

The Influence of Organizational Learning Capability and Organizational Culture on Organizational Performance of Fruit Chips MSMEs in Batu

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Abstract: The importance of organizational learning process and adaptation of organizational culture to the improvement of organizational performance should be considered by most business actors, especially small and medium scale business actors. This study aims 1) to analyze the effect of organizational learning capability on improving the performance of fruit chips MSMEs in Batu 2) to analyze the influence of organizational culture on improving the performance of fruit chips MSMEs in Batu. The research method used in this study is quantitative approach using survey method with explanatory research. The sampling method used in this study is mixed sampling method. The types of data used in this research are primary data and secondary data. The data were analyzed using SEM method with Partial Least Square (PLS) approach and WarpPLS 5.0 software. This study was conducted on 10 MSMEs fruit chips in Batu from July 2017 until October 2017. The result of data analysis with SEM-PLS shows that organizational learning capability and organizational culture have positive but insignificant influences on MSMEs' performances. This indicates the need of improvement and conformity of learning process and adaptation to organizational culture. The innovation process can help fruit chips MSMEs to improve their organizational performances since innovation is the main key in improving performance either directly or indirectly. It is proved to have a positive and significant influence towards organizational culture and organizational culture learning ability in which the ability of learning and adaptation demanded by the owners will increase innovation in fruit chips MSMEs. Innovation has a positive and significant impact on the performance of MSMEs, in this case, if an organization can improve their innovation process in terms of technology, marketing and management, they will be able improve the performance of fruit chips MSMEs in Batu.

Keywords: OLC, Organisational Culture, Innovation, Performance of MSMEs, WarpPLS5.0, Fruit chips MSMEs, Batu City.

INTRODUCTION

Since 2016, Asean Economic Community (AEC) has provided opportunities for Indonesia to improve itself as an exporting country and increase its access to foreign markets [1]. The increase of competitiveness in product superiority and human resource improvement become the main focus that needs to be considered by business actor in Indonesia. One of them is Micro Small and Medium Enterprises (MSME).

MSMEs has an important and strategic role in national economic development. In addition to its role in economic growth and employment, MSMEs also plays a role in increasing the value of Gross Domestic Product (GDP). The contribution of micro, small and medium enterprises in Indonesia has increased the gross domestic product from 57.84 percent to 60.34 percent

and was able to improve the employment rates from 96.99 percent to 97.22 percent in the last five years [2]. The high increase in GDP value and the improvement of employment rates has prompted the government to be able to develop MSMEs in Indonesia. Business development may include business facilities and business development implementation. The central and local governments prioritize the development of micro, small and medium enterprises in various ways. This method will help MSMEs to grow so that the contribution of MSMEs can be felt and seen [2]. MSMEs that grow and develop are MSMEs with organizational learning process. Organizational learning can be defined as the ability of an organization to process its knowledge, such as the ability to create, acquire, channel and integrate knowledge, as well as to modify behaviors to reflect new cognitive situations, with the aim of developing organizational performance

[3]. Many studies suggest that organizational learning can only be done in large companies where the quality of human resources already have high standard and high quality criteria so that the organizational learning can be easily implemented, several studies mention that the organizational learning and the company's performance has a positive relationship [4-7]. On the other hand, some empirical studies also mention that organizational learning process has a positive and significant impact on organizational innovation and performance at the level of small and medium enterprises [8-12].

In addition to the importance of organizational learning capability, it is necessary that the individuals within the organization can adapt to its organizational culture. As a small-scale business, fruit chips MSMEs in Batu haven't paid much attention to its quality of human resources, how to do organizational learning and how to adapt to the culture formed in the MSMEs [13]. States that an organizational culture that is not widely supported and strongly imposed by its members will have a negative effect on the organization because it will give the wrong direction to the employees. Measurement of cultural conformity in an organization is very necessary, because it's an aspect that can influence the smoothness of organizational learning process done by employees to improve their abilities and knowledge of the newest technologies that can improve organizational performance through innovation.

LITERATURE REVIEW AND RESEARCH FRAMEWORK

Organizational learning capability can be defined as the ability of an organization to process knowledge, i.e., the ability to create, acquire, transfer and integrate knowledge and, also, to modify the behavior to reflect the new cognitive situation, with the aim at improving organizational performance [3, 12].

