Adaptation -> Competitive Positioning	0.412	0.114	2.72	0.002	Accept
Business Strategy Adaptation -> Revenue Growth	0.288	0.131	2.198	0.028	Accept
Business Strategy Adaptation -> Brand Performance	0.267	0.122	2.189	0.029	Accept
Business Strategy Adaptation -> Competitive Positioning	0.335	0.109	3.059	0.002	Accept
Price Control Pressure -> Marketing Strategy Adaptation	0.467	0.072	6.47	0.001	Accept

Price Control Pressure -> Business Strategy Adaptation	0.48	0.074	6.452	0.001	Accept
Transparency Regulation Pressure -> Marketing Strategy Adaptation	0.209	0.073	2.876	0.004	Accept
Transparency Regulation Pressure -> Business Strategy Adaptation	0.269	0.073	3.701	0.001	Accept

Note. O: Original Data; STDEV: Standard deviation
Source: Processed Data (2025)

The results show that all hypothesized direct relationships are statistically significant ($p < 0.05$), confirming the strong interconnection between regulatory pressures, strategic adaptation, and firm performance. Price Control Pressure significantly influences both Marketing Strategy Adaptation ($\beta = 0.467$, $t = 6.47$) and Business Strategy Adaptation ($\beta = 0.480$, $t = 6.452$), indicating that tighter price regulations compel firms to adjust their marketing and operational strategies. Likewise, Transparency Regulation Pressure positively affects both types of adaptation—marketing ($\beta = 0.209$, $t = 2.876$) and business ($\beta = 0.269$, $t = 3.701$)—demonstrating that increased disclosure and accountability requirements enhance firms' responsiveness to regulatory demands.

Moreover, both Marketing Strategy Adaptation and Business Strategy Adaptation significantly improve performance outcomes, including Revenue Growth, Brand Performance, and Competitive Positioning, with the strongest effect observed from Marketing Strategy Adaptation on Competitive Positioning ($\beta = 0.412$, $t = 2.72$). These findings emphasize that strategic adaptation acts as a crucial mechanism through which external regulatory pressures are translated into superior organizational performance, reinforcing the importance of agility and strategic responsiveness in regulated business environments.

Table 9. Bootstrapping Result for Indirect Effect

Variable	O	M	STDEV	T Statistics (|O/STDEV|)	P Values	Remarks
Price Control Pressure -> Brand Performance	0.250	0.254	0.053	4.677	0.000	Accept
Price Control Pressure -> Competitive Positioning	0.219	0.226	0.050	4.347	0.000	Accept
Price Control Pressure -> Revenue Growth	0.201	0.208	0.052	3.872	0.000	Accept

Note. O: Original Data; M: Mean; STDEV: Standard deviation
Source: Processed Data (2025)

The results show that Price Control Pressure has a significant indirect effect on Brand Performance, Competitive Positioning, and Revenue Growth (all $p = 0.000$, $t > 1.96$). The strongest indirect impact is observed on Brand Performance ($\beta = 0.250$), followed by Competitive Positioning ($\beta = 0.219$) and Revenue Growth ($\beta = 0.201$). These findings indicate that stricter price control regulations encourage firms to adjust their strategies in ways that strengthen brand reputation, reinforce market positioning, and improve financial outcomes.

Although not initially hypothesized, the emergence of these indirect effects is consistent with Institutional Theory, which suggests that firms adapt strategically to maintain legitimacy and stability in response to regulatory pressures. From the Resource-Based View (RBV), strategic adaptation transforms external pressures into internal capabilities, enabling firms to build competitive advantage. Meanwhile, Contingency Theory highlights the importance of aligning strategies with environmental conditions—including regulatory demands—to achieve optimal performance. Overall, the findings confirm that adaptive strategies play a mediating role, effectively translating institutional pressures into improved organizational outcomes.

Table 10. Multi Group Analysis Based on Industry Sector

Path Relationship	Manufacturing (β)	Project-Based (β)	Difference	p-value	Interpretation
Price Control Pressure → Business Strategy Adaptation	0.428	0.621	0.193	0.041	Significantly stronger in project-based firms, showing higher sensitivity to price control regulations.
Transparency Regulation → Marketing Strategy Adaptation	0.382	0.401	0.019	0.682	No significant difference; both sectors adapt marketing strategies similarly.
Business Strategy Adaptation → Revenue Growth	0.551	0.604	0.053	0.312	Slightly stronger for project-based firms but not statistically significant.
Marketing Strategy Adaptation → Brand Performance	0.634	0.585	-0.049	0.447	Effect is comparable, indicating marketing flexibility works similarly in both sectors.
Business Strategy Adaptation → Competitive Positioning	0.499	0.668	0.169	0.038	Significant; project-based firms achieve stronger competitiveness through strategic adaptation.

