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THE ROLE OF LEADERSHIP AGILITY AND ENTREPRENEURIAL ORIENTATION ON INNOVATION AMBIDEXTERITY AND ITS IMPACT ON COMPETITIVE ADVANTAGE

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Abstract: In a dynamic and competitive business landscape, understanding the pivotal factors influencing innovation performance is essential for small culinary businesses aiming to maintain a competitive edge. This study investigates how leadership agility and entrepreneurial orientation promote innovation ambidexterity and competitive advantage, focusing on their direct and indirect effects, particularly among small culinary enterprises. This explanatory research employs a quantitative approach. The population comprises all small culinary businesses in Madiun City, totaling 90 businesses. Using a census sampling technique, the entire population was surveyed. Data were collected through a closed questionnaire and analyzed using Structural Equation Modeling Partial Least Square (SEM-PLS) with SmartPLS 3.0 software. The results indicate that leadership agility and entrepreneurial orientation significantly enhance innovation ambidexterity. Likewise, leadership agility and entrepreneurial orientation significantly impact competitive advantage. Notably, innovation ambidexterity significantly mediates the relationship between antecedent factors and competitive advantage, underscoring its role as a crucial mechanism in this dynamic. The study's novelty lies in exploring these relationships within the under-researched context of small culinary businesses, offering fresh insights into how these enterprises can leverage internal capabilities for greater market competitiveness. These insights are valuable for business owners, policymakers, and stakeholders in designing strategies and policies to support the development and competitiveness of small businesses.

Keywords: Innovation Ambidexterity, Competitive Advantage, Leadership Agility, Entrepreneurial Orientation, Structural Equation Modeling

CITATION

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INTRODUCTION

In this modern, fast-changing, and competitive global market, SMEs of all sectors have to overcome significant challenges in their quest for consistent growth and competitiveness. The rapid shift in market forces requires SMEs to respond in a timely manner and innovate continuously to sustain their business viability (Porter, 1998; Teece, 2007). The challenge often lies in their typically limited resources and capabilities to innovate- the two things required for them to compete against bigger, more established firms. It has been proven that, because of their size and resource constraints, SMEs encounter severe obstacles in the realization of feasible innovation strategies, a vital ingredient to their survival and growth (Acs and Audretsch, 2005; Zahra and George, 2002). These disadvantages prevent them from properly responding to the violent competitive pressures and quick changes that have marked contemporary markets. It is thus not an option for SMEs to adopt agile and entrepreneurial orientations that could help nurture innovation capability as a means of gaining competitive advantage and long-term success.

The available literature indicates that innovation is a beneficial tool in ensuring that SMEs have a competitive advantage. In support, empirical evidence by Teece et al. (2016) and Distanont (2020) shows that while innovation increases competitiveness, many SMEs experience challenges in successfully rolling out innovative strategies. These challenges are largely attributed to deficiencies in leadership agility and entrepreneurial orientation necessary to ensure adaptability and speed in responding to market fluctuations, as evidenced by Dapper (2019) and Tvaronavičienė et al. (2016), respectively. Accordingly, the research has shown that leadership agility gives organizations leverage to respond promptly to market fluctuations, and such prompt response encourages exploratory innovations to enhance existing capabilities. Teece, 2018. Dynamic capability for maintaining competitiveness gives SMEs the ability to seize new opportunities on time and respond effectively to environmental pressures. Accordingly, entrepreneurial orientation through pre-emptive and innovative practices adds significantly to a company's innovative capacity. This orientation not only facilitates the creation of novel ideas and processes but also guarantees their

effective execution to achieve a competitive market edge (Miller, 2011). The dynamic interaction of leadership agility, entrepreneurial orientation, and innovation ambidexterity considerably strengthens the competitive advantage within small and medium-sized enterprises (SMEs). Leadership agility, defined as the capacity of leaders to promptly adapt to fluctuations in the market, significantly enhances innovation ambidexterity by fostering an organizational culture that harmonizes both exploratory and exploitative forms of innovation. Such a balance is critical for maintaining a competitive advantage, as it permits organizations to quickly seize emerging opportunities while simultaneously improving their current products and services (Uhl-Bien and Arena, 2017). This phenomenon is magnified by an entrepreneurial orientation through the activation of a proactive, risk-taking, and innovative mindset within the organization. This orientation assists with not only the development of new products and services but also their successful implementation (Wales et al., 2011). Innovation ambidexterity functions as an essential intermediary, facilitating the conversion of strategic agility and entrepreneurial initiatives into tangible competitive results by allowing organizations to adjust and develop in reaction to present and prospective market requirements (O'Reilly and Tushman, 2013). Firms that balance these innovations outperform those that do not, as they are better equipped to adapt to technological changes and market volatility (O'Reilly and Tushman, 2013).

However, the selection of the culinary MSME sector in Madiun City as the subject of research is intentional. This paper focuses on Madiun City, which is an emerging metropolitan with a large number of culinary SMEs that need to enhance their competitiveness and innovation (BAP-PENAS, 2014). Due to the high competitiveness and the constant search for new solutions, leadership agility, and entrepreneurial orientation are crucial for the sector. Also, this sector has not been investigated adequately in the published literature, which allows providing original knowledge to the field. According to the Ministry of Cooperatives and SMEs of Indonesia, the food sector in Madiun is important in the economic growth of the region but suffers from many constraints in sustaining its competitiveness since it lacks both capital and in-

novation.

However, the existing literature on SME competitiveness pays little attention to the underlying processes of leadership agility and entrepreneurial orientation in relation to innovation ambidexterity in different industries, including the culinary industry. Although Smith and Lewis (2020) provide insights into ambidexterity in organizations and relate it to SMEs, their work is more on the theoretical aspect of ambidexterity than the application of ambidexterity in the SME environment. Likewise, Rauch et al. (2009) focused on the positive effects of entrepreneurial orientation, which is mainly studied with technology-oriented businesses, while limited research investigated this concept in culinary businesses. Furthermore, Johnson et al. (2022) present works on leadership agility under conditions of volatility; nevertheless, they do not mention the restrictions characteristic of small culinary businesses. Moreover, Andersen and Nielsen (2019) studied adaptability in SMEs, but their results were not directly related to innovation. This research, therefore, seeks to fill these gaps by establishing empirical evidence on how leadership agility and entrepreneurial orientation can support innovation ambidexterity and, consequently, competitive advantage in culinary SMEs.

