Performance Analysis of Higher Education in West Java with Value-Driven Business Strategy Model

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ABSTRACT

This study aims to determine the role and new findings from the external and internal environment in the value-driven business strategy model on university performance. This type of research is descriptive quantitative research. The research method uses a descriptive quantitative approach, with a purposive sampling technique of 100 respondents who are position holders at universities in West Java. The research data analysis technique uses Structural Equation Modeling - Partial Least Squares (SEM-PLS) with SmartPLS software. The results of the study provide findings on the external environment and the internal environment, which have a significant effect on value-driven business strategy and college performance. Then, the test results related to the indirect relationship of Value-Driven Business Strategy mediate the relationship between the external environment and college performance, and the test results further indicate that the indirect relationship of Value-Driven Business Strategy mediates the relationship between the internal environment and college performance. The implications of the results of the first study on government policies that oversee higher education to improve the performance of higher education, especially with value-based strategies and external environments, such as government internal environments, such as finance in agencies, can be further improved because the results of the study show a significant effect.

Keywords*: External Environment, Higher Education Performance, Internal Environment, SEM-PLS, Strategic Management, Value-driven Business Strategy.*

ABSTRAK

Penelitian ini bertujuan untuk mengetahui peranan dan temuan baru dari lingkungan eksternal dan internal dalam model strategi bisnis berbasis nilai terhadap kinerja perguruan tinggi. Jenis penelitian ini adalah penelitian kuantitatif deskriptif. Metode penelitian menggunakan pendekatan kuantitatif deskriptif, dengan teknik purposive sampling sebanyak 100 responden yang merupakan pemegang jabatan pada perguruan tinggi di Jawa Barat. Teknik analisis data penelitian menggunakan Structural Equation Modeling - Partial Least Squares (SEM-PLS) dengan software SmartPLS. Hasil penelitian memberikan temuan mengenai lingkungan eksternal dan lingkungan

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internal, yang berpengaruh signifikan terhadap strategi bisnis berbasis nilai dan kinerja perguruan tinggi. Kemudian, hasil pengujian terkait hubungan tidak langsung Value-Driven Business Strategy memediasi hubungan antara lingkungan eksternal dengan kinerja perguruan tinggi, dan hasil pengujian lebih lanjut hubungan tidak langsung Value-Driven Business Strategy memediasi hubungan antara lingkungan internal dengan kinerja perguruan tinggi. Implikasi hasil studi pertama terhadap kebijakan pemerintah yang mengawasi pendidikan tinggi untuk meningkatkan kinerja perguruan tinggi, terutama dengan strategi berbasis nilai dan lingkungan eksternal seperti lingkungan internal pemerintah seperti keuangan di instansi, dapat ditingkatkan lebih lanjut karena hasil studi menunjukkan pengaruh yang signifikan.

***Kata kunci**: Lingkungan eksternal, Kinerja Pendidikan Tinggi, Lingkungan Internal, SEM-PLS, Manajemen Strategis, Strategi Bisnis Berbasis Nilai.*

INTRODUCTION

In the last two decades, higher education in Indonesia has undergone significant developments characterized by an increased focus on institutional performance evaluation. Pressure from the government and society has pushed universities to prove the quality and value of their performance. Based on 2023 data, the number of universities in Indonesia, both public and private, reached 4,416 institutions. There are 33,741 study programs, with 9,967,487 registered students and 28,130,188 graduates from various fields of study. The number of lecturers recorded reached 303,067 people. Competition between institutions is getting tighter to improve the quality of educational services to answer the community's needs (Pertiwi, 2023; Samian et al., 2025). The growth of higher education is also inseparable from the influence of the previous level of education. After secondary education, interest in continuing studies to higher education increased by 8 percent in India. However, in terms of quality, higher education in Indonesia is still lagging, as evidenced by the fact that only two institutions are included in the list of the world's 800 best universities. At the same time, India has 17 universities on the list.

