

Organizational learning, entrepreneurial orientation and personal values towards SMEs' growth in Indonesia

SMEs' growth
in Indonesia

Ahmad Rafiki

*Faculty of Economics and Business,
Universitas Medan Area, Medan, Indonesia, and*

Muhammad Dharma Tuah Putra Nasution, Yossie Rossanty and
Pipit Buana Sari

*Faculty of Social Sciences, Universitas Pembangunan Panca Budi,
Medan, Indonesia*

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Abstract

Purpose – The purpose of this study is to examine the dimensions of organizational learning (OL), entrepreneurial orientation (EO), personal value toward the firm performance of small and medium enterprises (SMEs) in North Sumatera, Indonesia.

Design/methodology/approach – This study used a quantitative methodology using Smart partial least squares of the structural equation model. A survey is done by distributing the questionnaires to the respondents (owner-managers) of SMEs across sectors. Using a convenient sampling technique, 128 respondents are selected. Using a cross-sectional survey design, 11 hypotheses are tested.

Findings – It is found that the innovativeness of EO and personal value both have a significant relationship with firm growth. While OL is significantly related to the innovativeness of EO, risk-taking of EO and proactiveness of EO. Then, both innovativeness of EO and proactiveness of EO significantly mediate the relationship of OL and firm growth. However, OL, proactiveness of EO and risk-taking of EO are insignificantly related to firm growth, while risk-taking of EO also insignificantly mediates the relationship of OL and firm growth.

Originality/value – EO (innovativeness, risk-taking and proactiveness) is deemed a crucial factor in running businesses by SMEs, while OL and personal value play a significant role in creating a competitive advantage that is needed for growth.

Keywords Organizational learning, Indonesia, SMEs, Growth, Personal values, Entrepreneurial orientation, Growth

Paper type Research paper

1. Introduction

With the advent of globalization, competition among the companies cannot be avoided including for small and medium enterprises (SMEs). Globalization will lead to the environment becomes increasingly complex and changing. To cope with the ever-changing environment changes, so SMEs need to find factors that can improve their firm performance. It is assumed that the better performance of SMEs is expected to give a significant contribution to the country's economy in general.

It is known that SMEs have become a key component of many world economies (Ahmedova, 2015; Alyoubi, 2015; Dahnii *et al.*, 2014), as the engines of global economic



growth (Acs and Peterson, 1997) and have an important role mainly on poverty elimination, unemployment alleviation and inequality distribution. This is a fundamental contribution of SMEs to overall performance, which is an important motive for researchers to improve their abilities (Wickham, 2001; Wiklund *et al.*, 2011). SMEs that oppose many challenges that hinder their growth or even cause permanent closure. However, some SMEs are able to overcome these challenges, survive and achieve extraordinary growth rates.

According to the definition by the Ministry of Cooperative and SMEs of the Republic of Indonesia (based on Law No.80/2008), the criteria of a small enterprise is a firm with an asset range between Rp50m (US\$3,300) and Rp500m (US\$33,000), as well as sales between Rp300m (US\$20,000) and Rp2.5bn (US\$165,000) per annum, while medium enterprise is a firm with annual sales from Rp2.5bn (US\$165,000) to Rp50bn (US\$3,300,000). Every country has its own definition of SMEs.

The performance of SMEs has attracted the interest of scholars all over the world. However, these firms were underperformed, which was characterized by low market share, poor sales growth, weak profitability, which lead some of the SMEs to become less competitive and resulting into failure. These classic challenges occur mostly in developing countries, such as Indonesia. Some studies have been conducted on firm growth in North America and Europe by Kachlami and Yazdanfar (2016), while in developing regions by Liedholm (2002) and Mead and Liedholm (1998), such as in Vietnam by Tuan and Yoshi (2009); in Malaysia by Palanimally (2016); in Singapore by Lee and Tan (2002); in Indonesia by Tambunan (2011); Rafiki and Wahab (2013a, 2013b); Wahab and Rafiki (2014) and Sanny *et al.* (2021); in Namibia by Baporikar *et al.* (2016); in Thailand by Mandhachitara and Allapach (2017); and in Saudi Arabia by Rafiki (2020). This unsatisfactory level of performance has contributed to the global inefficiencies of SMEs that can be traced to the lack of entrepreneurial orientation (EO) of the SMEs. Recent studies by Uchenna *et al.* (2019) and Arisi-Nwugballa *et al.* (2016) asserted that the poor performance of SMEs is due to a lack of innovativeness, risk taking, proactiveness researchers.

Management and entrepreneurship literature has been discussed continuously on entrepreneurship orientation for the past two decades, which (Musawa and Ahmad, 2018; Wales, 2016) as a means of many issues related to the SMEs' failures. Knight (2000) and Dess *et al.* (1997) stated that SMEs with an EO are more likely to perform better. According to Knight (2000), with their relatively limited resources and capabilities, SMEs have to possess EO to survive or even to outperform their competitors in global markets. Globalization requires SMEs to take self-directed actions, to be more innovative, proactive, aggressive and risk-taking to take advantage of opportunities in the marketplace (Zahra and Garvis, 2000). Furthermore, Rauch *et al.* (2009) stated that the influence of EO on performance is more obvious in SMEs. Previous entrepreneurship research suggested that EO is only part of the essential factors in explaining firm performance (Coulthard, 2007). This means that, under globalization, EO dimensions, namely, innovativeness, risk-taking and proactiveness are considered crucial for SMEs to grow. This includes other factors, such as organizational learning and personal value.

Furthermore, as the majority of EO and firm performance relationship studies have been conducted in developed countries, their findings may not be applicable for firms in developing countries. While Thomas and Mueller (2000) argued that certain dimensions of EO may differ across countries. Hence, this paper will expectedly reveal new findings and address some gaps in the existing literature and finally propose a conceptual framework for the inter-relationship of organizational learning, personal value and EO and the firm growth of SMEs in Indonesia. The EO is used to be a common factor associated with the performance and growth but not when EO links to other factors, such as organizational

learning and personal values are predicted to influence the firm growth, especially when this study will be conducted in one of the biggest economies in the world, the 10th (Indonesia) [1] and in the 3rd largest province in Indonesia where the economy development is engaged dominantly by SMEs.

This research is expected to bring a new theoretical view and a concept on how owner-managers adopt, develop and use organizational learning and personal value to contribute to firm growth by strengthening the mediation role of EO, which has not been explored much in the context of SMEs. The EO in this study is tested on three dimensions of it thus, the impacts to firm performance would be different than other studies, although [Kusumawardhani et al. \(2009\)](#) has done it before together with other variables. Moreover, the results of study can be used as a reference that gives new insight for the practitioner, policymakers, academician, owner-managers on the importance of organizational learning, personal value and EO, which are considered as the factors for the firm growth.

