The dynamics between balanced and combined ambidextrous strategies: a paradoxical affair about the effect of entrepreneurial orientation on SMEs' performance

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Abstract

Purpose – This study aims to provide empirical findings of the extent to which the ambidexterity found in innovation and social networks will mediate the relationship between entrepreneurial orientation (EO) and firm performance (FP). This study also compares the ambidextrous strategy between the balanced dimension (BD) and combined dimension (CD) and examines their contribution to the small- and medium-sized enterprises (SMEs') performance.

Design/methodology/approach – The current study used an explanatory research design by surveying a total of 205 fashion firms' owners/managers in Yogyakarta, Indonesia, using a semi-structured questionnaire. Path analysis with mediating tests and independent *t*-tests were used.

Findings – The results revealed that innovation and social network ambidexterity mediate the relationship between EO and the SMEs' performance. One ambidextrous strategy, the BD strategy, is superior to the CD one. The study makes an interesting discovery: the CD strategy apparently dominates FP when EO does not exist.

Practical implications – The study suggests that no ambidextrous strategy (i.e. BD and CD) used by the SMEs can fit all situations. In detail, the study provides four different strategies for SMEs to build organizational ambidexterity, namely, innovate and sustain; elevate; expand; and collaborate and survive. It is also suggested that the SMEs consider two main principles when dealing with an ambidextrous strategy, "anything that is too much is not always good" and "one size does not fit all." By doing so, the SMEs are

expected to be able to use internal and external resources and choose the most appropriate ambidextrous strategy to respond to the relevant situation (e.g. the changes of consumer behavior due to the COVID-19 pandemic).

Originality/value – Using a dynamic capability approach by integrating two perspectives, i.e. the internal (resource-based theory) and external (resource-dependency theory) perspectives, makes the study relevant and valuable to better understand the role and type of ambidexterity among SMEs as a mediating factor between EO and FP. This paper breaks new ground by confirming a paradoxical phenomenon concerning organizational ambidextrous practices within SMEs. Additionally, four strategies for ambidextrous were developed to respond to the anomaly.

Keywords Entrepreneurial orientation, Innovation ambidexterity, Balanced dimension, Combined dimension, SMEs' performance, Social network ambidexterity

Paper type Research paper

Introduction
With increasing competition in the business environment, companies inevitably have to adapt to ensure their survival and competitive advantage (Gupta *et al.*, 2019). Some companies have succeeded in conquering emerging business challenges, others may become trapped in a paradox of success or organizational inertia (Lumpkin and Dess, 1996; Audia *et al.*, 2000). The successful adoption and execution of new strategies in responding to the business challenges reflects how companies consistently apply entrepreneurial values, and small-and medium-sized enterprises (SMEs) are no exception (O'Reilly and Tushman, 2013).

In contrast to large companies with abundant resources, SMEs have limited resources, which makes them think of new ways to face the fierce business competition (Lee and Kreiser, 2018; Boohene *et al.*, 2020). To do so, many scholars (Baker and Nelson, 2005; An *et al.*, 2018; Lee and Kreiser, 2018) suggest SMEs optimize both their bricolage capabilities and their improvising or manoeuvring capabilities by building networks to access external resources. One key for such capabilities is that the SMEs should have a high entrepreneurial orientation (EO) (Lee and Kreiser, 2018). EO is defined as a firm's propensity to be proactive, innovative and risk-taking (Dess and Lumpkin, 2005).

From the literature, interest in the topic of EO has increased over recent years, specifically in relation to the theoretical and empirical developments between EO and firm performance (FP) (Vega-vázquez *et al.*, 2016). However, the findings are still subject to a great deal of debate. For example, Vega-vázquez *et al.* (2016) found that EO has an impact on FP, while a study by Lee *et al.* (2018) presented contradictory findings that showed firm innovativeness did not make a contribution to FP. Moreover, a study from Bogatyreva *et al.* (2017) also showed significant results of EO's relationship with FP in developed countries (a positive effect) and developing countries (a negative one). These opposite findings have led to discussions in the latest academic literature (Gupta *et al.*, 2019) and to the possibility being proposed that mediating variable(s) may affect the SMEs' performance (Wales *et al.*, 2013).

Contradictory findings are also found in studies into EO. For instance, the study of Cannavale and Nadali (2018) revealed the possibility of having redundancy in the five items of EO, so that they became two, i.e. proactivity and risk-taking, while previous research from Hughes and Morgan (2007) found proactivity and innovation were the ones that improved performance the most. Indeed, such controversy motivated this paper to seek a deeper relationship between the two variables through elaborating on the work of the mediation role suggested by several previous studies (Lumpkin and Dess, 1996; Wales *et al.*, 2013). It is also argued that the context of the study was also instrumental and needed to be considered. As a result, some detailed measurements should be adjusted to the specific context, to provide a better explanation.

To the best of our knowledge, however, we found only a small number of studies conducted about this mediation mechanism in conceptual works (Bogatyreva *et al.*, 2017; Lee and Kreiser, 2018) and in empirical studies (Wales *et al.*, 2013; Cui *et al.*, 2017). Wales, *et al.* (2013) and Cui *et al.* (2017) indicated an indirect relationship between EO and FP, especially for companies in developing countries. Moreover, Snehvrat *et al.* (2018) and Heirati *et al.* (2017) stated that some elements of a company's specific capabilities can perform as intermediary agents between EO and FP. Examples of these specific capabilities include the ability to innovate (Bogatyreva *et al.*, 2017; Lee and Kreiser, 2018) and the ability to establish relationships with the environment (Karami and Tang, 2019).

According to Zhang *et al.* (2016), these specific capabilities will grow and eventually need to be combined and compromised one to another because of their resource allocation concerns. This trade-off concept promotes the idea of ambidexterity's existence in managing the SMEs' ability to put them into the right context. Thus, in this context, the innovation capability will be derived from the ability to explore and exploit (Dunlap *et al.*, 2016; Zhang *et al.*, 2016; Lee, Chong and T, 2018) while the social network capability will be reflected in maintaining business social networks and power for the SMEs' continuity (Peng and Luo, 2000; Karami and Tang, 2019). Therefore, as stated by Wales *et al.* (2013), this study tries to confirm the role of ambidexterity, in terms of innovation and social networking, as the mediating variable between EO and FP.

The ambidextrous capability to synergize resources could be reflected as an integration activity concept, as proposed by Lumpkin and Dess (1996). The integration activity, then, can be proxied through the applied level of ambidexterity. In particular, the way a company could achieve a condition of ambidexterity can be divided into two approaches, namely, the balanced dimension (BD) and the combined dimension (CD) of ambidexterity (Cao *et al.*, 2009; Fu *et al.*, 2019). A company can achieve BD ambidexterity when it is able to do two different things simultaneously. However, the inherent challenge is that companies have to think about equal resource allocations for the two different activities (e.g. exploration vs exploitation or the use of internal resources vs seeking external resources). On the other hand, the CD approach allows a company to carry out these two different activities in stages, for example, starting with exploitation activities for a certain period then undertaking exploration. Scrutinizing the application of these two approaches by SMEs is crucial because they have special characteristics, both from the point of view of their limited resources and the industrial sector they are in (Cao *et al.*, 2009).

