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The Strategic Role of Leadership Agility and Entrepreneurial Orientation in Fostering Innovation Ambidexterity and Enhancing Competitive Advantage

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Abstract: This research delves into how leadership agility and entrepreneurial orientation impact innovation ambidexterity and competitive advantage strategically, taking into consideration both direct and indirect effects. Using a quantitative approach with an explanatory research design, the study conducted a survey of all 90 small culinary businesses in Surabaya City using a census sampling method. Data collection was done through structured questionnaires and analysis was performed using SmartPLS 3.0. The results indicate that both leadership agility and entrepreneurial orientation have a significant positive effect on innovation ambidexterity. Furthermore, these antecedent variables exert a substantial impact on competitive advantage. Notably, innovation ambidexterity plays a mediating role, reinforcing its function as a critical mechanism linking internal capabilities to strategic outcomes. The originality of this study is in its detailed examination of small food businesses, a sector that has not been fully explored. It sheds light on how these companies can use their internal strengths to improve their competitive edge. This research adds to the conversation about Sustainable Development Goals (SDGs), with a specific focus on SDG 8 (Promoting Jobs and Economic Growth) and SDG 9 (Encouraging Industry, Innovation, and Infrastructure). It emphasises the role of flexible leadership and entrepreneurial planning in promoting creativity and resilience in small businesses.

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

INTRODUCTION

In the context of an increasingly volatile and competitive global economy, small and medium-sized enterprises (SMEs) across diverse sectors are compelled to navigate multifaceted challenges to sustain growth and remain competitive. The accelerated transformation of market dynamics necessitates that SMEs adopt timely responses and foster

continuous innovation to preserve their operational relevance. However, a persistent constraint lies in their inherently limited resources and innovation capacities, which are critical for competing with larger, more established corporations. Empirical studies have consistently demonstrated that such limitations significantly hinder SMEs in formulating and executing viable innovation strategies an essential determinant of their survival and expansion.

Consequently, SMEs are often ill-equipped to withstand the intense competitive pressures and rapid market shifts that characterize the contemporary business terrrain. Therefore, it becomes imperative not optional for SMEs to cultivate agile leadership and entrepreneurial orientation as strategic enablers of innovation capability and long-term competitive advantage.

Moreover, extant literature underscores innovation as a pivotal mechanism for enhancing SME competitiveness. Supporting this view, empirical findings by Teece et al. (2016) and Distanont (2020) reveal that although innovation contributes positively to competitiveness, SMEs frequently encounter substantial barriers in implementing innovative strategies. These impediments are primarily attributed to deficiencies in leadership agility and entrepreneurial orientation two critical factors for ensuring organizational adaptability and responsiveness to market volatility (Dapper, 2019).

In this regard, leadership agility empowers firms to swiftly respond to environmental changes, thereby facilitating exploratory innovation and the enhancement of existing capabilities (Teece et al., 2016). Simultaneously, entrepreneurial orientation characterized by proactive, risk-embracing, and innovative behaviour significantly augments a firm’s capacity to generate and operationalize novel ideas and processes (Miller, 2011).

Furthermore, the synergistic interplay between leadership agility, entrepreneurial orientation, and innovation ambidexterity substantially reinforces SMEs' competitive positioning. Leadership agility, defined as the ability to adapt promptly to market fluctuations, fosters a conducive organizational culture that balances exploratory and exploitative innovation. This equilibrium is essential for sustaining competitive advantage, as it enables firms to capitalize on emerging opportunities while refining existing offerings (Uhl-Bien & Arena, 2017).

This dynamic is further amplified by entrepreneurial orientation, which instils a forward-thinking and innovation-driven ethos within the organization. Such orientation not only facilitates the development of new products and services but also ensures their effective deployment (Wales et al., 2011). Innovation ambidexterity thus serves as a strategic conduit, translating agility and entrepreneurial initiatives into measurable competitive outcomes by enabling firms to adapt and evolve in response to current and anticipated market demands (O’Reilly & Tushman, 2021). Firms that achieve this balance consistently outperform their counterparts, demonstrating superior adaptability to technological advancements and market disruptions

However, the selection of the culinary MSME sector in Surabaya City as the subject of research is intentional. This paper focuses on Surabaya City, which is an emerging metropolitan with a large number of culinary SMEs that need to enhance their competitiveness and innovation. Due to the high competitiveness and the constant search for new solutions, leader- ship 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 Surabaya is important in the economic growth of the region but suffers from many constraints in sustaining competitiveness since it lacks both capital and innovation.