2. Literature review

2.1 Firm performance

The objective of the firms is to have superior performance. The firms try to find strategies or ways on how to achieve it and put various efforts into this matter or using resources in an efficient and effective manner ([Tseng and Lee, 2014](#); [Masa'deh et al., 2015](#)). However, conceptualizing and measuring performance are considered quite difficult for the firms, as there is a lack of consensus of factors affecting it ([Abu-Jarad et al., 2010](#)). Moreover, performance can have different views. In a process perspective, it refers to transferring input into outputs to achieve specific outcomes, while in an economic perspective, it relates to effective cost, realized output and achieved outcome ([Abu-Jarad et al., 2010](#)).

Performance in a firm is an achievement indicating the effectiveness and success of the activities being done by all employees. Performance at the firm level refers to efficiency, productivity, absenteeism rate, turnover rate, growth and adaptability ([Tseng and Lee, 2014](#)). If the managers who are focusing on the improvement in performance, they must prepare the systems that give clear guidance to all employees including the managers to achieve the objectives of the organization ([Tseng and Lee, 2014](#)). It is also important to have a measuring system as it helps businesses to recognize areas that need improvement and to concentrate attention on it by evaluating how well cost, quality and time work is being done ([Kirca et al., 2005](#)). This is because of the increased in demand by customers in a highly competitive market, which then the organization should create and respond them positively ([Obeidat et al., 2016](#); [Shannak et al., 2017](#)).

Understanding the determinant of small firm performance is one of the notable areas in small business literature ([Kimura, 2002](#)). The performance is considered as the ultimate objective in both empirical and theoretical models and is usually referred to as the outcome of an organization that should be judged against a specific objective whether it is achieved or otherwise ([Man et al., 2002](#)). It has been reported since 1850 that there is no single measure or best measure of organizational performance ([Day, 1994](#); [Benzing and Chu, 2009](#)). [Murphy et al. \(1996\)](#) had reviewed numerous articles and concluded that the majority of performance measures were related to one of eight dimensions of efficiency, growth, profit, size, liquidity, success/failure, market share and leverage. Among these dimensions, the growth variable is the best indicator of performance ([Hall and Mairesse, 1995](#); [Rodríguez-Pose and Fratesi, 2007](#)).

Both financial and non-financial measures of performance have their advantages and disadvantages. Financial measures tend to be more concrete but are limited in scope to financial data. Non-financial measures lack concreteness but often provide a richer description of the effectiveness of organizations with respect to competitors ([Al-Ansaari et al., 2015](#)).

Feltham and Xie (1994) posit that the financial measures are consistent with theoretical work on performance evaluation using agency theory and known as the traditional way of assessment (Kenji, 2002). The financial instruments, such as return on assets, return on investment, return on equity, profitability, return on sales and earnings per share had been used by many authors i.e. Norma and Jarita (2010), Davidsson *et al.* (2007), Haber and Reichel (2005), Orser *et al.* (2000), Gadenne (1998) and Browne *et al.* (1997). Thus, the growth dimension using financial instruments used in this study to measure the firm performance.

2.1.1 Growth. There is no unified or generally accepted theory of firm growth. However, several authors such as Baum *et al.* (2001), Chrisman *et al.* (1998) and Storey (1994) introduce holistic models based on different theoretical views related to the firm growth theory. One of the popular integrated model developed by Storey (1994) indicating that the SME's growth is derived from three components, namely, the owner-manager; the firm; and the firms' strategy. This study adopts organization learning, which refers to the firm component, personal values refer to the owner-managers component and finally, EO refers to the firm's strategy.

Meanwhile, Shelton (2005) defined growth as a process of overcoming resource deficiencies resulting from the liabilities of newness and smallness. Growth, however, can be measured in different ways. Authors have reached to almost a similar list of possible growth indicators including market share, assets, profits, physical outputs, employment, firms' resources and sales (Ardishvili *et al.*, 1998; Delmar, 1997; Gilbert *et al.*, 2006; Batt and Welbourne, 2002; Rafiki and Wahab, 2013a, 2013b). Among all the indicators, the sale is a comprehensive set and an indicator mostly used in empirical studies (Delmar, 1997; Ardishvili *et al.*, 1998; Delmar *et al.*, 2003; Davidsson *et al.*, 2006; Cowling, 2004; Yew Wong and Aspinwall, 2004a, 2004b; Dingsoyr and Royrvik, 2003; Hunger and Wheelen, 2003; Wahab and Rafiki, 2014). However, to have a comprehensive set, this study uses sales and profit indicators as the growth of the firm.

2.2 Resource-based view

This study adopts a resource-based view (RBV), which emphasizes the use of resources to achieve better performance. Penrose (1959) asserted that the growth of the firm requires more of resources. RBV also relates to valuable contributions in creating competitive advantage by focusing on developing a new capability (Barney, 2001). As intangible resources, EO refers to the efforts of entrepreneurs to seize business opportunities, which constitutes proactive behavior, innovation driven and risk-seeking ability (Covin and Wales, 2012). With sufficient knowledge, skills and personal values, which are called as important resources, the owner-managers could develop specific capabilities (Boxal, 2013).

Certain resources are believed to be key elements for firms to gain superior performance than their competitors (Porter, 1998) and with that, the firms are able to address their challenges or issues to maintain their bargaining position. Sometimes the SMEs have less opportunity than the larger-size firms, which forced them to be innovative and involve in risky works (Julienti Abu Bakar and Ahmad, 2010). To grow, the firms should make a unique combination of resources that increases their competitive capacity (Barney, 1991) or to use their resources for exploiting opportunities (Gupta *et al.*, 2013). The firms have difficulties to grow without resources, such as financial resources, personal values, expansion of business operations, management capabilities, debit, cash, equity investments, firm attributes, business networks, organizational processes and learning, information and knowledge and EO (Barney, 1991; Conner and Prahalad, 1996; Knight, 2000; Dess *et al.*, 1997). These have been highlighted in the RBV theory that is used in analyzing the organizational performance based on its resources (Gupta *et al.*, 2013). The RBV of the firm

holds that the performance of a firm could be influenced by the internal resources available to the firm (Penrose, 1959).

2.3 Organizational learning

Organizational learning (OL) is a dynamic process of knowledge accumulation (Frank *et al.*, 2012) or relates to the knowledge and competence that is created and shared by people in an organization (Senge, 1990; Voudouris *et al.*, 2012; Jerez-Gomez *et al.*, 2005; Hoe, 2008). The level of organizational learning orientation is shown by the effort to develop new knowledge or insights that have the potential to influence behavior through values and beliefs (Huber, 1991). As part of learning process, all organization members become the agents to anticipate and respond to any business uncertainties, which also give the insights for the decision-makers to exploit opportunities (Wolff *et al.*, 2015). There are many initiatives and positive impacts of OL:

- OL helps in developing an effective understanding of customers and their perspectives, learning from business associates and learning from observation, from mistakes, from past experiences and from trends (Baker and Sinkula, 2007; Dibrell *et al.*, 2014).
- OL generates a set of values consist of learning commitment, shared vision and open-mindedness (Baker and Sinkula, 2005; Calantone *et al.*, 2002; Wolff *et al.*, 2015).
- OL helps identify the direction of emerging and disruptive technologies so that the firm can develop competence quickly and take a lead in the marketplace (Walsh *et al.*, 2002).
- OL leads to enhance employee innovativeness across the organization and also builds the capability to develop an innovation process (Senge, 1990).
- OL brings together intuitive teams, which can function, even in turbulent technological environments, to increase continuous innovation (Bessant and Francis, 1999; Gulati, 1998; Francis and Bessant, 2005; Dayan and Di Benedetto, 2011).

