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Ambidextrous leadership, innovativeness and sustainable performance of micro-finance firms in Kenya

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ABSTRACT

This paper empirically examines the influence of ambidextrous leadership on the sustainable performance of microfinance institutions in Kenya and the mediating role of innovativeness. The study adopted an explanatory research design incorporating cross-sectional and correlational methodologies. Data was collected from a sample of 215 branch managers from both deposit-taking and credit-only institutions in Kenya through structured questionnaires. Validity and reliability were ensured using expert review, factor analysis, and Cronbach's alpha. The hypotheses were tested using Hayes model 4, with firm size and age as control variables. The results revealed that ambidextrous leadership had a positive and statistically significant direct effect on sustainable performance. Moreover, innovativeness significantly mediated this relationship, indicating that ambidextrous leaders enhance sustainability partly by fostering innovation. While firm age positively influenced performance, firm size had no significant effect. These findings demonstrate that leadership that balances exploration and exploitation contributes to long-term sustainability, particularly when it enhances organizational innovativeness. This study advances empirical understanding in microfinance contexts and offers actionable insights for managers and policymakers. MFI leaders should invest in innovation-driven practices to strengthen performance outcomes, while regulatory agencies and industry associations should support capacity-building and innovation ecosystems that enable adaptive leadership and long-term institutional sustainability.

Contribution/ Originality: This study contributes methodologically by employing Hayes's Model 4 for hypothesis testing. It fills a literature gap by empirically exploring the influence of ambidextrous leadership on sustainable performance in the microfinance sector in Kenya, with a specific focus on the mediating role of innovativeness.

1. INTRODUCTION

Corporate sustainability has become an essential element of organizational development. According to (Laskar, 2018), integrating sustainability into business strategies enhances long-term viability and stakeholder trust. In today's competitive environment, companies that effectively oversee sustainability projects gain a significant advantage, as noted by (Laszlo & Zhexembayeva, 2017). The rapid global integration of sustainability into

corporate plans is driven by its ability to improve credibility and financial performance, as highlighted by (Alshehhi, Nobanee, & Khare, 2018). In Kenya, microfinance institutions (MFIs) play a crucial role in advancing the Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth). These institutions empower underprivileged communities by providing financial services, enabling micro-entrepreneurs to generate income and foster economic development. Overall, the integration of sustainability practices across various sectors demonstrates a strategic shift towards responsible and inclusive growth, emphasizing the importance of environmental, social, and economic considerations in contemporary organizational strategies (Uddin, Hamdan, Kassim, Embi, & Saad, 2020).

Sustainable performance has emerged as a fundamental priority for modern enterprises, integrating economic viability, environmental stewardship, and social equality (Hariram, Mekha, Suganthan, & Sudhakar, 2023). In the realm of microfinance institutions (MFIs) in Kenya, sustainability refers to the capacity of these entities to achieve enduring financial stability while meeting the socio-economic needs of marginalized groups. Microfinance institutions (MFIs) play a crucial role in promoting financial inclusion and alleviating poverty, with their sustainable performance increasingly influenced by strategic leadership practices and organizational adaptability.

The sustainability performance of microfinance institutions (MFIs) often varies by region. Research indicates that in Asia, MFIs play a vital role in alleviating poverty and supporting local economies (Gupta & Sharma, 2022). In Sri Lanka, financial sustainability is intricately linked to proficient risk management practices (Illangakoon, Azam, & Jaharadak, 2022), whereas in China, there exists a significant demand for microcredit, particularly from low-leverage institutions capable of enduring economic recessions (Li, Mohd Ashhari, & Fan, 2022).

The African continent, including Kenya's Microfinance Institutions (MFIs), faces unique challenges. Limited social and economic development has created a substantial demand for financial services among low-income populations (Chirambo, 2016). The predominantly unregulated microfinance sector has resulted in detrimental competition and elevated interest rates, frequently jeopardizing the viability of microfinance institutions and the enterprises they support (Kuada, 2019). Nonetheless, regulatory regimes in nations such as Nigeria and Zambia have proven beneficial in improving the performance of microfinance institutions (MFIs) (Siwale & Okoye, 2017). The microfinance sector in South Africa has underscored the importance of a sound financial structure and stability in fostering long-term sustainability.