Despite the growing body of literature on SME competitiveness, there remains a notable gap in understanding the underlying mechanisms through which leadership agility and entrepreneurial orientation influence innovation ambidexterity particularly across diverse industry contexts such as the culinary sector. While Smith and Lewis (2011) offer valuable theoretical perspectives on organizational ambidexterity and its relevance to SMEs, their work lacks empirical application within the SME environment.

In addition, Suryani and Dwiputra (2025) examines leadership agility in volatile environments but do not address the unique constraints faced by small culinary businesses. Andersen and Nielsen (2009) contribute to the discourse on SME adaptability; however, their findings are not directly linked to innovation outcomes. These limitations underscore the need for targeted research that bridges theory and practice within the context of culinary SMEs.

The current research seeks to fill these voids by investigating how leadership agility and entrepreneurial orientation work together to promote innovation ambidexterity, ultimately leading to a competitive edge in small culinary businesses. Specifically, this research focuses on small culinary enterprises in Surabaya, offering a unique lens into the dynamics of internal organizational capabilities within a developing region.

This study contributes to the literature in two key ways. First, it empirically validates the proposed relationships among leadership agility, entrepreneurial orientation, and innovation ambidexterity. Second, it offers actionable insights for business practitioners seeking to enhance innovation performance and competitiveness in similar settings. By doing so, the research not only advances theoretical understanding in the fields of leadership and SME management but also provides a robust foundation for practical interventions aimed at improving organizational effectiveness amid intensifying market competition.

Literature Review

Leadership Agility and Innovation Ambidexterity

Recent research has also provided similar results to these effects. For example, Joiner and Josephs (2006) state that leadership agility is a critical factor that defines the contemporary business world's dynamics and encourages constant change and creativity. Furthermore, Gölgeci et al. (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 under- standing 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 the contemporary business landscape, MSMEs are expected to formulate innovative strategies, expand their operations, develop new products and services, and optimize operational costs through technological integration to secure a competitive edge (Teece et al., 1997). Prasongko and Adianto (2019) emphasize that agile leadership models cultivate intelligent leaders who possess the ability to identify emerging opportunities, respond swiftly, comprehend change dynamics, think adaptively, and tolerate uncertainty effectively.

Complementing this view, Braunscheidel and Suresh (2009) assert that organizational agility is a decisive success factor in volatile environments, while Appelbaum et al. (2017) demonstrate that agile leadership enhances organizational resilience and flexibility.

Collectively, these findings suggest that leadership agility is a vital capability that enables MSMEs to adapt to diverse business conditions and maintain competitiveness.

In light of this proof, it is logical to suggest that being agile in leadership can enhance a company's edge in competition. In order to investigate this link through data, the hypothesis below is put forward:

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

Entrepreneurial Orientation and Innovation Ambidexterity

Recent empirical findings affirm a strong positive association between innovation ambidexterity and the capacity to sustain competitive innovation activities, particularly when supported by a robust entrepreneurial orientation. Wales et al. (2013) argue that firms exhibiting high levels of entrepreneurial orientation are more adept at engaging in both exploitative and exploratory innovation, thereby enhancing their overall innovation performance.

The information provided indicates that having an entrepreneurial mindset is crucial for organizations to find a balance between making small changes and implementing big, innovative ideas. Therefore, a hypothesis is put forward:

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

Entrepreneurial Orientation and Competitive Advantage

Real-world proof consistently supports the importance of entrepreneurial mindset for improving competitive edge. Makhloufi et al. (2021) argue that entrepreneurial orientation significantly strengthens a firm’s ability to integrate innovation and adapt to change, thereby improving its competitive positioning. This assertion aligns with the findings of Linton and Kask (2017), who emphasize that firms with strong entrepreneurial orientation are more capable of mobilizing resources to secure future competitive advantage.

Moreover, Lomberg et al (2017) highlight the convergence between entrepreneurial orientation and the development of organizational resilience, which contributes to superior long-term performance. In support, Rauch et al. (2009) demonstrate that entrepreneurial orientation positively influences innovation and strategic flexibility two essential capabilities for maintaining competitiveness in volatile market conditions.

