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Impact of digital business transformation on organizational ambidexterity and performance in Indonesian insurance firms

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Abstract

Purpose: This study aims to investigate the impact of digital business intensity and digital transformation on organizational ambidexterity and sustainable organizational performance in Indonesian insurance firms from a dynamic capability perspective.

Design/methodology/approach: Through quantitative approach, purposive sampling is used to select insurance companies with assets exceeding IDR 1 trillion. Primary data was collected through structured questionnaires distributed to 120 top-level executives, including 40 Chief Executive Officers (CEOs), 40 Chief Agency Officers (CAOs), and 40 Chiefs Technology Officers CTOs). Responses from each company were aggregated to form a unified dataset for analysis. Structural Equation Modeling (SEM) was used to analyze the data using SmartPLS software.

Findings: The findings reveal that both digital business transformation and government interventions significantly increase organizational ambidexterity. Furthermore, organizational ambidexterity serves as a mediator for the relationship between digital business intensity and government intervention towards sustainable organizational performance. The mediating role of organizational ambidexterity in the relationship for digital business intensity and sustainable organizational performance is positively moderated by digital business intensity.

Research limitations/implications: The study applies dynamic capability as a theoretical basis to understand how insurance companies can attain sustainable performance in the digital age. However, it acknowledges limitations, such as the exclusion of external factors like macroeconomic conditions, regulatory changes, and rapid technological advancements. The focus on the insurance sector may also limit the applicability of the findings to other industries with different dynamics.

Practical implications: The study provides actionable insights for insurance firms to refine their digital strategies. By developing and validating new metrics to measure digital business intensity and sustainable performance, firms can better assess the effectiveness of their digital transformation. This framework serves as a guide for practitioners to evaluate the impact of digital initiatives on their organizations.

Originality/value: This study enriches the organizational literature by demonstrating how digital business intensity and ambidexterity contribute to enhancing sustainable performance in the insurance industry. It also highlights the significance of government policies as external factors influencing

organizational dynamics, offering a new perspective on how these elements interact within the context of dynamic capabilities in the financial sector.

Keywords: Digital business intensity, Digital business transformation, Dynamic capability, Government intervention, Organizational ambidexterity, Sustainable organizational performance

Jel Codes: 03, 030, 032, 033, 038

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1. Introduction

The development of digital technology has significantly transformed various aspects of life, particularly within the business landscape. The need for digital transformation reshapes not only operational processes, but also influences corporate strategies, organizational structures, and overall performance (Schaarschmidt & Bertram, 2019). In today's fast-paced environment, organizations must adapt their business models and practices to remain competitive. This necessity for adaptation underscores the importance of organizational ambidexterity, which refers to the ability to simultaneously explore new innovations while effectively exploiting existing capabilities (Kafetzopoulos, 2021; O'Reilly & Tushman, 2008). Organizations that successfully balance exploration and exploitation tend to exhibit greater innovation and operational efficiency which are crucial for achieving sustainable performance (Peng, Lin, Peng & Chen, 2019; O'Reilly & Tushman, 2008).

Amidst these dynamic shifts, government intervention plays a crucial role in shaping the operational landscape for businesses. Policies and regulations can either facilitate or hinder the digital transformation process, which then influences firms' strategic choices and operational efficiencies (Eling & Lehmann, 2018). In this regard, supportive government policies can promote innovations, while restrictive regulations may stifle growth and hinder progress (Dongling & Lam, 2018). Therefore, understanding the interplay between digital business transformation, organizational ambidexterity, and government intervention is vital for firms seeking sustainable competitive advantages.

To frame this discussion, the dynamic capabilities theory introduced by Teece (2007) provides a relevant theoretical framework for understanding how organizations can develop and leverage capabilities to respond effectively to changing business environments. This theory emphasizes the significance of sensing opportunities and threats, seizing opportunities, and reconfiguring resources to establish sustainable competitive advantages. In this context, digital business transformation and organizational ambidexterity represents the capabilities and opportunities of insurance firms which can lead them achieve sustainable competitive advantage (Nwankpa, Roumani & Datta, 2021; Nwankpa & Datta, 2017), along with the supportive intervention from the government. Additionally, the intensity of digital business environment serves as moderator which can strengthen the impact of digital business transformation and government intervention towards organizational ambidexterity and sustainable business performance.

Digital business intensity, which reflects the extent to which companies adopt and utilize digital technology in their operations and strategies, also plays an important role in strengthening the impact of digital transformation on sustainable performance (Bharadwaj, El-Sawy, Pavlou & Venkatraman, 2013). However, this intensity also requires proper adjustment and management in order to deliver optimal results. Effective management of digital business intensity enables companies to optimize the use of technology, increase efficiency, and respond to market changes faster and more accurately (Gastaldi, Sina, Tedaldi & Miragliotta, 2021).

The Indonesian life insurance industry has seen significant growth over the past five years, marked by consistent increases in assets and revenues. By the end of 2022, there were 123 insurance firms and 41 reinsurance firms operating in the country (Indonesia Financial Services Authority/OJK, 2022). In addition, according to data from the Indonesian Life Insurance Association (AAJI), the number of life insurance customers reached 80,85 million in the third quarter of 2022, an increase of 28,03% from the previous year, with the total liability amounting to IDR 4.888,32 trillion (Al-Faruq, 2022). However, Indonesia's insurance penetration remains low at 1.4% of GDP, well below ASEAN counterparts like Singapore (12.5%) and Thailand (4.6%). This gap is attributed to limited insurance knowledge and distribution challenges in rural areas (Indonesia Financial Services Authority/OJK, 2022).

Despite the potential for growth, the industry faces unique challenges. Several companies, such as Jiwasraya and AJB Bumiputra, have experienced failures due to poor corporate governance and inability to adapt to market changes (Sujana, 2021; Sutrisno, Panuntun & Adristi, 2021). Additionally, the shifts toward the industry technological transformation are crucial as digital initiatives as Indonesian Insurtech firms such as Qoala, PasarPolis, and Fuse offer disruptive innovation by using AI and automation to enhance customer experiences and streamline processes (Susanto, 2022). Furthermore, government intervention also plays a critical role in shaping the industry. Policies such as the Law No. 4 of 2023 regarding Financial Sector Development and Strengthening (UU PPSK) provides a legal framework that supports the sustainable growth of the financial sector. This legislation impacts the insurance industry by introducing capital requirements, policy guarantee programs, digitalization regulations, which are set to further impact the industry's development.