Consequently, this research investigates the research gaps with regard to leadership agility and entrepreneurial orientation to improve innovative ambidexterity and competitive advantage of the small culinary firms in Madiun. This paper is unique in that it concentrates on the MSME culinary sector within a developing area and contributes fresh insights relating to internal organizational capability. The implications are expected to be useful to business practitioners as follows: gaining insights into how agility in leadership and entrepreneurship can be encouraged so as to enhance competitiveness and innovation performance. The first aim addresses the empirical verification of the proposed relationships, while the second provides practical suggestions for improving innovation and competitiveness in similar settings. Thus, it is imperative to contribute to the theory of leadership and the field of organizational management of SMEs and support the provision of a solid theoretical and practical basis for such organizations' effective functioning amid growing competition.

LITERATURE REVIEW

Resource-based view theory

The Resource-Based View (RBV) is a theory that focuses on the identification of resources that can only be possessed and utilized by the firm to gain a competitive advantage in the long run (Barney, 1991). Based on this theory, company resources are all tangible and intangible assets, capabilities, administrative processes, company attributes, information, knowledge, and other things that are under the control of the company that enables it to develop and execute strategies to enhance efficiency and efficacy. According to Fahy (2000), RBV theory emphasizes the importance of such internal resources and asserts that a firm's outcomes are largely determined by its internal capabilities and vulnerabilities. This perspective notes that resources should be valuable, rare, inimitable, or non-substitutable (VRIN) to offer a competitive advantage. Subsequent research has built on the RBV by analyzing how particular resources assist in attaining competitive advantage in different industries. Moreover, the research by Peece et al. (2016) has established that the management of resources that include but are not limited to intellectual property, technological capabilities, and human capital are essential for sustaining competitiveness within competitive and evolving markets. In addition, it stresses the need to integrate RBV with other strategic perspectives, including dynamic capabilities to accommodate the dynamic environment of the current business world. This perspective indicates that firms need to dynamically adjust and redeploy resources to maintain competitive advantage, which supports the idea of RBV as a suitable framework for analyzing and optimizing internal resources.

Leadership Agility

Leadership agility is directly analogous to organizational agility: the capacity to make accurate and proper decisions in an uncertain and fast dynamic environment (Uyun, 2018). A number of research studies have been done regarding leadership agility, most of which point to the fact that it has a strong association with innovation. Innovation is the degree of companies' involvement in the generation of novelty, risk-taking activities that may give rise to new goods, services, or tech-

niques. Sulistyowati (2018) has said that entrepreneurial leadership and innovation capacity have a positive relationship with competitive advantage in SMEs operating at the Surabaya Trade Office. In the same context, Azzahra and Nurani (2019) posit that the application of agile leadership is important when working with the millennial generation because millennials are more courageous when it comes to innovating. In addition, Uyun's (2018) research also points to the fact that leadership agility is essential for the enhancement of organizational learning and organizational innovation for MSMEs. The scholarship suggests that learning organizations can help to improve organizational innovation in learning organizations, which results in the reduction of the imitation orientation of MSMEs.

Entrepreneurial Orientation

Entrepreneurial orientation refers to the process, practice, and decision-making activities that lead to new inputs and has three aspects: adventurousness, acting before rather than waiting and responding and always creating something new (Lumpkin and Dess, 1996; Setiono, 2019). Some papers have noted that entrepreneurial orientation plays a large role in innovation ambidexterity. Exploitative innovation refers to incremental innovation where products that are already in the market satisfy existing customers, while explorative innovation is radical change, which is represented by new products to satisfy new customers and markets.

Innovation Ambidexterity

Innovation ambidexterity means that an organization is capable of exploring new ideas while at the same time exploiting what is already available. There are two types of innovation, exploratory and exploitative innovations, where the former is a technique of searching for new ideas and technologies while the latter is more about searching for improved ways of using existing technologies and ideas. Innovation ambidexterity is distinguished as the capability of firms to be innovative within stable and dynamic environments. It shows that firms with innovation ambidexterity can manage change and sustain competitive advantages in the long run (O'Reilly and Tushman, 2013). This flexibility allows the organization to maintain a con-

stant tension between creating new ideas and improving existing practices, which is important when operating in complex and competitive contexts (Raisch and Birkinshaw, 2008). Research evidence indicates that firms that have secured a balance between exploration and exploitation are well-placed to deal with disruption and to exploit new as well as existing sources of gain (Jansen et al., 2006).

Competitive Advantage

Competitive advantage is a concept that pertains to a firm's capability to perform its operations in a manner that renders it able to occupy a better position within the market and thus yield higher profits than its rivals. Firms', as described by Porter (1998), have the potential of attaining competitive advantage by either cost leadership or differentiation or by focus strategies. The contemporary literature also stresses that competitive advantage arises from a firm's ability to create and develop new strategies in response to changing market conditions (Barney, 1991). According to the resource-based view (RBV), important, scarce, unique, and non-imitative resources are the key sources of a firm's enduring competitive advantage (Wernerfelt, 1984). Further, IC, according to dynamic capabilities theory, must be dynamically created and reconfigured to sustain competitive advantage in environments characterized by dynamic capabilities (Teece, 2014). Therefore, competitive advantage is not only about having better resources than the competitors but also about using them better and responsive to the competitive forces.