Furthermore, findings from a literature review of EO and its relationship to FP (Saeed *et al.*, 2014) indicate that the relationship is dependent on the specificity of a business environment. It relates to how formal and informal institutions include culture, economic, political and regulatory environments to determine the context in which a firm's strategic posture is implemented (Bruton *et al.*, 2010). Such a context may encourage or discourage entrepreneurial activities (Peterson, 1988), which enables a connection to be made between environmental conditions and business opportunities (Welter, 2011). In addition, Lee and Chong; Cui *et al.* (2017) suggested a future study should incorporate the variable of EO, FP and the business environment in a developing country context. Following these arguments, the current study focuses on the relationship of EO and its performance, with special reference to a creative industry (i.e. the fashion industry) in a growing market, Indonesia.

The creative industries, which are mainly found in the fashion industry in Indonesia, are one of the main engines of economic growth in the country (Felaza, 2015; Norsyaqinah, 2015; Indarti *et al.*, 2019). Its unique culture and the local wisdom in Indonesia have made this country one of the prominent plaFelazayers in the world's fashion industry (Felaza, 2015). The cultural uniqueness enables the Indonesian SMEs in the fashion industry to have their

own characteristics and values so they are easily recognized by their world-wide customers (Cappetta *et al.*, 2006).

The local wisdom of Indonesia is represented in the form of cultural artifacts and biodiversity that will stimulate many unique and authentic inspirations that innovate fashion products, both by exploitation and exploration (Felaza, 2015; Norsyaqinah, 2015). Other local wisdom, such as the communal culture and mutual cooperation philosophy (*gotong royong*) allow the Indonesian SMEs in this industry to get sufficient resources, both from the private sector (e.g. ethnic communities, supply chain networks, etc.) and local governments (Manik, Indarti and Lukito-Budi, forthcoming).

Based on the above mentioned arguments, this study is intended to answer two main research questions. The first question is "does the ambidexterity – in terms of innovation and social networks – mediate the relationship between EO and the SMEs' performance?" The secFelazaond one is "does the level of ambidexterity – in terms of BD and CD strategies – lead to differences in the SMEs' performance?" The findings are expected to contribute to the entrepreneurship literature by bringing up the concept of ambidexterity in the alignment of the internal and external resources into the arena, and how ambidexterity can interplay the role of EO in the performance of the SMEs. The findings should contribute to how the SMEs can use the BD and/or CD strategies in respect of their current situation.

The rest of the paper is organized into six sections. The background and research questions and objectives are represented in Section 1. Section 2 elaborates on the theoretical framework and empirical studies relating to support the hypothesis. The research's methodology, findings and discussion of the results are presented in Sections 3–5, respectively. Finally, Section 6 concludes the discussion and provides suggestions for further research and the study's implications.

Theoretical framework and hypotheses development
Definition *of EO and FP*
Although significant contributions have been made to the literature on EO, as this construct was first introduced, there is discussion about the different conceptualizations of EO i.e. whether it is a dispositional (tendency, propensity, inclination and interest) or behavioral construct (Covin and Lumpkin, 2011; Soininen *et al.*, 2013). For instance, Voss *et al.* (2005, p. 1134) define EO as a dispositional phenomenon, namely, "a firm-level disposition to engage in behavior [reflecting risk-taking, innovativeness, proactiveness, autonomy and competitive aggressiveness] that lead to change in the organization or marketplace." In contrast, Pearce *et al.* (2010) conceptualize the EO as behavior. The definition they convey is "a set of distinct but related behaviors that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking and autonomy" (Pearce, Fritz and Davis, 2010, p. 219).

This study uses a dispositional conceptualization of EO. As described in the theoretical basis section, companies must adjust to the demands of different traits when managing their internal resources and acquiring external resources. Therefore, companies should have a tendency or in more precise terms, the entrepreneurial direction of thought or "the mindset" to respond to the dynamic situation of the interplay of resources (House *et al.*, 1996; Lumpkin and Dess, 2001; Chaston and Sadler-Smith, 2012). The concept of a firm's entrepreneurial mindset that was elucidated by Chaston and Sadler-Smith (2012) is in line with the etymological explanation of the orientation quoted from the Merriam Webster Dictionary (M-W.com), namely, "a usually general or lasting direction of thought, inclination or interest." In other words, EO can be understood to be a frame of mind, a propensity for or interest in entrepreneurship, which is manifest in a set

of interrelated processes (i.e. innovativeness, risk-taking and proactiveness) if firms wish to engage in successful entrepreneurship (Dess and Lumpkin, 2005; Chaston and Sadler-Smith, 2012). Innovative orientation reflects the inclination of companies to engage and support new ideas, experiments and creative processes to produce new organizational products/services/processes (Lumpkin and Dess, 1996). Proactiveness is a firm's propensity to lead rather than follow in the development of new procedures and technologies and the introduction of new products or services (Lumpkin and Dess, 1996). Risk-taking indicates a firm's proclivity to support projects in which the expected returns are uncertain (Lumpkin and Dess, 1996).

Walter *et al.* (2006) compiled four EO autonomy items, namely, proactiveness, innovation, risk-taking and assertiveness, as items representing the EO construct defined by Lumpkin and Dess (1996). These items were translated by Walter *et al.* (2006) from two sources, i.e. Dess *et al.* (1997) and Lumpkin and Dess (1996). This paper reflects the EO indicators from Walter *et al.* (2006). Furthermore, the work of Cannavale and Nadali (2018) revealed redundancy in the measurement of EO. They found two items, i.e. proactiveness and risk-taking, which were consistently significant when the five items were measured as one joint construct (multivariate model), as well as when they were measured separately (simple model). In contrast to the above finding, the work of Hughes and Morgan (2007) revealed that proactiveness and innovation were the two most consistent items. These variations in the findings could infer that redundancy may be found in the EO model in different places, times and subjects. Indeed, these varied phenomena formed our argument to choose the four items, namely, proactiveness, risk-taking and innovation, as the items used to measure EO, as well as assertiveness, which we considered important for the nature of SMEs' businesses. In addition, the inconsistency of the results and the redundancy became our basis to measure EO as a whole, considering the focus of this paper is elaborating on the ambidextrous variable in its capacity as a mediator.

In regard to the concept of FP, it is viewed as a concept (Gupta, Niranjan and Markin, 2019) that refers to the effectiveness and efficiency of a company in achieving the desired organizational results (Ostroff and Schmitt, 1993). The effectiveness represents the absolute level of achievement of the desired results (Ostroff and Schmitt, 1993), which reflects the company's profitability, market share and revenue growth (Gupta *et al.*, 2019). The efficiency is the comparison of input-output. In general, FP is measured by financial performance and non-financial performance measurements, ranging from its sales growth, market share, profitability, return on investment, return on sales, customer satisfaction and customer loyalty (Dunlap *et al.*, 2016).

Role of ambidexterity from the internal and external perspective and dynamic capability
To understand the role of ambidexterity within a company, particularly an SME, the study incorporated both the internal perspective (i.e. resource-based theory (RBT)) and the external one (i.e. resource-dependency theory (RDT)) and harmonized them using the dynamic capability perspective. The RBT states that a firm needs to use its internal productive resources, which are heterogeneous, valuable, scarce, irreversible and cannot be substituted, to foster innovation and outperform its rivals in the industry (Barney, 1991; Weidong, 2007). With full control over its internal resources, a company has the freedom or autonomy to carry out various innovations needed to improve its performance (Tehseen and Sajilan, 2016). The type of innovation, which can be in the form of reaching new customers and markets, is called an exploration strategy, while providing operational and service excellence for the existing customers is known as an exploitation strategy.

