



Strategic Ambidexterity and MSME Performance: The Conditional Role of Banking Credit in Eastern Indonesia

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Abstract. Micro, Small, and Medium Enterprises (MSMEs) serve as vital contributors to inclusive economic development, especially in emerging economies such as Indonesia. However, their strategic performance is often constrained by limited managerial capabilities and unequal access to formal banking credit. This study explores how strategic ambidexterity the balanced integration of exploitation and exploration strategies affects MSME performance in Eastern Indonesia, while examining the moderating role of banking credit access. Grounded in dynamic capability and contingency theories, this study surveyed 202 MSME owner/managers who had previously accessed formal banking loans. The data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) via SmartPLS. The results confirm that both exploitation and exploration significantly drive strategic ambidexterity, which in turn has a positive effect on MSME performance. However, the moderation analysis reveals a negative and significant interaction effect, indicating that banking credit, under certain conditions, may reduce rather than strengthen the benefits of ambidextrous strategies. This finding highlights a misalignment between credit mechanisms and MSME strategic execution. Theoretically, the study extends ambidexterity research into underdeveloped MSME ecosystems and introduces financial access as a boundary condition. Practically, the results call for banking institutions and policymakers to design more adaptive, strategy-aligned credit schemes to enhance MSME resilience and performance. Implications for theory and directions for future research are discussed.

Keywords: Strategic Ambidexterity, MSME Performance, Banking Credit Access, Moderation Analysis, Emerging Economy.

1 Introduction

Micro, Small, and Medium Enterprises (MSMEs) constitute over 90% of business establishments worldwide and are widely acknowledged as the backbone of economic resilience and inclusive development [1]. In emerging economies, MSMEs play a vital role in absorbing labor, promoting innovation, and reducing regional inequality [2]. However, despite their prominence, MSMEs face persistent structural and institutional challenges, particularly in accessing financial capital and aligning strategic choices with long-term performance outcomes [3]. The need for agility in navigating

uncertainty has increased substantially in the post-pandemic and digitally transforming era, urging MSMEs to move beyond reactive strategies and embrace strategic ambidexterity the simultaneous pursuit of exploitation and exploration to ensure adaptive performance and sustainable growth [4]. Yet, the execution of ambidextrous strategies is deeply dependent on contextual enablers, notably financial access, which remains a major hurdle for firms in peripheral regions.

Within Indonesia's national development agenda, MSMEs are positioned as a catalyst for regional transformation, especially in underdeveloped territories such as Eastern Indonesia. Despite a growing portfolio of government credit schemes (e.g., *Kredit Usaha Rakyat*/KUR), empirical data indicate that MSMEs in this region continue to experience asymmetric access to formal credit, limited managerial capability, and weak strategic alignment [5]. This situation raises critical concerns regarding the effectiveness of credit-based interventions and the extent to which they actually empower MSMEs to implement ambidextrous strategies that enhance performance. While prior studies have explored MSME growth factors in Java and Sumatra, scholarly attention remains sparse for Eastern Indonesia, where infrastructural disparity, digital exclusion, and institutional voids exacerbate strategic inertia. Thus, there exists a substantive research gap in understanding how strategic ambidexterity translates into performance under varying levels of banking credit accessibility, particularly in geographically and economically marginalized regions.

To address this contextual and theoretical lacuna, this study seeks to examine how strategic ambidexterity as the balance between exploitation and exploration affects MSME performance in Eastern Indonesia and whether this relationship is contingent upon access to banking credit. By grounding the research in both the dynamic capability view and contingency theory, the study investigates not only the direct effect of ambidextrous behavior but also the moderating role of formal credit in shaping performance outcomes. This leads to the following research questions:

(1) To what extent does strategic ambidexterity influence MSME performance in Eastern Indonesia?

(2) How does access to banking credit moderate the relationship between strategic ambidexterity and MSME performance?

Accordingly, the primary objective of this research is to quantitatively assess the direct and moderated effects of strategic ambidexterity on performance, using empirical data from MSMEs that have experienced banking credit schemes. By doing so, the study not only tests established theories in a new setting but also offers empirical clarity in a region where such insights remain limited.