When looking at all the research, it is clear that having an entrepreneurial mindset is crucial for maintaining a long-lasting edge over competitors. As a result, we put forward the following theory:

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

Innovation Ambidexterity and Competitive Advantage

Recent scholarly investigations reinforce the assertion that innovation ambidexterity significantly contributes to the attainment of competitive advantage. O’Reilly and Tushman (2013) found that companies that demonstrate a strong ability to innovate in multiple areas are more capable of adjusting to changes in the market and maintaining their competitive edge. Similarly, O’Reilly and Tushman (2021) emphasize that in environments marked by constant change, innovation ambidexterity enables organizations to maintain viability through continuous innovation.

Supporting this perspective, Chen et al. (2009) demonstrate a positive correlation between the degree of innovation and the level of competitive advantage, suggesting that innovation serves as a strategic mechanism for navigating competitive markets. Suhaeni

(2018) further validates this view by showing that innovation practices directly enhance a firm's competitive edge. Based on these findings, the following hypothesis is proposed:
H5: Innovation ambidexterity has a significant and positive effect on competitive advantage

The Mediation of Innovation Ambidexterity

Recent scholarly efforts have increasingly examined the interconnections among leadership agility, innovation ambidexterity, and competitive advantage. Leadership agility defined by the capacity to respond swiftly to change and make timely strategic decisions has been positively associated with both organizational and strategic performance (Dyer et al., 2011). Simultaneously, there has been an emergence of the importance of innovation ambidexterity in improving competitive advantage. This concept involves an organization's capacity to both explore new opportunities and leverage current capabilities (O Reilly & Tushman, 2004).

Waseel et al. (2024) suggest that leaders with high agility foster ambidextrous cultures that strengthen their firms' competitive positioning. Agile leadership enables organizations to evolve through both incremental improvements and transformative change. Supporting this, Teece (2009) emphasizes that innovation ambidexterity strengthens the correlation between leadership flexibility and competitive edge by empowering companies to more effectively adjust to market changes and maintain sustained success. Building on this theoretical basis, the subsequent hypothesis is put forward:
H6: Innovation ambidexterity mediates the relationship between leadership agility and competitive advantage age.

In contemporary literature, there has been a growing emphasis on the importance of innovation ambidexterity in influencing the connection between entrepreneurial orientation (EO) and competitive advantage. The entrepreneurial orientation, which includes innovativeness, proactiveness, and risk-taking, is known to significantly contribute to improving competitive positioning (Rauch et al., 2009). Empirical studies suggest that firms with strong EO are better equipped to manage innovation ambidexterity, which involves balancing exploratory and exploitative innovation, thereby sustaining competitive advantage (Lin et al., 2013).

Specifically, innovation ambidexterity has been shown to amplify the positive effects of EO by enabling firms to capitalize on emerging market opportunities while simultaneously optimizing existing resources (Farzaneh et al., 2022) Current evidence indicates that organizations with high EO and well-integrated ambidextrous innovation strategies are more likely to achieve superior competitive outcomes.

Innovation ambidexterity plays a moderating role in the connection between entrepreneurial mindset and achieving a competitive advantage, resulting in improved performance and maintaining a competitive advantage (Hou et al., 2019). For instance, the integration of ambidextrous innovation practices enables entrepreneurial firms to better navigate market uncertainties and capitalize on emergent opportunities (Smara, 2025) Based on this theoretical foundation, the following hypothesis is proposed:
H7: Innovation ambidexterity mediates the relationship between entrepreneurial orientation and competitive advantage.

