

The Effect of Learning Orientation on Business Performance Through Mediation of Innovation Dimensions in UMKM in Mataram City Indonesia

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ABSTRACT

This research is directed to build a model that can provide predictions of the influence of learning orientation (X1) on the dimensions of innovation (product innovation/Y1; process innovation/Y2; marketing innovation/Y3 and organizational innovation/Y4) as well as the influence of each dimension of innovation on business performance (Z1) of small businesses in Mataram City. Observation data in this study were 78 small business actors, with the criteria of having run their business for at least three years. The analysis tool uses PLS (partial least square) analysis. According to the PLS work procedure, there are two stages of model formation, because the initial model still has indicators with a correlation value of less than 0.70, namely indicators X1.1 and Z1.1. The second model has met the indicator validity and reliability requirements, so there is no indicator removal process. The final model produced meets the predictive relevance requirements ($Q^2 > 0$). All dimensions of innovation are positively and significantly influenced by learning orientation, but only two dimensions of innovation (product innovation and process innovation) have a positive and significant effect on the business performance of small businesses in Mataram City. This gives an indication of learning orientation as an absolute by the company owner to be made a culture in the organization and should be focused on product aspects and the application of appropriate technology.

1. INTRODUCTION

At the end of each period, experts state that changes in external factors are faster and greater than in the previous period (Cravens & Piercy, 2006; Hartanto, 2009; Kotler, 2012; Kotler & Keller, 2013; Tsyhankova et al., 2012) the terms that have emerged are marketing in a changing world, turbulent marketing environment, radical marketing and other terms that provide an overview of the company's absolute adjustment as a major impact of changes in the external environment. External factors include demographics, economics, environment, technology, politics, culture, markets, customers, competitors, distributors, facilitators, society and its subparts (Kotler & Keller, 2013)

Internal adjustments can only be made, if the company does learning (learning orientation). Learning indicates an increase in knowledge and action based on experience

or other aspects, in this context for the organization (company management which in turn characterizes the organization known as a learning organization). The focus or attention of the organization on directing all its resources to make adjustments to changes from stimulant or antecedent factors. According to (Baker & Sinkula, 1999) defines learning orientation as the degree to which the organization values knowledge, openness to thought and a shared vision. In his book (Sofu, 2003) it is explained that organizational learning must be at least at the same level as external changes, otherwise the organization will decline or even be unable to survive. It is further stated that organizational learning is at the level of action, with alternatives 1) reorganization, restructuring and technical rejuvenation; 2) improving capabilities-formal education is not sufficient for the organization's human resources; 3) increasing knowledge and mastery of new technologies and advanced technologies; 4) continuously improving the organization's adaptability to changes that occur.

Micro, small and medium-sized enterprises have an advantage in the flexibility of implementation of learning outcomes, depending on the visionary and ingenuity of the owner/management (Kotler, 2012). This context is known as entrepreneurial marketing, in contrast to formalized and interpreneurial marketing that has been trapped in bureaucracy and rigidity for change. Limitations on the ease of learning and implementation of innovations must be realized and solutions must be found for management, so that even large-scale companies can be managed as if they were newly founded by their founders.

(Huang & Wang, 2011) state that learning orientation is the key to successful innovation that determines and supports organizational success. Innovation is an important aspect in micro and macro scale organizations, because with innovation, products can be produced that have advantages from various aspects, depending on what aspects are of concern to prioritize. In a global scale economy, Indonesia is only a market for other countries' smart products (Zuhal, 2013). The low rank of Indonesia's economic innovation has an impact on export commodities in the form of natural exploitation products only. In 2011, Indonesia's level of innovation capacity (3.8) lost to Malaysia (4.3), which has implications for backwardness in all dimensions, including the decline of the ranking, because in 2020 Indonesia was ranked 85th out of 131 countries, while in 2014 Indonesia was ranked 38th (Rosa, 2022)

The information above is not only a threat to the government to hasten innovation, but also to small and medium scale economic actors, because product marketing is currently borderless. Small-scale companies in China or other countries can sell directly to Indonesia through marketing on the internet media, without barriers (barriers) to compete in the Indonesian local market. In the local market, business competition is also increasing, both among existing companies and the emergence of new businesses, as a result of people's interest in becoming businesspeople. On this basis, innovation is the key for companies to survive and grow in their business (Jeihoon et al., 2019). Innovation is basically the implementation of ideas that are new or increase the value of something that already exists, both in the dimensions of products, processes, marketing and companies.