Theoretically, this research contributes to the literature by extending the application of strategic ambidexterity theory into the MSME domain in an emerging economy context, particularly under resource-constrained and institutionally thin environments. While ambidexterity has been widely examined in large firms and high-tech sectors, its validity and boundary conditions in low-capital MSMEs remain underexplored. The inclusion of banking credit as a contextual moderator further enhances the explanatory power of contingency-based models in strategic management. Practically, the findings are expected to inform policy refinement for MSME financing programs such as KUR and assist banking institutions in designing credit schemes aligned with the strategic

behavior and growth aspirations of MSMEs. For entrepreneurs, the study provides actionable insight into how balancing exploitation and exploration when supported by adequate financial access can become a pathway to enhanced resilience, adaptability, and long-term competitiveness.

2 Literature Review

2.1 Strategic Ambidexterity

Strategic ambidexterity refers to an organization's simultaneous and balanced pursuit of exploitation and exploration strategies [6]. Exploitation emphasizes efficiency, refinement, and the optimization of existing competencies, whereas exploration involves experimentation, risk-taking, and the pursuit of new knowledge and market opportunities [7]. The effective orchestration of these dual capabilities has become increasingly critical in dynamic and turbulent business environments, especially for small firms seeking to sustain competitive advantage with limited resources.

Ambidexterity has evolved from a purely organizational design perspective to a behavioral and strategic capability, wherein top managers especially in MSMEs must continually balance short-term operational efficiency with long-term strategic adaptability [8, 9]. This behavioral orientation is especially relevant in resource-constrained firms like MSMEs, where leaders are often the primary agents driving both exploitation (e.g., optimizing cash flow, reducing waste) and exploration (e.g., digital adoption, market diversification). In such settings, ambidexterity is not a structural outcome, but a strategic behavior enacted under complexity and uncertainty [10].

Empirical research has confirmed that ambidexterity is associated with firm growth, innovation, and sustained performance across various industries [11, 13]. However, its application in MSMEs, particularly in emerging economies, remains under-investigated. The study by Jaidi et al. [12] comparing creative SMEs in Indonesia and Taiwan highlighted that Indonesian MSMEs exhibit contextual ambidexterity, where exploration and exploitation are not equally balanced, but are adapted in response to local market dynamics, cultural factors, and resource limitations. This reinforces the need for contextualized ambidexterity models, especially in regions like Eastern Indonesia where institutional voids and infrastructural gaps are prevalent.

Furthermore, ambidexterity in MSMEs often depends less on formal structures and more on entrepreneurial orientation, strategic agility, and dynamic capabilities [9,15]. The integration of strategic ambidexterity into MSME decision-making aligns with the need for continuous adaptation in volatile environments, such as the post-pandemic recovery period where firms must innovate while also consolidating operational stability.

From a theoretical standpoint, strategic ambidexterity reflects a dynamic capability a higher-order construct enabling firms to reconfigure internal and external resources in response to environmental changes [14]. In MSMEs, such capability manifests through managerial cognition and rapid decision-making, rather than through formalized innovation units or dual organizational structures as seen in large corporations.

Thus, the operationalization of strategic ambidexterity in this study captures the synergistic interaction between exploitation and exploration behaviors at the firm level, conceptualized as a second-order reflective construct. This not only reflects theoretical developments in ambidexterity literature, but also aligns with empirical findings demonstrating the impact of ambidextrous behavior on MSME adaptability and resilience in emerging economies [16,18].

2.2 MSME Performance

The performance of Micro, Small, and Medium Enterprises (MSMEs) remains a central topic in strategic management, particularly in the context of developing economies where MSMEs serve as key drivers of employment, innovation, and inclusive economic growth [3, 17]. Performance in the MSME context is inherently multidimensional, encompassing both financial and non-financial indicators that reflect the organization's ability to sustain operations, grow strategically, and generate stakeholder value over time.

