

STRATEGIC CAPABILITY ALIGNMENT AND COOPERATIVE PERFORMANCE: A CONCEPTUAL MANAGEMENT PERSPECTIVE FROM INDONESIA

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ABSTRACT: Cooperatives increasingly face pressure to remain competitive while balancing entrepreneurial adaptation and governance stability in rapidly transforming economic environments. This study contributes by developing a Strategic Capability Alignment Model that reconceptualizes cooperative performance as an outcome of the alignment between Entrepreneurial Orientation and Managerial Capability, with innovation functioning as the integrative mechanism connecting adaptive and stabilizing capabilities. Rather than testing causal relationships empirically, the study employs a conceptual model development approach through analytical synthesis of peer-reviewed studies, institutional reports, and cooperative management literature published between 2014 and 2024 within the Indonesian cooperative context. The analysis demonstrates that cooperative sustainability and organizational transformation depend not on isolated managerial attributes but on the strategic alignment of complementary capabilities within governance systems. The study implies that cooperative leaders should design governance-oriented innovation strategies that simultaneously strengthen entrepreneurial adaptability and managerial stability.

Keywords: Strategic Capability Alignment; Cooperative Performance; Entrepreneurial Orientation; Managerial Capability; Innovation Alignment.

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INTRODUCTION

Cooperatives continue to occupy a strategic position in inclusive economic development, particularly in emerging economies such as Indonesia, where collective ownership and democratic governance remain central institutional principles (Arzadun & Rosatelli, 2025; Prasetyo, 2023). Their relevance, however, does not automatically translate into sustainable organizational performance. Many cooperatives continue to face difficulties in maintaining competitiveness, improving member welfare, and sustaining innovation because their performance problems are not only shaped by external structural constraints but also by internal strategic misalignment (Kharel, 2024). Managerial limitations, fragmented strategic orientation, and uneven innovation capacity indicate that cooperative performance cannot be explained adequately through isolated managerial practices. It requires closer attention to how organizational capabilities are configured, balanced, and activated within cooperative governance systems (Caprian et al., 2025). This issue is particularly important because cooperatives are neither purely social institutions nor purely market-driven firms. They operate within a hybrid organizational logic in which market responsiveness must coexist with collective ownership, participatory decision-making, and member accountability.

Within the management literature, entrepreneurial orientation has long been positioned as a strategic posture that encourages innovativeness, proactiveness, and risk-taking behavior. In conventional firms, entrepreneurial orientation is commonly treated as a driver of innovation and performance. In cooperative settings, however, entrepreneurial orientation has a more complex function because leaders must pursue market opportunities while preserving member-based governance and collective legitimacy (Chien, 2022). Entrepreneurial initiatives therefore cannot depend only on strategic aggressiveness or managerial discretion. They must be translated into actions that remain acceptable to members, consistent with cooperative values, and operationally feasible within democratic governance structures. This condition explains why entrepreneurial orientation alone may not produce durable performance outcomes. Without complementary organizational capabilities, entrepreneurial initiatives may remain fragmented, poorly institutionalized, or disconnected from cooperative governance routines.

Managerial capability provides this stabilizing dimension. It reflects the capacity of leaders to coordinate resources, institutionalize governance practices, and transform strategic intentions into operational execution (Siagian et al., 2026; Siswanto & Kurniawan, 2022). In cooperatives, managerial capability strengthens organizational reliability, member welfare, service quality, and governance discipline (Widayati, 2025). Yet managerial capability also carries a theoretical tension. When it becomes overly procedural, it may reinforce administrative control at the expense of experimentation. In this situation, governance discipline supports stability but may constrain innovation. Cooperative organizations therefore face a central strategic dilemma: entrepreneurial orientation is needed to generate renewal, while managerial capability is needed to preserve continuity. Sustainable cooperative performance depends not on choosing one capability over the other, but on aligning adaptive dynamism with administrative stability.

