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THE ROLE OF AMBIDEXTERITY IN MEDIATING ENTREPRENEURIAL ORIENTATION AND BUSINESS PERFORMANCE IN SMES

ABSTRACT

This study delves into the mediating role of organizational ambidexterity in the relationship between entrepreneurial orientation and business performance among small and medium-sized enterprises (SMEs) in East Java, Indonesia. By employing a quantitative research design, data were meticulously gathered from 200 SME respondents through a semi-structured questionnaire, ensuring a broad yet detailed representation of the SME landscape. The data underwent rigorous analysis using Structural Equation Modeling (SEM), facilitated by SmartPLS software, to yield robust and comprehensive insights.

The findings unequivocally reveal that organizational ambidexterity plays a significant mediating role in strengthening the linkage between entrepreneurial orientation and business performance. SMEs that adopt ambidextrous strategies—including scaling operations (lifting), market expansion (expanding), strategic collaborations (collaborating), resilience in adversity (surviving), continuous innovation (innovating), and operational stability (maintaining)—demonstrate notably superior performance outcomes compared to their counterparts that do not integrate such approaches.

These results highlight the critical importance of adaptive strategies that effectively balance the optimization of internal resources with the exploration of external opportunities. In the dynamic and often volatile environments that typify developing economies, an organization's ability to simultaneously explore new opportunities while exploiting existing capabilities emerges as a pivotal determinant of sustained success. The study offers practical insights for SME practitioners, underscoring the necessity of embedding ambidextrous frameworks within business models to enhance competitiveness, agility, and resilience in increasingly complex and unpredictable markets.

In conclusion, organizational ambidexterity functions not merely as a bridge connecting entrepreneurial orientation and business performance but also as a catalyst for fostering organizational resilience and sustainable growth. This research contributes significantly to the broader understanding of how SMEs can thrive amid globalization and rapid market fluctuations, offering valuable implications for both academics and practitioners in the realms of entrepreneurship and business management.

Keywords: organizational ambidexterity, entrepreneurial orientation, business performance, SmartPLS, SEM, SMEs

JEL Classification: A11, A12, C10, C12, C30

INTRODUCTION

Indonesia's SME sector is a vital contributor to economic growth, job creation, and income distribution, significantly impacting national development (Dalimunthe et al., 2022). However, SMEs in developing countries like Indonesia face challenges such as limited resources, rapid technological advancements, and volatile global markets. A crucial factor influencing SME performance is entrepreneurial orientation, defined as the ability to identify opportunities, take calculated risks, and innovate in response to market demands (Dalimunthe et al., 2022). In Indonesia's competitive and resource-con-

strained environment, this orientation serves as a key catalyst for success. Entrepreneurial orientation enables SMEs to adapt to changing market dynamics and leverage opportunities both locally and globally, fostering resilience and sustained growth amidst uncertainty.

Indonesian SMEs thrive on community-oriented cultural values that foster collaboration and resilience. However, balancing these traditions with modernization and global competitiveness presents challenges. Innovations often emphasize frugal, resourceful solutions tailored to local markets, characteristic of SMEs in developing economies (Kharub et al., 2024). As the backbone of Indonesia's economy, SMEs must evolve by leveraging entrepreneurial orientation to overcome structural barriers and capitalize on the nation's socio-economic dynamics, ensuring sustainable growth and global competitiveness (Dalimunthe et al., 2022).

While entrepreneurial orientation is crucial, organizational agility—the ability to adapt swiftly to environmental changes—also significantly influences business performance (Blanka et al., 2022). Agility helps companies respond to market, technological, and regulatory shifts, ensuring competitiveness. In developing countries like Indonesia, challenges such as limited technological access and dynamic market conditions amplify the need for agility (Huu, 2023). Further research should explore how organizational agility mediates the relationship between entrepreneurial orientation and SME performance within Indonesia's unique business landscape (Bernot et al., 2024).

Understanding how entrepreneurial orientation influences organizational agility and how agility affects business performance enables stakeholders—business owners, SME managers, and policymakers—to develop strategies that enhance SME competitiveness in Indonesia (Bernot et al., 2024). In developing countries like Indonesia, businesses face challenges such as resource constraints, evolving market dynamics, and regulatory complexities. Addressing these requires integrating entrepreneurial orientation with organizational agility. This research aims to bridge knowledge gaps and offer valuable insights for practitioners, academics, and policymakers in navigating Indonesia's SME landscape (Cahyarini & Samsara, 2021).

Indonesia's SME sector significantly contributes to economic growth, creating jobs and driving regional development (Ahyudanari, 2021). However, SMEs face challenges like intense competition, market fluctuations, and limited resources. Success depends on their ability to adapt and thrive in dynamic environments (Bernot et al., 2024). Embracing entrepreneurial orientation fosters innovation, while organizational ambidexterity—balancing new opportunities and resource optimization—mediates the link between entrepreneurial orientation and business performance (Alcalde-Heras et al., 2019). This relationship remains underexplored, especially in Indonesia's SMEs, including Surabaya.

To maintain competitive advantage, SMEs must adapt to dynamic business conditions and rising competition (Gupta et al., 2020). Entrepreneurial orientation—the propensity to be proactive, innovative, and risk-taking—is crucial for navigating challenges (Blanka et al., 2022); (Boohene et al., 2020); (Y. Lee & Kreiser, 2018). However, research shows mixed results on its impact on performance, especially in developing countries like Indonesia (Bogatyreva et al., 2017). Organizational ambidexterity, balancing exploration and exploitation, may mediate this relationship, ensuring resilience and sustainability for SMEs facing resource constraints and market fluctuations (Wales et al., 2020); (Zeng et al., 2017).

The concept of ambidextrous organizations balances exploration and exploitation to improve business performance (Huu, 2023). Firms practising ambidexterity often outperform those focusing on a single strategy (Schnellbacher et al., 2019). However, ambidexterity is resource-intensive, favouring firms with greater resources (Matschinske et al., 2021). Empirical findings on its link to performance remain inconsistent (Shibata et al., 2019), especially in resource-constrained SMEs. Despite this, ambidextrous firms show improved survival rates. Recent studies incorporate sustainable performance criteria, integrating economic, social, and environmental dimensions (Mankgele, 2023).