From a theoretical lens, MSME performance is often viewed through the resource-based view (RBV) and the dynamic capabilities framework, which posit that superior performance emerges from the effective ESG deployment and recombination of unique firm-specific resources [19, 20]. However, in MSMEs especially those operating in constrained institutional environments such as Eastern Indonesia performance is influenced not only by internal capabilities but also by access to external enablers like credit, infrastructure, and markets [21].

Common indicators of MSME performance include profit growth, revenue generation, market expansion, innovation output, and customer satisfaction. However, standardized financial metrics often fall short in fully capturing performance in MSMEs, particularly in informal or semi-formal sectors where financial records are limited or inconsistent. Therefore, scholars have increasingly emphasized subjective and perceptual performance measures, which have been validated for reliability and predictive power in small firm research [22, 31].

The relevance of perceived performance becomes especially critical in regions like Eastern Indonesia, where many MSMEs operate in low-literacy, low-digitization contexts, making managerial perception a more viable and context-sensitive proxy for actual business outcomes. In line with this, performance in the current study is conceptualized as a formative construct comprising three reflective dimensions:

1. Financial performance (e.g., sales growth, profitability)
2. Market performance (e.g., customer acquisition, market reach)
3. Operational performance (e.g., internal process efficiency, quality improvements)

This approach aligns with recent empirical work emphasizing that performance should be interpreted holistically in MSMEs, acknowledging their evolving strategic goals, resource constraints, and adaptive behavior [23].

Furthermore, MSME performance is increasingly linked to the ability of firms to navigate institutional uncertainty and digital disruption, prompting a shift from purely financial KPIs to resilience-based indicators such as continuity during crises, speed of

recovery, and adaptation to new technologies. This expanded understanding supports the integration of strategic ambidexterity as a key antecedent of sustainable MSME performance in uncertain and resource-limited environments like Indonesia's eastern region.

2.3 Role of Banking Credit

Access to formal banking credit has long been regarded as a critical enabler of small business growth, allowing firms to expand operations, adopt new technologies, and invest in strategic capabilities [3]. In the MSME sector, particularly within emerging and developing economies, credit from financial institutions represents more than just liquidity it reflects institutional trust, financial literacy, and entrepreneurial readiness. The role of banking credit, therefore, transcends simple capital provision and becomes a moderating force that influences how strategic behaviors translate into firm outcomes.

Theoretically, access to bank credit aligns with the pecking order theory and financial constraint models, which suggest that firms lacking internal capital depend heavily on external financing to fund their strategic investments [24]. In MSMEs, especially in underbanked regions such as Eastern Indonesia, banking credit acts as both a resource enabler and a strategic constraint. On one hand, it allows entrepreneurs to exploit economies of scale, expand customer reach, and diversify offerings. On the other hand, limited access, rigid loan terms, and poor financial integration can undermine strategic flexibility, especially when repayment obligations conflict with long-term innovation priorities [22].

Recent empirical studies suggest that while credit access positively affects MSME performance, the effect is conditional upon how the credit is utilized and how it aligns with the firm's strategic orientation. For instance, banking credit can strengthen the exploitation of existing capabilities by funding operational improvements, but may also discourage exploration if the risk of experimentation threatens loan repayment. This tension is particularly evident in ambidextrous firms, where balancing exploration and exploitation requires financial agility, not just capital adequacy [25].

Moreover, in the context of Indonesia, where government-backed credit programs such as KUR (*Kredit Usaha Rakyat*) aim to enhance MSME access to formal capital, studies show that utilization of such loans often remains suboptimal due to misalignment between credit design and business needs [26]. This raises a critical question: Does banking credit enable or inhibit the translation of strategic capability into firm performance?

In this study, banking credit is conceptualized as a moderator a contextual variable that potentially amplifies or attenuates the relationship between strategic ambidexterity and MSME performance. The rationale is grounded in the assumption that credit access may facilitate resource mobilization required for ambidextrous strategies (e.g., launching new products while streamlining operations), but may also impose constraints when financial obligations narrow managerial focus to short-term goals. Thus, the moderating role of credit deserves empirical scrutiny, particularly in underdeveloped financial ecosystems where formal credit access remains asymmetric and capability misalignment is common.

