


**IMPROVING FIRM SUSTAINABILITY THROUGH DYNAMIC CAPABILITY: THE MEDIATION ROLE OF AMBIDEXTERITY**

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ARTICLE INFO	ABSTRACT
<p><b>Article history:</b></p> <p><b>Received</b> 20 February 2023</p> <p><b>Accepted</b> 08 May 2023</p>	<p><b>Purpose:</b> This study aims to analyze the effect of dynamic capability dimensions on sustainability and ambidexterity. Furthermore, this study also analyzes the mediating role of ambidexterity to influence sensing, seizing and reconfiguring capabilities in building firm sustainability.</p>
<p><b>Keywords:</b></p> <p>Sustainability; Dynamic Capability; Sensing; Seizing; Reconfiguring; Ambidexterity.</p> <div data-bbox="172 1032 475 1272" style="text-align: center;">  </div>	<p><b>Theoretical framework:</b> There are inconsistencies in previous research related to the effect of dynamic capability. Some recent literatures emphasize the important role of dynamic capability in increasing company sustainability including Li et al. (2019), Dangelico et al. (2017), Chowdhury &amp; Quaddus, (2021). However, in some cases, capability does not have a strong influence on sustainability (Hong et al: 2018, Borahima et al. 2021). This study seeks to analyze further and find a better model.</p> <p><b>Design/methodology/approach:</b> This study is a quantitative study with a research population that includes employees, managers, and start-up owners in Yogyakarta. From the population, 250 respondents were taken as research samples. The analysis was carried out using the structural equation model method using AMOS software.</p> <p><b>Findings:</b> The results found that sensing capability had no effect on sustainability and ambidexterity. In other side, seizing and reconfiguring capability influence sustainability and ambidexterity. Furthermore, this study found that ambidexterity was not able to mediate sensing capability on sustainability. Meanwhile, ambidexterity has been proven to mediate each effect of seizing and reconfiguring capability on sustainability.</p> <p><b>Research, Practical &amp; Social implications:</b> This research emphasizes on managers and entrepreneurs that dynamic capability and ambidexterity have an important role in growing sustainability. Future studies may consider to elaborate further on the role of dynamic capability and ambidexterity both from the aspect of moderating influence and the wider research object aspect.</p> <p><b>Originality/value:</b> The results indicate that dynamic capability's factors especially seizing and reconfiguring capability, also ambidexterity have an important role in company's sustainability.</p> <p>Doi: <a href="https://doi.org/10.26668/businessreview/2023.v8i5.1511">https://doi.org/10.26668/businessreview/2023.v8i5.1511</a></p>

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## MELHORANDO A SUSTENTABILIDADE DA EMPRESA ATRAVÉS DA CAPACIDADE DINÂMICA: O PAPEL DE MEDIAÇÃO DA AMBIDEXTERIDADE

### RESUMO

**Objetivo:** Este estudo tem como objetivo analisar o efeito das dimensões da capacidade dinâmica na sustentabilidade e na ambidestria. Além disso, este estudo também analisa o papel mediador da ambidestria para influenciar a detecção, apreensão e reconfiguração de capacidades na construção da sustentabilidade da empresa.

**Referencial teórico:** Existem inconsistências em pesquisas anteriores relacionadas ao efeito da capacidade dinâmica. Algumas literaturas recentes enfatizam o importante papel da capacidade dinâmica no aumento da sustentabilidade da empresa, incluindo Li et al. (2019), Dangelico et al. (2017), Chowdhury & Quaddus, (2021). No entanto, em alguns casos, a capacidade não tem uma forte influência na sustentabilidade (Hong et al: 2018, Borahima et al. 2021). Este estudo procura analisar mais e encontrar um modelo melhor.

**Design/metodologia/abordagem:** Este estudo é um estudo quantitativo com uma população de pesquisa que inclui funcionários, gerentes e proprietários de start-ups em Yogyakarta. Da população, 250 respondentes foram tomados como amostras de pesquisa. A análise foi realizada usando o método de modelo de equação estrutural usando o software AMOS.

**Descobertas:** Os resultados descobriram que a capacidade de detecção não teve efeito na sustentabilidade e na ambidestria. Por outro lado, apropriar-se e reconfigurar a capacidade influencia a sustentabilidade e a ambidestria. Além disso, este estudo descobriu que a ambidestria não foi capaz de mediar a capacidade de detecção de sustentabilidade. Enquanto isso, provou-se que a ambidestria media cada efeito de apreensão e reconfiguração da capacidade de sustentabilidade.

**Pesquisa, implicações práticas e sociais:** Esta pesquisa enfatiza em gerentes e empreendedores que a capacidade dinâmica e a ambidestria têm um papel importante no crescimento da sustentabilidade. Estudos futuros podem considerar aprofundar o papel da capacidade dinâmica e da ambidestria, tanto do aspecto da influência moderadora quanto do aspecto mais amplo do objeto de pesquisa.

**Originalidade/valor:** Os resultados indicam que os fatores da capacidade dinâmica, especialmente a capacidade de apreensão e reconfiguração, bem como a ambidestria, têm um papel importante na sustentabilidade da empresa.

**Palavras-chave:** Sustentabilidade, Capacidade Dinâmica, Detecção, Apreensão, Reconfiguração, Ambidestria.

## MEJORANDO LA SOSTENIBILIDAD DE LA EMPRESA A TRAVÉS DE LA CAPACIDAD DINÁMICA: EL PAPEL DE LOS MEDIOS AMBIDIEJOS

### RESUMEN

**Objetivo:** Este estudio tiene como objetivo analizar el efecto de las dimensiones de la capacidad dinámica en la sustentabilidad y en la ambidestreza. Además, este estudio también analiza el papel mediador de la ambidestreza para incidir en la detección, aprehensión y reconfiguración de capacidades en la construcción de la sostenibilidad empresarial.