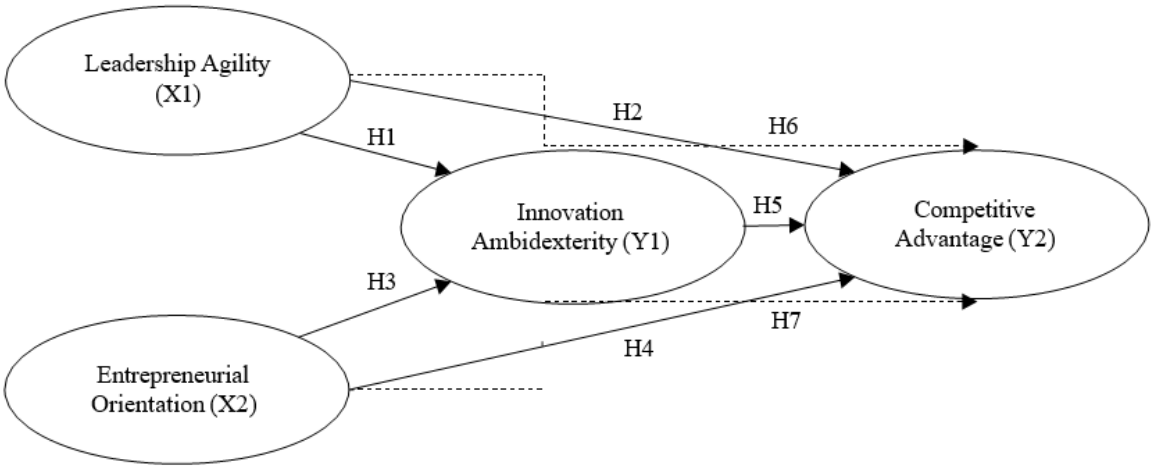


Figure 1. Research Framework

METHODS

This study focuses on small culinary businesses in Surabaya because of their significant contribution to the local economy and their potential to achieve competitive advantage based on innovation. The study was conducted in January 2025 using a quantitative approach with a closed-ended questionnaire distributed online to 90 small culinary business owners in Surabaya, and analysed through validity and reliability tests to ensure data accuracy.

Table 1. Variable Operational Definitions

Variable	Indicator
Leadership Agility (X1)	Anticipate Change (X1.1) Generate Confidence (X1.2) Initiate Action (X1.3) Liberate Thinking (X1.4) Results (X1.5)
Entrepreneurial Orientation (X2)	Proactiveness (X2.1) Risk Taking (X2.2) Social Passion (X2.3)
Innovation Ambidexterity (Y1)	Exploitative Innovation Strategy (Y1.1) Explorative Innovation Strategy (Y1.2)
Competitive Advantage (Y2)	Value (Y2.1) Rarity (Y2.2) Inimitability (Y2.3) Organizational support (Y2.4)

Data collection and sampling method

This study focuses on the entire population of small culinary businesses operating in the city of Surabaya, consisting of 125 businesses officially registered with the Surabaya City Trade and Industry Office. To determine the sample, purposive sampling was applied, which allowed for the selection of respondents based on established eligibility criteria outlined in Government Regulation No. 7 of 2021 (see Table 1). As a result, 90 business actors who met the standards of this regulation were selected as participants, to ensure that the sample accurately reflected the characteristics mandated by the regulation.

Table 2. Criteria of Respondent

No	Respondent Description (PP no. 7 of 2021)

1	Is your business an independent and productive economic entity, operated by an individual or organization, and not a subsidiary, branch, or part of a medium or large enterprise either directly or indirectly?
2	Are you the current owner or principal decision-maker of the business?
3	Does your business employ between 5 and 19 employees?
4	Is your business capital (excluding land and buildings used for business operations) greater than IDR 1,000,000,000.00 but not exceeding IDR 5,000,000,000.00?
5	Does your business generate annual sales revenue exceeding IDR 2,000,000,000.00 but not more than IDR 15,000,000,000.00?

Source: Government Regulation No. 7 of 2021

Measurement and data analysis technique

The present study employed a structured questionnaire instrument, meticulously adapted from validated instruments utilized in prior empirical investigations, thereby ensuring the reliability of the measurement framework. The operational indicators incorporated within the questionnaire, along with their respective scholarly sources, are systematically delineated in Table 1. Each item was evaluated using a five-point Likert-type scale, ranging from 1 ("strongly disagree") to 5 ("strongly agree"), to capture the intensity of respondents' perceptions. Comprehensive details regarding the constructs, measurement items, and operational definitions are provided in Appendix A and Table 2. The analytical procedures encompassed both descriptive and inferential statistical techniques. In alignment with the formulated hypotheses and the overarching research design, the dataset was subjected to analysis through the Partial Least Squares (PLS) structural equation modeling approach).

RESULTS AND DISCUSSION

Measurement Model (Outer Model)

The results of examining convergent validity show that all measures in the reflective model (such as leadership agility, entrepreneurial orientation, innovation ambidexterity, and competitive advantage) have a factor loadings of over 0.700 and AVE values above 0.500, suggesting strong convergent validity. Discriminant validity is also verified through the Fornell-Larcker criteria, in which the square root of the AVE for each variable is higher than the correlation with other variables. Furthermore, Confirmatory Factor Analysis (CFA) supports the model's validity with outer loadings, Cronbach's alpha values, and composite reliability all exceeding the 0.700 threshold, demonstrating appropriate internal consistency and construct reliability.

