INVESTIGATION OF THE EFFECT OF ORGANIZATIONAL AMBIDEXTERITY AND INNOVATION CAPABILITY ON SUPPLY CHAIN PERFORMANCE: AN EMPIRICAL STUDY OF INDONESIAN MSMES

a Wahyudin Maguni, b Jalaluddin Rum, c Sofhian, d Muhammad Hadi

ABSTRACT

Objective: There is no research on organizational ambidexterity and innovation capability on supply chain performance in Indonesia. The purpose of this research is to analyze the relationship between Organizational Ambidexterity on supply chain performance, Organizational Ambidexterity on innovation capability, Innovation capability on supply chain performance in SMEs in Indonesia.

Method: This research method is quantitative causality, data analysis uses structural equation modeling (SEM) partial least squares (PLS) with the data processing tool SmartPLS 3.0. The respondents of this research were 350 SMEs owners in Indonesia who were determined by simple random sampling method. The research data was obtained by distributing online questionnaires through social media. The questionnaire was designed using questions with a Likert scale of 1 to 7. The stages of data analysis were the outer model test, namely convergent validity, discriminant validity and composite reliability and the inner model test, namely the determination test and hypothesis testing or significance test. The independent variable in this study is organizational ambidexterity, the mediating variable is innovation capability and the dependent variable is supply chain performance.

Result: The results of the data analysis show that organizational ambidexterity has a positive and significant effect on supply chain performance, organizational ambidexterity has a positive and significant effect on innovation capability, innovation capability has a positive and significant effect on supply chain performance.

Conclusion: This research only focuses on MSME businesses. The results of this study can complement existing theories. The results of this study can be used as reference material for MSME business owners. Then the results of this research can also be used as a reference for MSMEs in improving marketing performance by increasing product innovation and market orientation directly or through organizational ambidexterity. Based on this, there is an influence of Organizational Ambidexterity and Innovation Capability on SMEs Performance. So it is necessary to analyze whether or not there is an influence exerted by Organizational Ambidexterity Innovation Capability and on SMEs Performance. This research is expected to provide theoretical benefits, namely increasing the contribution of knowledge, especially regarding Organizational Ambidexterity and innovation capability to MSME performance, while

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a Doctor in Marketing Management, Febi IAIN Kendari, Indonesia, E-mail: wmaguni@yahoo.com, Orcid: https://orcid.org/0000-0003-1823-7631
b Doctor in Management, IAIN Kendari, Indonesia, E-mail: jalaluddinrum@gmail.com, Orcid: https://orcid.org/0009-0005-6295-367X
c Doctor in Islamic Economic, Febi IAIN Gorontalo, Indonesia, E-mail: sofhian@iaingorontalo.ac.id, Orcid: https://orcid.org/000-0001-7800-0017
d Doctor in Islamic Economic Law, Febi IAIN Kendari, Indonesia, E-mail: muhammadhadituban11@gmail.com, Orcid: https://orcid.org/0000-0002-8013-6295
practical benefits can be used as input for SMEs in carrying out Organizational Ambidexterity and Innovation Capability in order to improve SMEs performance.

**Keywords:** organizational ambidexterity, innovation capability, supply chain performance: an empirical study on Indonesian SMEs.
INTRODUCTION

In this digital era, the development of the SMEs sector cannot be carried out partially, but requires a workable approach that is simultaneously workable from all elements. According to Akman et al. (2023) the development of SMEs is still constrained by traditional business management, inadequate quality of human resources, production scale and techniques, low innovation capability and limited access to financial institutions, especially banks. In addition to innovation capabilities, in this era of economic growth and competition in the business world is very fierce. In need of a good strategic environment to help good economic growth for the company. One of them namely in the food industry sector which currently has considerable potential for economic growth. According to Ceptureanu et al. (2023) the strategic environment influences a number of things such as changes in the business environment that cannot be predicted when they will occur, such as events that always occur, namely the movement of change from one of the combined factors of the business environment both from within and from outside on a national and local scale. Part of this impact creates an opportunity, namely a business opportunity, where this can make competition tighter. At this time the business development in the SMEs sector is very rapid and also diverse, ranging from traditional food to modern food which is also growing rapidly following the times and increasingly competitive business competition. In the midst of increasingly competitive competition, economic actors are trying to issue their creative and innovative ideas to be able to have more value than other competitors. Where these economic actors can survive in the midst of intense competition, technological advances, then this requires that SMEs actors have a demonstrable value that their SMEs have better performance than other competitors.