Recent scholarly discussions increasingly recognize that entrepreneurial orientation and managerial capability should not be treated as independent determinants of performance. Cooperative effectiveness appears to emerge from the interaction between adaptive and stabilizing capabilities (Genta, 2020). Innovation processes, governance transformation, and performance sustainability arise when strategic orientation and managerial execution operate in alignment rather than in isolation (Osei & Asare, 2025). However, existing studies still tend to examine entrepreneurial orientation, managerial capability, and innovation through separate and linear explanations. This creates a conceptual gap. The literature has not sufficiently clarified how capability alignment itself shapes cooperative performance, especially in organizational settings where governance legitimacy, member participation, and market adaptation must be managed simultaneously. This gap limits the explanatory power of existing capability-based perspectives because cooperative performance is not merely a result of possessing strategic capabilities, but of configuring those capabilities within collective governance systems.

The Indonesian cooperative context offers a relevant setting for developing this argument. Selected national indicators show gradual progress in cooperative contribution, modernization initiatives, entrepreneurship ratios, and MSME development (Ghani et al., 2021). These developments suggest institutional movement, but they also reveal uneven organizational

upgrading and persistent capability gaps. The indicators in Table 1 should therefore not be read as causal evidence. They function as a contextual foundation showing why capability alignment matters in Indonesia's cooperative development. Improvements in cooperative contribution to GDP, modernization targets, innovation-based start-ups, and entrepreneurship ratios coexist with continuing limitations in organizational transformation and strategic execution. This pattern indicates that cooperative development cannot rely only on policy expansion or institutional support. It also requires a clearer understanding of how internal strategic capabilities interact inside cooperative organizations (Azis R et al., 2025). The contextual indicators reinforce the argument that performance sustainability depends on the configuration of adaptive and stabilizing capabilities rather than on external support alone (BPS RI, 2025).

Table 1. Contextual Indicators of Cooperative Development in Indonesia (2021–2024)

Indicator	2021	2022	2023	2024
Contribution of Cooperatives to GDP (%)	5.10%	7.54%	6.07%	11.54%
Contribution of MSMEs to GDP (%)	61.07%	62.36%	Data not specified	65.00%
Contribution of MSMEs to Exports (%)	14.37%	15.12%	Data not specified	21.60%
Number of Modern Cooperatives (units)	100	150	150	500
Number of Start-ups Based on Innovation and Technology (units)	500	900	Data not specified	850
Percentage of MSMEs Upgraded to Higher Class (%)	0.50%	0.55%	Data not specified	3.95%
National Entrepreneurship Ratio (%)	2.89%	3.17%	2.86%	3.95%

Source: BPS (2025)

Figure 1 illustrates that cooperative modernization and organizational development in Indonesia continue to progress, although unevenly, indicating that innovation cannot be understood merely as an output of entrepreneurial orientation or a direct predictor of performance. Instead, innovation reflects an alignment mechanism that connects adaptive strategic posture with managerial execution, enabling cooperatives to translate entrepreneurial initiatives into structured and sustainable organizational outcomes. Building on this premise, this study develops a conceptual management perspective that reframes cooperative performance through Strategic Capability Alignment (Jaafar et al., 2025). The novelty of the study lies in proposing cooperative sustainability as a configuration outcome emerging from the interaction between adaptive and stabilizing capabilities, where innovation functions not as a mediating variable but as an integrative governance mechanism linking entrepreneurial dynamism with managerial capability. As within the Indonesian cooperative context, the study contributes a Global South governance perspective to strategic management literature that has historically remained dominated by investor-oriented corporate assumptions.

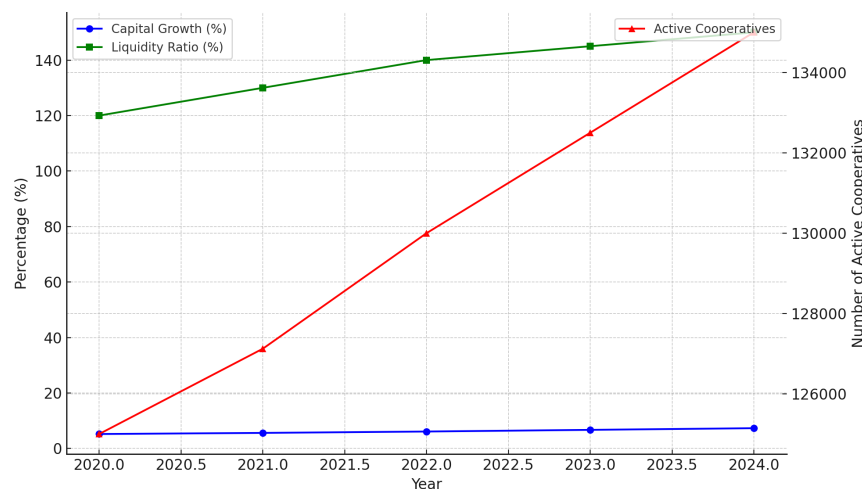


Figure 1. Cooperative Development Trends in Indonesia (2021-2024)