The microfinance sector in East Africa is undergoing continuous evolution. Ethiopia exemplifies enhanced sustainable performance, bolstered by governmental initiatives to include women, rural areas, and impoverished populations in the financial system (Barbieri da Rosa et al., 2022). From 2010 to 2018, the sector's loan portfolio expanded considerably, and operational outreach advanced, indicating greater financial viability and strategic diversification (Van Marrewijk & Van Den Ende, 2022). The microfinance sector in Tanzania has experienced rapid growth due to the emergence of profit-driven enterprises and the entry of commercial banks into the market (Bayai & Ikhide, 2018). Enhanced operational efficiency has enabled numerous institutions to self-fund, fostering increased sustainability.

These varied experiences highlight the significance of strategic leadership in managing complex contexts. Ambidextrous leadership has emerged as a significant approach that reconciles the dual imperatives of exploitation and exploration, sustaining existing operations while fostering innovation for future success. Ambidextrous leadership combines transactional and transformational styles, enabling leaders to direct teams toward short-term objectives while fostering innovation and a long-term vision (Baškarada, Watson, & Cromarty, 2017; Bass, 1990).

Transactional leadership emphasizes explicit position delineation, performance evaluation, and incentive-based frameworks. It guarantees efficiency and oversight, which are essential in resource-limited contexts where microfinance institutions (MFIs) frequently operate. Conversely, transformational leadership inspires individuals to surpass personal interests, accept change, and dedicate themselves to shared organizational objectives (Bass, 1990).

This equilibrium characteristic of ambidextrous leadership enables microfinance institutions to efficiently oversee daily operations while cultivating a culture that promotes adaptation and strategic innovation (Kassotaki, 2019).

Innovativeness is a crucial mechanism through which ambidextrous leadership impacts sustained success (Tho, Trang, & Thu, 2025). Innovative microfinance institutions provide novel financial products, leverage digital technologies to enhance outreach, and implement efficient operating methods. By fostering a culture of innovation and continuous improvement, these institutions position themselves to address evolving market needs and environmental changes effectively (Viterouli, Belias, Koustelios, Tsigilis, & Papademetriou, 2024). Innovation enables microfinance institutions (MFIs) to reduce costs, diversify revenue sources, and improve service delivery elements essential for economic and operational sustainability.

Muhayimana, Raphael, and Marcha (2023) assert that the elements of corporate entrepreneurship risk-taking, proactiveness, and innovation are fundamental to establishing a competitive advantage. Risk-taking involves investing in uncertain yet potentially lucrative projects, while proactiveness ensures the early recognition of opportunities. Collectively, these characteristics form the basis for strategic innovation, which is crucial for microfinance institutions (MFIs) seeking sustained growth.

The framework is further enhanced by the concept of the circular economy, which prioritizes restorative and regenerative economic processes. The Ellen MacArthur Foundation (2012) defines the circular economy as a paradigm that replaces the conventional linear approach to production and consumption, emphasizing waste reduction, resource reuse, and the design of sustainable systems. This methodology enhances environmental sustainability and aligns with the broader objectives of microfinance institutions regarding social and economic inclusion (Geissdoerfer, Savaget, Bocken, & Hultink, 2017; Kirchherr, Reike, & Hekkert, 2017).

Organizations that adopt circular economy principles are more likely to achieve enhanced sustainability performance across economic, environmental, and social dimensions (Dey et al., 2022; Morioka & De Carvalho, 2016). Microfinance institutions (MFIs), particularly those focused on green financing and sustainable agriculture, can integrate circular practices into their operations by financing enterprises that engage in recycling, refurbishing, or utilizing renewable energy solutions. This approach can reinforce their social license to operate and improve their sustainability metrics.

The effective implementation of circular and innovative strategies relies significantly on internal organizational dynamics, with ambidextrous leadership being crucial. Organizational ambidexterity, characterized by the capacity to concurrently leverage existing strengths and explore new prospects, is essential for facilitating microfinance institutions' (MFIs) transition to circular and innovative business models (Raisch & Birkinshaw, 2008). In this situation, leaders must cultivate dynamic talents that enhance learning, adaptability, and strategic foresight.