The ability of organizational learning is understood as the organization ability to absorb and transform new knowledge and apply it to the development of new products with competitive advantage and high production speed. It's also described as the ability to view the organization as a whole component that creates and influences them so that the organization members are able to see a bigger picture of the organization as a dynamic unity [14, 12]. Research on the influence of learning ability on organizational performance conducted by [12] shows that there is a positive and insignificant influence between Organizational learning capability on organizational performance. However, some studies by [15, 16] show that organizational learning has a significant and positive effect on organizational performance of MSMEs business units.

In addition to the organizational learning capability, the importance of adaptation to

organizational culture also plays an important role to improve organizational performance. Organizational culture is an integral part of the internal environment of the organization because of the cultural diversity that exist in an organization and the number of individuals within the organization. Each employee has their own characteristics and culture so it is possible that there will be employees who strongly impose the culture within the organization and an agreement from all the employees about the culture in the organization is needed [17].

Stated that organizational culture is a corporate culture, management culture or also known as the work culture which has dominant values disseminated within the organization and referred to as a work philosophy [18, 19].

The relationship between the influence of organizational culture and a company's performance was suggested by Kotler and Heskett [20] in his book "Corporate Culture and Performance" [13] conducted a research on 207 companies in the United States. There are four conclusions stated by Kotler and Heskett about the relationship between organizational culture and the company's performance.

has conducted a research on the relationship of organizational culture with organizational performance. The results of the study found that organizational culture and organizational performance has a positive and significant relationship. However, a study conducted by [15] stated that MSMEs in Jambi have strong cultures but there is no significant relationship in improving the performance of MSMEs. On the other hand, organizational culture is an integral part of the internal environment of the organization because of the cultural diversity that exist in an organization and the number of individuals within the organization [15]. Each employee has their own characteristics and culture so it is possible that there will be employees who strongly impose the culture within the organization and an agreement from all the employees about the culture in the organization is needed [17].

Stated that organizational culture is a corporate culture, management culture or also known as the work culture which has dominant values disseminated within the organization and referred to as a work philosophy [18, 19].

Having defined the types of models suggested by Cameron and Quinn in 1999, their relationship with innovation is now examined. First, a review of the literature that analyzes the culture values that foster innovation. There is general consensus regarding four characteristics or cultural values that enhance innovation: creativity, freedom/autonomy, a risk-taking attitude, and teamwork [21].

The influence of organizational learning process and organizational culture on organizational performance is also supported by the innovation process as a mediator to maximize the improvement of performance in an organization. In this case, innovation is an important key that play either a direct or indirect role to improve the performance.

On the other hand, the learning process in an organization also provides creativity potential of the knowledge gained in innovation so that the organization can improve performance and become an innovative organization [16]. Ellitan dan Anatan in 2009 [16], also states that the learning process in an organization that involves every individual in organizational and inter-organizational level is influenced by the organization's strategy. Companies must have willingness to learn and become an influencer since a successful organizational learning process will enhance the capabilities and capacities to become more innovative.

The implementation of organizational learning capability in an organization needs to be considered by all organization members. If the learning process of the organization has been running effectively, members in the organization can absorb and transform new knowledge and apply it to the development of new products and high production speed in order to be an innovative organization. Several studies suggested that organizational learning capability has a positive and significant influence on innovation [22, 23, 4, 24].

Innovation within an organization is necessary for cultural adaptation among fellow organization members. If the cultural adaptation runs smoothly, the employees would feel comfortable at

work and be able to create creative ideas. Previous research stated that there is a significant positive influence between organizational culture and the improvement of innovation to improve organizational performance [2, 25].

According to Ellitan dan Anatan in 2009 [16] innovation refers to the renewal of products, processes and services. Innovation is a process of creating new products, services, business processes, new ways, policies, etc. as a result of thinking and the implementation of those thoughts Ancok in 2012 [16]. There are four categories of innovation based on Tidd *et al.*, in products, processes, and services and classifies innovation into three parts: technological innovation, marketing innovation, and administrative or management innovation [26].