**Referencia teórica:** Existen inconsistencias en investigaciones previas relacionadas con el efecto de la capacidad dinámica. Algunas literaturas recientes enfatizan el importante papel de la capacidad dinámica en el aumento de la sostenibilidad de la empresa, incluido Li et al. (2019), Dangélico et al. (2017), Chowdhury y Quaddus, (2021). Sin embargo, en algunos casos, la capacidad no tiene una gran influencia en la sostenibilidad (Hong et al: 2018, Borahima et al. 2021). Este estudio busca profundizar en el análisis y encontrar un mejor modelo.

**Diseño/metodología/enfoque:** Este estudio es un estudio cuantitativo con una población de investigación que incluyó funcionarios, gerentes y propietarios de empresas emergentes en Yogyakarta. De la población se tomaron como muestra de investigación 250 encuestados. El análisis se realizó mediante el método del modelo de ecuaciones estructurales utilizando el software AMOS.

**Descubrimientos:** Los resultados descubrirán que la capacidad de detección no tiene efecto sobre la sostenibilidad y la ambidestreza. Por otro lado, apropiarse y reconfigurar la capacidad e influencia, la sustentabilidad y la ambidestreza. Además, este estudio encontró que la ambidestreza no fue capaz de mediar en las capacidades de detección de sostenibilidad. Mientras es así, provoca ambidestreza para mediar cada efecto de aprehensión y reconfiguración de la capacidad de sustentabilidad.

**Investigación, implicaciones prácticas y sociales:** Esta investigación enfatiza en los gerentes y empresarios que la capacidad dinámica y la ambidestreza tienen un papel importante en el crecimiento de la sustentabilidad. Futuros estudios pueden considerar profundizar el papel de la capacidad dinámica y la ambidestreza, tanto en el aspecto de influencia moderadora como en el aspecto más amplio del objeto de investigación.

**Originalidad/valor:** Los resultados indican que los factores de capacidad dinámica, especialmente la capacidad de aprehensión y reconfiguración, así como la ambidestreza, tienen un papel importante en la sustentabilidad de la empresa.

**Palabras clave:** Sustentabilidad, Capacidad Dinámica, Detección, Aprehensión, Reconfiguración, Ambidestro.

## INTRODUCTION

In the last two years there have been many phenomena that have shaken the world economy. Starting from the Covid-19 pandemic, the war between Russia and Ukraine and high inflation causing a recession that needs to be watched out for. Some analyzes suggest that the recession will get worse in 2023 (Ozili & Arun, 2022; Oxford Analytica, 2022). In these conditions, the most important thing for business people is how to keep their business sustainable. Business sustainability is linked to higher profits (Rahman: 2023), long-term return on investment (Abdelsalam, et al 2016), and sustained commercial success as the main goal for the company (Relaiza et al., 2023). Many companies are successful in controlling the market for a certain period but have not been able to sustain it in the long term (Freudenreich et al. 2020; Curtis & Mont, 2020).

Some recent literature found that one of the important factors to maintain company sustainability is dynamic capability (Li et al. 2019; Dangelico et al. 2017; Kumar et al. 2018; Chowdhury & Quaddus, 2021). Dynamic capability is the company's ability to cope with dynamic environmental changes through the company's resources (Kumar et al. 2018; Chowdhury & Quaddus, 2021). This dynamic capabilities try to keep flexibility and fast adaptability for a company, because dynamic business environment conditions must be balanced with dynamic business movements as well (Dangelico et al. 2017; Kumar et al. 2018).

Although several studies found the effect of dynamic capability on business sustainability, there were several studies that found no effect between dynamic capability and sustainability. Hong et al. (2018) found that in the case of manufacturing companies in China, dynamic capability has no effect on the company's social performance. Likewise, the findings by Borahima et al. (2021) which states that in developing the company's operational performance, dynamic capability does not have a strong influence. This inconsistency of dynamic capability effect on sustainability is the reason why this study seeks to analyze further and find a better model.

Theoretically, this study would enrich the existing research gap identified. The inconsistency of dynamic capability effect on sustainability will be further analyzed by the mediating role of ambidexterity. It is supported by Jurksiene & Pundziene (2016) and Sijabat et al. (2021) which found that the influence of dynamic capability in developing a business can be optimized with the mediating role of ambidexterity. Some literature also found the influence

of ambidexterity on business sustainability (Rao & Thakur, 2019; Gomes et al. 2020; Ciasullo et al. 2020). Therefore, this study attempts to fill by analyzing the mediating role of ambidexterity to seek the influence of dynamic capabilities to business sustainability. This research also brings practical contributions to managers and businesspeople that dynamic capability and ambidexterity have an important role in growing sustainability so that they must be optimized. To optimize dynamic capability, the company should focus on three capabilities combined with an ambidexterity. The main objective of this research is to find the influence of dynamic capabilities to increase company sustainability with the mediating role of ambidexterity.

## LITERATURE REVIEW

### Dynamic Capability on Sustainability

The concept of dynamic capabilities has recently attracted a lot of attention in the field of corporate strategic management to corporate human resources (Dangelico et al. 2017; Kumar et al. 2018). Basically, dynamic capability is the ability to survive in a dynamic environment, or even make it a competitive advantage by optimizing existing resources (Teece et al. 1997).