The findings of this study are expected to offer valuable insights for Indonesian SMEs in formulating strategies that integrate organizational ambidexterity and entrepreneurial orientation to enhance business performance. SMEs in developing countries like Indonesia face unique challenges, including resource limitations, regulatory complexities, and dynamic markets. This research could also inform local policy initiatives aimed at fostering growth and sustainability within the SME sector. By addressing Indonesia's specific economic and social conditions, these policies can promote resilience and long-term competitiveness for both domestic and foreign enterprises.

LITERATURE REVIEW

Entrepreneurial orientation plays a critical role in shaping business performance, decision-making, and actions within SME planning processes (Nuryakin, 2024). SMEs often exhibit a strong entrepreneurial spirit, focusing on innovation and market

responsiveness (Tan & Liu, 2014). According to (Makhloufi, 2023), entrepreneurial orientation emphasizes market exploration, new venture creation, and competitive advantage. These elements drive SME growth and sustainability (Nguyen & Phan, 2025). SME success is significantly influenced by entrepreneurial orientation (Huu, 2023), seen as a multidimensional construct involving innovation, risk-taking, and proactiveness (Alvarez et al., 2024). In developing countries like Indonesia, the socio-economic landscape and policy environment profoundly affect entrepreneurial activities (Khuhan, 2024). Addressing these unique challenges requires tailored strategies and government policies that align with SME needs, fostering sustainable growth and competitive advantage (G. A. Kurniawan & Untari, 2025).

Organizational ambidexterity refers to an organization's ability to exploit existing competencies while exploring new opportunities (Blanka et al., 2022); (Khan et al., 2022). Exploitation focuses on refining processes, while exploration fosters radical innovation for competitive advantage (Blanka et al., 2022). Ambidextrous firms balance both to maintain market relevance (Kumalaningrum et al., 2023). In developing countries like Indonesia, ambidexterity is shaped by resource constraints and evolving regulatory environments (Chigori et al., 2024). For Indonesian SMEs, aligning these strategies with local market dynamics and government policies is crucial to achieving sustainable growth and fostering economic resilience (G. A. Kurniawan & Untari, 2025).

Entrepreneurial orientation encompassing innovation, proactiveness, and risk-taking—is pivotal to SME success (Isichei et al., 2020). While EO enhances younger SMEs' performance (under 11 years), its influence diminishes in older firms (Kharub et al., 2024). Competitive aggressiveness and autonomy further contribute to growth (M. Arshad & Arshad, 2019). In Indonesia, socio-economic conditions and dynamic regulations shape EO's role. Limited resources and regulatory challenges require adaptive, context-specific strategies. Policies fostering innovation and entrepreneurship are critical for SME resilience. Recent studies reveal nuanced impacts of EO in Indonesia. (Adam et al., 2024) found innovativeness, risk-taking, and networking enhance performance, while proactiveness may hinder it. (User, 2024) highlights innovation capability and international networking as key mediators between EO and export performance in Indonesian SMEs.

H1: An entrepreneurial mindset positively and significantly impacts the business performance of SMEs

An entrepreneurial attitude is crucial for enhancing organizational capabilities, fostering innovation, and driving corporate success (Gottschalck et al., 2021). Firms with an entrepreneurial mindset consistently outperform those without (Nobakht et al., 2021). Entrepreneurial orientation (EO) emphasizes meeting consumer needs to prevent market failures and has been shown to positively influence social network ambidexterity and creativity, boosting performance (Akbari et al., 2022). In Indonesia, EO plays a vital role in addressing challenges like limited resources and evolving market demands. Adaptive EO strategies, aligned with supportive policies, promote innovation and resilience (Adam et al., 2024). Indonesian SMEs, strengthened by robust community networks and entrepreneurial culture, benefit from policy frameworks that encourage creativity and ambidexterity, ensuring sustainable growth in a dynamic socio-economic environment (User, 2024).

H2: The expansion of organizational ambidexterity is positively and significantly impacted by entrepreneurial orientation

H3: Organizational Ambidexterity exploration is positively and significantly impacted by entrepreneurial orientation

Organizational ambidexterity, defined as the ability to balance exploitation and exploration, enables firms to refine existing capabilities while fostering innovation (W.-J. Lee, 2019); (Selamet et al., 2020); (Al-Eida, 2020). Ambidextrous organizations effectively navigate dynamic environments by leveraging these dual strategies (Hu et al., 2023). In developing countries like Indonesia, ambidexterity is critical due to resource constraints, market volatility, and shifting regulations. Companies must integrate local socio-economic conditions with ambidextrous strategies to achieve sustainable growth. Policies promoting this balance are essential for supporting both SMEs and larger enterprises. Recent studies emphasize its significance in Indonesia. (Suherlan et al., 2024) highlight the limited but growing research in this area, while (Effendi et al., 2024) show that ambidextrous leadership enhances financial performance in microfinance institutions through adaptive business models. These findings underscore ambidexterity's relevance across organizational scales in dynamic markets.

H4: The business performance of SMEs is positively and significantly impacted by organizational ambidexterity expansion

H5: Ambidexterity in Organizations The business performance of SMEs is positively and significantly impacted by exploration

Organizational ambidexterity is defined as a company's ability to balance the exploitation of existing opportunities with the exploration of new ones (Blanka et al., 2022). Overemphasis on exploitation can stifle innovation and hinder market expansion, while an excessive focus on exploration may lead to costly experiments that threaten financial stability (Blanka et al., 2022). Achieving a balance between these competing priorities is essential for ensuring business sustainability and growth. In developing countries such as Indonesia, this equilibrium holds particular significance. Businesses face challenges including resource constraints, market volatility, and evolving regulatory frameworks (Bernot et al., 2024). To navigate

these complexities, Indonesian companies must adopt ambidextrous strategies supported by government policies that encourage innovation and sustainable practices. By effectively balancing exploitation and exploration, businesses can adapt to local conditions, mitigate risks, and capitalize on opportunities for long-term success in dynamic, competitive markets (Blanka et al., 2022).