On the other hand, the RDT considers that companies, especially SMEs, are not self-sufficient (Tehseen and Sajilan, 2016; Roundy and Bayer, 2019). Consequently, the resource-constrained SMEs require critical external resources for their survival that make them dependent on the resource providers (Pfeffer and Salancik, 2003). One effect of this dependency is a power imbalance because the level of the resource criticality determines the level of power (Emerson, 1962; Roundy and Bayer, 2019). In other words, the more a company needs critical resources from external sources/actors (i.e. competitors, suppliers and government), the more power over it the actors have.

These two perspectives can be harmonized using a dynamic capability perspective (Eisenhardt and Martin, 2000). This dynamic capability perspective suggests that SMEs should have the ability to align prior internal resources with external resources or resource-interplay properly (Teece, 2012; Junfeng and Wei-ping, 2017). In addition, companies should also be able to adjust to dynamically changing behavior demands for RBT (freedom or autonomy), controlled by the resource suppliers for RDT and managing both sources is called an ambidextrous capability (O'Reilly and Tushman, 2008; Tehseen and Sajilan, 2016). The prerequisite for an ambidextrous capability is that the company has a high level of EO, which enables it to be agile in managing the tensions arising from the external and internal resources' demands (O'Reilly and Tushman, 2008; Teece et al., 2016; Lee and Kreiser, 2018).

Ambidexterity as mediating variables
The choice of ambidextrous as a mediating variable could be referred to the suggestion of Lumpkin and Dess (1996, p. 156, Figure 2(b)). They proposed that integration activities could effectively intervene in the relationship between EO and performance. These integration activities, in this paper, are proxied as the ambidextrous ability of SMEs. Logically, SMEs with a strong EO should be more agile when entering their markets and bearing greater risks because they will encounter a more complex environment. In building this agility, it requires coordination and adjustment between their internal capacity and external complexity (Ashby, 1956). Later on, Lumpkin and Dess (1996) proposed the term "the ability to integrate activities," which we operationalized into ambidextrous capabilities as a specific variable that mediates between EO and the performance of SMEs. The form of the integration activity, expressed by Miller (1988), included the formation of a task force, a budget, the coordination of all the projects across all the functions and the realization of its related network. Of course, in the context of SMEs, that form of coordination requires the owner or operational manager to take a central role and integrate the internal capacity of the SME with its external networks. Another perspective about the mediating model also came from Wales et al. (2013). They suggested the need to capture such organizational capabilities to represent a more specific role (a.k.a. mediating role) in the relationship between EO and performance. Some studies have been done, such as into the alliance capability (Kale et al., 2002), the knowledge-based variable (Eisenhardt and Santos, 2002) and organization learning (Wang, 2008).

The recent study from Huang et al. (2020) also discussed the interrelation (or specific relationship) between ambidexterity and EO, in which they found that the EO's items varied across different situations. In this instance, it can be argued that the presence of the ambidexterity variable as a mediating factor showed the potential for investigation. All in all, this paper proposed that the output of these "integration activities" was then manifested in two types of ambidexterity, i.e. innovation and network ambidexterities. The effort to use ambidexterity as a mediator was also supported by the work of Huang et al. (2020), which investigated the interrelationship among EO (innovativeness, proactiveness and risk-taking), ambidexterity and performance under various environmental conditions.

As previously discussed, the current study defines ambidexterity as a firm's ability to align two contradictory yet interrelated elements in an organization, which is classified into innovation ambidexterity (IA) and social network ambidexterity (SA). The IA refers to the ability to execute two opposing activities, namely, exploration innovation and exploitation innovation (Lin and McDonough, 2014). Meanwhile, SA is the ability to network with at least two parties that have contrasting behavior, namely, political actors (in particular, the government) and market actors (partners and competitors) (Darnall et al., 2010; Park et al., 2019).

Types and level of ambidexterity. From the literature, the definition of organizational ambidexterity varies. In general, a company's ambidexterity is defined as its ability to conduct both exploitation and exploration innovation (He and Wong, 2004; Raisch and Birkinshaw, 2008; O'Reilly and Tushman, 2013). Companies may conduct exploitation innovation by focusing on improving their existing product-market's position (He and Wong, 2004) or improving efficiency and other incremental improvements to compete in mature technologies and markets (O'Reilly and Tushman, 2013). The exploration innovation refers to the ability of a company to target new product-market domains (He and Wong, 2004) or to conduct activities with flexibility, autonomy and experimentation to compete in new technologies and markets (O'Reilly and Tushman, 2013). According to Raisch and Birkinshaw (2008), ambidexterity is also related to the alignment and efficiency of these two types of innovation in the company's management of today's business demands while simultaneously being adaptive to changes in the environment. Such a mechanism needs an organization to combine or balance its abilities for exploiting existing resources (via innovation) and gathering/ acquiring external resources from external sources (via social networking).

Following the above discussion, this study defines ambidexterity as a firm's ability to align both its exploitation and exploration innovative activities to survive. Based on this definition, organizational ambidexterity can be studied in terms of its type and level or degree. In regard to the type of ambidexterity, the study classified it into two types, namely, internal (i.e. IA) and external (i.e. SA). The first type, IA refers to the innovation dimension (i.e. exploration vs exploitation). The second one, social-network ambidexterity involves the business vs politics aspect of networking.

With respect to the degree, ambidexterity is divided into two approaches, namely, BD and CD strategies. The notion of the BD strategy's conceptualization is that exploitation and exploration are operationalized as two opposing things, which are done simultaneously and these activities compete for resources (Cao et al., 2009). The inherent challenge in the BD strategy of ambidexterity is that companies face the risk of the obsolescence of their existing resources if exploitation exceeds exploration (O'Reilly and Tushman, 2013). Conversely, if the company puts too much emphasis on exploration, the risk of being trapped in the constant search for resources and experimentation awaits the company (O'Reilly and Tushman, 2013).

In contrast to the BD strategy, the idea behind the CD one is that explorative and exploitative processes can be carried out sequentially or shift between exploration and exploitation periodically (Cao et al., 2009). Instead of competing for resources, these two activities can support or leverage each other (Cao et al., 2009). High exploitative efforts allow companies to use their internal resources as the initial backup for discovering new external resources or exploration activities (O'Reilly and Tushman, 2013). On the other hand, the qualified ability of companies in the exploratory process can reinforce exploitation efforts because the company obtains a larger pool of new resources and competence, so that the economies of scale can be enlarged (O'Reilly and Tushman, 2013). In summary, the effectiveness of both dimensions (i.e. BD and CD) can be confirmed by researching the ambidexterity in SMEs.

Innovation ambidexterity as a mediating variable

Innovation actions can be used to increase firm value and increase FP. These innovation actions can be manifested in several ways, such as the development of a new product, the selection of new raw materials, new product designs or new production processes and improvements to existing products (Vojtovič *et al.*, 2016). Although Jansen *et al.* (2006) mentioned the separation of these innovation actions into exploitation and exploration, the increasing demands faced by enterprises force them to be able to practice these two types of innovations simultaneously, which is called IA (Vojtovič *et al.*, 2016).