The ability to transform information into knowledge provides support for innovative behavior (Chang *et al.*, 2015). Then, the behavior to use the external opportunities and the company's internal sources in supporting the organizational learning will create innovation ability (Calantone *et al.*, 2002; Chen *et al.*, 2009; Raju *et al.*, 2011; Calisir *et al.*, 2013; Chang *et al.*, 2015). This concluded that the organizational learning promotes innovation through knowledge sharing among the organizations' members that support the implementation of new ideas, supports effective utilization of knowledge for commercialization (Bates and Khasawneh, 2005; Naqshbandi and Kamel, 2017). In fact, the degree and effectiveness, of organizational learning influence the kinds of innovative processes the firm can develop (Senge, 1990; Sinkula *et al.*, 1997; Baker and Sinkula, 2007; Hogan and Coote, 2014; Prato *et al.*, 2019; Gachanja *et al.*, 2020). Moreover, there are studies found the relationship of OL and EO, such as Floyd and Wooldridge (1999), Bell *et al.* (2002), Hakala and Kohtamäki (2011) and Altinay *et al.* (2016). Thus, the proposed hypotheses are:

H1a. OL is positively related to the innovativeness of EO.

H1b. OL is positively related to the risk taking of EO.

H1c. OL is positively related to the proactiveness of EO.

Organizations with a greater capacity to learn are able to identify changing consumer needs and wants more easily than their competitors, leading to better organizational performance (Bontis *et al.*, 2002; Prieto and Revilla, 2006; Tippins and Sohi, 2003). Moreover, releasing ideas, new products in each period, new processes and services lead to improved business performance (Oly Ndubisi and Iftikhar, 2012).

The organizational ability to learn is seen as a source of sustainable competitive advantage (Levinthal and March, 1993) and assumed relates to growth. The OL is associated with innovation work through detecting external opportunities and finding the company's internal sources. Moreover, organizations looking for performance gains should consider devoting a significant amount of effort to improve employee learning and sharing behaviors (Arfi *et al.*, 2018). It is concluded that the OL will give benefits to an organization to perform better and adapt to any uncertainties successfully. Previous studies argue that there is a positive relationship between the organizational learning dimensions and firm performance (Zhou *et al.*, 2015; Jain and Moreno, 2015; Wahyuni and Sara, 2020; Yan and Wagner, 2017; Altinay *et al.*, 2016). Moreover, the relationship between OL, EO and performance has been studied by Covin and Lumpkin (2011) and Grinstein (2008). Thus, the proposed hypotheses are:

H2. OL is related to the firm growth of the SMEs.

2.4 Entrepreneurial orientation

EO is one of the topics being discussed since past three decades, which is related to entrepreneurship research studies (Covin *et al.*, 2006). EO can be defined as the firm's procedures, practices and decision-making activities used to improve the value of products and services in response to customer needs that may lead to enhanced performance (Bing *et al.*, 2011; Nasution *et al.*, 2021). While other authors, such as Covin and Slevin (1988) and Miller (1983) defined EO as the processes, structures and behaviors of firms that are characterized by innovativeness, proactiveness and risk taking. All three mentioned sub-dimensions are considered central and make a similar contribution to the overall level of EO of the firm in all situations (Vitale *et al.*, 2003; Lumpkin and Dess, 1996; Hakala, 2011).

It is known that the characteristics of entrepreneurial firms are taking more risks than non-entrepreneurial firms and these firms proactively creating for new venture opportunities (Khandwalla, 1977). In addition, Miller and Friesen (1982) revealed that entrepreneurial firms tend to have a high emphasis on new product innovation. There are studies found a strong relationship between EO and firm performance (Zahra and Covin, 1995; Lumpkin and Dess, 2001; Wiklund and Shepherd, 2005). In Indonesia, there are studies on the EO that relates to firm performance and adopted a variety of variables; independent or mediating. A short list of the studies is shown in the below table.

Many studies provide empirical support for the positive link between EO and firm performance (Rauch *et al.*, 2009; Wiklund and Shepherd, 2005; Arief *et al.*, 2013; Pratono and Mahmood, 2015; Saeed *et al.*, 2014; Mahmood and Hanafi, 2013; Eggers *et al.*, 2013; Amin, 2015) increasing SMEs profitability (Jalali *et al.*, 2014). The EO and performance have some measures that are related to the taking risks, innovative and proactive attitude, which dedicated to achieve growth, thus both are inseparable (Wiklund, 1999). Aloulou and Fayolle (2005) found that the entrepreneurs or top managers of SMEs are eager to show innovative, proactive and risk-taking characteristics. Although dimensions of EO may occur in different combinations depending on the type of entrepreneurial opportunity facing the organization (Laukkanen *et al.*, 2013), however, the three mentioned are the popular variables of EO that have been used in many research studies. Moreover, this study also will test the EO through its three dimensions to be a mediating factor on the relationship of organizational learning

and firm growth, which has been studied before by [Altinay et al. \(2016\)](#). Below are the elaborations of EO dimensions.

2.4.1 Innovativeness. In facing uncertainties and endless turbulence, many firms considered innovation as a crucial strategy. Innovativeness is defined as the willingness to place a strong emphasis on research and development, new ideas, new products and services, novelty, creativity and experimentation that lead to the improvement in product lines, services, management systems, marketing methods, organizational structures and technological processes in the industry ([Covin and Slevin, 1988](#); [Ramezan et al., 2013](#); [Lumpkin and Dess, 2001](#); [Damanpour, 1991](#); [Saunila et al., 2012](#); [Vicence et al., 2015](#); [Calantone et al., 2002](#); [Brem and Voigt, 2009](#); [Lin et al., 2008](#)). Innovation is also required to identify customer needs and develop new solutions to meet customer needs in the future ([Murni et al., 2014](#)) and being related with handling cash flows and profitability and increasing the likelihood of existence ([Amin, 2015](#); [Boso et al., 2013](#); [Engelen et al., 2014](#); [Lumpkin and Dess, 1996](#)). As a component of EO, innovativeness used to be a significant factor to success ([Kropp et al., 2006](#); [Yun et al., 2015](#)), particularly for the young organizations, the innovation will transform them to the new mechanism and processes by abandoning the traditional ways of doing business, products/services and distribution channels.

