“The influence of entrepreneurial orientation and learning orientation on innovation performance of SMEs in Indonesia: Organizational learning as a mediator”

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THE INFLUENCE OF ENTREPRENEURIAL ORIENTATION AND LEARNING ORIENTATION ON INNOVATION PERFORMANCE OF SMES IN INDONESIA: ORGANIZATIONAL LEARNING AS A MEDIATOR

Abstract

SMEs are the backbone of the economy in various countries. SMEs are usually associated with their entrepreneurial capabilities and organizational culture to create sustainable innovation. This study aims to analyze the relationship between learning orientation and entrepreneurial orientation on SME innovation performance and examine the role of organizational learning as a mediator in this relationship. A quantitative approach was used. Data were collected through a survey of SME owners or managers from West Java who focused on the food and beverage, handicraft, and fashion industrial sectors. The questionnaire collection took place from August to November 2024. Two hundred thirty-seven questionnaires were retrieved for the analysis. The structural equation modeling (SEM) approach has been used to test the hypotheses. This study found a positive and significant relationship between learning orientation and organizational learning ($p < 0.05$, $\beta = 0.54$), entrepreneurial orientation and innovation performance ($p < 0.05$, $\beta = 0.501$), entrepreneurial orientation and organizational learning ($p < 0.05$, $\beta = 0.5$), and organizational orientation and innovation performance ($p < 0.05$, $\beta = 0.446$). In contrast, the relationship between learning orientation and innovation performance was insignificant ($p > 0.05$, $\beta = 0.098$). A good understanding of entrepreneurial orientation will allow SMEs to innovate better and survive amidst business competition. Learning orientation, which is considered to improve innovation performance, did not significantly influence SMEs in West Java. On the other hand, SMEs in West Java must improve their organizational learning, especially organizational culture related to shared vision, which is expected to influence innovation performance.

Keywords entrepreneurial orientation, learning orientation, innovation SMEs, business intensity, West Java SMEs, business dynamics, organizational development, SME organizational culture

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INTRODUCTION

SMEs make a significant contribution to a country's economy. However, SMEs face severe challenges due to uncertain market competition. These challenges force SMEs to be able to compete and survive in a cruel business environment (Manalu et al., 2023) to develop in a competitive market (Curado et al., 2018). Market uncertainty has negatively impacted the financial and operational side of SMEs. Dynamic market changes make it difficult for SMEs to predict consumer demand and regulation changes, ultimately leading to production inefficiencies or supply chain disruptions. This poses a risk to SME performance, which could experience a decline due to SMEs not being competitive because of limited innovation.

Studies that focus on the role of these variables in the context of SMEs are still limited. The lack of empirical evidence regarding the influence of learning orientation and entrepreneurial orientation on innovation performance in SMEs is a substantial research gap.

This study targets SMEs that originate and conduct business activities in the West Java region, Indonesia. SMEs in West Java are one of the keys to the province's economic growth. Based on the West Java Open Data, there were 4,634,807 MSMEs in 2016, and the number continued to increase until 2021, reaching 6,257,390 MSMEs (Opendatajabar, 2022). These data show an increase in the number of SMEs in West Java. Although the number of SMEs is growing, many SMEs do not survive in the long term in the face of dynamic market competition due to low innovation. Therefore, it is essential to explore strategies to help SMEs remain competitive in the business competition. One of these strategies is increasing the innovation capabilities of SMEs through learning orientation and entrepreneurial learning.

1. LITERATURE REVIEW AND HYPOTHESES

Based on the resource-based view (RBV) theory, dynamic capability view, and knowledge-based view, there are three antecedents of SME innovation performance: learning orientation, entrepreneurial orientation, and organizational learning capability. RBV has been seen as the key to achieving competitive advantage by focusing on intangible and tangible assets (Barney, 1991). The growing dynamics in an uncertain business environment require organizations to have dynamic capabilities (Teece et al., 1997). Furthermore, to survive in an uncertain business environment, knowledge is needed, which mostly strategically influences a company's resources, which are difficult to imitate and socially complex and can become a company's competitive advantage (Real et al., 2014). Therefore, understanding how SMEs can survive amidst intense competition will positively impact business survival.

