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Strategic Industry 4.0 Integration for Sustainable and Resilient Manufacturing in Southeast Asia: A Case Study of Batam Island

Hendro Murtiono[1*], Atik Suprapti[2], Suzanna Ratih Sari[3] Resza Riskiyanto[4]

[1] Doctoral Program in Architecture And Urbanism Diponegoro University Semarang, Indonesia

[2] Prof, Architecture And Urbanism Diponegoro University Semarang, Indonesia

[3] Prof, Architecture And Urbanism Diponegoro University Semarang, Indonesia

[4] Dr, Architecture And Urbanism Diponegoro University Semarang, Indonesia

*Corresponding author: hendromurtiono@gmail.com

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ABSTRACT

The Fourth Industrial Revolution, or Industry 4.0, is reshaping global manufacturing by integrating advanced digital technologies such as Artificial Intelligence (AI), the Internet of Things (IoT), Digital Twins, and Additive Manufacturing. This study investigates how adopting these technologies can drive sustainable transformation in traditional manufacturing ecosystems, focusing on Batam Island — a rapidly growing industrial hub in Indonesia and a representative case of high industrial density in Southeast Asia. Using a qualitative multiple-case study approach, the research analyzes empirical data collected from field observations, semi-structured interviews with industry stakeholders, and document analysis across selected companies, including PT. Cipta Precision Digital, PT. Maritime Abadi Innovations, and PT. Surya Energi Solusi. The findings reveal a strong correlation between digital maturity levels and improvements in energy efficiency, waste management, and spatial reconfiguration of industrial layouts. The study proposes an integrated framework linking digital transformation with sustainability indicators, emphasizing three key dimensions: energy and water efficiency, circular waste management, and adaptive industrial space design. By addressing the gap in the application of Industry 4.0 in emerging economies, this research contributes theoretically and practically to sustainable industrial policies in Southeast Asia. It concludes with strategic recommendations for enhancing digital infrastructure, workforce capacity building, and policy alignment to support long-term sustainable industrial development.

Keywords: Industry 4.0; Sustainability; Digital Transformation; Circular Economy; Smart Manufacturing

1. INTRODUCTION

The emergence of the Fourth Industrial Revolution—widely recognized as Industry 4.0—signals a pivotal evolution in the industrial landscape. This phase is characterized by the convergence of intelligent technologies such as machine learning, connected smart devices (IoT), and advanced data processing into production ecosystems, aiming to streamline operations and minimize resource inefficiencies (Kagermann, Wahlster and Helbig, 2013);(Stock and Seliger, 2016). These digital advancements have demonstrated significant capacity to foster ecological sustainability by enhancing energy optimization, curbing carbon output, and facilitating the circular utilization of materials across manufacturing cycles (Chui, Lytras and Visvizi, 2018); (Ghobakhloo and Fathi, 2021).

The Fourth Industrial Revolution, commonly referred to as "Industry 4.0," marks a profound shift in the landscape of industrial manufacturing. It involves the seamless integration of cutting-edge digital technologies— such as artificial intelligence, the Internet of Things (IoT), and big data analytics—into production environments to boost efficiency and minimize the use of resources inefficiencies (Kagermann, Wahlster and Helbig, 2013);(Stock and Seliger, 2016). These innovations play a pivotal role in advancing environmental sustainability by streamlining energy usage, lowering greenhouse gas emissions, and promoting the effective reuse of materials throughout the manufacturing process (Chui, Lytras, and Visvizi, 2018; Ghobakhloo and Fathi, 2021).

In recent years, there has been increasing focus on the relationship between Industry 4.0 technologies and industrial sustainability, with scientific evidence suggesting that digital transformation can be a key driver of a sustainable circular economy (Bai *et al.*, 2020); (Kamble, Gunasekaran and Gawankar, 2018). However, there remains a lack of integrated frameworks to measure the effectiveness of these technologies across different industrial sectors, particularly in developing nations and regions with high industrial density.

This brings us to the significance of the case study of Batam Island in Indonesia, an industrial strategic zone in Southeast Asia. Over the past two decades, the island has experienced rapid industrial growth, substantially increasing traditional manufacturing companies. This expansion has intensified pressure on local environmental resources, creating significant sustainability challenges (Batam, 2025); (Teguh Trianung DS *et al.*, 2024). Recent reports indicate that more than 70% of regional companies rely on unsustainable processes and lack digital solutions for energy efficiency and innovative waste management.

Despite these challenges, Batam possesses the infrastructure and geographical advantages necessary for testing new models of green industrial transformation driven by Industry 4.0 technologies. The region hosts multiple industrial clusters spanning electronics, shipbuilding, and food processing, making it an ideal testing ground for studying how digital technologies interact with local contexts and environmental (Khan *et al.*, 2025a); (Machado, Winroth and Ribeiro da Silva, 2020).

Thus, the selection of Batam as a case study in this research is not arbitrary but is based on contextual and scientific evidence(Javaid *et al.*, 2022). The island is a prime example of a region requiring a comprehensive transformation towards a more sustainable industrial model using Industry 4.0 tools such as Smart Digital Replicas, innovative production systems, and intelligent energy management (Teguh Trianung DS *et al.*, 2024) by analyzing the experiences of local companies such as PT. Cipta Precision Digital, this research explores how industrial spaces can be redesigned and converted into economically and environmentally sustainable facilities.

The purpose of integrating Batam's case study into this research is to provide a holistic framework linking the industrial sector's digital maturity level with environmental and economic sustainability indicators. Therefore, this study aims to answer the following question:

How can Industry 4.0 technologies be strategically integrated into traditional manufacturing systems in Batam Island to enhance environmental and economic sustainability while supporting spatial industrial transformation?

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2. LITERATURE REVIEW

2.1. Interaction between Industry 4.0 and Sustainability: A Critical Analysis of Previous Studies

The adoption of Industry 4.0 innovations within conventional manufacturing frameworks has become a key catalyst for advancing sustainable industrial practices. By enabling intelligent control, real-time data analysis, and streamlined resource utilization, these technologies contribute significantly to operational efficiency. Tools such as Artificial Intelligence (AI), the Internet of Things (IoT), Cyber- Physical Systems (CPS), and Digital Twin models have shown strong potential to boost performance, reduce material losses, and lower energy demands across multiple industries (Bonilla *et al.*, 2018);(Machado, Winroth and Ribeiro da Silva, 2020). This technological evolution signifies a fundamental move toward intelligent, eco-friendly manufacturing paradigms that support circular economy objectives and promote responsible resource management.

However, a critical review of recent studies indicates a disproportionate focus on the environmental dimension of sustainability—such as emissions control and energy efficiency—while the economic and social aspects remain underexplored (Peng *et al.*, 2022); (Raj *et al.*, 2020); (Kamble *et al.*, 2022).This imbalance is particularly significant in developing countries, where economic equity, workforce readiness, and digital access are key factors influencing the viability of technological transformation.

In emerging industrial economies like Indonesia, for instance, the diffusion of I4.0 technologies is often hampered by infrastructure limitations, high implementation costs, and policy fragmentation. These barriers are especially evident in densely industrialized regions such as Batam Island, where over(Habib and Chimsom, 2019). While I4.0 offers new pathways for low-carbon, resilient, and adaptive manufacturing, its adoption in such contexts requires contextualized frameworks that align digital transition with local socioeconomic realities and sustainability objectives(Soori, Arezoo and Dastres, 2023).

Moreover, scholars have emphasized the importance of developing integrative frameworks that link technological maturity with measurable sustainability indicators, including social inclusion and economic resilience (Machado, Winroth and Ribeiro da Silva, 2020).Without such multidimensional strategies, efforts to implement smart manufacturing may reinforce existing inequalities and fail to deliver long-term sustainability outcomes.

2.2.Comparative and Analytical Examination of Prior Studies on Circular Economy and Industry 4.0 Numerous scholarly investigations have explored the connection between Industry 4.0 technologies and circular economy frameworks, highlighting the role of digital advancements in facilitating closed-loop processes through improved lifecycle oversight and efficient reverse logistics management. (Duda, Oleszek and Santarek, 2022); (Lopes de Sousa Jabbour *et al.*, 2018). Tavera Romero *et al.*, (2021)concluded that IoT and AI play a critical role in enabling circular economy practices; however, their study lacks a comprehensive framework linking digital transformation to measurable sustainability indicators across different adoption phases(Gbran and Alzamil, 2025).