Education performance evaluation is important in supporting a country's growth and development (Sivarajah et al., 2014; Washizaki et al., 2020). For this reason, performance management tools are needed to formulate educational goals and standards and the competitive position of universities at the global level (Kirchmer & Franz, 2020). The world of higher education has now entered the global market, which aligns with changes in 21st-century society that are increasingly digitally connected and dynamic (Omrany et al., 2024; Kompella, 2024). These changes are heavily influenced by technological advances and global conditions known as the Industry 4.0 era, where internet connectivity is available in almost all places, emphasizing speed, efficiency, and ease of access. In this context, higher education must adapt to digitalization without forgetting the importance of improving performance quality (Bifulco et al., 2016; Fazora et al., 2024).

Generally, a market-driven business strategy is a strategic approach that focuses on understanding the market, customers, and competitors. Understanding the market means that the products offered must match the market's needs and wants. Understanding customers is about giving them what they want and creating value beyond what they have sacrificed (Fazora et al., 2024). Knowing the market and customers, it is also important to understand competitors: how they are doing, what value they offer customers, and the technology they use (Tsilionis & Wautelet, 2022; Tukirin, 2023).

Market-driven strategies, typically used to evaluate corporate performance, are applied in this study to assess higher education institutions. A market-driven approach begins with understanding the market and consumers, requiring universities to analyze current conditions and anticipate future changes. As noted by Vilakati and Schurink (2021) and Fazora et al. (2024), this strategy relies on comprehensive insights into consumers, competitors, and the broader market to guide institutional planning and decision-making.

Several studies mention that problems in performance assessment can be overcome through various approaches, one of which is by analyzing the internal and external

environment and implementing operational strategies. Research conducted by Engizek and Yaşin (2018) and Marsh et al. (2022) shows that the strategies implemented by universities are generally built with related stakeholders. Variations in performance arising from this partnership strategy can be explained through the role of knowledge management and innovation. Meanwhile, research from Holgado and Macchi, (2023) on a value-based method for design that involves customers in the process is presented. This new method has been applied to real industrial life through application cases, and the results show the effectiveness of this prescriptive approach; the reported benefits from participants refer to its flexibility, adaptability, and applicability to different types of equipment, as well as it is potential to help provide a modular service portfolio that is adequate for specific contexts and equipment requirements. This study aims to examine the influence of external and internal environmental factors on the adoption of a value-driven business strategy and its subsequent impact on higher education performance. Specifically, the research seeks to determine whether the value-driven business strategy serves as a mediating variable between environmental factors and institutional performance, thereby providing insights into how universities can enhance their competitiveness, responsiveness, and sustainability.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Integrating Value-Driven Strategy into Higher Education Performance

A Value-Driven Business Strategy is a strategic approach where an organization focuses on delivering meaningful value to customers while ensuring that this value aligns with its core principles and mission (Essiz & Senyuz, 2024). This strategy emphasizes a deep understanding of customer needs and expectations, aiming to not only meet but exceed them through quality offerings and service experiences (Rafati & Poels, 2017; El Hendy et al., 2022). Unlike approaches centered merely on pricing or cost-efficiency, value-driven strategies seek to differentiate through unique elements such as product innovation, after-sales service, and customer satisfaction. Harrigan & Hulbert (2011) assert that creating distinctive value helps organizations stand out from competitors and fosters long-term trust and alignment with stakeholder expectations.

In the context of higher education, adopting a value-driven strategy is increasingly relevant for enhancing institutional performance. Higher education performance encompasses both academic and non-academic dimensions, such as student outcomes, research quality, financial governance, and human resource effectiveness (Grave et al., 2024). Performance evaluation in universities focuses on achieving strategic goals through efficiency, effectiveness, and quality improvement. Knowledge management also plays a key role in this process, enabling innovation, better learning outcomes, and organizational agility. According to Lin (2023), university performance should be assessed holistically, integrating not just academic achievements but also financial sustainability, governance quality, and institutional responsiveness to change. Therefore, integrating a value-driven strategy within higher education can provide a coherent framework for aligning educational services with stakeholder needs while simultaneously enhancing institutional effectiveness.