The idea of innovation extends to product and process innovation and emphasizes 'non-technological' innovation, including commercial and organizational (Fernández-Mesa & Alegre, 2015). This conceptualization makes it possible to invest in innovation without significantly reducing the number of R&D resources and innovation infrastructure, while investing more in broader human capital that contributes more to the innovation process. Efficacy and efficiency can be used to measure innovation performance (Alegre et al., 2006). Efficacy aims to verify the extent to which innovation economically affects the organization. Efficiency is the process of the extent to which results can be achieved.

Referring to the knowledge-based view, this paper proposes learning orientation as an antecedent of innovation performance. Sinkula et al. (1997) developed the concept of learning orientation. Learning orientation has three dimensions: shared vision, commitment to learning, and open-mindedness (Donate & Sánchez de Pablo, 2015). Shared vision brings positive energy, dedication, and resolution to all who focus on the individual. Furthermore, commitment to learning indicates the degree of significance of the company related to learning and the ability to reflect on the effects of their actions. Finally, open-mindedness, namely, when the company proactively disrupts long-standing procedures, processes, assumptions, beliefs, and routines, is needed for cultural absorption and a superior performance climate and culture (Sajjad et al., 2022). The relationship between learning orientation and innovation performance shows a positive effect (Keskin, 2006). Learning orientation can facilitate SMEs in finding new ideas, looking for new alternatives, building and launching products/services, and being more creative regarding methods (Keskin, 2006). Furthermore, Suliyanto and Rahab (2012) found that learning orientation can influence the innovation of SMEs in Banyumas, Indonesia. Putra et al. (2020) also confirmed a positive relationship between learning orientation and innovation performance in the province of Bali. These findings indicate that learning orientation can be the main predictor for the innovation performance of SMEs, especially those in Indonesia.

Learning orientation is viewed as a group of organizational values influencing a company's tendency to create and use knowledge (Sinkula et

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al., 1997). One of these values is a commitment to learning (Baker & Sinkula, 1999). Bapuji and Crossan (2004) emphasize the managerial support's role in learning and how managers can specifically extend support for learning. Learning orientation is a cultural value antecedent for organizational learning that facilitates discovering new things (Real et al., 2014). Thus, learning orientation will help decision-makers generate new ideas that will impact the future.

Covin and Slevin (1989) conceptualization of entrepreneurial orientation, based on Miller (1983), is the most widely used framework with three dimensions of entrepreneurial orientation. Innovation, proactiveness, and risk-taking form a unidimensional model that should be combined when measuring entrepreneurial orientation. Manalu et al. (2022) stated that the use of entrepreneurial orientation in unidimensional measurements to test the influence of proactiveness, risk-taking, and innovativeness on SME performance tends to be more appropriate. Innovativeness refers to the tendency for companies to adopt and support innovative processes that may bring new products and technologies more quickly (Zhai et al., 2018). Proactiveness refers to a company's tendency to choose positive marketing strategies, proactive actions, and lead strategies to introduce new products, processes, and technologies to outperform competitors. Therefore, proactive companies can provide opportunities for good innovation performance (Wiklund & Shepherd, 2005). Risk-taking can help companies form an atmosphere of risk tolerance; it also encourages experimentation, accelerates acquisitions, absorbs new external innovations, and improves the company's innovation performance (Alegre & Chiva, 2013). Thus, these three components will characterize each SME's entrepreneurial orientation, which is indicated to influence innovation performance.

Entrepreneurial orientation can be a determinant of organizational learning. Organizational learning increases if the organization takes risks, innovates, and is proactive about market changes. Entrepreneurial orientation is a company's strategy and actions related to actively seeking opportunities to enter new markets (Lumpkin & Dess, 1996). Organizations based on an entrepreneurial orientation are significantly more committed to learning as a way of seeking relevant information about opportunities (Gomes et al., 2022). Therefore, entrepreneurial orientation can be an antecedent of organizational learning.