This study offers a comprehensive approach to organizational sustainability performance, assessing it through economic returns, environmental impact, and social contributions (Büyükozkan & Karabulut, 2018; Stewart & Niero, 2018). In Kenya, where microfinance institutions serve as catalysts for inclusive development, sustainable performance encompasses both financial viability and the capacity to address systemic issues such as poverty, inequality, and environmental degradation.

The sustainable performance of microfinance institutions in Kenya is influenced by the interaction between strategic leadership and organizational innovation. Ambidextrous leadership, by harmonizing transactional efficiency with transformative vision, empowers MFIs to adapt to evolving situations and achieve long-term objectives. Innovativeness acts as a mediating element, converting leadership intentions into concrete actions that improve resilience, relevance, and social impact. Collectively, these components establish a strong foundation for MFIs to prosper in a complex and evolving environment offering financial services that are both profitable and equitable, as well as sustainable.

The rest of the paper is organized as follows. Section 2 presents the institutional setup. Section 3 reviews the literature and develops hypotheses. Section 4 describes the methodology. Section 5 presents the findings. Section 6 concludes the paper.

2. INSTITUTIONAL SET-UP

The microfinance sector in Kenya is divided into several segments, including regulated microfinance institutions (MFIs), commercial banks, non-bank financial entities such as Post Bank, and MFIs that are to be regulated under the Microfinance Institutions Act. Additional categories include non-regulated entities, credit-only microfinance institutions, financial wholesalers, micro-insurance providers, as well as capacity-building and development institutions. The Association of Microfinance Institutions (AMFI) maintains a classification of microfinance institutions (MFIs). According to (Adim, Tamunomiebi, Akintokunbo, & Adubasim, 2018), there were 44 entities classified as microfinance institutions. The Microfinance Act of 2006, which regulates microfinance institutions in Kenya, along with subsequent Microfinance Regulations, establishes the legal, regulatory, and supervisory frameworks for the country.

The AMFI report of 2021 indicates that women constitute a larger proportion of borrowers compared to men. Nonetheless, the majority of Microfinance Institutions (MFIs) are grappling with subpar loan performance, as evidenced by Microfinance Banks (MFBs) achieving a loan performance rate of 66.19% in 2021, with a Portfolio at Risk (PAR) of 7.75% for loans overdue by 1-30 days and 26.00% for loans overdue by more than 30 days. This indicates a significant concern for the long-term economic sustainability of Microfinance Banks (MFBs), which are a component of Microfinance Institutions (MFIs). Credit-only Microfinance Institutions outperform their MFB counterparts, with a loan performance rate of 87.47%, and a Portfolio at Risk of 4.59% for loans overdue by 1-30 days and 7.94% for loans overdue by more than 30 days.

Wafula (2017) reports that only 60% of Kenyans have access to banking or microfinance institutions, with 30% of these users residing in rural areas. The comparison between the supply of financial services, including loans, and the demand highlights a significant deficiency (Hartarska, Nadolnyak, & Mersland, 2014). Microfinance firms play a crucial role in addressing this gap by providing small loans or microloans to individuals who lack access to traditional lending options. This research aims to identify the factors that influence the financial viability of Kenyan microfinance institutions, thereby contributing to the development of strategies to enhance financial inclusion and support economic growth in the region.

Consequently, the study aims to address three pivotal concerns to achieve its objectives. Does ambidextrous leadership influence the sustainable performance of microfinance institutions in Kenya? Does innovativeness serve as a mediator in the relationship between ambidextrous leadership and the sustainable performance of microfinance enterprises in Kenya? The document is structured as follows: Section 1 presents the introduction of the study, while Chapter 2 provides a review of the literature. Section 3 outlines the methodology, including verifiable models; Section 4 discusses the empirical results; and Section 5 concludes the article with policy recommendations based on the findings.

3. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

3.1. Theoretical Review

From the perspective of the Triple Bottom Line (TBL), ambidextrous leadership in microfinance firms can be viewed as a strategic enabler of sustainable performance across economic, social, and environmental dimensions. The TBL framework Elkington (1997), emphasizes the need for firms to balance profit-making with social equity and ecological responsibility. Ambidextrous leaders who integrate both exploitative (transactional) and explorative (transformational) leadership styles foster an environment that supports innovation while maintaining operational stability. In Kenyan microfinance institutions (MFIs), this dual approach enables firms to enhance financial

sustainability through improved efficiency, promote social inclusion via increased access to financial services, and support green financing initiatives that reduce ecological footprints.

The Contingency Theory of Leadership supports this by asserting that no single leadership style is universally effective; rather, successful leaders adapt their behavior to fit specific organizational and environmental contexts. In the dynamic microfinance sector, ambidextrous leadership offers this flexibility, enabling microfinance institutions (MFIs) to respond to fluctuating market conditions, evolving client needs, and regulatory changes, thereby enhancing resilience and sustainability.

The Innovation Theory of Entrepreneurship, as proposed by Schumpeter (1934), complements this framework by emphasizing the role of innovation as a key driver of entrepreneurial success and long-term performance. In microfinance institutions (MFIs), innovativeness fostered by ambidextrous leadership leads to the development of customized products such as mobile banking and eco-loans that address local demands and expand outreach. Therefore, integrating theories of the Triple Bottom Line (TBL), Contingency, and Innovation offers a comprehensive perspective on how ambidextrous leadership and organizational innovativeness collectively enhance the sustainable performance of microfinance firms in Kenya.

3.2. Ambidextrous Leadership and Sustainable Performance

Awan, Kraslawski, and Huiskonen (2018) examined the impact of ambidextrous leadership on the relationship between governance mechanisms and social sustainability in Pakistan. The objective of the study was to analyze the influence of transactional and relational governance on a company's capacity for social sustainability, particularly within the context of the significant impact that transactional and transformational leaders have on governance mechanisms. Data from Pakistani manufacturing sectors were collected using standardized survey instruments. A structural equation model was employed for data analysis. The study's findings indicate that ambidextrous leadership and contractual governance methods enhance social sustainability while addressing the needs of industrial firms. The results suggest that to improve social sustainability, manufacturing companies should incorporate transactional leadership when designing and implementing contract governance mechanisms, as the ambidextrous leadership style moderates relational contracts and governance mechanisms to align with social sustainability requirements. Although research on ambidextrous leadership is limited, it represents a promising area for further investigation. The report also discusses its limitations and managerial implications.

Ying and Jin (2023) examined digital transformation and business sustainability in China, focusing on the moderating effect of ambidextrous innovation. The research classified digital transformations into two categories: market-based and technology-based. The A-share listed companies in China were analyzed using the two-way fixed effects model and the two-stage least squares method from 2013 to 2021. The results indicated that both TDT and MDT positively influenced business sustainability. Increased levels of exploratory and exploitative innovation within the firm enhance the contributions of both forms of digital transformation to corporate sustainability.

In a study conducted by Egwakhe, Abdullahi, Akande, and Umukoro (2022), the researchers examined the relationship between ambidextrous leadership and project success within the context of sustainability. The research involved analyzing data from a sample of 217 project leaders and participants involved in Chinese construction projects. To explore the mediating effects, the study employed ambidextrous structural equation modeling, which allowed for a comprehensive understanding of the relationships among variables. The findings demonstrated that ambidextrous leadership positively influences both ambidextrous culture and project performance. Additionally, the study revealed that ambidextrous leadership has a mediating effect on project performance through its impact on ambidextrous culture. It is important to note that the focus of this research was on the sustainable performance of microfinance institutions, rather than on the sustainability of individual projects. This distinction highlights the broader implications of leadership styles on organizational sustainability and performance outcomes.

The performance of ambidextrous leadership and sustainability in Greek enterprises was analyzed by Katou, (Kassotaki, 2019). The study employed a survey of private and public Greek enterprises across the services, manufacturing, and trade sectors within an externally dynamic environmental context. Data analysis was conducted using structural equation modeling. The findings indicated that the relationship between ambidextrous leadership and sustainable performance is positively mediated by organizational ambidexterity and the domains of action related to the circular economy. The mechanism derived from transformational leadership exerts a more significant influence on sustainable performance than transactional leadership. Notably, the study employed ambidextrous leadership as a moderating variable rather than an independent variable, providing a nuanced understanding of its role in organizational sustainability.