HYPOTHESIS DEVELOPMENT

Leadership Agility and Innovation Ambidexterity

Recent research has also provided similar results to these effects. For example, Joiner and Josephs (2017) state that leadership agility is a critical factor that defines the contemporary business world's dynamics and encourages constant change and creativity. Furthermore, Jones and Corner (2020) explain that agile leadership is useful when building organizational resilience in environments characterized by high volatility. These studies, therefore, stress the need for leadership adaptability as a way of enhancing the innovation

culture and enhancing the ability of SMEs to sustain a competitive edge. Hence, it is vital to explore this relationship further to gain an understanding of how leadership agility could be utilized to improve innovation and competitiveness in SMEs. The proposed hypothesis is as follows:

H1: Leadership agility has a significant and positive effect on innovation ambidexterity.

Leadership Agility and Competitive Advantage

In business, MSMEs are supposed to develop new strategies, expand their businesses, design new products and services, and minimize the cost of the business activities promoted by technology to gain a competitive advantage (Teece et al., 2016). In the study of Prasongko and Andianto (2019), it is also stated that there are agile leadership models that could foster intelligent leaders who are capable of identifying opportunities, responding rapidly, understanding change, reason flexibly, and having a high tolerance for uncertainty. Furthermore, in the works of Braunscheidel and Suresh (2018), it is mentioned that organizational agility is a key success factor in volatile environments, and, in turn, Appelbaum et al. (2017) proved that agile leadership improves organizational resiliency and flexibility. The above results imply that leadership agility is a critical factor that may help MSMEs adapt to various business environments and survive competition. Hence, it is possible to state that leadership agility has a positive impact on competitive advantage. To strengthen this theory, the proposed hypothesis is as follows:

H2: Leadership agility has a significant and positive effect on competitive advantage.

Entrepreneurial Orientation and Innovation Ambidexterity

The study reveals the positive correlation between BlandA and the capability to sustain competitive innovation activities backed by entrepreneurial orientation, which eventually enhances performance. In a similar way, Wales et al. (2013) suggest that firms with high EO are more capable of engaging in both exploitive and explorative innovations and, therefore, improving their overall innovation performance. In addition, Rauch et al. (2009) supported the previous finding that entrepreneurial orientation has a positive effect on the

growth and profitability of a firm and is thus a key factor in achieving innovation ambidexterity. From the above explanation, it will be clear that entrepreneurial orientation has a positive and substantial impact on innovation ambidexterity.

H3: Entrepreneurial orientation has a significant and positive effect on innovation ambidexterity.

Entrepreneurial Orientation and Competitive Advantage

This is further supported by Syukron and Zidni (2016), who suggested that there is a significant positive relationship between entrepreneurial orientation and competitive advantage since the latter improves the firm's capability to incorporate innovation and changes. The above findings are also in concordance with Linton and Kask (2017), who asserted that firms with an entrepreneurial orientation are more capable of deploying resources for future competitive advantage. Besides, Wales et al. (2018) argue that there is a convergence between entrepreneurial orientation's positive effects on competitive advantage and the creation of organizational resilience and superior long-term performance. In the same way, Rauch et al. (2019) posited that entrepreneurial orientation affects innovation and strategic flexibility in a way necessary for firms to sustain competitiveness in volatile markets. To prove this theory, the proposed hypothesis is as follows:

H4: Entrepreneurial orientation has a significant and positive effect on competitive advantage.

Innovation Ambidexterity and Competitive Advantage

Recent studies strengthen the fact that innovation ambidexterity leads to competitive advantage. For instance, in their study, Raisch and Birkinshaw (2008) revealed that the firms with high levels of innovation ambidexterity were in a better place to adapt to changes in the market and maintain competitive advantage. However, O'Reilly and Tushman (2016) also state that innovation ambidexterity is important for organizations where the environment is constantly changing since it enables them to innovate constantly so as to remain viable. Jayaningrum and Erni (2018) reveal that the degree of innovation has a positive relationship with the degree of competitive advantage; there-

fore, innovation is a way through which firms can operate in competitive environments. This is supported by Suheni (2018), which shows that innovation practices do improve on competitive advantage.

H5: Innovation ambidexterity has a significant and positive effect on competitive advantage

The Mediation of Innovation Ambidexterity

Several researchers have begun to investigate the relationship between leadership agility, innovation ambidexterity, and competitiveness. There are two aspects of leadership agility, which include the ability to respond quickly to change and make decisions and has been found to have a positive relationship with organizational performance and strategic performance (Dyer and Gregersen, 2020). What is more, innovation ambidexterity, which is the organization’s capacity to explore and exploit opportunities, has been proven to be a critical mediator that helps to improve competitive advantage (O’Reilly and Tushman, 2019). Studies conducted in the last few years show that leaders who possess high agility are likely to create an ambidextrous culture that enhances their competitive advantage (Binns et al., 2021). For instance, agility in leadership may help an organization to update itself through continuous refinement and revolutionary change (Jansen et al., 2006). In addition, the existing literature reveals that innovation ambidexterity helps to strengthen the relationship between leadership agility and competitive advantage since it helps firms to better adapt to market changes and maintain a competitive advantage (Teece, 2022). The proposed hypothesis

is as follows:

H6: Innovation ambidexterity mediates the relationship between leadership agility and competitive advantage.

The literature has in the recent past paid much attention to the moderating role of innovation ambidexterity on the entrepreneurial orientation to competitive advantage relationship. As for entrepreneurial orientation, which includes factors such as innovativeness, proactiveness, and risk-taking, it is known that it has a strong influence on competition advantage (Rauch et al., 2020). Research indicates that firms with a high EO are in a better place to manage innovation ambidexterity, which is the balance between exploration and exploitation, in order to sustain a competitive advantage (Liu et al., 2021). In particular, innovation ambidexterity has been found to intervene positively between EO and competitive advantage by increasing the positive effects of EO on new market opportunities as well as the utilization of existing resources (Lin et al., 2022). Current empirical evidence provides evidence that firms with high EO and well-coordinated ambidexterity initiatives are better placed to deliver enhanced performance and sustain a competitive edge (Gómez-López et al., 2023). For instance, the integration of ambidextrous innovation practices enables entrepreneurial firms to better navigate market uncertainties and capitalize on emergent opportunities (Chen et al., 2021). The proposed hypothesis is as follows:

H7: Innovation ambidexterity mediates the relationship between entrepreneurial orientation and competitive advantage.