Chen et al. (2009) state that companies with good commitment to learning initiatives will improve innovation performance and outperform competitors. Learning not only allows companies to increase efficiency in developing new products but can also enable them to succeed in commercializing newly developed products (Beyene et al., 2016). According to Ghasemzadeh et al. (2019), organizational learning positively affects the company's product innovation performance. Thus, organizational learning possessed by SMEs will be able to improve their innovation performance.

The theory and empirical evidence show that learning orientation is related to innovation performance through organizational learning. Existing literature assumes that organizational learning consists of information acquisition, information dissemination, shared interpretation, and building organizational memory. Organizational learning efforts must be directed by predetermined strategic goals that result in a shared understanding of information (Chen & Huang, 2007). Based on the selection, formulation, and implementation of appropriate strategies, organizations can influence the direction and sources of their learning activities (Beyene et al., 2016).

This study proposes organizational learning as a variable bridging the relationship between entrepreneurial orientation and innovation performance. Lumpkin and Dess (1996) stated that the relationship between entrepreneurial orientation and performance is conditional, or depends on organizational factors. Organizational learning is a reasonably direct demand and can have an impact on their company's innovation (Wang et al., 2015). SMEs tend to differ from established companies due to differences in leadership styles, internal operations, organizational structures, and assets owned (Mbizi et al., 2013). SMEs often emphasize innovation to achieve high growth over a certain period. However, failure rates can also be high, in line with uncertainty, risk-taking, and chaos factors, if organizational learning is not integrated into the process (Mueller et al., 2013). Therefore,

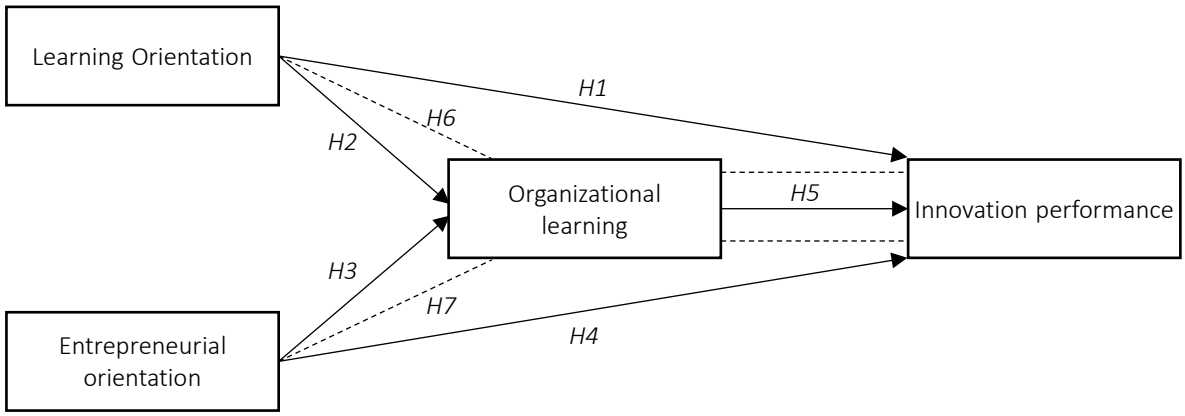

Figure 1. Conceptual framework

appropriate organizational learning can grow company capabilities critical for innovation and allow them to experience new opportunities in product or service innovation (Maes & Sels, 2014).

SMEs are often associated with resilience when facing increasingly cruel business competition. Their success in surviving amidst competition is one way of using internal factors through innovation. Innovation has been seen as one of the keys to an organization's business processes (Saunila, 2017) and has become a significant concern in academic studies (Hameed et al., 2018; Popa et al., 2022). Various research results have shown that SMEs with innovation capabilities can encourage increased business performance by creating congruence between internal and external resources (Hameed et al., 2018). Thus, innovation can be the key for SMEs to survive in an uncertain business environment.