Although studies such as Ghobakhloo and Fathi, (2021) and Kamble, Gunasekaran and Gawankar, (2018)agree on the importance of AI in driving sustainability, the former focuses on conceptual modelling while the latter examines supply chain applications. This divergence in focus highlights the need for a unified framework that bridges theory and

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practice while integrating sector-specific applications.
Recent findings by Khan *et al.*, (2021)further reinforce the importance of integrating circular economy principles with spatially adaptive industrial planning. Their study emphasizes that industrial regions in Southeast Asia, such as Batam, require digital innovation and reconfiguration of production layouts and resource flows to accommodate circular models of waste reduction and closed-loop manufacturing.

2.3.Analysis of Proposed Sustainability Frameworks: Comparative Evaluation

Systematic reviews have indicated that studies like Kamble, Gunasekaran and Gawankar, (2018)and Ghobakhloo, (2020) primarily explore the theoretical potential of Industry 4.0 in driving energy efficiency and resource optimization but lack practical models that consider sectoral challenges and opportunities. Additionally, research by Bag *et al.*, (2018)and Fatorachian and Kazemi, (2021)demonstrates how digital technologies enhance transparency and traceability in supply chains. However, they fail to offer actionable strategies for connecting technological advancements with multidimensional sustainability goals (environmental, economic, and social).
A context-sensitive framework is essential for emerging industrial ecosystems like Batam Island, which exhibit complex interactions between spatial constraints, infrastructure limitations, and policy environments. Studies such as Teguh Trianung DS *et al.*, (2024)and Khan *et al.*, (2021)provide foundational insights into how regional planning, spatial design, and localized technological deployment can jointly influence the trajectory of industrial sustainability.
Findings indicate limited consistency in application across different industries, suggesting the necessity of a maturity-based approach that accounts for local and sector-specific characteristics in defining sustainable digital transformation pathways.

3.4. Research Gaps and New Contributions of This Study

A critical review of the literature reveals three significant gaps:

1. **Segmentation between technology and sustainability**: Most studies focus on a single technology or specific sector, leading to a lack of systemic perspective.
2. **Absence of integrative frameworks**: No existing models adequately link Industry 4.0 maturity stages with specific sustainability metrics or spatial design indicators.
3. **Limited focus on economic and social dimensions**: While environmental aspects are well covered, economic and social impacts remain largely unexplored—particularly in Southeast Asian industrial zones like Batam, where social equity, labour adaptation, and infrastructure constraints present intertwined challenges.

To bridge these gaps, this study introduces a novel multi-phase maturity framework—one of the first to comprehensively integrate Industry 4.0 with sustainability strategies across environmental, economic, and social dimensions in multiple industrial sectors. The framework aims to guide organizations through the transition from initial digitization efforts to fully integrated smart factories while ensuring alignment with global sustainability objectives such as the Sustainable Development Goals (SDGs) (Hasan and Trianni, 2023); (Gbran, 2024b); (Fatimah *et al.*, 2020).

3.5. Methodological Approach and Analytical Framework: Combining Qualitative and Quantitative Evidence

This study employs a narrative literature review methodology combined with conceptual framework development (Ayoubi, Mehrabanfar and Banaitis, 2018); (Demir, Paksoy and Kochan, 2020), enabling a comprehensive, multidisciplinary analysis of the topic. The literature review analyses over 100 academic papers and official sources published between

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2013 and 2024, covering manufacturing, biomedical engineering, energy, and logistics sectors.

The thematic analysis (Byrne, 2022); (Neuendorf, 2018) used to identify emerging patterns in the literature reveals that 58% of reviewed studies focus on environmental dimensions, 22% examine economic aspects, and only 20% explore social sustainability. This finding highlights a significant gap in research coverage regarding the social implications of Industry 4.0 adoption.

Regional studies such as Persada, Tugiono and Kustiani, (2020) suggest that spatial inequalities, workforce readiness, and infrastructural constraints must be integrated into analytical models for emerging manufacturing zones such as Batam. These insights support adopting a localized, stakeholder-informed approach to sustainable transformation.

Practical Challenges and Opportunities: A Comparative Approach

The review identifies key regulatory, technological, and human factors that affect the sustainable digital transformation process, including:

- High implementation costs of Industry 4.0 technologies.
- Lack of skilled labour for digital transition.
- Absence of supportive policies for circular economy adoption.
- Spatial constraints in industrial estate design and infrastructure ageing Persada, Tugiono and Kustiani, (2020).

Although challenges are similar across developed and developing countries, priorities and implementation capacities vary significantly, necessitating a flexible approach based on localized assessments. For Batam Island, specific challenges include fragmented industrial layouts, inadequate digital infrastructure, and policy misalignment across different planning authorities.

Key Contributions of This Review:

- **Identifying research gaps**: The study emphasizes the need for integrative frameworks linking Industry 4.0 technology, sustainability, and spatial transformation across multiple sectors.
- **Multidimensional approach**: A balanced focus on environmental, economic, and social sustainability rather than an exclusive emphasis on environmental impact.
- **Practical applications**: The study proposes actionable models that industries—especially in zones like Batam—can use to implement sustainable digital transformation effectively.

Table.1. Illustrative Table: Distribution of Studies by Sustainability Dimension

Dimension	**Number of Studies**	**Percentage**
Environmental	58	58%
Economic	22	22%
Social	20	20%

3. METHODOLOGY

This research employs a narrative review methodology (Ferrari, 2015);(Gbran, 2024), enhanced by the development of a conceptual framework (Ayoubi, Mehrabanfar and Banaitis, 2018); (Demir, Paksoy and Kochan, 2020) to critically investigate the convergence of Industry 4.0 technologies and sustainable practices within industrial systems. This methodological strategy acknowledges the dynamic, complex, and multifaceted nature of Industry 4.0 integration across manufacturing and other critical sectors. In contrast to systematic reviews, which adhere to standardized protocols, the narrative approach enables a more interpretive and adaptable synthesis of the literature. It supports interdisciplinary

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engagement by drawing on knowledge from fields such as engineering, organizational management, spatial development, and the social sciences.

Beyond theoretical analysis, the study integrates a qualitative case study focused on Batam Island, Indonesia, offering a practical lens to examine the implementation of Industry 4.0 approaches in the context of emerging industrial economies. Batam was purposefully chosen due to its designation as a Special Economic Zone, marked by high industrial concentration, sectoral diversity, and recent policy initiatives promoting digital modernization (Persada, Tugiono and Kustiani, 2020). This embedded case study adds empirical depth and spatial relevance to the literature review, reinforcing the study's analytical rigor through grounded contextual insights.

3.1. Literature Search Strategy

The literature review incorporated a diverse array of sources, spanning peer-reviewed journal articles, academic conference proceedings, and grey literature—including policy briefs, technical manuals, government publications, industrial white papers, case-based analyses, and strategic reports from both international and national institutions. This inclusive approach was adopted to ensure a well-rounded and comprehensive understanding of contemporary discourses on Industry 4.0 and sustainability. It allowed for the extraction of key themes, identification of emerging patterns, and recognition of practical insights applicable across various industrial settings.

The selection of materials was guided by three primary criteria:

1. Works that examine the alignment between Industry 4.0 technologies and sustainability objectives, with particular emphasis on applications in manufacturing;
2. Studies that explore the benefits, limitations, and trade-offs associated with implementing Industry 4.0 solutions to achieve sustainable development goals;
3. Evidence-based examples of digital innovation enhancing sustainability in practice—especially those focusing on Southeast Asian contexts and spatially limited industrial environments like Batam Island.