Structural Model (Inner Model)

The structural model was analysed using R^2 values to assess the explanatory power of the endogenous latent constructs. The results show that 52.4% of the variance in innovation ambidexterity (Y1) is explained by leadership agility (X1) and entrepreneurial orientation (X2), while 68.7% of the variance in competitive advantage (Y2) is explained by X1, X2, and Y1. The Q^2 value of 0.851 indicates that this model has very strong predictive power.

Hypothesis Testing

Hypothesis testing was performed using statistical analysis with t-statistic and p-value values. The alternative hypothesis (Ha) was accepted if the t-statistic > 1.645 or p-value < 0.05, in accordance with a significance level of 5%. Empirical data from the structural model was used to test the relationship between latent constructs, which was shown through path coefficients, t-statistics, and p-values.

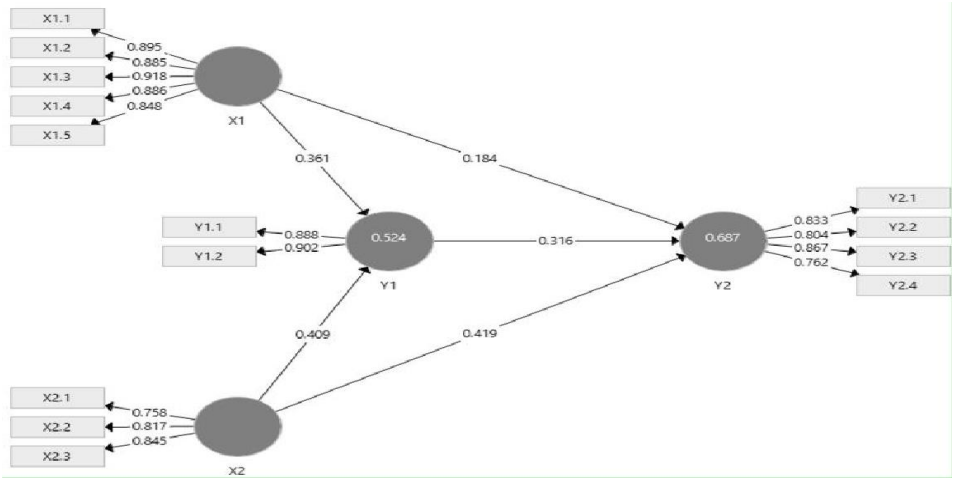


Figure 2. Direct Effect Results

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

Table 3. Hypothesis 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 (2025)

The empirical results of this study offer compelling support for all hypothesized relationships (H1–H7), as evidenced by the path coefficients, t-statistics, and significance levels derived from the structural model analysis.

H1: Leadership Agility → Innovation Ambidexterity.

Leadership agility exerts a positive and statistically significant influence on innovation ambidexterity among culinary MSMEs in Surabaya. The path coefficient of 0.361, accompanied by a t-statistic of 2.427 and a p-value of 0.008, exceeds the critical thresholds ($t > 1.645$; $p < 0.05$), thereby confirming the hypothesized relationship. This finding suggests that enhanced leadership agility is positively associated with greater innovation ambidexterity.

H2: Leadership Agility → Competitive Advantage.

Adaptability in leadership has been shown to have a strong impact on gaining a competitive edge, as indicated by a path coefficient of 0.184, a t-statistic of 1.802, and a p-value of 0.036. These results affirm that leadership agility contributes meaningfully to the development of competitive advantage.

H3: Entrepreneurial Orientation → Innovation Ambidexterity.

Entrepreneurial orientation significantly influences innovation ambidexterity, as indicated by a path coefficient of 0.409, a t-statistic of 2.989, and a p-value of 0.001. This

denotes a strong and positive relationship between entrepreneurial orientation and innovation ambidexterity.

H4: Entrepreneurial Orientation → Competitive Advantage.

Entrepreneurial orientation also exerts a significant positive effect on competitive advantage, with a path coefficient of 0.419, a t-statistic of 5.591, and a p-value of 0.000. This underscores the strategic importance of entrepreneurial orientation in enhancing firms' competitive positioning.

H5: Innovation Ambidexterity → Competitive Advantage.

Innovation ambidexterity plays a key role in determining a company's competitive edge, as demonstrated by a path coefficient of 0.316, a t-statistic of 3.382, and a p-value of 0.000. This study validates the idea that companies with greater innovation ambidexterity tend to outperform their competitors in the market.

H6: Leadership Agility → Innovation Ambidexterity → Competitive Advantage.