Normally firms pursue innovativeness to fulfill customer needs. [Lumpkin and Dess \(2001\)](#) mentioned that the entrepreneurs with innovative characteristics tend to have creativity that derived them into the development of new products or services, initiatives on research and development and possession of technological leadership. Meanwhile, the innovative mindset of SMEs manager will significantly increase a SMEs propensity to participate and develop networking to take advantage of new opportunities ([Baron and Tang, 2011](#); [Brettel and Rottenberger, 2013](#); [Keh et al., 2007](#); [Khalili et al., 2013](#); [Nasution et al., 2011](#); [Sciascia et al., 2014](#)). Studies had shown the important role of innovative work toward the firm performance ([Dorenbosch et al., 2005](#); [Ramamoorthy et al., 2005](#); [Calantone et al., 2002](#); [Keskin, 2006](#); [Huang et al., 2018](#); [Rhee et al., 2010](#); [Avlonitis and Salavou, 2007](#); [Chen et al., 2012](#); [Franco and Haase, 2013](#)).

Many studies found that EO contributes to firm growth ([Moreno and Casillas, 2008](#); [Altinay et al., 2016](#); [Simon et al., 2011](#)). However, some argue that the relationship between EO and firm performance (FP) could be negative or insignificant for some reasons, such as business cycle ([Andersén, 2010](#)) or non-linear relationship ([Kreiser et al., 2013](#)). Moreover, this study calls for mediating role to understand the complex relationship between EO (innovativeness) and FP as revealed earlier by [Qureshi and Kratzer \(2012\)](#). Thus, the proposed hypotheses are:

H3a. Innovativeness is positively related to the firm growth of the SMEs.

H3b. Innovativeness mediates the relationship between OL and firm growth of the SMEs.

2.4.2 Risk taking. Risk taking refers to the willingness of being aggressive in searching and pursuing opportunities, which have a lower return, high error cost or unpredictable rates of return ([Katz et al., 1993](#); [Wheelen and Hunger, 2015](#); [Sandhu and Khan, 2017](#)) or it is the extent to which managers are willing to commit resources ([Balodi, 2014](#)). [Franco and Haase \(2013\)](#) emphasized that risk-taking as an important dimension of EO. The example of the risks is in terms of investment and strategic decisions ([Das and Joshi, 2007](#)). If the firms have a risk-taking orientation, they may grab profitable deals and hope of achieving high returns. Hence, tendencies to take risks may be associated with the success ([Frese et al.,](#)

2002; Lumpkin and Dess, 1996). SMEs are, therefore, advised to calculate risk and, if possible, delay the high risk projects and services to gain better business performance (Amin, 2015; Kraus *et al.*, 2011; Kraus *et al.*, 2012). The risk-taking behavior of entrepreneurs has been examined extensively in the literature, which becomes an important orientation for new ventures (Brockhaus, 1980; Kreiser *et al.*, 2002; Rafiki, 2020).

Brendle (2001) stated that the proactiveness of business entrepreneurs is an essential element of competitive advantage and, perhaps, toward the better performance. A study by Rauch *et al.* (2009) found that the risk-taking dimension of EO has a less intense relationship with firm performance. However, Casillas and Moreno (2010, p. 269) argued that when the firm is capable of taking risks, means they tend to grab larger rewards or more chances to have better performance. SMEs that have a willingness to engage in risky activities will enhance SME's performance (Franco and Haase, 2013; Wales *et al.*, 2011; Wales *et al.*, 2013). There are studies that found the relationship of EO and firm growth (Moreno and Casillas, 2008; Altinay *et al.*, 2016; Simon *et al.*, 2011). Thus, the proposed hypotheses are:

H3c. Risk taking is positively related to the firm growth of the SMEs.

H3d. Risk taking mediates the relationship between OL and firm growth of the SMEs.

2.4.3 Proactiveness. Proactiveness is defined as acting opportunistically to shape the environment by influencing trends, creating demand and becoming a first mover in a competitive market (Lumpkin and Dess, 1996; Lumpkin and Dess, 2001, p. 431). Zahra and Covin (1995) asserted that proactive companies can develop a competitive advantage by initiating the first move (e.g. create new products or improve existing ones), planning fresh requests and market, anticipating changes and opportunities, promoting changes in firm tactics, detect future market needs and be a leader in performance (Storey and Hughes, 2013; Brettel and Rottenberger, 2013; Cardoza and Fornes, 2011; Chen *et al.*, 2012; Gaur *et al.*, 2011). Consequently, Morgan *et al.* (2009) posited that proactive SMEs achieve better performance because they have a greater understanding of customer needs and wants and a broader market environment than their competitors (Hult *et al.*, 2004; Jaworski and Kohli, 1993; Khalili *et al.*, 2013; Knight and Cavusgil, 2004; Kraus *et al.*, 2012; Kreiser *et al.*, 2013; Lin *et al.*, 2008). These arguments justified that there is a positive relationship between proactiveness and firm performance.

Moreover, this construct has been extensively validated by several cross-sectional, longitudinal and even cross-country studies (Kreiser *et al.*, 2002). In fact, SMEs need to have a high degree of proactiveness to enter a new market (Engelen *et al.*, 2014; Kraus *et al.*, 2012; Kreiser *et al.*, 2013; Rothaermel and Alexandre, 2009) that will enhance SMEs performance. Other studies indicated that EO was associated with firm growth (Moreno and Casillas, 2008; Altinay *et al.*, 2016; Simon *et al.*, 2011; Casillas *et al.*, 2010; Covin *et al.*, 2006; Wang and Altinay, 2012). Thus, the proposed hypotheses are:

H3e. Proactiveness is positively related to the firm growth of the SMEs.

H3f. Proactiveness mediates the relationship between OL and firm growth of the SMEs.

2.5 Personal values

Values are defined as global beliefs about desirable end states or modes of behavior that underlie attitudinal processes (Meglino and Ravlin, 1998; Rokeach, 1973; Rokeach and Ball-Rokeach, 1989). There are two popular theories related to value by Schwartz (1992, 2005) and the theory of the expectancy-value by Rotter (1972). Both theories tell about the

likelihood of a certain behavior will occur is a moment of the person's expectation that the behavior will lead to one's goals and the values attached to those goals (Asah *et al.*, 2015). Refer to the model by Storey (1994), the personal value associated with the owner-manager component, which is important to be analyzed in relation to the firm growth.

Interestingly, women and men have different value systems in entrepreneurship and management literature (Beutell and Brenner, 1986; Carter, 1989; Fagenson, 1990; Hisrich and Brush, 1986; Solomon and Fernald, 1988) and individuals within the entrepreneurial profession would have different value priorities than individuals within the management profession (Carland *et al.*, 1984; Kaish and Gilad, 1991; Timmons, 1978; Welsch and Young, 1984). These indicated that the personal value is adapting the environment and can be varied individually.