Martínez-Climent, Rodríguez-García, and Zeng (2019) examined the relationship between ambidextrous leadership, social entrepreneurship, and operational efficacy. Their research revealed that an organization's social entrepreneurship is influenced by proactivity, inventiveness, risk-taking, and reciprocity. Bass (1990) conducted an analysis of Indonesian telecommunications businesses to assess the influence of ambidextrous leadership and social media on corporate performance. The study also investigated whether digital change had a mediating effect. This was achieved through the design of surveys for telecommunications companies. Quantitative data were collected for the study. The findings indicated that ambidextrous leadership positively influences company performance and facilitates digital transformation. Additionally, social media positively impacts both digital transformation and firm performance, and digital transformation further enhances firm performance.

Barbieri da Rosa et al. (2022) conducted a study on ambidextrous leadership and its impact on commercial success across telecommunication enterprises in Indonesia. The study found that ambidextrous leadership significantly enhances firm performance, both directly and indirectly, by fostering innovative digital business models. To achieve these outcomes, the researchers employed a sequential explanatory design that incorporated both quantitative and qualitative methodologies. The quantitative analysis involved questionnaires from 180 respondents, which were examined using partial least squares, while the qualitative research utilized 12 sources through thematic analysis. Additionally, the study examined ambidextrous leadership as a moderating factor in the relationship between corporate entrepreneurship and the sustainable performance of microfinance firms in Kenya.

Rosing, Frese, and Bausch (2011) investigated the moderating influence of organizational ambidexterity on the relationship between dynamic skills and the performance of food and beverage enterprises in Kenya. The study aimed to assess the correlation between dynamic capabilities and the performance of food and beverage companies, along with the moderating effects of organizational ambidexterity on the impact of sensing, seizing, and reconfiguring competencies on performance. The research employed a descriptive and explanatory design within a positivist framework.

A census method was employed to gather primary data on the 98 food and beverage companies affiliated with the Kenya Association of Manufacturers. Data were collected through structured questionnaires and subsequently analyzed using descriptive and inferential statistics. To assess the study's hypotheses, data were examined through a multiple regression model, and Pearson correlation was employed to analyze the relationships between the variables. The findings indicated that the success of food and beverage enterprises in Kenya is positively and significantly influenced by sensing, seizing, and reconfiguring capabilities. Additionally, the study revealed that organizational ambidexterity moderates the relationship between dynamic capabilities and the success of these enterprises, highlighting the importance of organizational flexibility and strategic alignment in achieving competitive advantage.

H_1: Ambidextrous leadership has a significant effect on sustainable performance.

3.3. The Mediating Role of Innovativeness

According to Barbieri da Rosa et al. (2022), innovativeness is essential within entrepreneurial orientation as a strategy to attain innovation skills for sustainable performance. Innovativeness denotes the entrepreneur's capacity to create new products, processes, marketing strategies, or managerial innovations. Innovative entrepreneurs are linked to enhanced operational efficiency and corporate success; however, a definitive relationship between innovativeness and sustainable performance remains unclear.

Huang, Li, Wang, and Li (2022) investigated female Chinese entrepreneurs to assess the correlation between entrepreneurial performance and innovativeness. The objective of the study was to analyze the innovativeness of female entrepreneurs and their performance, utilizing a sample of 558 Chinese female entrepreneurs. This was facilitated by psychological capital, growth, and opportunities for opportunity recognition, and was influenced by gender stereotypes. The results indicated a strong and statistically significant correlation between the innovativeness of female business owners and their performance. Psychological capital, opportunity recognition, and growth influenced both the innovativeness and performance of female entrepreneurs. Gender stereotyping adversely affected the correlation between female innovativeness and the performance of female-owned businesses. The study primarily focused on female innovativeness in relation to performance, specifically examining innovativeness as a determinant of corporate entrepreneurship affecting sustainable performance. This was facilitated by versatile leadership.