Increasing SME innovation can be used with continuous learning in business units. Organizational learning has been seen to be the key for organizations to improve innovation performance. Organizational learning capacity is vital in encouraging increased product innovation in SMEs (Curado et al., 2018). These findings are supported by Gomes and Wojahn (2017), as organizational learning can initiate innovation. Studies related to this focus are still few, so empirical evidence to support the perspective in small companies such as SMEs is still limited (Martínez Serna et al., 2018). Entrepreneurial orientation plays an important role or can even be perceived as a key factor in starting innovation (Arzubiaga et al., 2018). However, attention to entrepreneurial orientation as an antecedent of innovation is often lacking (Noor et al., 2017). So, providing evidence of this relationship is expected to be helpful in the future.

This study aims to analyze the relationship between learning orientation and entrepreneurial orientation on SME innovation performance and examine the role of organizational learning as a mediator in this relationship. Another aim is to provide insightful benefits in helping SMEs face the competitive and dynamic business environment. The conceptual model is shown in Figure 1. Thus, the following hypotheses are proposed:

H1: Learning orientation influences SME innovation performance in West Java.

H2: Learning orientation has a positive effect on organizational learning of SMEs in West Java.

H3: Entrepreneurial orientation influences the innovation performance of SMEs in West Java.

H4: Entrepreneurial orientation has a positive effect on SME organizational learning in West Java.

H5: Organizational learning possessed by SMEs can influence SME innovation performance in West Java.

H6: Organizational learning can mediate the relationship between learning orientation and SME innovation performance in West Java.

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H7: Organizational learning can mediate the relationship between entrepreneurial orientation and SME innovation performance in West Java.

2. METHOD

A quantitative approach is used. Data collection was carried out using surveys. A survey was conducted on SME owners or managers from the West Java region to test the research model. The selected MSMEs fall into the food, fashion, and handicraft sub-sectors. This sector was chosen because it tends to be the most vulnerable to rapid changes in the market environment and thus requires innovation. Non-probability sampling is applied using a convenience sampling method. A seven-point Likert scale is used (with 1 strongly disagree to 7 strongly agree). The questionnaire was distributed to target respondents from August to November 2024. Based on the characteristics of the respondents, the questionnaire could only be filled out by SMEs that have created new products for at least one year, because they already have a general idea of the innovation that has been carried out and the organizational culture they have. Furthermore, the questionnaire was created online to make it easier to fill it out. There were 250 questionnaires filled out by respondents, and 237 questionnaires that could be forwarded to the testing stage.

Learning orientation is a way for companies to commit to solving problems systematically. The learning orientation measurement was taken from Lin et al. (2008). Entrepreneurial orientation is measured using findings by Covin and Slevin (1989) and Miller (1983). This study treats orientation in a unidimensional form of proactiveness, risk-taking, and innovativeness. Furthermore, the measurements used for organizational learning were adopted from Jiménez-Jiménez and Sanz-Valle (2011). The dimensions used by organizational learning are acquisition, distribution, and interpretation of knowledge and organizational memory. Finally, this paper uses innovation performance measurements adopted from Hung et al. (2011). Objective measurements of innovation performance have been widely researched; however, it is almost impossible to measure due to the lack of publicly available data. Based on Wei and Lau (2010), innovation performance can be calculated using new products released in the last three years. Structural equation modeling (SEM) tests the model and hypotheses.

Table 1. Demographics

Category	Categories	Frequency	Percentage
Age	18–25	32	13.50
	25–32	77	32.49
	32–39	85	35.86
	Older than 39	43	18.15
Gender	Male	190	80.17
	Female	47	19.83
Level of education	Undergraduate	132	55.70
	Graduate	97	40.93
	Postgraduate	8	3.37
Creating a new product	Less than 1 year	151	63.71
	Less than 2 years	73	30.80
	Less than 3 years	13	5.49

Based on the demographics of the respondents (Table 1), SME owners or managers who filled out this research questionnaire were predominantly aged between 32 and 39. Of the 237 questionnaires collected, 190 were males and 47 were females. In terms of level of education, most SME owners or managers were undergraduates, with a percentage of 55.70%. Lastly, almost 63.71% of SMEs have created new products in less than one year.