Small and medium-sized enterprises (SMEs) with an entrepreneurial orientation are predisposed to engage in ambidextrous innovative activities, fostering adaptable organizational cultures and routines (Musu-Gillette et al., 2016). These activities, grounded in resource-based logic, enable SMEs to cultivate unique capabilities and enhance business performance (Blanka et al., 2022). The relationship between ambidexterity and entrepreneurial orientation is context-dependent, manifesting in two distinct forms: network ambidexterity and innovation ambidexterity (Liu et al., 2020). Empirical research underscores the role of ambidexterity as a mediator, linking entrepreneurial orientation—characterized by innovation, proactiveness, and risk-taking—to organizational performance under varying environmental conditions (Lian et al., 2020); (D. Nofiani et al., 2021). In developing countries such as Indonesia, SMEs must tailor ambidextrous strategies to align with local socio-economic contexts. Policies that promote a balance between exploration and exploitation are essential for fostering innovation and ensuring sustainable growth within Indonesia's dynamic market landscape.

H6: Through Organizational Ambidexterity Expansion, the entrepreneurial attitude has a favourable and significant impact on the SMEs business performance

H7: Through the investigation of organizational ambidexterity, entrepreneurial orientation has a favourable and significant impact on the SMEs business performance

AIMS AND OBJECTIVES

This study seeks to investigate the mediating role of organizational ambidexterity in the relationship between entrepreneurial orientation and business performance among small and medium-sized enterprises (SMEs) in East Java, Indonesia.

METHODS

This study adopts a descriptive quantitative approach focused on SMEs in Surabaya, Indonesia, examining the causal relationship between entrepreneurial orientation (independent variable), organizational ambidexterity (mediating variable), and business performance (dependent variable). The target SMEs are managed by SME managers, possess capital between IDR 200 million and 2.5 billion, have operated for over three years, and own trademarked products. Using purposive sampling, the study includes 200 respondents, calculated as ten times the number of indicators (20), following (Kock, 2018). Data collection was conducted via a questionnaire using a 1-to-10 interval agree-disagree scale. Descriptive statistics were used to determine averages and standard deviations, while inferential analysis applied SEM-PLS using SmartPLS 3.29 software. This approach incorporates Indonesia's socio-economic dynamics and regulatory conditions to enhance SME sustainability and competitiveness in developing markets.

Content validity was ensured through evaluations by five academics and five subject matter experts (SMEs) from East Java, Indonesia. The item-objective congruence (IOC) index for each question exceeded 0.80, indicating strong validity, as per (Turner & Carlson, 2003). This validation process ensures both academic rigour and practical relevance. Tailoring the research to Indonesia's unique socio-economic landscape enhances the study's applicability, offering valuable insights for policies that foster SME growth and innovation.

Data collection took place from July to October 2023, with ethical approval from the East Java SME Forum and the Research Center at the Indonesian College of Economics (STIESIA) in Surabaya, Indonesia. SME practitioners participated voluntarily after providing informed consent, ensuring adherence to ethical research standards. Each participant completed the questionnaire once, yielding 200 valid responses. This ethically grounded approach underscores the importance of cultural sensitivity and compliance with regional research standards. By engaging local SMEs and securing institutional approvals, the study enhances both the credibility and relevance of its findings. Such practices uphold ethical principles while addressing Indonesia's unique socio-economic dynamics. The methodology not only strengthens the validity of the research but also contributes valuable insights for policy development, supporting SME growth and innovation in the context of developing markets like Indonesia.

This study employed SEM-PLS due to its ability to estimate complex models without assuming normal data distribution and to explore mediating variables like Ambidexterity Expansion and Exploration. Model evaluation involved assessing discriminant validity (HTMT < 0.90), convergent validity (AVE > 0.50), reliability (Cronbach's alpha, Composite Reliability >

0.70), and outer loading (> 0.60) (Risher & Hair Jr, 2017). SEM-PLS is particularly relevant for analyzing complex SME relationships in dynamic socio-economic contexts like Indonesia.

Entrepreneurial orientation (EO) was measured across five dimensions: autonomy, risk-taking, innovation, competitive aggression, and proactiveness (Wahyuni & Sara, 2020), (M. Z. Arshad et al., 2020). Ambidexterity was assessed through exploratory and exploitative innovation (Tuan, 2016). Business performance indicators included revenue growth, customer acquisition, and retention (Kharub et al., 2024). Data were captured using a 5-point Likert scale. This approach highlights the need for balancing exploration and exploitation, fostering SME growth, innovation, and sustainability in Indonesia's unique socio-economic landscape.

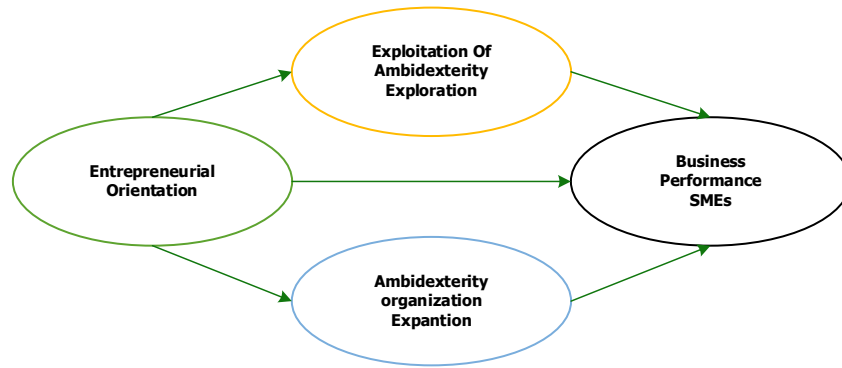


Figure 1. Research Model.

RESULTS

This study utilized SEM-PLS, conducting iterative analyses until an optimal measurement model was achieved, with hypothesis testing at a 5% significance level. It targeted SME managers in Surabaya, Indonesia, focusing on the relationship between entrepreneurial orientation, ambidexterity, and business performance. Data collected from respondents provided insights into SME practices and organizational dynamics. In developing countries like Indonesia, this rigorous methodological approach emphasizes the importance of adapting analytical models to local socio-economic contexts. Indonesian SMEs operate within dynamic environments shaped by resource constraints, regulatory shifts, and evolving policy frameworks. SEM-PLS facilitates the exploration of complex relationships between entrepreneurial orientation and performance, offering insights for fostering innovation and sustainable growth. Moreover, the study underscores the critical role of region-specific policies in enhancing SME adaptability and competitiveness within Indonesia's rapidly evolving market landscape.