Given these dynamics, this study aims to explore how digital business transformation and organizational ambidexterity influence the sustainable performance of Indonesian life insurance companies. Although existing research has explored these concepts globally, there is a lack of understanding about how these factors interact within the Indonesian context, particularly in relation to the specific challenges posed by low insurance penetration, governance failures, and regulatory interventions. This study will also examine the moderating role of digital business intensity, contributing to the ongoing discourse on how organizations can develop dynamic capability to adapt to a rapidly evolving and highly regulated industry.

2. Theory and Hypotheses

The empirical model of this study is grounded in the dynamic capability framework, which posits that organizations must continuously adapt, integrate, and reconfigure their internal and external competencies to address the rapidly changing environments (Teece, 2007). By integrating this framework, the study conceptualizes dynamic capability through two key constructs: digital business transformation and the ability to adapt to government intervention. These constructs reflect the firm's capacity to reconfigure and realign resources in response to environmental changes (Scuotto, Arrigo, Candelo & Nicotra, 2020; Zhang, Long & Schaewen, 2021). Through these dynamic capabilities, firms can develop organizational ambidexterity, balancing exploration and exploitation activities, which ultimately enhances their sustainable performance. The model includes exogenous constructs such as digital business transformation and government intervention as independent variables, with digital business intensity serving as moderating variable. Endogenous constructs include organizational ambidexterity as mediating variable and sustainable organizational performance as dependent variable.

In the context of the Indonesian insurance industry, the application of dynamic capability and ambidexterity takes on particular significance. Indonesian insurance firms operate in a rapidly evolving digital landscape marked by increasing regulatory interventions and need for technological adaptation (Susanto, 2022). Digital transformation enables these firms to explore new opportunities, such as Insurtech innovations, while leveraging existing resources to maintain operational stability. Government interventions play a critical role in shaping industry practices as it compels firms to adapt their strategies for compliance and growth. Within this unique environment, organizational ambidexterity allows insurance firms to reconcile the demands of innovation and compliance, thereby contributing to long-term sustainable performance (Mulyana, Rusu & Perjons, 2023; Tobing, Purba, Hariandja & Parani, 2022). This study seeks to provide a cohesive framework by linking these

elements to understand how digital transformation and regulatory factors interact within the dynamic capabilities framework to drive performance in the insurance sector.

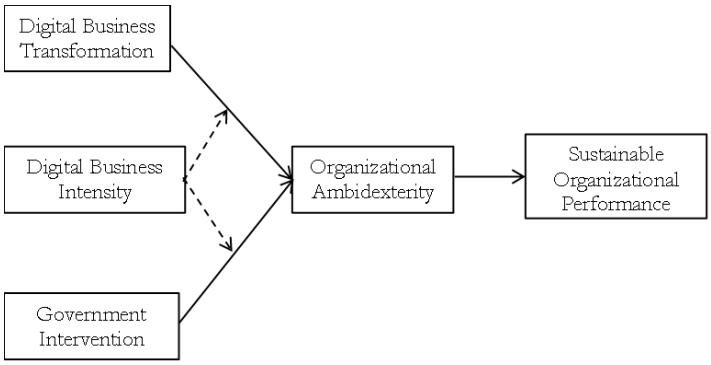

Figure 1. Empirical Model

2.1. Digital Business Transformation and Organizational Ambidexterity

Digital business transformation enhances a firm's ability of to explore new opportunities through the adoption of innovative technologies. In the insurance sector, technologies such as big data analytics, artificial intelligence (AI), and social media enable firms to identify market trends, understand customer preferences, and develop new products and services. For example, several Indonesian insurance firms have begun to adopt digital technologies such as automated claims processing and data analytics, which have streamlined operations and improved customer service (Mulyana et al., 2023). Research by Nwankpa and Datta (2017) shows that investing in digital technology drives firms to be more proactive in identifying and capitalizing on opportunities for innovation.

In addition to enhancing exploration, digital business transformation strengthens a firm's ability to exploit existing capabilities more effectively. Digital tools, such as automated claims processes and analytics for risk management can increase operational efficiency and accuracy, which is a key advantage in the insurance industry (Nwankpa et al., 2021; Westerman, Tannou, Bonnet, Ferraris & McAfee, 2012). In Indonesia, many insurance firms are already leveraging big data and automation to optimize their risk assessment and customer engagement processes, which leads to improved performance (Suryanto, Dimasqy, Ronaldo, Ekananda, Dinata & Tumbelaka, 2020). Digital business transformation enables firms to balance exploration and exploitation, which are the core elements of organizational ambidexterity. By leveraging digital technologies, firms can quickly adapt to shifting business environments while maintaining operational efficiency. Based on these explanations and empirical findings from relevant studies, the following hypotheses is proposed:

H1: Digital business transformation has a positive influence on organizational ambidexterity.

2.2. Government Intervention and Organizational Ambidexterity

Government intervention, whether through regulation, subsidies, or fiscal incentives, plays an important role in encouraging firms to adopt new technologies and improve operational efficiency. In the context of insurance industry, organizational ambidexterity, which refers to the ability to explore new opportunities while exploiting existing capabilities, is crucial for achieving sustainable performance and competitiveness (Georgallis, Dowell & Durand, 2019).

Regulatory interventions, such as new compliance requirements or policies aimed at digital transformation, can be perceived as both opportunities and challenges. Larger firms with more resources maybe better equipped to meet regulatory demands, potentially enhancing their ability to innovate and adapt. In the contrary, smaller firms might struggle to align with complex regulatory frameworks, which can hinder their ambidextrous capabilities (Kisman & Krisandi, 2019). However, government fiscal policies, such as subsidies or tax incentives, can help firms of all sizes invest in new technologies and reconfigure their resources, which then leads to improved exploration and exploitation efforts (Songling, Ishtiaq, Anwar & Ahmed, 2018).

In the context of dynamic capabilities, government intervention facilitates organizational ambidexterity in the insurance industry by strengthening firms' capacities to sense, seize, and reconfigure resources. Effective interventions, such as supportive regulations or fiscal incentives, can enhance an insurance firm's ability to balance exploration and exploitation, which contributes to sustainable performance and competitiveness (Gibson & Birkinshaw, 2004; O'Reilly & Tushman, 2008). Zimmermann, Stephens, Nam, Rau, Kübler, Lozajic et al. (2018) highlighted the importance of government support in promoting ambidextrous capabilities, particularly through regulatory frameworks that drive digital innovation and efficiency. Based on these insights and empirical findings, the following hypothesis is proposed:

H2: Government intervention has a positive influence on organizational ambidexterity

2.3. Organizational Ambidexterity and Sustainable Organizational Performance

Organizational ambidexterity, which refers to the firms' ability to explore new opportunities (exploration) while leveraging existing capabilities (exploitation), has been recognized as a key factor in achieving sustainable organization performance. This dual capability allows firms to be more adaptive, innovative, and efficient as it helps them survive and thrive in the dynamic business environment (Peng et al., 2019; Raisch, Birkinshaw, Probst & Tushman, 2009). In the insurance industry, sustainable performance can be measured through specific indicators such as customer retention rates, service innovation, claims processing efficiency, and operational cost reduction. These metrics reflect an insurance firm's ability to retain clients, adapt offerings to evolving customer needs, and streamline processes to increase both speed and accuracy in service delivery.