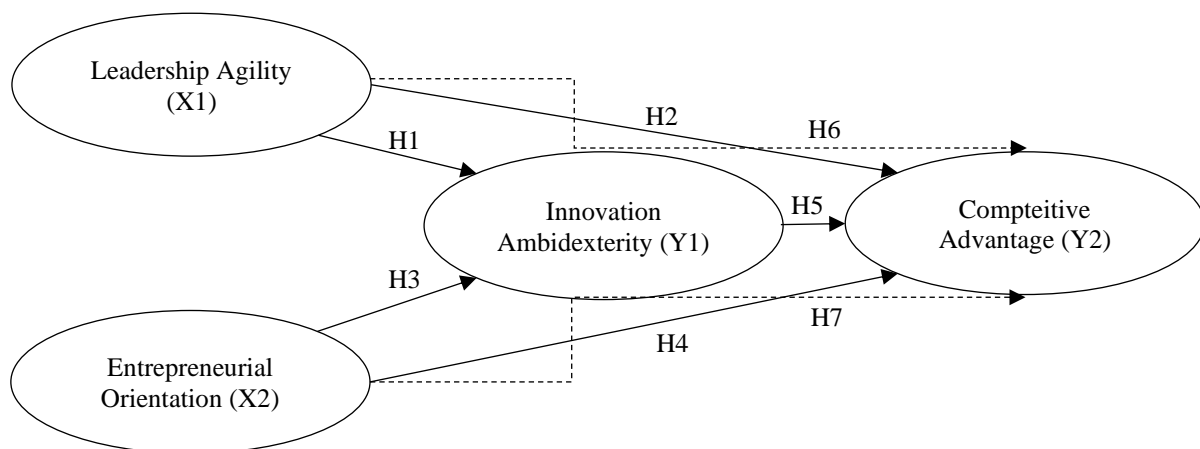


Figure 1. Research Framework

METHOD

Research design

The selection of small culinary businesses in Madiun City as the research object is grounded in their significant role within the local economy and their potential for innovation-driven competitive advantage. These businesses are pivotal as they represent a sector where leadership agility and entrepreneurial orientation can directly influence innovation ambidexterity, a key determinant of market competitiveness. As noted in the introduction, small businesses often face challenges in capacity and quality, limiting their competitive edge and innovation capabilities (BAPPENAS, 2014). The relationship between these factors is central to understanding how small culinary businesses can

leverage internal capabilities to foster incremental and radical innovations, achieving a sustainable competitive advantage in a rapidly evolving market (Jansen et al., 2006).

This study, conducted in January 2024, utilizes primary data collected through structured questionnaires. The questionnaires were distributed via Google Forms to 90 small culinary business owners in Madiun City. Designed as closed questionnaires, they require respondents to select their answers from the provided options. This format aims to enhance the reliability and validity of the information gathered. To further ensure the accuracy and trustworthiness of the data, the responses from these questionnaires will undergo additional testing for validity and reliability.

Table 1. Criteria of Respondent

No	Respondent Description (PP no. 7 of 2021)
1	Is your business an independent, productive economic entity operated by an individual or a business entity that is not a subsidiary or a branch owned, controlled, or part of either directly or indirectly a medium or large business?
2	Are you the current owner of the business?
3	Does your business employ between 5 to 19 people?
4	Does your business capital exceed IDR 1,000,000,000.00 (one billion Indonesian Rupiah) but not more than IDR 5,000,000,000.00 (five billion Indonesian Rupiah), excluding land and buildings of the business premises?
5	Does your annual sales revenue exceed IDR 2,000,000,000.00 (two billion Indonesian Rupiah) but not more than IDR 15,000,000,000.00 (fifteen billion Indonesian Rupiah)?

Source: Government Regulation No. 7 of 2021

Table 2. Variable Operational Definitions

Variable	Indicator	Source
Leadership Agility (X1)	Anticipate Change (X1.1)	Homey et al. (2010)
	Generate Confidence (X1.2)	
	Initiate Action (X1.3)	
	Liberate Thinking (X1.4)	
	Results (X1.5)	
Entrepreneurial Orientation (X2)	Proactiveness (X2.1)	Bolton and Lane (2012)
	Risk Taking (X2.2)	
	Social Passion (X2.3)	
Innovation Ambidexterity (Y1)	Exploitative Innovation Strategy (Y1.1)	Morgan and Berthon (2008)
	Explorative Innovation Strategy (Y1.2)	
Competitive Advantage (Y2)	Value (Y2.1)	Kim (2015)
	Rarity (Y2.2)	
	Inimitability (Y2.3)	
	Organizational support (Y2.4)	

Data collection and sampling method

This research targets the entire population of small culinary business operators in Madiun City, totaling 125 enterprises, as confirmed by the Madiun City Branch of Trade and Industry Office and further verified through the author's survey of each stall. A purposive sampling technique is employed to select the sample, allowing for the selection of participants based on specific criteria outlined in Government Regulation No. 7 of 2021 (Table 1). Accordingly, 90 business operators who meet these criteria are chosen as respondents for the study, ensuring that the sample reflects the characteristics required under the specified regulation.

Measurement and data analysis technique

The researcher used a questionnaire adapted from previous studies that tested reliability. The indicators used in the questionnaire and their sources can be seen in Table 1. Each item in this questionnaire is rated on a five-point Likert scale where 1 means "strongly disagree" and 5 means "strongly agree." The metrics and measurements for each variable are shown in Appendix A and Table 2. The analysis method used in this study is descriptive and inferential statistical analysis. Based on the hypothesis and research design, the data collected in this study are analyzed using Partial Least Square (PLS).