According Bossaghzadeh et al. (2023) the nature, composition and quality of management are central to the innovation and performance of any company, where performance is defined and measured in terms of growth in sales, assets, profits, products and services, workforce, and even survival. In many ways the relationship between managerial quality and business performance tends to be more pronounced in small firms than in large ones. In small companies strategic and operational decisions made by
owners, entrepreneurs and key players tend to be formulated and implemented more quickly and are less likely to be sabotaged by subordinates than decisions made by senior management in large organizations. However, decisions made by key players in smaller, but professional and well-regarded businesses, will have more than uncertain market outcomes, mainly due to limited market power, limited resources and disadvantageous positions. According to Ceptureanu et al. (2023) competitiveness and innovation are two interrelated components. Innovation itself is more studied in the context of large companies, often neglected in small companies. Innovation is the key to increasing productivity through the process of developing and creating new, higher value products and services. Innovation does not only produce quality products, but also produces new products that keep up with changes and market tastes that continue to grow. The low performance of Indonesian SMEs in terms of exports and competitiveness is suspected because SMEs have various limitations in the process.

Innovation capability is a form of a company's ability to generate new ideas in the company's business operations. According to Al-Sharif et al. (2023), Ceptureanu et al. (2023) found that innovation variables can directly affect business performance variables. This element of innovation is important because it provides added value to the business performance of the company. According to Akman et al. (2023) who conducted research on SMEs found the effect of innovation capability on performance, both financial and operational performance. Even more surprising, it turns out that innovation capability has a more significant effect on financial performance. Various types of innovation have a significant impact on the performance of SMEs, especially for the development of the innovation itself. According, Bossaghzadeh et al. (2023) found that innovation is an important determinant of organizational performance, even after culture has been controlled. According to Kula et al. (2023) argues that the relationship between innovation and SMEs performance depends on performance measurements and characteristics of an organization. According to Fatmawaty et al. (2023) found that innovation has a positive effect on business performance. Based on this, there is an influence of Organizational Ambidexterity and Innovation Capability on SMEs Performance. So it is necessary to analyze whether or not there is an influence exerted by Organizational Ambidexterity Innovation Capability and on SMEs Performance. This research is expected to provide theoretical benefits, namely increasing the contribution of knowledge, especially regarding Organizational Ambidexterity and innovation capability.
to SMEs performance, while practical benefits can be used as input for SMEs in carrying out Organizational Ambidexterity and Innovation Capability in order to improve SMEs performance.

2 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 ORGANIZATIONAL AMBIDEKERITY

According to Katou et al. (2023) Studies on exploitation and exploration generally refer to the two concepts as mutually exclusive systems. That is, the two systems are contradictory both in value and in purpose where exploitation is based on efficiency while exploration is based on innovation and both compete in obtaining scarce resources. So choosing between the two creates difficulties for the organization. For organizations that are more inclined to exploitation will suffer inertia while organizations that are more inclined to exploration activities will be burdened with experimental costs without benefiting from these activities. According to Fatmawaty et al. (2023) suggested using exploitation and exploration in a balanced way. According to Jiang et al. (2023) suggested applying ambidexterity with the use of balanced exploration and exploitation, whereas According to Jiang et al. (2023), Katou et al. (2023), Kula et al. (2023) stated that ambidexterity describes the synergy between exploitation and exploration, the two orientations are applied simultaneously but does not mean that there must be a balance between the two. Exploitation places more emphasis on improvement, efficiency, selection and implementation. On the other hand, exploration requires search, variation, experimentation and discovery. If it is related to knowledge, exploitation involves improving existing knowledge, and exploration involves gaining new knowledge and opportunities. So, ambidexterity also involves efforts to integrate external and internal knowledge

$H1$: Organizational Ambidexterity has a significant effect on performance

$H2$: Organizational Ambidexterity has a significant effect on Innovation Capability