Ambidexterity enables insurance firms to balance proactive and responsive strategies, allowing them to develop customer-centric products while refining back-office efficiencies. For instance, by investing in digital claims processing systems or personalized policy recommendations, firms can strengthen client satisfaction and loyalty. Research by O'Reilly and Tushman (2008) and Gibson and Birkinshaw (2004) underscores that companies effectively managing ambidexterity are more innovative and operationally efficient, leading to sustainable performance. Moreover, these companies often show resilience in navigating regulatory changes and market volatility, a notable advantage in highly regulated sectors like insurance.

From a dynamic capabilities perspective, organizational ambidexterity facilitates sustainable performance by equipping firms with the ability to sense, seize, and reconfigure resources to balance exploration and exploitation activities (Teece, 2007). Kafetzopoulos (2021) further highlights that organizational ambidexterity is directly associated with superior business outcomes, supporting firms' adaptability and competitive standing in the market. Based on these insights and empirical findings, the following hypothesis is proposed:

H3: Organizational ambidexterity has a positive influence on sustainable organizational performance.

2.4. Moderating Role of Digital Business Intensity on Digital Business Transformation towards Sustainable Organizational Performance Mediated by Organizational Ambidexterity

As previously mentioned, organizational ambidexterity, which enables firms to balance exploration of new opportunities and exploitation of existing capabilities, plays a central role in managing digital transformations and achieving sustainable performance (Centobelli, Cerchione, Esposito & Shashi, 2019; Clauss, Kraus, Kallinger, Bican, Brem & Kailer, 2021). Existing research indicates that organizational ambidexterity can mediate the relationship between digital transformation and sustainable performance by creating synergies that enhance the firm's competitiveness and long-term viability (Kafetzopoulos, 2021; Peng et al., 2019). In the insurance industry, digital transformation fosters improved claim processing, accelerated product innovation, and enhanced customer service. By developing sensing capabilities, insurance firms can more quickly identify market shifts and risk trends, while seizing capabilities allows for the creation of innovative, customer-centric insurance products. In addition, reconfiguring capabilities help firms adapt processes to regulatory and market changes (Westerman et al., 2012).

Organizational ambidexterity enables insurance firms to integrate digital technologies more efficiently into their business models, promoting simultaneous innovation and operational efficiency. This dual ability reinforces sustainable organizational performance, particularly by allowing firms to respond flexibly to evolving customer needs and regulatory demands (Zhang et al., 2021). Therefore, organizational ambidexterity acts as a mediator

which link the impact of digital business transformation on sustainable organizational performance in the insurance sector.

Digital business intensity —the extent to which digital technologies are embedded in a firm's processes, customer interactions, and service delivery— further strengthens this indirect effect by providing a conducive environment for ambidextrous activities (Belhadi, Kamble, Venkatesh, Jabbour & Benkhati, 2022). High digital business intensity can be observed in areas such as advanced analytics for customer insights, real-time data processing for underwriting, and digital platforms for policy management. These specific aspects enable firms to respond rapidly to market trends, personalize customer experiences, and streamline operational processes, each reinforcing the firm's capacity for both exploration and exploitation. In this context, digital business intensity enhances the impact of digital transformation on sustainable performance by supporting the firm's ambidextrous capabilities. Based on these explanations, the following hypotheses are proposed:

H4: Organizational ambidexterity mediates the influence of digital business transformation on sustainable organizational performance.

H5: Digital business intensity positively moderates the indirect influence of digital business transformation to sustainable performances mediated by the organization's ambidexterity.

2.5. Moderating Role of Digital Business Intensity on Government Intervention towards Sustainable Organizational Performance Mediated by the Organizational Ambidexterity

Government intervention through regulation, fiscal incentives, and technology policies plays a crucial role in fostering an environment where firms can operate efficiently and innovate. In the context of the insurance industry, such interventions create structures that support exploration and exploitation activities, which are the essential components of organizational ambidexterity (Georgallis et al., 2019). Research in the Chinese insurance sector by Zhang et al. (2021) found that government intervention, particularly through strict regulation and technology subsidies, enables insurance companies to develop both exploratory and exploitative capabilities. This ambidexterity empowers firms to respond effectively to regulatory changes, leverage technology subsidies, and enhance product innovation alongside operational efficiency.

Government policies that encourage digital adoption, such as incentives for technology upgrades or requirements for digital reporting, positively influence organizational ambidexterity by supporting companies in adapting to digital environments while maintaining core operational efficiencies (Li, Shan, Tian & Hao, 2020). In this context, organizational ambidexterity serves as a mediator, allowing firms to translate government intervention into improved sustainable performance by balancing the pressures of regulatory compliance with the opportunities for digital transformation.

Digital business intensity further enhances this relationship by creating a strong foundation for the effective integration of government-driven policies and regulations. Specific aspects of digital business intensity, such as automated compliance reporting, digital customer engagement platforms, and advanced data management systems, allow insurance firms to meet regulatory requirements more flexibly and improve customer interactions and service delivery. These digital tools facilitate both exploration and exploitation activities, reinforcing ambidexterity as a pathway to achieving sustainable performance under government intervention.

H6: Organizational ambidexterity mediates the impact of government intervention on sustainable performance.

H7: Digital business intensity moderates the impact of government intervention on sustainable performance mediated by the organizational ambidexterity.

3. Research Methodology

3.1. Respondents and Setting

The study adopts a quantitative approach with purposive sampling select insurance companies that have been subject to government intervention and are intensively adopting digital technology. The population consists of conventional life insurance companies, both joint ventures and national firms, registered and licensed with the Financial Services Authority (OJK) as of the end of 2022. There are 58 life insurance companies, of which 40 have assets exceeding IDR 1 trillion (Indonesia financial service authority/OJK, 2022). These companies, given

their asset size, are likely to have engaged in digital transformation, making them suitable for comprehensive data collection.

