

Dynamic Capability on Business Performance through Ambidextrous Innovation in The Coffee Business

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ABSTRACT

Objectives: In the context of rising global competition and shifting consumer demands, coffee enterprises face increasing pressure to innovate while maintaining consistent business performance. This study investigates the role of dynamic capabilities in enhancing business performance through the mediating mechanism of ambidextrous innovation within the Indonesian coffee industry. Methodology: Adopting a quantitative, explanatory research design, the study collected primary data from 362 decision-makers representing various types of coffee businesses, including cafés, roasteries, and producers. Using structural equation modeling with Partial Least Squares (PLS-SEM), the study tested both direct and indirect relationships among dynamic capabilities, ambidextrous innovation, and business performance. Finding: The findings reveal that dynamic capabilities—specifically sensing, seizing, and reconfiguring—positively influence both exploitative and explorative innovation strategies, which in turn significantly improve multiple dimensions of business performance. Moreover, ambidextrous innovation was found to partially mediate the relationship between dynamic capabilities and performance outcomes, underscoring its strategic importance in resource-constrained environments. The study contributes to the theoretical development of dynamic capabilities and innovation management by extending the application of Conservation of Resources (COR) Theory to the context of small and medium-sized enterprises in emerging markets. Conclusion: It also offers practical insights for managers and policymakers seeking to foster innovation-driven growth in the agri-food and service sectors.

1. INTRODUCTION

The coffee industry has emerged as a dynamic sector marked by rapid expansion, consumer sophistication, and global market integration. In Indonesia, the rise of specialty coffee culture, supported by a growing middle class and tourism, has led to the proliferation of cafés, roasteries, and artisanal coffee producers. However, these businesses face intensified competition, supply chain vulnerabilities, and shifting consumer demands, especially in the post-pandemic era where agility and adaptability are essential for survival (Ramos et al., 2021). Within such a volatile environment, traditional static resource-based strategies are increasingly insufficient to sustain long-term performance. Businesses must continually reconfigure their internal competencies to navigate environmental uncertainty and create value through innovation (Sari et al., 2024). Consequently, dynamic capabilities the firm's ability to sense opportunities, seize them, and reconfigure resources have become central to understanding strategic success in the coffee sector (Artika et al., 2024).

The coffee industry, in contrast to high-tech industrial sectors, is a hybrid agri-food and service-based ecosystem with substantial reliance on upstream agricultural supply chains, high demand volatility, and perishable raw materials. (SMEs) with limited resources, informal supply chain structures, and constrained access to advanced technologies. Compared to businesses in more standardized manufacturing industries, these traits necessitate a greater reliance on dynamic capabilities, especially the ability to recognize market trends, take advantage of niche opportunities, and quickly reconfigure resources (Wetering et al., 2022).

In this context, ambidextrous innovation becomes more complex and critical, as firms must balance incremental improvements (e.g., product consistency and operational efficiency) with

exploratory innovations such as new brewing methods, product differentiation, and customer experience design. Thus, context-specific research is necessary because the coffee sector offers a distinct empirical setting where the relationship between dynamic capacities, innovation, and performance may function differently from high-tech companies.

Despite the prominence of dynamic capabilities as a performance determinant, coffee enterprises, especially SMEs, frequently encounter challenges in leveraging these capabilities effectively to ensure innovation and sustainability. Existing literature has demonstrated that while dynamic capabilities can foster responsiveness and adaptability, their direct effect on business performance often remains inconsistent or indirect (Baía & Ferreira, 2019). Notably, empirical gaps persist in identifying the mechanisms through which dynamic capabilities translate into tangible outcomes, particularly within resource-constrained environments such as Indonesian coffee businesses (Kimani & Otinga, 2019). The mediating role of ambidextrous innovation balancing exploitation of existing knowledge with exploration of new opportunities has emerged as a potential pathway, yet remains underexplored in this industry context (Saddam et al., 2023). Addressing this theoretical and practical gap is vital to advancing innovation strategies for SMEs navigating competitive landscapes.