3. RESULTS

The study uses confirmatory factor analysis (CFA) to test the validity of the measurement model data. Overall, the results of the CFA indicated that the model measurements met appropriate statistical criteria: x^2/df 1,050, p 0.281, GFI 0.906, AGFI 0.886, TLI 0.996, CFI 0.996, and RMSEA 0.016. Furthermore, the average variance extracted (AVE) value obtained for each indicator is above 0.5, and the loading factor value is above 0.5 with a significance level of <0.05. Finally, composite reliability (CR) obtained learning orientation 0.839, entrepreneurial orientation 0.906, organizational learning 0.843, and innovation performance 0.847. Overall, CR was accepted because it was >0.7 (Table 2). The results of all these calculations correspond to an adequate increase in indicators (Bagozzi & Yi, 1988).

Table 2. Validity and reliability

Indicator	Factor Loading	AVE	CR	Mean	SD
Learning Orientation		**0.511**	**0.839**		**1.57**
Learning is the key to improvement for our company (Lo1)	0.789			4.49	
Learning becomes the main commodity needed by the organization (Lo2)	0.709			4.82	
We are committed to the goals of the organization (Lo3)	0.673			4.72	
The originality of ideas is highly valued in our organization (Lo4)	0.685			4.72	
We value open-mindedness (Lo5)	0.712			4.70	
Entrepreneurial Orientation		**0.518**	**0.906**		**1.5**
Technical innovations based on research are accepted quickly (In1)	0.691			4.38	
It is essential to get innovative ideas about products (In2)	0.71			4.48	
We accept innovation easily in projects (In3)	0.713			4.29	
We tend to dare to take on high-risk projects (Pr1)	0.72			4.31	
In general, our operations are considered high-risk (Pr2)	0.698			4.33	
We are aggressive in maximizing potential opportunities (Pr3)	0.721			4.29	
Compared to competitors, we are more radical about product changes (Rt1)	0.711			4.45	
New and innovative developments are essential (Rt2)	0.774			4.48	
We respond to competitors' movements (Rt3)	0.738			4.48	
Organizational Learning		**0.518**	**0.843**		**1.52**
We are a continuously learning organization (Ol1)	0.773			4.33	
We have learned a lot of new and relevant knowledge (Ol2)	0.684			4.38	
We consider it essential to acquire new knowledge (Ol3)	0.725			4.40	
We acquired several critical capacities and skills (Ol4)	0.702			4.53	
Our organizational performance has been impacted by new learning (Ol5)	0.712			4.47	
Innovation Performance		**0.525**	**0.847**		**1.5**
Our company's technological competitiveness is excellent (Ip1)	0.761			5.22	
We offer new products to the market (Ip2)	0.73			4.89	
We constantly innovate the latest in new products and processes (Ip3)	0.666			4.93	
We innovate the latest technology in all business processes (Ip4)	0.738			5.02	
The rate of change in our processes, techniques, and technology (Ip5)	0.725			5.14	

Note: Lo = Learning Orientation, In = Innovativeness, Pr = Proactiveness, Rt = Risk taking, Ol = Organizational Learning, Ip = Innovation Performance.

Table 3. Hypotheses testing

Hypothesis	Path	Standardized beta	T statistics	P value	Result
H1	Learning Orientation → Innovation Performance	0.098	0.825	0.409	Rejected
H2	Learning Orientation → Organizational Learning	0.54	4.131	0.001	Supported
H3	Entrepreneurial Orientation → Innovation Performance	0.501	5.163	0.001	Supported
H4	Entrepreneurial Orientation → Organizational Learning	0.5	3.733	0.001	Supported
H5	Organizational Learning → Innovation Performance	0.446	3.949	0.001	Supported