The studies conducted by Falahat, Tehseen, and Van Horne (2018) examined the relationship between entrepreneurial innovativeness and the success of SMEs in Malaysia. The research analyzed the impact of entrepreneurial innovativeness on four distinct categories of company performance. The study utilized a dataset of 450 SMEs from Malaysia's wholesale and retail sectors. This was examined using structural equation modeling with partial least squares (SEM-PLS).

The findings indicated that entrepreneurial innovativeness significantly and positively influenced three specific aspects of business performance: perceived performance relative to competitors, perceived business growth, and perceived non-financial outcomes. However, financial performance was minimally affected by entrepreneurial innovation. The current study focused on sustainable performance instead of non-financial, growth, competitive advantage, and financial performance elements.

Adim et al. (2018) examined the performance and entrepreneurial innovation of women in Rivers State, Nigeria. This study aimed to analyze the relationship between the performance of female entrepreneurs and their level of entrepreneurial innovativeness. The research employed a cross-sectional survey methodology to collect responses from 329 women entrepreneurs in Rivers State, representing the target demographic. The findings indicated that the innovativeness of women entrepreneurs was statistically correlated with employment creation; however, the relationship was not significant concerning contributions to household sustenance.

Onyenma (2019) examined the relationship between innovativeness and the success of small and medium-sized enterprises (SMEs) in Nigeria. This study focused on the performance of SMEs in Rivers and Bayelsa states, analyzing a sample of 186 enterprises out of a target population of 360. The research employed Pearson's Moment Correlation to assess product innovation and utilized a regression model to determine the impact of innovativeness on performance metrics.

The findings indicated a positive and statistically significant association between innovativeness and SME performance. The study also revealed that SMEs in Rivers and Bayelsa states demonstrated superior social performance and higher levels of consumer satisfaction, which were attributed to their innovative practices.

H_2: Innovativeness mediates the relationship between ambidextrous leadership and sustainable performance.

4. RESEARCH METHODOLOGY

4.1. Sample Size and Data

The study targeted 467 branch managers, of whom 109 managers came from 14 Deposit Taking Micro-Finance Institutions (MFIs) regulated by the Central Bank of Kenya, and 358 managers were from Credit-Only Micro-Finance Institutions. The study included both Deposit-Taking MFIs, which are regulated by the Central Bank of Kenya, and Credit-Only Micro-Finance Institutions registered with AMFI-K, which assisted in providing the necessary information. The sample size was calculated using the Yamane Taro formula (Thompson & Lange, 2010). This was given by.

$$n = \frac{N}{1 + N(e)^2}$$

Whereas, N=204 and e=5%

$$n = \frac{467}{1 + 467(0.05)^2}$$

A sample of n=215 was adopted.

The stratified random sampling method was used to select respondents from deposit-taking microfinance institutions (MFIs), banks, and credit-only microfinance institutions. Subsequently, a simple random sampling technique was employed within each stratum to collect information from the respondents.

4.2. Measurement of Variables

The eight questions were used to measure the moderator, ambidextrous leadership, using a five-point Likert scale (ordinal level). Similarly, Katou, Kafetzopoulos, and Vayona (2023) used a five-point agreement scale to measure ambidextrous leadership and sustainable performance. Table 1 presents the measurement of the variables.

Table 1. Measurement of variables.

Variables	Number of items	Measurements	Sources
Sustainable performance (Dependent variable)	8	Questionnaire items on five-point Likert scale (Ordinal level)	Zheng, Wu, Xie, and Xu (2017) and Katou et al. (2023).
Ambidextrous leadership (Independent variable)	**8**	Questionnaire items on five-point Likert scale (Ordinal level)	Zheng et al. (2017) and Katou et al. (2023).
Innovativeness (Mediating variable)	5	Questionnaire items on five-point Likert scale (Ordinal level)	Zheng et al. (2017) and Katou et al. (2023).

4.3. Model Specification

Hypotheses one to three were tested using Model 2 in multiple linear regression analysis.

$$IC = \beta_0 + \beta_1 AL + \beta_2 FA + \beta_2 FS + e_1 \quad \text{(Model 1)}$$

$$SP = \beta_0 + \beta_1 AL + \beta_2 FA + \beta_3 FS + \beta_4 IC + e_2 \quad \text{(Model 2)}$$

Where;

SP = Sustainable performance.