A study by Ling *et al.* (2007) and Asah *et al.* (2015) acknowledged that personal values used to be an important entrepreneur's characteristics where creativity, integrity, achievement, etc. can be adopted and shared to all the employees, which more likely contribute to the better performance (Shariff and Peou, 2008). Other studies supported the relationship between personal values and firm performance, such as Zainol and Ayadurai (2011), Asah *et al.* (2015), Berson *et al.* (2008), Ling *et al.* (2007), Tomczyk *et al.* (2013), Baron (2007) and Lakoff (2008). However, Shiu (2006) and Mazzarol *et al.* (2009) did not find a significant relationship between the personal values of SME managers and firm performance. The argument of this study is that the values of SMEs' owners/managers guide their decision-making and actions, which may, in turn, determine the firm performance (growth). Thus, the proposed hypothesis is (Figure 1):

H4. Personal value is positively related to firm growth.

3. Methodology

This study used a quantitative methodology using Smart partial least squares (PLS) of structural equation model (SEM). SmartPLS has gained popularity among academics, as it can analyze many types of data, is user friendly, has advanced features and does not require several assumptions, such as normality and a large sample size (Wong, 2013; Yi and Hwang, 2003). The PLS-SEM analysis provides less contradictory results than regression analysis in terms of detecting mediation effects. Other advantages of using and when to use PLS-SEM

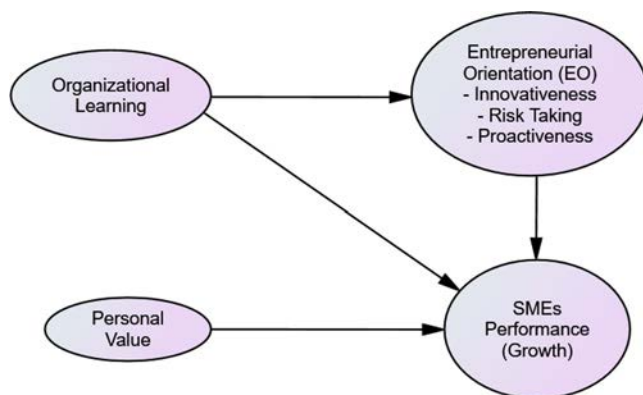


Figure 1.
Conceptual
framework

were well-explained by Hair *et al.* (2019, p. 5). An outer model analysis is applied to verify that the proposed construct is valid and reliable, which can be assessed by the following indicators, namely, convergent validity, discriminant validity and unidimensionality. This paper uses cross-loading to examine the discriminant validity. The convergent validity is measured by using the average variance extracted (AVE). To examine the internal consistency, this study uses Cronbach's alpha and composite reliability (CR). The inner model assessment is performed to ensure that the structural model is robust and appropriate. The evaluation of the inner model can be performed, one of them using the goodness of fit index.

Several studies in Indonesia on EO and firm performance using SEM in analyzing the data, such as Pratono and Mahmood (2015), Arief *et al.* (2013) and Setyanti *et al.* (2013). These four studies having respondents between 140–390 firms. Using a cross-sectional survey design, 10 hypotheses are tested. The six variables were selected on the basis of the literature review. A five-point Likert-type scale 1 (strongly disagree) to 5 (strongly agree) was used to measure the constructs of the used variables. A total of 18 items were constructed on the basis of an extensive literature review to grasp the perception of participants (owner-managers) about the personal values, EO and firm growth, which mediated by organizational learning of SMEs in North Sumatera, Indonesia. When referring to the SMEs' characteristics, the owner representing the manager. Using a convenient sampling technique, there are 128 respondents responded to the given questionnaires out of 150 distributed questionnaires. These questionnaires were distributed by sending through the direct visit and some were sent by emails, which taken place for a total of a three-month period. The data was collected from SMEs that had a number of employees between 5 and 99 people.

3.1 Instruments development and justifications

The measurement of the variables is based on the conceptual and theoretical framework operationalized in the studies. Although there are a variety of range scales; 5–7 points, Gwinner (2006) stated that five- and six-point Likert scales is a preference to do such market research. Most of the questionnaire items were extracted and adapted from selected authors as listed in the table below (Table 2).

No.	Author/year	Dependent variable	Independent/mediating variable
1	Arief <i>et al.</i> (2013)	Firm performance	Entrepreneurial orientation, strategic flexibility
2	Pratono and Mahmood (2015)	Firm performance	Entrepreneurial orientation, reward philosophy, marketing capability, employee compensation
3	Kusumawardhani <i>et al.</i> (2009)	Firm performance	Entrepreneurial orientation of autonomy, innovativeness, risk-taking, proactive and competitive aggressiveness, networking
4	Murni <i>et al.</i> (2014)	Management capability	Management capability, sustainable innovation
5	Setyanti <i>et al.</i> (2013)	Business performance	Innovation role in mediating the effect of entrepreneurial orientation, management capabilities and knowledge
6	Pratono <i>et al.</i> (2019)	Sustainable competitive advantage	Inter-organizational learning, green entrepreneurial orientation and market orientation

Table 1.
A summary of studies on EO in Indonesia

4. Findings

4.1 Descriptive analysis

Below is the demographic profile of respondents:

As depicted in [Table 3](#), a majority of 54.7% of respondents are male and 45.3% are female. It is indicated that the owner-managers of SMEs in North Sumatera are still dominated by men. Meanwhile, the majority of respondents were dominated by two groups age; 31–40 years old 41–50 years old that constitute to 54.7%. The effect of the concern by the government and its agencies, many of owner-managers are aware on the importance of education, that is why 53.1% of the respondents are attended the undergraduate program and only 18% with primary level education. It is good to find out that the majority of 39.8% of the SMEs are from the retail sector, which assumed that the likelihood of owner-managers to this sector because of the low risk in selling its products compare, for example, to the agricultural sector that represents only 13.3%. Finally, the majority of 53.1% are owner-managers with 6–10 years of experience in the business. This means that they knew well the condition of the business environment.

Variable	Statements	No. of item	Source
Organizational learning	We frequently scan the environment for new ideas and new technologies We thoroughly observe market trends and technological trends We are proficient in transforming technological knowledge and market knowledge into new products We regularly match new technologies with ideas for new products	4	Arbussa and Coenders (2007), Jansen <i>et al.</i> (2005), Szulanski (1996), Todorova and Durisin (2007) and Michna (2009)
Innovativeness	The company regularly issues new products There are expansions of products (tailor made) offered by the company	2	Covin and Slevin (1989), Lumpkin and Dess (1996), Vitale <i>et al.</i> (2003), Keh <i>et al.</i> (2007), Knight (1997) and Merlo and Auh (2009)
Risk taking	Companies dare to face business risks The product owned is a goal-oriented business The existence of new products has the potential to have high risks	3	
Proactiveness	The company is ready to expand into various areas and regions The company is ready to develop new products and renewable technology The company is ready to adopt something good to apply	3	
Personal value	Attempt to be a true friend Attempt to be a wise person Attempt to be in harmony (free from self-conflict) Attempt to have social awareness	4	Choongo <i>et al.</i> (2018)
Growth	Revenue growth in the past three years Net profit in the past three years	2	Jalali <i>et al.</i> (2014), Moorman and Rust (1999), Amin <i>et al.</i> (2016) and Lin <i>et al.</i> (2008)

Table 2.
Instruments
development and
justifications

4.2 Outer model evaluation (measurement model): validity and reliability tests

Convergent validity is part of the measurement model, which in SEM-PLS is usually called the outer model while in covariance-based SEM it is called confirmatory factor analysis (Hair *et al.*, 2012a, 2012b). There are two criteria to assess whether the outer model meets the requirements of convergent validity for reflective constructs, namely, loading must be above 0.7 and significant p -value (<0.05) (Hair *et al.*, 2012a, 2012b). However, in some cases, loading conditions often above 0.7 are often not met, especially for newly developed questionnaires. Therefore, loading between 0.40–0.70 must be considered to be maintained (Hair *et al.*, 2012a, 2012b).