Dynamic capability is the ability to integrate, develop, and reset both internal and external capability of the company to face the changing business environment (Nayal et al. 2022; Ali et al. 2022). This capability is supported by managerial competence and the company to “read”, create the environment, and develop business model in order to face the threats and opportunities in business (Messina et al., 2022). Therefore, dynamic capability is the company capacity to innovate, adapt, grow, and create changes to be aimed at consumers (Messina et al. 2022; Yuan & Cao, 2022). Then, the dynamic capabilities including innovation and commercial capability, will increase firm’s performance (Vijayakumar: 2023).

The concept of dynamic capability recognizes that there is a qualitative difference between risk and uncertainty (Bianchi et al. 2022). Handling risk can be learned from experience, but dealing with uncertainty requires entrepreneurial management that can combine and integrate technologies and structures that can change rapidly. Without the support of adequate funding sources, entrepreneurs may be able to exercise dynamic capability, but without an adequate “platform”, they will not get maximum results (Clampit et al. 2022; Kumar et al. 2018).

In implementing dynamic capability, entrepreneurs are required to guess the future and act on that basis, because there is no technology that can be used to predict the future, which

results can be used to beat competitors in the future (Chin et al. 2022; Chowdhury & Quaddus, 2021). To be able to achieve a competitive advantage, it is very necessary to build the capability of leader at the institutional level (Titin: 2022). Companies that are able to dynamically carry it out will have the power to expand their business models and positions in the market to fight their competitors (Messina et al. 2022; Yuan & Cao, 2022).

Some recent literature also emphasizes the important role of dynamic capability including Li et al. (2019); Dangelico et al. (2017); Kumar et al. (2018); Chowdhury & Quaddus, (2021) who found the effect of dynamic capability in increasing company sustainability. Li et al. (2019) states that dynamic capability supported by innovation and social performance is able to maintain the company's sustainability in various conditions. Dynamic business environment conditions will be difficult for companies that are less adaptive and the right ability to deal with this dynamic and disruptive era is dynamic capability.

However, there are still inconsistencies in research results related to the effect of dynamic capability. Hong et al. (2018) found that in the case of manufacturing companies in China, dynamic capability has no effect on the company's social performance. Likewise the findings by Borahima et al. (2021) which states that in developing the company's operational performance, dynamic capability does not have a strong influence. The inconsistency of these results requires this study to further analyze the effect of dynamic capability on the company's sustainability.

Dynamic capability has three main dimensions, namely sensing, seizing and reconfiguring (Chowdhury & Quaddus, 2020; Jantunen et al. 2018; Teece, 2014). Although some literatures use different dimensions, such as Li & Liu (2014) using Strategic sensemaking capacity, timely decision-making capacity and change implementation capacity. Then Sijabat et al. (2021) replaces seizing with learning capability as a dynamic capability dimension. However, the majority of the literature uses sensing, seizing and reconfiguring in measuring dynamic capability. This research provides novelty by analyzing the dynamic capability dimensions separately. So the hypothesis is formulated as follows:

H1: Sensing capability has positive effect on sustainability.

H2: Seizing capability has positive effect on sustainability.

H3: Reconfiguring capability has positive effect on sustainability.

### **Dynamic Capability on Ambidexterity**

The more dynamic a company is, the better it is able to maintain a better performance (Kumar et al. 2018; Raza et al. 2021). Therefore, developing dynamic capability can provide great benefits for the company (Dangelico et al. 2017; Li et al. 2019). Chowdhury & Quaddus (2021) stated that dynamic capability includes three aspects, namely sensing, seizing and reconfiguring. Some literatures reveal the positive impact of dynamic capability in developing a business, including sustainability in tight business competition (Dangelico et al. 2017; Kumar et al. 2018). Then optimize the innovations made by the company (Xing et al. 2020) and also the supply chain process within the company (Moreno-Luzon et al. 2019).

Schilke (2014) revealed that dynamic capability has a positive influence for companies, as it increases business integration with business partners, integration between divisions within the business, and integration between employees. Furthermore, dynamic capability can also improve the company's product development. Božič & Dimovski (2019) formulated the concept of company development by optimizing dynamic capability and innovation ambidexterity. These two capabilities are the company's main strategy to survive in a dynamic business environment (Faridian & Neubaum, 2021; Weiss & Kanbach, 2021; Farzaneh et al. 2022).

On the other hand, dynamic capability is also able to develop the company's ability to explore business while exploiting profits (Jurksiene & Pundziene, 2016; Souza & Takahashi, 2019; Zhou et al. 2021). The ability to do this is known as ambidexterity (Souza & Takahashi, 2019; Zhou et al. 2021). Companies with good ambidexterity will be able to grow rapidly while reaping high profits (Peng & Lin, 2019). With three components of dynamic capability, namely sensing, seizing and reconfiguring, it is easier for companies to explore business without sacrificing profits.

Sensing is the ability to see potential business opportunities and take advantage of these opportunities as well as possible. Then seizing is exploring strategic initiatives in taking advantage of existing opportunities and doing trial and error. Reconfiguring is redesigning the internal environment and shaping the company's ecosystem in accordance with the business strategy carried out (Day & Schoemaker, 2016). By optimizing these capabilities, companies can build ambidexterity well (Pasamar et al. 2015; Souza & Takahashi, 2019; Zhou et al. 2021).