RESULTS

Measurement Model (Outer Model)

Outer model analysis is performed to validate the measurements being used. This model defines the pattern of association between the construct and the measure that represents it. The outer model tests entail convergent validity, discriminant validity, and construct reliability tests.

This research uses confirmatory factor analysis examined using several indices, including outer loading, composite reliability, average variance extracted/AVE, and the Fornell-Larcker Criterion. Construct reliability is established using Cronbach's alpha and composite reliability, whereby the alpha is above 0.7 for each construct (Ghozali.,2018). The values of composite reliability are 0.7 and are considered adequate. Convergent validity is assessed by the average variance extracted with a cutoff point greater than or equal to 0.5

(Ghozali.,2018).

The results of the convergent validity test for the reflective measurement model of the leadership agility (X1), entrepreneurial orientation (X2), innovation ambidexterity (Y1), and competitive advantage (Y2) were obtained factor loading values from the indicators were greater than 0.700, this mean that the indicators of the variables have achieved the convergent validity status. The construct validity test results using average variance extracted (AVE) values amounted to analysis results that were higher than 0.500, which shows that all the variables: leadership agility (X1), entrepreneurial orientation (X2), innovation ambidexterity (Y1), and competitive advantage (Y2) have achieved the construct validity criteria. The discriminant validity test, done using the Fornell-Larcker Criterion, found that the AVE square root values were higher than the correlation values between the latent variables. Thus, leadership agility (X1), entrepreneurial orientation (X2), innovation ambidexterity (Y1), and competitive advantage (Y2) met the discriminant validity test.

Structural Model (Inner Model)

Inner model analysis can be evaluated using R-square for dependent constructs. Evaluating the inner model with PLS (Partial Least Square) starts by looking at the R-square for each dependent latent variable. Then, the interpretation is the same as in regression. The change in R-square values can be used to assess the influence of certain independent latent variables on dependent latent variables and whether they have a substantive impact.

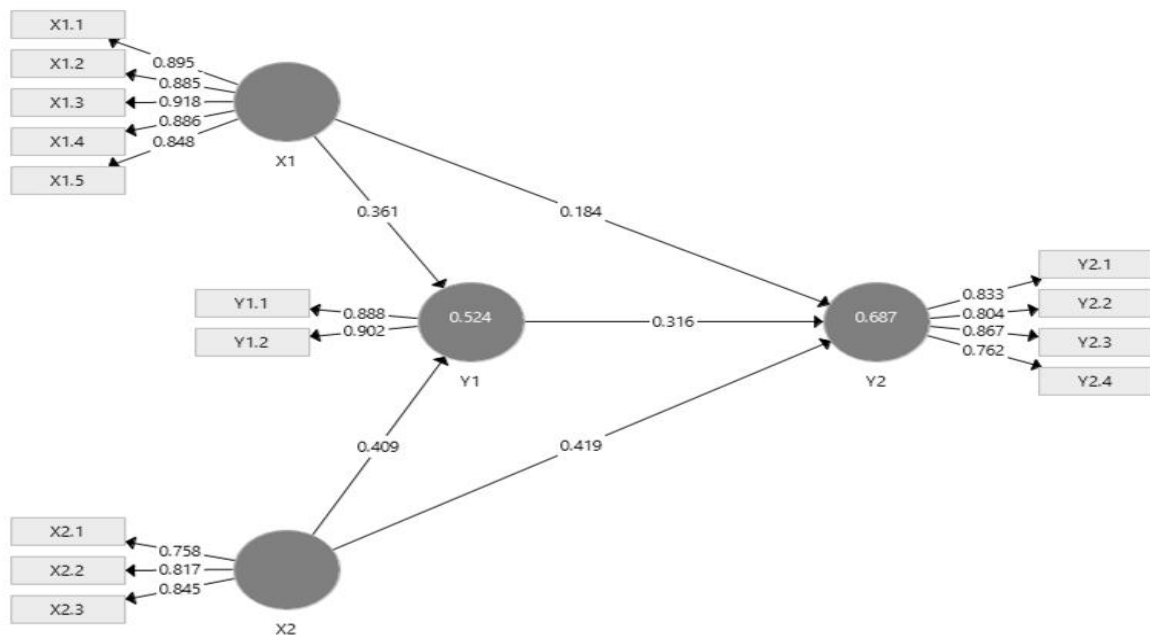
Based on the results, it can be seen that the coefficient of determination results for the influence between leadership agility (X1) and entrepreneurial orientation (X2) on innovation ambidexterity (Y1) obtained an R-square value of 0.524, which means that the influence on innovation ambidexterity (Y1) can be explained by 52.4 percent by leadership agility (X1) and entrepreneurial orientation (X2), while the rest is explained by other variables. Additionally, the coefficient of determination results for the influence between leadership agility (X1), entrepreneurial orientation (X2), innovation ambidexterity (Y1) on competitive advantage (Y2) obtained an R-square value of 0.687, which means that the influence on competitive advantage (Y2) can be explained by 68.7 percent by

leadership agility (X1), entrepreneurial orientation (X2), innovation ambidexterity (Y1), while the rest is explained by other variables. The Q-square value obtained is 0.851, indicating it is greater than 0 and greater than 0.35, indicating that the overall structural model has strong predictive relevance.

Hypothesis Testing

Hypothesis testing can be seen from the t-statistic value and the probability value. For hypothesis testing using statistical values, for alpha 5%, the t-statistic value used is 1.645. Hence, the acceptance or rejection criteria for the hypothesis is Ha accepted, and H0 rejected when the t-statistic > 1.645. To reject/accept the hypothesis using probability, Ha is accepted if the p-value < 0.05. Hypothesis testing can be conducted based on the empirical data used in this study. The following presents the hypothesis testing results based on path coefficients and T-Statistic/P-value values.

pothosis testing using statistical values, for alpha 5%, the t-statistic value used is 1.645. Hence, the acceptance or rejection criteria for the hypothesis is Ha accepted, and H0 rejected when the t-statistic > 1.645. To reject/accept the hypothesis using probability, Ha is accepted if the p-value < 0.05. Hypothesis testing can be conducted based on the empirical data used in this study. The following presents the hypothesis testing results based on path coefficients and T-Statistic/P-value values.