2.2 INNOVATION CAPABILITY

According to Fatmawaty et al. (2023), Kula et al. (2023) capability can be interpreted as a company's capacity to use integrated resources to achieve the desired goals. Capabilities enable companies to create and exploit 12 external opportunities and
develop sustainable advantages. Core capabilities can also be defined as critical long-term success factors, or as a value chain, including primary and support activities that create customer value. According to Hiebl et al. (2023), Innovation is defined as the ability to apply creativity in order to solve problems and opportunities to improve and enrich life (innovation is the ability to apply creative solutions to those problems and opportunities to enhance or to enrich people's live). According to Nurcholidah et al. (2023), Ojiako et al. (2023) innovation capability is a concept regarding the ability of a company to develop new ideas into innovation. Innovation capability is proposed as a high-level integration capability, namely the ability to print and manage multiple capabilities. Organizations that have the ability to integrate their key capabilities and company resources to successfully stimulate innovation. Another opinion regarding innovation capability was put forward by Mustapha et al. (2023), Nurcholidah et al. (2023), Ojiako et al. (2023) who argued that innovation capability provides the potential for the emergence of an effective innovation. However, this concept is not a simple concept or a concept that has a single factor, because this concept also involves many management aspects such as leadership and technical aspects as well as strategic resource allocation, market knowledge, and others. According to Hwang et al. 2023), Kusuma et al. (2023) increased sales, profits and competitiveness are several factors that influence innovation capability. The ability to innovate is increasingly seen as the most important factor in developing and maintaining a competitive advantage.

H3: Innovation capability has a significant effect on performance

2.3 SUPPLY CHAIN PERFORMANCE

Supply Chain Performance is the result of the work evaluation of an organization or company that is achieved by individuals or groups by carrying out activities that have been determined by organizational leaders such as work results, standard of work results, as well as targets that have been determined by the organization. According to Pagliarini Sartori et al. (2023) SMEs performance as the result or evaluation of the company's work achieved by a person or group with the division of activities in the form of tasks and roles in a certain period with the standards of the company. Meanwhile, According to Utomo et al. (2023), Wongsansukcharoen et al. (2023) argues that MSME performance is the result or level of success achieved by MSME actors in running their business based on predetermined targets. The organization itself requires a result that is obtained from the
performance obtained from the activities or activities that have been carried out in carrying out its business on a targeted basis. Assessment of the performance of a business, must take into account the financial and economic consequences of management decisions that affect investment, operations and financing. According to Sartori et al. (2023), Utomo et al. (2023) Innovative organizations have the ability to improve individual and organizational performance, increasing competitive advantage Product innovation and process innovation can improve performance, while market innovation is not able to improve performance. There is a significant relationship between entrepreneurial orientation and performance, the higher anticipatory learning and innovative creativity will improve organizational performance.

3 METHOD

This research method is quantitative causality, data analysis uses structural equation modeling (SEM) partial least squares (PLS) with the data processing tool SmartPLS 3.0. The respondents of this research were 350 UKM owners in Indonesia who were determined by simple random sampling method. The research data was obtained by distributing online questionnaires through social media. The questionnaire was designed using questions with a Likert scale of 1 to 7. The stages of data analysis were the outer model test, namely convergent validity, discriminant validity and composite reliability and the inner model test, namely the determination test and hypothesis testing or significance test. The independent variable in this study is organizational ambidexterity, the mediating variable is innovation capability and the dependent variable is supply chain performance.

Based on theoretical studies and previous research, the following model was developed:

H1: Organizational Ambidexterity has a positive and significant effect on supply chain performance
H2: Organizational Ambidexterity has a positive and significant effect on innovation capability
H3: Innovation capability has a positive and significant effect on supply chain performance
4 RESULTS AND DISCUSSION

4.1 ASSESSING THE OUTER MODEL OR MEASUREMENT MODEL

In data analysis techniques using visual PLS, there are three criteria for assessing the outer model, namely Convergent Validity, Discriminant Validity and Composite Reliability. Convergent validity of the measurement model with reflexive indicators is assessed based on the correlation between the item score / component score estimated with the PLS software. The measure of the reflexive indicator can be said to be high if it has a correlation of more than 0.70 with the construct being measured.
Based on the results of data analysis using PLS software, all reflexive indicators meet the minimum criteria for loading values or their correlation to the construct measured is greater than 0.7.

4.2 CONVERGENT VALIDITY

The convergent validity test is seen from the measurement model using reflective indicators assessed based on the loading factor and (Average Variance Extracted) AVE. the recommended AVE (Average Variance Extracted) value is above 0.50. This means that the probability that an indicator in a construct enters another variable is lower or less than 0.50 so that the probability that the indicator converges and enters the intended construct is greater, namely above 50 percent. In this study there are six constructs with a number of indicators ranging from three to seven indicators using a scale of 1 to 7.