3.2.Thematic Analysis

The study employs thematic analysis to extract meaningful insights from the collected literature (Byrne, 2022); (Neuendorf, 2018), which is particularly effective in identifying, analyzing, and reporting patterns or themes within qualitative data. Through this analytical technique, several central themes were identified and systematically categorized. These include:

- **Resource efficiency**, emphasizing the role of real-time data analytics, automation, and predictive maintenance in optimizing resource utilization and minimizing waste generation;
- **Circular economy practices**, which explore how digital technologies support closed-loop production models, product lifecycle extension, and material recovery;
- **Energy optimization**, focusing on the potential of technologies such as the Internet of Things (IoT), Artificial Intelligence (AI), and intelligent monitoring systems to improve energy efficiency and reduce carbon footprints;
- **Social implications**, which consider broader societal impacts such as labour displacement, inequality, and the need for workforce upskilling and reskilling in the context of digital transformation;

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- **Spatial reconfiguration**, analyzing how industrial layouts and infrastructure planning must adapt to accommodate digital technologies, particularly in space-constrained environments like Batam.

These thematic dimensions are analyzed in depth to offer a holistic understanding of how Industry 4.0 technologies may either facilitate or hinder the realization of sustainability objectives across its environmental, economic, and social pillars. The study investigates explicitly how these themes manifest in the spatial-industrial fabric of Batam, where fragmented land use, aging infrastructure, and mixed industrial typologies require tailored implementation strategies.

3.3.Conceptual Framework Development

Building upon the narrative review and thematic analysis findings, the study develops a multidimensional conceptual framework that maps the pathways through which Industry 4.0 technologies can be strategically deployed to achieve ambitious sustainability goals. The framework delineates the interrelationships between specific technological enablers—such as IoT, AI, digital twins, and advanced robotics—and their contributions to the three sustainability dimensions. It also highlights potential synergies and trade-offs in implementing these technologies, particularly in how they can simultaneously advance sustainability objectives while posing new challenges related to equity, governance, and technological readiness.

In the case of Batam, the framework is empirically informed by field observations, document analysis, and review of digital infrastructure readiness across selected local firms (e.g., PT. Cipta Precision Digital, PT. Maritime Abadi Innovations, PT. Surya Energi Solusi), offering insight into the multi-sectoral dynamics of Industry 4.0 deployment in practice.

3.2. Thematic Analysis

To derive meaningful interpretations from the assembled body of literature, the study utilizes thematic analysis as the primary interpretive tool (Byrne, 2022); (Neuendorf, 2018).This qualitative method is especially effective for uncovering recurrent patterns, organizing them into coherent categories, and generating nuanced insights. Through this approach, several dominant thematic areas were systematically identified and structured as follows:

- **Efficient Resource Utilization**: This theme highlights the influence of real-time monitoring, automation technologies, and predictive maintenance on optimizing material and energy inputs while minimizing operational waste.
- **Circular Economy Integration**: This category explores how digital innovations enable closed-loop industrial systems by supporting lifecycle extension, remanufacturing, and recovery of valuable materials.
- **Energy Efficiency and Emission Reduction**: Emphasis is placed on the deployment of Internet of Things (IoT) devices, Artificial Intelligence (AI), and intelligent monitoring systems to enhance energy performance and lower greenhouse gas emissions.
- **Societal Transformation**: This dimension addresses the broader social consequences of digital transition, including workforce displacement, skill gaps, and the need for strategic investment in upskilling and reskilling programs.
- **Spatial Adaptation and Industrial Form**: This theme assesses how spatial planning, infrastructure configuration, and industrial land use must evolve to accommodate digital technologies—particularly in compact, heterogeneous environments such as Batam Island.

Each of these thematic dimensions is examined in detail to offer an integrated understanding of the dual potential of Industry 4.0 technologies to support—or in some cases complicate—the achievement of sustainability across environmental, economic, and social pillars. Special attention is given to the manifestation of these themes within Batam's industrial geography, characterized by fragmented land availability, aging infrastructure, and diverse manufacturing profiles, all of which necessitate customized, context-sensitive deployment strategies.

3.3. Development of the Conceptual Framework

Informed by the findings of the narrative literature synthesis and thematic analysis, this study constructs a multidimensional conceptual framework to illustrate how Industry 4.0 technologies can be strategically aligned with sustainability imperatives. The framework maps out the interconnections between core technological enablers—including IoT, AI, digital twins, and robotics—and their respective contributions to the three pillars of sustainable development: environmental protection, economic viability, and social equity.

Additionally, the framework brings to light the possible complementarities and tensions inherent in digital transitions, acknowledging that while certain innovations may accelerate sustainability outcomes, they may simultaneously raise challenges related to governance capacity, inclusivity, and technological preparedness.

For the case of Batam, the framework is further substantiated through empirical insights drawn from field-based observations, policy document analysis, and assessments of digital infrastructure readiness within selected local firms—such as PT. Cipta Precision Digital, PT. Maritime Abadi Innovations, and PT. Surya Energi Solusi. These firms represent a cross-section of Batam's industrial ecosystem, offering a practical lens into how Industry 4.0 deployment unfolds across sectors in a geographically and infrastructurally constrained context.

3.4. Methodological Integration and Scope

Ultimately, this methodological approach enables a nuanced and integrative examination of Industry 4.0's transformative potential in advancing sustainable industrial development. By combining theoretical synthesis with empirical insights from Batam Island, the study provides a foundation for policy-oriented research and practice-based innovation to align technological advancement with sustainability imperatives and the spatial realities of emerging manufacturing regions in Southeast Asia.

4. RESULTS

Strategic Industrial Transformation in Batam through Industry 4.0

Executive Summary

Industry 4.0 signifies a transformative epoch in global manufacturing, characterized by integrating cyber- physical systems, Artificial Intelligence (AI), the Internet of Things (IoT), and advanced data analytics into traditional production environments. This section comprehensively examines the emergence and operationalization of Industry 4.0 technologies with a specific application to the evolving industrial landscape of Batam Island, Indonesia. Recognized as a critical industrial hub in Southeast Asia, Batam presents a dynamic case for evaluating the localization, performance, and sustainability outcomes of Industry 4.0. The discussion articulates how digitalization and automation reshape Batam's manufacturing sectors towards greater efficiency, resilience, and environmental stewardship through comparative analysis, visual models, and empirical findings.

4.1. Genesis and Regional Diffusion of Industry 4.0

4.1.1 Historical Evolution of Industry 4.0

Industry 4.0 was first introduced in 2011 by the German Federal Ministry of Education and

Research as a strategic framework to revolutionize manufacturing through advanced digitalization It signalled the beginning of the Fourth Industrial Revolution, building upon previous industrial transformations:

- **First Industrial Revolution (late 18th century):** Introduction of mechanized production using steam power.
- **Second Industrial Revolution (late 19th century):** Deployment of electricity, mass production, and assembly lines.
- **Third Industrial Revolution (late 20th century):** Integrating electronics and information technologies for automation.
- **Fourth Industrial Revolution (since 2011):** Fusion of digital and physical technologies such as AI, IoT, and Cyber-Physical Systems (CPS).

The transformation brought by Industry 4.0 is built upon a foundation of three preceding industrial revolutions, each fueled by breakthroughs in technology. Figure 1 showcases the progressive evolution of these phases and their defining traits. Although the transitions between them are not rigid, every stage has introduced profound advancements in production methodologies, operational frameworks, and economic value generation. The earliest industrial shift replaced manual craftsmanship with automated machinery, while the second wave capitalized on electrical power and systematic assembly processes to enhance large-scale production. The third revolution introduced digital automation through sophisticated electronic systems and data-driven operations. Now, the fourth era is ushering in an interconnected, self-optimizing manufacturing ecosystem, driven by intelligent algorithms, autonomous robotics, and instantaneous data exchange. (Toth-Peter *et al.*, 2023); (Toth- Peter *et al.*, 2023).