Notes:

- X1: Leadership Agility
- X2: Entrepreneurial Orientation
- Y1: Innovation Ambidexterity
- Y2: Competitive Advantage

Figure 2. Direct Effect Results

Table 3. Hypotheses Testing Results

Hypothesis	Relationship	Path Coefficient	T Statistics	P Values
H1	X1 -> Y1	0.361	2.427	0.008
H2	X1 -> Y2	0.184	1.802	0.036
H3	X2 -> Y1	0.409	2.989	0.001
H4	X2 -> Y2	0.419	5.591	0.000
H5	Y1 -> Y2	0.316	3.382	0.000
H6	X1 -> Y1 -> Y2	0.114	1.915	0.030
H7	X1 -> Y1 -> Y2	0.129	2.289	0.012

Sources: Processed by the Author (2024)

This study shows that Leadership Agility has a positive and significant effect on Innovation Ambidexterity among culinary MSMEs in Madiun City, indicating that the H1 proposed in this study is accepted. In this study, the hypothesis of the effect between Leadership Agility and Innovation Ambidexterity obtained a path coefficient of 0.361 with a t-statistic value of 2.427 and a significance value of 0.008. These results indicate a t-statistic value greater than the t-table ($t_{stat} > 1.645$) and a significance value less than 0.05 ($sig < 0.05$), indicating that leadership agility has a positive and significant effect on innovation ambidexterity, meaning that the higher/better the leadership agility, the higher/better the innovation ambidexterity.

The results also show that Leadership Agility has a positive and significant effect on Competitive Advantage among culinary MSMEs in Madiun City, indicating that the H2 proposed in this study is accepted. The hypothesis of the effect between leadership agility and competitive advantage obtained a path coefficient of 0.184 with a t-statistic value of 1.802 and a significance value of 0.036. These results indicate a t-statistic value greater than the t-table ($t_{stat} > 1.645$) and a significance value less than 0.05 ($sig < 0.05$), indicating that leadership agility has a positive and significant effect on competitive advantage, meaning that the higher/better the leadership agility, the higher/better the competitive advantage.

Next, Entrepreneurial Orientation has a positive and significant effect on Innovation Ambidexterity among culinary MSMEs in Madiun City, indicating that the H3 proposed in this study is accepted. The hypothesis of the effect between Entrepreneurial Orientation and Innovation Ambidexterity obtained a path coefficient of 0.409 with a t-statistic value of 2.989 and a significance value of 0.001. These results indicate a t-statistic value greater than the t-table ($t_{stat} > 1.645$) and a significance value less than 0.05 ($sig < 0.05$), indicating that entrepreneurial orientation has a positive and significant effect on innovation ambidexterity, meaning that the higher/better the entrepreneurial orientation, the higher/better the innovation ambidexterity.

This study also shows that Entrepreneurial Orientation has a positive and significant effect on Competitive Advantage among culinary MSMEs in Madiun City, indicating that the H4 proposed in

this study is accepted. The hypothesis of the effect between Entrepreneurial Orientation and Competitive Advantage obtained a path coefficient of 0.419 with a t-statistic value of 5.591 and a significance value of 0.000. These results indicate a t-statistic value greater than the t-table ($t_{stat} > 1.645$) and a significance value less than 0.05 ($sig < 0.05$), indicating that entrepreneurial orientation has a positive and significant effect on competitive advantage, meaning that the higher/better the entrepreneurial orientation, the higher/better the competitive advantage.

Innovation Ambidexterity has a positive and significant effect on Competitive Advantage among culinary MSMEs in Madiun City, indicating that the H5 proposed in this study is accepted. The hypothesis of the effect between Innovation Ambidexterity and Competitive Advantage obtained a path coefficient of 0.316 with a t-statistic value of 3.382 and a significance value of 0.000. These results indicate a t-statistic value greater than the t-table ($t_{stat} > 1.645$) and a significance value less than 0.05 ($sig < 0.05$), indicating that innovation ambidexterity has a positive and significant effect on competitive advantage, meaning that the higher/better the Innovation Ambidexterity, the higher/better the competitive advantage.

The indirect effect of Leadership Agility on Competitive Advantage, mediated by Innovation Ambidexterity, yielded a path coefficient of 0.114 with a t-statistic value of 1.915 and a significance value of 0.030, indicating that H6 in this study is accepted. This demonstrates that Innovation Ambidexterity significantly mediates the impact of Leadership Agility on Competitive Advantage. The path coefficient obtained is positive, indicating that enhancements in Innovation Ambidexterity, supported by the effective implementation of Leadership Agility, can further enhance Competitive Advantage.

Furthermore, the indirect effect of Entrepreneurial Orientation on Competitive Advantage, mediated by Innovation Ambidexterity, yielded a path coefficient of 0.129 with a t-statistics of 2.289 and a p-value of 0.012, indicating that H7 in this study is accepted. This shows that Innovation Ambidexterity significantly mediates the impact of Entrepreneurial Orientation on Competitive Advantage. The path coefficient obtained is positive, suggesting that improvements in Innovation Am-

bidexterity, accompanied by a measured Entrepreneurial Orientation, can further enhance Competitive Advantage.

