

Transforming Strategic Capabilities into Export Performance: The Mediating Roles of Artificial Intelligence Adoption in Jepara Furniture Exporters

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ABSTRACT

Purpose – This study examines the effects of supply chain management capability, social media marketing capability, and absorptive capacity on export performance among furniture exporters in Jepara, Indonesia, with artificial intelligence (AI) adoption as a mediating mechanism.

Design/methodology/approach – Data were collected from 110 exporting furniture firms using purposive sampling and analyzed using partial least squares structural equation modeling (PLS-SEM) to examine the direct and indirect relationships among the variables.

Finding/Results – The results indicate that supply chain management capability, social media marketing capability, and absorptive capacity positively influence AI adoption and export performance. Supply chain management capability is the strongest predictor of AI adoption, while social media marketing capability has the strongest direct effect on export performance. AI adoption positively affects export performance and partially mediates the relationships between the three capabilities and export performance. The mediated proportions are 26.17% for absorptive capacity, 20.47% for social media marketing capability, and 21.24% for supply chain management capability. The model explains 57.1% of the variance in AI adoption and 70.5% of the variance in export performance.

Originality/Value – This study positions AI adoption as a strategic mechanism that converts operational, market, and knowledge capabilities into improved export outcomes. The findings highlight the importance of integrating AI with supply chain, digital marketing, and knowledge capabilities to strengthen the international competitiveness of furniture exporters.

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1. Introduction

Export performance has become increasingly dependent on a firm's ability to respond to volatile international demand, a global competition, and rapid technological change (Khan et al., 2023; Ngo et al., 2024). The product quality, production capacity, and competitive price, remain important but are no longer sufficient to sustain business performance in this digital era (Djiu et al., 2024; Tobing et al., 2018). In the context of Jepara furniture exporters, marketing capabilities, customer involvement, and marketing innovation have also been shown to contribute to improved marketing performance, particularly through stronger communication, customer relationships, and market-oriented activities (Ali et al., 2024). Exporting firms must also identify market information, organise supply networks, maintain international buyer relationships, and absorb external knowledge to make strategic decisions (Ali et al., 2024; Ismail et al., 2024; Kumar et al., 2025). Those demands have increased attention to artificial intelligence as an instrument for improving forecasting, customer analysis, operational coordination, market intelligence, and organizational decision making (Culot et al., 2024; Saha et al., 2024).

Artificial Intelligence (AI) is increasingly used to predict demand, optimise inventory, evaluate suppliers, segment customers and support strategic decision-making (Culot et al., 2024; Saha et al., 2024; Kumar et al., 2025). AI-supported systems are able to process the information more rapidly than conventional managerial procedures, allowing firms to identify market patterns that would otherwise go unnoticed (Saha et al., 2024). AI capabilities can also improve firms' ambidexterity by assisting organisations in exploring new export opportunities and exploiting existing foreign markets (Kumar et al., 2025). These potential advantages make AI particularly relevant for exporters that have to compete internationally despite limited financial, technological and human resources (D'Amico et al., 2026; Harahap et al., 2025).

These pressures are relevant to Jepara furniture exporters. The competitiveness of Jepara furniture exporters is related to the processing of teak, craftsmanship, value creation, partnerships and networks (Arifin et al., 2022; Salsabila et al., 2024; Tobing et al., 2018). Partnerships allow exporters to share knowledge, access markets and coordinate resources (Arifin et al., 2022; Indriastuti et al., 2025). Furniture exporters must also coordinate with foreign buyers on materials, quality, customisation, delivery and communication (Arifin et al., 2022; Salsabila et al., 2024). Fragmented information and digital capacity may hence affect export performance (Djiu et al., 2024; Enshassi et al., 2025). Supply chain management capability the operational foundation via integration, partnership, responsiveness, resilience, quality management and logistics performance (Hussain et al., 2020; Piriyaikul, 2011; Siagian et al., 2024). Agility in firms' supply chain response to demand uncertainty and disruption (Khan et al., 2023). Information from supply chain processes can provide AI-assisted forecasting, planning, and decision support (Culot et al., 2024). This capability can therefore enhance and support AI adoption (Culot et al., 2024; Siagian et al., 2024).

Social media marketing capability exporters to communicate with overseas customers and support international marketing (Alarcón-del-Amo et al., 2024; Laradi et al., 2024). Social media enhances customer communication but it does not reduce export costs (Alarcón-del-Amo et al., 2024). Its value depends on the technology and infrastructure into marketing decisions (Bin-Obaidellah et al., 2023; Djiu et al., 2024). Customer involvement can further improve marketing performance by including the customer knowledge into market responses (Arifin & Ali, 2023). Similarly, Roosdhani et al. (2023) found that social media marketing

strategy significantly strengthens social media-based customer engagement, which subsequently contributes to improved social media performance. This capability may thus provide data that increase the relevance of AI-supported analysis (Alarcón-del-Amo et al., 2024; Saha et al., 2024).

Absorptive capacity enables firms to recognize and exploit external knowledge (Ávila, 2022; Ismail et al., 2024). Team interaction matters because knowledge is interpreted and recombined across organizational roles (Yildiz et al., 2024). These learning processes support AI adoption by helping firms understand technological knowledge and also integrate AI into routines (D'Amico et al., 2026). AI adoption remains difficult because the organizational readiness using AI (Jöhnk et al., 2021). SMEs also face technological, organizational, and financial problems (D'Amico et al., 2026; Enshassi et al., 2025). AI can nevertheless support SME development and export performance when firms connect technology with business decisions (Harahap et al., 2025; Kumar et al., 2025).

AI research mainly emphasizes readiness, adoption barriers, supply-chain applications, or AI capability, leaving limited evidence on AI adoption as the mechanism through which strategic capabilities generate export performance (Culot et al., 2024; D'Amico et al., 2026; Enshassi et al., 2025; Jöhnk et al., 2021; Kumar et al., 2025). This gap is relevant in Jepara's craft-intensive export context, where traditional knowledge and digital transformation operate simultaneously. This study therefore integrates supply chain management capability, social media marketing capability, and absorptive capacity as antecedents of AI adoption and export performance. This study positioning AI adoption as a mediator that converts operational, market-facing, and knowledge-based capabilities into export outcomes. Accordingly, this study examines the direct relationships among the constructs and tests AI adoption as a mediator in each strategic capability–export performance relationship.

2. Literature Review & Hypothesis Development

The Dynamic Capabilities perspective explains a firm's ability to integrate, build, and reconfigure both internal and external resources to respond to changes in the business environment. In the context of export-oriented firms, these capabilities are important because firms must respond to changes in international demand, technological developments, shifts in customer preferences, and global competitive pressures. Cho et al. (2023) demonstrated that organizational capabilities play an important role in explaining SME export performance, while Edeh et al. (2025) showed that digitalization and innovation capabilities contribute to export intensity.