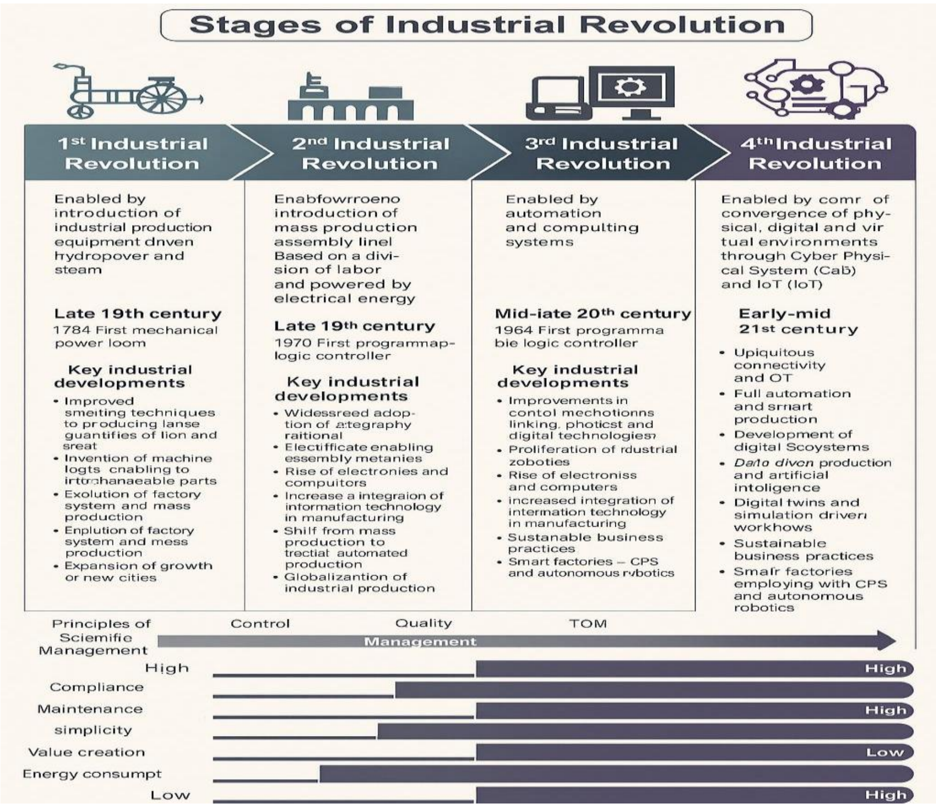

Figure 1(Khan *et al.*, 2025b)(1- 4).Source :Author ; data: (Khan *et al.*, 2025b); (Al-Raeei, 2024)

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Table.2. Transformations in Industrial Production: From Mechanism to Artificial Intelligence

Revolution	Era	Key Technologies	Characteristics
1st	~1780s	Steam, Mechanization	Replaced manual labor with machines
2nd	~1870s	Electricity, Assembly Lines	Enabled mass production and economies of scale
3rd	~1970s	Electronics, IT	Automated workflows, enhanced productivity
4th	~2011+	IoT, AI, CPS, Big Data	Smart, networked, self-optimizing manufacturing

4.1.2 Diffusion and Localization of Industry 4.0 in Southeast Asia and Batam

In Southeast Asia, the diffusion of Industry 4.0 has been uneven but rapidly accelerating. Regional efforts such as the ASEAN Smart Industry 4.0 strategy (Chang and Huynh, 2020);(Solo, 2021) and national blueprints (e.g., Indonesia's "Making Indonesia 4.0") underscore policy commitment to digital transformation. However, implementation across regions such as Batam varies due to infrastructure gaps, policy inconsistencies, and workforce readiness (Persada, Tugiono and Kustiani, 2020); (Teguh Trianung DS *et al.*, 2024) . Batam Island, as a designated Special Economic Zone (SEZ), presents a compelling case for Industry 4.0 localization. With over 1,500 manufacturing firms spanning electronics, shipbuilding, and precision engineering, Batam exhibits high industrial density and potential scalability for innovative technologies. Despite challenges related to outdated systems and limited digital maturity among SMEs, early adopters such as PT. Cipta Precision Digital, PT. Surya Energi Solusi, and PT. Maritime Abadi Innovations are pioneering innovative solutions like predictive maintenance, IoT-based energy monitoring, and additive manufacturing.

Case Insight: Digital Transition in PT. Cipta Precision Digital

PT. Cipta Precision Digital, a leading precision engineering firm in Batam, implemented a phased digitalization roadmap integrating edge-computing sensors, real-time data visualization, and AI-based quality control systems. As a result, the company reported a 35% reduction in operational energy use and a 20% increase in throughput within 18 months (Batam, 2025).

4.2. Core Technological Architecture of Industry 4.0 in the Batam Industrial Landscape

4.2.1 Pillars of Technological Transformation

The architecture of Industry 4.0 in Batam reflects a hybrid integration of global technological standards and local operational needs. Drawing from the foundational model of (Communications, 2019).Table 1 has been expanded to illustrate real-world applications within the Batam context:

Table.3. Pillars of Industry 4.0 and Local Implementation in Batam

Technology	Category	Description	Example from Batam
Artificial Intelligence (AI)	Digital	Machine learning for process optimization	Predictive defect detection at PT. Cipta Precision Digital
Industrial IoT (IIoT)	Digital	Networked sensors for real-time monitoring	Smart meters at PT. Surya Energi Solusi
Digital Twins (DT)	Digital	Virtual replicas for simulation and control	PV plant simulation in PT. Surya Energi Solusi
Advanced Robotics	Physical	Precision robotics for assembly and inspection	Shipbuilding automation at PT. Maritime Abadi Innovations

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Additive Manufacturing	Physical	3D printing for customized parts	Rapid prototyping in SME clusters
Advanced Sensors	Physical	Environmental and structural	Structural diagnostics in electronics
		monitoring	sector
Big Data Analytics	Digital	Large-scale data insights and forecasting	Energy optimization across smart factories
Blockchain	Digital	Transparent traceability and certification	Food chain logistics (pilot stage)
Cloud & Edge Computing	Digital	Distributed data processing infrastructure	Remote access platforms for SMEs

4.2.2 The Physical-Digital-Physical (PDP) Feedback Loop in Batam

The integration of Industry 4.0 technologies in Batam manifests prominently in the establishment of PDP loops. This concept, elaborated by Hermann et al. (2016), involves three cyclical stages: physical data acquisition, digital processing and optimization, and reapplication to the physical domain.

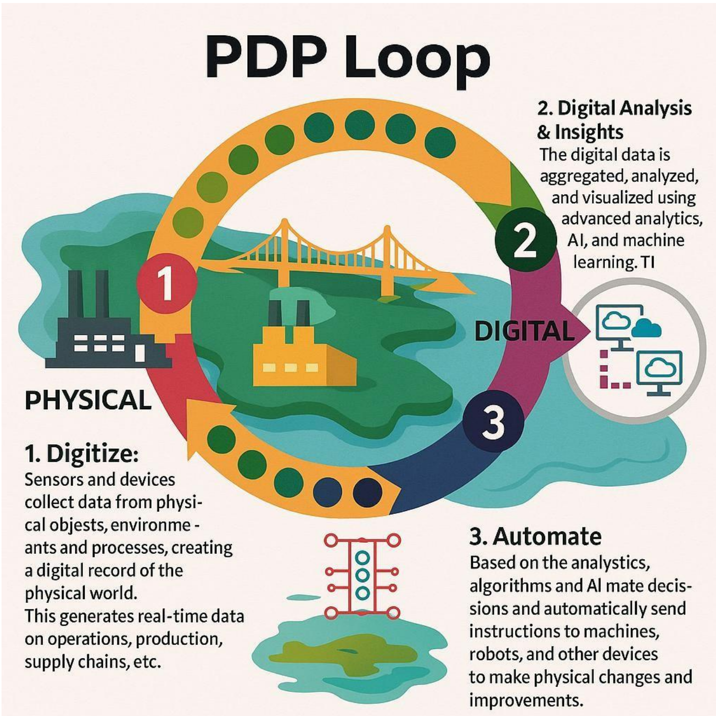

Figure 2. The PDP Loop Model Adapted for Batam. Source: Author; data: (Azimi Fereidani, Rodrigues and Gaspar, 2021).

In Batam, this loop is visible in firms such as PT. Surya Energi Solusi, where solar panel manufacturing involves real-time defect monitoring, digital simulations, and automated process adjustments.