DISCUSSION

Leadership Agility and Innovation Ambidexterity

The ability of leadership to adapt has been identified as a critical factor in fostering innovation ambidexterity in any organization, especially in dynamic fields such as the culinary business in Madiun City. Leadership must be effective in creating an environment that supports exploratory and exploitative innovations, which are vital for sustaining competitive advantage in dynamic markets (Jansen et al., 2006). Therefore, this study establishes that leadership agility impacts innovation ambidexterity both directly and indirectly, which positively affects competitive advantage through innovation ambidexterity. According to the research, the ability of leaders to timely identify emerging market trends and act proactively by adapting to them enables the balance of innovation strategies to meet current and future market requirements (Uyun, 2018; Sulistyowati, 2018). However, it is crucial to emphasize that the factor of entrepreneurial orientation occupies a special place in this framework. Leadership agility is supported by an entrepreneurial orientation, which focuses on risk-taking, proactivity, and innovation to provide the strategic vision essential for capitalizing on opportunities and improving the firm's innovative performance (Lumpkin and Dess, 1996; Hafeez et al., 2012). The contingency between Entrepreneurial Orientation and Leadership Agility brings about a multiplicative impact on Innovation Ambidexterity, which indeed adds another dimension to the existing literature on sustaining competitive advantage at the firm level. This combination of enthusiasm and flexible management allows organizations to address the challenges and opportunities of the culinary industry, which may not be successfully addressed by conventional tools and frameworks.

Leadership Agility and Competitive Advantage

This study recognizes the importance of leadership agility in gaining a competitive advantage in a volatile culinary industry in Madiun City. These include flexibility and responsiveness

to change, being able to anticipate the market, and the capability to make quick decisions in line with overall business strategy (Joiner and Josephs, 2017). The increase in agility helps the firm to maneuver into the competition and ensure that it is on the right side of changes in the industry and consumer trends (Appelbaum et al., 2017). Hence, the first hypothesis, which states that leadership agility is positively related to competitive advantage, is supported by the finding that the former is positively associated with innovation ambidexterity that, in turn, plays a mediating role for competitive advantage to be achieved and sustained in the market (Dyer and Gregersen, 2020).

In addition, other research has indicated that the use of agile leadership practice in organizations enhances organizational resilience and flexibility, which are essential for the preservation of competitive advantage in the volatile and uncertain business environment (Jones and Corner, 2020). Leadership agility not only creates timely strategic solutions but also promotes a culture of change and innovation, which is essential for companies in the culinary industry. This cultural shift is critical as it fosters both the search for new opportunities and the leveraging of existing resources, leading to improved competitive advantage for the firm (O'Reilly and Tushman, 2019). Furthermore, the data gathered in the course of this study indicates the need to understand the concept of leadership agility while promoting a culture of innovation. This environment highly contributes to competitive advantage by allowing firms to promptly adapt to market threats and opportunities (Binns et al., 2021). As such, by supporting a deeper level of integration of agile practices, firms will help increase their ability to be strategically flexible, which is crucial in the changing culinary industry of Madiun City (Teece, 2022).

Entrepreneurial Orientation and Innovation Ambidexterity

Entrepreneurial Orientation is crucial in innovation ambidexterity, which, in turn, helps organizations achieve sustainable competitive advantage in dynamic environments (Wales et al., 2013). Such orientation associated with risk-taking, proactivity, and innovativeness not only creates new products and services but also refines existing capabilities, which is vital for SMEs operat-

ing in competitive industries like the culinary industry of Madiun City. In addition, the proactive aspect of entrepreneurial orientation makes firms ready and able to exploit new opportunities rather than just follow the current trends. In contrast, the innovative aspect of the entrepreneurial orientation fosters the firm's ability to create new markets and products (Wales et al., 2013).

Another important factor indicating that innovation ambidexterity depends on entrepreneurial orientation is considered the interaction between the strategic orientation and the firm's resource-based capabilities (Barney, 1991; Wernerfelt, 1984) concerning the efficient acquisition and utilization of resources. Since entrepreneurial orientation propels an organization to come up with innovative ventures, the firm's resources must also be prepared to accommodate both new exploratory ventures and improve existing business processes (Jansen et al., 2006). Therefore, entrepreneurial orientation not only drives innovation but also improves the firm's ambidexterity in innovation through its impact on resource deployment and exploitation (Wernerfelt, 1984; Barney, 1991).

Entrepreneurial Orientation and Competitive Advantage

The findings further indicate that entrepreneurial orientation has a positive relationship with competitive advantage because it refers to a firm's strategic stance that involves being innovative, proactive, and willing to take risks while exploiting opportunities in the market, as defined by Lumpkin and Dess (1996). In dynamic markets, where the culinary sector in Madiun is located, a high level of entrepreneurial orientation enables businesses to respond proactively to changes and innovate, thus increasing their competitiveness. Such a strategy is especially important when it comes to making quick adaptations to the consumers' needs and the trends in the market that can help small businesses set themselves apart from their counterparts (Syukron and Zidni, 2016).

In addition, there is evidence that entrepreneurial orientation, combined with innovation practices, generates a strong link to attaining and maintaining competitive advantage. Organizations that invest in the innovation of new products and the enhancement of current products can address different customer demands and forces in the mar-

ket (Linton and Kask, 2017). Importantly, the entrepreneurial orientation helps a firm to better utilize its valuable resources, which is in line with the RBV that points out that resources and capabilities that are rare, valuable, inimitable, and non-substitutable are the sources of the competitive advantage (Barney, 1991).

Innovation Ambidexterity and Competitive Advantage

Innovation ambidexterity is a critical success factor that is well applied for competitive advantage in industries with dynamic technological and market environments, such as the culinary industry in Madiun. This concept focuses on an organization's ability to engage in both incremental and radical innovations and, at the same time, meet market needs as well as search for new opportunities (O'Reilly and Tushman, 2013; Raisch and Birkinshaw, 2008). Research findings show that firms that have well-developed dual capabilities are not only able to respond proactively to different environmental risks and changes but are also able to effectively exploit possible opportunities, thus creating a sustainable competitive advantage (O'Reilly and Tushman, 2016).

Moreover, the incorporation of innovation ambidexterity into strategic processes greatly increases a firm's flexibility and proactivity, which further improves overall performance and strategic positioning for a firm (Suheni, 2018). The paper also supports that these companies that balance innovation ambidexterity achieve higher customer satisfaction, market share, and profitability, proving that there are significant effects of innovation ambidexterity for competitive advantage (Jayaningrum and Erni, 2018). Therefore, for the culinary businesses in Madiun, the development of an innovative ambidexterity culture may become one of the key success factors for a competitive advantage against competitors.