Birkinshaw et al. (2016) emphasized that the correlation between dynamic capability and ambidexterity is based on a company's ability to achieve a sustainable competitive advantage. Companies with dynamic capability are able to sense and take advantage of business

opportunities quickly and implement them in corporate strategy, so that company can utilize this capability to explore business while also generating profits (Souza & Takahashi, 2019; Zhou et al. 2021).

The relationship between dynamic capability in developing ambidexterity is quite widely discussed in the literature (Peng & Lin, 2019; Pasamar et al. 2015). However, there is still no detailed explanation regarding the role of the dynamic capability dimension. There are three dimensions that build dynamic capability, namely sensing, seizing, and reconfiguring (Souza & Takahashi, 2019; Zhou et al. 2021). There has not been literature that specifically explains which dimensions have the most impact on developing ambidexterity.

H4: Sensing capability has positive effect on ambidexterity.

H5: Seizing capability has positive effect on ambidexterity.

H6: Reconfiguring capability has positive effect on ambidexterity.

### **Ambidexterity on Business Sustainability**

Sustainability is a fairly complex term in the business world (Rao & Thakur, 2019; Ciasullo et al. 2020). Sustainability is not a performance in a certain period of time but the sustainability of good performance continuously over a long period of time (Gomes et al. 2020; Pangarso et al. 2020; Wan et al. 2017). On the other hand, sustainability also includes various aspects of performance, namely economic performance, environmental performance and social performance (Dey et al. 2020; Ciasullo et al. 2020). Therefore, sustainability is a priority for companies in this disruptive business era. To achieve sustainability, several literatures suggest that companies develop ambidexterity (Rao & Thakur, 2019; Gomes et al. 2020; Ciasullo et al. 2020). Ambidexterity is the company's ability to explore business while exploiting profits (Jurksiene & Pundziene, 2016; Souza & Takahashi, 2019; Zhou et al. 2021; Peng et al. 2019). With this capability, the company has the potential to be sustainable in various conditions and in intense competition.

Kafetzopoulos (2020) analyzed the influence of organizational ambidexterity on business performance. In addition, the influence of proactiveness and quality orientation on organizational ambidexterity was also analyzed and it was found that organizational ambidexterity had an influence on business performance and it was also found that ambidexterity could be increased through proactiveness and quality orientation. In this study, ambidexterity is measured by 2 aspects, namely exploitation and exploration.

Ciasullo et al. (2020) analyzed multinational companies in China and found that ambidexterity was the most appropriate strategy in increasing corporate sustainability. Rao & Thakur (2019) also found the important role of ambidexterity in increasing sustainability in companies. The role of ambidexterity can be optimal if it is supported by knowledge workers. Gomes et al. (2020) put forward the concept of quality exploration and quality exploitation and it is empirically proven to be able to increase environmentally sustainable production. Basically, ambidexterity is the ability needed by companies to survive in the midst of intense business competition and dynamic business environment conditions.

However, there are still inconsistencies in research results where a number of scholars find different results from the majority of related studies. The study from Zhang et al. (2017) gave different results in that one of the dimensions of ambidexterity, namely exploration which includes technology exploration and market exploration, has no influence on company performance. This was caused by a number of things, including the exploration strategy which cost too much to cut profits too high.

Likewise, another study by Ketabchi (2020) found that in certain cases ambidexterity did not affect company performance. Ketabchi (2020) emphasized that ambidexterity can be optimal and able to drive company performance if the company has flexible human resources. Human resource flexibility includes 3 aspects, namely practical flexibility, skillful flexibility, and behavioral flexibility. Nevertheless, the majority of researchers conclude that if ambidexterity can be optimized then it can boost company performance. Basically, ambidexterity is an ability needed by companies to survive in the midst of fierce business competition and dynamic business environment conditions. Therefore formulated the hypothesis as follows:

H7: Ambidexterity has a positive effect on business sustainability.

### **The Mediation Role of Ambidexterity**

Ambidexterity is a concept that is widely discussed in business strategy studies. In its implementation, ambidexterity does not only depend on company leaders but covers almost all aspects such as human resources (Ketabchi, 2020; Ubeda-Garcia et al. 2018), supply chain (Aslam et al. 2020; Ojha et al. 2018) to marketing product (Josephson et al. 2016; Ho et al. 2020). Therefore, ambidexterity can be optimized if all components involved in the company have the same vision and mission and work together in achieving company goals.



Recent literatures during the last few years have begun to link ambidexterity to dynamic capability (Jurksiene & Pundziene, 2016; Souza & Takahashi, 2019; Zhou et al. 2021). Both dynamic capability and ambidexterity are the ability to survive in a disruptive era with massive changes in the business environment. Therefore, these two aspects are needed for companies to maintain their performance in the long term.

On the other hand, an important target that must be achieved by companies in this disruptive era is business sustainability (Gomes et al. 2020; Pangarso et al. 2020; Wan et al. 2017). Business sustainability is the continuation of a company's good performance in the long term (Pangarso et al. 2020; Wan et al. 2017). It includes three aspects of performance as its dimensions, namely economic performance, environmental performance and social performance (Dey et al. 2020). Among the several capabilities that must be developed by companies to be able to achieve business sustainability are dynamic capability (Dangelico et al. 2017; Kumar et al. 2018; Chowdhury & Quaddus, 2021) and ambidexterity (Rao & Thakur, 2019; Gomes et al. 2020; Ciasullo et al 2020).