2.4 Hypotheses

Building on the preceding theoretical framework, this study proposes a set of hypotheses that examine how strategic ambidexterity comprising both exploitation and exploration impacts MSME performance, and how this relationship is contingent upon access to banking credit. These hypotheses are formulated based on extensive prior research and contextual adaptation to MSMEs in Eastern Indonesia.

Exploitation reflects the firm’s focus on improving efficiency, optimizing current processes, and leveraging existing capabilities. It serves as a foundation for achieving strategic ambidexterity when balanced with exploratory behavior [27]. Prior studies have emphasized that exploitative activities contribute to strategic stability and operational discipline necessary for dual strategies [5].

H1: Exploitation has a positive and significant effect on strategic ambidexterity.

Exploration enables innovation, adaptability, and responsiveness to new opportunities key pillars of strategic ambidexterity [2, 21]. In dynamic markets such as Indonesia’s MSME landscape, exploratory behaviors are necessary to evolve and remain competitive amid environmental uncertainty.

H2: Exploration has a positive and significant effect on strategic ambidexterity.

Firms that successfully balance exploration and exploitation are better positioned to improve performance outcomes across financial, market, and operational dimensions [18]. Strategic ambidexterity is considered a dynamic capability that enables MSMEs to adjust their resources and competencies in response to environmental shifts, thereby driving sustainable performance.

H3: Strategic ambidexterity has a positive and significant effect on MSME performance.

Access to banking credit provides the financial flexibility necessary to implement ambidextrous strategies effectively. However, this moderating role may be dual-edged: while credit enables resource mobilization for innovation and efficiency, it can also constrain long-term orientation if repayment pressure is high. Thus, banking credit is posited to strengthen or weaken the effectiveness of strategic ambidexterity, depending on how it aligns with managerial priorities and capabilities [29,3].

H4: Banking credit moderates the relationship between strategic ambidexterity and MSME performance.

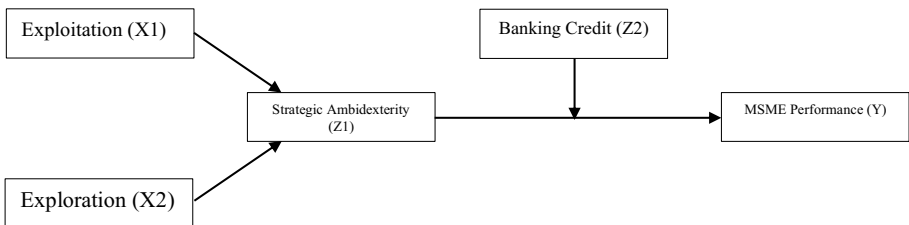


Fig. 1. Conceptual Framework

3 Methodology

3.1 Research Design

This study adopts a quantitative explanatory research design aimed at empirically investigating the causal relationship between strategic ambidexterity and MSME performance, and the moderating role of banking credit in this relationship. The rationale for choosing a quantitative approach lies in its strength to test hypotheses using statistical modeling and objective measurements, which is consistent with prior ambidexterity studies in emerging markets. The explanatory nature of this research is particularly suitable for exploring how strategic orientations namely, exploitation and exploration interact with external enablers like financial access to shape business outcomes in complex and resource-constrained environments such as Eastern Indonesia.

The research design is structured as a cross-sectional field study, utilizing survey data collected directly from MSMEs that have accessed banking credit within the last three years. This design enables a snapshot of organizational behavior and performance outcomes in relation to strategic choices and financial conditions. A cross-sectional approach also facilitates the integration of contextual variables such as geographic remoteness, regulatory access, and sectoral differences into the analysis of ambidexterity strategies, lending the study both internal validity and regional relevance. The research follows best practices in empirical strategic management studies by ensuring theoretical alignment, methodological rigor, and real-world applicability.