The statistical analysis shows that there is a significant relationship between leadership agility and competitive advantage, with innovation ambidexterity playing a mediating role. The results indicate that innovation ambidexterity partially mediates the relationship, with a coefficient of 0.114, a t-statistic of 1.915, and a p-value of 0.030. This reinforces the importance of innovation ambidexterity in driving competitive advantage through leadership agility.

H7: Entrepreneurial Orientation → Innovation Ambidexterity → Competitive Advantage.

Likewise, the secondary impact of entrepreneurial mindset on competitive edge via innovation adaptability is noteworthy, showing a path coefficient of 0.129, a t-statistic of 2.289, and a p-value of 0.012. This indicates that innovation adaptability plays a crucial role in how entrepreneurial mindset boosts competitive advantage.

Discussion

Leadership Agility and Innovation Ambidexterity

Leadership agility has emerged as a critical antecedent in fostering innovation ambidexterity, particularly within dynamic and rapidly evolving sectors such as the culinary industry in Surabaya. Effective leadership must cultivate an organizational climate that supports both exploratory and exploitative innovation dual capabilities that are indispensable for sustaining competitive advantage in volatile market conditions.

The empirical evidence from this study confirms that leadership agility exerts both direct and mediated effects on innovation ambidexterity, which in turn significantly enhances competitive advantage. Agile leaders distinguished by their capacity to swiftly interpret emerging market signals and respond with strategic foresight play a pivotal role in aligning innovation initiatives that address immediate operational needs while simultaneously anticipating future challenges (Uyun, 2018).

Importantly, entrepreneurial orientation functions as a complementary and reinforcing element within this strategic framework. Characterized by its emphasis on risk-taking, proactiveness, and innovation, entrepreneurial orientation equips firms with the strategic acuity necessary to seize emerging opportunities and amplify their innovative potential (Hafeez et al., 2012). The synergistic interplay between leadership agility and entrepreneurial orientation generates a multiplicative effect on innovation ambidexterity, thereby contributing a novel perspective to the discourse on organizational competitiveness.

This integrative dynamic merging visionary leadership with entrepreneurial drive endows culinary MSMEs with the adaptive capacity to navigate sector-specific challenges and capitalize on emergent opportunities. Such a strategic posture transcends conventional managerial paradigms, offering a more resilient and innovation-centric pathway for achieving and sustaining competitive advantage in increasingly turbulent business ecosystems.

Leadership Agility and Competitive Advantage

This research emphasises the crucial role of leadership adaptability in maintaining a competitive edge, especially in the fast-changing culinary industry of Surabaya City. Leadership agility is conceptualized as a leader's capacity for adaptive flexibility, proactive responsiveness to environmental shifts, anticipatory market insight, and expedited decision-making aligned with long-term organizational objectives (Joiner & Josephs, 2006). Such agility empowers firms to effectively navigate competitive landscapes while remaining attuned to evolving industry dynamics and consumer expectations (Appelbaum et al., 2017).

The results of this study provide support for the initial hypothesis by showing that adaptable leadership has a beneficial effect on gaining a competitive edge, both directly and indirectly through its influence on the ability to innovate. This ability to innovate serves as a bridge between strategic goals and actual results in a tangible way (Dyer et al., 2011). Agile leadership fosters organizational resilience and adaptability, which are indispensable in environments characterized by uncertainty and rapid change (Attar & Abdul-Kareem, 2020).

Furthermore, leadership agility acts as a catalyst for cultural transformation, fostering an internal climate that embraces continuous innovation and change. This innovation-oriented culture is essential for identifying emerging opportunities and optimizing existing capabilities, thereby enhancing the firm's strategic positioning (O'Reilly & Tushman, 2013). The data further reveal that cultivating such a culture anchored in agile leadership significantly enhances a firm's responsiveness to both market threats and opportunities (Temitope, 2022).

Accordingly, the strategic integration of agile leadership practices is imperative for firms seeking to enhance their strategic flexibility. This integration is particularly vital in the culinary industry of Surabaya, where market conditions are fluid and consumer preferences are in constant flux (Teece, 2009). By embedding agility into the organizational fabric, firms are better equipped to anticipate change, innovate effectively, and sustain a durable competitive edge in turbulent business ecosystems

Entrepreneurial Orientation and Innovation Ambidexterity

Entrepreneurial orientation constitutes a foundational strategic posture that significantly contributes to the development of innovation ambidexterity, a critical capability for achieving and sustaining competitive advantage in dynamic and uncertain environments (Wales et al., 2013). Defined by its core dimensions risk-taking, proactiveness, and innovativeness entrepreneurial orientation not only facilitates the creation of novel products and services but also enhances the refinement and optimization of existing organizational competencies. This dual function is particularly vital for small and medium-sized enterprises (SMEs) operating in highly competitive sectors such as the culinary industry in Surabaya City.