This study is anchored in the Conservation of Resources (COR) Theory by Hobfoll (1989), which posits that individuals and organizations strive to acquire, protect, and grow resources to mitigate stress and enhance resilience. Within this framework, dynamic capabilities represent critical resource orchestration mechanisms that allow coffee businesses to respond to external shocks and internal inefficiencies. Ambidextrous innovation, meanwhile, is conceptualized as a strategic deployment of these capabilities to achieve both short-term gains (through exploitative innovation) and long-term adaptability (via explorative innovation) (Wibisono et al., 2024). Integrating these constructs, the study proposes a model where dynamic capabilities exert an indirect influence on business performance through the mediating role of ambidextrous innovation (Mahmud et al., 2024). The COR framework thus provides a robust theoretical lens for understanding how resource dynamics drive competitive advantage in high-uncertainty industries such as specialty coffee.

The primary objective of this research is to empirically examine the effect of dynamic capabilities on business performance through ambidextrous innovation as a mediating variable in the Indonesian coffee business context. Specifically, the study investigates how sensing, seizing, and reconfiguring capabilities influence exploitative and explorative innovation, and how these innovation modes, in turn, shape performance metrics across financial, operational, customer, and growth dimensions (Chang, 2022). The study adopts a quantitative, explanatory design using structural equation modeling (SEM) with Partial Least Squares (PLS) to analyze survey data from coffee entrepreneurs. In line with the research objective, the central hypothesis posits that ambidextrous innovation significantly mediates the relationship between dynamic capabilities and business performance in coffee enterprises (Suprpto et al., 2024).

This research contributes novel insights to both the academic and managerial domains. From a theoretical standpoint, it extends COR Theory into the strategic management and innovation domains within agri-food entrepreneurship, emphasizing the critical intersection between resource orchestration and innovation capability (Rossignoli Cevallos & Guevara Sánchez, 2024). Empirically, the study addresses a significant void in the coffee industry literature by providing validated evidence from Indonesia a region often underrepresented in global innovation research (Handini et al., 2021). Practically, the findings offer strategic guidance to coffee entrepreneurs and policymakers seeking to enhance innovation outcomes and build resilient enterprises in the face of market turbulence and shifting consumer expectations (Syofya, 2023). By elucidating the pathways linking dynamic capabilities and performance through innovation, this study positions itself as a critical step forward in advancing sustainable competitiveness in the coffee sector.

2. THE PROPOSED METHOD

The theoretical foundation of this study is grounded in the Conservation of Resources (COR) Theory, originally introduced by Hobfoll in 1989. This theory posits that individuals and organizations strive to acquire, maintain, and protect valuable resources to navigate uncertainty and stress. In the

context of business, resources are not limited to tangible assets but include intangible capabilities such as knowledge, innovation potential, and strategic flexibility. Dynamic capabilities, namely the abilities to sense, seize, and reconfigure, represent higher-order resources that allow firms to adapt in turbulent environments. COR Theory provides a meaningful framework for explaining how dynamic capabilities enable firms to deploy and conserve innovation-related resources in ways that sustain performance under pressure (Choi, 2020). This theory is particularly applicable to industries marked by volatility, such as the coffee business, where firms must continually innovate and adapt to maintain competitiveness (Abbas et al., 2024).

Prior research has increasingly highlighted the significance of dynamic capabilities in enhancing firm performance, particularly through ambidextrous innovation strategies that balance exploitation of existing knowledge and exploration of new opportunities (Sijabat et al., 2021). For instance, studies have found that dynamic capabilities positively influence both exploitative and explorative innovation, which in turn contribute to improved financial and operational performance (Anggadwita et al., 2022). In SMEs, particularly in emerging markets, this interplay has proven vital for sustaining growth and competitiveness (Chigori et al., 2024). Furthermore, empirical evidence has shown that the mediating role of ambidextrous innovation significantly enhances the relationship between dynamic capabilities and firm performance (Yu & Kim, 2020), thereby offering a mechanism through which firms can translate adaptability into sustainable success (van Lieshout et al., 2021).

However, several gaps persist in the current body of literature. The majority of existing studies have focused on high-tech, manufacturing, or multinational enterprises, often neglecting the dynamics of agri-based or service industries such as the coffee business (Randhawa et al., 2020). Additionally, there is a limited understanding of how dynamic capabilities operate within SMEs in emerging economies under conditions of constrained resources and institutional instability (Wetering et al., 2022). Methodologically, while structural equation modeling is widely employed, there remains a shortage of studies combining causal modeling with configurational approaches to assess complex interdependencies among variables (Alhammadi et al., 2024). Moreover, temporally, most studies are cross-sectional, limiting insights into the evolving nature of capability-innovation-performance linkages (Anggadwita et al., 2022).