Indicators with loading below 0.40 must be removed from the model. However, for indicators with loading between 0.40 and 0.70, we should analyze the impact of the decision to remove the indicator on AVE and CR. We can delete the indicator by loading between 0.40 and 0.70 if the indicator can increase the AVE and CR above the limit (threshold) (Hair *et al.*, 2012a, 2012b). The AVE cut-off value is 0.50 and CR is 0.7. Another consideration in removing indicators is their impact on the content validity of the construct. Indicators with a small loading are sometimes retained because they have a contribution to the validity of the constructed content (Hair *et al.*, 2012a, 2012b). Table 4 and Figure 2 present loading values for each indicator.

Based on the validity test of loading factors in Table 4, all loading values > 0.7 , which means met the validity requirements based on the loading value. Then, the validity test of AVE all with AVE values > 0.5 presented in Table 5, which means met the validity requirements based on AVE.

Furthermore, reliability testing is based on CR values, which must be above 0.7 (Hair *et al.*, 2012a, 2012b). As depicted in Table 6, all CR values are > 0.7 , which means met the reliability requirements based on CR.

Respondents profile	Frequency	(%)
<i>Industry category</i>		
Retail	51	39.8
Manufacturing	42	32.8
Agriculture	17	13.3
Services	18	14.1
<i>Gender</i>		
Male	70	54.7
Female	58	45.3
<i>Age of owner-managers</i>		
(21–30 years)	25	19.5
(31–40 years)	34	26.6
(41–50 years)	36	28.1
(Above 50 years)	33	25.8
<i>Education level</i>		
Primary level	23	18
Secondary diploma level	20	15.6
Undergraduate	68	53.1
Postgraduate	17	13.3
<i>Age of business</i>		
(0–5 years)	37	28.9
(6–10 years)	68	53.1
(11–15 years)	20	15.6
(16–20 year)	3	2.3
(Above 20 years)	–	–

Table 3.
Demographic data
($N = 128$)

Variables	FG	INN (EO)	OL	PRO (EO)	PV	RT (EO)	SMEs' growth in Indonesia
FG1	0.969	-	-	-	-	-	
FG2	0.967	-	-	-	-	-	
INNO1	-	0.912	-	-	-	-	
INNO2	-	0.913	-	-	-	-	
OL1	-	-	0.908	-	-	-	
OL2	-	-	0.779	-	-	-	
OL3	-	-	0.894	-	-	-	
OL4	-	-	0.901	-	-	-	
PRO1	-	-	-	0.905	-	-	
PRO2	-	-	-	0.924	-	-	
PRO3	-	-	-	0.866	-	-	
PV1	-	-	-	-	0.927	-	
PV2	-	-	-	-	0.772	-	
PV3	-	-	-	-	0.944	-	
PV4	-	-	-	-	0.941	-	
RT1	-	-	-	-	-	0.851	
RT2	-	-	-	-	-	0.807	
RT3	-	-	-	-	-	0.784	

Table 4.
Validity test based on loading factors

Then, the discriminant validity test is performed using the Fornell-Larcker approach as presented in Table 7. In this discriminant validity test, the AVE square root value of a latent variable is compared with the correlation value between the latent variable and other latent variables. It is known the AVE square root value of each latent variable is greater than the correlation value between the latent variable and other latent variables. So it was concluded that it had fulfilled the discriminant validity requirements.

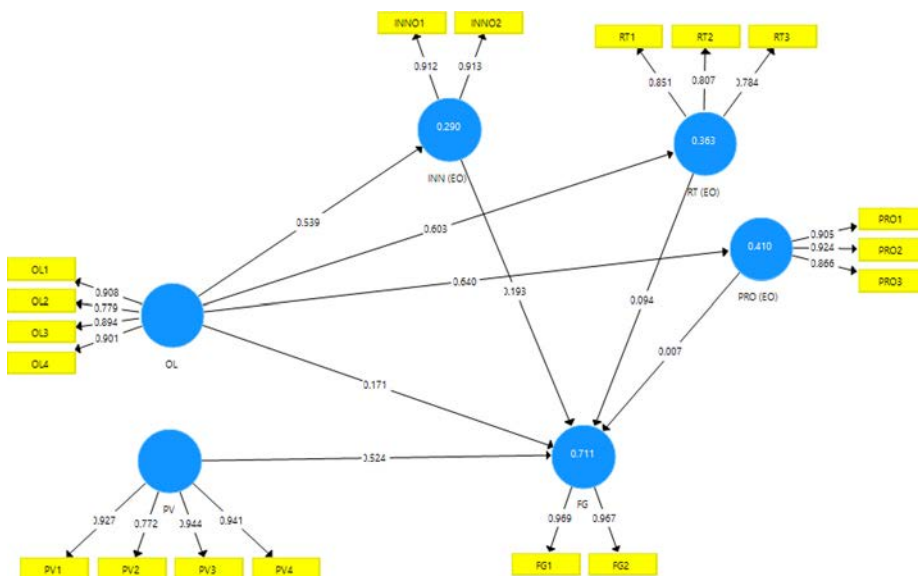


Figure 2.
Loading factor results

4.3 Significance test of direct effect

Table 8 presents the results of the path coefficient and significance test of direct effects.

Based on Table 8, the results obtained are:

- INN (EO) has a positive effect on firm growth (FG) with a path coefficient value of 0.193 and significant with a *p*-value of 0.039, less than 0.05.
- OL has a positive effect on FG with a path coefficient value of 0.171, but not significant with a *p*-value of 0.218, greater than 0.05.
- OL has a positive effect on INN (EO) with a path coefficient value of 0.539 and significant with a *p*-value of 0.000, less than 0.05.
- OL has a positive effect on PRO (EO) with a path coefficient value of 0.640 and significant with a *p*-value of 0.000, less than 0.05.
- OL has a positive effect on RT (EO) with a path coefficient value of 0.603 and significant with a *p*-value of 0.000, less than 0.05.
- PRO (EO) has a positive effect on FG with a path coefficient value of 0.007, but not significant with a *p*-value of 0.958, greater than 0.05.
- PV has a positive effect on FG with a path coefficient value of 0.524 and significant with a *p*-value of 0.000, less than 0.05.
- RT (EO) has a positive effect on FG with a path coefficient value of 0.094, but not significant with a *p*-value of 0.307, greater than 0.05.