THEORETICAL REVIEW

Entrepreneurial Orientation as an Adaptive Strategic Capability

Entrepreneurial Orientation (EO) reflects an organization's strategic posture characterized by innovativeness, proactiveness, and risk-taking behavior. Within strategic management discourse, EO is commonly understood as an adaptive strategic capability that enables organizations to respond to environmental change through opportunity exploration, experimentation, and forward-looking decision-making (Neupane et al., 2025). In conventional investor-oriented firms, EO primarily functions as a mechanism for competitive positioning and market expansion. In cooperative organizations, however, entrepreneurial orientation operates under different governance conditions because strategic initiatives must remain aligned with collective ownership structures, participatory decision-making, and member accountability principles (Chien, 2022). Consequently, EO in cooperatives cannot be interpreted solely as strategic aggressiveness or market responsiveness. It also reflects the organizational capacity to pursue innovation while preserving governance legitimacy and institutional cohesion. Rather than functioning merely as a direct driver of performance, EO represents an adaptive capability that encourages experimentation and strategic renewal within cooperative governance systems.

Conceptual Proposition 1: Entrepreneurial orientation functions as an adaptive capability that initiates innovation trajectories within cooperative organizations.

Managerial Capability as a Stabilizing Organizational Mechanism

While entrepreneurial orientation introduces adaptive dynamism into cooperative strategy, organizational sustainability also depends on capabilities that stabilize and institutionalize strategic initiatives (Van Nguyen, 2026). Managerial Capability represents the organizational capacity to plan, coordinate, and execute strategic initiatives effectively. Grounded in capability-based perspectives and the Resource-Based View (RBV), managerial capability emphasizes governance competence, leadership effectiveness, and operational coordination as core drivers of organizational sustainability. In conventional firms, managerial capability is commonly associated with administrative efficiency and resource optimization. In cooperative organizations, however, managerial capability performs a broader institutional role because strategic execution must remain aligned with member participation, collective accountability, and governance legitimacy. Consequently, managerial capability in cooperatives cannot be understood merely as administrative control, but as a stabilizing organizational capability that institutionalizes strategic initiatives while preserving organizational cohesion and governance continuity.

In cooperatives, managerial capability stabilizes organizational processes by aligning strategic decisions with member interests and long-term organizational objectives. Effective governance structures and coordinated leadership practices enable organizations to translate strategic intentions into structured operational outcomes. Existing literature also indicates that managerial capability contributes to governance reliability, operational discipline, and organizational sustainability through the institutionalization of organizational processes (Alves & Carvalho, 2025). Nevertheless, managerial capability alone may overemphasize procedural control and efficiency, which can constrain adaptive experimentation when not balanced by entrepreneurial orientation. Excessive governance formalization may strengthen organizational stability while simultaneously limiting innovation flexibility and strategic responsiveness. This dynamic highlights managerial capability not simply as a direct performance driver, but as a stabilizing capability whose effectiveness depends on its interaction with adaptive strategic orientation. From this perspective, managerial capability sustains and institutionalizes innovation outcomes by integrating governance discipline with organizational adaptability within cooperative systems.

Conceptual Proposition 2: Managerial capability functions as a stabilizing capability that institutionalizes performance outcomes through governance and operational coordination.

Innovation as an Alignment Mechanism in Cooperative Strategy

Innovation within cooperatives extends beyond product or service development; it encompasses governance transformation, digital adaptation, and new value-creation mechanisms for members. In cooperative contexts, innovation must remain aligned with collective governance principles and member legitimacy, making it not merely a market-oriented output but an organizational process that integrates strategic adaptation with governance continuity. Rather than viewing innovation solely as a mediating variable or direct outcome, a conceptual management perspective positions innovation as an alignment mechanism that connects adaptive strategic orientation with stabilizing managerial execution (Katz et al., 2011).