This article addresses the above gaps by empirically investigating the mediating role of ambidextrous innovation in the relationship between dynamic capabilities and business performance specifically within Indonesian coffee enterprises. Unlike prior research that generalizes across industries, this study provides contextual specificity by focusing on an agri-food sector marked by fluctuating consumer preferences and fragmented supply chains (Choi, 2020). It also contributes methodologically by employing Partial Least Squares-Structural Equation Modeling (PLS-SEM) to test both direct and indirect paths with robustness through bootstrapping procedures. Conceptually, the study integrates the COR Theory to explain how resource protection and acquisition underpin strategic innovation efforts under uncertainty (Wan & Chun, 2025). In doing so, it extends the applicability of COR Theory beyond individual or psychological contexts into firm-level strategic behavior in volatile industries.

The dominant approach in existing literature has emphasized dynamic capabilities as antecedents of firm performance, often mediated by innovation strategies or environmental adaptability (Sudarmaji et al., 2019). Ambidextrous innovation, defined as the firm's simultaneous engagement in exploration and exploitation, has become a focal point in studies addressing how organizations reconcile the tension between stability and change (Santoro et al., 2021). Recent empirical work has also drawn attention to enabling conditions such as market orientation, knowledge management, and leadership style that influence the efficacy of ambidextrous innovation (Triono & Kurniawan, 2019). Moreover, researchers are increasingly acknowledging the importance of integrating causal and configurational methods to capture non-linear relationships and alternative pathways to performance (Peng et al., 2019). Such trends point toward a maturing field that seeks to unify theories of innovation, strategic management, and organizational behavior under dynamic environmental conditions.

Drawing upon these trends, the present study conceptualizes the relationship among dynamic capabilities, ambidextrous innovation, and business performance as a resource orchestration process

conditioned by environmental uncertainty and organizational intent. In this view, dynamic capabilities serve not merely as technical routines but as strategic enablers of innovation-driven growth. Ambidextrous innovation is positioned as a pivotal mechanism that channels the firm's adaptive capacity into measurable outcomes. Grounded in COR Theory, the study underscores the dual imperative of resource preservation and innovation advancement in contexts like the Indonesian coffee industry. This conceptual integration provides the basis for the empirical model and analytical strategy developed in the next section.

3. METHOD

This study employed a quantitative, explanatory research design to investigate the causal relationships between dynamic capabilities, ambidextrous innovation, and business performance within the Indonesian coffee business sector. A causal design is appropriate for examining the direction and strength of relationships among variables, particularly when exploring mediating effects such as ambidextrous innovation in the dynamic capabilities performance link (Aini & Yuliaji, 2024). The study was framed by the Conservation of Resources (COR) Theory, which emphasizes the strategic mobilization and deployment of organizational resources to adapt under uncertainty. This theory supports the use of causal models to explain how firms reconfigure internal capabilities into sustainable performance outcomes.

Primary data were collected through a structured questionnaire survey, targeting decision-makers such as business owners, managers, and innovation leaders within Indonesian coffee enterprises, including cafés, roasteries, and producers. A purposive sampling technique was employed to ensure diversity in firm characteristics such as size, business model, and organizational maturity, aligning with best practices in SME research methodology (Sudarmaji et al., 2020). The target sample size was 370 firms, selected based on their active engagement in product or process innovation, reflecting the study's focus on ambidextrous innovation.

The questionnaire instrument consisted of closed-ended items measured on a five-point Likert scale (1=strongly disagree to 5 = strongly agree). Three main constructs were operationalized: (1) Dynamic Capabilities, comprising sensing, seizing, and reconfiguring capabilities; (2) Ambidextrous Innovation, comprising both exploitative and explorative innovation dimensions; and (3) Business Performance, encompassing financial, operational, customer-related, and growth performance indicators. The construct measures were adapted from validated scales in prior empirical research, ensuring reliability and conceptual fit (Indriyani et al).