In the literature that analyzes the effect of dynamic capability on sustainability, there are still inconsistencies in the results of the study where it is still found that there is no effect of dynamic capability on sustainability. Hong et al. (2018) found that in the case of manufacturing companies in China, dynamic capability has no effect on the company's social performance. Likewise, the findings by Borahima et al. (2021) which states that in developing the company's operational performance, dynamic capability does not have a strong influence.

To fill the existing research gap and improve the research model, other variables are needed. Several literatures offer a mediating role for ambidexterity. Jurksiene & Pundziene (2016) found that the influence of dynamic capability in developing a business can be optimized with the mediating role of ambidexterity. Likewise, with Sijabat et al. (2021) found a mediating role of ambidexterity on the effect of dynamic capability in increasing company competitiveness.

The mediating role of ambidexterity in the influence of dynamic capability on company sustainability is still rarely analyzed. Therefore, this study seeks to delve deeper into the mediating role of ambidexterity. On the other hand, there is no literature that analyzes the relationship between dynamic capability and ambidexterity by separating the dimensions of dynamic capability and analyzing it empirically. Therefore, the research formulates the following hypothesis:

H8: Ambidexterity mediate the relationship between sensing capability on sustainability

H9: Ambidexterity mediate the relationship between seizing capability on sustainability

H10: Ambidexterity mediate the relationship between reconfiguring capability on sustainability.

## RESEARCH METHOD AND SAMPLE SELECTION

This study empirically analyzes the influence of dynamic capability dimensions on company sustainability and the role of mediating ambidexterity. The analysis was carried out quantitatively with a population of employees, managers and start-up owners in Yogyakarta. From the total population, samples were taken using purposive sampling method with sample criteria, namely employees, managers and start-up owners in Yogyakarta and start-ups that have been operating for at least 1 year. The sample taken is 250 respondents. Furthermore, the data collection process is carried out by distributing questionnaires given to all respondents. The questionnaire in this study used a 1-5 likert scale. The analysis in this study uses the structural equation model method with AMOS software.

The variables in this study consisted of 3 exogenous variables and 2 endogenous variables. The exogenous variables in this study are the dimensions of dynamic capability, namely sensing capability, seizing capability and reconfiguring capability. The endogenous variables in this study are ambidexterity and sustainability. To measure each variable, this study adopted from several previous studies. The dimensions of dynamic capability are measured by indicators adopted from the research of Jantunen et al. (2018) where sensing capability is measured by 4 indicators, seizing capability is measured by 3 indicators and reconfiguring capability is measured by 3 indicators.

The measurement of the ambidexterity variable was adopted from the Comez (2016) study with 6 indicators where 3 indicators cover the exploitation aspect and 3 indicators cover the exploration aspect. Furthermore, the sustainability variable adopted from Dey et al. (2020) is measured by 9 indicators of which 3 indicators cover aspects of economic performance, 3 indicators from environmental performance aspects and 3 indicators from social performance aspects.

## EMPIRICAL RESULT

### Respondents' Profile and Characteristic

Respondents' characteristic in this study is explained in several criteria, including gender, age, education, and length of work. The explanation of the respondents' characteristics is as follows.

Table 1. Respondents' Characteristic

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	151	60,4%
Female	99	39,6%
<b>Age</b>		
< 20	6	2,4%
21-30 years old	91	36,4%
31-40 years old	55	22%
41-50 years old	80	32%
> 50	18	7,2%
<b>Education</b>		
Junior High School	0	0%
Senior High School	43	47,5%
Bachelor	165	37,3%
Magister	27	7,8%
Doctor	15	0,5%
<b>Length of Business</b>		
< 1 years	0	13,8%
1-2 years	78	6,9%
3-4 years	101	11,5%
>4 years	71	39,6%
<b>Total Respondent</b>	<b>250</b>	<b>100%</b>

Source: Prepared by the author (2023)

Table 1 shows that the respondents in this study were dominated by men and respondents aged 21-30 years and 41-50 years. Furthermore, most respondents' education is bachelor. The length of time for start-ups is mostly > 3-4 years.

### AMOS Analysis Result

To test the hypothesis, this study uses a variance-based structural equation (CB-SEM). Covariance-based structural equation modeling approach (CB-SEM) was used to test the conceptual model. Compared to variance-based structural equation modeling, CB-SEM is a robust method in terms of parameter accuracy if the data has a normal distribution and reasonable sample size (Reinartz et al., 2009). Because the data in this study meet both of these requirements, in this study a CB-SEM analysis was carried out with AMOS 24 software.

### Validity and Reliability Test

Before further analysis is carried out, the data in the study must be ensured to pass the feasibility test. The first feasibility test is testing the validity of each indicator. Hair et al. (2017) provides criteria that an indicator has a good validity value if the loading factor value is  $> 0.5$ . If an analytical model has an indicator with a loading factor value of  $< 0.5$ , the indicator must be dropped from the analysis. The loading factor values of all indicators are shown in table 2.