In order to direct innovation, (Kotler, 2012) provides direction on the realization of relationship marketing, customer lifetime value, market share, target marketing, individualization of customers, customer databases, integrated marketing communications, marketing channels as partners, every employee as a marketer and model-based decision making. In connection with this last point, the researcher seeks to provide convenience for small-scale business people in Mataram City through the establishment of a learning orientation model in improving company performance with mediation from the dimensions of innovation. The city of Mataram is of interest, because the city is directed with the vision of becoming the center of education, services and trade, both on a regional and national scale. The intensity of this vision needs to be increased, so that there is more attention to business people to be able to survive and grow.

This research is built on the perception of small-scale business conditions in Mataram City which are in high competition, so it is expected to contribute to micro and regional businesses to direct the Mataram City government to formulate policies based on the model. In the academic context, this research seeks to update and expand research (Baker & Sinkula, 1999), because in that study innovation was used as a single variable. In order to direct this research, the problems formulated are 1) the effect of learning orientation (X_1) on product innovation (Y_1), process innovation (Y_2), marketing innovation (Y_3) and organizational innovation (Y_4) of small-scale companies in Mataram City; 2) the effect of each dimension of innovation (on product innovation / Y_1 , process innovation / Y_2 , marketing innovation / Y_3 and organizational innovation / Y_4) on the performance of small-scale companies in Mataram City.

2. LITERATURE REVIEW

The existence of miko, small and medium enterprises (MSMEs) is a concern for all parties, not only in Indonesia, because of its urgent role as a form of employment formation for business actors and other parties, then accumulates for the regional and national scale economy. The government recognizes in Law No. 20/2008 that the development of MSMEs is also related to the development of the national economy (Article 3). The law also provides criteria for the limitation (sales, assets/business capital) and also the ownership of employees to be within a certain business scale. The more advanced a country's economy is, the greater the limitation for certain business scale criteria. The World Bank provides criteria for business scale from employee ownership in the form of micro businesses of 10 people, small businesses of 30 people, and medium businesses of a maximum of 300 people (LPPI & Bank Indonesia, 2015). Indonesian legislation provides criteria for the ownership of assets/business capital and turnover per year, as follows 1) micro businesses have maximum assets of 50 million and maximum turnover of Rp.300 million; 2) small businesses have assets of Rp.50 million-Rp.500 million and turnover of Rp.300 million-Rp.2.5 M; 3) medium businesses have assets of Rp.500 million-Rp.10 M and turnover of Rp.2.50 M-Rp.50 M and 4) large businesses have assets above Rp.10 M and sales above Rp.50 M.

The criteria based on the above Law may change, where based on Government Regulation No. 7 of 2021, the limitations on asset ownership (business capital) and

turnover have increased, namely 1) micro businesses have assets of less than Rp.1 M and sales of less than Rp.2 M; 2) small businesses have assets of Rp.1 M-Rp.5 M and sales of Rp.2M-Rp.5 M; 3) medium-sized businesses have assets of Rp.5M-Rp.10 M and sales above Rp.15 M (article 35). The nominal change is expected to be an increase in criteria or characteristics, not as a form of the same real value, as a result of inflation. In the Indonesian economy, the existence of MSMEs has an important role, because in terms of quantity it reaches 99.9%, so it has a major contribution in absorbing labor and national production (LPPI & Bank Indonesia, 2015). MSME businesses have received attention from many parties, including from the aspects of legislation, providing protection and convenience, partnerships and attention from experts in contributing thoughts to manage from various dimensions. MSME businesses are identified as facing two major risks, namely micro risks (resource factors, processes, events, systems and technology) and macro risks (government policy, industry, domestic business environment, social and international business environment (Hafsah, 2004).

In this study, it is more focused on the dimension of expectation formation, through the design of the company management model in the form of learning orientation, the innovation dimension in order to realize the results in the form of business performance [follow-up thinking of SOAR/strengths, opportunities, aspirations, results analysis; (Stavros & Cole, 2013) and research (Baker & Sinkula, 1999). The model from (Baker & Sinkula, 1999) on the association of related variables, as follows:

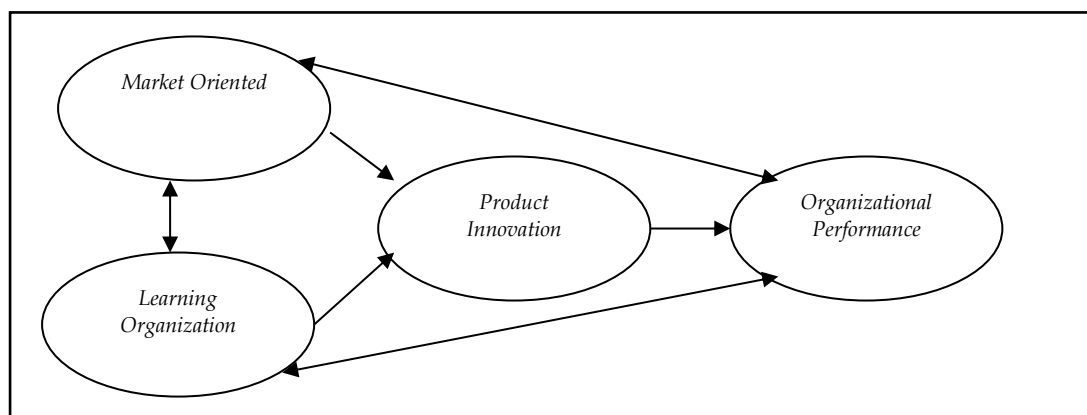


Figure 1. Conceptual Model of Marketing Orientation, Learning Organization, Innovation and Firm Performance