In this study, Supply Chain Management Capability, Social Media Marketing Capability, and Absorptive Capacity are positioned as strategic capabilities that enable firms to acquire, manage, and reconfigure information resources and knowledge. These three capabilities are expected not only to directly influence Export Performance, but also to build firms' readiness to adopt Artificial Intelligence. The role of AI Adoption as a digital transformation mechanism is supported by studies showing that digital capabilities, innovation, and internal knowledge are important factors in AI adoption decisions among small and medium-sized enterprises (Arroyabe et al., 2024; D'Amico et al., 2026).

2.1 Supply Chain Management Capability and Artificial Intelligence Adoption

Supply Chain Management Capability describes a firm's ability to integrate procurement, production, information exchange, responsiveness to changes in demand, and process continuity when facing supply and logistics disruptions. In export-oriented furniture firms,

these capabilities generate complex operational information, including raw material requirements, production schedules, production capacity, order status, and delivery times. Such information provides an important foundation for the implementation of AI in forecasting, inventory management, supplier evaluation, and production planning (Culot et al., 2024).

Culot et al. (2024) showed that AI offers various opportunities for application in supply chain management, including information processing and decision-making. Furthermore, Arroyabe et al. (2024) found that digital capabilities and internal innovation play important roles in explaining AI adoption among European firms. These findings indicate that AI adoption does not depend solely on the availability of technology but also on a firm's internal readiness to provide processes, data, and capabilities that support its utilization.

In furniture firms, the better a company integrates procurement, production, information, and distribution processes, the greater the availability of data that can be utilized to support AI-based technologies. Therefore, firms with stronger SCM capabilities are expected to have greater readiness to adopt AI.

H1: Supply Chain Management Capability has a positive effect on Artificial Intelligence Adoption.

2.2 Social Media Marketing Capability and Artificial Intelligence Adoption

Social Media Marketing Capability reflects a firm's ability to utilize social media to communicate product information, interact with customers, monitor market responses, build customer relationships, and reach potential international buyers. Hultman et al. (2023) showed that a combination of communication activities and market listening through social media can improve customer performance among SMEs in emerging markets. In addition, Tatik and Setiawan (2025) found that the use of social media marketing is associated with improved SME performance in Indonesia. These capabilities can also serve as a source of digital data that enables firms to understand customers and markets more systematically.

When firms actively generate and manage digital information from customer interactions, such information can serve as input for AI technologies in market analysis, trend identification, customer segmentation, and marketing decision-making. Therefore, Social Media Marketing Capability is expected to enhance a firm's readiness to adopt AI.

H2: Social Media Marketing Capability has a positive effect on Artificial Intelligence Adoption.

2.3 Absorptive Capacity and Artificial Intelligence Adoption

Absorptive Capacity refers to a firm's ability to acquire, recognize the value of, understand, assimilate, combine, and apply external knowledge to its business activities. D'Amico et al. (2026) positioned organizational knowledge as an important perspective for understanding AI adoption in small and medium-sized enterprises. Accordingly, firms with stronger capabilities to seek, understand, and apply external knowledge are expected to be better able to recognize the benefits of AI and integrate it into their business activities.

The ability to absorb knowledge becomes increasingly important when firms face emerging technologies such as AI. Firms must be able to understand the benefits of the technology, integrate technological knowledge with organizational experience, and apply it to business processes. Kastelli et al. (2024) demonstrated that absorptive capacity helps firms transform digital capabilities into innovation outcomes.

H3: Absorptive Capacity has a positive effect on Artificial Intelligence Adoption.

2.4 Supply Chain Management Capability and Export Performance

The ability to integrate supply chain activities is an important source of improved export performance. Cho et al. (2023) demonstrated that organizational capabilities are associated with SME export performance, while Prabhu et al. (2024) showed that supply chain collaboration can improve organizational agility and performance.

Maintaining supply continuity and consistently fulfilling orders are particularly important because international buyers have high expectations regarding quality, specifications, and delivery times. Strong SCM enables firms to reduce operational disruptions and improve their responsiveness to changes in demand. Therefore, firms with higher SCM capabilities are expected to achieve better export performance.

H4: Supply Chain Management Capability has a positive effect on Export Performance.

2.5 Social Media Marketing Capability and Export Performance

Social Media Marketing Capability enables firms to communicate with customers, monitor market responses, build relationships, and reach international buyers at relatively lower costs. Hultman et al. (2023) showed that social media talking and listening activities can improve the customer performance of exporters, while Alarcón-del-Amo et al. (2024) demonstrated that communication through social media can strengthen relationships with foreign customers.

Cho et al. (2023) also emphasized the importance of marketing and technological capabilities in dealing with competitive export market conditions. Therefore, Jepara furniture firms with stronger social media marketing capabilities are expected to expand their market reach and achieve higher export performance.

H5: Social Media Marketing Capability has a positive effect on Export Performance.

2.6 Absorptive Capacity and Export Performance

Bui (2026) demonstrated that absorptive capacity has a positive effect on SME export success, while firm innovation serves as an important mechanism in this relationship. Ávila (2022) also identified a relationship between absorptive capacity, innovative capability, and firm advantage. These findings strengthen the argument that the ability to acquire and apply external knowledge can serve as a source of improved firm performance.

Therefore, Jepara furniture firms with greater ability to seek, understand, integrate, and apply external knowledge are expected to be better able to respond to changes in export markets and improve their export outcomes.

H6: Absorptive Capacity has a positive effect on Export Performance.

2.7 Artificial Intelligence Adoption and Export Performance

Kumar et al. (2025) demonstrated that AI capabilities can support exploration and exploitation activities in export markets. Ardito et al. (2025) also found that AI adoption is positively associated with revenue growth among small and medium-sized enterprises, particularly when combined with other digital assets.

Among Jepara furniture exporters, AI utilization can help firms understand market demand, identify design trends, conduct forecasting, optimize production planning, and support marketing decisions. Therefore, the higher the level of AI adoption, the greater the likelihood that firms will achieve better export performance.

H7: Artificial Intelligence Adoption has a positive effect on Export Performance.

2.8 SCM, AI Adoption, and Export Performance

Culot et al. (2024) demonstrated that AI plays an important role in the development of data-driven supply chain management systems. When firms are able to transform supply chain data into actionable information for decision-making, the benefits of SCM for export performance may become greater.

Therefore, AI Adoption is expected to serve as a mechanism that strengthens the ability of SCM to generate improved export performance.

H8: Artificial Intelligence Adoption mediates the effect of Supply Chain Management Capability on Export Performance.

2.9 SMM, AI Adoption, and Export Performance

Previous studies indicate that social media capabilities can generate relevant market information, while AI enables firms to process such information more systematically. Hultman et al. (2023) and Alarcón-del-Amo et al. (2024) highlighted the importance of social media activities in building relationships with and understanding international customers.