Data analysis was conducted using Structural Equation Modeling (SEM) via Partial Least Squares (PLS) using SmartPLS 3.0 software. This technique is suitable for complex models involving mediating variables and constructs measured by multiple indicators (Pertheban et al., 2023). The model evaluation followed a two-step procedure: first, assessment of the measurement model (outer model) through internal consistency reliability (Cronbach's Alpha, Composite Reliability), convergent validity (Average Variance Extracted or AVE), and discriminant validity (Fornell-Larcker criterion); second, evaluation of the structural model (inner model) through path coefficient significance (using bootstrapping with 5,000 subsamples), R^2 values, and effect size (f^2). This approach is recommended for theory testing in dynamic capability and innovation studies (Haider et al., 2024)

Prior to the structural analysis, descriptive statistics were computed to profile the sample firms and assess central tendency and dispersion of key indicators. Additionally, correlation matrices were used to evaluate preliminary relationships among constructs, ensuring the absence of multicollinearity, which could compromise the model estimation (Nasution et al., 2025). The mediating role of ambidextrous innovation was assessed using the bootstrapped indirect effect method, with significance evaluated via bias-corrected confidence intervals, in line with methodological recommendations for testing mediation in PLS-SEM (Sari et al., 2024).

The instrument validity was strengthened through a pilot test conducted with 30 respondents from the same population, leading to minor revisions in item wording to enhance clarity and contextual relevance. Ethical considerations were upheld by obtaining informed consent, ensuring anonymity, and securing Institutional Review Board (IRB) compliance where applicable. Data quality was further

maintained by screening for missing responses, outliers, and normality assumptions before final analysis (Trieu et al., 2023).

Overall, this methodological framework ensures rigor and validity in testing the hypothesized causal pathways linking dynamic capabilities to business performance via ambidextrous innovation, particularly in the under-researched but economically vital Indonesian coffee business sector (Budiman et al., 2025).

4. RESULTS AND DISCUSSION

Results

Table 1. presents the descriptive analysis, including mean, standard deviation, minimum, and maximum values of the research variables.

Tabel 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DC1	370	2,40	7,00	5,8773	,95149
DC2	370	1,00	7,00	6,1703	1,05251
DC3	370	1,00	7,00	6,1878	,88145
DC4	370	1,00	7,00	6,1486	,96879
DC5	370	1,00	7,00	5,8500	1,09126
Total Dinamic Capability	370	1,48	7,00	6,0468	,89538
AI1	370	1,00	7,00	5,8095	1,01655
AI2	370	1,50	7,00	6,0676	,89232
AI3	370	1,00	7,00	5,9459	1,12669
AI4	370	1,00	7,00	5,7257	1,13267
AI5	370	1,00	7,00	6,3000	,87992
AI6	370	1,00	7,00	6,0676	1,01187
AI7	370	1,00	7,00	6,0324	1,08152
Total Ambidextrous Innovation	370	1,07	7,00	5,9927	,88966
BP1	370	1,00	7,00	6,1099	,96509
BP2	370	1,00	7,00	5,8874	1,02353
BP3	370	2,33	7,00	6,1217	,91207
BP4	370	1,00	7,00	5,9598	,92948
BP5	370	1,00	7,00	6,0472	,92735
Total Business Performance	370	1,40	7,00	6,0250	,86071
Valid N (listwise)	370				

The Dynamic Capability variable shows consistently high mean values, ranging from 5.8500 to 6.1878. DC3 is the indicator with the highest mean score, indicating that respondents strongly agree or perceive this element as the most dominant aspect of their dynamic capabilities. The total mean score for Dynamic Capability is 6.0468 with a standard deviation of 0.89538, suggesting good uniformity in responses, with data not widely dispersed from the mean.

For the Ambidextrous Innovation variable, the mean values range from 5.7257 to 6.3000. Indicator AI5 records the highest mean score of 6.3000, meaning this item is considered the most important or strongest element in ambidextrous innovation, while AI4 records the lowest mean. The total mean score for Ambidextrous Innovation is 5.9927 with a standard deviation of 0.88966, indicating relatively consistent data.

The Business Performance variable also shows high mean values, ranging between 5.8874 and 6.1217. BP3 is the indicator with the highest mean. The total mean score for Business Performance is 6.0250 with a standard deviation of 0.86071, indicating that respondents assess their business performance positively and consistently.