Table 11. Research Respondent Data.

No	Respondent Profile		Amount	Percentage
1	Business History:			
	1	Inheritance	24	12%
	2	Own business	176	88%
2	Gender			
	1	man	60	40%
	2	woman	140	60%
3	Response Age			
	1	< 30	16	8%
	2	31-40	120	60%
	3	40-50	41	20%
	4	>50	23	12%
4	Education			
	1	Senior High School	40	20%
	2	Diploma	38	19%
	3	bachelor	102	51%
	4	Master	20	10%

(continued on next page)

Table 1. Continued.

No	Respondent Profile		Amount	Percentage
5	Business Age			
	1	3-4	40	20%
	2	5-10	122	61%
	3	>10	38	19%
6	Type of business			
	1	Fashion	80	40%
	2	Craft	70	35%
	3	Etc	50	25%
7	Number of Human Resources			
	1	3-4	40	20%
	2	5-10	98	49%
	3	11-20	50	25%
	4	>20	12	6%
8	Business Legality			
	1	PT	15	7,5%
	2	CV/ UD	154	77%
	3	Non	31	15,5%
9	Marketing area			
	1	Domestic	102	51%
	2	overseas	98	49%
10	Asset Value (IDR)			
	1	200.000.000-599.000.000	72	36%
	2	600.000.000-1.000.000.000	80	40%
	3	1.000.000.000-1.500.000.000	48	24%

The study reveals that 70% of SME managers are women, 60% are aged 31–40, and 49% possess higher education. Most SMEs operate in craft production (26%) and apparel (4%), with 61% having been operational for less than ten years. Approximately 40% of businesses report assets between IDR 600,000,000 and 1,000,000,000. Nearly half (49%) target export markets, while the rest focus on domestic markets. In developing countries like Indonesia, this demographic and economic profile underscores the need for policies that support female entrepreneurship, education, and export-driven strategies. Tailored interventions are essential to address challenges such as limited resource access and global market competition. By promoting innovation and market expansion, these strategies contribute to sustainable growth and strengthen SMEs' role in Indonesia's broader economic development.

Outer Model Test

The initial stage of data analysis involves assessing the outer model, ensuring a minimum outer loading value of 0.60, as recommended for exploratory studies (Pereira et al., 2023). This step verifies indicator validity, confirming their reliability in measuring intended constructs. The SmartPLS output supports the adequacy of the measurement model for this research. In developing countries like Indonesia, exploratory analysis methods such as SmartPLS are crucial for adapting to dynamic and resource-constrained environments. Validated measurement models provide accurate insights into entrepreneurial orientation and ambidexterity in SMEs. These findings contribute to policy development, addressing Indonesia's unique socio-economic landscape. By fostering innovation, market expansion, and sustainable business practices, such strategies strengthen SME competitiveness and long-term viability, ensuring their adaptability to evolving economic challenges.

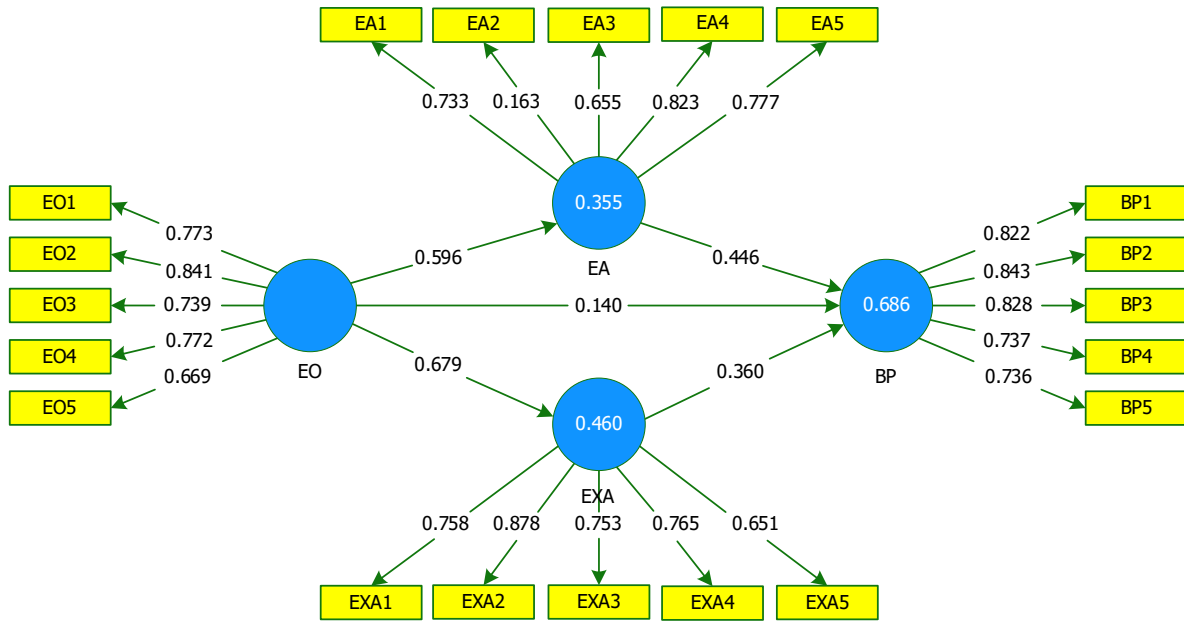


Figure 2. Outer Loading Measurement Model test results.

Table 2 presents SmartPLS test results for convergent validity, outer loading, reliability, and descriptive statistics.

Table 12. Convergent validity, Outer Loading, Dependability Level, and Descriptive Statistics. Note: Entrepreneur Orientation (EO); Ambidexterity Exploration (EA); Ambidexterity Expansion (EXA); Business Performance (BP).