β_0 = Constant term.

β_1, β_2, β_3, β_4 = Beta coefficients.

FS = Firm size.

FA = Firm age.

AL = Ambidextrous leadership.

IC = Innovativeness.

e = Error term.

5. FINDINGS

5.1. Descriptive Statistics

The study demonstrated strong sustainable performance, with a mean score of 3.9719 and a standard deviation of 0.473. The descriptive statistics for innovativeness showed a mean of 4.1370 and a standard deviation of 0.347. The microfinance institutions (MFIs) also exhibited a high level of ambidextrous leadership, with a mean of 4.1651 and a standard deviation of 0.372. Additionally, Table 2 presents the detailed descriptive statistics results.

Table 2. Descriptive statistics results.

	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Innovativeness	2.80	5.00	4.1370	0.34675	-0.397	3.350
Ambidextrous leadership	2.63	5.00	4.1651	0.37214	-0.851	3.347
Sustainable performance	1.50	5.00	3.9719	0.47265	-0.992	3.684

The study achieved a high response rate of 92.1%, with 198 out of 215 questionnaires returned. However, 17 questionnaires were unusable, resulting in 181 valid responses and an effective response rate of 84.2%. This rate exceeds the 80% threshold generally considered excellent for minimizing non-response bias. The reliability of the measurement instrument was confirmed through internal consistency values for all constructs, which were above 0.70, as determined by Cronbach's alpha reliability analysis. Additionally, the assumptions for regression analysis were verified: linearity was confirmed via ANOVA, with all independent variables significantly correlated with sustainable performance ($p < 0.05$); normality was validated through Shapiro-Wilk tests, indicating the data followed a normal distribution; and Levene's test showed no evidence of heteroscedasticity. Multicollinearity was not a concern, as all Variance Inflation Factor (VIF) values were below 10 and tolerance values exceeded 0.1. Lastly, the Durbin-Watson statistic was 1.602, suggesting there is no autocorrelation in the residuals.

5.2. Correlation Results

Pearson correlation coefficients were utilized to examine the interrelationships among innovativeness, ambidextrous leadership, firm age, firm size, and sustainable performance. The findings in Table 3 revealed that innovativeness exhibited a high positive significant relationship with sustainable performance ($r = 0.769$, $p < 0.05$). Meanwhile, ambidextrous leadership had a positive and significant correlation with sustainable performance ($r = 0.597$, $p < 0.05$). Interestingly, firm size displayed a weak negative insignificant relationship with sustainable performance ($r = 0.003$, $p > 0.05$). Furthermore, sustainable performance was found to have a low positive relationship with firm age ($r = 0.289$, $p < 0.05$).

Table 3. Pearson correlation coefficients.

Variables		Sustainable performance	Innovativeness	Ambidextrous leadership	Size of MFI	Age of MFI
Sustainable performance	Pearson correlation	1				
Ambidextrous leadership	Pearson correlation	0.597**	0.514**	1		
Size of MFI	Pearson correlation	0.003	-0.045	0.022	1	
Age of MFI	Pearson correlation	0.289**	0.174*	0.213**	-0.086	1

5.3. Regression Results

In this paper, two hypotheses were evaluated to investigate the influence of ambidextrous leadership on the sustainable performance of microfinance institutions (MFIs) in Kenya, as well as the mediating role of innovativeness in this relationship. Table 4 presents the results of the mediation analysis conducted using Hayes' PROCESS Model 4 with firm size and age as control variables. Contrary to expectations, the direct effect of ambidextrous leadership on sustainable performance was statistically significant but very small ($\beta = 0.0004$, $p = 0.000 < 0.05$). Although the coefficient is positive, its practical significance is limited. Thus, H1, which predicted a strong direct influence of ambidextrous leadership on sustainability, was not supported in terms of meaningful effect size. This suggests that ambidextrous leadership alone may not be a strong predictor of sustainability unless operationalized through other organizational mechanisms.