The dimensions of innovation are strongly intertwined with organizational performance. Organizational performance is not only budget-based (input), it also considers indirect and intangible non-financial aspects as a tangible form of overall performance accountability. Apart from the rating of the inputs, we also need to analyze the inputs and outputs, the realization of the results (outcomes) and benefits, the positive and negative impacts, and financial analysis and policy [27]. Han *et al.*, in 1998 stated that innovation affects the company's performance positively and significantly [28].

The determination of the variables and indicators based on the previous research listed in Table 1 and the conceptual framework listed in Figure 1 are as follows:

Table-1: Variable of Research

Laten Variable	Indicator	Reference
Organizational Learning Capability	<i>Clarity of Vision Mision (CVM)</i> <i>Leadership Comitment (LC)</i> <i>Experience (Ex)</i> <i>Time work & Problem Solving (TWPS)</i>	Jiménez-Jiménez& Requel [24], Goh,SC [10]; Jyothibabu, Farooq, Pradan [29].
Organizational Culture	<i>Risk Taking (RT)</i> <i>Attention of Problem detail (APD)</i> <i>Result Oriented (RO)</i> <i>Employee Orientation (EO)</i> <i>Aggressive in working (AW)</i> <i>Stability (S)</i>	O'Reilly, Chatman, and Caldwell [30], Tjahyanti [31], Tampubolon [17].
Innovation	<i>Technological innovation (TI)</i> <i>Market Innovation (MI)</i> <i>Management Innovation (IM)</i>	Sirait [16], Gomes,G and R.M Wojahn [12], García-Morales, V. J, Maria M.J, Leopoldo G [32].
Organizational Performance	<i>Financial (Fin)</i> <i>Market (Ma)</i> <i>Knowladge (Kn)</i> <i>Employee satisfaction (Es)</i>	Sirait [16], Gomes, G and R.M Wojahn [12], García-Morales, V. J, Maria M.J, Leopoldo G [32], Naranjo-Valencia, Gomes,G and R.M Wojahn [21], Keskin, H [33].

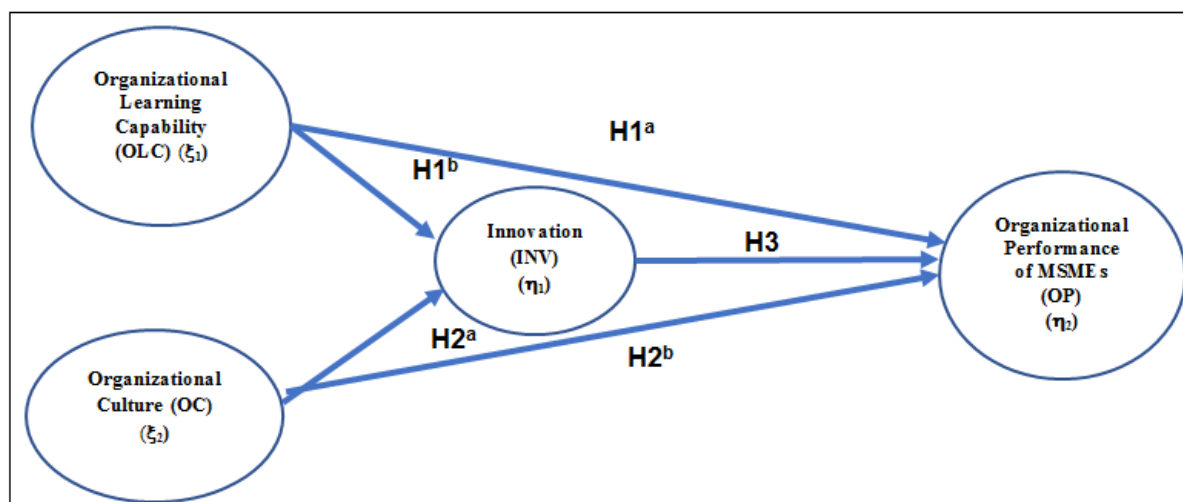


Fig-1: Research Framework

H1^a Organizational learning capability has a positive and significant impact on the performance of MSMEs

H1^b Organizational learning capability has a positive and significant effect on innovation

H2^a Organizational culture has a positive and significant influence on the performance of MSMEs

H2^b Organizational culture has a positive and significant influence on Innovation