Therefore, the effect of Social Media Marketing Capability on Export Performance is expected to occur not only directly but also through the firm's ability to adopt and utilize AI to process market information.

H9: Artificial Intelligence Adoption mediates the effect of Social Media Marketing Capability on Export Performance.

2.10 Absorptive Capacity, AI Adoption, and Export Performance

Kastelli et al. (2024) demonstrated that absorptive capacity helps firms transform digital capabilities into innovation outcomes, while D'Amico et al. (2026) identified organizational knowledge as an important factor in AI adoption.

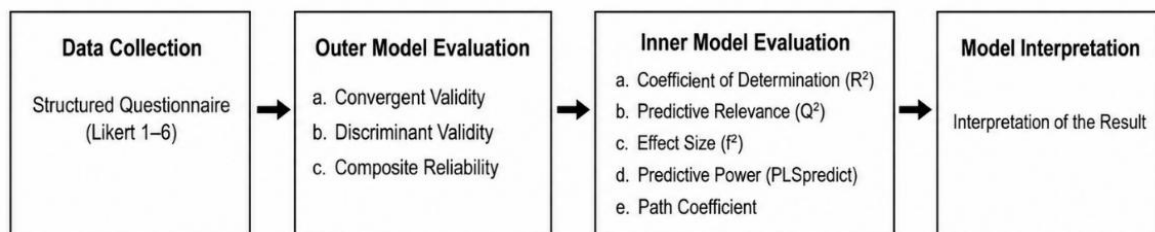
Among Jepara furniture exporters, firms with high absorptive capacity are expected to be better able to understand the benefits of AI and integrate it into market analysis, forecasting, production, and business decision-making activities. Furthermore, the use of AI enables the knowledge acquired by firms to be translated into actions that support improved export performance. Therefore, AI Adoption is expected to function as a mediating mechanism between absorptive capacity and Export Performance.

H10: Artificial Intelligence Adoption mediates the effect of Absorptive Capacity on Export Performance.

3. Methodology

Figure 1 presents the sequential flow of the data analysis applied in this study. The process begins with data collection using a structured questionnaire measured on a six-point Likert scale. The collected data are then evaluated through the outer model and inner model assessments to examine the quality of the measurement model and the explanatory and predictive performance of the structural model. The final stage involves interpreting the results obtained from the PLS-SEM analysis.

Figure 1. Analysis Flow



3.1 Population and Sample

The population of this study comprised furniture-exporting firms operating in Jepara Regency, Central Java, Indonesia. Based on data from BPS Jepara Regency (2023), 151 furniture firms were recorded as actively engaged in export activities. The minimum sample size was determined using the Slovin formula with a 5% margin of error, as follows.

$$n = \frac{N}{1 + Ne^2} = \frac{151}{1 + 151(0.05)^2} = 109.62 \approx 110 \text{ firms}$$

Purposive sampling was employed to ensure that the selected firms and respondents met the requirements relevant to the research objectives (Obilor, 2025). Participating firms were required to: (1) operate in the furniture industry and be located in Jepara Regency; (2) be actively engaged in direct or indirect export activities; (3) have operated for at least three years; and (4) appoint a respondent directly involved in strategic, operational, marketing, technological, or export-related decision-making. Based on these criteria, 110 furniture-exporting firms were included in the study, with one key informant representing each firm, resulting in a final sample of 110 respondents.

3.2 Data Collection and Analysis

Data were collected using a structured questionnaire containing closed-ended statements derived from the indicators presented in Table 1. The questionnaire measured five constructs. All items were assessed using a six-point Likert scale ranging from 1, representing *strongly disagree*, to 6, representing *strongly agree*.

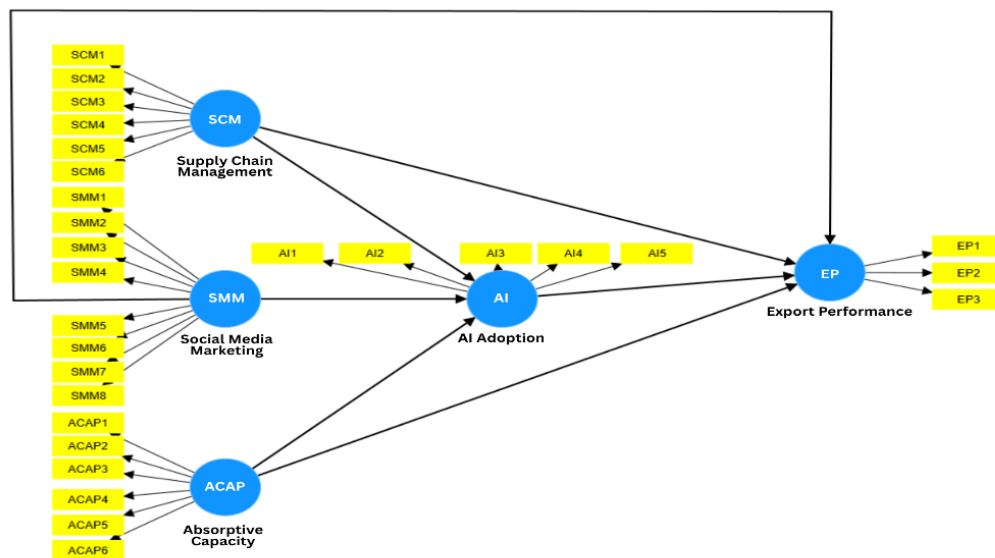
Table 1. Variabel Used

Constructs	Indicators	Source
Supply Chain Management Capability	Integrated procurement, production, and delivery (SCM1)	Adapted from Siagian et al. (2024)
	Long-term relationships with key suppliers (SCM2)	
	Timely sharing of supply chain information (SCM3)	
	Rapid response to changes in foreign demand (SCM4)	
	Continuity during supply or logistics disruptions (SCM5)	
	Consistent fulfillment of export orders (SCM6)	
Social Media Marketing Capability	Regular furniture content publication (SMM1)	Adapted from Laradi et al. (2024)
	Clear and accurate product information (SMM2)	
	Active interaction with prospective and existing buyers (SMM3)	
	Rapid response to customer inquiries (SMM4)	
	Monitoring market trends and customer responses (SMM5)	
	Building and maintaining customer relationships (SMM6)	
	Reaching prospective international buyers (SMM7)	
	Generating export inquiries and prospects (SMM8)	
Absorptive Capacity	Active search for external knowledge (ACAP1)	Adapted from Ávila (2022)
	Recognition of valuable external knowledge (ACAP2)	
	Understanding and assimilating new knowledge (ACAP3)	
	Internal sharing of new knowledge (ACAP4)	
	Combining new and existing knowledge (ACAP5)	
	Applying knowledge to business improvements (ACAP6)	
	AI use for market and customer analysis (AI1)	

Constructs	Indicators	Source
Artificial Intelligence Adoption	AI use for identifying design trends (AI2)	Adapted from Badghish & Soomro (2024)
	AI use for demand and resource forecasting (AI3)	
	AI use for production and work planning (AI4)	
	AI use for marketing and business decisions (AI5)	
Export Performance	Growth in export sales (EP1)	Adapted from Ismail et al. (2024)
	Growth in export market coverage (EP2)	
	Growth in exports' contribution to firm performance (EP3)	

PLS-SEM was selected because the model emphasizes prediction, includes several latent variables, and simultaneously estimates direct and mediating effects (Hair & Alamer, 2022). The proposed model at Figure 2 examines supply chain management capability, social media marketing capability, and absorptive capacity as predictors of artificial intelligence adoption and export performance. Artificial intelligence adoption is positioned as a mediator between the three strategic capabilities and export performance. The analysis followed two principal stages.