Source: Processed Data (2025)

Project-based companies show stronger relationships between strategic adaptation and performance outcomes, reflecting their greater dependence on milestone-based contracts, client-driven requirements, and market responsiveness. In contrast, manufacturing firms exhibit more stable but less flexible responses to regulatory changes, as their operations rely heavily on standardized processes, long-term planning,

and capital-intensive structures. These differences emphasize that industry characteristics shape how firms translate regulatory pressures into adaptive strategies and performance results.

Table 11. Multi Group Analysis Based on Firm Age

Path Relationship	Young Firms (β)	Mature Firms (β)	Difference	p-value	Interpretation
Price Control Pressure → Business Strategy Adaptation	0.602	0.372	-0.230	0.024	Young firms respond more aggressively to price control pressure.
Transparency Regulation → Marketing Strategy Adaptation	0.456	0.329	-0.127	0.083	Slightly stronger in young firms; they are more adaptive in communication and transparency alignment.
Business Strategy Adaptation → Revenue Growth	0.487	0.653	0.166	0.041	Mature firms benefit more from structured strategic adaptation.
Marketing Strategy Adaptation → Brand Performance	0.609	0.642	0.033	0.571	No significant difference; both age groups show similar brand responses.
Business Strategy Adaptation → Competitive Positioning	0.513	0.703	0.190	0.037	Significant; mature firms leverage experience to strengthen positioning.

Source: Processed Data (2025)

Young firms are more agile in adapting to regulatory pressures but tend to gain limited long-term benefits due to constraints in resources, capabilities, and institutional experience. In contrast, mature firms demonstrate a stronger ability to translate strategic adaptation into performance outcomes because they possess established systems, accumulated knowledge, and reputational capital. These findings align with Shindehutte (2020) and Fernandez (2020), who emphasize that organizational context—such as industry characteristics and firm age—shapes how companies interpret and respond to regulatory pressure. Project-based and younger firms exhibit reactive flexibility, rapidly adjusting strategies to manage cost constraints and transparency requirements. Meanwhile, mature and manufacturing firms display strategic stability, embedding adaptive responses into long-term planning and structured operational frameworks.

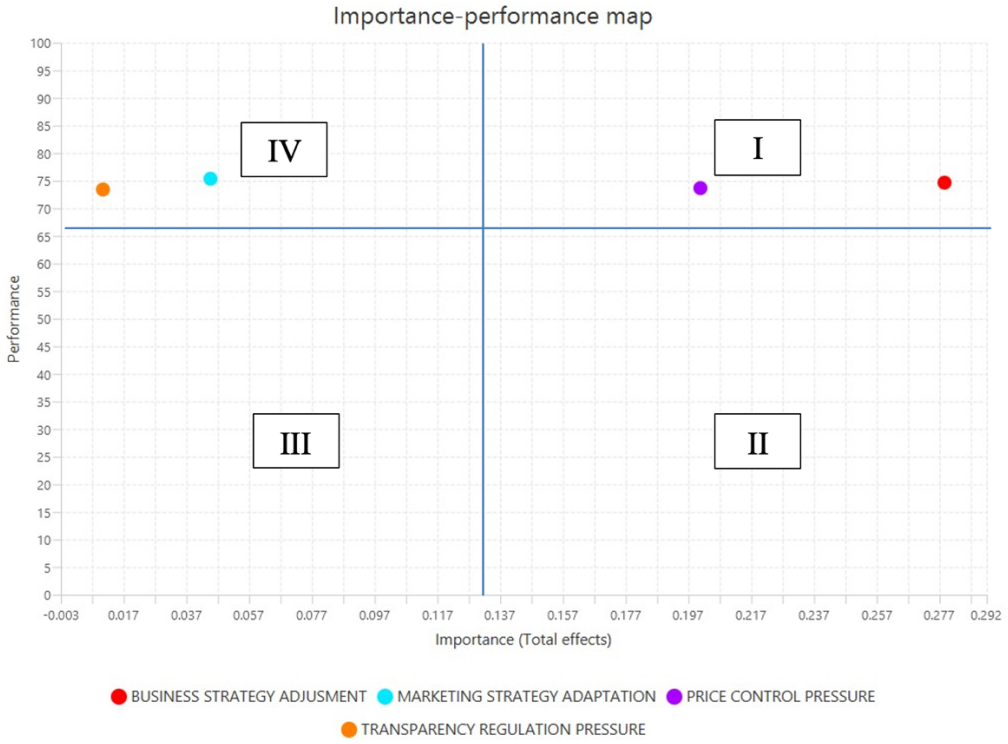
IPMA (Importance–Performance Map Analysis)