3.2 Population and Sample

The target population of this study comprises micro, small, and medium-sized enterprises (MSMEs) operating in Eastern Indonesia, specifically those located in the provinces of East Nusa Tenggara, Maluku, Papua, West Papua, and Southeast Sulawesi. These regions were deliberately selected due to their unique economic and infrastructural challenges, such as limited access to financial institutions and technological resources. The study focuses exclusively on MSMEs that have received formal banking credit from registered financial institutions within the past three years, ensuring that the respondents have recent and relevant experience in utilizing financial capital to support their strategic operations.

The sampling method employed is purposive sampling, justified by the need to target informants with specific criteria: (1) legally registered MSMEs, (2) operational for at least three years, (3) have obtained at least one round of banking credit, and (4) managed directly by decision-makers (owners or top managers) involved in strategic planning. A minimum sample size of 202 respondents is determined based on recommendations for Partial Least Squares Structural Equation Modeling (PLS-SEM), which requires at least 10 times the number of indicators for the most complex construct in the model. This sample size ensures adequate statistical power and external validity. Efforts will be made to ensure heterogeneity across business sectors (trade, services,

manufacturing) and to reflect the geographic and cultural diversity of Eastern Indonesia’s MSME landscape.

3.3 Data Collection Technique

Data for this study were collected through a structured survey instrument, administered to MSME owners or top-level managers who possess direct involvement in the firm’s strategic decision-making. The survey was distributed using a hybrid approach, combining both online self-administered questionnaires and field-based distribution to ensure inclusivity across various geographic and technological access levels within Eastern Indonesia. The dual-channel method was chosen to mitigate coverage bias, particularly in remote regions where digital connectivity remains limited. Prior to large-scale deployment, a pilot test involving 30 MSMEs was conducted to assess the clarity, reliability, and contextual relevance of the survey items.

To enhance response accuracy and data integrity, a cover letter was included explaining the academic purpose of the research, ensuring confidentiality, and emphasizing that participation was voluntary. Respondents were asked to reflect on their strategic behaviors, financing experience, and organizational performance over the last 12 months. Each participant was screened using eligibility criteria, including length of operation, type of credit received, and managerial role. Enumerators for the offline component were trained to assist respondents without influencing their answers. The data collection process spanned approximately six weeks, ensuring a wide temporal distribution to reduce common method bias [28]. All completed responses were reviewed for completeness and consistency before proceeding to data analysis.

3.4 Research Instrument

This study employed a structured questionnaire as the primary data collection tool, designed to measure key theoretical constructs based on well-established prior literature. All items were measured using a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The questionnaire was originally drafted in English and then translated into Bahasa Indonesia using a back-translation procedure to ensure conceptual and linguistic consistency [28]. The constructs, subdimensions, sample indicators, and their sources are presented in Table 1.

Table 1. Instrument

Construct	Sub-Dimension	Sample Indicator	Number of Items	Source
Strategic Ambidexterity	Exploitation	“We optimize our existing processes to increase efficiency.”	5	Jansen et al. [21]
	Exploration	“We experiment with new products and services.”	5	Jansen et al. [21], Lubatkin et al. [27]

Construct	Sub-Dimension	Sample Indicator	Number of Items	Source
Banking Credit Access	Access & Alignment	“The credit provided by banks suits our business needs.”	5	Beck & Demircug-Kunt [3]; Yunita et al. [5]
MSME Performance	Financial & Non-Financial	“Our revenue has grown steadily over the past year.”	5	Venkatraman & Ramanujam [29];
Demographic Control	Owner/firm profile	Age, gender, years in operation, firm size	4	Self-developed

Author’s own estimation (2025)

3.5 Data Analysis Method

Outer Model Evaluation. The data analysis was conducted in two sequential stages consistent with best practices in Partial Least Squares–Structural Equation Modeling (PLS-SEM). The first stage involved the evaluation of the outer model, which was designed to ensure the adequacy of the measurement model in terms of reliability and validity. Convergent validity was assessed through the Average Variance Extracted (AVE), where a threshold value of at least 0.50 was applied to confirm that the latent constructs were sufficiently represented by their observed indicators. Internal consistency reliability was further examined using Composite Reliability (CR) and Cronbach’s Alpha (α), both of which are recommended to exceed the cut-off value of 0.70 to demonstrate stability and reliability across indicators measuring the same construct. Lastly, discriminant validity was evaluated using the Heterotrait-Monotrait Ratio of Correlations (HTMT), with values equal to or below 0.85 considered acceptable. Collectively, these criteria ensured that the reflective measurement model satisfied the necessary psychometric standards prior to testing the structural relationships among constructs.