Figure 2. Theoretical Model



4. Result and Discussion

4.1 Respondents' Characteristics

Respondent characteristics were analyzed to describe the demographic and organizational profiles of the 110 participants representing furniture-exporting firms in Jepara. The profiles included gender, age, position, education, firm operating duration, export experience, number of employees, and annual export frequency, as summarized in Table 2.

Table 2. Respondent Characteristics: 110 Jepara Furniture Exporters

Characteristic	Distribution, n (%)
Gender	Male 76 (69%); Female 34 (31%)
Age	<25: 7 (6%); 25–34: 20 (18%); 35–44: 46 (42%); 45–54: 30 (27%); ≥55: 7 (6%)
Position	Owner 38 (35%); Director 8 (7%); Manager 28 (25%); Supervisor 15 (14%); Marketing 17 (15%); Others 4 (4%)

Education	Junior high 3 (3%); Senior high/vocational 36 (33%); Diploma 14 (13%); Bachelor 50 (45%); Master/Doctoral 7 (6%)
Firm age	2–5 years: 12 (11%); 6–10: 40 (36%); 11–20: 39 (35%); >20: 19 (17%)
Export experience	<3 years: 19 (17%); 3–5: 34 (31%); 6–10: 31 (28%); >10: 26 (24%)
Employees	<10: 12 (11%); 10–19: 27 (25%); 20–49: 33 (30%); 50–99: 28 (25%); ≥100: 10 (9%)
Export frequency/year	1–3: 22 (20%); 4–6: 27 (25%); 7–12: 43 (39%); >12: 18 (16%)

Table 2 shows that the sample was dominated by male respondents (69%), particularly those aged 35–44 years (42%). Owners represented the largest organizational position (35%), while 45% of respondents held a bachelor's degree. Most firms had operated for 6–10 years (36%) or 11–20 years (35%). The largest group had 3–5 years of export experience (31%). Firms employing 20–49 workers were the most common (30%). The sample represented relatively established and actively exporting furniture firms with respondents who possessed relevant managerial experience. Table 3 further shows that AI-based design and analytics tools were the most frequently used applications among AI-using firms (56.1%). The respondents could select more than one AI application, the percentages do not sum to 100%.

Table 3. Artificial Intelligence Applications Used by Furniture Exporters

AI Application	Frequency (n)	Percentage (%)
AI-based design/analytics tools	46	56.1
ChatGPT	42	51.2
Canva AI	37	45.1
Gemini	30	36.6
Other AI applications	4	4.9

4.2 Outer Model Evaluation

Table 4. Outer Model Evaluation

Construct/ Indicator	Outer Loading	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Absorptive Capacity		0.941	0.946	0.953	0.770
ACAP1	0.857				
ACAP2	0.881				
ACAP3	0.871				
ACAP4	0.881				
ACAP5	0.880				
ACAP6	0.895				
Artificial Intelligence Adoption		0.941	0.943	0.955	0.810
AI1	0.907				
AI2	0.900				
AI3	0.900				
AI4	0.907				

Construct/ Indicator	Outer Loading	Cronbach's Alpha	rho_A	Composite Reliability	AVE
AI5	0.886				
Export Performance		0.916	0.916	0.947	0.856
EP1	0.940				
EP2	0.922				
EP3	0.913				
Social Media Marketing Capability		0.949	0.955	0.957	0.736
SMM1	0.857				
SMM2	0.866				
SMM3	0.827				
SMM4	0.839				
SMM5	0.874				
SMM6	0.870				
SMM7	0.881				
SMM8	0.848				
Supply Chain Management Capability		0.933	0.933	0.947	0.749
SCM1	0.853				
SCM2	0.839				
SCM3	0.869				
SCM4	0.851				
SCM5	0.892				
SCM6	0.887				

4.3 Convergent Validity

Convergent validity indicates whether indicators intended to measure the same construct share a sufficiently high proportion of variance (Hair & Alamer, 2022). Table 4 shows that the outer loading values ranged from 0.827 to 0.940. Every indicator therefore exceeded the recommended value of 0.70, indicating that all measurement items adequately reflected their respective constructs. The AVE values ranged from 0.736 to 0.856. Each construct consequently explained at least 73.6% of the variance in its indicators. These results confirm that absorptive capacity, artificial intelligence adoption, export performance, social media marketing capability, and supply chain management capability fulfilled the convergent validity requirement.

4.4 Discriminant Validity

Discriminant validity determines whether each latent construct captures a concept that is empirically distinct from the other constructs in the model. An HTMT value below 0.90 generally indicates adequate discriminant validity, while a threshold of 0.85 may be applied

when a more conservative criterion is required (Henseler et al., 2015). All values remained below the 0.90 threshold, confirming that the five constructs were empirically distinguishable.

Table 5. Discriminant Validity Using HTMT

Construct	ACAP	AI	EP	SMM	SCM
ACAP	-				
AI	0.435	-			
EP	0.417	0.778	-		
SMM	0.095	0.523	0.614	-	
SCM	0.129	0.581	0.662	0.239	-

4.5 Composite Reliability

Based on the Table 4, Cronbach's alpha values ranged from 0.916 for export performance to 0.949 for social media marketing capability. The rho_A values ranged from 0.916 to 0.955, while composite reliability ranged from 0.947 to 0.957. Very high reliability values may suggest that several indicators contain closely related information, although values only slightly above the threshold do not automatically invalidate a construct (Hair & Alamer, 2022).

4.6 Inner Model Evaluation

4.6.1 Coefficient of Determination (R²)

Table 6 shows that supply chain management capability, social media marketing capability, and absorptive capacity jointly explained 57.1% of the variance in artificial intelligence adoption. The adjusted R² value of 0.559 indicating that the model retained its explanatory capacity after considering the number of predictors. Export performance obtained an R² value of 0.705, indicating that the four predictor constructs jointly explained 70.5% of its variance. The adjusted value of 0.694 remained close to the original estimate, suggesting limited inflation caused by model complexity.