Primary data was collected directly from top-level management, with 120 questionnaires distributed to 40 Chief Executive Officers (CEOs), 40 Chief Agency Officers (CAOs), and 40 Chief Technology Officers (CTOs) across the selected companies. The data collection was conducted around two months, starting from early January 2024 to July 2024. Responses from each department within a company were aggregated, representing a unified dataset for each organization. This approach aligns with the triangulation method (Denzin, 1978), which emphasizes the importance of multiple perspectives to gain a comprehensive understanding of a company's strategic and operational methods. The response rate for the study was 80%, as 150 questionnaires were initially distributed, and 120 were completed and returned.

Furthermore, in the context of this research, the researcher directly distributed and transmitted to the analysis unit or research subjects at the top management level (CEO, CAO, and CTO) the contents of the statements in the research questionnaire. To facilitate data collection, questionnaires were distributed through Google Forms and shared directly with the target respondents via personal contact, WhatsApp, and email. Researchers ensured direct engagement by visiting companies or contacting respondents through available communication channels. As a result, 120 completed questionnaires were collected, representing input from top-level management at each selected company.

Characteristics	Criteria	Number	Percentage (%)
Type of business	National Insurance Company	14	35
	Joint Venture	26	65
	Total	40	100
Number of assets	1 – 5 trillion	16	40
	5 – 10 trillion	9	23
	10 – 25 trillion	8	20
	≥ 25 trillion	7	17
	Total	40	100
Position	Chief Executive Officer (CEO)	40	100
	Chief Agency Officer (CAO)	40	100
	Chief Technology Officer (CTO)	40	100
	Total	120	100
Tenure	Chief Executive Officer (CEO)		
	1 – 3 years	18	51
	4 – 7 years	17	42
	≥ 7 years	5	12
	Total	40	100
	Chief Agency Officer (CAO)		
	1 – 3 years	25	62
	4 – 7 years	11	28
	≥ 7 years	4	10
	Total	40	100
	Chief Technology Officer (CTO)		
	1 – 3 years	15	38
	4 – 7 years	22	55
	≥ 7 years	3	7
	Total	40	100

Table 1. Characteristics of respondents

The characteristics of respondents are summarized in Table 1, categorized by position, tenure, asset size, and type of business. A majority (65%) of the respondents were from joint venture insurance companies, and 40% of the companies had total assets between IDR 1 trillion and IDR 5 trillion. The smallest segment, comprising 17% of the respondents, represented companies with assets over IDR 25 trillion. The questionnaire responses included insights from CEOs, CAOs, and CTOs, with tenure-based characteristics showing a concentration of respondents in CEO and CAO roles.

3.2. Measures

The study used a questionnaire that used several questions on previously validated research variable indicators. The measurement of the research structure consists of an exogenous construction with an independent variable namely Digital Business Transformation (DBT) comprising 5 indicators (Nwankpa & Roumani, 2016; Zhang et al., 2021), Government Intervention (GI) consisting of 6 indicators, (Dongling & Lam, 2018) and Digital Business Intensity (DBI) as a moderation variable comprising 4 indicators (Nwankpa & Merhout, 2020). While the endogenous structure is the Ambidexterity of the organization (OA) as a mediation consisting of 6 indicators (Mardi, Arief, Furinto & Kumaradjaja, 2018) and the Sustainable Organizational Performance (SOP) as the dependent variable consists of 8 indicator (Kafetzopoulos, 2021).

While the study relies on established scales, the indicators were adapted to reflect the specific context of the Indonesian insurance industry. This adaptation process involved consulting with industry experts to ensure that cultural and sector-specific nuances were captured, thus enhancing the validity of the measures. For example, "innovation policy" under government intervention was refined to include sector-specific regulations that encourage digital adoption. This ensures that the constructs accurately represent the Indonesian market environment.

The study used a 6-point Likert scale to eliminate neutral responses, encouraging participants to express a clear opinion. Neutral options often lead to central tendency bias, where respondents default to the middle to avoid making a decision, which can obscure true attitudes (Garland, 1991). By removing this option, the scale prompts more thoughtful engagement, reducing ambiguity and ensuring that data reflects more distinct viewpoints. Although this approach limits neutrality, it provides clearer differentiation in responses, leading to higher-quality data that better captures attitudes towards digital transformation and organizational practices (Allen & Seaman, 2007).

3.3. Common Method Variance

In this study, which explores the relationship between digital business transformation (DBT), government intervention (GI), organizational ambidexterity (OA), digital business intensity (DBI), and sustainable performance (SOP), it is essential to consider and address the potential of Common Method Variance (CMV). CMV can introduce bias if all data is collected using the same method and from the same source, such as a single survey completed by the same respondent (Conway & Lance, 2010; Podsakoff, MacKenzie, Lee & Podsakoff, 2003).

To address the potential for CMV, this study incorporated procedural remedies during the research design phase, such as ensuring anonymity for respondents and varying the question formats. Additionally, the marker variable technique was applied as a statistical remedy. The selected marker variable, job tenure, represents a construct unrelated to DBT, GI, OA, DBI, or SOP. Job tenure was included in the survey to serve as a control for detecting potential CMV.

During data analysis, the relationships between job tenure and the primary constructs were examined. The results showed that job tenure did not have a significant influence on the hypothesized relationships, confirming that CMV had minimal to no effect on the findings. Furthermore, the Harman's single-factor test was conducted, revealing that no single factor accounted for a majority of the variance. These combined approaches ensure that the relationships among the key variables are not artifacts of common method bias.

By addressing CMV through procedural and statistical validation, this study enhances the reliability of its findings, demonstrating that the relationships among the key variables accurately reflect their theoretical dynamics.

4. Research Results

4.1. Measurement Model Evaluation

This study utilizes SmartPLS 4.0 for data analysis. The results presented in Table 2 indicate that all Composite Reliability (CR) and Cronbach's Alpha values for the constructs exceed the threshold of 0.70 (Hair, Risher, Sarstedt & Ringle, 2019). This demonstrates that each construct exhibits high internal consistency, confirming their reliability in measuring the intended concepts. In addition, all indicators have factor loading values above 0.70, verifying their validity in representing their respective constructs. The Average Variance Extracted (AVE) values for all constructs are above 0.50, signifying that more than half of the variance of the indicators are explained by the underlying construct. This implies that constructs such as organizational ambidexterity and sustainable organizational performance have good convergence validity, accurately reflecting the variance of their indicators. The high validity and reliability in of the constructs in this study suggest that the results of the analysis are robust and accurate in evaluating the impact of digital transformation and government interventions on organizational ambidexterity and sustainable organizational performance, with digital business intensity acting as a moderating variable.