Table 3 found that H1 was rejected ($p > 0.05$, $\beta = 0.098$). Conceptually, learning orientation is the primary basis for SMEs to encourage increased performance of implemented innovation; however, this paper found that learning orientation does not significantly improve SMEs' performance in West Java. This occurs because there are indications that other factors may be more dominant in impacting the innovation performance of SMEs in West Java. Even though SMEs in West Java have a high learning orientation, they are often faced with limited resources such as funds and competent human resources, resulting in this high learning orientation not being able to immediately have an impact on improving innovation performance significantly. The findings also found a gap related to learning orientation and the application of innovation in the operational context of SMEs in

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West Java, where many SMEs in West Java, as respondents, were active in carrying out intensive learning. Still, they were deficient in implementing or executing what they had learned in SME operations, so learning related to learning orientation is only theory without actual implementation.

H2 was influential ($p < 0.05, \beta = 0.54$). The findings confirm that learning orientation is a key factor in strengthening collective learning and the competitiveness of SMEs in West Java. High learning orientation capabilities in SMEs will encourage SMEs to adopt better learning processes, strengthen SMEs' capacity to innovate, adapt, and compete in a highly competitive market environment.

The third hypothesis was found to have a positive effect ($p < 0.05, \beta = 0.501$). The findings of entrepreneurial orientation, which has a positive and significant influence on innovation performance in SMEs in West Java, provide in-depth insight regarding how entrepreneurial characteristics can encourage innovation capabilities in SMEs in West Java. Entrepreneurial orientation positively contributes to SMEs' ability to create new ideas, innovative products, and more effective processes. Entrepreneurial orientation is often the difference between SMEs that successfully survive and develop in highly competitive markets.

The fourth hypothesis was found to have a positive impact ($p < 0.05, \beta = 0.5$). Research findings showing that entrepreneurial orientation has a significant effect on organizational learning indicate that an SME's entrepreneurial nature can strengthen collective learning capacity. Entrepreneurial orientation in SMEs functions as a driver of organizational learning by creating a culture that supports the exploitation of new business ideas, strategic decision-making based on experience, and the transfer of knowledge.

The fifth hypothesis was found to have a positive effect ($p < 0.05, \beta = 0.446$). This paper shows that organizational learning has a positive and significant impact on increasing the innovation performance of SMEs in West Java. High organizational learning in SMEs shows the ability to learn collectively, encouraging the development of new, creative, and innovative ideas. Implementing organizational learning involves acquiring, distributing, interpreting, and storing knowledge, all of which positively contribute to SMEs' ability to create new, better products, processes, and services.

Hypotheses six and seven checked the mediation effects. H6 was found to have a full mediating effect because the direct influence of learning orientation on innovation was insignificant. Furthermore, the impact of learning orientation on organizational learning and organizational learning on innovation performance was significant. H7's mediating effects of organizational learning on the relationship between entrepreneurial orientation and innovation performance were found to have a partial mediating effect (VAF value 0.668 < 0.80). Therefore, hypotheses six and seven are accepted.

4. DISCUSSION

This paper examines the relationship between learning orientation and entrepreneurial orientation on SME innovation performance using organizational learning as a mediator. Based on the RBV theory, SMEs must be able to utilize intangible resources better than tangible ones due to their limited capital and human resources. A business environment that moves so dynamically and requires rapid innovation requires them to have dynamic capabilities. To survive in an uncertain business environment, knowledge is needed, which mostly strategically influences a company's resources, is difficult to imitate, is socially complex, and can become a competitive advantage.

The findings provide an insightful picture for SMEs in West Java. The learning orientation of SMEs must be combined with a more holistic business strategy, including access to resources, training, infrastructure support, and funding, so that they can overcome this gap, because good ecosystem support will be the primary determinant in encouraging SME innovation performance in West Java. The finding that learning orientation does not affect the performance of SMEs in West Java shows that it is not enough for SMEs to rely on high learning orientation because congruence is needed between learning orientation and other supporting factors, such as resources, sound management strategies, and a supportive business environment, for SMEs to thrive. West Java

can realize innovation effectively. Some studies show that learning orientation does not significantly impact innovation performance, suggesting that other factors may be more critical. Chandraningtyas et al. (2022) found that learning orientation did not significantly influence innovation performance. The same thing was found by Pett et al. (2019), who highlighted that learning orientation independently does not support innovation performance. Wandri et al. (2023) also explained that learning orientation does not directly impact innovation performance, thus indicating that contextual factors can mediate the relationship between the influence of learning orientation on innovation performance.