Table 6. Coefficient of Determination

Endogenous Construct	R ²	Adjusted R ²
AI	0.571	0.559
EP	0.705	0.694

The two endogenous constructs should be interpreted separately rather than combined into a single "overall R²" percentage. AI adoption is explained by the three strategic capabilities at 57.1%, while export performance is explained by the four predictors at 70.5%. This presentation provides a more transparent assessment of the model because R² represents the variance explained for each endogenous construct and should not be aggregated across constructs with different dependent-variable meanings.

$$R_{overall}^2 = 1 - (1 - R_{AI}^2)(1 - R_{EP}^2) = 1 - (1 - 0.571)(1 - 0.705) = 0.8734 = 87.34\%$$

4.6.2 Predictive Relevance (Q²)

Predictive relevance was assessed using the Stone–Geisser Q² value. Artificial intelligence adoption generated a Q² value of 0.452, showing that the model had meaningful predictive relevance for variations in AI adoption. Export performance produced a higher Q² value of 0.585, indicating stronger predictive relevance for the primary outcome construct.

Table 7. Predictive Relevance

Construct	Q ²
AI	0.452

EP

0.585

4.6.3 Effect Size (f^2)

The effect size (f^2) indicates the incremental contribution of an exogenous construct to an endogenous construct (Hair & Alamer, 2022). Supply chain management capability had the largest effect on AI adoption ($f^2 = 0.369$), followed by social media marketing capability (0.344) and absorptive capacity (0.285). For export performance, social media marketing capability (0.324) and supply chain management capability (0.310) showed medium effects, while absorptive capacity (0.146) and AI adoption (0.083) had smaller effects.

Table 8. Effect Size

Structural Relationship	f^2	Effect
ACAP $\rightarrow$ AI	0.285	Medium
ACAP $\rightarrow$ EP	0.146	Small
AI $\rightarrow$ EP	0.083	Small
SMM $\rightarrow$ AI	0.344	Medium
SMM $\rightarrow$ EP	0.324	Medium
SCM $\rightarrow$ AI	0.369	Large
SCM $\rightarrow$ EP	0.310	Medium

4.6.4 Predictive Power (PLSpredict)

PLSpredict was used to assess the model's out-of-sample predictive power by comparing PLS-SEM prediction errors with those generated by a linear model benchmark (Shmueli et al., 2019). As shown in Table 9, all Q^2 predict values were positive. This indicate that the model demonstrates favorable out-of-sample predictive performance can provide useful predictions beyond the observed sample.

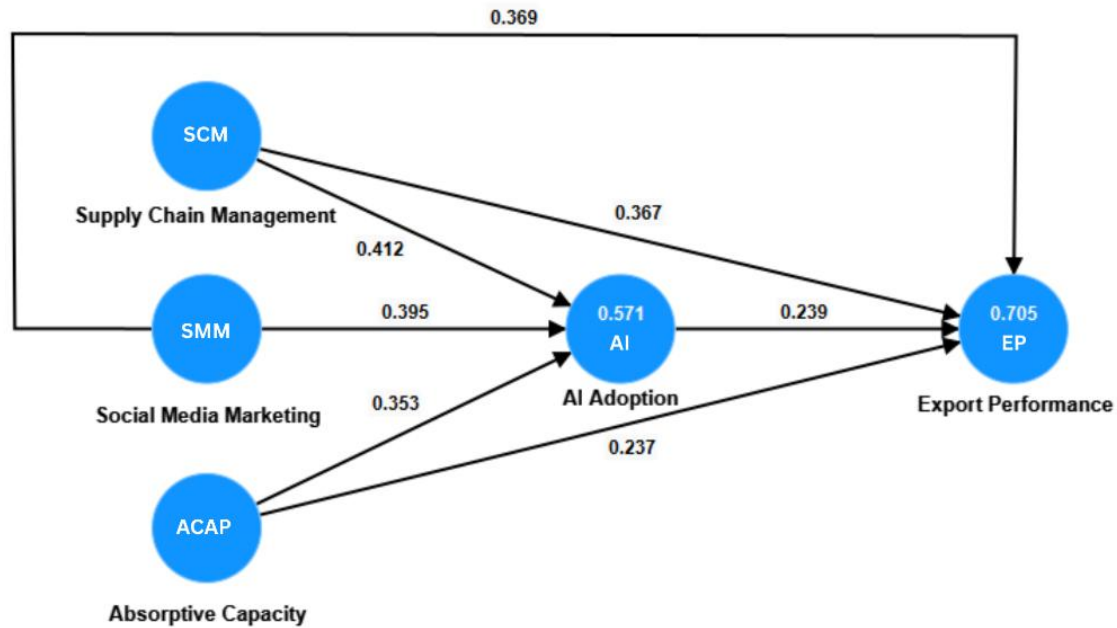
Table 9. PLSpredict Results

Indicator	Q^2 predict	PLS-SEM RMSE	LM RMSE
AI1	0.381	1.209	1.377
AI2	0.480	1.123	1.230
AI3	0.480	1.067	1.160
AI4	0.462	1.000	1.145
AI5	0.359	1.179	1.331
EP1	0.572	1.036	1.126
EP2	0.557	1.003	1.073
EP3	0.560	0.965	1.087

4.6.5 Path Coefficient

Path coefficients were assessed using bootstrapping to determine the direction and significance of the structural relationships. Relationships were considered significant when $t > 1.96$ and $p < 0.05$ (Hair & Alamer, 2022). All seven direct relationships were positive and significant. For mediation, the indirect effects of supply chain management capability, social media marketing capability, and absorptive capacity on export performance through AI adoption were examined. The indirect effect should be evaluated primarily from the bootstrapped confidence interval and its associated t - and p -values; the variance accounted for (VAF) is used as a complementary indicator to describe the extent and type of mediation.

Figure 3. Path Coefficient



Absorptive capacity positively affected AI adoption ($\beta = 0.353$) and export performance ($\beta = 0.237$). Social media marketing capability influenced AI adoption ($\beta = 0.395$) and had the strongest direct effect on export performance ($\beta = 0.369$). Supply chain management capability was the strongest predictor of AI adoption ($\beta = 0.412$) and also positively affected export performance ($\beta = 0.367$). AI adoption itself positively influenced export performance ($\beta = 0.239$). These results indicate that operational, marketing, and knowledge-based capabilities contribute directly to export performance while also supporting AI adoption. Mediation analysis was subsequently conducted to determine whether AI adoption transmitted the effects of the three strategic capabilities to export performance. Complementary partial mediation occurs when both direct and indirect effects are significant and have the same direction.