Entrepreneurial orientation encourages experimentation, opportunity recognition, and strategic renewal, whereas managerial capability ensures governance discipline, operational coordination, and organizational continuity. When these capabilities operate independently, innovation processes may become fragmented or unsustainable (Wolf et al., 2021). Excessive experimentation without governance integration may weaken organizational consistency, while excessive procedural rigidity may constrain adaptive flexibility. Conversely, when adaptive and stabilizing capabilities align, innovation becomes the organizational mechanism through which cooperatives translate entrepreneurial initiatives into structured and sustainable performance outcomes. This perspective shifts the analytical focus from linear causal explanations toward the configuration and interaction of organizational capabilities within cooperative governance systems.

Conceptual Proposition 3: Innovation functions as an alignment mechanism that integrates adaptive and stabilizing capabilities within cooperative organizations.

Strategic Capability Alignment and Cooperative Performance

Building on the preceding discussion, cooperative performance can be understood as the outcome of strategic capability alignment rather than the isolated influence of individual capabilities (Jaafar et al., 2025). Entrepreneurial orientation contributes adaptive energy and strategic flexibility, while managerial capability provides structural stability and execution capacity. The interaction between these dimensions shapes how innovation processes evolve and how performance outcomes are sustained over time.

Misalignment between adaptive and stabilizing capabilities may lead to contrasting organizational challenges (Abou-Moghli, 2025). Excessive experimentation without institutional support can generate instability, while excessive administrative rigidity may suppress innovation and limit strategic renewal. Therefore, cooperative effectiveness depends on the balance and integration of these strategic capabilities within governance structures.

Conceptual Proposition 4: Strategic capability alignment between entrepreneurial orientation and managerial capability enables innovation to function as a sustained mechanism for cooperative performance.

RESEARCH METHOD

This study adopts a conceptual model development approach to construct a Strategic Capability Alignment framework for understanding cooperative performance (Fawcett, 1988). Rather than testing causal relationships through primary empirical data, the study employs a structured conceptual synthesis to examine how Entrepreneurial Orientation, Managerial Capability, and Innovation interact within cooperative governance systems. Methodologically, the study is positioned as a theory-building conceptual analysis grounded in analytical synthesis, where theoretical arguments, empirical observations, and recurring governance patterns reported across prior studies are systematically interpreted to refine the relationships among adaptive capability, stabilizing capability, innovation, and cooperative performance (Wynn & Clarkson, 2024). This approach enables the study to explain capability alignment as a configuration-based organizational mechanism rather than as a statistically tested linear relationship.

The analysis draws upon peer-reviewed journal articles, government publications, institutional reports, and conceptual studies related to cooperative governance, entrepreneurial orientation, managerial capability, innovation, and organizational sustainability. Sources were selected purposively based on three criteria: conceptual relevance to capability-based management discussions, explicit engagement with cooperative or collective governance

contexts, and analytical contribution to organizational adaptation or governance coordination. Literature searches were conducted through Google Scholar, JSTOR, ScienceDirect, ResearchGate, and national repositories including Garuda Ristek using keywords such as “cooperative performance,” “entrepreneurial orientation,” “managerial capability,” “innovation governance,” and “organizational capability alignment.” The unit of analysis remained conceptual rather than statistical, focusing on recurring theoretical constructs, governance mechanisms, and strategic interaction patterns identified across Indonesian and comparable cooperative contexts.

To strengthen analytical rigor, documents were systematically reviewed and thematically coded using NVivo software to facilitate structured conceptual interpretation (Mortelmans, 2024). The coding process focused on four primary analytical categories: adaptive strategic behavior, governance stabilization mechanisms, innovation integration processes, and cooperative performance sustainability. The objective of coding was not to quantify empirical relationships, but to identify recurring conceptual configurations explaining how adaptive and stabilizing capabilities interact within cooperative governance structures. Triangulation across academic, governmental, and institutional sources was applied to enhance interpretive consistency, while inter-coder reliability checks involving two independent reviewers produced a Cohen’s Kappa coefficient of 0.78, indicating substantial agreement in thematic interpretation.