Variable	Mean and Standard Deviation	Outer Loading	Cronbach's Alpha	Composite Reliability (Rho C)	Average Variance Extracted (AVE)
EO	3.976 (0.453)	0.669 – 0.841	0.816	0.872	0.579
EA	4.018 (0.426)	0.655 – 0.823	0.810	0.866	0.566
EXA	3.985 (0.415)	0.651 – 0.878	0.820	0.875	0.585
BP	4.038 (0.448)	0.736 – 0.843	0.853	0.895	0.632

Cronbach's alpha and composite reliability values above 0.70 confirm internal consistency, while AVE values exceeding 0.50 validate the constructs of Entrepreneurial Orientation (EO), Ambidexterity Exploration (EA), Ambidexterity Expansion (EXA), and Business Performance (BP) (Risher & Hair Jr, 2017). In developing countries like Indonesia, rigorous model validation is crucial for understanding the relationship between entrepreneurial orientation and business performance. Ensuring high reliability and validity strengthens the credibility of research findings, providing policymakers with actionable insights. Tailored strategies addressing SME challenges can enhance competitiveness by leveraging ambidexterity to foster innovation and sustainable growth. Strengthening research methodologies enables informed decision-making, supporting SMEs' adaptability and resilience in Indonesia's dynamic socio-economic landscape.

Table 13. Validitas Diskriminan HTMT.

Variable	Entrepreneur Orientation (EO)	Ambidexterity Exploration (EA)	Ambidexterity Expansion (EXA)	Business Performance (BP)
Entrepreneur Orientation (EO))	-			
Ambidexterity Exploration (EA)	0.702			
Ambidexterity Expansion (EXA)	0.823	0.738		
Business Performance (BP)	0.765	0.872	0.856	-

Table 3 presents SmartPLS output results for HTMT discriminant validity, dependability, and descriptive statistics. The HTMT (Heterotrait-Monotrait Ratio) method assesses discriminant validity with higher sensitivity than Fornell-Larcker and cross-loading criteria (Hair Jr et al., 2021). It calculates the geometric mean of correlations between different variables (Heterotrait) and within the same variable (Monotrait) (Henseler et al., 2015). The PLS model results confirm discriminant

validity, as HTMT values between variable pairs remain below 0.90, ensuring that variances within variables exceed correlations between them. In Indonesia, the application of rigorous statistical validation enhances SME research reliability. These methods address local business challenges, providing policymakers with insights to develop strategies that promote innovation, market expansion, and sustainable competitive advantages, strengthening SMEs' role in Indonesia's evolving economic landscape.

Inner Model Test

Figure 3 presents the SmartPLS hypothesis testing output, including path coefficients and T-statistics, which evaluate variable relationships and hypothesis significance. Path coefficients indicate relationship strength and direction, while T-statistics assess significance levels. This method ensures reliable findings, supporting data-driven strategies for SME performance, innovation, and competitiveness in Indonesia's dynamic market, fostering sustainable business growth and economic resilience.

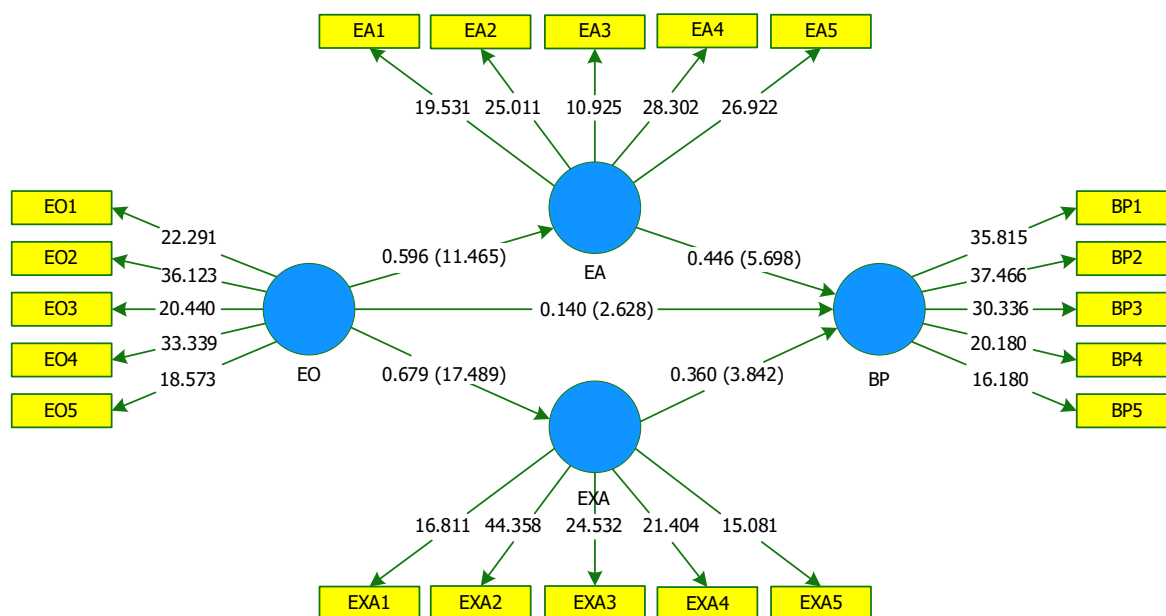


Figure 3. Hypothesis Testing (Path Coefficient and T Statistics).

Table 14. The Summary of Testing the Hypotheses. Note: ***sig<0,01, **sig<0,05, *sig<0,1; Entrepreneur Orientation (EO); Ambidexterity Exploration (EA); Ambidexterity Expansion (EXA); Business Performance (BP).

Hypothesis	Hypothesis Statement	Path coefficients	95% Path Coefficient Confidence Interval		F square	R Square	Q Square
			Lower Limit	Upper Limit			
H1	EO → EA	0.596***	0.493	0.694	0.550	0.686	0.423
H2	EO → EXA	0.679***	0.603	0.750	0.853		
H3	EO → BP	0.140***	0.023	0.233	0.030		
H4	EA → BP	0.446***	0.291	0.607	0.361		
H5	EXA → BP	0.360***	0.183	0.523	0.177		
H6	EO → EA → BP	0.266***	0.178	0.368	0.071		
H7	EO → EXA → BP	0.244***	0.123	0.384	0.059		

Table 4 presents the SmartPLS hypothesis testing results, showing strong predictive accuracy (R² = 68.6%) for Entrepreneurial Orientation (EO), Ambidexterity Exploration (EA), and Ambidexterity Expansion (EXA) on Business Performance (BP). EA has the strongest influence on BP (path coefficient = 0.446). These findings emphasize the need for policies enhancing EO-ambidexterity synergies, fostering SME innovation and sustainable growth in Indonesia's dynamic market.