H3 Innovation has a positive and significant impact on the performance of MSMEs

METHODOLOGY

The selection of location in this research was done using purposive sampling method. Fruit Chips MSMEs are chosen based on the reasons that there is a potential for it to be developed since fruit chips is the most popular snack from Batu. The sampling method used in this research is Mixed method sampling. this method can selecting units or case studies using probability sampling to increase external validity as well as non probability sampling to improve transferability [34]. The first step is to use stratified sampling method. The determination of sample stratum was done based on the data obtained from Department of Industry and Trade Cooperation in Batu. The second step was done using saturated sampling method. Sampling saturation method is a technique of determining the sample where all the members of the population are used as a sample [35]. The number of the samples examined in this study are 30 fruit chips MSMEs located in 3 districts in Batu. However, the survey was only done in 10 MSMEs with 80 respondents (owners and employees). The approach

used in the research is the quantitative approach because this approach has strict procedures in determining the variables. This research is classified as an explanatory research, which analyzes organizational behavior; in this case are organizational learning capability and organizational culture to the existence of innovation which affect the performance improvement of fruit chips MSMEs in Batu. The data collection method in this study was conducted in 3 ways: literature study; research questionnaire; observations and interviews. The data obtained to analyze learning ability, organizational culture, innovation and performance of MSMEs will be analyzed using Structural Equation Modeling (SEM) and WarpPLS approach.

RESULTS

The research model in Figure-2 has passed several stages of model evaluation testing (test results can be seen in Appendix 1). The results of hypothesis testing in this study can be seen in table 6 as follows:

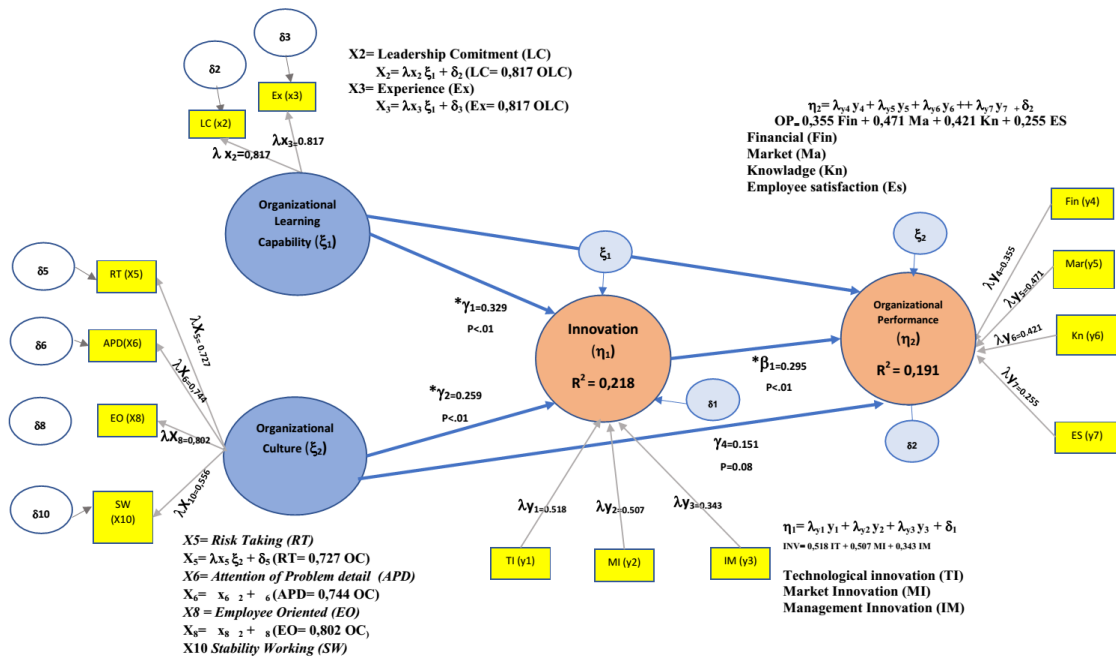


Fig-2: Model Research

Table 6: Hypotesis Result

Variable			P-value		Path Coefisien		Total effect
Exsogen	Mediation	Endogen	Direct	Indirect	Direct	Indirect	
Direct Effect							
	OLC		OP	0.101		0.138	0.138
	OLC		INV	0.001*		0.329	0.329
	OC		OP	0.081		0.151	0.151
	OC		IN	0.007*		0.259	0.259
	INV		OP	0.002*		0.295	0.295
Indirect Effect							
	OLC	INV	OP		0,004*	0.138	0.097
	OC	INV	OP		0,001*	0.151	0.077