The conceptual framework was developed through an iterative three-stage analytical process. First, theoretical constructs related to Entrepreneurial Orientation, Managerial Capability, Innovation, and Cooperative Performance were mapped based on capability-based and cooperative management literature. Second, thematic patterns identified during coding were interpreted to distinguish adaptive capabilities that encourage experimentation from stabilizing capabilities that institutionalize governance continuity. Third, these recurring patterns were integrated into a Strategic Capability Alignment framework positioning innovation as an alignment mechanism linking entrepreneurial dynamism with managerial execution. Rather than aggregating statistical findings across studies, the analysis prioritizes conceptual coherence, theoretical integration, and governance contextualization to advance a configuration-based interpretation of cooperative performance within the Indonesian cooperative environment.

RESULTS

Conceptual Synthesis of Strategic Capabilities in Cooperative Contexts

The review of academic studies, institutional reports, and conceptual discussions reveals recurring patterns regarding how Entrepreneurial Orientation, Managerial Capability, and Innovation interact within cooperative organizations. Rather than presenting statistical findings, this section elaborates the conceptual structure underlying the Strategic Capability Alignment Model by synthesizing thematic insights identified across the literature.

Table 2 presents a structured overview of the main constructs, dominant indicators, and conceptual interpretations derived from prior studies. The synthesis indicates that Entrepreneurial Orientation reflects adaptive strategic behavior that encourages experimentation and opportunity exploration, whereas Managerial Capability represents stabilizing governance capacity that institutionalizes operational processes and supports organizational continuity. Innovation functions as an alignment mechanism that integrates adaptive initiatives with structured execution within cooperative systems.

Table 2. Conceptual Synthesis of Strategic Capabilities and Cooperative Performance

Category	Thematic Codes	Conceptual Interpretation
Adaptive Capability Themes	Innovativeness; Proactiveness; Strategic Experimentation	Reflects entrepreneurial orientation as an adaptive strategic capability that encourages opportunity exploration and organizational flexibility.
Stabilizing Capability Themes	Governance Coordination; Leadership Structure; Operational Discipline	Represents managerial capability as a stabilizing mechanism that institutionalizes governance processes and supports organizational continuity.
Alignment Mechanism	Innovation Practices; Digital Governance; Member-Oriented Value Creation	Indicates innovation as an alignment mechanism that integrates adaptive initiatives with structured execution to sustain cooperative performance.

The patterns summarized in Table 2 demonstrate that cooperative performance is rarely driven by a single strategic factor. Instead, the literature consistently highlights the importance of balancing adaptive strategic posture with managerial stability. This observation forms the basis for further thematic exploration through qualitative coding.

NVivo Thematic Coding Patterns Supporting Capability Alignment

To deepen conceptual interpretation, thematic coding using NVivo was conducted to identify recurring patterns across the reviewed sources. The coding process revealed three dominant clusters: adaptive capability themes, stabilizing capability themes, and alignment-oriented innovation practices. These clusters do not represent quantitative measurements but serve as conceptual anchors that explain how strategic capabilities interact within cooperative governance structures. Table 3 outlines the thematic coding structure derived from NVivo analysis. The table illustrates how adaptive capability themes such as innovativeness and strategic experimentation contrast with stabilizing capability themes including governance coordination and operational discipline, while innovation-related practices function as an alignment mechanism connecting both dimensions.

Table 3. Thematic Coding Structure Supporting Strategic Capability Alignment Model

Thematic Category	NVivo Coding Themes	Conceptual Role in Strategic Capability Alignment	Illustrative Interpretation
Adaptive Capability Themes	Innovativeness; Proactiveness; Strategic Experimentation; Opportunity Exploration	Represents Entrepreneurial Orientation as an adaptive strategic capability that encourages organizational flexibility and responsiveness to environmental change.	Leaders initiate experimentation, explore new services, and adopt forward-looking strategies to enhance cooperative adaptability.
Stabilizing Capability Themes	Governance Coordination; Leadership Structure; Operational Discipline; Resource Management	Reflects Managerial Capability as a stabilizing mechanism that institutionalizes governance practices and ensures operational continuity.	Structured decision-making, financial governance, and coordinated leadership reinforce organizational reliability and member trust.
Alignment Mechanism	Innovation Practices; Digital Governance; Service Development; Member-Oriented Value Creation	Indicates innovation as an integrative process that aligns adaptive initiatives with structured execution to sustain cooperative performance.	Innovation bridges strategic experimentation with governance stability, transforming adaptive ideas into sustainable organizational outcomes.
Performance Outcomes	Member Satisfaction; Financial Growth; Organizational Sustainability	Represents the outcome dimension emerging from the alignment between adaptive and stabilizing capabilities.	Balanced capability alignment supports long-term cooperative resilience and performance improvement.