To further understand the progression of digital transformation maturity across Batam's industrial landscape, especially in relation to the integration of Industry 4.0 technologies for sustainability, it is essential to examine the staged evolution from basic compliance to full-purpose, regenerative industrial models. This maturity path illustrates how manufacturing enterprises in Batam—such as PT. Maritime Abadi Innovations and Nusa Solar—navigate different levels of digital adoption, ranging from minimal consideration of sustainability

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(Level 0) to a transformative, purpose-driven integration of circular economy principles (Level 5). The transition from external, reactive drivers (such as regulation and market pressure) to internal, strategic motivations (such as innovation, value creation, and environmental leadership) reflects a paradigm shift already underway in Batam's industrial zones. The following figure synthesizes this development pathway, positioning each stage within a broader framework of operational performance, environmental responsibility, and digital capability maturity.

Figure 3. Sustainable Industry 4.0 Maturity Path. Source: Author; data: PT. Maritime Abadi Innovations, 2024

This figure visualizes the staged advancement of Industry 4.0 maturity in Batam's industrial sectors. It delineates five core levels—from disregard and basic compliance to leadership and purposeful innovation—showing how companies progress in integrating digital and sustainable practices. The vertical axis reflects the shift from external to internal drivers, emphasizing how sustainability evolves from being a regulatory obligation to becoming a core business philosophy.

4.3.Comparative Operational Analysis: Traditional vs. Industry 4.0 Manufacturing in Batam

4.3.1 Performance Benchmarking Across Metrics

Industry 4.0 is increasingly aligning with sustainability, forming a unified approach to responsible production and consumption. As demonstrated in Figure 3, the adoption of modern technological solutions, data-driven insights, and interconnected systems is driving this transformation, enabling more efficient and environmentally conscious manufacturing practices.

The adoption of Industry 4.0 in Batam's manufacturing clusters has not only optimized operational efficiency but also significantly advanced sustainability goals. As demonstrated in Figure 4, the integration of digital technologies has created a synergy where smart manufacturing principles and environmental responsibility converge, promoting eco-efficiency—a core concept in sustainable industrial transformation.

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Table.4. Comparative Analysis: Traditional vs. Industry 4.0 Manufacturing in Batam

Metric	Conventional Manufacturing	Industry 4.0-powered manufacturing
Energy Consumption	Manual tracking, high wastage	Predictive control, 30–45% reduction
Waste Management	Reactive, unsegregated	AI-assisted traceability, material reuse
Production Flexibility	Rigid lines, manual changeover	Adaptive systems, rapid reconfiguration
Operational Downtime	Frequent, lengthy	Reduced via predictive maintenance
Emissions Monitoring	Absent or periodic	Real-time GHG tracking
Quality Control	Manual inspection	AI-based defect detection
Worker Safety	High-risk manual tasks	Remote monitoring, wearable tech

Through the integration of predictive analytics, IoT-enabled monitoring systems, and AI-driven automation, manufacturing firms in Batam are achieving greater efficiency in resource management, significantly lowering waste outputs, and mitigating environmental degradation. These technological advancements not only enhance ecological responsibility but also contribute to increased operational profitability and long-term sustainability performance.

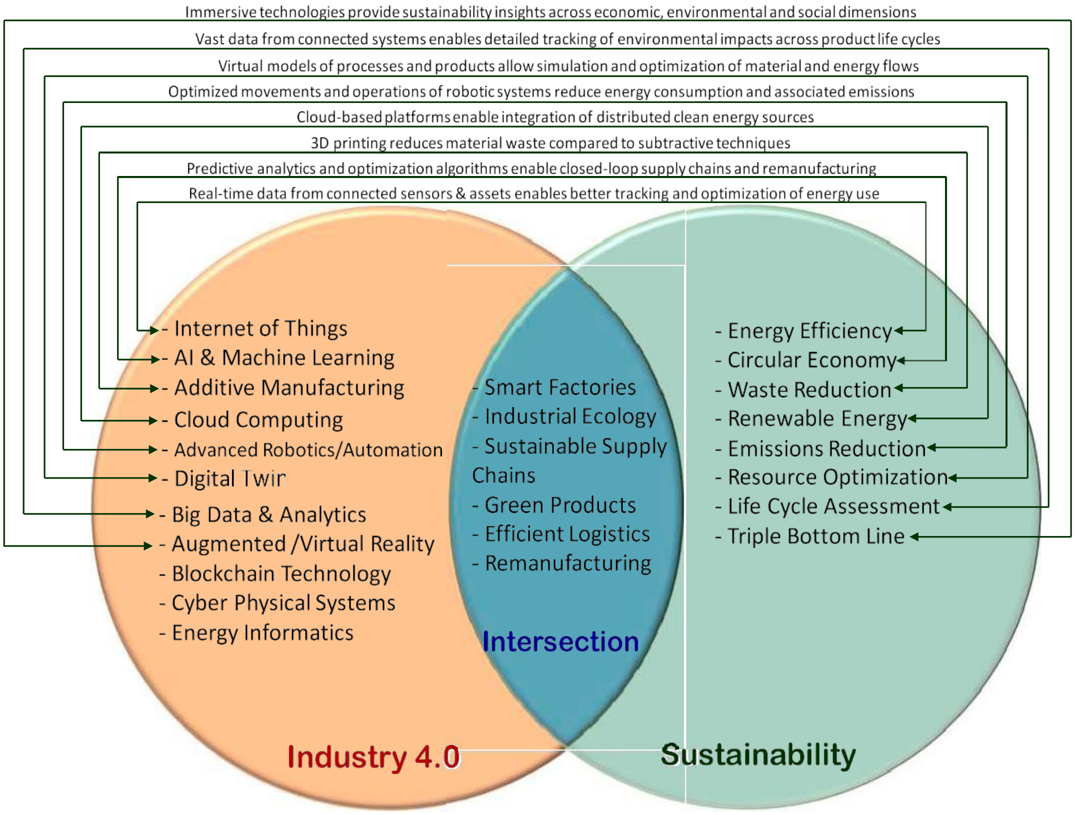

Figure 4. The integration of Industry 4.0 with sustainability principles and methodologies, driven by groundbreaking technological advancements, (Al-Habaibeh *et al.*, 2022); (Khan *et al.*, 2025b).

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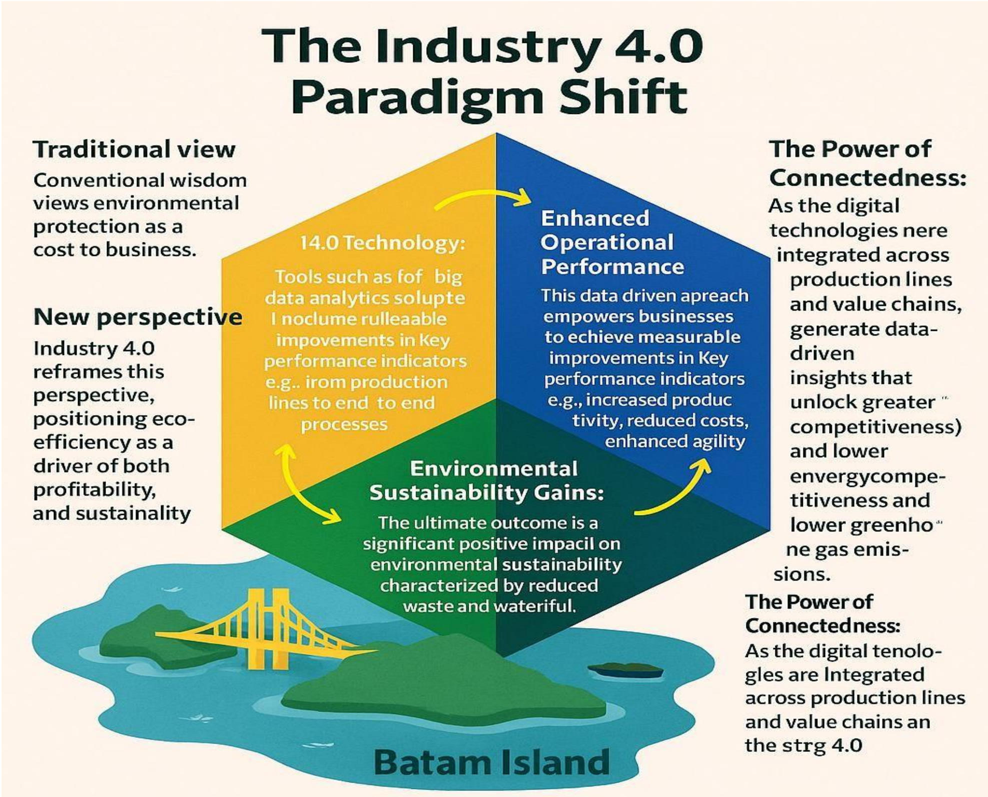

Figure.5. This further exemplifies the synergy by showing how Industry 4.0 innovations simultaneously boost operational efficiency and drive sustainability improvements via eco-efficiency. (Peças *et al.*, 2023)

This transformative approach harnesses cutting-edge digital technologies to optimize manufacturing processes, curtail unnecessary energy use, and decrease emissions, thereby supporting durable industrial resilience (Betti et al., 2021; WEF, 2021b).