Environmental, Internal Factors, and Value-Driven Strategy

The formulation and implementation of a driven-value business strategy in higher education institutions are significantly influenced by both external and internal environmental factors. Externally, universities must respond to evolving public policies, technological advancements, and regulatory frameworks that shape the landscape of the education sector. According to Washizaki et al. (2020), awareness of public policy and technology demonstrates how external conditions play a crucial role in institutional development. Furthermore, Ilyas et al. (2024) emphasize that strategic alignment with stakeholders such as the government and related institutions is essential for the successful application of value-based strategies in education. These factors compel universities to adopt adaptive and responsive strategies to meet societal demands for quality and

accessible education (Yeh, 2017; Kwakernaak & Rademakers, 2020). Thus, institutions must continuously monitor and interpret external signals to ensure their strategies remain relevant and effective.

Internally, the capacity of a university to execute its strategic vision relies heavily on its internal environment. Elements such as organizational culture, institutional philosophy, leadership, human resources, and the clarity of vision and mission are central to strategic success. Kirchmer and Franz (2020) argue that internal strengths significantly influence strategic academic planning and the successful adoption of value-based initiatives. Similarly, Marsh et al. (2022) highlight the importance of effective leadership and policy alignment in enabling higher education institutions to implement strategies that reflect their core values and goals. Therefore, understanding and optimizing internal capacities is equally vital in driving sustainable performance improvements.

H1: External environment has a significant effect on driven-value business strategy.
H2: Internal environment has a significant effect on driven-value business strategy.

The relationship between driven-value business strategy and university performance

University performance reflects the effectiveness of the institution in managing its operations and resources to achieve desired outcomes. According to Hereźniak and Anders-Morawska (2021), performance can be interpreted as the extent to which an organization accomplishes its objectives through the efficient use of internal capabilities. Within the context of strategic management, performance evaluation is essential to measure how well a business strategy particularly one involving partnerships or stakeholder engagement has been implemented. These evaluations employ both quantitative and qualitative indicators to assess the success of the strategy and determine whether institutional goals are being achieved (Scholz, 2020; Tsilionis & Wautelet, 2022; Agustian et al., 2023).

A value-driven business strategy, originally applied in corporate settings, is increasingly relevant in higher education as institutions compete to attract students and stakeholders. Essiz and Senyuz (2024) define this strategy as an organizational approach that centers on delivering meaningful value aligned with institutional core values. In universities, this could manifest in high-quality academic programs, impactful research, excellent student services, or strong community engagement. Rafati and Poels (2017) emphasize that value-driven strategies require a deep understanding of stakeholders' expectations, students, parents, employers, and government, and a proactive effort to exceed them.

Harrigan & Hulbert (2011) further argue that competitive advantage is achieved when institutions provide unique and differentiated value, such as personalized learning experiences, post-graduation support, or international exposure. Such strategic differentiation, when aligned with the university's mission and values, builds institutional trust and consistency in stakeholder perception (Chakraborty & Biswas, 2019; Ishigaki & Madhabika, 2024). Therefore, the adoption of a driven-value business strategy can significantly enhance university performance by aligning strategic actions with stakeholder needs and institutional identity. It fosters continuous improvement and enables universities to remain relevant, competitive, and impactful in an increasingly dynamic educational landscape.

H3: Value-driven business strategy has a significant effect on university performance.

Environmental Factors, Value Strategy, and University Performance

Performance is shaped by multiple factors, including the external and internal environments in which the institution operates (Nasir, 2017). External environmental factors such as government regulations, technological advancements, and socio-economic changes play a critical role in influencing strategic decisions and institutional outcomes. External forces lie beyond the university's control, but their influence is often central in

shaping long-term planning. Gubela & Lessmann (2021) assert that the external environment significantly affects organizational performance, and its impact must be carefully considered in business decisions. Institutions are often compelled to adapt to external shifts, and strategic responsiveness becomes essential to sustain or improve performance. Harrigan & Hulbert (2011) emphasize that integrating external factors into business strategy enables organizations to remain agile and relevant in competitive environments.