The Importance–Performance Map Analysis (IPMA) complements the PLS-SEM findings by integrating the dimensions of importance (total effect) and performance (mean scores) to identify which constructs most strongly influence the target outcome. This technique helps distinguish between factors that are both critical and performing well versus those requiring managerial attention, thereby reducing strategic decision-making errors (Sarstedt et al., 2019).

IPMA integrates descriptive and inferential analyses to create a visual four-quadrant map: Quadrant I (important & performing well – keep up the good work), Quadrant II (important but underperforming – focus here), Quadrant III (low importance & low performance – low priority), and Quadrant IV (low importance but performing well – possible overkill) (Fernández et al., 2020).

In this study, both construct-level and indicator-level IPMA are applied to identify which strategic variables need improvement and which should be sustained to enhance firm performance.

Table 12. IPMA (Importance–Performance Map Analysis) – Revenue Growth



Source: Processed Data (2025)

The IPMA results show that Price Control Pressure falls within Quadrant I (high importance, high performance), indicating that it is a key driver of Revenue Growth. Firms operating under stricter price control regulations appear to respond effectively by aligning their strategic actions to maintain revenue stability, supporting the perspectives of both Institutional Theory and Contingency Theory.

Marketing Strategy Adaptation and Business Strategy Adjustment are positioned in Quadrant IV (high performance, lower importance), suggesting that firms possess strong internal adaptive capabilities even though their relative importance in driving revenue growth is lower. This aligns with the Resource-Based View (RBV), which emphasizes the role of internal competencies in sustaining organizational effectiveness.

Transparency Regulation Pressure also lies in Quadrant IV, indicating that firms perform well in meeting transparency requirements, although its direct influence on revenue growth is limited. This suggests that, while compliance is strong, transparency-driven regulations do not function as primary determinants of financial outcomes within the current regulatory environment.

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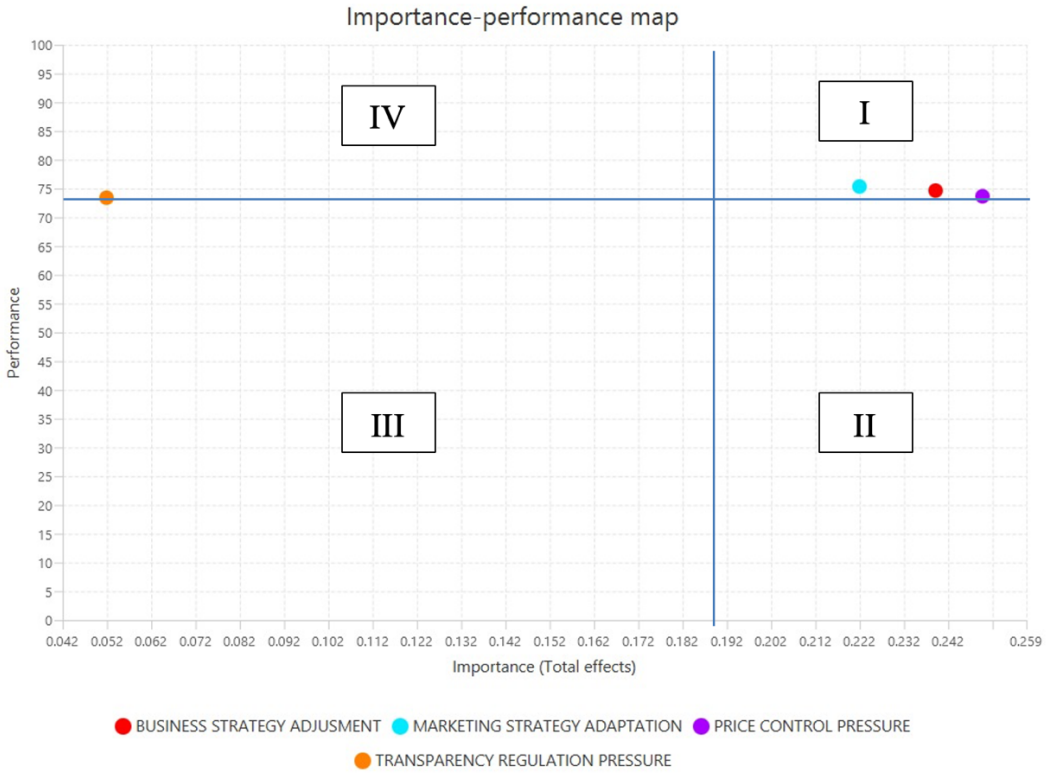
Table 13. IPMA (Importance-Performance Map Analysis) – Brand Performance