Table 2. Validity Test

Item	First Analysis of Validity	Validity	Second Analysis After Dropping Invalid Indicator	Validity
SN1	0,480	Not Valid	Dropped	
SN2	0,690	Valid	0,664	Valid
SN3	0,710	Valid	0,728	Valid
SN4	0,724	Valid	0,738	Valid
SZ1	0,768	Valid	0,767	Valid
SZ2	0,807	Valid	0,815	Valid
SZ3	0,700	Valid	0,692	Valid
RC1	0,662	Valid	0,661	Valid
RC2	0,808	Valid	0,808	Valid
RC3	0,842	Valid	0,842	Valid
AMB1	0,684	Valid	0,683	Valid
AMB2	0,797	Valid	0,798	Valid
AMB3	0,798	Valid	0,799	Valid
AMB4	0,725	Valid	0,725	Valid
AMB5	0,765	Valid	0,763	Valid
AMB6	0,682	Valid	0,681	Valid
SUS1	0,684	Valid	0,684	Valid
SUS2	0,738	Valid	0,738	Valid
SUS3	0,689	Valid	0,688	Valid
SUS4	0,738	Valid	0,738	Valid
SUS5	0,689	Valid	0,689	Valid
SUS6	0,693	Valid	0,694	Valid
SUS7	0,762	Valid	0,762	Valid
SUS8	0,671	Valid	0,672	Valid
SUS9	0,664	Valid	0,663	Valid

Source: Prepared by the author (2023)

Table 2 shows that there is 1 invalid indicator, namely SN1 which is an indicator of the SN (Sensing Capability) variable. Invalid indicators must be dropped from the analysis and re-tested for validity. The results of retesting that all indicators in this study have shown a loading factor value of  $> 0.5$  and are declared valid. The next feasibility test is the reliability test. The

reliability of the variable is good if the CR (construct reliability) value is  $> 0.7$  and the VE (variance extracted) value is  $> 0.5$ . The results of the validity and reliability tests are shown in table 3.

Table 3. Reliability Test

Variables	Construct Reliability	Variance Extracted	Reliability
Sensing Capability (SN)	0,8	0,5	Reliable
Seizing Capability (SZ)	0,8	0,6	Reliable
Reconfiguring Capability (RC)	0,8	0,6	Reliable
Ambidexterity (AMB)	0,9	0,6	Reliable
Sustainability (SUS)	0,9	0,5	Reliable

Variables	Construct Reliability	Variance Extracted	Reliability
Sensing Capability (SN)	0,8	0,5	Reliable
Seizing Capability (SZ)	0,8	0,6	Reliable
Reconfiguring Capability (RC)	0,8	0,6	Reliable
Ambidexterity (AMB)	0,9	0,6	Reliable
Sustainability (SUS)	0,9	0,5	Reliable

Source: Prepared by the Author (2023)

### Goodness of Fit

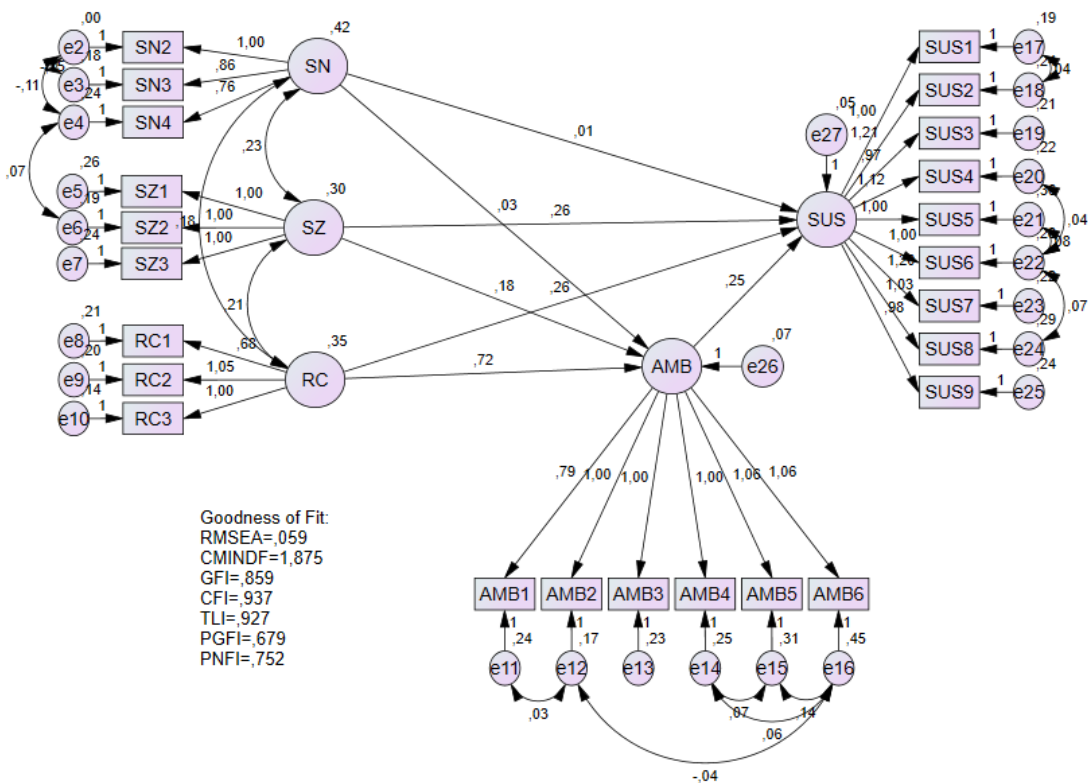
Furthermore, the conformity test of the confirmatory model was tested using the Goodness of Fit Index. There are 3 goodness of fit criteria, namely absolute fit indices, incremental fit indices and parsimony fit indices. In this study, several criteria were taken from each type of GOFI, namely RMSEA, CMINDF and GFI representing absolute fit indices, CFI and TLI representing incremental fit indices then PGFI and PNFI representing parsimony fit indices. The goodness of fit test has been carried out and it was found that there are still 2 criteria that are not fit, namely RMSEA and CMINDF. To increase the GOF value, it is necessary to modify the model that refers to the modification index table by providing a covariance relationship. The results of the goodness of fit after modification are shown in Table 4 and the model after modification is shown in Figure 1.