Parallel to this, the internal environment encompassing vision, mission, culture, leadership, and available resources directly impacts an institution's ability to perform. According to Grave et al. (2024), university performance reflects the degree to which institutional programs and policies meet their intended goals. Holgado and Macchi (2023) and Rustiawan et al. (2023) highlight the importance of incorporating internal environmental analysis into strategic planning, as it influences how effectively an organization responds to internal challenges and opportunities.

A value-driven business strategy serves as a practical mediator between these environmental factors and performance outcomes. It ensures that both internal strengths and external opportunities are translated into consistent, value-based actions aligned with stakeholder expectations. By focusing on value creation, universities can enhance responsiveness and performance outcomes across different environmental contexts.

H4: Value-driven business strategy mediates the relationship between the external environment and university performance.
H5: Value-driven business strategy mediates the relationship between the internal environment and university performance.

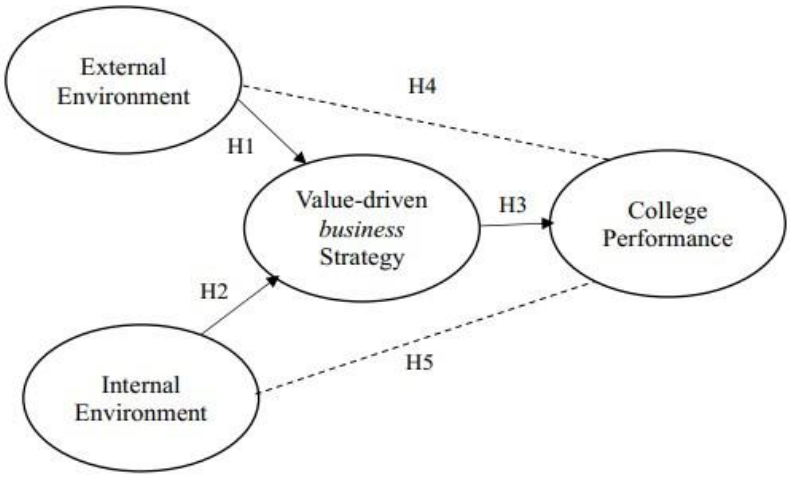

Figure 1. Research Design

Figure 1 is a conceptual model depicting the relationship between the external and internal environments on higher education performance, with a value-driven business strategy as a mediating variable. In this model, H1 indicates that the external environment directly influences a value-driven business strategy, while H2 describes the influence of the internal environment on the same strategy. Furthermore, H3 indicates that a value-driven business strategy has a direct impact on higher education performance. The relationship between H4 and H5 represents the indirect (mediation) effect of the external and internal environments on higher education performance through a value-driven business strategy. The solid arrow indicates the direct relationship, while the dashed arrow depicts the indirect effect or mediation hypothesis. This model emphasizes that the performance of higher education institutions is not only influenced by environmental conditions but also depends heavily on how the institution implements strategies that align with the values and needs of stakeholders.

RESEARCH METHODS

The type of research conducted is quantitative causality; this type is a research method to test the relationship and cause and effect between research variables; a quantitative approach is an approach that uses data interpretation, data collection, and then retrieval of results (Arikunto, 2019). The research consists of independent variables (X) and dependent variables (Y). From the object of research, the variables External Environment (X1), Internal Environment (X2), Value-Driven Business Strategy (Y1), and College Performance (Y2) are arranged. The research data used is a collection of primary data and secondary data; primary data is a collection of data taken directly to answer the problems and objectives of the research, and secondary data is historical in the form of data structures related to variables that have been obtained and collected previously from other parties (Gujarathi, 2022). The population in the study was universities in West Java, and 100 samples were used with purposive sampling techniques, namely, policy makers at universities in West Java, with questionnaire methods and literature studies. The data analysis technique used in testing the research variables used the SEM (Structural Equation Modeling) method operated through the SmartPLS program (Musyaffi et al., 2022). SEM is a multivariate statistical technique that combines factor analysis and regression analysis (correlation), which aims to test the relationships between variables in a model, be it between indicators and constructs or relationships between constructs.