Source: Processed Data (2025)

The IPMA results for Brand Performance show that Marketing Strategy Adaptation and Price Control Pressure lie in Quadrant I (High Importance–High Performance), meaning firms recognize their key role in strengthening brand performance and implement them effectively. This supports Strategic Adaptation and Institutional Theory, emphasizing that regulatory pressure can drive adaptive marketing to sustain competitiveness. Meanwhile, Business Strategy Adjustment and Transparency Regulation Pressure fall in Quadrant IV (Low Importance–High Performance), indicating that while their direct effect is smaller, firms still maintain strong operational efficiency and compliance.

Table 14. IPMA (Importance-Performance Map Analysis) – Competitive Positioning

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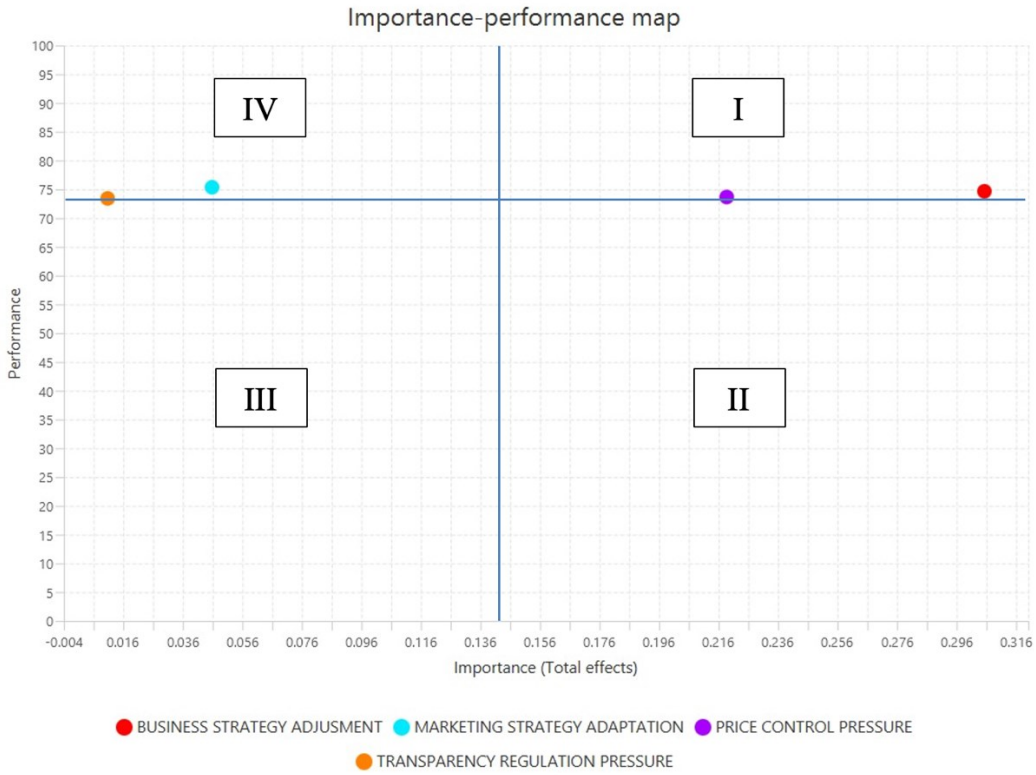

Source: Processed Data (2025)

The IPMA results show that Price Control Pressure lies in Quadrant I (High Importance–High Performance), indicating it plays a crucial and effective role in strengthening firms' competitive positioning. This aligns with Institutional Theory, where regulatory compliance enhances legitimacy and competitiveness. Meanwhile, Business Strategy Adjustment, Marketing Strategy Adaptation, and Transparency Regulation Pressure fall in Quadrant IV (Low Importance–High Performance), meaning they perform well but have a smaller direct impact. These results support RBV and Strategic Fit Theory, highlighting that competitive advantage stems from aligning internal strategies with external regulatory demands.