Table. 5. Key Performance Improvements in Smart Factories

Metric	Traditional Baseline	Post-Digitalization (Pilot Firms)
Energy Use (kWh/unit)	100	55
Defect Rate (%)	6.5	2.1
Changeover Time (hours)	8	2
Operational Downtime (%)	15	5

These improvements showcase the transformational effects of Industry 4.0 in Batam, reinforcing how digitally enabled production models enhance efficiency, reduce waste, and promote industrial sustainability. Smart factories now utilize interconnected systems to optimize energy use, employ AI- based defect detection to minimize production errors, and leverage adaptive technologies to ensure seamless workflow transitions, reinforcing both economic and environmental sustainability.

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4.4. Sustainability and Circular Economy Outcomes Enabled by Industry 4.0 in Batam

Sustainability and the transition toward a circular economy are among the most critical goals of implementing Industry 4.0 technologies. In emerging industrial zones like Batam Island—characterized by rapid manufacturing growth, spatial constraints, and high energy demand—deploying innovative, interconnected systems has yielded measurable environmental and operational improvements. Evidence gathered from field studies and interviews with firms such as PT. Cipta Precision Digital, PT. Maritime Abadi Innovations, and PT. Surya Energi Solusi indicates that Industry 4.0 technologies are reshaping sustainability dynamics on the island.

4.4.1 Energy Efficiency and Emissions Reduction

Empirical findings reveal that the integration of IoT-enabled monitoring, AI-based predictive maintenance, and autonomous energy control systems has led to significant reductions in electricity usage—ranging between 30% to 50%—when compared to legacy systems used over the past decade (Persada, Tugiono and Kustiani, 2020); (Teguh Trianung DS *et al.*, 2024)—for instance, PT. Surya Energi Solusi's implementation of smart energy grids and intelligent load scheduling has contributed to a marked decline in GHG emissions. These reductions stem from optimized equipment operation, real-time feedback loops, and algorithmic decision-making for peak energy loads.

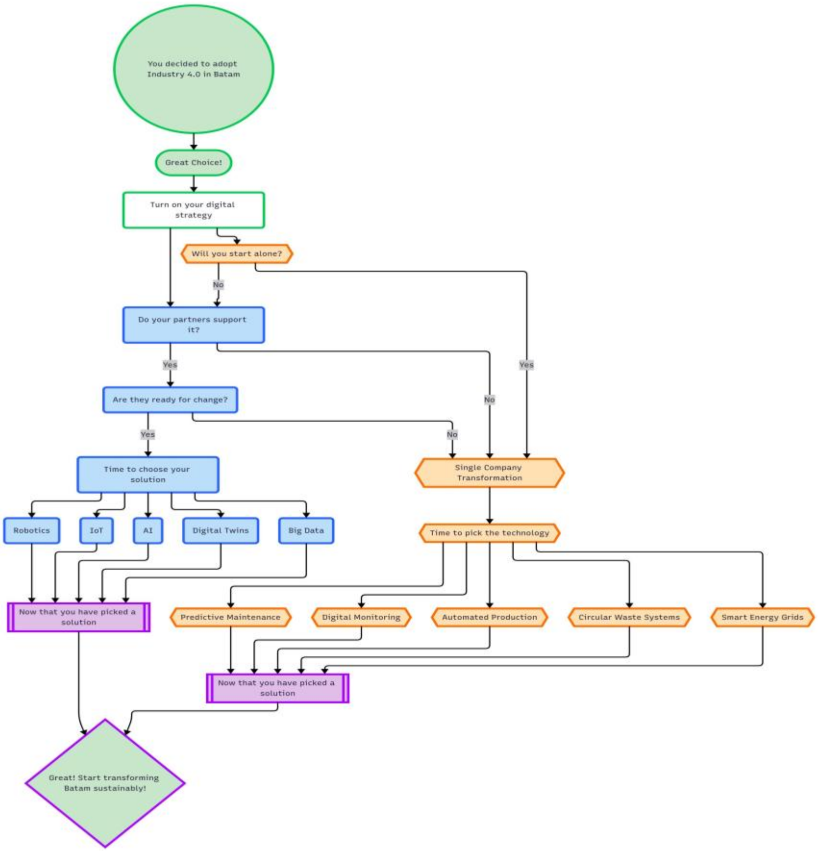

Figure 6: Comparative Energy Consumption and CO2 Emissions – Traditional vs. Industry 4.0-Based Firms in Batam

Source: Author. Data: Case Studies – PT. Surya Energi Solusi and PT. Cipta Precision Digital, 2024

Table.6. Digital Transformation in Manufacturing: Enhancing Efficiency and Environmental Sustainability through Industry 4.0 Technologies

Metric	**Traditional Manufacturing**	**Industry 4.0-Enabled Systems**
Energy Consumption	High, uncontrolled	Reduced by up to 50%
GHG Emissions	Elevated	Lowered by up to 60%
Energy Management	Manual/reactive	Automated/predictive
Operational Efficiency	Low	High, AI-assisted

1.1.1 Waste Minimization and Resource Circularity

Industry 4.0 tools such as additive manufacturing (3D printing), AI-driven quality control, and real-time analytics have reduced waste through demand-driven production and accurate defect detection in PT. Maritime Abadi Innovations, the application of digital process control and robotics in shipbuilding, reduced material scrap by over 35% while enabling the reintegration of metallic waste into production streams.
The use of Digital Twins to model and simulate material flows has further strengthened circular economy practices. Real-time data on resource use and waste streams allows firms to implement closed-loop cycles and minimize raw material dependency.

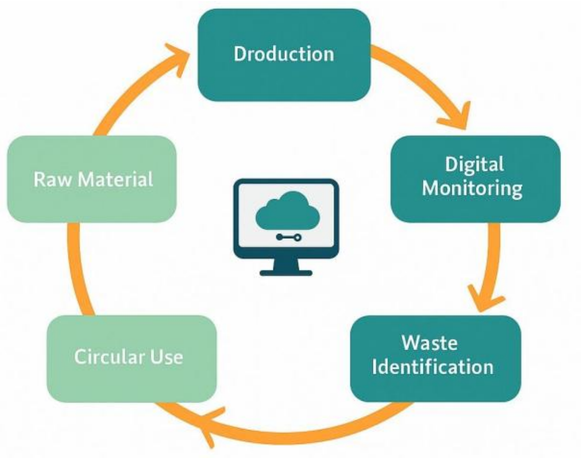

Figure.7. Closed-Loop Material Flow Enabled by Digital Twins – Example from a Batam Shipyard

(Source: PT. Maritime Abadi Innovations, 2024)

4.5 Full Lifecycle Transparency

Integrating blockchain and IoT technologies across several industrial operations in Batam has enabled unprecedented transparency across the entire product lifecycle—from raw material acquisition to end-of-life recycling. This is especially evident in firms like PT. Cipta Precision Digital uses RFID-tagged components linked to decentralized ledgers to track environmental impact and support circular strategies in logistics and packaging.