Variable	Indicator	Loading Factor	AVE	CA	CR
Digital Business Intensity (DBI)	Digital technology investment in business transaction	0,849	0,794	0,914	0,922
	Digital technology investment in firm operation	0,908			
	Investment in new digital technology and opportunities	0,892			
	Initiatives supported by digital technology	0,913			
Digital Business Transformation (DBT)	Technology-based business	0,814	0,716	0,900	0,910
	Technology integration	0,892			
	Technology utilization	0,888			
	Development of digital products and services	0,858			
	Promotion of digital skills	0,771			
Government Intervention (GI)	Constitutions	0,845	0,653	0,894	0,912
	Applicable norms	0,760			
	Applicable rules	0,793			
	Reporting standards	0,906			
	Tax policy	0,767			
	Innovation policy	0,767			
Organizational Ambidexterity (OA)	Quality and low cost	0,835	0,666	0,900	0,901
	Continuous improvement	0,837			
	Process automation	0,775			
	Creative ways for satisfying customers	0,835			
	Innovative products and services	0,811			
	New market and segments	0,801			
Sustainable Organizational Performance (SOP)	Increased profitability	0,783	0,616	0,911	0,912
	Improved gross margin	0,792			
	Improved profit level	0,766			
	Improved rate of return on investment (ROI)	0,815			
	Low operational and production costs	0,767			
	Focus on consumer needs and punctuality	0,751			
	Business flexibility	0,790			
	Ability to quickly respond to the market in short time	0,811			

Note. CA: Cronbach's Alpha, CR: Composite Reliability

Table 2. Construct Reliability and Convergent Validity Measures

Discriminant validity is another critical aspect in ensuring that the constructs within the research model are distinct from one another. One technique used to assess discriminant validity is the Heterotrait-Monotrait Ratio (HTMT). According to Henseler, Ringle and Sarstedt (2015), HTMT values below 0.85 indicate strong discriminant validity. In this study, most construct pairs exhibit good discriminant validity, with HTMT values below 0.85. This indicates that the constructs tested in this study are well-measured separately and do not show significant overlaps. Although some values are close to the threshold, such as DBI and SOP (0.847), and OA and SOP (0.836), these values remain within acceptable limits, confirming adequate discriminant validity. This ensures that constructs measuring digital business transformation, government intervention, organizational ambidexterity, digital business intensity, and sustainable performance are truly distinguishable, enhancing the validity and reliability of the research results.

No	Variable	1	2	3	4	5
1	Digital Business Intensity (DBI)	11111				
2	Digital Busine Transformation (DBT)	0,590	11111			
3	Government Intervention (GI)	0,313	0,478	11111		
4	Organizational Ambidexterity (OA)	0,590	0,673	0,645	11111	
5	Sustainable Organizational Performance (SOP)	0,847	0,828	0,601	0,836	11111

Table 3. Heterotrait-Monotrait (HTMT) Ratio Analysis

Indicator	DBI	DBT	GI	OA	SOP
DBI1	**0.849**	0.336	0.155	0.102	0.248
DBI2	**0.908**	0.160	0.391	0.345	0.257
DBI3	**0.892**	0.254	0.333	0.312	0.228
DBI4	**0.913**	0.278	0.382	0.319	0.108
DBT1	0.212	**0.814**	0.368	0.331	0.132
DBT2	0.386	**0.892**	0.270	0.122	0.109
DBT3	0.320	**0.888**	0.377	0.208	0.291
DBT4	0.280	**0.858**	0.127	0.135	0.194
DBT5	0.147	**0.771**	0.159	0.359	0.253
GI1	0.147	0.114	**0.845**	0.287	0.371
GI2	0.117	0.282	**0.760**	0.199	0.175
GI3	0.360	0.151	**0.793**	0.119	0.223
GI4	0.280	0.120	**0.906**	0.193	0.327
GI5	0.312	0.385	**0.767**	0.198	0.169
GI6	0.106	0.390	**0.767**	0.319	0.123
OA1	0.391	0.343	0.114	**0.835**	0.187
OA2	0.350	0.191	0.198	**0.837**	0.148
OA3	0.155	0.129	0.217	**0.775**	0.379
OA4	0.164	0.305	0.181	**0.835**	0.342
OA5	0.191	0.232	0.349	**0.811**	0.290
OA6	0.155	0.137	0.207	**0.801**	0.361
SOP1	0.257	0.249	0.184	0.291	**0.783**
SOP2	0.230	0.110	0.263	0.366	**0.792**
SOP3	0.187	0.373	0.142	0.242	**0.766**
SOP4	0.284	0.178	0.341	0.136	**0.815**
SOP5	0.142	0.299	0.122	0.314	**0.767**
SOP6	0.323	0.194	0.396	0.328	**0.751**
SOP7	0.284	0.256	0.332	0.268	**0.790**
SOP8	0.118	0.264	0.160	0.331	**0.811**

Table 4. Cross Loading Analysis for Measurement Model Construct

To further confirm the distinctiveness of the constructs, a cross-loading analysis was conducted. Each indicator's loading was highest on its intended construct, with lower loadings on other constructs, supporting the distinctiveness of the constructs. This additional analysis helps to address potential overlaps suggested by the HTMT values, ensuring that the indicators measure their respective constructs accurately without significant cross-loading. The results shown in Table 4 demonstrate that all indicators have their highest loading values on their associated constructs, with lower loadings on unrelated constructs. This confirms that the constructs are well-differentiated and that the indicators effectively measure their intended constructs without significant cross-loading. Consequently, the cross-loading analysis further supports the reliability and validity of the measurement model.

4.2. Structural Model Evaluation

The inner evaluation of structural models using SmartPLS 4.0 allows researchers to estimate complex models with multiple constructs, indicator variables, and structural paths without imposing distribution assumptions on the data (Hair et al., 2019). Several measures have been developed to assess the acceptability of the proposed models, such as R-square, Q-square, PLS predict (Hair et al., 2019) and the Goodness of Fit Index (GoF Index) (Sarstedt, Ringle, Henseler & Hair, 2014). Additionally, the robustness of the models was tested through linearity tests of the relationships between variables (Hair et al., 2019).