The measurement on the research instrument uses a Likert scale for measuring subject responses on an interval scale with 5 points.

Table 1. Variable Measurement

Variables	Indicator	Code	Measurement
External Environment	Government	X1.1	Private university establishment policy
		X1.2	Regulations on the organization of higher education.
		X1.3	Internal quality assurance system arrangement
	Information Technology	X1.4	The development of Information technology in the industrial era 4.0
		X1.5	Policy on freedom of study program nomenclature in developing competencies in Industry 4.0
		X1.6	Online lecture implementation policy
Internal Environment	Financial	X2.1	Mechanism for determining student tuition fees
		X2.2	Accessibility of data in information systems.
		X2.3	Blueprint for the development, management and utilization of information systems
	Organization	X2.4	College vision, mission, goals and objectives
		X2.5	Organizational structure
		X2.6	Institutional existence, quality, SOPs and code of ethics.
Value-Driven Business Strategy	Market Sensing and Organizational Learning	Y1.1	Market research based on community needs
		Y1.2	Industry needs analysis.
		Y1.3	Aligning people, technology and innovation.
		Y1.4	Creating sustainable value
	Reinvented Organization	Y1.5	Seeking speed and flexibility
		Y1.6	Learning capacity.
		Y1.7	Process-oriented and relationship-focused management
College Performance	Concentration of Talents	Y2.1	Student quantity
	Abundant Resource	Y2.2	Government Research Fund
		Y2.3	Government Operational Fund
		Y2.4	Grant

Table 1 contains information related to research instruments: the external environment, internal environment, and value-driven business strategy. The first external

environmental factor uses six statements, the second internal environmental factor uses six statements, and the third value-driven business strategy uses seven statements. The fourth university performance variable has four statements, and research analysis was done using a Likert scale with a 5-point interval.

RESULTS

The findings of this study highlight the current state and challenges of higher education performance in Indonesia. Over the past two decades, universities have experienced rapid growth in both quantity and expectations of quality. By 2023, Indonesia had 4,416 higher education institutions. Despite this expansive growth, Indonesian universities face intense competition and are under increasing pressure from the government and society to improve their performance and accountability. This pressure is amplified by the global visibility of university rankings, where Indonesia remains underrepresented compared to countries like India.

The data reveal that performance evaluation has become a central concern in institutional development. Universities are now expected to align their educational goals with broader national development and global competitiveness. However, performance disparities persist, driven by variations in internal management capacity, resource availability, and the ability to adapt to digital transformation and global trends. The transition into the digital era, marked by the influence of Industry 4.0, has forced institutions to reconsider their strategies, shifting toward more agile, market-responsive approaches.

Table 2. Outer Model Measurement Results

Constructs	Items	Outer Loading	Cronbach's Alpha	AVE
External Environment	X1.1	0.743	0.835	0.546
	X1.2	0.628		
	X1.3	0.708		
	X1.4	0.723		
	X1.5	0.808		
	X1.6	0.810		
Internal Environment	X2.1	0.857	0.915	0.704
	X2.2	0.807		
	X2.3	0.777		
	X2.4	0.881		
	X2.5	0.899		
	X2.6	0.805		
Value-Driven Business Strategy	Y1.1	0.761	0.889	0.600
	Y1.2	0.750		
	Y1.3	0.680		
	Y1.4	0.784		
	Y1.5	0.850		
	Y1.6	0.843		
	Y1.7	0.72		
College Performance	Y2.1	0.731	0.687	0.515
	Y2.2	0.657		
	Y2.3	0.840		
	Y2.4	0.622		

One strategic response is the adoption of market-driven business strategies within the academic context. This approach requires universities to understand their target market, anticipate future educational needs, and differentiate themselves through value creation. Institutions that successfully implement such strategies often do so by analyzing their external environment, engaging stakeholders, and strengthening internal processes. Performance outcomes are increasingly shaped by how institutions manage innovation,

knowledge, and adaptability in a rapidly evolving educational landscape. This study confirms that higher education performance is not solely about academic output but also about strategic alignment with market demands, digital responsiveness, and collaborative capacity.