Based on research conducted by (Zayed & Alawad, 2017) adds to the complexity of the model above with the presence of moderate variables in the form of culture from innovation variables in influencing company performance. The learning model is interpreted with reflection indicators in the form of commitment to learning, openness to information and open-mindedness (Baker & Sinkula, 1999). The meaning of learning orientation variables through these three measurement indicators is also referred to by (Zayed & Alawad, 2017). Furthermore, it is stated that learning orientation will become a cultural dimension in the organization. Many large companies make their organizational culture a culture of continuous learning, where all components in the

organization are required to contribute or at least independently improve their competence. (Waluyo, 2006) mentions the existence of a culture of continuous improvement, known as Kaizen culture. Learning in this context is not limited to the cognitive and affective domain, but absolutely to the behavioral domain. (Sofa, 2003) gives the term as action learning.

MSME-scale companies have obstacles in managing business (Wibowo et al., 2022). Learning through research is one of the solutions, which makes all components in the company have a habit of learning. Empirical conditions in MSME-scale companies on the implementation of learning orientation really need to be known, including in practice driving what dimensions of innovation (dimensions of product, process, marketing and or organizational innovation). (Zuhal, 2013) as a practitioner and academic provides a signal from the change from "made in to innovated in". Furthermore, in the global economy, many companies enjoy patent revenues (including China which has led to a shift from a production country to a patent owner) which is followed up with massive investments in research and development. Indonesia in its vision "by 2025 to become the world's top 12 economic powers" is implementing "1-745" innovation, with the implementation of 1% of GDP for research and development allocation. It is hoped that there will be MSMEs involved in practice, at least infected with thoughts and actions in managing their business.

Innovation in the context built by (Zuhal, 2013) is a very big thing. In this study, innovation is not defined as something new, but also related to the ability to modify the existing product concept, so that the more product variations, the lower the production costs, the more accepted by consumers and or organizational adjustments are made in the realization of related products (goods and services). (Heryanto, 2007) states that innovation is a continuous change, giving rise to goods and services with superior value offerings. In the acquisition of ideas or thoughts not only through research, but also through meetings, exchanges of opinions, even through customer innovation. (Pérez, et al., 2019) identified the dimensions of innovation as product innovation, process innovation and management system innovation. This study refers to the dimensions of innovation from OECD/Organization for Economic Cooperation and Development states that innovation is a continuous change, giving rise to goods and services with superior value offerings. In the acquisition of ideas or thoughts not only through research, but also through meetings, exchanges of opinions, even through customer innovation. (Pérez, et al., 2019) identified the dimensions of innovation as product innovation, process innovation and management system innovation. This study refers to the dimensions of innovation from OECD/Organization for Economic Cooperation and Development (2005) in the form of product innovation, process innovation, marketing innovation and organizational innovation. These four dimensions of innovation can be approached with various scientific backgrounds, so as to enrich the study. In the macro-scale economy (national economy), the Indonesian government pays attention to innovation (known as innovation, technology diffusion, technology transfer) which will provide an overview of initial findings, development of existing technology or application of other parties' findings regulated in Law Number 18 of 2002.

The implementation of innovation in the dimensions of product, process, marketing and organization has an influence on company performance (business performance). Performance shows the achievement of results or outputs or the ability to realize organizational goals. In general, the achievement of growth in sales, profit growth, market share growth and other measures in the form of growth in equity capital and an increase in the number of employees which indicates the size of the company's business (Wahyuni & Sara, 2020). There are various measurements of company business performance, depending on the approach used, such as customer satisfaction, brand equity and others in the marketing management approach (Neely, 2010).

The association between constructs (variables) in this study has been carried out by many previous researchers, but with different concerns. This study develops latent variables from the innovation construct into product innovation, process innovation, marketing innovation and organizational innovation, so that there are four latent variables that become intermediate variables of learning orientation in influencing business performance. Research (Eka et al., 2017; Jeihoony et al., 2019; Oktavio et al., 2019; Pérez, et al., 2019) found that learning orientation has a significant and positive effect on innovation and company performance. Further effects of innovation on firm performance or similar variables, such as market expansion were found to have associations (Hamali, 2014). Research (Eka et al., 2017; Oktavio et al., 2019; Ulya, 2019) found that innovation has a significant and positive effect on business performance.