The first step is to evaluate R-square (R^2), which, similar to linear regression, indicates the extent to which the endogenous variable can be explained by the exogenous variables (Chin, 1998). The R-square value for organizational ambidexterity before including the moderating variable, digital business intensity, was 0.493, meaning that 49.3% of the variance in organizational ambidexterity could be explained by the independent variables in the model. After including digital business intensity as a moderating variable, the R-square value increased to 0.632, indicating that 63.2 % of the variance in organizational ambidexterity can be explained. This increase from 0.493 to 0.632 suggests that the model has been improved, enhancing its ability to explain the variability in organizational ambidexterity. Therefore, the addition of digital business intensity as a moderating variable has strengthened the model's predictive power for organizational ambidexterity.

Similarly, the R-square value for sustainable organizational performance was 0.666 before the inclusion of the moderating variable digital business intensity, indicating that 66.6 % of the variance in sustainable organizational performance could be explained by the independent variables. After introducing digital business intensity as a moderating variable, the R-square increased to 0.837, showing that 83.7 % of the variance in sustainable organizational performance is now explained. The increase from 0.666 to 0.837 suggests that the revised model provides a better explanation of the variability in sustainable organizational performance, demonstrating that digital business intensity as a moderating variable has enhanced the model's explanatory capacity.

To understand the overall influence of the model, the increase in R-square for each major dependent variable can be interpreted as follows: (1) An increase in the R-square for organizational ambidexterity by 0.139 (13.9 %) indicates that the changes to the model significantly improved its ability to explain organizational ambidexterity, and (2) An increase in the R-square for sustainable organizational performance by 0.171 (17.1 %) shows that the changes to the model provided a significant enhancement in its capacity to explain sustainable organizational performance. The improvements in R-square demonstrate that digital business intensity as a moderating variable contributes positively to the predictability of the model.

Variable	R Square Before	R Square After	Q Square
Organizational Ambidexterity (OA)	0,493	0,632	0,814
Sustainable Organizational Performance (SOP)	0,666	0,837	0,456

Table 5. R Square and Q Square

Q-Square (Q^2) values greater than 0 indicate that the model has relevant predictive power. According to Hair et al. (2019), Q-Square values can be interpreted qualitatively as follows: 0 (low predictive power), 0.25 (moderate predictive power), and 0.50 (high predictive power). Referring to the data presented in Table 5, it can be

concluded that the organizational ambidexterity (OA) variable has a Q^2 value of 0.814, indicating that the model has excellent predictive abilities for this variable. The sustainable organizational performance variable has a Q^2 value of 0.456, suggesting that the model also has a sufficiently strong predictive ability for this variable. Although the predictive power for sustainable organizational performance is not as robust as for organizational ambidexterity, the Q^2 value still shows that the model effectively explains and predicts variations in sustainable organizational performance.

According to Sarstedt et al. (2014), the overall Goodness of Fit (GoF) of the model is determined by measuring the communality and the square root of R-Square. Communality is derived from the squared values of the loading factors. Based on the results, the communality rate is 0.676 and the R-Square average is 0.657. Therefore, the GoF index is calculated as $\sqrt{(0.676 \times 0.657)} = 0.666$. The GoF index can be interpreted as follows: 0.1 (low GoF), 0.36 (moderate GoF), and 0.66 (high GoF). The estimated values presented in the table below indicate a GoF Index of 0.666, which falls under the "high GoF" category. This suggests that the model has a strong fit, demonstrating that the measurement model and the overall structural model align well. With a GoF value of 0.666, the research model can be considered well-matched, providing additional validation that the model effectively explains the studied variables.

Hair et al. (2019) explained that SmartPLS is a tool within SEM (Structural Equation Modeling) analysis, designed for predictive purposes. To demonstrate that PLS has robust predictive power, it is essential to compare it with the basic linear regression model (ML). A PLS model is said to have high predictive power if its Root Mean Squared Error (RMSE) or Mean Absolute Error (MAE) values are lower than those of a linear regression model.

	Q^2predict	**PLS-SEM_RMSE**	**PLS-SEM_MAE**	**LM_RMSE**	**LM_MAE**
OA1	0,298	0,575	0,451	0,704	0,584
OA2	0,196	0,548	0,463	0,704	0,586
OA3	0,324	0,427	0,373	0,508	0,402
OA4	0,299	**0,401**	**0,327**	**0,383**	**0,305**
OA5	0,400	0,399	0,334	0,491	0,407
OA6	0,422	0,449	0,403	0,645	0,550
SOP1	0,484	0,496	0,385	0,584	0,452
SOP2	0,369	0,576	0,422	0,766	0,610
SOP3	0,420	0,561	0,432	0,733	0,617
SOP4	0,455	0,517	0,384	0,660	0,565
SOP5	0,503	0,497	0,390	0,867	0,610
SOP6	0,514	0,512	0,425	0,692	0,519
SOP7	0,357	0,530	0,360	0,811	0,603
SOP8	0,419	0,499	0,379	0,709	0,556