Table 2 shows the results of the validity test with the Average Variance Extracted (AVE) value on the College performance variable of 0.515, Value-Driven Business Strategy value of 0.600, External Environment value of 0.546, Internal Environment value of 0.704 in each of these values greater than 50% or AVE value> 0.50 with valid conclusion. Outer loading on each indicator has a value> 0.5, which is declared suitable between constructs. Then, in the reliability test results with the Cronbach's Alpha value on the College performance variable of 0.687, Value-Driven Business Strategy value of 0.889, External Environment value of 0.835, Internal Environment value of 0.915 in each of these values greater than 65% or Cronbach's Alpha value> 0.65 with reliable conclusion.

Table 3. R Square Test Results

Model	R Square	Percentage
College Performance	0.200	20%
Value-Driven Business Strategy	0.433	43.3%

Table 3 provides information on the result of the R-Square test on the college performance variable. The first is a college performance of 0.200. A value-driven business strategy can influence only 20% of the total. The R-Square value of Value-Driven Business Strategy is 0.433 or 43.3% influenced by External Environment and Internal Environment.

Table 4. Hypothesis Test Results

Path	Hypothesis	Mean (M)	STDEV	(|O/STDEV|)	P-Values	Result
X1 ⟶ Y1	H1	0.394	0.101	3.848	0.000	Accepted
X2 ⟶ Y1	H2	0.462	0.095	4.836	0.000	Accepted
Y1 ⟶ Y2	H3	0.459	0.072	6.251	0.000	Accepted
X1 ⟶ Y1 ⟶ Y2	H4	0.182	0.058	2.994	0.003	Accepted
X2 ⟶Y1 ⟶ Y2	H5	0.212	0.053	3.829	0.000	Accepted

The information in Table 4 is the result of the research hypothesis test; the P-value of the External Environment variable is 0.000, and the Internal Environment variable is 0.000, which is less than the risk standard of 5% or 0.005; it can be concluded that it has a significant effect on Value-Driven Business Strategy. The P-value of a Value-Driven Business Strategy of 0.000 is less than 0.005, so it significantly affects university performance. Then, the value of the mediation relationship, P-Values of 0.003 <0.05, is that a Value-Driven Business Strategy mediates the relationship between the external environment and university performance. Furthermore, a Value-driven business strategy mediates the relationship between the internal environment and college performance with a P-value of 0.000 <0.05. Furthermore, the P-value value of the mediation relationship of 0.000 <0.05 results in a Value-Driven Business Strategy mediating the relationship between the internal environment and college performance.