The mediation test for H6 and H7 confirms that Ambidexterity Exploration (EA) and Expansion (EXA) significantly mediate Entrepreneurial Orientation (EO) and Business Performance (BP), with p-values < 0.05. EA mediation (0.266) is stronger

than EXA (0.244) and EO's direct impact (0.140). In Indonesia, these findings highlight the need for policies optimizing ambidexterity's role in enhancing SME competitiveness and sustainable growth.

Goodness of Fit Model

Partial Least Squares Structural Equation Modeling (PLS-SEM) is a predictive and exploratory method for evaluating structural models. Metrics such as the Goodness of Fit Index assess model appropriateness (Henseler & Sarstedt, 2013). This method ensures that variable relationships are accurately reflected, supporting robust exploratory analyses. In developing countries like Indonesia, PLS-SEM provides a valuable framework for analyzing SME interactions. It validates models with an exploratory and predictive focus, offering actionable insights into entrepreneurial orientation, ambidexterity, and business performance. Recent studies confirm its effectiveness in assessing SME resilience and performance (Dinh et al., 2024). Tailored strategies derived from these findings can help policymakers address Indonesia's socio-economic challenges, fostering innovation, competitiveness, and sustainable growth. PLS-SEM's adaptability across developing economies highlights its relevance in strategic management research (Shela et al., 2023).

Table 15. GoF Index.

Indeks Goodness of Fit
0.543

Table 5 presents the SmartPLS Goodness of Fit (GoF) model evaluation results. The GoF Index, combining the geometric mean of commonality and mean R-square, assesses measurement and structural model adequacy. (Pereira et al., 2023) classify GoF values as low (0.10), medium (0.25), and high (0.36). This study's GoF value of 0.543 falls into the high category, indicating strong model validity. In developing countries like Indonesia, a high GoF is essential for robust statistical modelling, particularly when analyzing complex SME interactions. These validated models provide reliable insights into entrepreneurial orientation and ambidexterity, informing policy decisions to address socio-economic challenges. Recent studies highlight SmartPLS's effectiveness in similar contexts (Dinh et al., 2024). Data-driven strategies derived from these models enhance SME innovation, competitiveness, and sustainable growth in Indonesia's dynamic market (Shela et al., 2023).

DISCUSSION

Recent studies have reinforced the significant impact of Entrepreneurial Orientation (EO) on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. For instance, research by (Yaskun et al., 2023) found that EO positively influences MSME business performance, highlighting the importance of fostering entrepreneurial attitudes among business owners. Similarly, a study by (Harjono et al., 2024) demonstrated that both entrepreneurial leadership and orientation significantly affect business performance in Bakery SMEs in Surakarta, Indonesia. These findings underscore the critical role of EO in enhancing SME performance within Indonesia's dynamic market landscape.

Empirical evidence highlights the critical role of innovation capacity and social network development in strengthening Entrepreneurial Orientation to enhance SMEs' business performance. EO's effectiveness is amplified when SMEs leverage social networks and foster internal innovation (D. Nofiani et al., 2021). Long-term success also depends on SMEs' engagement through social media platforms to drive innovation (Dunlap et al., 2016). While (Isichei et al., 2020) affirm EO's positive influence on SME performance, (Kharub et al., 2024). argue that EO does not directly impact performance. In Indonesia, (Yaskun et al., 2023) found that EO and competitive advantage significantly influence business performance, though innovation showed no direct effect. (Harjono et al., 2024) demonstrated that entrepreneurial leadership and orientation strongly affect SMEs' performance. These findings underscore the need for policies promoting social collaboration and innovation to unlock EO's potential, driving competitiveness and sustainable growth in Indonesia's dynamic market environment.

The analysis underscores that Entrepreneurial Orientation (EO) significantly influences Ambidexterity Exploration (EA), with an R-square value of 46%, compared to 35.5% for Ambidexterity Expansion (EXA). The Partial Least Squares (PLS) model demonstrates strong predictive power, supported by a Q-square value exceeding zero (Risher & Hair Jr, 2017). EO exhibits a high structural impact on EA, with an effect size (f-square) greater than 0.35. Empirical findings suggest that fostering exploratory capabilities enhances organizational adaptability, encouraging innovation through managerial autonomy and creative thinking (Huu, 2023). Exploratory skills are crucial for acquiring knowledge in emerging sectors, enabling businesses to identify new opportunities and markets (Severgnini et al., 2019). Recent studies also highlight EO's significant

role in driving innovation and business performance, mediated by organizational ambidexterity (Karnowati & Handayani, 2022); (Er & Mukti, 2023). In Indonesia, policies promoting EO, knowledge acquisition, and market exploration can enhance SME innovation, competitiveness, and long-term sustainability.

Exploration involves high-risk, flexible, and experimental activities aimed at discovering new ideas to innovate processes, technology, products, and markets (Blanka et al., 2022). Empirical evidence shows that SMEs can leverage Entrepreneurial Orientation to foster innovation, drive business growth, and take calculated risks amidst uncertainty. EO encourages startups to creatively utilize resources, allowing them to develop advanced products, services, or technologies ahead of competitors (Huu, 2023). Recent studies reinforce EO's critical role in improving SME performance. (Yaskun et al., 2023) highlight EO's positive influence on business growth, emphasizing entrepreneurial adaptability. Meanwhile, (Er & Mukti, 2023) demonstrate that EO significantly impacts marketing performance, with organizational agility serving as a mediating factor. In Indonesia, where SMEs face socio-economic challenges, policies supporting risk-taking, innovation, and resource optimization can enhance competitiveness. By prioritizing EO and exploration, SMEs can navigate market uncertainties, unlock opportunities, and drive sustainable economic growth.