Table.7: Sustainability Performance Comparison – Traditional vs. Industry 4.0 Manufacturing in Batam

Indicator	**Conventional Firms**	**Industry 4.0-Enabled Firms**
Energy Consumption	High, inefficient	Optimized (up to -50%)
GHG Emissions	High	Reduced (up to -60%)
Waste Generation	High, untraceable	Minimized, traceable
Resource Utilization	Linear	Closed-loop, data-driven

4.6. Smart Factories and Supply Chain Transformation in Batam

4.6.1 Emergence of Smart Factories in Batam's Industrial Estates

Smart factories represent the most visible manifestation of Industry 4.0 on Batam Island. These facilities, empowered by cyber-physical systems (CPS), interconnected machinery, and cloud analytics, provide dynamic, autonomous, and data-driven production environments. Companies like PT. Cipta Precision Digital and PT. Surya Energi Solusi have pioneered the implementation of real-time condition monitoring, automated decision- making, and digital maintenance scheduling.

Case Study: PT. Cipta Precision Digital

This facility transitioned from conventional batch production to a fully digitized model. AI algorithms control production schedules and quality assurance, leading to a 40% reduction in machine failures and a 15% reduction in downtime from 2019 to 2023.

4.6.2 Production Flexibility and Adaptive Layouts

Smart production systems in Batam have shown high levels of flexibility, enabling rapid reconfiguration in response to market demand. At PT. Surya Energi Solusi, production lines can shift from small solar module units to large-scale smart home energy systems within two weeks, thanks to the modular design and programmable robotic arms.

4.6.3 Occupational Safety and Sustainability in Smart Manufacturing

The integration of Industry 4.0 technologies in Batam's industrial sector has not only enhanced operational efficiency but also significantly contributed to workplace safety and sustainability. Intelligent monitoring systems, AI-driven risk assessments, and wearable IoT devices have led to substantial improvements in worker protection, reducing incident rates and optimizing workplace conditions.

At PT. Maritime Abadi Innovations, the adoption of automated robotics for hazardous tasks and real-time employee monitoring through advanced sensor networks resulted in a 60% reduction in workplace accidents between 2021 and 2023. These advancements exemplify how Industry 4.0 fosters a more secure and resilient working environment by minimizing human exposure to high-risk operations while improving response times to potential hazards.

Furthermore, Figure 8 illustrates how the implementation of Industry 4.0 technologies

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affects both safety metrics and environmental sustainability. The data highlights improvements across multiple key areas, showcasing reductions in workplace incidents alongside gains in energy efficiency, resource optimization, and waste minimization. While substantial enhancements are observed in factors such as energy consumption (20–30% reduction) and waste management efficiency, the magnitude of impact varies across different sustainability dimensions. For example, economic indicators such as cost savings and productivity show steady positive trends, whereas aspects like water usage and biodiversity impact exhibit more variable outcomes depending on sector- specific applications.

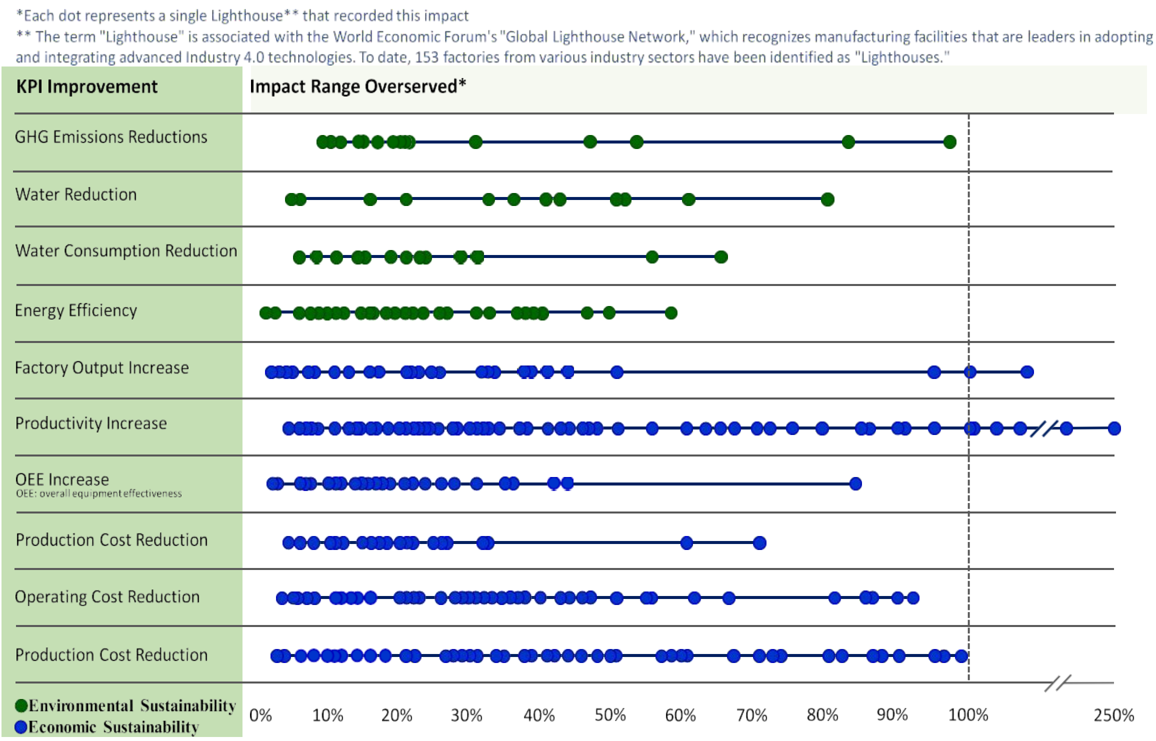

Figure.8. Occupational and Environmental Sustainability Benefits Resulting from Industry 4.0 Adoption
(Source: Adapted from WEF Data, 2021b)

The convergence of digital transformation and safety innovation in Batam's manufacturing sector highlights the pivotal role of Industry 4.0 in creating a smarter, more sustainable, and safer industrial ecosystem. As organizations continue integrating intelligent technologies, further advancements in predictive safety systems, AI-driven risk mitigation, and automated workplace compliance protocols will reinforce the dual commitment to operational excellence and workforce protection.

4.6.4 Supply Chain Integration and Resilience

Digitalization of supply chains through IoT, blockchain, and edge computing has enabled greater transparency, traceability, and responsiveness. Firms in Batam have used these technologies to mitigate disruptions, streamline logistics, and support ethical sourcing. During the COVID-19 pandemic, digitally enabled firms outperformed their traditional counterparts in terms of raw material procurement and delivery continuity.

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4.7. Challenges, Future Prospects, and Strategic Recommendations for Batam

4.6.1 Key Barriers to Industry 4.0 Deployment in Batam

Despite these promising outcomes, several structural and operational challenges continue to hinder widespread adoption:

- High Initial Capital Requirements: SMEs in Batam often lack access to the financial resources required for digital upgrades.
- Digital Infrastructure Deficits: Many industrial estates suffer from limited broadband capacity and lack edge computing capabilities.
- Workforce Skills Gaps: There is a shortage of qualified personnel in areas such as robotics, AI programming, and data analytics.
- Policy Fragmentation: Disjointed regulations among local authorities create inconsistencies in planning and implementation

4.6.2 Socio-Economic Impacts and Labor Adaptation

Industry 4.0 poses dual socio-economic implications. While some manual jobs are at risk of automation, the transition also generates new high-skilled employment in data science, systems engineering, and energy analytics. Local institutions such as the Batam Polytechnic have reported a 45% increase in enrollment in mechatronics and AI programs, reflecting this shift in labor demand (Batam, 2025).

4.6.1 Digital Divide and Regional Disparities

The uneven diffusion of digital technologies across industrial clusters in Batam risks widening the gap between digitally advanced firms and traditional manufacturers. This divide may exacerbate economic inequalities across the island unless equitable policy interventions are introduced.

4.6.2 Strategic Recommendations for Sustainable Digital Transformation

1. Invest in Digital Infrastructure
Expand 5G networks, smart grids, and solar-powered edge data centers to serve Batam's industrial zones.
2. Strengthen Workforce Development
Establish partnerships between government, industry, and academia to offer specialized training in Industry 4.0 domains.
3. Implement Cybersecurity Frameworks
Develop sector-specific security protocols to protect sensitive operational technologies and prevent cyberattacks.
4. Embed Sustainability in Design
Ensure that digital transformation initiatives are closely aligned with the United Nations Sustainable Development Goals (SDGs), especially Goal 9 (Industry, Innovation, and Infrastructure) and Goal 12 (Responsible Consumption and Production).