The endeavor to carry out both types of innovation simultaneously has its own challenges. Companies are expected to be cautious, so as not to get stuck for a long time doing just one type of innovation. If the company is too focused on exploitation innovation, the consequence is that the company will forget to create new products and explore new markets, which means the risk from obsolescence is unavoidable (Cao *et al.*, 2009). Conversely, if the company overemphasizes its exploratory activities, the risk of being caught up in high-cost experimentation will paralyze the company (Cao *et al.*, 2009). To anticipate these risks and keep the company at a balance point between the two conflicting activities, having a strategic posture in terms of the tendency to be proactive, innovative and risk-loving is a must. Companies that have a high level of alertness and avoid "falling asleep" in the comfort zone, in terms of carrying out one activity to the exclusion of other activities. In other words, entrepreneurial-oriented SMEs are more likely to carry out innovative ambidexterous activities because they form the organizational culture and routines that are accustomed to paradoxical situations or that often carry out contradictory yet interrelated activities (Zhang *et al.*, 2016; Ireland and Webb, 2007). Eventually, the consequence of all these processes, in accordance with resource-based logic, is that the SMEs are able to create their firm-specific capabilities (represented by IA capability) to boost FP (Barney *et al.*, 2001; O'Reilly and Tushman, 2008). Therefore, we formulate the following hypothesis as follows:

H1a. IA mediates the relationship between EO and FP.

Social network ambidexterity as a mediating variable

In addition to IA, this study also examines the roles of social networking ambidexterity (SA) in the relationship between EO and performance. As discussed, following the argument of RDT, companies also need to have access to external sources to increase their capabilities to carry out company routines (Bourdieu, 1986) and to survive (Pfeffer and Salancik, 2003). The external sources come from partners and competitors (business), as well as authorities/ governments (politics). Business social networking helps the OM of SMEs by providing information and learning, such as updated products, market trends and competency strategies (Heirati, 2013). Political social networks, on the other hand, provide companies with the latest information about macro-market information, employment contracts and related regulations and taxation (Agyapong *et al.*, 2018). Market and political actors have different levels of control over companies, mainly SMEs (Darnall *et al.*, 2010). The SMEs face stronger pressure from the government regarding their tax obligations and strict business rules (Park *et al.*, 2019). Conversely, the exchange of resources with private parties is relatively free in the market (Darnall *et al.*, 2010). Based on that, it is vital for companies such as SMEs to adjust and to maintain good relationships with their stakeholders and other SMEs, so that they can obtain an abundant supply of external resources (Darnall *et al.*, 2010; Park *et al.*, 2019).

The SA facilitates EO in encouraging SMEs to take risks to establish social networking relationships (Karami and Tang, 2019). Additionally, SMEs have a tendency to be proactively looking for market opportunities and they are more alert toward opportunities

and challenges (Johanson and Vahlne, 2009). The entrepreneurial-oriented companies will have a tendency to develop social networking relationships and be committed to maintain and balance the relationships between their networks' actors (i.e. market actors vs political actors) (Johanson and Vahlne, 2009). The ambidexterous strategy will support the operational stability of SMEs in a volatile environment and secure the SMEs performance as well. Therefore, the next hypothesis is as follows:

H1b. Social network ambidextrous mediates the relationship between EO and FP.

A trade off: interaction of the balanced dimension and combined dimension ambidextrous strategies

Further investigation about these two ambidextrous variables (i.e. innovation and SA) involves putting a combination between them (Cao *et al.*, 2009). The interaction of the combination that needs to be investigated is the activity of aligning innovation and SA or managing internal resources exploitatively and exploratively while acquiring resources from external stakeholders simultaneously (O'Reilly and Tushman, 2008; Tehseen and Sajilan, 2016). The interplay of these two perspectives has its own tension, namely, the autonomy to innovate (RBT) and being controlled by resource providers because of dependence on external resources (RDT) (Barney, 1995; Pfeffer and Salancik, 2003; Tehseen and Sajilan, 2016). The risk of resource shortages arises when companies focus heavily on their internal resources. Conversely, companies experience the risk of losing the autonomy to innovate when they are overly dependent on external resources. To mitigate these potential risks, the SMEs are expected to have the courage to deal with risks while proactively anticipating all the potential problems that will occur during the process of balancing the two dilemmas (Dess and Lumpkin, 2005). Therefore, being able to maintain the BD's strategy of innovation and SA in their operation activities will result in them having a good mediator between their EO and performance (Cao *et al.*, 2009).

On the other hand, the dynamic composition of the innovation dimension (exploration vs exploitation) and the social networking dimension (business vs politics) can support them both to reflect a combined strategy (Dunlap *et al.*, 2016). The company's success in converting internal resources into product/service/process innovations, to improve performance, will lead to an increase in the company's bargaining position with their stakeholders (Pfeffer and Salancik, 2003). This increased bargaining position can then accelerate the acquisition of external resources because the stakeholders (market and/or political actors) provide trust rather than tight control (Nahapiet and Ghoshal, 1998). Both of these sequential processes are very much influenced by how great the propensity of the company is to be proactive in finding new ways to orchestrate the available resources (Dess and Lumpkin, 2005; Teece, 2012). Thus, it can be concluded that the high level of the company's ability to use the advantages of idiosyncratic internal resources through the IA (exploration vs exploitation) has an impact on the abundant supply of resources obtained from ambidextrous social networking activities. The CDs of ambidexterity are positively related to SMEs' performance (Cao *et al.*, 2009).

Furthermore, in the local context of Yogyakarta, Indonesia, we argue that SMEs producing fashion products are representative of the creative industries, which relates highly with their efforts to market their specific products or the so called market culturalization (Cannavale *et al.*, 2020). In doing so, they need both BD and CD mechanisms in their ambidexterous actions to ensure their performances are good and secure. For SMEs that have sufficiently established resources, logically, they would prefer to use the BD mechanism to maintain a balance between the EO relationship and its performance.

Choosing BD will encourage these SMEs to always behave innovatively and aggressively, to market their products promptly to the market and to look for innovative designs to improve their products (Bhardwaj and Fairhurst, 2010; Scuotto *et al.*, 2019). However, not every SME has all the critical resources relevant to its business. In fact, some of them face a scarcity of resources, which makes it difficult to implement BD. In these circumstances, SMEs could choose the CD strategy, which would be easier to operationalize in their context. This strategy is safer and more flexible in the time it takes to implement (Dunlap *et al.*, 2016). The CD follower could use the more generic design with a longer life cycle. Of course, these strategy voters generally do not aim to be pioneers in their business domain (Cao *et al.*, 2009). To reflect such dynamics between these two ambidextrous variables, this paper refers to the work of Cannavale *et al.* (2020) in establishing a more contextual point with the following two consecutive hypotheses:

H2a. The combination of the BD for both the innovation and SA mediates the relationship between EO and FP, for SMEs that chose the BD strategy.

H2b. The combination of the CD for both the innovation and SA mediates the relationship between EO and FP, for SMEs that chose the BD strategy.

Furthermore, this study is also intended to investigate the most appropriate strategy to boost company performance i.e. the BD or CD strategy. In doing so, we conduct a further comparison test between the two strategies. In their research on companies in the automotive industry in Brazil, Dunlap *et al.* (2016) found that companies using the CD strategy experienced a significant effect on their performance, unlike those using the BD one. The automotive industry has a long product life-cycle, so the CD strategy should be used, as it also has a longer process (Dunlap *et al.*, 2016). In the CD strategy, knowledge that is successfully leveraged by exploitative innovation is then used to carry out exploratory innovations, namely, developing new products (Cao, Gedajlovic and Zhang, 2009; Dunlap *et al.*, 2016). Based on the findings, Dunlap *et al.* (2016) proposed to develop the BD strategy, which has a shorter process than the CD one because it runs an exploitative and exploratory innovation process simultaneously, not sequentially.