The basis of the findings of previous researchers, as well as the theoretical foundations previously described are the basis for building a research conceptual framework, as follows:

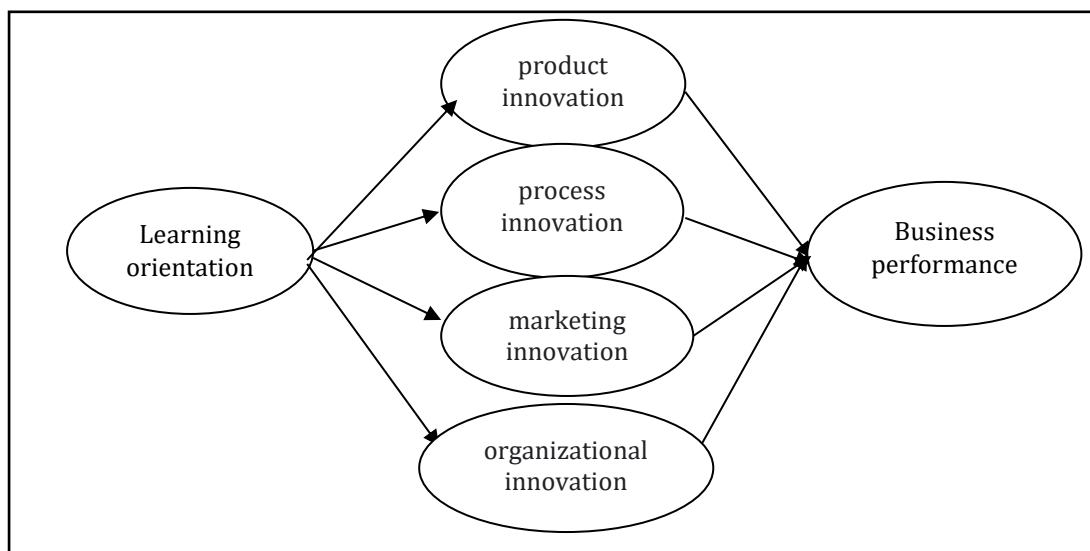


Figure 2. Research Conceptual Framework

3. RESEARCH METHODS

This research focuses on building an association model of three main variables (constructs), namely learning orientation, innovation and business performance (company). In developing the model for empirical purposes, innovation is operationalized with four latent variables in the form of product, process, marketing and

organizational innovation. The research was conducted on small-scale companies in Mataram City, determined as many as 80 companies (empirically only 78 businesses were found). This number is considered adequate from the statistical provisions which state that the number of samples (observational data) is 10 times the number of indicators of a construct, where in this study, the most indicators are five (Ghozali, 2013). All variables are measured by reflection indicators, then the model is built using PLS.

4. DISCUSSION

Small business owners in Mataram City, in accordance with the provisions that the business has been running for at least three years, were found to be 52.56% carried out by women. Information on the identity of respondents, as follows:

Table 1. Identity of small businesses in the City of Mataram 2022

No.	Description	Number (People)	Percentage (%)
Gender			
1.	Male	37	47,44
2.	Female	41	52,56
Education			
1.	SMP	3	3,85
2.	SMA	37	47,44
3.	S1	38	48,72
Age (Year)			
1.	20-29	32	41,03
2.	30-39	22	28,21
3.	40-49	19	24,36
4.	≥50	5	6,41
Type of Business			
1.	Culinary	36	46,15
2.	Trade	21	26,92
3.	Services	17	21,79
4.	Other	4	5,13
Length of Business			
1.	5-10	51	65,38
2.	>10	27	34,62
Many Employees			
1.	5-9	73	93,59
2.	≥10	5	6,41

Source: Primary Data Processed

The finding that women are dominant in small business activities in Mataram City indicates that women have the potential to be developed, have productive economic activities, so that in the family there is a variety of income sources. The role of the government to provide training opportunities, capital and the like, even has a role in innovations through the research agency of each region to be given to these small business actors. Women (housewives) can become the backbone of the economy on various scales, starting from this small business scale.

Business owners are generally highly educated, with 48.72% having a bachelor's degree, 47.44% having a senior high school education and 3.85% having a junior high school education. This finding provides an important indication that the level of education is an important aspect that can drive individuals to undertake productive economic activities. The level of education is also relevant to the ability to receive

information, openness to information and courage in implementing the results of their learning.