This paper found that learning orientation significantly influences organizational learning in SMEs in West Java. This confirms that SMES must have a learning culture when managing SMEs. High learning orientation in SMEs shows that an SME is committed to learning, open to new ideas, and shares knowledge. When SMEs implement a high learning orientation, they can create a conducive business environment, which will increase their capacity to adapt, innovate, and survive in the dynamics of market competition.

Learning orientation catalyzes sustainable organizational learning in SMEs in West Java. SMEs that consciously invest in learning through training, openness of information, and the ability to carry out evaluations will create a solid foundation for long-term business growth. This, of course, will also strengthen collaboration and encourage more relevant knowledge-based innovation. SMEs in the fashion sector in West Java that regularly study global trends will be able to transform this knowledge to produce fashion products that are innovative and in demand by the market.

Research on the influence of learning orientation on organizational learning in SMEs has found various findings. For example, Allameh and Khalilakbar (2018) discovered that learning orientation is vital in improving organizational learning capabilities in SMEs in Iran. The same thing was also seen by Nnko and John (2022), who explained that learning orientation, which emphasizes commitment to learning and open-mindedness, will increase organizational learning in agricultural product processing companies. Even though the results of these studies show that learning orientation has an important role in encouraging increased organizational learning in SMEs, it is still necessary to consider that not all SMEs have the same capacity or resources to implement effective learning strategies, so this can limit the potential of SMEs to get optimal benefits from implementing learning orientation.

High entrepreneurial orientation will encourage SMEs to act more quickly and be responsive to market opportunities. SMEs will proactively seek new opportunities through product development to enter new markets. SMEs will also be encouraged to dare to take risks, thereby enabling SMEs to invest in unproven projects or business ideas, where this attitude is critical to promote the implementation of innovation. This paper shows that entrepreneurial orientation is directly related to innovation performance. Entrepreneurial orientation not only encourages the development of new products but also increases the competitiveness of SMEs, making it easier for SMEs to enter new markets and survive amidst very high market competition.

Entrepreneurial orientation, which reflects a proactive attitude, courage to take risks, and innovation, directly contributes to innovation performance in SMEs. High entrepreneurial orientation will encourage SMEs to create effective and efficient products, processes, and new services as a positive form of innovation performance in SMEs, and this can provide increased competitiveness in the long term. Various studies have highlighted the relationship between the influence of entrepreneurial orientation on innovation performance, emphasizing the role of entrepreneurial orientation as an important resource to help SMEs become superior and competitive. The results of various previous studies show that entrepreneurial orientation can improve innovation performance in SMEs significantly. Sarsiti and Minarni (2024) found that high entrepreneurial orientation encourages companies to make strategic decisions in creating new products and markets. Entrepreneurial orientation with innovative practices can improve overall business position (Novianty & Hermanto, 2024). High entrepreneurial orientation not only directly impacts SME performance but also increases individual competence, which will create increased innovation performance in SMEs (Harjono et al., 2024).

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The proactive attitude of SMEs will enable them to continue to learn from the external environment and understand market changes and new technological developments, which can strengthen the organizational learning process. SMEs that dare to take risks will provide space to experiment and learn from past mistakes. High entrepreneurial orientation will give rise to a courageous attitude to innovate when SMEs continue to create new products, services, and production processes. Naturally, these SMEs are engaged in a learning cycle that involves exploring ideas, experimenting, and evaluating results. By integrating entrepreneurial orientation into organizational culture, SMEs can sustainably increase their learning capacity, resulting in increased competitive SME business performance in the target market.