Overall, the data analysis shows that all variables and their indicators have relatively high mean values, all above 5.7 on a 1–7 scale. This indicates that respondents’ perceptions of Dynamic Capability, Ambidextrous Innovation, and Business Performance are highly positive. The relatively small standard deviation values (below 1. for most indicators and below 1 for the total scores) suggest that the data are not widely spread from the mean. This reinforces the conclusion that there is a high degree of consistency in respondents’ views regarding the measured items, with no extreme differences in opinion.

Table 2 presents the validity and reliability tests of all indicators used to measure the proposed variables. Based on Confirmatory Factor Analysis (CFA), all indicators are valid and suitable for measuring their respective latent variables. This is supported by loading factor values above the threshold of 0.5, reflecting strong correlations between indicators and their latent constructs. For Dynamic Capability, indicator DC4 (0.944) demonstrates the highest loading factor, making it the most representative. For Ambidextrous Innovation, indicator AI3 (0.906) is the strongest, while for Business Performance, indicator BP3 (0.915) proves most effective. These findings provide robust evidence that the measurement model is accurate and reliable, justifying further analysis.

Tabel 2. Validity Test Confirmatory Factor Analysis

Latent Variables	Indicators	Loading Factor>0,5	Description
Dinamic Capability	DC1	0,856	Valid
	DC2	0,915	Valid
	DC3	0,833	Valid
	DC4	0,944	Valid
	DC5	0,856	Valid
Ambidextrous Innovation	AI1	0,866	Valid
	AI2	0,805	Valid
	AI3	0,906	Valid
	AI4	0,826	Valid
	AI5	0,810	Valid
	AI6	0,850	Valid
	AI7	0,810	Valid
Bussines Performance	BP1	0,878	Valid
	BP2	0,830	Valid
	BP3	0,915	Valid
	BP4	0,892	Valid
	BP5	0,846	Valid

Table 3 below shows the results of calculations of reliability values using composite reliability and the Average Variance Extracted (AVE) value.

Tabel 3. Reliability Test

	Average Variance Extracted (AVE)	Composite Reliability
Dinamic Capability	0,719	0,927
Ambidextrous Innovation	0,706	0,944
Business Performance	0,734	0,932

To indicate good reliability, Composite Reliability (CR) should exceed 0.70 and Average Variance Extracted (AVE) should exceed 0.50. Results show that all AVE values surpass the recommended threshold. Business Performance records the highest AVE (0.734), demonstrating strong construct validity, while Ambidextrous Innovation shows the lowest (0.706) but still well above the threshold. Composite Reliability values are also excellent, with all variables exceeding 0.70. Ambidextrous Innovation records the highest CR (0.944) and Dynamic Capability the lowest (0.927). These values confirm the strong internal consistency of the constructs.

Overall, the reliability tests indicate that all variables, from Dynamic Capability to Business Performance, are reliable and consistent. This ensures that the research instruments are valid and trustworthy for subsequent analysis.

Table 4. Hypothesis Testing (Direct and Indirect Effects)

Hypotesis	State of hypothesis	Estimate	t-Statistic	p Value
1	Dynamic Capability has a positive influence on Ambidextrous Innovation	0,877	18,392	0,00**
2	Ambidextrous Innovation has a positive impact on Business Performance	0,980	23,062	0,00**
3	Dynamic Capability has a positive impact on Business Performance through Ambidextrous Innovation	0,859	14,379	0,00**

The hypothesis testing results provide strong empirical evidence. Hypothesis 1 is supported, indicating that Dynamic Capability has a positive and significant influence on Ambidextrous Innovation. This is consistent with the literature, which emphasizes that a firm’s ability to integrate, build, and reconfigure internal and external competencies is essential for creating sustainable innovation. The better a company adapts to environmental changes, the greater its ability to innovate ambidextrously, combining exploratory innovation (seeking new opportunities) and exploitative innovation (optimizing existing resources).

Furthermore, Hypothesis 2 is supported, demonstrating that Ambidextrous Innovation has a positive and significant impact on Business Performance. This finding aligns with theories suggesting that ambidextrous innovation enables firms to create new value while maintaining competitive advantage. By balancing both types of innovation, firms can improve operational efficiency, expand market share, and ultimately enhance overall business performance.