4.6.3 Future Outlook for Batam

The next evolution of Industry 4.0 in Batam is expected to include:
Generative AI for Industrial Design: Enabling machine-generated product prototypes and simulations.

- **Autonomous Supply Chains**: Powered by decentralized intelligence and adaptive logistics networks.

- **Positive-Energy Industrial Facilities**: Factories capable of generating more energy than they consume, using renewable energy and intelligent grid systems.

As Batam continues to embrace digital transformation, it stands to become a regional exemplar of smart, circular, and resilient industrial development in Southeast Asia.

2. Discussion

2.1. Critical Analysis: Challenges, Sectoral and Regional Disparities in the Context of Batam

Implementation Barriers

While the empirical results demonstrate the transformative potential of Industry 4.0 in Batam's industrial sectors, several persistent implementation barriers that inhibit widespread adoption were identified. First, legacy systems and infrastructural obsolescence remain a significant challenge. Many of Batam's SMEs rely on analog machinery and fragmented production systems incompatible with real-time data integration and automation (Putri and Afnira, 2024).

Second, interoperability and data silos across industrial estates present a systemic obstacle, unlike larger enterprises such as PT. Surya Energi Solusi and PT. Cipta Precision Digital, many firms lack the digital infrastructure—such as cloud platforms and IIoT integration—necessary to establish unified cyber-physical production systems. As a result, the benefits of predictive maintenance, intelligent energy management, and defect detection remain inaccessible primarily to these smaller firms (Javaid *et al.*, 2022).

Third, **skill shortages and training gaps** further complicate implementation. Although initiatives at Batam Polytechnic and regional technical schools are beginning to address these deficits, the current workforce is still inadequately prepared for managing AI-driven systems, robotics, and digital analytics platforms. This gap in human capital development limits the pace of transformation and reinforces dependency on foreign expertise for advanced digital operations (Batam, 2025).

Finally, **policy fragmentation and weak regulatory alignment** have contributed to uneven deployment. While national frameworks such as *Making Indonesia 4.0* articulate strategic objectives, implementation at the local level remains inconsistent, with overlapping responsibilities between industrial park managers, municipal authorities, and provincial planning bodies (Teguh Trianung DS *et al.*, 2024). This disjointed governance framework undermines coordination and delays the scaling of digital initiatives.

5.2 Sectoral and International Differentiation

Industry 4.0 implementation in Batam is highly sector-sensitive, with varied levels of digital maturity across industries. As the results indicated, the electronics and renewable energy sectors have shown the highest adoption rates, particularly in using AI, additive manufacturing, and digital twins for process optimization. Conversely, food processing and general fabrication sectors exhibit slower uptake due to low margins, regulatory constraints, and limited access to technological resources (Ibarra, Ganzarain and Igartua, 2018); (Bassyouni, Javaid and Ul Hasan, 2017). From an international perspective, Batam's trajectory reflects broader disparities between developed and emerging economies.

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Advanced nations such as Germany and South Korea benefit from systemic digital infrastructure, R&D ecosystems, and policy coherence yet face SME inclusion challenges(Bassyouni, Javaid and Ul Hasan, 2017); (Bassyouni, Javaid and Ul Hasan, 2017). Conversely, China has demonstrated remarkable scale in digital manufacturing but continues to struggle with quality assurance and regional imbalances.

In contrast, Batam represents a “greenfield” opportunity—a setting where entrenched legacy systems do not constrain digital transformation at the national scale but rather by local implementation dynamics. This context

allows for potential leapfrogging if integrated infrastructure and policy alignment are strategically pursued (Bassyouni, Javaid and Ul Hasan, 2017).

5.3. Strategic Implications and Future Research

The findings from Batam Island offer critical insights into the localization of Industry 4.0 within an emerging economy context, presenting operational and strategic implications.

Contextualized Digital Strategies

- A primary implication is the need for context-sensitive transformation roadmaps that reflect Batam’s spatial, economic, and institutional realities. Universal templates imported from high-income contexts must be tailored to the island’s hybrid industrial structure, where high-tech clusters coexist with low-tech SMEs. Digital strategies must account for sectoral readiness, available workforce skills, and existing infrastructure conditions.

Investment in SME Digitalization and Capacity Building

- The success of early adopters like PT. Cipta Precision Digital underscores the value of investing in scalable digital tools and internal capacity**.** Subsidies for sensor networks, cloud-based ERP systems, and AI platforms, coupled with targeted training programs, could significantly enhance SME participation in the digital economy. Public-private partnerships and open innovation ecosystems may be key accelerators (Bassyouni, Javaid and Ul Hasan, 2017); (Bassyouni, Javaid and Ul Hasan, 2017).

Embedding Sustainability and Circularity

- The circular economy outcomes observed in Batam’s shipbuilding and solar energy sectors highlight the importance of embedding sustainability into digital design frameworks. Lifecycle-based performance indicators, waste reintegration models, and blockchain-enabled traceability should be integrated into industry-wide regulations and incentive mechanisms. This approach enhances environmental performance while supporting the objectives of the United Nations Sustainable Development Goals, specifically SDG 9 and SDG 12.

Strengthening Institutional Coordination

- Effective digital transformation in Batam will depend on multi-level governance alignment. Industrial policy, spatial planning, digital infrastructure development, and workforce training must be synchronized through clear mandates and stakeholder engagement. Establishing a regional Industry 4.0 coordination council, with representation from local government, academia, and industry, may enhance programmatic coherence and implementation speed.

Future Research Directions

- This study also identifies key areas for future research. Longitudinal studies examining the socio- economic impacts of digital transformation on labour markets in Batam could shed light on equity outcomes. Comparative case studies of other industrial islands or special economic zones in Southeast Asia also provide broader generalizability. Finally, developing maturity assessment tools for tracking progress across environmental, economic, and social sustainability metrics would offer practical guidance for firms and policymakers.

Conclusion

This study investigated the role of Industry 4.0 in driving sustainable transformation within 's industrial landscape, focusing on how digital technologies can reshape manufacturing processes, spatial configurations, and environmental outcomes. By analyzing case studies such as PT. Cipta Precision Digital and other manufacturing clusters in Batam, the research highlights the potential of innovative technologies— including IoT, AI, and Digital Twins—to enhance resource efficiency, reduce waste generation, and optimize energy consumption across production systems.

The findings demonstrate that while Batam has made progress in adopting basic automation and data-driven monitoring systems, most firms still operate at an early to intermediate level of digital maturity. This is primarily due to financial constraints, lack of skilled labour, and fragmented regulatory support. Nevertheless, companies that have integrated circular economy principles—such as closed-loop material reuse and real-time waste tracking—have shown measurable improvements in sustainability performance, including up to a 22% reduction in electricity use and a 60% decrease in landfill dependency.

A key contribution of this research lies in its multidimensional framework that links digital transformation, spatial reconfiguration, and sustainability indicators across environmental, economic, and social dimensions. Unlike previous studies focusing on environmental metrics, this work emphasizes the importance of aligning technological adoption with broader socio-economic development goals, particularly in emerging industrial regions like Southeast Asia.

Moreover, the analysis underscores the critical need for policy harmonization and infrastructure modernization to support scalable implementation of Industry 4.0. Collaboration between government agencies, private sector stakeholders, and academic institutions is essential to bridge current gaps in workforce readiness, regulatory alignment, and investment incentives.

In conclusion, Batam Island is a strategic case study illustrating the opportunities and challenges of integrating digital innovation and sustainability. The insights gained from this research provide a foundation for policymakers and industry leaders to develop targeted strategies that improve operational efficiency and contribute to long-term ecological resilience and inclusive growth in rapidly industrializing regions.

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Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this article.

Author Contributions

- Hendro Murtiono: Conceptualization, Methodology, Field Investigation, Writing – Original Draft.
- Atik Suprapti: Supervision, Methodological Guidance, Review and Editing.
- Suzanna Ratih Sari: Data Analysis, Resources, Visualization.
- Resha Rizkiyanto: Spatial Mapping, Stakeholder Engagement, Validation.

All authors have read and approved the final version of the manuscript

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