Based on the results of testing the measurement model shown in the image above, it can be explained as follows

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<tr>
<th>Table 1 Reliability Testing</th>
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<td>Cronbach's Alpha</td>
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<td>Organizational Ambidexterity</td>
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<td>innovation capability</td>
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<td>supply chain performance</td>
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Source: Authors Data Analyzing, 2023

Based on the table, the Cronbach's alpha value of each variable obtained a value of > 0.70, then the composite reliability value of all variables obtained a value of > 0.70, in accordance with the opinion of Purwanto et al. (2021) After fulfilling the outer model test, you can proceed to the bootstrapping testing, (direct effect and indirect effect).

4.3 DIRECT EFFECT BOOTSTRAPPING TESTING

The direct effect bootstrapping test is used to test the effect of exogenous variables on endogenous variables directly. Decisions are taken if the t-statistic value > t-table is 1.960 and the p-value < sig. 0.05, then there is a positive and significant effect of exogenous variables on endogenous variables, otherwise there is no effect.
Based on Figure 3, the results of the direct effect bootstrapping test can be explained that the first hypothesis (H1) is accepted, because it has a t-statistic value of 5.6725 > t-table 1.960 and a p-value of 0.001 <0.05, meaning that Organizational Ambidexterity has a significant effect on supply chain performance. The second hypothesis (H2) is accepted, because it has a t-statistic value of 16.675 > t-table of 1.960 and a p-value of 0.000 <0.05, meaning that Organizational Ambidexterity has a significant effect on innovation capability. The third hypothesis (H3) is accepted, because it has a t-statistic value of 5.585 > t-table 1.960 and a p-value of 0.033 <0.05, meaning that innovation capability has a significant effect on supply chain performance.

4.4 ORGANIZATIONAL AMBIDEXTERITY HAS A SIGNIFICANT EFFECT ON SUPPLY CHAIN PERFORMANCE

Ambidexterity in the marketing context helps companies gain greater profits through the exploitation of existing products and markets. According to Pagliarini Sartori et al. (2023), Purwanto et al. (2023)Organizational ambidexterity helps to rely on current knowledge and establish unique routines. Established organizational routines require organizations to continuously apply existing knowledge and resources in certain domains to improve product quality. Therefore the purpose of this research is to show the influence of product innovation, market orientation and organizational ambidexterity on marketing.
performance. Then to show the effect of product innovation and market orientation on organizational ambidexterity. Furthermore, to show organizational ambidexterity in mediating the effect of product innovation and market orientation on performance. This indicates that organizational ambidexterity has the most dominant effect on marketing performance. The results of the calculation of the organizational ambidexterity index have a high value. According to Wongsansukcharoen et al. (2023), Weigel et al. (2023) Organizational ambidexterity refers to an organization's ability to be aligned and efficient in managing current business demands while simultaneously adapting to changing environments. Ambidexterity of the organization as the agility of the organization tasked with investigative and utilization training. Ambidexterity of the organization as the agility of the organization that works with exploratory learning and exploitation so that uncertainty is high and the success rate is low due to the many failure traps. The higher the organizational ambidexterity, the higher the marketing performance. This research is in line with previous research conducted by Utomo et al. (2023), which states that external use and understanding is an environmental situation by adapting the latest understanding and technology and getting the desires of existing consumers. It can be said that organizational ambidexterity can mediate the effect of product innovation on marketing performance in a partial mediation. However, the mediation of market orientation on marketing performance is dominantly greater than the mediation of product innovation on marketing performance. This research is supported by the opinion of Bossaghzadeh et al. (2023), Ceptureanu et al. (2023) explaining that data related to consumers and data related to competitors in the target market are obtained through consumer orientation and competitor orientation, then processed and developed and disseminated through coordination with roles in industrial groups to support the program market development. According to Akman et al. (2023), Al-Sharif et al. (2023) explained that a market strategy that leads to marketing seeks to build closer bonds by producing two-way communication with consumers in order to produce mutually beneficial bonds between consumers and industry. Sales that lead to the market are sales activities that give concern to consumers, competitors and cooperation in the field of activity within the industry to support the same goals.
4.5 ORGANIZATIONAL AMBIDEXTERITY HAS A SIGNIFICANT EFFECT ON INNOVATION CAPABILITY