The most significant finding is the acceptance of Hypothesis 3, which shows that Ambidextrous Innovation significantly mediates the relationship between Dynamic Capability and Business Performance. This implies that Dynamic Capability does not independently influence Business Performance but does so indirectly through its role in driving Ambidextrous Innovation. In other words, dynamic capability serves as the initial trigger that enables firms to innovate ambidextrously, and it is this innovation that becomes the main mechanism for achieving superior business performance. These results highlight the critical role of innovation as a key mediator in this causal chain.

The structural model estimation results utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3.0 are shown in the following image. The analysis evaluates the importance of both direct and indirect relationships using bootstrapping findings, path coefficients, and R2 values. Figure 1 below is the conceptual model for this study.

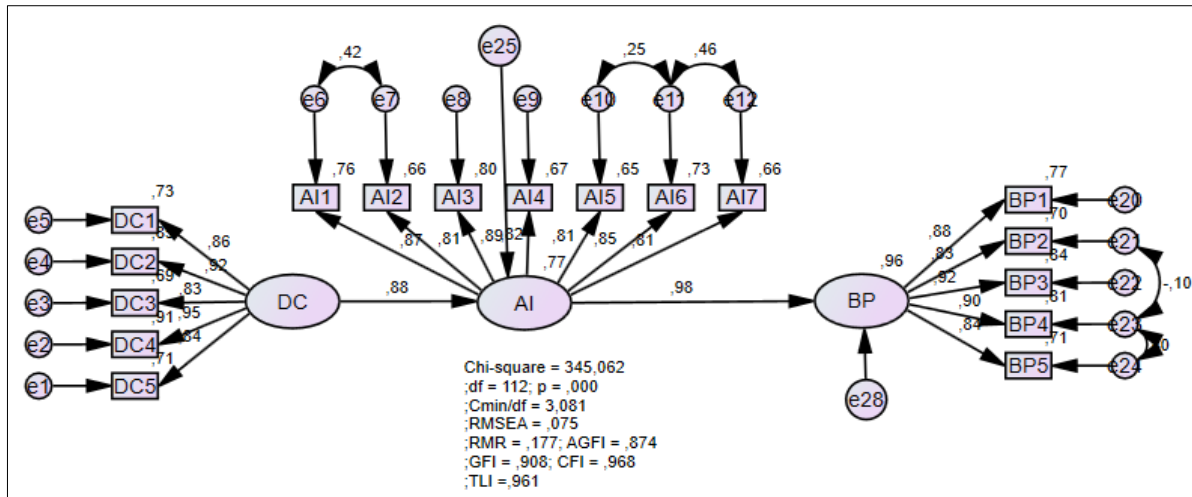


Fig. 1. Conceptual Model

The R-Square (R^2) table illustrates the extent to which the variability in the endogenous (dependent) variables can be explained by the exogenous (independent) variables in the model. The R^2 value for Ambidextrous Innovation is 0.768, indicating that 76.8% of the variability in Ambidextrous Innovation can be explained by Dynamic Capability. This is a very high figure, suggesting that Dynamic Capability is a strong predictor of Ambidextrous Innovation. Meanwhile, the R^2 value for Business Performance is 0.960, showing that 96.0% of the variability in Business Performance can be explained by Ambidextrous Innovation and Dynamic Capability. This exceptionally high value confirms that the model has a very strong predictive ability in explaining business performance.

Overall, this analysis demonstrates that the research model has excellent predictive power for both Ambidextrous Innovation and Business Performance. These findings confirm that the tested structural model is valid and possesses significant predictive strength in explaining the relationships among the studied variables. Predictive and explanatory power are the main objectives of PLS-SEM model evaluation. While Business Performance (0.960) shows a very strong predictive capacity of the model, Ambidextrous Innovation's R^2 score (0.768) suggests significant explanatory power. Furthermore, the structural model has good predictive accuracy and resilience, as confirmed by effect size (f^2) and predictive relevance (Q^2) (Hair et al., 2021; Sari et al., 2024)..

Discussion

The findings of this study affirm that dynamic capabilities significantly influence business performance in the coffee industry, and this relationship is strongly mediated by ambidextrous innovation. Consistent with the research objectives, the results demonstrate that capabilities related to sensing, seizing, and reconfiguring enable firms to develop both exploitative and explorative innovations, which in turn contribute to improved financial, customer, operational, and growth performance metrics. Similar conclusions have been drawn in studies involving small and medium-sized enterprises (SMEs) in East Java and other emerging markets, where dynamic capabilities enhance innovation ambidexterity, ultimately improving firm outcomes (Aini & Yuliaji, 2024).