Entrepreneurial Orientation (EO) is a key driver for startups, enabling innovation and swift decision-making in response to market changes. Research by (R. Nofiani et al., 2020) highlights the importance of strengthening EO through innovation and external social networks for enhanced SME performance in Indonesia's competitive market. (Yaskun et al., 2023) found that while EO improves competitive advantage, its direct effect on business performance is limited, suggesting that dynamic capabilities and market orientation are also crucial. (Kakeesh et al., 2024) emphasized that EO dimensions like proactivity and aggressiveness significantly impact the competitiveness of SMEs in East Java's furniture sector. (Nuryazidi, 2024) demonstrated how fostering EO supports innovation, scalability, and global competitiveness. Overall, these studies stress the vital role of EO in SME performance, with policies that promote innovation and social collaboration enhancing competitiveness and economic growth in Indonesia.

The analysis demonstrates a strong predictive relationship in the structural model, with an R-square value of 68.6% for the influence of Entrepreneurial Orientation (EO), Ambidexterity Exploration (EA), and Ambidexterity Expansion (EXA) on Business Performance (BP). EO significantly impacts EXA (R-square = 46%) compared to its effect on EA (R-square = 35.5%). Hypothesis H3 indicates that EA has the strongest influence on BP (path coefficient = 0.446) compared to EO (0.140) and EXA (0.360). EA's effect on BP is categorized as high (f-square = 0.361). EO is a multifaceted construct encompassing creativity, risk-taking, and proactivity, while exploitation focuses on refining existing resources for incremental improvements (Blanka et al., 2022). In Indonesia, fostering EO and balancing it with exploitation is essential for SME growth. Policies supporting innovation and resource optimization can help SMEs adapt to dynamic markets and sustain competitiveness in Indonesia's evolving economy. Recent studies emphasize the significant role of EO in enhancing SME performance, especially in sectors such as food and beverage, furniture, and technology (Ferrerias-Méndez et al., 2022; Paulus & Hermanto, 2022; D. T. Kurniawan & Zutiasari, 2023).

SMEs benefit significantly from their flexibility, enabling them to adapt their forms, patterns, colours, and services. Market exploitation, in particular, plays a crucial role in driving product innovation (Zhang et al., 2017). Entrepreneurial Orientation (EO) is identified as a critical factor in the establishment of corporate information systems, serving as an essential yet often unseen resource for new companies (Tomczak et al., 2023). Performance improves when SMEs integrate their innovation capacity with social network development and an external orientation (D. Nofiani et al., 2021). For long-term success, SMEs must enhance their innovation capacity and actively engage with external stakeholders within social networks (Heirati et al., 2017). In Indonesia, these findings underline the importance of policies that promote both innovation and social collaboration. Such strategies will support SMEs in leveraging their adaptability and external orientation to sustain competitiveness, adapt to dynamic markets, and contribute to economic growth within Indonesia's unique socio-economic landscape.

Data analysis confirms the strong predictive capability of the Partial Least Squares (PLS) model, with an R-square value of 68.6% reflecting the influence of Ambidexterity Organisation (AO) on Business Performance (BP). Hypothesis H4 indicates that Exploration Ambidexterity (EA) exerts a more substantial impact on BP, with a path coefficient of 0.446, compared to Entrepreneurial Orientation (EO) and Exploitation Ambidexterity (EXA), which show path coefficients of 0.140 and 0.360, respectively. The effect of EA on BP is categorized as high, with an f-square value of 0.361. In Surabaya, Indonesia, SMEs significantly enhance their financial performance by leveraging the dimensions of EA, such as adopting new technologies, developing innovative products, and exploring new markets. Radical thinking among SME managers fosters organizational transformation through radical innovation (Koyama, 2022). Tailored policies that support exploration, innovation, and market expansion are crucial for SMEs to thrive in Indonesia's dynamic economic landscape.

Exploration involves seeking, learning, and taking risks to achieve organizational goals (Rosing & Zacher, 2017); (Alghamdi, 2018). For SMEs in Surabaya, Indonesia, effective business activities translate into profitability, market share, and revenue growth. Effectiveness, as defined by (Sahi et al., 2020), is the extent to which targeted outcomes are achieved. This study aligns with previous research by (Pratiwi & Salendu, 2021); (Pranaditya et al., 2021), which emphasize the critical role of external resources and technological adaptation. By aligning with evolving consumer demands, SMEs can sustain their competitiveness in dynamic markets. In Indonesia, policies that support innovation, technology adoption, and the utilization of external resources are vital for maintaining SME performance. Tailored strategies that foster exploration and adaptability are essential for addressing the unique socio-economic conditions of the country.

The analysis demonstrates that the PLS model exhibits strong predictive capability, with an R-square value of 68.6% for the impact of Ambidexterity Expansion (EXA) on Business Performance (BP). Hypothesis H5 reveals that Ambidexterity Exploration (EA) has a stronger influence on BP, with a path coefficient of 0.446, compared to EXA (0.360) and Entrepreneurial Orientation (EO) (0.140). The influence of EA on BP is categorized as high (f-square = 0.361). SMEs in Surabaya, Indonesia, effectively leverage organizational ambidexterity to achieve marketing success by balancing competitiveness and adaptability. Ambidexterity enhances SMEs' ability to innovate, target superior products, and meet regional changes. Notably, high uncertainty positively correlates with ambidexterity rather than direct marketing performance. These findings are consistent with studies by (Pratiwi & Salendu, 2021); (Pranaditya et al., 2021), which highlight the importance of adapting knowledge and external resources to dynamic environmental conditions. In Indonesia, fostering exploratory capabilities is essential for SMEs to navigate dynamic markets. Tailored policies that emphasize knowledge acquisition and market exploration can enhance innovation and sustain competitiveness, addressing Indonesia's unique socio-economic challenges.