Following their suggestion, this current study investigates SMEs that sell fashion products, which also have a short product life-cycle (Bhardwaj and Fairhurst, 2010). Constant new product innovations are a must if a fashion company wants to survive and become a champion in the industry (Bhardwaj and Fairhurst, 2010; Scuotto *et al.*, 2019). However, it would be a very long process to create new products as a result of explorative innovation if it has to start with exploitative innovation, as suggested by the CD strategy (Cao *et al.*, 2009; Dunlap *et al.*, 2016). Consequently, the fashion SMEs are more suited to using the BD strategy so that exploitative and explorative innovations are carried out simultaneously, to shorten the process of producing and launching new fashion products to meet consumer demands (Scuotto *et al.*, 2019). To sum up, fashion SMEs that implement the BD strategy will have better performance than those that use the CD strategy.

In regard to SA, the company will deal with two parties that have contradictory behavior i.e. the political actors with strict control and business actors with a freer nature (Park *et al.*, 2019). If the CD strategy is chosen, the company must experience a longer path by first building networks with the market actors to obtain resources to build a higher bargaining position for dealing with the political actors, and vice versa. Again, this process must be trimmed because the need to innovate and improve performance requires quick access to abundant external resources (Teece *et al.*, 2016; Lee and Kreiser, 2018). Therefore, the utilization of the BD strategy for SA (i.e. building partnerships with government and

business partners/competitors simultaneously) will make that objective attainable. In other words, a company's performance is higher when using the BD strategy than the CD one:

> *H3.* Firms with a BD of innovation and SA have better performance than those with a CD of those ambidexterities.

Figure 1 depicts the research model and hypotheses. *H1a* and *H1b* are placed with the mediating ambidexterity where *H1a* is for the declaration of IA ambidexterity and *H1b* is for the declaration of SA. *H2a* represents the combination of BD (IA) and BD (SA) to test their mediating role on EO with performance and *H2b* represents the combination of CD (IA) and SA (CD). The last hypothesis, i.e. *H3*, is to compare between BD (IA, SA) vs CD (IA, SA).

Research methods
Approach, variables and measurements
The current study uses an explanatory approach with a hypothetical deductive method to answer the research questions (Neuman, 2014). This research adopts three types of variables, i.e. the dependent variable, the independent variable and the mediating variable, which are measured using a five-point Likert scale (1 = very low, 5 = very high). The dependent variable is FP, which is measured by the perceived financial performance (three items) and perceived non-financial performance (four items) adopted from Dunlap *et al.* (2016). The independent variable is *EO*. The EO refers to the extent to which the entrepreneurial tendencies of companies lead to a proactive attitude, innovation and risk-taking and firmness in their businesses' development, which is measured by six items adopted from Walter, Auer and Ritter (2006). The mediating variables consist of two variables, namely, *IA* and *SA*. IA represents the perceived level of a company's ability to perform exploitative (six items) and explorative innovations (six items) simultaneously (Jansen *et al.*, 2006). SA is measured by the perceived business connections (three items) and political connections (three items) from Heirati *et al.* (2017).

To ensure the quality of the instrument, a reliability test was conducted; all the scores for Cronbach's alpha were above 0.7 (Table 1), which are considered to be high (Hair *et al.*, 2014). In addition, a confirmatory factor analysis with a factor loading of 0.5 was used to check the validity of the instrument (Hair *et al.*, 2014). We concluded that the instrument used in this study was reliable and valid.
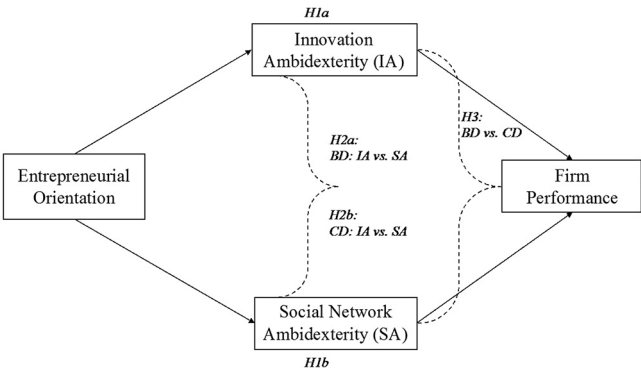

Figure 1.
Research model

Variables	Source	Loading	Cronbach's alpha
Firm performance[*]	Dunlap *et al.* (2016)		0.84
Our firm's performance was measured by return on sales (ROS) was		0.86[***]	
Our firm's performance was measured by return on investment was		0.84[***]	
Our firm's performance was measured by profitability was		0.86[***]	
Our firm's performance was measured by sales growth rate was		0.77[***]	
Our firm's performance was measured by market share was		0.82[***]	
Our firm's performance was measured by customer loyalty was		0.84[***]	
Our firm's performance was measured by customer satisfaction was		0.80[***]	
Entrepreneurial orientation[**]	Walter *et al.* (2006)		0.76
In this organization, entrepreneurial behavior is a central principle		0.63[***]	
In this organization, people are very dynamic		0.70[***]	
In this organization, innovation is emphasized above all		0.72[***]	
In this organization, people are willing to take risks		0.71[***]	
In this organization, willingness to continuous progress is the joint foundation		0.63[***]	
In this organization, people are eager at being always first to market		0.63[***]	
Innovation ambidexterity[**]	Jansen *et al.* (2006)		0.80
Our organization accepts demands that go beyond existing products and services		0.50[***]	
We invent new products and services		0.74[***]	
We experiment with new products and services in our local market		0.66[***]	
We commercialize products and services that are completely new to our organization		0.80[***]	
We frequently use new opportunities in new markets		0.68[***]	
Our organization regularly uses new distribution channels		0.66[***]	
We frequently refine the provision of existing products and services		0.60[***]	
We regularly implement small adaptations to existing products and services		0.70[***]	
We introduce improved, but existing products and services for our local market		0.70[***]	
We improve our provision's efficiency of products and services		0.53[***]	
We increase economies of scales in existing markets		0.68[***]	
Our organization expands services for existing clients		0.66[***]	
Social network ambidexterity[**]	Heirati *et al.,* 2017		0.73
Our firm has extensively used relationships with managers of firms outside our industry		0.79[***]	
Our firm has extensively used relationships with managers of firms in our industry		0.87[***]	
Our firm has acquired information related to our product-market strategies from interactions with other firm		0.74[***]	
Our firm has extensively used relationships with government officials in various levels of government		0.84[***]	
Our firm has extensively used relationships with officials in regulatory organizations such as tax bureaus and state banks		0.77[***]	
Our firm has acquired information related to our product-market strategies (e.g. government regulations, tariffs, taxation) from our interactions with government officia		0.89[***]	

Notes: [*]Five-points Likert scale (1 = very low; 5 = very high); [**]Five-points Likert scale (1 = strongly disagree; 5 = strongly agree); [***]Factor loading is significant at <0.01

Table 1.
Measurements of
variables

Data collection technique, sampling strategy and respondents

Based on the aforementioned hypotheses, an empirical survey with a semi-structured questionnaire was conducted on a sample of 205 SMEs in Yogyakarta, Indonesia during the period from October to November 2019. Yogyakarta was selected as the research site because of the data from the Indonesia Tourism and Creative Economy Agency (2018) (hereafter Bekraf). Indonesia has 8.2 million business actors in the creative economy sector, which are scattered across the Island of Java (65.37%), mainly in Yogyakarta. Additionally, Yogyakarta is also considered as the heart of Indonesia and is known as a center of the creative economy, particularly for the fashion industry (Bekraf, 2018).