However, the second hypothesis, which tested the mediating role of innovativeness, was supported. The indirect effect of ambidextrous leadership on sustainable performance through innovativeness was statistically significant (indirect effect = 0.0006, 95% CI [0.0003, 0.0010]), indicating that innovativeness partially mediates this relationship. The regression coefficient between ambidextrous leadership and innovativeness was positive and significant ($\beta = 0.0014$, $p = 0.000 < 0.05$), as was the effect of innovativeness on sustainable performance ($\beta = 0.4245$, $p = 0.000 < 0.05$). These results are consistent with prior studies (e.g., Jansen et al., 2006; Rosing et al., 2011), which emphasize that leadership styles balancing exploration and exploitation influence performance outcomes more effectively when channeled through innovation. Firm age also had a positive and significant influence on sustainability ($\beta = 0.0064$, $p = 0.004 < 0.05$), suggesting that more mature MFIs tend to be more sustainable. Firm size, however, did not show a significant effect ($p = 0.6481$). Overall, the findings highlight the importance of fostering a culture of leadership capabilities into tangible sustainability outcomes.

Table 4. Presents the regression results.

Path/Model	Predictor	Outcome	Coeff. (β)	SE	T	p-value	95% CI (LLCI–ULCI)	Significant?
Mediation path a	Ambidextrous leadership	Innovativeness	0.0014	0.0002	7.6080	0.000	[0.0011, 0.0018]	Yes
	Firm size	Innovativeness	-0.0086	0.0092	-0.9363	0.3504	[-0.0268, 0.0095]	No
	Firm age	Innovativeness	0.0048	0.0052	0.9247	0.3564	[-0.0054, 0.0151]	No
Mediation path b	Innovativeness	Sustainable performance	0.4245	0.0318	13.3433	0.000	[0.3617, 0.4873]	Yes
Direct effect (Path c')	Ambidextrous leadership	Sustainable performance	0.0004	0.0001	4.4328	0.000	[0.0002, 0.0006]	Yes (Small)
	Firm size	Sustainable performance	0.0018	0.0039	0.4572	0.6481	[-0.0059, 0.0095]	No
	Firm age	Sustainable performance	0.0064	0.0022	2.8827	0.0044	[0.0020, 0.0107]	Yes
Indirect effect (a × b)	AL → Innovativeness → SP		0.0006	0.0002	—	—	[0.0003, 0.0010]	Yes

Note: AL = Ambidextrous Leadership, SP = Sustainable Performance. Indirect effect significance based on 95% bootstrap CI not crossing zero.

6. CONCLUSION

This study examined the relationship between ambidextrous leadership, innovativeness, and the sustainable performance of microfinance institutions (MFIs) in Kenya based on a sample of 215 branch managers from both deposit-taking and credit-only institutions in Kenya while controlling for firm age and size. The findings offered insights into how leadership dynamics translate into sustainability outcomes. While the direct effect of ambidextrous leadership on sustainable performance was positive and statistically significant, the effect size was minimal, indicating that leadership alone may not substantially influence sustainability without complementary mechanisms. However, innovativeness emerged as a significant mediator, suggesting that ambidextrous leadership enhances sustainability primarily through its ability to foster innovation. The study thus affirms that innovativeness plays a pivotal role in translating leadership into long-term organizational resilience and adaptability. Moreover, firm age was found to positively influence sustainable performance, whereas firm size did not show a significant impact.

In light of these findings, several recommendations are warranted. First, MFIs should deliberately channel ambidextrous leadership practices balancing exploration and exploitation into innovation-focused strategies, ensuring that leadership vision materializes through new products, services, and operational improvements. Investments in innovation capabilities, such as employee training, digital transformation, and participatory decision-making, are crucial for harnessing the benefits of such leadership. Secondly, institutions must build systems that embed innovation into their core operations, thereby creating a sustainable competitive edge in a rapidly evolving financial landscape. Lastly, industry regulators like the CBK and associations such as AMFI-K should develop policies that not only encourage innovative thinking among MFIs but also provide structured guidance on aligning leadership with sustainable development goals, ensuring sector-wide progress toward inclusive and enduring financial services.

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