Table 6. PLS Predict Algorithm Result

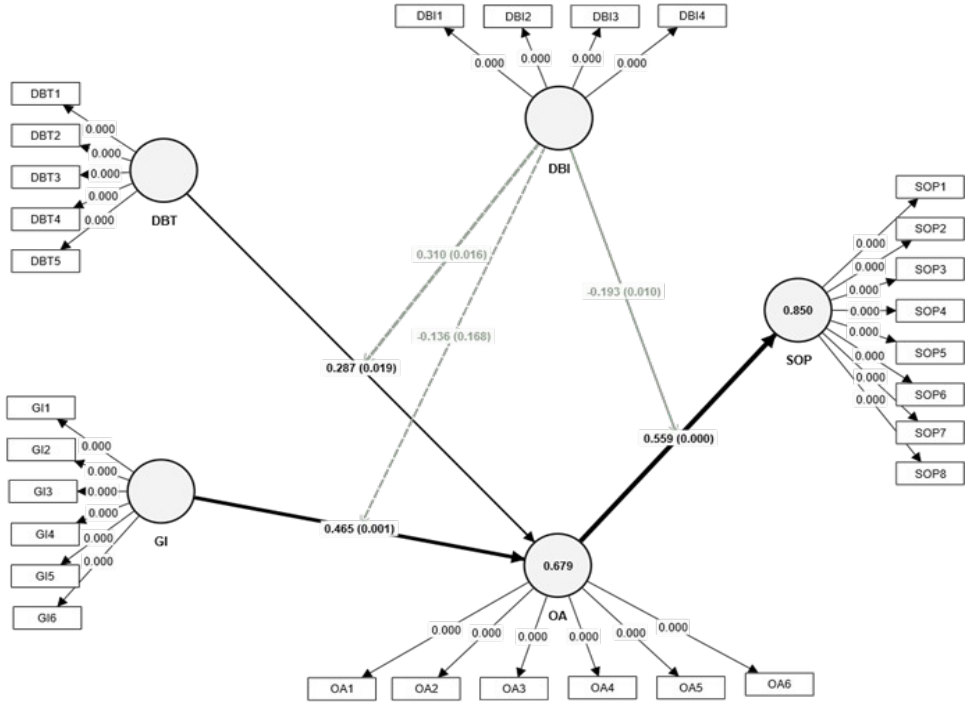

Figure 2. Results of Structural Model Evaluation

Hypothesis	Path Coefficient (t)	P – Value	Label
H1. Digital Business Transformation → Organizational Ambidexterity	0.287	0.019	Significant
H2. Government Intervention → Organizational Ambidexterity	0.465	0.001	Significant
H3. Organizational Ambidexterity → Sustainable Organizational Performance	0.559	0.000	Significant
H4. Digital Business Transformation → Organizational Ambidexterity → Sustainable Organizational Performance	0.161	0.037	Significant
H5. Mod. Digital Business Intensity → Digital Business Transformation → Organizational Ambidexterity → Sustainable Organizational Performance	0.173	0.017	Significant
H6. Government Intervention → Organizational Ambidexterity → Sustainable Organizational Performance	0.260	0.002	Significant
H7. Mod. Digital Business Intensity → Government Intervention → Organizational Ambidexterity → Sustainable Organizational Performance	-0.076	0.171	Non-significant

Table 7. Result of Hypothesis Testing

Based on the hypothesis testing results, Hypothesis 1 (H1) is accepted, showing that digital business transformation significantly affects organizational ambidexterity, with a positive path coefficient of 0.287 and a p-value of 0.019, both supporting its significance. Hypothesis 2 (H2) is also accepted, indicating that government intervention has a significant positive impact on organizational ambidexterity, demonstrated by a path coefficient of 0.465 and a p-value of 0.001. Furthermore, Hypothesis 3 (H3) confirms that organizational ambidexterity strongly influences sustainable organizational performance, with a path coefficient of 0.559 and a p-value of 0.000, both indicating a robust relationship.

Moving to the mediated effects, Hypothesis 4 (H4) is accepted, indicating that digital business transformation positively impacts sustainable organizational performance through organizational ambidexterity, evidenced by a path coefficient of 0.161 and a p-value of 0.037. This finding suggests that digital business transformation, balanced by organizational ambidexterity, significantly enhances sustainable organizational performance. Similarly, Hypothesis 5 (H5) is accepted, showing that government intervention positively affects sustainable organizational performance when mediated by organizational ambidexterity, with a path coefficient of 0.260 and a p-value of 0.002.

Hypothesis 6 (H6) is also accepted, indicating that digital business intensity significantly moderates the impact of digital business transformation on sustainable organizational performance through organizational ambidexterity, with a positive path coefficient of 0.173 and a p-value of 0.017, underscoring its importance in this relationship. However, Hypothesis 7 (H7) is rejected, as digital business intensity does not significantly moderate the influence of government intervention on sustainable organizational performance through organizational ambidexterity, with a negative path coefficient of -0.076 and a p-value of 0.171.

5. Discussion

The hypothesis testing results confirm that digital business transformation significantly and positively affects organizational ambidexterity, indicating that the higher the degree of digital transformation, the greater an organization's ability to achieve ambidexterity. This finding aligns with previous research (He & Wong, 2004) and the observations from Pertusa-Ortega and Molina-Azorín (2018), which suggest that digital business transformation requires both innovative exploration and effective exploitation of existing skills and processes. As companies strengthen their learning processes, they accumulate digital knowledge, which enables more effective adaptation to technological advancements.

In the insurance industry, digital transformation plays a crucial role in fostering organizational ambidexterity. By enhancing exploration and exploitation capabilities, digital transformation enables insurance companies to drive innovation, adapt to changing markets, and maintain competitiveness. From a dynamic capabilities perspective, digital transformation strengthens an organization's ability to detect and respond to market opportunities and threats, seize strategic initiatives, and reconfigure resources for continuous adaptation (O'Reilly & Tushman, 2008; Teece, 2007). Thus, the findings contribute to the literature by illustrating how digital transformation not only enhances efficiency and innovation but also empowers companies to manage organizational ambidexterity effectively. It allows firms to remain competitive and adaptive in an increasingly dynamic and complex market.

Government intervention also significantly and positively influences organizational ambidexterity, suggesting that increased government involvement supports efforts to develop ambidexterity. Consistent with prior research (Dongling & Lam, 2018; Liu & Li, 2020), this study underscores that government policies shape business processes by encouraging companies to innovate and maintain efficiency. For example, increased tax rates may push companies to pursue cost efficiency (exploitation) to mitigate price increases, while subsidies encourage innovation (exploration) (Georgallis et al., 2019; Lin & Luan, 2020). Overall, from a dynamic capabilities perspective, government intervention can create an enabling environment for ambidexterity, helping companies enhance their competitiveness through policies that support sensing, seizing, and reconfiguring. Furthermore, organizational ambidexterity itself demonstrates a significant positive impact on sustainable organizational performance, highlighting the importance of balancing exploration of new opportunities with exploitation of existing capabilities. This finding aligns with previous studies by Pertusa-Ortega and Molina-Azorín (2018), Kafetzopoulos (2021), and Severgnini, Vieira and Galdamez (2018), which report similar benefits of ambidexterity for sustained performance. In the insurance sector, ambidextrous organizations can leverage digital technologies such as big data and AI to better understand customer needs, identify new market opportunities, and respond swiftly to changes (Buuse, Winden & Schrama, 2021; Teece, 2007).

In addition, organizational ambidexterity is proven to mediate the relationship between digital transformation and sustainable organizational performance. Firms that can balance exploration with the optimization of existing processes can implement digital transformation more effectively, allowing them to innovate without sacrificing operational efficiency. This finding supports studies by Centobelli et al. (2019) and Clauss et al. (2021), which

suggest that high ambidexterity enhances a firm's ability to leverage digital technology toward achieving sustainable performance.

Digital business intensity is the degree to which companies adopt digital technologies across operations. Strategic investments in big data, AI, and cloud computing help improve efficiency and competitiveness (Bharadwaj et al., 2013). In line with Nwankpa and Datta (2017), digital business intensity focuses on strategic investments in future resources and assets. This requires the integration of new infrastructure with newer applications, which results in fast and efficient application utilization as well as improved organizational performance. High digital business intensity facilitates digital transformation by enhancing ambidexterity and supporting data-driven decision-making, ultimately boosting sustainable performance.