Based on the initial data of SMEs, obtained from the SME and Cooperative Agency of Yogyakarta using a purposive sampling technique, 380 fashion SMEs were surveyed (with a response rate of 53.94%). The three criteria used to select the SMEs were:

(1) Minimum of two-years operation.

(2) Producing fashion products with internal and external producers (excluded resellers).

(3) Engaged with a network of partners as noted in the database.

Results

Profile of respondents

The respondents of the study are the owners or managers (OM) of the SMEs, who represent their organization. The majority of these owners are female (75%), 21 to 40 years old (51%) and have a university-level education (60%). Most of the SMEs (about 121 firms) produce clothes and the rest of them produce footwear, bags or mixed ones. Almost 90% of the SMEs are relatively young (established up to 11 years ago) and only a few of them have been in business for longer than 11 years.

Of the 205 firms sampled, 42 SMEs target export markets while the rest sold their products to the domestic market. The majority of the SMEs in the study have assets of less than IDR1bn (96%), annual sales of up to IDR300m (81%) and monthly net income less than IDR50m (86%). In establishing their businesses, the SMEs relied on various sources of capital such as personal, family and banks.

Descriptive statistics

Table 3 presents the mean scores of all the variables, which have relatively high scores (above 4.00) except for FP, which is more modest (3.78), with the standard deviation being 0.41 to 0.62. A Pearson correlation analysis was used to ensure that there was no multicollinearity issue among the variables and found no strong correlation, i.e. the correlation coefficient less than 0.7 according to Hair *et al.* (2014).

Hypotheses testing

Test for mediating effects. The indirect effect of ambidexterity as the mediating variable on the EO-FP relationship was assessed by using a simple mediation analysis with the help of statistical product and service solutions Macros for bootstrapping indirect effects (Preacher and Hayes, 2008). The point estimate of the indirect effect and the bias-corrected confidence interval (CI), are based on 2,000 samples (Preacher and Hayes, 2004). Based on the analysis, the 95% CI for the direct effect is zero, confirming the insignificance of the relationship between EO and FP. In contrast, the 95% CI for the indirect effect is not zero, implying the significance of the indirect effect.

H1a stated: "IA mediates the relationship between EO and FP." According to Table 4, the IA was found to mediate the relationship between EO and FP (point estimation = 0.11, SE = 0.06, 95% CI = 0.01 to 0.22). The CI, which is not zero, indicates a statistically significant indirect effect (Preacher and Hayes, 2008), and thus, the mediating effect of IA was significant, hence the finding supported *H1a*. The next hypothesis test (for *H1b*) argued that SA plays a mediating role in the EO-FP relationship. The bootstrapping result with 95% CI supported the indirect effect, as it does not contain zero (0.05; 0.18). This finding also shows support for the mediating effect of SA, confirming support for *H1b*.

H2a and *H2b* consider the mediating effect of innovation and SA via a BD or CD strategy on the EO-FP relationship. Table 4 shows that the conditional indirect effect between EO and FP, through a BD strategy for both innovation and SA, has a significant indirect effect (point estimation = 0.33, SE = 0.08, 95% CI = 0.17 to 0.51) confirming support for *H2a*. In contrast, the indirect effect through the combination of a CD for both innovation and SA (point estimate = 0.05, SE = 0.09), results in a 95% CI for indirect effect had put zero value within the CI range (−0.11 to 0.23). Hence, this finding cannot support *H2b*, meaning the combination of a CD of both innovation and SA does not mediate the relationship between EO and FP.

Test for the interaction of combination

To test the effect of the interaction of the combination of an ambidexterous strategy (i.e. balanced vs combined), as stated in *H3*, we used an independent *t*-test between two groups (*n*BD = 106; *n*CD = 99). The results show there is a difference ($t = −1.719$, $p < 0.1$) between the BD and the CD strategy (Table 5). However, the negative sign means that the CD > the BD (the reverse of *H3*) and does not confirm *H3*. It implies using the CD ambidexterous strategy provides better performance for the SMEs than the BD strategy does.

Discussion

This paper reveals some appealing findings regarding the relationship between EO and the SMEs' performance. First, this study confirms the suggestion from Cui *et al.* (2017) and Wales *et al.* (2013) that there is a mediating factor between the two constructs. Our first hypotheses (*H1a* and *H1b*) confirmed that IA and SA fulfill the role as mediating factors. This finding can infer that the EO should be backed up with other capabilities, i.e. the capability to innovate (internal purpose) and the capability to establish social networks (external orientation), having them resulted in increased performance. Hence, establishing the capability to innovate and to embrace others into their social networks are critical for SMEs in their efforts to have good performance, as well as sustaining their position in the long run (Dunlap *et al.*, 2016; Heirati *et al.*, 2017).

The hypothesis group (*H2a* and *H2b*) elaborated the interaction of the mediating variables. We argue that the BD strategy happens when the SMEs decide to have a more balanced focus between managing their internal resources that require autonomy to innovate, and acquiring external resources with control from the resource supplier as the prerequisite. The CD strategy, on the other hand, strategizes on executing one aspect first as the stepping stone to cope with the other, for both IA and SA. The current study supports our argument that the BD strategy mediates the relationship between EO and the SMEs' performance (*H2a*), meanwhile the CD strategy fails as the mediating factor (*H2b*).

These findings indicate that companies, which focus on BD strategy should have a high EO to be able to produce better performance. A strong tendency or mindset to be innovative, proactive and a risk-taker can act as a "torch," which illuminates the company's steps to mitigate the potential risks from the BD strategy. The mitigation at the end will make the company attain superior performance (Chaston and Sadler-Smith, 2012; Lee and Kreiser, 2018).

The risk inherent in running the BD strategy is the possibility of an excessive emphasis on one aspect (Cao *et al.*, 2009). When companies focus heavily on their internal resources, the risk of resource shortages arises (Tehseen and Sajilan, 2016) because of the "lockdown" of external resources. On the other hand, when companies are too dependent on their external resources, the risk of losing the autonomy to innovate is unavoidable (Pfeffer and Salancik, 2003; Park *et al.*, 2019).

The last hypothesis (*H3*) examined the role of the BD strategy on FP, to see if it is higher than the CD one. Interestingly, the study revealed the opposite finding from that proposed by *H3*, that is firms using the CD strategy would have better performance compared to those using the BD one. Moreover, we note that this finding is different from both *H2a* and *H2b*, which found that the BD strategy (instead of the CD one) is the most appropriate mediator between EO and FP. To obtain superior performance, the BD strategy, which has a high degree of risk, can only work if the company has EOs such as innovativeness, proactiveness and risk-taking. However, the finding of *H3* indicates that when EO is not included in the test, so it only compares the difference between the BD and CD strategies with performance, the CD strategy contributes more to FP. These results lead to the paradoxical phenomenon indicated by a recent literature study by Indarti *et al.* (2019) on the absorptive capacity of SMEs in a developing country's context. They state that organizational practices/routines within SMEs have a tendency to not completely follow the logical lines of commonly-known organizational theories. This occurs due to the issues of resource sufficiency and the quality levels of their organizational capability to meet market demands, meanwhile, supplying market needs for new products is considered as a proxy for performance (Dunlap *et al.*, 2016). Hence, the capability to meet market demands is crucial for the SMEs' performance.