Significant (a=5%) *, Reference : WarpPLS Data, 2017

The Influence of Organizational Learning Capability on Organizational Performance of Fruit Chips MSMEs in Batu

The influence of organizational learning capability on the performance of MSMEs has the value of loading factor (λ) equals to 0,138 and p-value of 0,101. It shows that organizational learning capability gives a positive but insignificant influence on MSMEs performance. It's ineffective to do organizational learning process in these MSMEs because of the low quality and capacity of the employees. The employees' low level of education and lack of experience affect the ability to acquire new knowledge which results in low contribution for MSMEs to improve the performance, but this problem can be minimized with innovation. The test results show that both direct and indirect influence of organizational learning capability to improve MSMEs performance through innovation have positive and significant influence. It can be concluded that even though organizational learning process wasn't done optimally, the process of continuous innovation can help improve the performance of MSMEs. stated that

the innovation process is a mediator between organizational learning capabilities to improve organizational performance. Several studies have shown that organizational learning process gives positive impact on the performance, but innovation has a special impact in mediating both of the influences [12].

The Influence of Organizational Culture on the Organizational Performance of fruit chips MSMEs in Batu

The organizational culture has a loading factor value (λ) equals to 0, 151 and p-value of 0.081. It shows that organizational culture has a positive but insignificant influence on the performance of fruit chips MSMEs in Batu. The application of organizational culture can be done to improve performance. This process is going to take time and demands a slightly different leadership. Leadership must be guided by a realistic vision of which type of culture can improve the performance [13]. This theory is in line with the result shown in this study that organizational culture doesn't give any significant influence on the performance of

MSMEs. Even though most fruit chips MSMEs in Batu have applied the organizational culture with a high kinship principle, the employees haven't paid much attention yet to the terms of regulation and understanding of mission and vision. Therefore, there is an indication that the organizational culture in fruit chips MSMEs is not suitable to improve the performance of MSMEs. However, the influence of organizational culture on the performance of MSMEs through innovation is a different case. Organizational culture is supported by the owners to improve innovation. Organizational culture application that is done based on kinship can improve internal relationships between the owner and the employees so that the process of innovation directed by owner can run smoothly and will be able to improve performance of MSMEs. It's proved by the positive and significant influence of organizational culture on the innovation improvement of fruit chips MSMEs in Batu. This statement is also supported by a research conducted by [36] which stated that a key result is how layers of organizational culture, particularly norms, artifacts, and innovative behaviors, partially mediate the effects of values that support innovation on measures of firm performance. The findings have implications for theory and practice, especially in relation to building an organizational culture within professional service firms that fosters innovative behavior that will affect the improvement of company performance.

It can be concluded that the existence of innovation is important to improve the performance of fruit chips MSMEs in Batu, either as a direct factor or a mediator of the organizational learning process and the adaptation of organizational culture. This statement is supported by OECD in 2005 [21] which defines innovation as the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations. The contribution of organizational learning capability, organizational culture and innovation in terms of improving MSMEs performance can be seen from the R- square value. The R-square value of 0.191 shows that the diversity of performance variables of MSMEs which is 19.1% of the three variables that influence the innovation variables are the variables that have the largest contribution in improving the performance of MSMEs. Stated that innovation is the key to organizational survival to improve the organization's performance. Therefore, it is necessary to increase the organizational learning ability as well as the adaptation to organizational culture in order to become an innovative organization that can improve the performance in the future [36].