As a moderator, digital business intensity can significantly enhance digital transformation in insurance companies by ensuring that the necessary technological infrastructure is in place. High digital business intensity equips companies to adopt and implement digital transformation initiatives more effectively, ultimately driving greater efficiency and innovation (Bharadwaj et al., 2013). This moderating role also amplifies the impact of organizational ambidexterity in insurance companies, where a high level of digital business intensity better supports ambidextrous capabilities. Digital technologies provide tools and platforms that empower employees to innovate while simultaneously improving operational efficiency, enhancing the company's adaptability to evolving markets and technologies (Gibson & Birkinshaw, 2004).

In this study, digital business intensity is found moderates the relationship between digital business transformation and sustainable organizational performance, as mediated by organizational ambidexterity. By adopting digital technologies, organizations can strengthen their technological knowledge and balance exploration with exploitation activities, directly contributing to sustainable performance (Park, Pavlou & Saraf, 2020). Strategic decisions regarding technology investments are essential for a successful digital transformation, as they provide a foundation for balanced exploitation and exploration within the organization (Gastaldi et al., 2021).

However, the study found that digital business intensity does not moderate the influence of government intervention on sustainable performance through organizational ambidexterity. Several external factors may account for this, such as unaccounted-for shifts in government policies and regulations, which can significantly impact the insurance sector. For instance, new data protection laws or tax incentives can introduce considerable variability in outcomes. Additionally, other factors like financial resources and human capital availability play essential moderating roles (Weigel, Derfuss & Hiebl, 2023). Financial resources are critical, as implementing government policies and interventions requires adequate funding. Human capital, in turn, is key to driving innovation and efficiency initiatives essential for sustainable performance (Popa, Soto-Acosta & Palacios-Marqués, 2022). From a dynamic capability perspective, the presence of robust financial resources and a skilled workforce enables companies to integrate, build, and reconfigure capabilities to adapt to technological and market changes, thereby supporting sustainable performance. Identifying and addressing these factors provides a more comprehensive understanding of sustainable performance within the insurance industry.

This study makes a significant contribution to management science by demonstrating how dynamic capabilities, organizational ambidexterity, and digital business intensity can enhance sustainable organizational performance. These findings support dynamic capabilities theory as a foundation to explain the role of digital business intensity in the relationship between digital transformation, government interventions, and ambidexterity. Furthermore, this study provides a new perspective on how external factors, such as government policies, can shape dynamic capabilities within financial industries, especially insurance. This theoretical contribution emphasizes the value of adaptive capabilities, offering a novelty in management science by addressing how firms can strategically leverage digital business intensity to respond effectively to a complex, evolving environment.

For industry professionals, this study provides empirical evidence and actionable strategies that insurance companies can adopt to build dynamic capabilities and ambidexterity to improve sustainable performance. Executives in both national and joint venture insurance companies can use this guidance to develop more effective, adaptive strategies. Practical recommendations include setting up systems to regularly assess digital business intensity, aligning investments in digital infrastructure to support both exploitation and exploration, and

establishing processes to evaluate the impact of government policies on digital transformation and sustainable performance. By enhancing internal digital infrastructure and aligning organizational culture to support ambidexterity, companies can remain competitive in changing business environments. This study also highlights the role of government policy in influencing sustainable performance. Policies that encourage technology adoption, provide subsidies, or offer regulatory support can facilitate digital transformation, allowing firms to balance regulatory compliance with the drive for innovation and efficiency. For insurance companies, this could mean proactively engaging with policymakers to anticipate regulatory changes and advocating for supportive policies that allow them to leverage digital business intensity for sustained growth.

6. Conclusion

This study underscores the importance of dynamic capabilities as a theoretical framework for understanding how insurance companies can achieve sustainable performance in the digital age. Dynamic capabilities, which consists of sensing opportunities and threats, seizing opportunities, and reconfiguring assets and capacities—equip companies to adapt to rapid changes in the digital business environment. By leveraging these capabilities, insurance firms are better positioned to face challenges and capitalize on opportunities arising from digital transformation.

The findings provide empirical support for the significant roles of digital business intensity, digital business transformation, and government intervention in fostering organizational ambidexterity and enhancing sustainable organizational performance in Indonesia's insurance industry. Specifically, the results highlight the importance of investing in digital technology to drive ambidexterity, enabling firms to simultaneously pursue exploration and exploitation activities, which in turn lead to improved long-term performance. Additionally, this study demonstrates that organizational ambidexterity serves as a critical mediator in the relationship between digital business intensity, digital transformation, and sustainable performance, translating digital initiatives into concrete outcomes. Integrating dynamic capabilities, organizational ambidexterity, digital business intensity, and government intervention offers a holistic perspective on how insurance companies can adapt and thrive in the digital age. The study enriches management literature by validating these concepts and provides practical guidance for executives in the insurance industry seeking to implement adaptive strategies for sustainable performance.

While this study makes important contributions, several limitations should be noted. First, the reliance on a single industry and a sample size within the Indonesian insurance sector may limit the generalizability of the findings. Future research should consider expanding the scope to different industries and geographical contexts to explore the extent to which these findings hold across varying market conditions and regulatory landscapes. Second, potential biases may arise from data collection methods, including self-reported survey responses, which could introduce subjectivity into the findings. Future studies could mitigate this by incorporating multiple data sources, such as longitudinal or secondary data, to capture changes over time and provide a more objective assessment of performance outcomes. Furthermore, while this study examines digital business intensity as a moderator, it found no significant moderating effect between government intervention and sustainable performance. This result suggests that other external factors —such as financial resources and human capital— may play a more critical moderating role. Future research should consider these additional factors, as well as changes in regulatory policies and macroeconomic conditions, to better capture the complexity of achieving sustainable performance in dynamic environments.

While directly relevant to the insurance industry, the findings also offer valuable insights for other sectors undergoing digital transformation, such as banking, healthcare, and retail. Companies in these sectors can apply similar strategies by integrating digital technologies that foster ambidexterity and enhance sustainable performance. Understanding how dynamic capabilities can help organizations respond to regulatory changes, leverage digital business intensity, and maintain adaptability is crucial for broader applications in industries facing similar pressures. In sum, this study provides a foundation for future exploration into how dynamic capabilities, ambidexterity, and digital business intensity contribute to sustainable organizational performance. Further research can build on these findings by adopting diverse methodological approaches and expanding the focus to

other industries, ultimately advancing a more comprehensive and practical understanding of sustainable performance in the digital era.

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