Another important aspect that supports business execution is the experience. The context of experience will be meaningful, if it is used as learning. In the sense of increasing his understanding in business, improving attitudes and skills in running all elements of the business. Experience is not limited to himself, but also takes learning from the environment. This context is known as the meaning of learning. Respondents in this study had a minimum of five years of business experience (required, since growth is used to measure business performance) and a maximum of 22 years. Furthermore, it is intervalled in two intervals, namely experience of 5-10 years as much as 65.38% and more than 10 years as much as 34.62%. Individuals who use experience as a source of learning will become more successful business owners.

Another identity that needs to be informed is the age of the business actor. There are many business owners who are still relatively young, with the youngest being 23 years old and the oldest being 61 years old. Many business owners started their business while still in school or college, so it is hoped that the supporting factors will be able to survive and grow into a bigger business. Business actors aged in the interval 20-29 years were 41.03%, the interval 30-39 years was 28.21% and in the interval 40-49 years was 24.36%. Business owners who are 50 years old or older account for 6.41%.

The business fields run are generally still in the culinary field, as much as 46.15%, trade as much as 26.92% and services as much as 21.79%. Other business fields (breeders, farmers and others) are still relatively small, at 5.13%. The culinary sector that is run is still in the range of local products, has not yet entered into packaged products sold in retail. The culinary business is characterized by production and sold on the spot for direct consumption.

It can be stated that the products produced are not yet standardized. In accordance with the characteristics of the respondents in this study as small businesses, business actors with 5-19 employees were taken. The dominant ownership of employees from respondents in the interval of 5-9 people, as much as 93.59%. The highest number of employees was 15 people. It is expected that business actors have an increasing number of employees every year, as an indication that the company is experiencing growth.

In accordance with the problem and the choice of analytical tools used to solve it or the basis for providing hypothesis proof, this research produces output in the form of a model. The model shows the operationalization of the theory on certain research subjects, so that it can be better used as a basis for formulating business policies. The variables in this study are learning orientation (X1; measured by five indicators), product innovation (Y1; measured by five indicators), process innovation (Y2; measured by four indicators), marketing innovation (Y3; measured by five indicators) and organizational innovation (Y4; measured by four indicators) as well as business performance (Z1; measured by five indicators). In connection with the use of PLS analysis, the initial concern is to conduct a review of the outer model (measurement analysis) to provide assurance of the validity of each indicator in measuring each variable.

The first model generated, as follows:

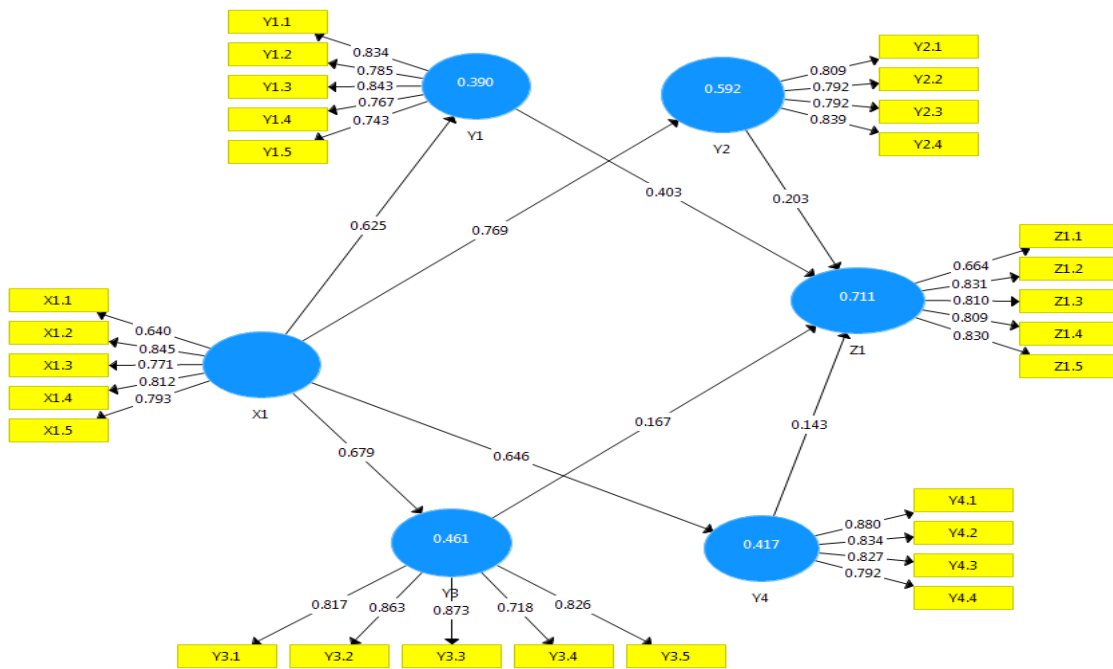


Figure 3. Initial Model of Small Business Performance in the City of Mataram

Based on the correlation coefficient value of the indicator against each variable, only two items were found to have a value below 0.70; namely X_{1.1} and Z_{1.1}. These two indicators get the treatment of being excluded from further analysis, because they are not suitable for measuring the variable. The next model, without the two related items (X_{1.1} and Z_{1.1}), so the model is as follows:

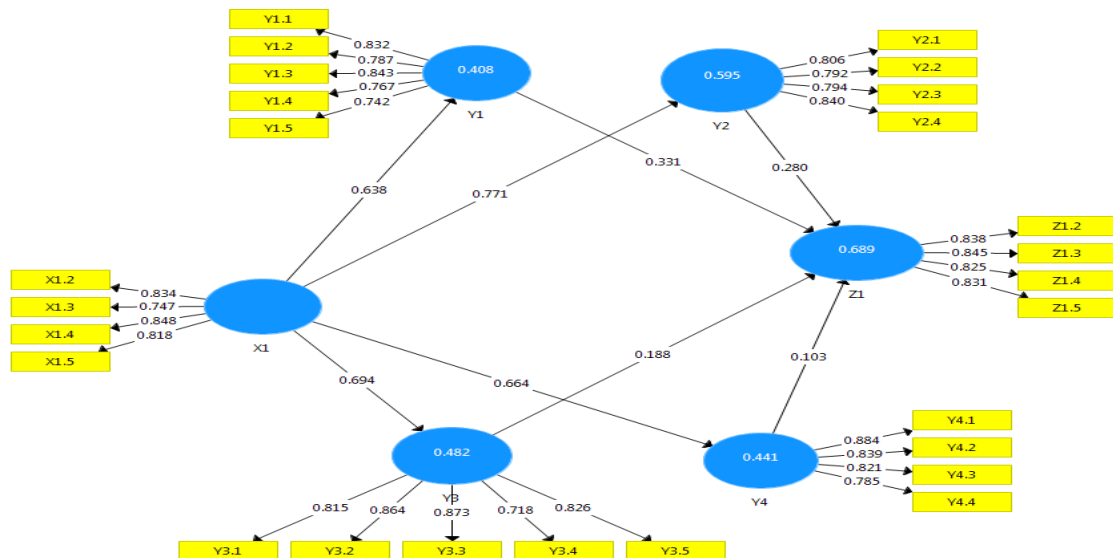


Figure 4. The Final Model of Business Performance of Small Enterprises in Mataram City on Innovation and Learning Orientation

Figure 4 above is declared as the final model, because there are no indicators that get the treatment excluded from the model, as a result of the correlation coefficient value is

smaller than 0.70. The correlation coefficient value of each indicator on each variable is the value of outer loading (easier to see in the model above). Furthermore, the measurement of indicators for each variable needs to be analyzed for consistency, through the value of composite reliability or Cronbach alpha. The value is as follows:

Table 2. Value Alpha Cronbach and Composite Reliability Each Variable

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1	0.828	0.836	0.886	0.660
Y1	0.854	0.857	0.896	0.632
Y2	0.824	0.825	0.883	0.653
Y3	0.879	0.893	0.911	0.674
Y4	0.856	0.884	0.900	0.694
Z1	0.855	0.857	0.902	0.697

Source: Primary Data Processed.

The parameters (Cronbach alpha and composite reliability) above for each variable have a value above 0.70; it can be stated that each indicator is a reliable or consistent measure. There is a guarantee that each indicator in explaining the variable is feasible and reliable, so in the formation of this model there is no excluding stage, then the most important thing is whether the resulting model is relevant or not as a predictive tool. In this case, the Q^2 (predictive relevance) value is used, if it is above the mole (0), then it can be used as a relevant tool for prediction. Q^2 value information through the blindfolding procedure, the results are as follows:

Table 3. Value Q^2

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
X ₁	312.000	312.000	
Y ₁	390.000	297.587	0.237
Y ₂	312.000	202.452	0.351
Y ₃	390.000	273.245	0.299
Y ₄	312.000	235.954	0.244
Z ₁	312.000	169.797	0.456

Source: Primary Data Processed.

The Q^2 value of the model in this study, none of which has a value below zero (0), so it can be stated that the resulting model is capable as a basis for prediction. This context is the ultimate goal of model building, namely as a predictive tool. However, in order to be more precise about the results of this study, it is necessary to inform the significance of the influence between latent variables in the model, in accordance with the direction of influence that is built.

Table 4. Alpha Value of Significance

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
$Y_4 \rightarrow Z_1$	0.103	0.142	0.141	0.733	0.464
$Y_3 \rightarrow Z_1$	0.188	0.148	0.148	1.274	0.203
$Y_2 \rightarrow Z_1$	0.280	0.283	0.125	2.235	0.026
$Y_1 \rightarrow Z_1$	0.331	0.323	0.129	2.567	0.011
$X_1 \rightarrow Y_4$	0.664	0.678	0.091	7.329	0.000
$X_1 \rightarrow Y_3$	0.694	0.707	0.077	9.022	0.000
$X_1 \rightarrow Y_2$	0.771	0.775	0.062	12.477	0.000
$X_1 \rightarrow Y_1$	0.638	0.642	0.091	7.054	0.000

Source: Primary Data Processed.

