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ENTREPRENEURIAL ORIENTATION AND SME SUCCESS: UNVEILING THE MEDIATING IMPACT OF AMBIDEXTERITY

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Abstract: This research seeks to assess how ambidexterity in exploration and exploitation mediates the relationship between entrepreneurial orientation and the performance of small and medium-sized enterprises (SMEs). Specifically, this study investigates the indirect influence of entrepreneurial orientation on business performance through the mediating roles of ambidexterity exploration and exploitation. A quantitative approach using structural equation modeling (SEM) is employed to examine the relationships among these variables. The research sample comprises 200 SMEs operating primarily in East Java, Indonesia. The findings demonstrate a significant mediating effect ($p<0.05$) of ambidexterity exploration and exploitation, which enhances the influence of entrepreneurial orientation on business performance. This indirect effect proves to be stronger than the direct impact of entrepreneurial orientation itself. The structural model shows a high R-square value of 68.6%, indicating a strong predictive capability. Additionally, the goodness-of-fit index reflects high model suitability (0.543 > 0.36), and the predictive power of the PLS model is considered medium. The study's results underscore the importance of fostering both ambidexterity in exploration and exploitation alongside entrepreneurial orientation to optimize SME performance.

Keywords: Entrepreneur Orientation; Ambidexterity; SME; Business Performance