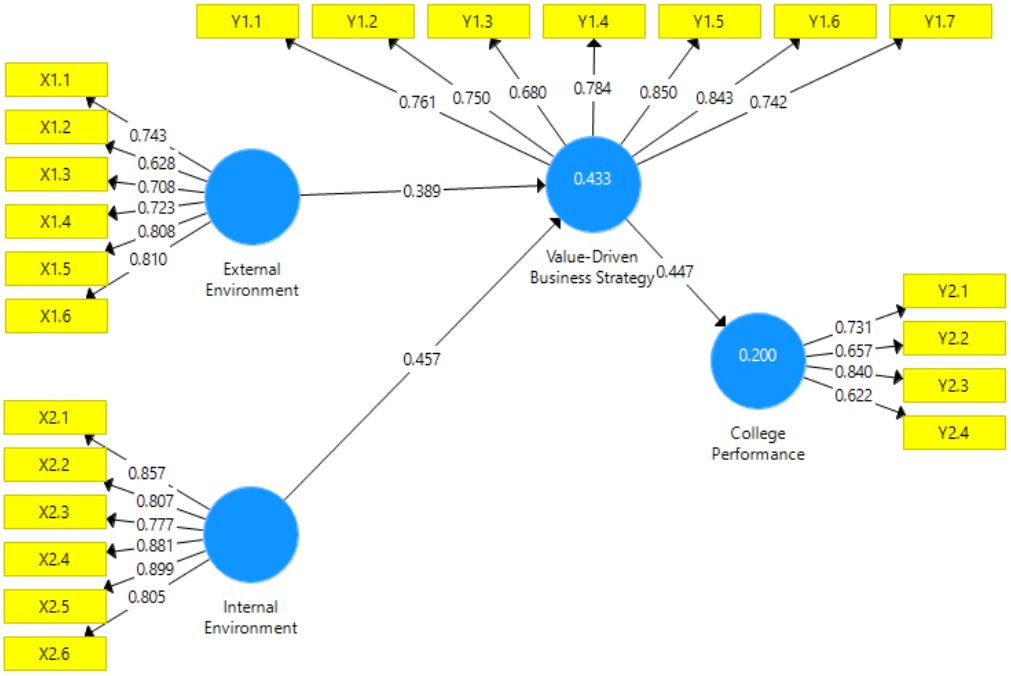

Figure 2. Structural Model Results

The information in Figure 2 results from the structural model of the relationships of the inner model, outer model, R-Square, hypotheses, and research variables in the constructed model. Figure 2 is a visualization of the Partial Least Squares Structural Equation Modeling (PLS-SEM) model, depicting the relationships between the latent variables: External Environment, Internal Environment, Value-Driven Business Strategy, and College Performance, along with their measurement indicators. Each blue circle represents a latent variable, while the yellow boxes represent the indicators of each variable. The External Environment variable is measured using six indicators (X1.1–X1.6) with loading values ranging from 0.628 to 0.810, indicating a fairly strong contribution of the indicators to the latent construct. This variable has a direct influence on Value-Driven Business Strategy with a path coefficient of 0.389.

The Internal Environment also consists of six indicators (X2.1–X2.6) with very high loadings, ranging from 0.777 to 0.899. This variable exerts a greater influence on Value-Driven Business Strategy, with a coefficient value of 0.457. The Value-Driven Business Strategy variable is measured by seven indicators (Y1.1–Y1.7), with loadings between 0.680 and 0.850, indicating that all indicators are valid in forming the construct. This variable then has a direct influence on College Performance with a path coefficient of 0.447. College Performance itself is measured by four indicators (Y2.1–Y2.4) with loadings ranging from 0.622 to 0.840. The R-Square (R^2) value for Value-Driven Business Strategy is 0.433, meaning that approximately 43.3% of the variance is explained by external and internal environmental influences. Meanwhile, the R^2 value for College Performance is 0.200, indicating that 20% of the variance in college performance is explained by value-based business strategy. Overall, this model demonstrates a strong and significant relationship between the variables, with valid and reliable indicators in measuring each construct.

DISCUSSION

The partial statistical analysis reveals that the external environment significantly influences the Value-Driven Business Strategy. Elements such as regulatory shifts, policy

updates, and technological developments shape the operations and competitiveness of higher education institutions. Universities must respond effectively to these external factors by aligning strategies with compliance requirements, anticipating regulatory changes, and embracing innovation opportunities (Tukirin, 2023). Rapid technological progress is particularly critical, as it can either empower innovation or pose risks to institutions unable to adapt. Therefore, integrating technological advancements into strategic planning is essential. These findings align with Liu et al. (2020), who demonstrated that value-based analysis within service ecosystems can support the design of effective operational strategies. Hereźniak and Anders-Morawska (2021) emphasize that readiness for change enhances organizational agility, which, in turn, boosts innovation and value-driven performance in public service organizations.