Table 10. Specific Indirect Effects

Mediated Relationship	Direct Effect	T Statistic	Indirect Effect	T Statistic	Total Effect	Indirect Effect Proportion	Mediation Type
ACAP → AI → EP	0.237	4.066	0.084	2.161	0.321	26.17%	Complementary partial mediation
SMM → AI → EP	0.369	6.203	0.095	2.643	0.464	20.47%	Complementary partial mediation
SCM → AI → EP	0.367	4.461	0.099	2.434	0.466	21.24%	Complementary partial mediation

The mediation results show that AI adoption significantly mediates the relationships between the three strategic capabilities and export performance. The indirect effects were 0.084 for

absorptive capacity, 0.095 for social media marketing capability, and 0.099 for supply chain management capability, with T Statistics of 2.161, 2.643, and 2.434, respectively. Since all T Statistics exceed the 1.96 threshold, the indirect effects are statistically significant. The corresponding VAF values were 26.17%, 20.47%, and 21.24%, indicating partial mediation. Moreover, the direct effects were positive and significant, with T Statistics of 4.066 for ACAP, 6.203 for SMM, and 4.461 for SCM. Therefore, AI adoption serves as a complementary partial mediator, indicating that it complements rather than replaces the direct contribution of absorptive capacity, social media marketing capability, and supply chain management capability to export performance.

4.7 Strategic Capabilities as Antecedents of Artificial Intelligence Adoption

Supply chain management capability was the strongest predictor of artificial intelligence adoption ($\beta = 0.412$; $f^2 = 0.369$), followed by social media marketing capability ($\beta = 0.395$; $f^2 = 0.344$) and absorptive capacity ($\beta = 0.353$; $f^2 = 0.285$). The magnitude of these coefficients is consistent with the operational reality of the sample. The respondents represented 110 actively exporting firms, with 71% of firms having operated for more than six years and 69% of respondents being male. In addition, 45% of respondents held a bachelor's degree and 76% occupied owner, director, or managerial positions. These characteristics suggest that many respondents had sufficient organizational exposure to evaluate supply-chain processes, market information, and technology-related decisions. The relatively established profile of the firms also provides a plausible context for the relatively strong relationships between strategic capabilities and AI adoption.

The dominance of supply chain management capability indicates that AI adoption in Jepara is closely connected to the availability and integration of operational information. Indicators such as integrated procurement, production and delivery, timely information sharing, rapid responses to foreign demand, continuity during disruption, and consistent export-order fulfilment create the data environment required for AI-supported forecasting and planning. Prabhu et al. (2024) similarly show that supply-chain collaboration and agility are associated with firm performance in manufacturing SMEs, while Siagian et al. (2024) emphasize the strategic contribution of supply-chain management to competitive advantage among Indonesian SMEs. Recent evidence also indicates that digital capability contributes to export outcomes when technology is converted into higher-value trade capabilities rather than simply acquired (Oh & Hwang, 2025). Thus, the present finding suggests that AI adoption is more likely to become productive when exporters already possess coordinated operational routines.

Social media marketing capability also showed a strong positive effect on AI adoption ($\beta = 0.395$; $f^2 = 0.344$). This relationship can be interpreted through the information generated by digital customer interactions. Regular content publication, product-information accuracy, customer responses, trend monitoring, relationship building, international buyer reach, and export inquiries provide market signals that can subsequently be analyzed through AI. The result is consistent with evidence that social media marketing contributes to MSME performance in Indonesia (Tatik & Setiawan, 2025) and with Hultman et al. (2023), who emphasize the importance of combining social-media communication with listening activities. In the present context, social media capability therefore functions not only as a promotional capability but also as a market-sensing capability that supplies information for AI-assisted decisions.

Absorptive capacity had the smallest, although still positive, coefficient for AI adoption ($\beta = 0.353$; $f^2 = 0.285$). This result indicates that exporters need to recognize, assimilate, share, combine, and apply external knowledge before AI can be incorporated into organizational routines. The finding is aligned with Kastelli et al. (2024), who show that absorptive capacity helps translate digital capacity into innovation performance, and with Yildiz et al. (2024), who highlight the importance of team-level processes in interpreting and recombining knowledge. More recent evidence from 321 global-market-oriented SMEs in Central Java and Yogyakarta likewise shows that innovation capability and technological capability can transmit the effects of absorptive capacity into business performance (Nuryakin & Qamari, 2026). Accordingly, AI adoption in Jepara should be understood as a learning and organizational-reconfiguration process rather than merely the purchase of software.

Hultman et al. (2023) found that emerging-market SMEs achieved stronger customer performance when combining social media talking and listening strategies. Tatik & Setiawan (2025) similarly found that social media marketing adoption improved Indonesian MSME performance. These findings indicate that social media capability functions not only as a promotional tool but also as a source of market information for AI-supported decisions. The positive effect of absorptive capacity confirms that firms need the ability to recognize, assimilate, and apply technological knowledge. Kastelli et al. (2024) found that absorptive capacity strengthened the relationship between digital capacity and innovation performance. Absorptive capacity plays a significant mediating role between dynamic capabilities and technology-related innovation adoption, although the direct relationships differ across national settings (Çelik et al., 2024). AI and robotics adoption similarly depends on digital skills, infrastructure, organizational flexibility, and technological knowledge absorption (Segarra-Blasco et al., 2025). These studies reinforce the present finding that the capacity to learn and reorganize knowledge is essential for furniture exporters seeking to embed AI in business routines.

4.8 Strategic Capabilities and Export Performance

Social media marketing capability had the strongest direct effect on export performance ($\beta = 0.369$; $f^2 = 0.324$), followed closely by supply chain management capability ($\beta = 0.367$; $f^2 = 0.310$), while absorptive capacity had a smaller direct effect ($\beta = 0.237$; $f^2 = 0.146$). The relatively close coefficients of SMM and SCM indicate that export performance in the Jepara furniture cluster depends simultaneously on market-facing and operational capabilities. This is particularly relevant because the sample included firms with varied export intensity: 39% reported 7–12 export transactions per year and another 16% reported more than 12. Such repeated international transactions require both continuous buyer communication and reliable order fulfilment.

The strong SMM effect suggests that international furniture buyers are influenced not only by product availability but also by the exporter's ability to communicate product information, respond quickly, monitor customer preferences, and maintain relationships. Tatik and Setiawan (2025) provide Indonesian evidence that social media marketing improves MSME performance, while Alarcón-del-Amo et al. (2024) show that social media communication can strengthen relationships with foreign customers. The finding also extends Djiu et al. (2024), who found that social media usage alone did not directly determine export performance and that competitive advantage provided an intervening mechanism. The distinction is important: the present construct captures a broader organizational capability, including content

management, responsiveness, market monitoring, relationship building, and lead generation, rather than simple platform usage.

Supply chain management capability produced an almost equivalent direct effect ($\beta = 0.367$). This reflects the importance of quality consistency, delivery reliability, responsiveness, and coordination with suppliers and foreign buyers. In a furniture-export context, a strong digital marketing presence cannot compensate for delayed delivery, inconsistent specifications, or poor order fulfilment. Therefore, SCM capability functions as the operational foundation that allows market opportunities generated through digital channels to be converted into actual export transactions.