The proactive dimension of entrepreneurial orientation equips firms with the strategic foresight necessary to anticipate and capitalize on emerging opportunities, rather than merely responding to prevailing market conditions. Concurrently, the innovative dimension empowers firms to pioneer new markets and product categories, thereby expanding their strategic reach and enhancing differentiation (Wales et al., 2013).

Moreover, the effectiveness of innovation ambidexterity is contingent upon the synergistic interaction between entrepreneurial orientation and the firm's resource-based

capabilities. While entrepreneurial orientation drives the pursuit of exploratory initiatives, resource-based capabilities ensure the efficient mobilization, allocation, and utilization of resources required to support both exploratory and exploitative innovation activities. This synergy enables firms to simultaneously explore new opportunities and optimize existing operations, thereby strengthening their innovation ambidexterity.

In essence, entrepreneurial orientation functions as a strategic enabler that not only initiates innovation processes but also enhances the firm's capacity to balance and integrate diverse innovation strategies. Through its influence on strategic behavior and resource deployment, entrepreneurial orientation significantly bolsters the firm's ability to adapt, innovate, and maintain a sustainable competitive edge in volatile and complex market environments.

Entrepreneurial Orientation and Competitive Advantage

The results of this research highlight the importance of having an entrepreneurial mindset to gain a competitive edge, particularly in industries like the culinary sector in Surabaya City that are constantly changing and competitive. Entrepreneurial orientation involves being innovative, proactive, and willing to take calculated risks. Firms with these qualities are able to recognize and take advantage of new market opportunities, giving them an advantage over their rivals.

In volatile market environments, a heightened degree of entrepreneurial orientation enables firms to respond swiftly and strategically to shifts in consumer preferences and industry trends. This capacity for agile adaptation is especially critical for small and medium-sized enterprises (SMEs), which must rely on innovation and responsiveness to maintain viability and competitiveness (Ismail et al., 2011)

Moreover, the integration of entrepreneurial orientation with innovation practices provides a robust foundation for achieving and sustaining competitive advantage. Firms that simultaneously invest in the development of novel offerings and the enhancement of existing products are better equipped to address diverse customer needs (Ikhsani et al., 2025) and navigate complex market dynamics (Linton & Kask, 2017).

From the perspective of available resources, having an entrepreneurial mindset allows a company to effectively use its internal assets in a strategic manner. According to the Resource-Based View (RBV), having a competitive edge comes from acquiring and utilising resources that are valuable, scarce, difficult to replicate, and irreplaceable. Entrepreneurial orientation facilitates the dynamic utilization of these resources, enabling firms to pursue exploratory innovation while concurrently optimizing existing capabilities. This dual capacity strengthens innovation ambidexterity and reinforces the firm's long-term competitive positioning.

Innovation Ambidexterity and Competitive Advantage

Innovation ambidexterity has been widely recognized as a pivotal determinant of sustained competitive advantage, particularly in industries marked by rapid technological evolution and volatile market dynamics such as the culinary sector in Surabaya. This dual-capability framework underscores an organization's capacity to concurrently pursue both incremental (exploitative) and radical (exploratory) innovations, thereby enabling firms to address immediate market demands while proactively positioning themselves for future opportunities (O'Reilly & Tushman, 2013).

Empirical evidence from this study affirms that firms demonstrating high levels of innovation ambidexterity are better equipped to navigate environmental uncertainties and capitalize on emergent opportunities. These capabilities not only enhance organizational

adaptability but also contribute significantly to the development of a sustainable competitive edge (O'Reilly & Tushman, 2021).

The integration of innovation ambidexterity into strategic decision-making processes substantially improves a firm's agility and responsiveness. This strategic orientation fosters superior organizational performance, as evidenced by improvements in customer satisfaction, market share, and profitability (Suhaeni, 2018). The ability to balance and integrate both forms of innovation enable firms to remain competitive in dynamic markets by continuously evolving in response to shifting consumer preferences and technological advancements.