Mediation analysis confirms that both Ambidexterity Exploration (EA) and Ambidexterity Expansion (EXA) serve as significant mediators in the relationship between Entrepreneurial Orientation (EO) and Business Performance (BP). The partial mediation model is validated with a p-value < 0.05. The f-square values for EA (0.071, indicating medium influence) and EXA (0.059, low to medium influence) reveal their respective strengths as mediators (Ogbeibu et al., 2020); (Lachowicz et al., 2018). The mediation effect of EA is more prominent than EXA, with path coefficients for EO's influence on BP through EA and EXA being 0.266 and 0.244, respectively, surpassing the direct influence of EO on BP (0.140). In Indonesia, particularly in Surabaya, SMEs can leverage these mediators—EA and EXA—to enhance their business performance. Policies that support these mediators and integrate EO into business strategies can help address regional challenges, fostering innovation and ensuring sustainable growth in dynamic markets.

Empirical results underscore the critical role of SMEs in leveraging their resources to foster innovation. Exploitation focuses on enhancing efficiency through consistent product reliability, cost reduction, and customer satisfaction monitoring, while exploration emphasizes value creation and achieving organizational objectives (Sahoo & Yadav, 2017). However, these findings challenge the research by (Idarraga et al., 2022), which advocates for a more diversified approach to optimizing exploration, exploitation, and innovation, rather than treating them as separate strategies. Studies such as (Cui et al., 2018) caution against the interchangeable use of exploration and exploitation, as this could hinder the innovation process. For SMEs in Indonesia, effectively balancing these strategies is vital to fostering both incremental and transformative innovation. Policies should focus on supporting tailored approaches to exploration and exploitation, addressing Indonesia's dynamic market conditions and enabling SMEs to sustain competitiveness and growth in the country's evolving socio-economic environment.

CONCLUSIONS

Empirical research demonstrates that adopting an Entrepreneurial Orientation (EO) significantly enhances the financial performance of SMEs in Indonesia, particularly in Surabaya. By fostering innovation, proactivity, and calculated risk-taking, SMEs achieve superior outcomes, aligning with prior studies on EO's positive impact on business performance. The relationship between EO and SME performance is further influenced by Exploitation Ambidexterity Organization (EXA) and Exploration Ambidexterity Organization (EA). Both dimensions support innovation, sustainability, and collaboration, enabling SMEs to adapt to dynamic markets. This study identifies four strategic approaches for developing organizational ambidexterity, guiding managers to sustain competitiveness and foster continuous innovation. In Indonesia's unique socio-economic context, policies that support EO and ambidexterity are crucial. Tailored interventions can address local challenges, empowering SMEs to leverage their entrepreneurial capabilities for sustained growth and resilience.

Findings suggest that SMEs should adopt two strategies when implementing ambidexterity: leveraging internal resources and utilizing external resources. This dual approach enables SMEs to respond effectively to market conditions. By integrating internal innovation with external collaborations, SMEs can enhance adaptability and competitiveness. Policies supporting resource optimization and ambidextrous practices are vital for navigating environmental uncertainties and fostering sustained growth.

Prospects for Further Research

Future research could explore the long-term effects of EO and ambidexterity on SME performance, conduct comparative studies across different regions, or examine how digital transformation enhances ambidextrous capabilities. Additionally, investigating cultural influences and the role of policy frameworks in supporting ambidexterity could offer deeper insights into fostering SME resilience in volatile markets.

ADDITIONAL INFORMATION

AUTHOR CONTRIBUTIONS

All Authors have contributed equally.

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CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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РОЛЬ АМБІВАЛЕНТНОСТІ В ОПОСЕРЕДКУВАННІ ПІДПРИЄМНИЦЬКОЇ ОРІЄНТАЦІЇ ТА БІЗНЕС-РЕЗУЛЬТАТИВНОСТІ В МАЛИХ І СЕРЕДНІХ ПІДПРИЄМСТВАХ

Це дослідження присвячене вивченню посередницької ролі організаційної амбівалентності у взаємозв'язку між підприємницькою орієнтацією та ефективністю бізнесу малих і середніх підприємств (МСП) на Східній Яві, Індонезія. Використовуючи кількісний метод дослідження, автори ретельно зібрали дані від 200 респондентів із МСП за допомогою напівструктурованої анкети, що забезпечило широке й водночас детальне представлення ландшафту МСП. Дані були ретельно проаналізовані методом моделювання структурних рівнянь (Structural Equation Modelling (SEM)) за допомогою програмного забезпечення SmartPLS, що дозволило сформулювати надійні та всебічні висновки.

Отримані результати однозначно свідчать про те, що організаційна амбідекстерність відіграє важливу посередницьку роль у зміцненні зв'язку між підприємницькою орієнтацією та ефективністю бізнесу. МСП, які застосовують амбідекстерні стратегії, – включаючи масштабування діяльності (lifting), розширення ринку (expanding), стратегічну співпрацю (collaborating), стійкість до несприятливих умов (surviving), постійні інновації (innovating) та операційну стабільність (maintaining), – демонструють значно кращі результати діяльності порівняно з тими, які не інтегрують таких підходів.

Ці результати підкреслюють критичну важливість адаптивних стратегій, що ефективно балансують між оптимізацією внутрішніх ресурсів і вивченням зовнішніх можливостей. У динамічному та часто нестабільному середовищі, характерному для економік, що розвиваються, здатність організації одночасно досліджувати нові можливості та використовувати наявний потенціал стає ключовим фактором, який визначає її стабільний успіх. Дослідження пропонує практичні рекомендації для практиків МСП, підкреслюючи необхідність упровадження амбідекстремальних структур у бізнес-моделі для підвищення конкурентоспроможності, гнучкості та стійкості в умовах дедалі складніших і непередбачуваних ринків.

Отже, організаційна амбідекстерність функціонує не лише як міст, що з'єднує підприємницьку орієнтацію та ефективність бізнесу, а й як каталізатор для підвищення організаційної стійкості й сталого зростання. Це дослідження

робить значний внесок у більш широке розуміння того, як МСП можуть процвітати в умовах глобалізації та швидких ринкових коливань, пропонуючи цінні висновки й для науковців, і для практиків у царинах підприємництва та управління бізнесом.

Ключові слова: організаційна амбівалентність, підприємницька орієнтація, бізнес-ефективність, SmartPLS, МСП, малі та середні підприємства

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