Table 9 presents the results of the coefficient of determination value (r-square). Below is the elaboration of the results:

- The coefficient of determination value for the latent variable of FG is 0.711, which means that INN (EO), RT (EO), PRO (EO), OL, PV is able to influence FG by 71.1%.
- The coefficient of determination value for the latent variable of INN (EO) is 0.290, which means that OL is able to influence INN (EO) by 29%.
- The coefficient of determination value for the latent variable of PRO (EO) is 0.410, which means that OL is able to influence PRO (EO) by 41%.
- The coefficient of determination value for the latent variable of RT (EO) is 0.363, which means that OL is able to influence RT (EO) by 36.3%.

4.4 Significance test of indirect effect

Table 10 presents the results of the path coefficient and significance test of indirect effects.

Based on Table 9, the results are obtained:

Table 5.
Validity test based
on average variance
extracted (AVE)

Variables	AVE
FG	0.937
INN (EO)	0.833
OL	0.761
PRO (EO)	0.807
PV	0.808
RT (EO)	0.663

- OL indirectly, significantly affects FG, through INN (EO) with a p -value of $0.001 < 0.05$. In other words, INN (EO) significantly mediates the relationship between OL and FG.
- OL indirectly, insignificantly affects FG, through RT (EO) with a p -value of $0.099 > 0.05$. In other words, RT (EO) insignificantly mediates the relationship between OL and FG.
- OL indirectly, significantly affects FG, through PRO (EO) with a p -value of $0.001 < 0.05$. In other words, PRO (EO) significantly mediates the relationship between OL and FG.

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5. Discussion

The aim of this study is to examine the effect of three variables of organizational learning, EO (innovativeness, risk taking and proactiveness), personal value toward the firm growth and to investigate the effect of EO (innovativeness, risk taking and proactiveness) as mediating variable in the relationship between organizational learning and firm growth of SMEs.

The results of this study found that organizational learning has a significant relationship with the innovativeness of EO, risk taking of EO and proactiveness of EO, thus $H1a-H1c$ are supported. These findings are consistent with [Floyd and Wooldridge \(1999\)](#), [Bell et al. \(2002\)](#), [Hakala and Kohtamäki, 2011](#) and [Altinay et al. \(2016\)](#). As 53.1% of the respondents are attended the undergraduate program, they realized that the learning orientation or knowledge acquisition is importantly needed for the owner-managers, whereby then they can apply it in creating innovative works. It is asserted by authors that innovative behaviors or innovation ability need support from the knowledge possession and transformation ([Chang et al., 2015](#); [Calantone et al., 2002](#); [Chen et al., 2009](#); [Raju et al., 2011](#); [Calisir et al., 2013](#)). Moreover, knowledge sharing is helpful to promote new ideas, which is required in initiating innovative actions ([Bates and Khasawneh, 2005](#); [Naqshbandi and Kamel, 2017](#)). Finally, the effectiveness, of organizational learning influences the kinds of innovative processes ([Senge, 1990](#); [Sinkula et al., 1997](#); [Baker and Sinkula, 2007](#); [Hogan and Coote, 2014](#); [Pratono et al., 2019](#); [Gachanja et al., 2020](#)). Similarly, that the well-educated owner-managers can predict or forecast any risks, and thus, they are risk takers. With 80.5% of the respondents are with age above 31 years old, the maturity in seeing the challenges and obstacles of businesses is there. While proactive owner-managers should realize the importance of updating information and knowledge before taking any actions. As 53.1% of the businesses are running for more than six years, the EO of the owner-managers needs to be engaged aggressively through organizational learning, which been seen as significantly helpful to improve the firm performance.

This study finds that the organizational learning is insignificantly related to firm growth. This is rarely findings and contradict with findings of [Zhou et al. \(2015\)](#), [Jain and Moreno \(2015\)](#),

Variables	CR
FG	0.967
INN (EO)	0.909
OL	0.927
PRO (EO)	0.926
PV	0.944
RT (EO)	0.855

Table 6.
Reliability test based
on composite
reliability (CR)

Wahyuni and Sara (2020), Yan and Wagner (2017) and Altinay *et al.* (2016) that stated there is a positive relationship between the organizational learning and firm performance. Although it is not specifically related to firm growth but it could consider has similar relationship. Hence, *H2* is not supported. As OL is related the EO and probably EO will be related to firm growth, means that the OL is only related to the firm growth if it is transformed to the innovativeness, risk-taking and proactiveness orientations otherwise, it is not useful or does not have an impact to the firm growth. This is supported by Covin and Lumpkin (2011) and Grinstein (2008) that revealed the relationship between OL, EO and performance.

This study finds that the innovativeness of EO is positively related to the firm growth, which is consistent with studies by Moreno and Casillas (2008), Altinay *et al.* (2016) and Simon *et al.* (2011). As a component of EO, innovativeness used to be a significant factor to success (Kropp *et al.*, 2006). Lumpkin and Dess (2001) asserted that the entrepreneurs with innovative characteristics tend to have creativity that derived them into the development of new products or services, initiatives on research and development and possession of technological leadership, that all of them lead to the firm growth. Moreover, innovativeness could develop a networking to find opportunities, which become a valuable resource for growth (Baron and Tang, 2011; Brettel and Rottenberger, 2013; Khalili *et al.*, 2013; Nasution *et al.*, 2011; Sciascia *et al.*, 2014). This means *H3a* is supported. Meanwhile, innovativeness mediates significantly the relationship between organizational learning and firm growth, thus *H3b* is supported. This is as an extension of what been explored by Qureshi and Kratzer (2012), which now found that EO (innovativeness) could be a mediator to relate to firm growth. This means *H3b* is supported. Both positive and significant results are associated with the background of the owner-managers where 66.2% of them are possessed bachelor's and master's degree certificates.

With regard to the risk-taking component, it is found has an insignificant relationship with firm growth. This aligned with a study by Rauch *et al.* (2009) found that the risk-taking has less intense relationship with firm performance but contradict with the findings by Moreno and Casillas (2008), Altinay *et al.* (2016) and Simon *et al.* (2011) that found the relationship of EO and firm growth. As the risk-taking action is mostly important for new venture (Brockhaus, 1980; Kreiser *et al.*, 2002; Rafiki, 2020), thus this probably reasons why the findings are insignificant due to 71% of age of business in this study are more than six years. Moreover, Aragón-Sánchez and Sánchez-Marín (2005) mentioned that if small firms may not be able to invest heavily in high-risk projects that take long time to see the results of their investment, thus affect their performance (Li *et al.*, 2008; Wiklund and Shepherd, 2005). This argument justified the insignificant result of both variables. Hence, *H3c* is not supported. Meanwhile, it is also found that the risk-taking insignificantly mediates the relationship between OL and firm growth. This is due to the insignificant of the relationship of risk-taking and firm growth. Hence, *H3d* is not supported.