Absorptive capacity had the smallest direct effect ($\beta = 0.237$), although the effect remained meaningful ($f^2 = 0.146$). Knowledge acquisition by itself may not immediately increase export sales or market coverage unless it is translated into innovation, marketing action, operational improvements, or technological use. This interpretation is consistent with Ismail et al. (2024), who link absorptive capacity with export performance among SME exporters, and with Bui (2026), who shows that absorptive capacity can support export success through firm innovativeness. The implication is that knowledge is an enabling resource whose economic value depends on organizational conversion mechanisms.

Supply chain management capability also strongly influenced export performance because foreign buyers require consistent quality, specifications, and delivery. Supply-chain collaboration enhances agility and firm performance (Prabhu et al., 2024). Infrastructure, digitalization, and innovation capabilities also support export intensity (Edeh et al., 2025), while institutional capabilities can strengthen export performance (Lee & Song, 2025). Absorptive capacity positively affected export performance by enabling firms to acquire and apply external knowledge. Bui (2026) found that absorptive capacity improves SME export performance through firm innovativeness, while Kastelli et al. (2024) showed that it helps transform digital capacity into innovation outcomes. Its smaller direct effect suggests that knowledge must be converted into concrete actions or technologies before producing stronger export results. The significant mediation through AI adoption in this study supports this mechanism.

4.9 The Mediating Role of Artificial Intelligence Adoption

Artificial intelligence adoption positively influenced export performance ($\beta = 0.239$; $f^2 = 0.083$). Although the path coefficient is positive and significant, the relatively small effect size indicates that AI adoption has not yet become the dominant source of export performance in the sampled firms. This interpretation is supported by the descriptive evidence: among AI-using firms, AI-based design/analytics tools were the most frequently reported applications (56.1%), followed by ChatGPT (51.2%), Canva AI (45.1%), and Gemini (36.6%). The pattern suggests that AI use is already visible, particularly in design, analytics, and content-related activities, but may not yet be deeply integrated into end-to-end supply-chain, production, customer-management, and export decision processes.

The finding is consistent with Kumar et al. (2025), who show that AI capabilities can support export-market exploration and exploitation, while Ardito et al. (2025) find positive relationships between AI adoption and revenue growth among European SMEs, particularly when AI is combined with complementary digital technologies. Recent evidence from 475 exporting small and micro-enterprises likewise reports positive effects of both internal AI capability and external AI-tool utilization on export performance, while also identifying diminishing returns when the two resources overlap excessively (Gu & Jin, 2026). This is

relevant to Jepara because many firms can access external generative-AI tools without necessarily possessing strong internal AI capability.

The relatively small f^2 of AI adoption therefore should not be interpreted as evidence that AI is unimportant. Rather, it suggests that AI creates incremental value when embedded within broader organizational capabilities. Oldemeyer et al. (2025) identify knowledge shortages, costs, and implementation challenges as important barriers to AI use in manufacturing SMEs, while D'Amico et al. (2026) emphasize the knowledge-based foundations of AI adoption. For Jepara exporters, the managerial priority should consequently be integration: AI applications should be connected to supply-chain information, export-market intelligence, customer data, production planning, and organizational learning rather than being used as isolated productivity tools.

ul Haq et al. (2026) state that resource-constrained environments also found that AI Adoption mediated the relationships between organizational and environmental drivers and SME performance. Segarra-Blasco et al. (2025) similarly found that AI and robotics were associated with product, process, organizational, and marketing innovation among European SMEs, although their effects differed between manufacturing and service industries. These studies support the present finding while emphasizing that AI outcomes depend on firm capabilities and industrial context. The effect size of AI adoption on export performance was relatively small at 0.083. The smaller effect suggests that AI use among Jepara furniture exporters may not yet be fully integrated across supply-chain, production, and international marketing processes. Oldemeyer et al. (2025) identify knowledge shortages, costs, and inadequate infrastructure as the most frequently reported barriers to AI implementation in SMEs. Arroyabe et al. (2024) also demonstrate that digital and innovation capabilities are more decisive for AI adoption than external support considered independently.

4.10 Detailed Interpretation of AI Adoption as a Mediator

AI adoption produced positive indirect effects between all three strategic capabilities and export performance: 0.084 for absorptive capacity, 0.095 for social media marketing capability, and 0.099 for supply chain management capability. The VAF values of 26.17%, 20.47%, and 21.24%, respectively, indicate that only part of each capability's total effect operates through AI adoption. Thus, the mediation pattern is substantively complementary: the strategic capabilities retain their direct contribution to export performance while AI adds an additional pathway through which those capabilities can be converted into export outcomes.

For absorptive capacity, the indirect effect of 0.084 and VAF of 26.17% represent the largest mediated proportion among the three relationships. This means that the relative importance of AI is greatest when the firm's advantage originates in its ability to acquire and use external knowledge. The mechanism is theoretically plausible because knowledge about markets, technologies, customer requirements, and production methods does not automatically generate export performance; it must be interpreted and transformed into actionable routines. AI can accelerate this conversion by supporting information processing, pattern recognition, market analysis, and decision support. The finding complements Kastelli et al. (2024) and Bui (2026), which emphasize conversion mechanisms between knowledge-related capabilities and performance outcomes.

For social media marketing capability, the indirect effect is 0.095 and the mediated proportion is 20.47%. Although this is the smallest VAF, the indirect pathway remains practically relevant because social media generates large volumes of customer and market information. AI can help classify customer inquiries, identify emerging preferences, support content creation,

summarize market signals, and improve responsiveness. Recent research on digital capability and export performance reinforces the broader principle that technology produces stronger export outcomes when firms strategically leverage it to upgrade their capabilities and position in value chains (Oh & Hwang, 2025). The present result therefore suggests that the value of social media marketing capability is enhanced when the information generated through digital interaction becomes usable organizational intelligence.

For supply chain management capability, the indirect effect is 0.099, the largest absolute indirect coefficient, while its VAF is 21.24%. This distinction is important: SCM produces the strongest AI-mediated pathway in absolute terms, but absorptive capacity has the highest proportion of its total effect transmitted through AI. The result implies that AI is particularly useful for translating supply-chain information into export outcomes through forecasting, planning, demand sensing, supplier evaluation, and coordination. Culot et al. (2024) similarly identify AI as an important development area in supply-chain management, while Prabhu et al. (2024) demonstrate the performance relevance of supply-chain collaboration and agility.

Overall, the mediation results refine the study's theoretical argument. AI adoption should not be treated as a substitute for strategic capabilities. Instead, it acts as a digital conversion mechanism that amplifies the value of existing operational, market-facing, and knowledge-based resources. This interpretation is also consistent with recent evidence showing that export performance depends on how digital capabilities are translated into higher-order capabilities rather than on technology adoption alone (Oh & Hwang, 2025). Nevertheless, the manuscript should not rely on VAF alone to establish mediation. Before publication, the authors should insert the SmartPLS bootstrapping t-statistics, p-values, and confidence intervals for each indirect effect; if the confidence interval does not include zero, the indirect effect can be formally confirmed as significant. A recent Indonesian study also identifies export readiness as a mechanism linking digital capability and export performance (Vierke & Shafiq, 2026).