Inner Model Evaluation. The second stage of analysis focused on the evaluation of the inner model, which aimed to test the structural relationships and the significance of the proposed hypotheses. The strength and significance of the structural paths were assessed using a bootstrapping procedure with 5,000 resamples, allowing robust estimation of standard errors and t-statistics. The explanatory power of the model was examined through the coefficient of determination (R^2), which indicates the proportion of variance in endogenous constructs that is explained by their exogenous predictors. In addition, predictive relevance (Q^2) was calculated using the blindfolding procedure, providing an assessment of the model’s out-of-sample predictive capability.

To complement these metrics, the effect size (f^2) was analyzed to determine the relative contribution of each exogenous construct on its associated endogenous variable. The moderating effect of banking credit was explicitly tested by creating an interaction term between strategic ambidexterity and banking credit. This moderation was examined using the product indicator approach, and its significance was established through t-statistics and p-values derived from bootstrapping. Finally, a

series of diagnostic checks were performed to verify the robustness of the results, including tests for collinearity, multicollinearity through Variance Inflation Factor (VIF) values, and overall predictive accuracy. These steps ensured that the structural model met the necessary standards of rigor, validity, and interpretability.

4 Result and Discussion

4.1 Respondents Profile

Table 2 summarizes the demographic and organizational characteristics of the 202 MSME respondents who participated in this study. All respondents met the predetermined inclusion criteria, namely: having operated for at least three years, receiving formal banking credit, and holding a decision-making position within their organization.

Table 2. Respondents Profile

Variable	Category	Frequency	Percentage (%)
Gender of Owner/Manager	Male	132	66.0%
	Female	68	34.0%
Age of Respondents	21–30 years	28	14.0%
	31–40 years	72	36.0%
	41–50 years	64	32.0%
	Above 50 years	36	18.0%
Level of Education	High School or below	46	23.0%
	Diploma/Bachelor's Degree	124	62.0%
	Master's Degree or higher	30	15.0%
Business Sector	Trade	96	48.0%
	Services	68	34.0%
	Manufacturing/Processing	36	18.0%
Business Age (Years)	3–5 years	40	20.0%
	6–10 years	86	43.0%
	>10 years	74	37.0%
Credit Received (Latest)	Micro Credit (<IDR 50 million)	72	36.0%
	Small Credit (IDR 50–500 million)	104	52.0%
	Medium Credit (>IDR 500 million)	24	12.0%

Author's own estimation (2025)

The respondent pool was largely dominated by male business owners/managers (66%), though a significant proportion of female-led enterprises (34%) is also reflected, highlighting inclusive gender representation in Eastern Indonesian MSMEs. The majority of respondents (68%) were between 31 and 50 years of age, indicating a mature managerial cohort with potential for strategic decision-making.

In terms of educational background, most respondents possessed a diploma or undergraduate degree (62%), suggesting a reasonably educated sample capable of interpreting strategic and financial constructs. The trade sector accounted for the largest portion of MSMEs (48%), followed by services and small-scale manufacturing, consistent with the economic structure of Eastern Indonesia.

Regarding business maturity, 80% of firms have operated for more than five years, implying resilience and sustainability in a challenging market environment. The majority of credit received fell within the small credit bracket (52%), aligning with Indonesia's banking policies targeting productive MSME financing through programs such as KUR (*Kredit Usaha Rakyat*).

4.2 Measurement Model Evaluation

The evaluation of the measurement model focuses on assessing reliability and validity of the reflective constructs used in this study. Three key criteria were employed to ensure the quality of the constructs: (1) internal consistency reliability, (2) convergent validity, and (3) discriminant validity.