Table 7.
Discriminant validity
test

Variables	FG	INN (EO)	OL	PRO (EO)	PV	RT (EO)
FG	0.968	–	–	–	–	–
INN (EO)	0.595	0.913	–	–	–	–
OL	0.687	0.539	0.872	–	–	–
PRO (EO)	0.688	0.637	0.640	0.898	–	–
PV	0.794	0.494	0.669	0.758	0.899	–
RT (EO)	0.602	0.491	0.603	0.533	0.584	0.814

Moreover, this study finds the proactiveness has an insignificant relationship with firm growth. This contradicts with previous studies by [Moreno and Casillas \(2008\)](#), [Altinay et al. \(2016\)](#), [Simon et al. \(2011\)](#), [Casillas et al. \(2010\)](#), [Covin et al. \(2006\)](#) and [Wang and Altinay \(2012\)](#), which stated that both variables have a relationship. Thus, the *H3e* is not supported. This is unexpected results where it is explained that has related to competitive advantage ([Zahra and Covin, 1995](#)) and ability to anticipate changes and opportunities, promote changes in firm tactics and detect future market needs ([Storey and Hughes, 2013](#)). Moreover, this construct has been extensively validated by several cross-sectional, longitudinal and even cross-country studies ([Kreiser et al., 2002](#)). However, when this variable becomes a mediating factor, it significantly affects the relationship of OL and firm growth. Thus, *H3f* is supported.

Finally, this study finds that the personal value has a significant relationship with firm growth. This aligned with the studies by [Zainol and Ayadurai \(2011\)](#), [Asah et al. \(2015\)](#), [Berson et al. \(2008\)](#), [Ling et al. \(2007\)](#), [Tomczyk et al. \(2013\)](#), [Baron \(2007\)](#) and [Lakoff \(2008\)](#) that stated the positive relationship between personal values and firm performance or in this case firm growth. Thus, *H4* is supported. Interestingly, 54.7% of the respondents are male, which probably affect the results as been stated by many authors that women and men have

Path structure	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T-statistics (O/STDEV)	P-values	Decision to hypotheses
INN (EO) → FG	0.193	0.171	0.093	2.073	0.039	Supported
OL → FG	0.171	0.118	0.139	1.233	0.218	Not supported
OL → INN (EO)	0.539	0.538	0.087	6.195	0.000	Supported
OL → PRO (EO)	0.640	0.639	0.111	5.765	0.000	Supported
OL → RT (EO)	0.603	0.598	0.092	6.528	0.000	Supported
PRO (EO) → FG	0.007	0.043	0.139	0.053	0.958	Not supported
PV → FG	0.524	0.580	0.141	3.722	0.000	Supported
RT (EO) → FG	0.094	0.062	0.092	1.022	0.307	Not supported

Table 8. Path coefficient and P-value (testing the significance of direct effects) and hypotheses

Variables	R ²
FG	0.711
INN (EO)	0.290
PRO (EO)	0.410
RT (EO)	0.363

Table 9. Determination of coefficient value

Path structure	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T-statistics (O/STDEV)	P-values	Decision to hypotheses
OL → INN (EO) → FG	0.304	0.307	0.093	3.279	0.001	Supported
OL → RT (EO) → FG	0.135	0.136	0.082	1.652	0.099	Not supported
OL → PRO (EO) → FG	0.402	0.395	0.122	3.299	0.001	Supported

Table 10. Path coefficient and P-value (testing the significance of indirect effects) and hypotheses

different value systems in entrepreneurship and management literature (Beutell and Brenner, 1986; Carter, 1989; Fagenson, 1990; Hisrich and Brush, 1986; Solomon and Fernald, 1988). This followed with the fact that 66.4% of the respondents are with bachelor and master's degrees that relate to the management profession, in which have different priorities, compare the entrepreneurial profession (Carland *et al.*, 1984; Kaish and Gilad, 1991; Timmons, 1978; Welsch and Young, 1984).

All of the variables are tested and some are aligned with previous studies while some are contradicted, which happened due to demographic factors of respondents, which give various responses compare to other studies. These results answering the stated research questions on the relationship of each factor on the firm growth and giving a solution to the research problem emerged. Importantly, the crucial role of EO as mediating variable is well-established in relation to the firm growth.

Generally, the results of this study could be used as a reference in the entrepreneurship and SMEs' studies. Each variable suggested to be used by entrepreneurs in managing their business to achieve growth, particularly they should consider a factor of EO, which indirectly affects the firm growth. This study also contributes to the knowledge and research whereby a mediating factor has been used and simultaneously tested with other justified variables to predict firm growth, which becomes the first study in the case of SMEs in Indonesia. This means that both organizational learning and personal values are have been accepted to be part of crucial factors alongside the EO in the studies related to the firm growth. With these valuable findings, the government or the policymakers should include all variables in a systematic mechanism on how to encourage the SMEs in achieving growth and could take advantage to be useful in creating strategies and long term plans in assessing the performance of SMEs, particularly in Indonesia. A comprehensive understanding by the regulators is vital on these significant factors to ensure that the business operations of SMEs are effectively undertaken, which expectedly contribute to the economic development of the country.

6. Conclusion and future research

In various countries and by many authors, this topic is an interesting topic, which always have intentions to explore it on how important the organizational learning is when it relates to the EO and the personal value toward the firm growth. The RBV is used as a common view that suggested using internal resources to achieve a superior performance. The three mediating variables also assumed to be a unique finding that can play a crucial role in both relationships. The demographic profile of this study may give other different characteristics compare to other studies.

In future research initiatives, this framework could be enriched by including the concept of dynamic capabilities or customer capital. According to Zahra *et al.* (2006), EO can facilitate the development of dynamic capabilities through leveraged recourses and learning processes. Dynamic capabilities arise from learning (Zollo and Winter, 2002; Teece *et al.*, 1997; Teece, 2007; Easterby-Smith and Prieto, 2008) that also could play an important role in explaining both the innovation and the exports outcomes of an SME. Similarly with the customer capital variable, which suggested by Jalali *et al.* (2014), Chen *et al.* (2004), Subramaniam and Youndt (2005) and Reed *et al.* (2006). Also, will consider the non-financial measure in firm performance, such as satisfaction and success, as some of the authors have warned of facing problems when using the financial measures (Neely, 1999; Carlin, 1999; Maskell, 2001; Kaplan and Norton, 1992; Murphy *et al.*, 1996; Harada, 2003; Dafna, 2008; Dess and Robinson, 1984; Fatimah-Salwa *et al.*, 2013). Finally, the research could be based on a specific sector or industry instead of dealing with heterogeneous respondents.

Note

1. <https://www.worldbank.org/en/country/indonesia/overview>

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Corresponding author

Ahmad Rafiki can be contacted at: hahmadrafiki@gmail.com