DISCUSSION

Results from this study substantiate that exogenous regulatory pressures have a considerable influence on firms' strategic responses—particularly price control and transparency regulations. These findings reinforce Contingency Theory and Strategic Adaptation Theory, which argue that organizations must align internal strategies with external demands to sustain performance (Anggoro, 2024; Schindehutte, 2020).

The Effect of Price Control Pressure on Strategic Adaptation

Price Control Pressure (X1) demonstrates the strongest influence on both Marketing Strategy Adaptation (M1) and Business Strategy Adjustment (M2). This supports findings by Jiang et al. (2025), who noted that government-imposed price limits encourage firms to enhance marketing efficiency and operational innovation. In highly regulated sectors such as energy and construction, firms often adjust their price–value–cost structures to remain competitive. The strong coefficient of X1 → M2 (β = 0.480) indicates that price control pressures drive not only marketing creativity but also broader business restructuring, including cost reduction, operational streamlining, and supply chain negotiation (Hines, 2024).

The Effect of Transparency Regulation Pressure

Transparency Regulation Pressure (X2) also directly influences strategic adaptation, though its impact is slightly lower than that of price control. This aligns with Rosidaini (2023), who concluded that transparency requirements shape corporate governance and decision-making. The coefficients (X2 → M1 = 0.209; X2 → M2 = 0.269) suggest that while transparency promotes accountability, it rarely induces major strategic shifts unless linked to financial or reputational incentives. These findings support Barron et al. (2024), who argue that firms respond more strongly to legitimacy pressures than to short-term profitability considerations.

Marketing Strategy Adaptation and Firm Performance

Marketing Strategy Adaptation (M1) significantly enhances Revenue Growth (Y1), Brand Performance (Y2), and Competitive Positioning (Y3). The highest effect is observed for M1 → Y3 (β = 0.412), underscoring the importance of flexible and responsive marketing in achieving competitive advantage. Flexible marketing allows companies to adjust pricing, promotions, and customer engagement strategies to retain market share despite regulatory constraints. This demonstrates that marketing adaptation not only ensures compliance but also strengthens brand differentiation and market positioning (Salam et al., 2025).

Business Strategy Adjustment and Competitive Advantage

Business Strategy Adjustment (M2) positively affects firm performance, particularly Competitive Positioning (Y3) (β = 0.335). As highlighted by Schindehutte (2020), dynamic capabilities enable firms to adapt and maintain competitiveness under regulatory pressure. Many Indonesian firms respond by diversifying revenue streams, optimizing resources, and enhancing supply chain resilience. These results are consistent with Barron et al. (2024), who found that strategic realignment enhances long-term efficiency and innovation.

Integrative Insight

Overall, the findings indicate that external regulatory pressures act as catalysts for internal strategic adaptation, ultimately improving firm performance. Marketing adaptation delivers short-term improvements in brand and market outcomes, while business strategy adjustment contributes to long-term structural resilience. By offering empirical evidence in the context of emerging-market conditions in Indonesia, this study deepens theoretical understanding of how adaptive strategies transform regulatory constraints into opportunities for competitive advantage through innovation and organizational agility.

CONCLUSION

The findings show that external factors—particularly Price Control Pressure (X1)—strongly influence both Marketing Strategy Adaptation (M1) and Business Strategy Adjustment (M2). Transparency Regulation Pressure (X2) also drives strategic changes, although its impact is comparatively lower. Marketing Strategy Adaptation (M1) demonstrates the greatest effect on short-term performance by boosting revenue growth, enhancing brand performance, and strengthening competitive positioning, while Business Strategy Adjustment (M2) contributes to long-term organizational competitiveness.

These results reaffirm Institutional Theory, the Resource-Based View, and Contingency Theory, indicating that firms must integrate internal capabilities with external regulatory conditions to remain competitive. Price control pressures, in particular, compel

Indonesian firms to adopt more agile and innovative strategies, with marketing flexibility delivering the most immediate performance gains.

From a managerial standpoint, organizations must realign internal systems to regulatory change, reinforce compliance, and maintain transparency while fostering innovation. Younger firms should formalize adaptive routines, whereas mature firms need to encourage continuous learning to avoid structural inertia. For policymakers, balanced regulation is essential—promoting transparency and fair competition without hampering innovation or operational agility. Future research should incorporate additional variables such as innovation capability, environmental dynamism, or digital maturity to better explain performance variations across time.

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