For culinary MSMEs in Surabaya, embedding a culture of innovation ambidexterity represents a strategic imperative. By institutionalizing this dual innovation capability within their organizational fabric, these firms can effectively differentiate themselves from competitors, respond more adeptly to market fluctuations, and secure a long-term competitive advantage.

Innovation Ambidexterity as Mediation on Leadership Agility and Competitive Advantage

This research provides strong evidence supporting the idea that innovation ambidexterity plays a crucial intermediary role in the connection between leadership agility and competitive advantage. Innovation ambidexterity is described as an organisation's ability to carry out both exploratory and exploitative innovation at the same time, creating a strategic balance that allows for the pursuit of new opportunities while maintaining and improving existing skills and capabilities (O'Reilly & Tushman, 2013). Leadership agility contributes to this balance by fostering an adaptive organizational culture that is responsive to environmental volatility, thereby reinforcing the firm's competitive positioning.

The presence of a mediated relationship suggests that while agile leadership inherently promotes responsiveness and strategic adaptability, its full potential in enhancing competitiveness is realized through the harmonization of innovation modalities. This strategic alignment facilitated by innovation ambidexterity ensures that firms are not only reactive to change but also proactive in navigating complex and uncertain market environments.

Further empirical validation indicates that innovation ambidexterity amplifies the effectiveness of agile leadership by offering a conceptual framework for organizational resilience in the face of environmental turbulence (Kumkale, 2022). Firms capable of simultaneously innovating and refining internal processes are better positioned to enhance their competitive advantage and ensure long-term sustainability.

The complementary dynamics between leadership agility and innovation ambidexterity underscore the necessity of cultivating leadership competencies that support both exploration and exploitation. This duality is essential for sustaining a competitive edge in volatile markets, as it enables firms to continuously adapt, innovate, and evolve in alignment with their strategic objectives (O'Reilly & Tushman, 2004).

Innovation Ambidexterity as Mediation on Entrepreneurial Orientation and Competitive Advantage

This research offers strong empirical evidence supporting the idea that innovation ambidexterity plays a critical role in linking entrepreneurial orientation to gaining a competitive edge. Entrepreneurial orientation is seen as a combination of unique strategic abilities within a company, such as creativity, forward-thinking, and willingness to take risks, which help the company navigate various market conditions effectively.

When entrepreneurial orientation is synergistically integrated with innovation ambidexterity the organizational capability to concurrently pursue exploratory and exploitative innovation strategies firms are strategically positioned to capitalize on emerging

opportunities while simultaneously optimizing existing operations (Liu et al., 2021). This duality not only strengthens organizational adaptability but also significantly amplifies competitive performance.

The findings further affirm that firms exhibiting high levels of entrepreneurial orientation and effectively implementing ambidextrous innovation strategies consistently outperform their counterparts in competitive environments (Gómez-López et al., 2023). This underscores the strategic imperative of cultivating an entrepreneurial mindset that supports both the development of novel offerings and the enhancement of existing products.

Moreover, the integration of entrepreneurial orientation with innovation ambidexterity fosters organizational agility and strategic responsiveness, both of which are essential for sustaining competitive advantage in increasingly volatile and complex business ecosystems. In alignment with the Resource-Based View (RBV), this strategic configuration enables firms to leverage valuable, rare, inimitable, and non-substitutable (VRIN) resources to achieve superior performance outcomes.

CONCLUSION

The research showed that being versatile in leadership and having a strong entrepreneurial mindset greatly impact the ability to be innovative and adapt in small culinary businesses in Surabaya. It highlights the significance of being able to adapt in leadership and having a proactive approach in business to stay competitive in the market. While contributing theoretically and practically to the strategic management literature, this study has limitations in terms of geographical scope, cross-sectional approach, and potential data bias. Therefore, future research is recommended to explore broader industry and regional contexts using a mixed-methods approach.

This study aims to support the achievement of Sustainable Development Goals (SDGs) set by the United Nations. This research is in line with various SDGs, including:

SDG 8: Decent Work and Economic Growth – by promoting entrepreneurial orientation and innovation among MSMEs, the study supports inclusive and sustainable economic development.

SDG 9: Industry, Innovation, and Infrastructure – through its emphasis on innovation ambidexterity and strategic agility, the study contributes to building resilient and innovative business models.

SDG 12: Responsible Consumption and Production – by encouraging SMEs to optimize resources and innovate sustainably, the research supports more efficient production systems.

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