To address the implementation of the BD strategy, one basic assumption to take into account is the level of resource adequacy that must be allocated to both ambidexterous activities, namely, innovation and SA (Cao *et al.*, 2009). In other words, the resource-constrained SMEs would have difficulties in supplying sufficient and equitable resources if all their ambidexterous activities are simultaneously carried out (Dunlap *et al.*, 2016). According to the respondents (Table 2), the firms in this study can be classified as SMEs by their number of employees (Indonesia's SME law, 2008) and by having fewer resources than the larger companies. Running the BD strategy might not be affordable for them (Nieto-Rodriguez, 2014). The CD strategy subsequently is a sensible choice because it puts forward a sequential approach that allocates resources with a focus on one activity first, such as conducting innovation and following this with the next focus such as networking with business actors or vice versa.

Strategies for building ambidexterity strategy

Based on the findings, we suggest that companies should be able to conduct self-evaluation to map the level of their EO and performance as a prerequisite for implementing either the BD or CD strategy. In addition, the scanning of external environmental conditions is necessary to identify specific characteristics of the industry in which the company operates. In other words, companies are expected to answer the following reflective question about their strategy formulation: "from where do we start and to where shall we go?" Many SMEs, especially in creative industries (e.g. fashion sectors), face the challenge of a short life-cycle for their products because of the high demand for new products, which results in their existing products becoming obsolete very quickly (Bhardwaj and Fairhurst, 2010). As such, SMEs in this industry need to formulate appropriate ambidextrous strategies to meet customer demand, either using the BD or the BC strategy. To elaborate on such a strategy, we propose a self-evaluation framework consisting of four different goals and actions to

Characteristic	Total	(%)	Characteristic	Total	(%)
Owner or manager					
Gender	49	24	*Educational background*	82	40
Male	156	76	Senior high school	26	13
Female			Diploma	91	44
Age	2	1	Bachelor degree	6	3
≤20 years	105	51	Graduate and post graduate		
21–40 years	92	45	*Position*	124	60
41–60 years	6	3	Owner	10	5
≥61 years			Manager	71	31
			Owner and manager		
SMEs' profile					
Production type	121	59	*Place to market* [*]	205	100
Clothing (1)	9	4	Domestic	42	20
Foot wear (2)	41	20	Export		
Bags (3)	34	16			
Mixed (1,2,3)					
Age	127	62	*Asset value*	196	96
2–6 years	54	26	<IDR 1bn	9	4
7–11 years	11	5	1–1.5 IDR billion		
12–16 years	13	6	*Annual sales*	167	81
>16 years			<IDR 300m	9	4
First capital coming from [*]	155	76	300–2.5 IDR billion		
Personal	151	74	*Monthly net income*	176	86
Family	122	59	<IDR 50m	26	13
Friends	167	82	50–100 IDR million	3	1
Bank	24	12	>100 IDR million		
Government aid	14	7			
Private aid					

Note: [*]Multiple answers allowed

Table 2.
Respondents' profile

build organizational ambidexterity for the SMEs in each quadrant situation as depicted in Figure 2.

Quadrant #4 is the least anticipated position due to low EO and performance levels. The SMEs in this quadrant will need assistance, as argued by Pfeffer and Salancik (2003) and as a result, they will become dependent on the organizations that can provide assistance to them. In relation to that, we argue that the main goal in this quadrant is "survival" and this is achieved by seeking the right assistance (i.e. "seek for help") (Tehseen and Sajilan, 2016;
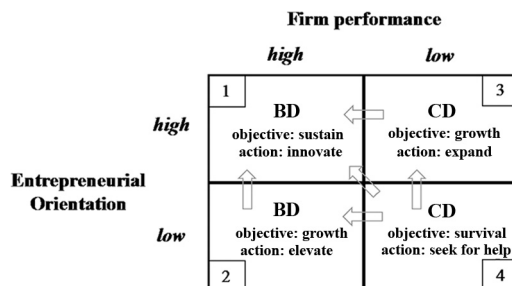

Figure 2.
Strategies for building ambidexterity among SMEs

Roundy and Bayer, 2019). However, this dependence will lead to a power imbalance and this should be considered as a warning. Thus, we argue that SMEs should try to break away from this Quadrant #4 and move on to the next quadrant (Quadrants #1–3, note: arrows indicate possible directions), either sequentially or not.

Quadrant #3 refers to a high EO but low performance level. In this situation, we propose the word "grow" as the objective and this can be carried out by "expand" for its action. The word "expand" refers to the development and management of the SMEs' physical capacity. The ability to manage and develop this physical capacity is relevant to the concept of the dynamic capability to synergize and integrate all of the physical resources owned, both in their internal and external environment (Teece, 2012; Junfeng and Wei-ping, 2017). The increasing dynamic capability on this specific competence domain would improve their operation and their performance (Eisendhardt and Marin 2000). Concretely, the SMEs could "expand" their position by choosing the CD strategy. With a high or growing EO mindset, SMEs, which then increase their physical resources will be able to transform to have better

Variables	Mean	SD	1	2	3	4
Firm performance (1)	3.78	0.62	1			
Entrepreneurial orientation (2)	4.16	0.49	0.28***	1		
Innovation ambidexterity (3)	4.09	0.41	0.37***	0.54***	1	
Social network ambidexterity (4)	4.03	0.55	0.40***	0.31***	0.49***	1

Table 3.
Descriptive statistics

Note: ***Significant at < 0.01

Relationship	N	Effect	Estimate	95% Confidence level (CI) BootLLCI	BootULCI	BootSE
EO → FP	205	Direct	0.12	−0.03	0.28	0.09
EO → IA → FP		Indirect	0.11***	0.01	0.22	0.06
EO → FP	205	Direct	0.12	−0.03	0.28	0.09
EO → SA → FP		Indirect	0.11***	0.05	0.18	0.04
EO → FP	106	Direct	0.08	−0.15	0.30	0.11
EO → BD of IA and SA → FP		Indirect	0.33***	0.17	0.51	0.08
EO → FP	99	Direct	0.22	−0.09	0.53	0.15
EO → CD of IA and SA → FP		Indirect	0.05	−0.11	0.23	0.09

Table 4.
Bootstrapping test of mediation

Notes: ***Bootstrap estimate is significant at 0.01, 0.05, 0.1; Bolded starred estimate = indirect effect (mediation) is significant, EO = Entrepreneurial orientation; IA = Innovation ambidexterity; SA = Social network ambidexterity, FP = Firm performance, BD = Balanced dimension and CD = Combined dimension

Table 5.
Results of interaction of combination of BD and CD strategy on firm performance

Group	N	Mean FP	Std	t	df
Between	BD = 106	3.70	0.63	−1.719**	203
	CD = 99	3.85	0.59		

Notes: **p-value < 0.05; one tailed test

governance, more efficient processes and better quality. As a result, successful SMEs in this Quadrant (#3) can upgrade themselves to Quadrant #1 (arrow).