Entrepreneurial orientation has been empirically proven to significantly impact organizational learning in SMEs. This is critical to encourage innovation and improve performance in SMEs in West Java. Entrepreneurial orientation shows a positive influence on learning orientation, which in turn influences business strategy and SME performance (Sukma, 2024). Strong entrepreneurial orientation in SMEs will foster an environment conducive to learning and business adaptation (Astuti et al., 2024).

High organizational learning will enable SMEs to acquire new knowledge from various sources and understand customers, competitors, and the latest technological developments. This knowledge can be developed as a basic material for SMEs to innovate, so that it has a positive impact on increasing innovation performance in these SMEs. The process of distributing knowledge in organizational learning ensures that this knowledge is not only owned by individuals but also by the organization. When this knowledge can be distributed well throughout all elements of SMEs, SMEs will be able to work more effectively to develop innovative ideas.

SMEs with skills in managing organizational learning will be able to adapt to all changes in the business environment and always create relevant innovations to offer new products and services that suit constantly changing market needs. Through effective acquisition, distribution, interpretation, and storage of knowledge, organizational learning can positively impact SMEs' innovation performance. These findings show that SMEs prioritizing organizational learning are better positioned to improve their innovation performance (Wijaya et al., 2024).

Organizational learning plays an important role in improving innovation performance in SMEs. An effective organizational learning strategy can contribute positively to the innovation ability of SMEs, resulting in positive innovation performance. Organizational learning, including exploitation, exploration, and ambidexterity, positively affects innovation capabilities in SMEs (Wijaya et al., 2024). Organizational learning can foster a business environment conducive to innovation, enabling SMEs to adapt and develop in a competitive market (Wijaya et al., 2024). This paper provides insight for SME managers, emphasizing the need to foster a learning culture to drive innovation. Organizational learning is vital for SMEs facing challenges, such as those posed by the COVID-19 pandemic, because it equips them with the skills needed to innovate and recover (Wijaya et al., 2024).

This study found that the organizational learning variable has a role as a complete mediator in the relationship between learning orientation and innovation performance because the direct influence of learning orientation on innovation was found to be insignificant. Organizational learning also mediates the relationship between entrepreneurial orientation and innovation performance because it was found to have a partial mediation effect (VAF value 0.668 < 0.80). Therefore, the results show that organizational learning acts as a mediator in the relationship between the influence of learning orientation and entrepreneurial orientation on innovation performance in SMEs.

Organizational learning enables the transfer of knowledge from learning orientation to become actual actions that can create innovation. Organizational learning can also increase the capacity to dare to take risks and experiment, thereby producing innovation in these SMEs. Organizational learning helps SMEs filter internal and external knowledge relevant to SME needs and then implement this knowledge in innovation, encouraging SMEs to adapt to market changes.

CONCLUSION

This paper examines the relationship between entrepreneurial and learning orientation on innovation performance. Based on the description and synthesis of the resource-based view theory, organizational learning was used as a mediator. This paper found that learning orientation, represented by a commitment to learning, open-mindedness, and shared vision, cannot influence the innovation performance of SMEs in West Java. Therefore, SME owners, in particular, must be able to emphasize an organizational culture responsive to rapid changes, especially regarding innovation that aligns with market developments and suitability to target consumers.

Furthermore, the concept of entrepreneurial orientation can improve the performance of SME innovation in West Java. SME owners who innovate, take risks, and are proactive can obtain superior innovation performance. Entrepreneurial orientation can be a key factor for SMEs to be braver in making decisions that will impact innovation performance to strengthen the products created in accordance with market desires. Organizational learning is an idea used to bridge the needs of SMEs in improving innovation performance. It was found that SMEs can use organizational learning as their additional capability in improving innovation performance to compete in an uncertain business environment.

Although this paper provides several ideas and findings, it is not free from limitations. First, this study focuses on SMEs in the West Java region of Indonesia. Second, this analysis uses organizational learning to bridge the gap in previous research results. Third, this paper focuses on quantitative methods using a structural equation modeling (SEM) approach. Future research should expand the use of respondents outside West Java. It is hoped that mixed quantitative and qualitative research methods can provide new findings.

AUTHOR CONTRIBUTIONS

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