Table 3. Measurement Model Evaluation

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)	Interpretation
SA_Z1 (<i>Strategic Ambidexterity</i>)	0.787	0.856	0.546	Reliable and valid
EIT_X1 (<i>Exploitation</i>)	0.842	0.888	0.613	Strong reliability & validity
ERA_X2 (<i>Exploration</i>)	0.900	0.926	0.715	Excellent convergent validity
BC_Z2 (<i>Banking Credit</i>)	0.822	0.876	0.585	Acceptable and robust
MP_Y (<i>MSME Performance</i>)	0.839	0.886	0.608	Reliable & acceptable

Author's own estimation (2025)

All constructs met the recommended thresholds for internal consistency and convergent validity. Specifically, Cronbach’s Alpha and Composite Reliability values for all latent variables exceeded the minimum threshold of 0.70, indicating high internal consistency [28]. Moreover, all AVE values were greater than 0.50, confirming adequate convergent validity, whereby each indicator sufficiently reflects the underlying construct.

Notably, Exploration (ERA_X1b) achieved the highest AVE (0.715) and CR (0.926), indicating that MSME respondents strongly distinguish exploratory strategies from other dimensions. Similarly, the composite construct of Strategic Ambidexterity (SA_X1) achieved strong reliability (CR = 0.856), justifying its role as a second-order construct integrating both exploitation and exploration. The MSME Performance construct (MP_Y) also demonstrated solid psychometric properties, affirming its use as a reliable endogenous variable in this model.

4.3 Structural Model Evaluation

The structural model was evaluated through a comprehensive analysis of path coefficients, coefficient of determination (R²), and moderating effect analysis using bootstrapping (5,000 subsamples). All constructs were assessed for collinearity, and VIF values were found to be within the acceptable threshold (<5), confirming no multicollinearity concerns.

Table 4. Structural Model Evaluation

Hypothesis	Path	β	t-value	p-value	Result
H1	Exploitation → Strategic Ambidexterity	0.417	21.699	0.000	Supported
H2	Exploration → Strategic Ambidexterity	0.438	28.350	0.000	Supported
H3	Strategic Ambidexterity → Performance	0.343	24.670	0.000	Supported

Author’s own estimation (2025)

Both exploration and exploitation have a strong and significant impact on strategic ambidexterity, affirming ambidextrous theory [2]. Furthermore, strategic ambidexterity positively influences MSME performance, validating its practical relevance in emerging markets.

Table 5. R² Square

Endogenous Variable	R ²	Adjusted R ²	Interpretation
Strategic Ambidexterity (SA_X1)	0.682	0.679	Substantial

Endogenous Variable	R ²	Adjusted R ²	Interpretation
MSME Performance (MP_Y)	0.819	0.816	Substantial predictive accuracy

Author's own estimation (2025)

The model explains 81.9% of the variance in MSME performance and 68.2% in strategic ambidexterity, demonstrating strong explanatory power. These values indicate a robust structural model, particularly in studies using behavioral or managerial constructs.

Table 6. Mediation

Hypothesis	Path	B	t-value	p-value	Result
H4	SA_Z × Banking Credit → Performance	- 0.079	2.620	0.009	Supported (Negative)

Author's own estimation (2025)

The interaction effect of banking credit is statistically significant, but with a negative coefficient, suggesting that higher access to banking credit weakens the positive effect of strategic ambidexterity on performance. This counterintuitive finding may indicate:

- A misalignment between bank credit structures and strategic needs
- Or, that excessive reliance on external finance reduces strategic discipline or innovation agility among MSMEs.

Such findings align with recent critical finance literature that emphasizes “over-financing paradox” in small business performance [29].

These results confirm the centrality of strategic ambidexterity in enhancing MSME performance, particularly in dynamic and underdeveloped regional contexts. However, the unexpected negative moderation of banking credit highlights a potential mismatch between formal financial systems and entrepreneurial strategy, warranting policy-level attention and further theoretical inquiry into contextual contingencies.