Based on table 4 above, it is found that there are only two associations (influences), namely the effect of organizational innovation (Y_4) and the effect of marketing innovation (Y_3) on business performance (Z_1) that have no partial significance. However, the two associations provide information that the effect is positive (the sign of the latent variable coefficient or the sign of the t statistical value). Complete information on the latent coefficients is as follows:

Table 5. Latent Variable Coefficients of the Small Business Performance Model in the City of Mataram

	X_1	Y_1	Y_2	Y_3	Y_4	Z_1
X_1		0.638	0.771	0.694	0.664	
Y_1						0.331
Y_2						0.280
Y_3						0.188
Y_4						0.103
Z_1						

Source: Primary Data Processed

The latent coefficient values above (can also be seen in the model / Figure 2) can be used as a basis for building inner models, as follows:

$$Y_1 = 0,638X_1 ; Y_2 = 0,771X_1; Y_3 = 0,694X_1 \text{ and } Y_4 = 0,664X_1$$

$$\text{Furthermore: } Z_1 = 0,331Y_1 + 0,280Y_2 + 0,188Y_3 + 0,103Y_4$$

The coefficient of determination on each inner model is as follows:

Table 6. Coefficient of Determination on Each Inner Model

	R Square	R Square Adjusted
Y1	0.408	0.400
Y2	0.595	0.589
Y3	0.482	0.475
Y4	0.441	0.434
Z1	0.689	0.672

Source: Primary Data Processed

On the basis of various parameter values (Q^2 , R^2 dan p value/t statistic) it can be stated that the resulting model can be the basis for proving hypotheses and at the same

time the basis for making decisions (policy formulation) to improve the business performance of small businesses in Mataram City.

Referring to the finding that the learning orientation of business actors has a significant influence on all dimensions of innovation (product innovation/ Y_1 ; process innovation/ Y_2 ; marketing innovation/ Y_3 and organizational innovation/ Y_4), it can be stated that learning from business actors is an absolute aspect. Learning is a continuous effort, both formally and informally, even just using experience as a basis for increasing knowledge, directing attitudes and behavior in business. The empirical fact is that the level of learning of small business actors in Mataram City is classified as very high (average 4.34 with a variation of 0.62). This means that the learning of business actors has been running, then the role of the government is to improve the quality of learning resources so that it can actually improve the quality of innovation. The empirical fact of learning orientation of small business actors in Mataram City significantly affects product innovation. Variations in product innovation can be explained through variations in changes in the learning orientation of small business actors by 40.80% (meaning the value of $r^2_{X_1Y_1}=0,408$). There are influences from other variables, but through the management of learning orientation, it can be stated that it is quite high in explaining the product innovation of business actors.

The role of the Mataram City government through the Vocational Training Center or the like is to provide skills learning. This is very possible, because business actors certainly have a high desire to follow it, especially in the dimension of skills in producing products (goods and services). This is reinforced, that the findings in this study that product innovation (Y_1) has a significant influence on business performance (Z) of small business actors in Mataram City. Proven through the t test between variables Y_1 with Z , with an alpha significance of 0.011 (smaller than the test alpha of 0.05). It can also be further informed through the indirect effect of variable X_1 on Y_1 and then on Z , obtaining the test results H_a is accepted (there is a significant effect, with an alpha significance of 0.022). The complete information is in the following table:

Table 7. Association Between Variables in the Business Performance Model of Small Business Actors in Mataram City in 2022

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ([O/STDEV])	P Values
$X_1 \rightarrow Y_3 \rightarrow Z_1$	0.131	0.105	0.105	1.245	0.214
$X_1 \rightarrow Y_2 \rightarrow Z_1$	0.216	0.225	0.100	2.171	0.030
$X_1 \rightarrow Y_4 \rightarrow Z_1$	0.069	0.095	0.097	0.703	0.482
$X_1 \rightarrow Y_1 \rightarrow Z_1$	0.211	0.209	0.092	2.305	0.022

Source: Primary Data Processed

The learning orientation of small businesses in Mataram City also has a significant influence on process innovation (Y_2) is explained with high criteria for changes in learning orientation (Y_2) is explained with high criteria for changes in learning orientation (X_1) of owners or managers, which is also applied in their organization through a learning culture. The level of variation in process innovation changes that can be explained from changes in learning orientation is 59.50%.