AI adoption transmitted 20.47% of the total effect of social media marketing capability on export performance. Social media capability generates customer and market data, while AI allows firms to classify, interpret, and apply that information more systematically. The result complements Hultman et al. (2023) who show that balanced social media communication and listening improve export customer outcomes through networking and market-adaptation mechanisms. It also extends Djiu et al. (2024), whose findings show that an intervening organizational mechanism is required to translate social media usage into export performance. AI adoption transmitted 21.24% of the total effect of supply chain management capability on export performance. The largest indirect coefficient was associated with supply chain management capability, while the largest mediated proportion was associated with absorptive capacity. This distinction indicates that supply-chain capability generates the strongest absolute AI-enabled performance pathway, whereas AI plays a relatively larger role in converting knowledge capability into export outcomes. The results therefore refine the capability-based perspective by showing that different strategic capabilities contribute to AI-enabled performance through different mechanisms.

4.11 Explanatory and Predictive Implications

The structural model explained 57.1% of the variance in AI adoption and 70.5% of the variance in export performance. The adjusted R^2 values of 0.559 and 0.694 remain close to the unadjusted values, indicating that the explanatory power is not substantially inflated by the number of predictors. The Q^2 values of 0.452 for AI adoption and 0.585 for export performance

indicate meaningful predictive relevance, while the positive Q^2 predict values and lower PLS-SEM RMSE values than the linear-model benchmark across all reported indicators provide additional evidence of out-of-sample predictive usefulness.

These results should be interpreted together with the effect-size findings. The model explains a relatively large proportion of export-performance variance, but AI adoption itself has a comparatively small incremental effect ($f^2 = 0.083$). This combination indicates that export performance is primarily shaped by a configuration of capabilities rather than by AI adoption in isolation. Social media marketing capability and supply chain management capability have medium effects on export performance, while their relationships with AI adoption are also substantial. The model therefore captures an important capability configuration in which operational coordination, market sensing, and knowledge absorption jointly support digital transformation.

The descriptive findings reinforce this interpretation. AI use is already visible among the sampled exporters, particularly through AI-based design/analytics, ChatGPT, Canva AI, and Gemini, yet the applications are not necessarily integrated across all business functions. The relatively small direct effect of AI may therefore reflect an early or uneven stage of organizational assimilation. Recent research similarly finds that AI adoption can improve SME performance when organizational and environmental conditions support implementation, particularly in resource-constrained environments (ul Haq et al., 2026). For Jepara exporters, the next stage of digital transformation should consequently focus on integration, employee capability, data quality, and managerial alignment rather than simply increasing the number of AI applications.

This study expands the perspectives of Dynamic Capabilities and the Knowledge-Based View by demonstrating that the adoption of Artificial Intelligence (AI) serves as a reconfiguration mechanism that helps transform strategic capabilities into export performance, particularly in Jepara's craft-intensive furniture industry, where competitiveness still relies on craftsmanship, wood processing, traditional knowledge, supplier networks, and relationships with international buyers. The findings indicate that each capability operates through a distinct mechanism: Supply Chain Management Capability is the strongest predictor of AI adoption; Social Media Marketing Capability exerts the greatest direct influence on export performance; while Absorptive Capacity accounts for the largest proportion of influence transmitted through AI. These findings suggest that digital transformation in industries based on traditional skills need not replace established capabilities but can strengthen them through technological integration. The results of complementary partial mediation further confirm that AI functions as a complementary digital capability that helps companies transform operational information, market information, and external knowledge into export outcomes. Thus, the main theoretical contribution of this study is that, in craftsmanship-based export industries, AI creates value not by replacing firms' traditional capabilities, but by integrating and strengthening operational, market, and knowledge capabilities through various mechanisms to drive export performance

5. Conclusion and Suggestion

This study examined how supply chain management capability, social media marketing capability, and absorptive capacity contribute to export performance through AI adoption among 110 furniture-exporting firms in Jepara. The findings show that all three strategic capabilities positively influence AI adoption and export performance. Supply chain

management capability emerged as the strongest predictor of AI adoption ($\beta = 0.412$; $f^2 = 0.369$), while social media marketing capability produced the strongest direct effect on export performance ($\beta = 0.369$; $f^2 = 0.324$). AI adoption also positively affected export performance ($\beta = 0.239$), although its relatively small effect size ($f^2 = 0.083$) indicates that AI currently functions as a complementary capability rather than the primary determinant of export success.

The mediation analysis indicates positive indirect effects of absorptive capacity (0.084), social media marketing capability (0.095), and supply chain management capability (0.099) through AI adoption. The corresponding VAF values are 26.17%, 20.47%, and 21.24%, suggesting complementary partial mediation because the direct effects remain positive. Absorptive capacity has the largest mediated proportion, whereas supply chain management capability has the largest absolute indirect effect and total effect. This distinction shows that AI does not replace the strategic capabilities of Jepara exporters; instead, it provides an additional mechanism for converting knowledge, market information, and supply-chain data into export outcomes. For methodological completeness, the final manuscript should report the SmartPLS bootstrapping t-statistics, p-values, and confidence intervals for all indirect effects before making a definitive statistical claim about mediation.

Theoretically, this study expands the perspectives of Dynamic Capabilities and the Knowledge-Based View by demonstrating that the adoption of Artificial Intelligence (AI) functions as a complementary digital capability that converts operational capabilities, market-oriented capabilities, and knowledge-based capabilities into export performance through different mechanisms. In the craft-intensive Jepara furniture industry, where competitiveness relies on craftsmanship, partnerships, and relationships with international buyers, AI reinforces the strategic capabilities that companies already possess, rather than replacing them. These findings suggest that sustainable export competitiveness does not depend on the adoption of AI in isolation, but rather on a company's ability to integrate AI with supply chain coordination, market understanding, and organizational learning to create greater export value.

6. Limitations and Future Research

This study has several limitations. First, its cross-sectional design limits the ability to capture changes in AI adoption and export performance over time. Future research could employ longitudinal designs to provide stronger evidence of causal relationships. Second, the study focuses only on furniture-exporting firms in the Jepara cluster and uses purposive sampling with one key informant per firm, which may limit the generalizability of the findings and introduce potential respondent bias. Future studies should include multiple respondents and firms from different industries and regions.

Third, the study measures AI adoption without distinguishing different levels of AI maturity or intensity. Future research could examine AI maturity and its integration across supply chain, production, marketing, and export activities. Finally, future studies could incorporate additional factors such as technological readiness, managerial support, digital infrastructure, data quality, competitive intensity, and employee AI competence to provide a more comprehensive explanation of AI adoption and export performance.

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