This study's findings align closely with the Conservation of Resources (COR) Theory, which posits that organizations seek to acquire, retain, and deploy resources to adapt and thrive amid environmental stress. In this context, dynamic capabilities act as resource orchestration mechanisms that enable coffee businesses to strategically balance short-term efficiency with long-term innovation through ambidextrous innovation. The empirical results support this theoretical lens by showing that firms which effectively reconfigure their resources tend to achieve dual innovation and better business performance under uncertain market conditions (Saeed et al., 2023).

Comparing this study's results with prior literature reveals a general agreement on the importance of dynamic capabilities and ambidexterity as performance drivers. For example, studies in manufacturing and service firms have shown that dynamic capabilities lead to successful exploitation and exploration strategies, which are vital for competitive survival and growth (Božič & Dimovski,

2019). Similarly, green innovation research also supports the mediating role of ambidextrous strategies in enhancing sustainable performance outcomes (Adomako et al., 2025). However, variations exist regarding the strength of individual dynamic capabilities. For instance, some studies found resource reconfiguration to have a weaker direct effect on ambidextrous innovation compared to opportunity sensing and resource acquisition (Choi, 2020).

This research contributes to the literature by empirically validating the mediation role of ambidextrous innovation within the underexplored context of Indonesia's coffee industry, where competition, consumer trends, and global disruptions create a unique innovation environment. While prior studies focused on manufacturing or high-tech sectors, this article expands the theoretical applicability of dynamic capabilities and ambidexterity into agri-business and retail domains. Additionally, the use of structural equation modeling with PLS enhances the methodological rigor in testing complex mediation relationships and supports broader generalization of findings (Haider et al., 2024).

Despite these contributions, the study has limitations. The cross-sectional design restricts the ability to infer causality over time, and the reliance on self-reported survey data may introduce common method bias. Moreover, the sample, although diverse in business model and size, is geographically limited to Indonesia and may not capture variation across different cultural or economic environments. Future studies could use longitudinal designs or comparative samples across regions to test the stability of these relationships in varied contexts (Yu & Kim, 2020).

From a practical perspective, coffee business owners and managers should focus on enhancing their dynamic capabilities, particularly those related to sensing market shifts and acquiring critical resources, in order to support innovation. The ability to balance exploitative and explorative efforts is essential for sustaining growth and performance in a volatile market environment. Policymakers and industry associations can also use these insights to design training or support programs aimed at building innovation capacity in SMEs (Sijabat et al., 2021).

5. CONCLUSION

This study examined the relationship between dynamic capabilities and business performance in the Indonesian coffee industry, with ambidextrous innovation acting as a mediating variable. The empirical findings provide robust support for the hypothesis that dynamic capabilities—particularly the abilities to sense, seize, and reconfigure—positively influence both exploitative and explorative innovation strategies. In turn, these dual innovation modes significantly enhance various dimensions of business performance, including financial, customer, operational, and growth outcomes. The results affirm that ambidextrous innovation serves as a critical mechanism through which dynamic capabilities are transformed into sustainable competitive advantage, effectively addressing the research objective of understanding how resource adaptability drives performance in volatile market environments.

The study offers several important contributions to the fields of strategic management and innovation, particularly within the context of resource-constrained SMEs in emerging economies. Theoretically, it extends the application of Conservation of Resources (COR) Theory by demonstrating how dynamic capabilities function as resource orchestration tools that enable firms to navigate uncertainty and enhance performance through innovation. Practically, the findings highlight the importance for coffee entrepreneurs to invest in internal capabilities that support both incremental and radical innovation. The validated model provides a useful framework for managers aiming to align capability development with innovation goals to achieve superior outcomes in highly competitive sectors.

Future research could build on this study by adopting longitudinal designs to explore how the relationships among dynamic capabilities, innovation strategies, and performance evolve over time. Cross-country comparisons may also enrich the understanding of how institutional environments shape the effectiveness of ambidextrous innovation. For policymakers and industry practitioners, the study underscores the value of capability-building programs and innovation ecosystems tailored to support small and medium enterprises in achieving long-term sustainability and growth.

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