The thematic structure summarized in Table 3 provides a conceptual bridge between literature synthesis and model development. Rather than isolating variables, the coding patterns suggest that cooperative performance emerges when adaptive and stabilizing capabilities are integrated through innovation-oriented organizational practices. To visually illustrate the relationships among thematic clusters identified during NVivo coding, Figure 3 presents a thematic coding map. The diagram depicts how adaptive capability themes and stabilizing capability themes converge through alignment mechanisms, reinforcing the interpretation that innovation operates as an integrative process rather than a linear mediator.

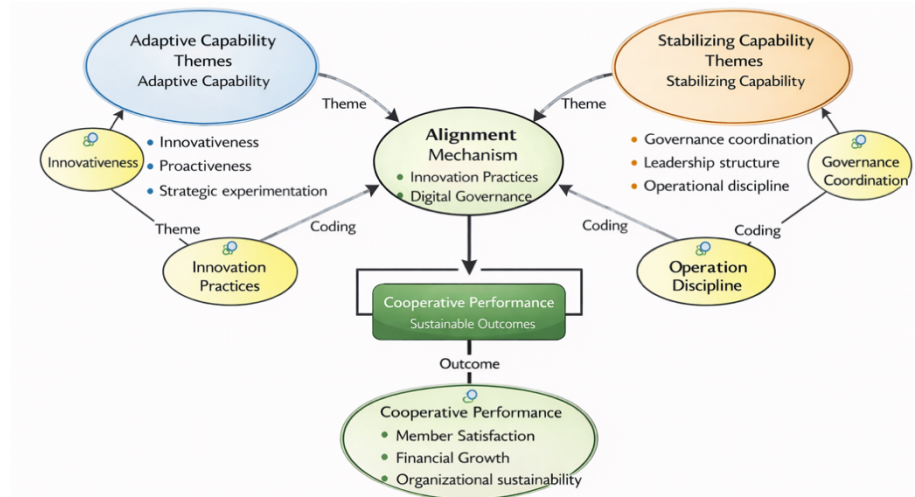


Figure 3. NVivo Thematic Coding Map Supporting Strategic Capability Alignment Model

As shown in Figure 3, adaptive themes such as innovativeness and proactiveness are conceptually linked to innovation practices, while stabilizing themes such as governance coordination and operational discipline support institutional continuity. The convergence of these thematic pathways provides the conceptual foundation for developing the Strategic Capability Alignment Model presented in the next section.

Adaptive and Stabilizing Capability Dynamics

Across the reviewed sources, Entrepreneurial Orientation consistently appears as a catalyst for adaptability within cooperative organizations. Leaders who demonstrate proactive and experimentation-oriented behavior are more likely to initiate innovation processes and respond to evolving environmental demands. However, adaptive initiatives alone do not guarantee sustained organizational performance. Without adequate managerial coordination, innovation efforts may remain fragmented and difficult to institutionalize.

Managerial Capability, by contrast, reinforces governance stability and operational discipline. Rather than directly driving innovation, managerial processes often ensure continuity, accountability, and structured decision-making. This distinction supports the conceptual interpretation that Entrepreneurial Orientation functions as an adaptive capability, while Managerial Capability operates as a stabilizing capability within cooperative strategy.

Elaboration of the Strategic Capability Alignment Model

Building upon the thematic convergence illustrated in Figure 3, this study advances a higher-order conceptual framework referred to as the Strategic Capability Alignment Model. The model positions Entrepreneurial Orientation as an adaptive capability and Managerial Capability as a stabilizing capability, while innovation functions as an alignment mechanism that integrates both dimensions to support cooperative performance. Unlike traditional causal models, Figure 4 emphasizes capability configuration rather than linear relationships among variables. Entrepreneurial Orientation introduces strategic dynamism, Managerial Capability provides structural stability, and innovation represents the integrative pathway through which adaptive initiatives are translated into sustainable organizational outcomes.

The alignment perspective also explains variations reported across prior studies. In contexts characterized by excessive administrative rigidity, stabilizing capability may suppress innovation processes. Conversely, organizations that prioritize experimentation without sufficient governance structures may experience inconsistent performance outcomes. These patterns highlight the importance of balancing adaptability and stability within cooperative governance systems.