However, the concept of dynamic capability is not only limited to the ability to synergize an organization's physical resources, but it also covers the ability to manage and develop non-technical skills that are more difficult and intangible, called idiosyncratic knowledge by Eisenhardt and Martin (2000). In contrast to the previous quadrant, the challenge in Quadrant #2 is about developing and managing such soft competencies due to having a low EO with a high performance level. Thus, we propose that the focus of SMEs in this quadrant should still be "grow" but with more subtle actions, i.e. "elevate" epitomizing the effort to improve their organization, trying to upgrade themselves; for example, from receiving and processing resources to providing and distributing them. In this condition, the BD ambidexterous strategy can be applied to balance the management of their external and internal resources or from the perspective of their physical and non-physical resources (O'Reilly and Tushman, 2008; Teece et al., 2016; Lee and Kreiser, 2018). The established dynamic capability of this quadrant, we argue, is more complex compared to the one in the previous Quadrant #3. The success of SMEs in this quadrant enables them to elevate themselves to Quadrant #1.

Finally, Quadrant #1 represents a high EO and FP and is the highest objective of this four-quadrant model. In Quadrant #1, we think that the goal of SMEs should be to focus on the issue of sustainability by taking continuous innovative actions (i.e. "sustain" and "innovate"). The ability to innovate, as expressed by Eisenhardt and Martin (2000), is represented by an improved dynamic ability in all senses (physical and subtle aspects). Thus, the SMEs can use the BD strategy by orchestrating the balance of their internal and external resource capabilities, as well as integrating their physical and non-physical resources. In this quadrant, we argue there is a flipped power imbalance perspective due to the position of the SMEs as the ones who are needed by their counterparts (Pfefer and Salancik, 2003; Tehseen and Sajilan, 2016; Roundy and Bayer, 2019). By doing so, the SMEs will achieve a sustainable competitive advantage in the long run. Ideally, we consider that when an SME went through Quadrants #4, 3, 2 and 1 sequentially then that SME has the dynamic capacity development building ability, according to the ideal flow. We acknowledge the possibility that the sequential order does not always happen with every SME. In fact, it is also possible for an SME to move and jump without a predetermined order. Nevertheless, we anticipated these possibilities by stating the necessary objectives and actions, as well as which competencies are critical for carrying out these actions for each quadrant.

Implications, limitations and suggestions for future research
The main objective of the current study is to examine the role of ambidexterity – innovation and social network ambidextrous – in the relationship between EO and performance, with special reference to SMEs in the fashion sector. The two types of ambidexterity lead to different ambidextrous strategies, namely, the BD and CD strategies. This study reveals that the SMEs chose the BD strategy for harmonizing the dilemma between managing their internal resources to innovate and searching for external resources. The BD strategy becomes risky because of the high possibility of an overemphasis on one side (internal or external resource) only. However, these risks can be mitigated if the company has a high level of EO.

This recent study confirms the comprehensive-integrated view of RBT and RDT for better understanding the role of ambidexterity as a mediating variable and its interaction (the BD and CD strategies). The integrated RBT and RDT, in our further analysis, should

be added with the dynamic capability, which enables the SMEs to undertake integration activities as operationalized in their ambidextrous strategy (BD or CD). Furthermore, this study provides a four-quadrant model to depict the objectives and behavior necessary for the SMEs to implement their ambidexterity action (BD and/or CD). The model displays four clear strategies for SMEs to build their organizational ambidexterity according to their specific objectives in each quadrant, as a reflection of their EO and FP interrelation levels.

Based on the findings, this study makes a contribution to the organizational theory, specifically on the relationship between EO and FP, as well as the depth of ambidexterity's variation in the relationship. This study confirms the mediating role in the classic proposition of the relationship between EO and FP, specifically by the addition of the ambidexterity variable as one organizational capability that can be applied to specific types of organizations, i.e. SMEs. Further, the conceptual four-quadrant model is our contribution to explore the intense relationship between EO and FP, as indicated by the inconclusive results in many previous empirical research works. This study is in favor of the argument about contextual EO from Cannavale and Nadali (2018) and added the possibility that the relationship between EO and FP could also be the contextual factor for EO's components to be applied. By giving a more detailed perspective to each quadrant, an augmented theory could emerge and provide a better explanation of this EO – FP classic model.

The findings of this study also bring some managerial implications. *First*, we argue that "anything too much is always not good." This means that SMEs should be aware of the risks of overemphasizing on one aspect only, i.e. focusing too much on managing internal resources or being too dependent on external parties. If problems due to these risks arise, the company should have the organizational agility to solve them as quickly as possible. *Second*, we suggest that "one size does not fit all." The owners/managers of SMEs should be able to evaluate the level of adequacy of their resources, such as understanding their EO and current performance, if they want to run the balanced or combined strategies of ambidexterity.

The study also notes a certain limitation in the research process and offers future research agendas. A hypo-deductive approach with a cross-section survey is best to meet the objective of the study (i.e. to test the proposed hypotheses). However, the suggested framework for building ambidexterity in SMEs needs to be further examined within various contexts through multiple case studies to allow for the generalization of the study. In more detail, future research can use a single case study method to more deeply analyze the shifting dynamics of ambidexterity strategies experienced by a firm (for example, upgrading from Quadrant #4 to Quadrant #3 and to Quadrant #1) and investigating the possibility of new facets emerging to enrich the framework's diagnostic power. Such further investigation is relevant because of the dramatic changes in consumer behavior caused, for instance, by the COVID-19 pandemic. Their behavior has dramatically changed from previously being enthusiastic about getting the latest products because most people's spending power is now used just to purchase the necessities to maintain life (Donthu and Gustafsson, 2020; Nicola *et al.*, 2020).

The current study focuses on a creative (i.e. fashion) industry, which means its products have a short life-cycle. Future research may target different sectors with similar characteristics as the fashion sector, such as software firms or production houses; or it may focus on sectors that have different characteristics such as the furniture sector or the hospitality sectors to provide a broader understanding of the ambidexterity within SMEs in various sectors, and increase the generalizability of the findings.

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Appendix

	Exploration-High: ≥ 4.15 (1)	Exploitation-High: ≥ 4.05 (2)	Politics-High: ≥ 4.09 (3)	Business-High: ≥ 3.96 (4)	Innovation A = BD B = CD (5)	Social network A = BD B = CD (6)
SME A	4.16 (1)	4.83 (1)	4.66 (1)	4.33 (1)	1, 1 = A	1, 1 = A
SME B	3.5 (2)	4 (2)	3.83 (2)	3.92 (2)	2, 2 = A	2, 2 = A
SME C	4.66 (1)	4.33 (1)	4 (2)	4.66 (1)	1, 1 = A	2, 1 = B
SME D	3.66 (2)	4.33 (1)	3.83 (2)	3.65 (2)	2, 1 = B	2, 2 = A
SME E	4 (2)	4.16 (1)	3.5 (2)	3.66 (1)	2, 1 = B	2, 1 = B

Table A1.
Steps to getting BD and CD (examples of 5 data)

Notes: The limit value for each item (e.g., 4.15; 4.05...) was the overall mean score (N=250); Status high is achieved when the mean score for each SMEs ≥ the limit value. Given that, high = 1 and low =2 (Column 1-4); When both high, high (1, 1); or low, low (2,2) is achieved; BD is assumed. Reversely, when high, low (1, 2) or low, high (1, 2) is achieved; CD is assumed. Column 5 stands for innovation ambidexterity strategy (IA) and column 6 stands for social network ambidexterity strategy; Step (3) refer to He and Wong (2004); Lubatkin *et al*. (2006)

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