Table 4 Hasil uji goodness of fit

Fit Index	Goodness of Fit	Criteria	Cut-off value	Fitness
Absolute Fit	RMSEA	$\leq 0.08$	0,59	Fit
	CMINDF	$\leq 2,00$	1,875	Marginal Fit
	GFI	$\geq 0.90$	0,859	Fit
Incremental Fit	CFI	$\geq 0.90$	0,937	Fit
	TLI	$\geq 0.90$	0,927	Fit
Parsimony Fit	PGFI	$\geq 0.60$	0,679	Fit
	PNFI	$\geq 0.60$	0,752	Fit

Source: Prepared by the author (2023)

Figure 1. Research Framework



Source: Prepared by the author (2023)

Table 4 shows that the Goodness of Fit value has met all the criteria so that the model in this study can be said to be Fit.

**Hypothesis Test**

The next analysis is the full model Structural Equation Model (SEM) analysis to test the hypotheses developed in this study. The results of hypothesis testing can be seen by looking at the Critical Ratio (CR) value and the probability (P) value from the results of data processing. The direction of the relationship between variables can be seen from the estimate value, if the estimate value is positive then the relationship between the variables is positive, whereas if the estimate value is negative, the relationship is negative. Furthermore, if the test results show the CR value above 1.96 and the probability value (P) below 0.05/5%, the relationship between exogenous and endogenous variables is significant. More details on the results of hypothesis testing are shown in table 5.

Table 5. Regression Weight

				Estimate	S.E.	C.R.	P	Result
H1	SUS	<---	SN	,006	,036	,158	,874	Not Supported
H2	SUS	<---	SZ	,257	,072	3,594	,000	Supported
H3	SUS	<---	RC	,260	,106	2,447	,014	Supported
H4	AMB	<---	SN	,034	,049	,688	,492	Not Supported
H5	AMB	<---	SZ	,183	,092	1,992	,046	Supported
H6	AMB	<---	RC	,718	,079	9,107	,000	Supported
H7	SUS	<---	AMB	,250	,114	2,189	,029	Supported

Source: Prepared by the author (2023)

## Mediation Test

The mediation test is seen from the significance of the indirect effect between variables as seen from the table of indirect effects-two tailed significance. The results show a significant mediation role if it has an indirect effect-two tailed significance value less than 0.05. The results of the analysis of the indirect effect are shown in the table 6.

Table 6. Mediation Analysis Result

	Hypothesis	Significancy	Result
H8	SN-AMB-SUS	,426	Not Supported
H9	SZ-AMB-SUS	,044	Supported
H10	RC-AMB-SUS	,019	Supported

Source: Prepared by the author (2023)

The direct effect in this study is shown in table 6 and shows that sensing capability (SN) has no effect on sustainability and ambidexterity because it has a t-statistic value  $< 1.96$  and a significance  $> 0.05$  so that H1 and H4 are not supported. Furthermore, it was found that seizing capability and reconfiguring capability have an effect on sustainability and ambidexterity because it has a t-statistic value  $> 1.96$  and a p-value  $< 0.05$  so that H2, H3, H5, H6 and H7 are supported.

Furthermore, this study analyzes three mediation analyzes, namely H8, H9 and H10. H8 in this study is not supported because ambidexterity is not able to mediate sensing capability (SN) on sustainability. Furthermore, H9 and H10 are supported by finding the mediating effect of ambidexterity on the effect of seizing capability (SZ) on sustainability and reconfiguring capability (SZ) on sustainability.

## DISCUSSION

This study empirically analyzes the influence of dynamic capability dimensions on company sustainability and the role of mediating ambidexterity. There are 8 hypotheses formulated in this study and from the results of the analysis it was found that H1, H4, and H8

were not supported while H2, H3, H5, H6, H7, H9 and H10 were supported. Therefore, the results of this study empirically prove the effect of seizing capability and reconfiguring capability on ambidexterity and sustainability. Furthermore, the results of the analysis also prove the mediating role of ambidexterity.

There are three dimensions of dynamic capability, namely sensing, seizing and reconfiguring (Chowdhury & Quaddus, 2020; Jantunen et al. 2018; Teece, 2014). This study analyzes these three dimensions separately and it is found that at the level of sensing capability has not been able to affect the sustainability of the company. Sensing is the ability to see potential business opportunities and take advantage of these opportunities as well as possible. If the company stops at that level, it has not been able to develop optimal sustainability.

The absence of dynamic capability influence on the company was also stated by Hong et al. (2018) that in the case of manufacturing companies in China, dynamic capability has no effect on the company's social performance. Likewise the findings by Borahima et al. (2021) which states that in developing the company's operational performance, dynamic capability does not have a strong influence. Dynamic capability is a very useful ability in the morning of business, but its implementation must be at the right time and by the right people so that it can optimize company performance (Teece, 2014).

Furthermore, this study found the effect of seizing capability and reconfiguring capability on the sustainability of the company. No previous research has specifically analyzed the role of dynamic capability dimensions separately on sustainability, but several studies support the influence of dynamic capability on sustainability (Dangelico et al. 2017; Kumar et al. 2018; Chowdhury & Quaddus, 2021). Li et al. (2019) states that dynamic capability supported by innovation and social performance is able to maintain the company's sustainability in various conditions. Dynamic business environment conditions will be difficult for companies that are less adaptive and the right ability to deal with this dynamic and disruptive era is dynamic capability.