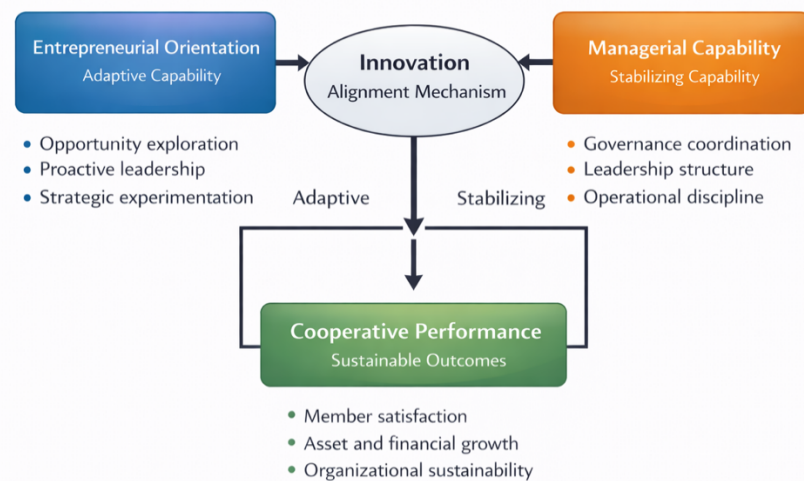


Figure 4. Strategic Capability Alignment Model Diagram

The conceptual elaboration presented in this section demonstrates that cooperative performance should be understood as a dynamic outcome of strategic capability alignment. The integration of thematic coding insights, conceptual synthesis, and model visualization provides a coherent foundation for advancing a management-oriented interpretation of cooperative strategy.

DISCUSSION

The conceptual elaboration presented in this study highlights the strategic importance of aligning adaptive and stabilizing capabilities in shaping cooperative performance. As illustrated in Figure 4, the Strategic Capability Alignment Model reframes Entrepreneurial Orientation and Managerial Capability not as isolated determinants but as complementary dimensions within cooperative governance structures. Entrepreneurial Orientation introduces adaptive energy that encourages experimentation, opportunity recognition, and organizational renewal, while Managerial Capability provides structural stability that ensures continuity, accountability, and coordinated execution. This alignment perspective shifts the discussion from linear performance drivers toward the configuration of organizational capabilities as an integrated strategic system.

From a theoretical standpoint, the proposed model extends capability-based interpretations of organizational performance by recontextualizing the Resource-Based View (RBV) within cooperative organizations. Traditional RBV discussions often emphasize the possession of valuable resources or capabilities; however, the conceptual synthesis in this study suggests that the effectiveness of intangible capabilities depends on how they interact within governance systems. Adaptive capabilities stimulate strategic dynamism, whereas stabilizing capabilities institutionalize innovation practices and sustain organizational outcomes. This interaction supports the argument that cooperative performance emerges from capability alignment rather than from individual strategic attributes, thereby positioning alignment as a configuration-based extension of RBV logic.

The model further contributes to cooperative management literature by reframing innovation as an alignment mechanism rather than as a simple outcome or mediator. Within member-based organizations, innovation often emerges from the negotiation between democratic governance principles and market-oriented strategic behavior. Thematic coding patterns and the NVivo-based synthesis indicate that practices such as digital governance, service experimentation, and member-oriented value creation function as integrative processes that connect adaptive initiatives with structured execution. By positioning innovation as a mechanism of alignment, the model provides a new lens for understanding how cooperatives sustain transformation while maintaining institutional stability.

From a practical perspective, the conceptual insights suggest that cooperatives seeking long-term sustainability should move beyond isolated leadership development or structural reform and instead focus on balancing entrepreneurial culture with managerial discipline. Encouraging experimentation without strengthening governance capacity may generate instability, whereas

excessive administrative control may suppress innovation potential. Strategic capability alignment therefore requires organizational mechanisms that facilitate collaborative learning, adaptive decision-making, and flexible governance arrangements capable of integrating both strategic dynamism and institutional stability.