Likewise, the internal environment significantly affects the adoption of Value-Driven Business Strategy. Universities must possess a strong internal foundation, including effective management systems, competent human resources, and continuous innovation, to deliver long-term value to stakeholders. Conversely, a weak internal environment can hinder goal achievement and limit strategic flexibility. Institutions need to focus on operational efficiency and adaptability to market shifts. By leveraging internal strengths, colleges can implement more effective and sustainable value-based strategies. This is supported by Kuitert et al. (2024), who describe holistic development as a value-based approach to achieving sustainable transition. Holgado and Macchi (2023) further reinforce this by showing the effectiveness of value-based design strategies involving stakeholders, which enable modular services tailored to specific contexts and needs.

In addition, the results confirm that Value-Driven Business Strategy has a direct and significant effect on university performance. This strategic approach enables long-term sustainability by embedding value at the core of institutional actions. In the context of universities in West Java, many have adopted value-based approaches to enhance their institutional image and competitive advantage. Strategic values may take time to yield results, but are effective in building wide-reaching and integrated institutional positioning. These findings are consistent with Bertoni (2020), who explored how value models improve concept exchange in early-stage design, showing that academic participants achieved outcomes comparable to industry professionals. Iqbal et al. (2022) also confirm that value-driven career attitudes positively impact job performance, providing evidence within the frameworks of fit theory and self-determination theory.

The mediating role of Value-Driven Business Strategy in the relationship between the external environment and university performance is also supported by the statistical findings. In a rapidly changing landscape shaped by societal dynamics, technological evolution, and competitive pressures, universities must adopt responsive strategies to remain relevant. A value-driven strategy acts as a positive mediator by aligning institutional goals with external conditions, enhancing the ability to compete and survive. Jauhar et al. (2018) argue that institutional value is built internally, with external influences merely supporting optional policy directions. Purnamasari et al. (2020) state that tertiary institutions are mainly influenced by the level op value-driven strategy. Saleh and Karia (2024) also add that strong performance results from long-term regulatory processes managed through proper mechanisms, meaning that external value factors do not play a dominant role.

Value-Driven Business Strategy significantly mediates the relationship between the internal environment and college performance. A strong internal environment, including healthy financial conditions and well-functioning organizational structures, is crucial to ensuring that value-based strategies translate into improved performance outcomes. Institutions with solid financial and organizational bases are better positioned to implement strategies that generate sustainable growth and excellence. Wikström et al. (2024) support this, noting that internal factors like finance and organizational structure are essential for long-term success. Gubela and Lessmann (2021) also point out that minimizing bureaucracy and ensuring financial stability are key to maximizing performance in higher education institutions.

CONCLUSION

This study investigates the performance of universities in West Java by applying the Value-Driven Business Strategy model. Data were collected from various types of institutions, including public and private universities, colleges, academies, and polytechnics. The findings reveal that both the external and internal environments significantly influence the adoption of value-driven strategies, with a combined contribution of 43.3%. In turn, the Value-Driven Business Strategy contributes 20% to the improvement of college performance. Partial tests show that the external environment has a significant direct effect on the value-driven strategy, the internal environment also significantly influences the strategy, and the value-driven strategy significantly impacts institutional performance. Additionally, the strategy acts as a mediating variable in the relationships between both external and internal environments and college performance.

Practically, the findings suggest that higher education governance, particularly at the policy level, must support institutions in strengthening both their external responsiveness (e.g., to government policy and regulation) and internal capacity (e.g., finance, HR, and institutional agility). Simplifying bureaucratic processes and ensuring professional development for lecturers can improve the implementation of value-based strategies. Theoretically, this study contributes to the growing discourse on strategic management in education, particularly by positioning value-driven strategies as effective tools for performance enhancement in the higher education context.

This study is limited to institutions within West Java and does not account for broader regional or national variations. Future research is recommended to explore comparative analyses across provinces or apply longitudinal designs to examine the sustainability of value-driven strategies in higher education. Broader institutional types and larger datasets will also help generalize findings more effectively.

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