However, in some cases different results were found where dynamic capability had no effect on sustainability. Hong et al. (2018) found that in the case of manufacturing companies in China, dynamic capability has no effect on the company's social performance. Likewise the findings by Borahima et al. (2021) which states that in developing the company's operational performance, dynamic capability does not have a strong influence. The inconsistency of these results requires this study to further analyze the effect of dynamic capability on the company's sustainability.



This study confirms that the implementation of dynamic capability in the sensing phase has not been able to affect sustainability. As for the seizing and reconfiguring can affect and increase the sustainability of the company. Furthermore, this study found that sensing capability had no effect on ambidexterity while seizing capability and reconfiguring capability could positively affect the company's ambidexterity. Jurksiene & Pundziene (2016; Souza & Takahashi, 2019; Zhou et al. 2021) also stated that dynamic capability is also able to develop the company's ability to explore business while exploiting profits. Companies with good ambidexterity will be able to grow rapidly while reaping high profits (Peng & Lin, 2019). With three components of dynamic capability, namely sensing, seizing and reconfiguring, it is easier for companies to explore business without sacrificing profits.

Further findings also find that ambidexterity can increase the company's sustainability. This finding is supported by several previous literatures put forward by Rao & Thakur, (2019; Gomes et al. 2020; Ciasullo et al. 2020). Ambidexterity is the company's ability to explore business while exploiting profits (Jurksiene & Pundziene, 2016; Souza & Takahashi, 2019; Zhou et al. 2021). With this capability, the company has the potential to be sustainable in various conditions and in intense competition. Ciasullo et al. (2020) analyzed multinational companies in China and found that ambidexterity was the most appropriate strategy in increasing corporate sustainability. Rao & Thakur (2019) also found the important role of ambidexterity in increasing sustainability in companies. The role of ambidexterity can be optimal if it is supported by knowledge workers. Gomes et al. (2020) put forward the concept of quality exploration and quality exploitation and it is empirically proven to be able to increase environmentally sustainable production.

This study also succeeded in filling the gap of previous research where inconsistencies were still found in the analysis of dynamic capability on sustainability. The results of the analysis show that ambidexterity can mediate the effect of dynamic capability on sustainability. These results are in line with the research by Jurksiene & Pundziene (2016) which found that the influence of dynamic capability in developing business can be optimized with the mediating role of ambidexterity. Likewise with Sijabat et al. (2021) found a mediating role of ambidexterity on the effect of dynamic capability in increasing company competitiveness.

The results of the analysis confirm that among the three dimensions of dynamic capability, which can be mediated by ambidexterity are seizing capability and reconfiguring capability. Meanwhile, sensing capability cannot be mediated by ambidexterity in influencing sustainability. Sensing, seizing and reconfiguring are a series of capabilities that can form

dynamic capability. Therefore, to optimize dynamic capability, the company must master these three capabilities. On the other hand, ambidexterity also has an important role in the company, especially in building sustainability.

## CONCLUSION

This study empirically analyzes the influence of dynamic capability dimensions on company sustainability and the role of mediating ambidexterity. The findings in this study emphasize that dynamic capability through seizing and reconfiguring capability directly influences sustainability and ambidexterity (H2 and H3 accepted), while sensing capability is not (H1 rejected). This study found that sensing capability had no effect on ambidexterity (H4 rejected) while seizing capability and reconfiguring capability could positively affect the company's ambidexterity (H5 and H6 accepted). Partially, ambidexterity also significantly influences company sustainability (H7 accepted). Furthermore, this study also reveals the mediating role of ambidexterity. This study found that ambidexterity was not able to mediate sensing capability on sustainability (H8 rejected). Meanwhile, ambidexterity has been proven to mediate the effect of seizing and reconfiguring capability on sustainability (H9 and H10 accepted). Overall, among the three dimensions of dynamic capability, seizing and reconfiguring capability that mediated by ambidexterity, are significantly influence company sustainability. Meanwhile, sensing capability either individually or mediated by ambidexterity, they do not influence sustainability.

The limitations of this research are: First, this research used primary data from the questioner of 250 managers, employees, and start-up owners in Yogyakarta. Result of this study clearly represent the characteristics of companies in Yogyakarta and the results are not supposed to generalized to any other region or country. Second, this study has not been able to explain all factors that can influence sustainability of companies in Yogyakarta. There are many other variables outside this research that might contribute in increasing sustainability of companies. Future research is expected to be able to elaborate further on the role of dynamic capability and ambidexterity both from the aspect of moderating influence and the wider research object aspect. Future study also could broaden the scale of data sources and informants to get more robust research result.

## MANAGERIAL AND THEORETICAL IMPLICATION

This research emphasizes on managers and business people that dynamic capability and ambidexterity have an important role in growing sustainability so that they must be optimized. Dynamic capability has three dimensions, namely sensing capability, seizing capability and reconfiguring capability. Sensing, seizing and reconfiguring are a series of capabilities that can form dynamic capability. Therefore, to optimize dynamic capability, the company must master these three capabilities. On the other hand, ambidexterity also has an important role in the company, especially in building sustainability.

Furthermore, from the theoretical aspect, this study fills the gap in the literature, which is indicated by the inconsistency of research results related to the effect of dynamic capability and ambidexterity on business sustainability. The findings in this study emphasize that dynamic capability through the seizing and reconfiguring dimensions can significantly increase business sustainability. On the other hand, this study also reveals the mediating role of ambidexterity. Future research is expected to be able to elaborate further on the role of dynamic capability and ambidexterity both from the aspect of moderating influence and the wider research object aspect.

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