Innovation Ambidexterity as Mediation on Leadership Agility and Competitive Advantage

The study also provides strong empirical support to the proposed mediation hypothesis that states that the relationship between leadership agility and competitive advantage is mediated by innovation ambidexterity. The ability of an organization to be both thing exploring and thing ex-

exploiting at the same time allows for a strategic balance that helps to harness new opportunities without compromising on existing strengths (O'Reilly and Tushman, 2013). In particular, leadership agility increases this balance by creating an organizational culture that is adaptive to the changing market environment, thus supporting a viable competitive advantage. Such a mediated relationship indicates that while agile leadership practices are synonymous with the nimbleness of response, there is also a notion of strategic unity that aims to harmonize the explorative and exploitative forms of innovation for the ultimate objective of establishing superior competition.

In addition, the empirical evidence supports the idea that innovation ambidexterity enhances the relationship between agile leadership and competitiveness by offering a conceptual map for enhancing organizational responses to environmental turbulence (Binns et al., 2021). For example, a firm's capacity to adapt and create new offerings in the external environment and improve organizational processes can greatly increase the competitive advantage and sustainability (Raisch and Birkinshaw, 2008). This is in light of the fact that leadership agility and innovation ambidexterity are complementary dynamisms that warrant the development of leadership qualities that can foster both exploration and exploitation modes of innovation in an attempt to sustain a competitive edge in volatile markets (O'Reilly and Tushman, 2019).

Innovation Ambidexterity as Mediation on Entrepreneurial Orientation and Competitive Advantage

On this basis, innovation ambidexterity can be conceived as the mediating variable that links entrepreneurial orientation and competitive advantage, thereby intensifying the effectiveness of entrepreneurial behavior for organizational outcomes (Rauch et al., 2009). The concept of entrepreneurial orientation is defined as a set of firm-specific capabilities, including innovativeness, proactiveness, and risk-taking, that enhance the firm's ability to operate successfully in various markets. When used in combination with innovation ambidexterity, the ability to do both explorative and exploitative innovations, organizations are well placed to benefit from new opportunities in the market while at the same time improving the efficiency of

their existing operations, hence increasing their competitiveness greatly (Liu et al., 2021).

This research also confirms that firms that possess a high Entrepreneurial Orientation and manage to execute ambidextrous innovation strategies have a competitive advantage over other players in a competitive environment (Gómez-López et al., 2023). Such a relationship shows the need to cultivate an entrepreneurial perspective for the advancement of new opportunities and the enhancement of existing products. The combined implementation of entrepreneurial orientation with innovation ambidexterity means that firms are adaptive to change, hence creating a competitive advantage for sustainable competitiveness in environments that are becoming more dynamic (Rauch et al., 2020).

IMPLICATIONS

This research supports that leadership agility and entrepreneurial orientation positively and significantly influence innovation ambidexterity, which improves the competitive advantage of small culinary businesses in Madiun. Findings from this study suggest that organizations with agile leadership and high EOA are faster in responding to market dynamics and more effective in exploiting opportunities. This is as important in relevance and survival in the competitive food industry as it is in the culinary business. Those leaders who are able to quickly adapt to changes in the environment guarantee that not only are their businesses merely sustaining themselves but also leading the pack in terms of change, thus guaranteeing sustainable economic development.

Additionally, the result of this study has some managerial implications for business policies and strategies. Small culinary businesses should consider training activities that will improve leadership flexibility and promote the spirit of entrepreneurship among employees. Such strategic initiatives could range from workshops on fast decision-making and developing a culture of innovation and tolerance to risk. Through these practices, there is an improvement in the internal competencies of small businesses, which is crucial for both the utilization of market opportunities and the development of new markets, thus providing a significant competitive advantage in the evolving culinary sector.

RECOMMENDATIONS

To enrich the results of this research, subsequent similar investigations should analyze similar phenomena in other geographical and sectoral settings to confirm the universality of the revealed patterns. The use of Longitudinal study design and qualitative and quantitative data would enhance causality and context in the findings. Furthermore, looking at the factors that enable digital transformation and globalization may reveal additional factors that affect competition in the current business environment and provide a better understanding of the factors that underpin competitive advantage in various contexts. Although this study was able to investigate the impact of leadership agility and entrepreneurial orientation on innovation and competitive advantage, the study has the following limitations that have to be noted. First, this research is only focused on small culinary businesses in Madiun City, which may reduce the extent to which the result of this research can be generalized to other areas with different economic environments and food industry dynamics. However, it is crucial to understand the generalizability of these insights to other locations that may be affected by Madiun's particular cultural, economic, and regulatory conditions. Second, the cross-sectional data sources restrict the possibility of stating the causality between the analyzed variables precisely. Longitudinal data collection would be more suitable for making causal inferences or, at the very least, making conclusive conclusions. Finally, self-report measures can also be biased since respondents may give socially desirable responses or misunderstand questions.

CONCLUSIONS

Therefore, this research examines leadership agility and entrepreneurial orientation to improve innovation ambidexterity and competitive advantage of small culinary businesses in Madiun. These positive and significant associations of these variables demonstrate the need for organizations to practice adaptive leadership and to develop proactive business models for sustaining and enhancing innovation. These findings imply that small businesses should focus on leadership and organizational learning to enhance their adaptability and resilience to such market conditions for continuous improvement. Further, this research offers ev-

idence for incorporating leadership agility and entrepreneurial orientation into strategic management frameworks. By so doing, small culinary businesses can be well placed to leverage opportunities and avoid the risks associated with the changing market. This research provides strong support for the ongoing investment in leadership and innovation as the critical part of competitive strategy. From a broader perspective, the conclusion derived from this study enhances theoretical development and provides a clearer perspective of how small businesses can enhance leadership agility and entrepreneurial orientation to improve their performance in a competitive environment.

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