Furthermore, the Indonesian cooperative context provides a distinctive institutional setting in which capability alignment becomes particularly relevant. Cooperative organizations operate within hybrid governance systems that combine democratic participation with market pressures, creating inherent tensions between adaptability and stability. By situating the discussion within a Global South perspective, this study contributes to broader management discourse by demonstrating how organizational capabilities evolve under institutional constraints and socio-cultural dynamics that differ from conventional corporate environments. The Strategic Capability Alignment Model thus offers a context-sensitive framework for interpreting cooperative transformation beyond Western-centric management assumptions.

While the conceptual framework provides a coherent basis for understanding cooperative performance, it also opens opportunities for future inquiry. Subsequent studies may explore how contextual factors such as organizational culture, digital readiness, regulatory frameworks, and leadership style influence the alignment between adaptive and stabilizing capabilities. Comparative analyses across cooperative sectors or longitudinal investigations of governance transformation may further enrich understanding of how strategic capability alignment evolves over time and shapes sustainable cooperative development.

This study advances a conceptual understanding of cooperative performance by proposing the Strategic Capability Alignment Model, which positions Entrepreneurial Orientation and Managerial Capability as complementary adaptive and stabilizing capabilities within cooperative governance systems (Abou-Moghli, 2025). Rather than treating these capabilities as independent drivers, the framework explains cooperative sustainability through their interaction, where innovation functions as an alignment mechanism that translates entrepreneurial dynamism into coordinated and sustainable organizational execution (Katz et al., 2011). By reframing cooperative performance as a configuration outcome emerging from capability alignment, the study extends capability-based interpretations of organizational performance and contextualizes the Resource-Based View (RBV) within cooperative environments where governance legitimacy, member participation, and market responsiveness coexist simultaneously (Jaafar et al., 2025; Siagian et al., 2026). This perspective shifts the discussion from variable-centered explanations toward a governance-embedded understanding of organizational transformation, emphasizing that innovation becomes effective when adaptive experimentation and managerial discipline operate in strategic alignment rather than isolation (Chien, 2022). Practically, the findings suggest that cooperative sustainability requires governance mechanisms that integrate adaptive learning, collaborative decision-making, and institutional coordination. Excessive administrative rigidity may suppress innovation responsiveness, while entrepreneurial experimentation without governance integration may weaken organizational stability (Neupane et al., 2025). Within the Indonesian cooperative context, this argument contributes a Global South governance perspective by explaining how capability alignment evolves under hybrid institutional structures combining democratic participation, socio-cultural legitimacy, and market pressure. Nevertheless, the study remains conceptual and relies on thematic interpretation of existing literature, which may not fully capture variations across cooperative sectors and governance environments. Future studies may therefore operationalize strategic capability alignment as a configuration construct through comparative and longitudinal analyses examining how organizational culture, digital readiness, regulatory conditions, and leadership configurations shape capability interaction and cooperative transformation over time.

CONCLUSION AND FURTHER STUDY

This study develops the Strategic Capability Alignment Model to explain cooperative performance through the interaction between Entrepreneurial Orientation and Managerial Capability within cooperative governance systems. The study argues that cooperatives achieve sustainable performance when adaptive experimentation and governance stability operate in strategic alignment. In this framework, innovation functions as an alignment mechanism that integrates entrepreneurial dynamism with managerial execution to produce structured and

sustainable organizational transformation. The study also extends capability-based management discussions by introducing a Global South governance perspective rooted in the Indonesian cooperative context. Practically, cooperative leaders and policymakers should strengthen adaptive learning, collaborative governance, and flexible institutional coordination to sustain innovation while preserving organizational legitimacy and member accountability.

This study relies on conceptual synthesis and thematic interpretation of existing literature, which limits its ability to capture the full diversity of cooperative governance practices across sectors and institutional settings. Future studies should operationalize Strategic Capability Alignment as a configuration-based construct through comparative and longitudinal investigations. Researchers should examine how organizational culture, digital readiness, leadership configuration, and regulatory conditions influence capability interaction within cooperatives. Future empirical studies across cooperative sectors and Global South contexts may further explain how adaptive and stabilizing capabilities evolve over time and shape sustainable cooperative transformation.

ETHICAL DISCLOSURE

The research does not involve human participants, personal data collection, or experimental procedures. Therefore, formal ethical approval and informed consent were not required.

CONFLICT OF INTERESTS

The authors declare no conflict of interest.

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