According to Ceptureanu et al. (2023) suggests that implementation in design is an important matter for innovation as the main pioneer and influences industrial capabilities. MSMEs have an important design in innovation to create good capabilities compared to SMEs that do not have an important design in innovation. According to Akman et al. (2023) outlines that an industry that emphasizes management with social support capacity, employees who are ambidexterity, aligned, and adaptive, will continue to grow. However, management lacks social support, so the condition of ambidexterity will be less than optimal. Innovation is an effective way of selling in interacting with customers carrying out guidance, arranging the delivery of goods or payment methods that will give more points from various industries. The more effective the product innovation, the more organizational ambidexterity will increase. The results of this study are in line with the opinion expressed by According to Akman et al. (2023), Al-Sharif et al. (2023), Bossaghzadeh et al. (2023) who explained empirically that innovation would create a planned formation related to organizational ambidexterity. It can be said that organizational ambidexterity is able to mediate the effect of product innovation on marketing performance in a partial mediation. Research conducted by According to Ceptureanu et al. (2023) suggests that the application of strategic planning in innovation is the main driver and influences the performance of business companies, SMEs that formally have strategic planning in innovation produce above average performance compared to SMEs that do not have strategic planning in innovation. According to Hwang et al. 2023), Nurcholidah et al. (2023), Ojiako et al. (2023) describe, the industry emphasizes management with capacity and social support, it is increasingly likely that employees who are ambidexterity.

4.6 INNOVATION CAPABILITY HAS A SIGNIFICANT EFFECT ON SUPPLY CHAIN PERFORMANCE

According to Hwang et al. 2023), Kusuma et al. (2023) ) directly examine the relationship between two variables, namely innovation and organizational performance, while other models such as According to Mustapha et al. (2023), Nurcholidah et al. (2023), Ojiako et al. (2023)
make market orientation a factor that influences performance through knowledge transfer. and According to Kusuma et al. (2023) examined the relationship between market orientation to innovation and product performance. Some of the reasons used in choosing market orientation as the first factor are: first, there are still differences in results between one study and another, secondly it is seen that the studies that have been conducted rarely include market orientation, both process and product innovation, and performance. organization simultaneously. Third, the studies described above were carried out in different country contexts, so it is important to obtain research models that are relevant to the case of SMEs in Indonesia.

According to Pagliarini Sartori et al. (2023), Purwanto et al. (2023) New product development has a dominant role in increasing the competitiveness of small-scale industries. The selection of research and development as an internal factor determining innovation capability is based on the belief of many researchers as a factor that plays a major role in enhancing innovation capability. The results of this study indicate that SMEs perceive the importance of the existence of a research and development division. This was followed by their efforts to increase their innovation capability which included increasing routine of product promotion efforts, always doing new things related to product development, as well as increasing their ability to produce standardized products. This study also explains that to achieve optimal innovation capability, efforts are needed to improve another internal factor, namely human resource capability. Human resource development capability is the ability of an organization to develop and improve the technical and managerial capabilities of its human resources. This effort is carried out by always aligning the capabilities and expertise of employees with their duties through HR training and development programs. This is important to do considering that a highly skilled workforce is an important factor for innovation. Training programs are the main method used to improve employee skills. A survey conducted by According to Wongsansukcharoen et al. (2023), Weigel et al. (2023) shows that skilled labor is the most important contributor to company growth.

5 CONCLUSION

The results of the data analysis show that organizational ambidexterity has a significant effect on supply chain performance, organizational ambidexterity has a significant effect on innovation capability, innovation capability has a significant effect
on supply chain performance. This research only focuses on SMEs businesses. The results of this study can complement existing theories. The results of this study can be used as reference material for SMEs business owners. Then the results of this research can also be used as a reference for MSMEs in improving marketing performance by increasing product innovation and market orientation directly or through organizational ambidexterity. Based on this, there is an influence of Organizational Ambidexterity and Innovation Capability on SMEs Performance. So it is necessary to analyze whether or not there is an influence exerted by Organizational Ambidexterity Innovation Capability and on SMEs Performance. This research is expected to provide theoretical benefits, namely increasing the contribution of knowledge, especially regarding Organizational Ambidexterity and innovation capability to SMEs performance, while practical benefits can be used as input for SMEs in carrying out Organizational Ambidexterity and Innovation Capability in order to improve SMEs performance.
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