5 Discussion

The results of this study confirm the strategic importance of ambidexterity balancing exploitation and exploration in improving MSME performance in emerging regional economies. The significant and positive effects of both exploitation ($\beta = 0.417$; $p < 0.001$) and exploration ($\beta = 0.438$; $p < 0.001$) on strategic ambidexterity reflect that Eastern Indonesian MSMEs actively leverage their existing capabilities while simultaneously seeking new opportunities, in line with the foundational view of organizational ambidexterity [2,9]. These findings also extend previous work by

Cegarra-Navarro et al. [7] by empirically validating ambidextrous behavior in micro and small-scale enterprise contexts within resource-constrained environments.

More importantly, strategic ambidexterity significantly enhances MSME performance ($\beta = 0.343$; $p < 0.001$), indicating that businesses that simultaneously engage in efficiency-driven practices and innovation-oriented exploration tend to outperform those that specialize narrowly in either dimension [31]. This outcome supports and enriches prior studies in the ambidexterity-performance link [16], while introducing a novel empirical perspective from Indonesia's eastern periphery, a region rarely represented in strategic management literature.

However, a noteworthy and unexpected result emerged: the moderating effect of banking credit on the ambidexterity-performance relationship is negative and significant ($\beta = -0.079$; $p = 0.009$). This contradicts the commonly held assumption that access to formal financial capital universally strengthens strategic capability execution. The negative moderation implies that while ambidextrous strategies drive performance, their effectiveness diminishes as reliance on banking credit increases. One plausible explanation is that credit constraints imposed by banks such as rigid repayment structures, collateral requirements, or misaligned fund utilization timelines may limit strategic flexibility or divert managerial attention from long-term strategy to short-term financial obligations.

This finding challenges conventional finance-strategy alignment theory and aligns instead with the emerging view of "financial overembeddedness", where excessive access to or dependence on credit can lead to strategic inertia or misallocation of resources [30]. In the context of Indonesian MSMEs, this may indicate that formal financial instruments have yet to fully accommodate the adaptive and iterative nature of strategic ambidexterity, particularly in remote and underbanked regions.

From a theoretical standpoint, this study extends the contingency perspective of ambidexterity, suggesting that its outcomes are conditional on institutional and financial infrastructure. By introducing banking credit as a contextual moderator, this research highlights the need to integrate financial environment variables into the broader strategic management discourse in emerging economies.

6 Conclusion

This study has empirically validated the pivotal role of strategic ambidexterity in enhancing MSME performance within the underdeveloped economic context of Eastern Indonesia. By integrating both exploitation and exploration into a unified ambidextrous construct, the findings demonstrate that MSMEs capable of balancing operational efficiency and strategic innovation exhibit significantly superior performance outcomes. Furthermore, the moderating analysis reveals that banking credit plays a nuanced but significant role its interaction effect suggests that access to credit may not unconditionally enhance the ambidexterity-performance link. Rather, in contexts where credit is insufficiently aligned with strategic intent or imposes rigid repayment obligations, it may even dampen the positive impact of ambidexterity. These findings offer meaningful contributions to the strategic management literature by

confirming that financial infrastructure is not merely an enabler of strategic behavior but also a conditional factor that can amplify or constrain its effectiveness. On a practical level, the study urges financial institutions and policy makers to consider strategic alignment in MSME lending policies, moving beyond one-size-fits-all credit schemes toward more tailored financial solutions.

Despite the robust findings, this study is not without limitations. First, the use of a cross-sectional design limits the ability to infer causality over time. Future research should incorporate longitudinal data to capture the dynamic evolution of ambidextrous behavior and its interaction with financial capital. Second, while the sample of 202 MSMEs offers regional insights, the generalizability of the results is limited to firms that have already received formal banking credit. This excludes the vast segment of unbanked or informally financed MSMEs, whose strategic behavior may follow different logics. Third, the study does not differentiate between types of credit (e.g., micro vs. commercial loans), which may have varying strategic implications. Further investigation is needed to explore the granular impact of financial instruments and the role of entrepreneurial cognition in mediating the use of credit toward ambidextrous goals. Additionally, future research could expand the model by integrating variables such as market turbulence, digital capability, or institutional support, thereby enriching the explanatory power of strategic ambidexterity frameworks in developing economies.

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