The learning orientation of small businesses in Mataram City also has a significant influence on process innovation (Y_2) is explained with high criteria for changes in learning orientation (Y_2) is explained with high criteria for changes in learning orientation (X_1) of owners or managers, which is also applied in their organization through a learning culture. The level of variation in process innovation changes that can be explained from changes in learning orientation is 59.50%. Process innovation in practice will lead to the ability to produce products faster, cheaper and various other technical advantages at a certain level of quality of the products produced. Training oriented to the use of technical production technology is important, so that it can produce more products with the use of certain production factors. This process innovation capability, in turn, has a significant influence on business performance.

The dimensions of innovation that have a significant influence on business performance in small businesses in Mataram City are only given by product innovation and process innovation. Referring to the alpha value of significance of $X_1 \rightarrow Y_1 \rightarrow Z_1$ dan $X_1 \rightarrow Y_2 \rightarrow Z_1$, lower in the first association, it can be stated that for the short term, learning characteristics should be given to aspects of product innovation capabilities. The ability to produce product variations, produce new types of products or adapt the form of products that exist outside NTB Province or abroad is vital. Business actors who are at the beginning of producing or introducing new products will benefit earlier in their business, because the characteristics of this small business business are very quickly followed by other business actors, so they experience faster saturation. This research produces a new model (through PLS work) on specific research subjects (different from previous researchers), so that this model is more primarily applied to small business actors in Mataram City. It can be stated that not all concepts built are empirically proven, but only proven that learning orientation affects product innovation and further affects business performance, including strengthened also through the process innovation dimension path.

The model produced in this study is more for practical purposes in the short term. It is imperative that small-scale business owners in Mataram City continuously improve their knowledge through learning. Learning indicates awareness, willingness and ability to make changes. In the short term, learning is more oriented towards technical learning to produce new products and new processes, thus having a direct impact on business performance. The characteristic of small-scale businesses in Mataram City is that production activities coincide with consumer purchasing activities, so the main thing is the ability to produce a variety of products, the speed of making product changes and the ability to produce with more efficient and quality processes. Changes in the dimensions of marketing and organizational innovation are not yet urgent, because they do not have a real effect on business performance. In the context of product and process innovation, it is not oriented towards the concept of sales, but still pays attention to customer satisfaction. Product and process innovation that is carried out leads to efforts to better meet the needs and desires of its consumers. For the government, it should focus on

providing technical training for product and process dimensions. As for the dimensions of marketing innovation and organizational innovation, it has not been proven to significantly affect business performance.

The design of the model referred to is generally reinforced in this study, that learning orientation will strengthen innovation and subsequently realize firm performance (Baker & Sinkula, 1999). Learning carried out by the owner/manager to be applied in the organizational culture must have a high intensity than competitors, especially in producing product and process variations [this context is relevant to the statement (Sofa, 2003). In small-scale businesses in Mataram City, the products produced undergo rapid changes, including imitators. The ability to produce products, imitating products from outside becomes important, where the advantage of the famous period of the product becomes the time to gain profit. The ingenuity of the owner/manager is important in producing products (Kotler, 2012). Likewise, the concept (Zuhal, 2013) is very relevant in small-scale businesses, namely the ability of product innovation.

5. CONCLUSION

Based on the results of the research that has been carried out, it is concluded that there is a positive and significant effect of learning orientation (X_1) on product innovation (Y_1), further strengthening significantly business performance (Z_1) of small scale in Mataram City, there is a positive and significant effect of learning orientation (X_1) on process innovation (Y_2), further moving significantly business performance (Z_1) of small scale in Mataram City, there is a unidirectional and significant influence of learning orientation (X_1) on marketing innovation (Y_3), but it does not significantly strengthen (although it still has a positive influence) business performance (Z_1) of small scale in the city of Mataram and there is a positive and significant influence of learning orientation (X_1) on organizational innovation (Y_4), urther influencing positively, but not significantly on business performance (Z_1) of small scale in the city of Mataram.

The results of this study provide recommendations and suggestions to various parties including: Small-scale business owners/managers in Mataram City need to make learning as an organizational culture. All learning resources must be used as a medium in improving knowledge, attitudes and skills. Every form of training provided by partners (companies) and the government should be optimally utilized, whether followed by owners or employees. In particular, it can be emphasized to focus on production training and the application of appropriate micro technology. Furthermore, the government should position small business actors as very meritorious in the regional and national economy, because they are proven to absorb jobs that cannot be provided by the government. The form of concern is by optimizing the existence of vocational training centers or the like, especially focusing on training in product production and the use of appropriate technology. Equipment assistance can also be prioritized. Academics can also focus on establishing business performance models from various studies. This includes conducting research on the factors that shape learning orientation in organizations,

because this factor has a positive and significant influence on all dimensions of innovation.

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