DISCUSSION AND CONCLUSION

Organizational learning capability and organizational culture need to be to improve

organizational performance. This research has described how both have influences in improving the performance of fruit chips MSMEs in Batu. The conclusions of this study are as follows:

Organizational learning capability (OLC) - Performance of fruit chips MSMEs (OP)

The organizational learning capability has a direct and positive, but insignificant effect on the performance improvement of MSMEs. However, through innovation, organizational learning process can have a positive and significant impact on the performance of MSMEs. stated that organizational learning capability can encourage companies to improve their quality as innovative companies. The continued innovation process can also affect the company's performance positively [37, 38]. So the improvement of quality and promotion of organizational learning process are needed to optimize the effect of innovation on performance improvement. This study shows that organizational learning skills facilitate the innovation. Therefore, MSMEs that aim to improve performance through innovation must improve their organizational learning process. This conclusion seems very important to these small companies and to companies operating in volatile environments [24, 12]. Therefore, it is necessary to improve the quality of MSME owners both in terms of getting more experiences through trainings or strengthening the commitment between employees and owners of MSMEs.

Organizational Culture (OC)- Performance of fruit chips MSMEs (OP)

Organizational culture has a positive but insignificant effect on the performance improvement of MSMEs directly. However, organizational culture has an indirect, positive and significant impact on improving the performance of MSMEs through innovation. Organizational culture in fruit chips MSMEs isn't suitable to improve the performance of MSMEs because the organizational culture application isn't able to improve performance of MSMEs. There is no strict fruit chips production targets and production schedule. However, it can be improved with the innovation in MSMEs. Innovation is proven to be able to optimally improve MSMEs performance. Supported by the organizational culture application based on kinship, close relationships among the employees of MSMEs can be established. The innovation process that has been done based on the owner's ideas can be delivered properly to employees. Improvements on organizational culture application in fruit chips MSMEs can be done by increasing cultural orientation to the employees in the form of open communication, constructive criticism and suggestions from the owner and vice versa. This is supported by research conducted by [36] which stated that a key result is how layers of organizational culture, particularly norms, artifacts, and innovative behaviors, partially mediate the effects of

values that support innovation on measures of firm performance. The findings have implications for theory and practice, especially in relation to building an organizational culture within professional service firms that fosters innovative behavior that will affect the improvement of company performance.

MANAGERIAL IMPLICATIONS

From the conclusions based on the results of the research, there are some suggestions from the author:

- The delivery of information and knowledge can be adjusted to the capacity and ability of employees as well as the opportunity to representative employees to attend trainings so that they will be able to contribute actively to the development of MSMEs.
- Experienced and committed leaders are also needed to optimize the improvement of organizational learning abilities among MSMEs.
- When hiring new employees, future MSME owners are expected to pay more attention to their educational attainment, so that the process of organizational learning and organizational culture adaptation will run smoothly.
- Future MSME owners should pay attention to the suitability of organizational culture applied to the organization, so that it can have a positive effect on the MSMEs performance. Organizational culture adjustments can be done by improving the relationship between owners and employees both in terms of equalization of perception, two-way communication relationship and the job description based on the ability of each employee. It is also necessary to calculate the risks, to learn how to do detailed problem solving and how to pay attention to employee stability.
- Improvements in MSMEs management, such as financial reports, short-term and long-term targets, and employee evaluation.
- Maintaining the standard quality of products set by the government such as halal food, certification from BPOM, etc.
- Establishing active communication between owners and employees in terms of exchanging information for the development of MSMEs.
- Establishing communication with the government in terms of exchanging information for the development of MSMEs.

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Appendix 1

Evaluation of Outer Model

a. Reflective Outer Model

1) Organisational Learning Capability(OLC)

Table-2: Rule of Thumb Organisational Learning Capability(OLC)

Rule of Thumb Organisational Learning Capability(OLC)	Value
Indicator Reliability	Loading Factor: - Leadership Commitment (LC) = 0,871 - Experience (Ex)= 0,871 (accept if 0,6-0,7)
Internal Consistency Reliability	Composite Reliability (pc): -0,801 (accept if >0,7)
Convergent Validity	AVE= 0,668 (accept if >0,5)
Discriminant Validity	Accept if AVE square root > Correlation between latent variables(Accepted)

2) Organisational Culture (OC)

Table-3: Rule of Thumb Organisational Culture (OC)

Rule of Thumb Organisational Culture (OC)	Value
Indicator Reliability	Loading Factor: - Risk Taking (RT) = 0,727 - Attention of Problem detail (APD) = 0,744 - Employee Orientation (EO) = 0,802 - Stability (S) = 0,556 (accept if 0,6-0,7 and 0,5-0,6 summing of indicator 3-7)
Internal Consistency Reliability	Composite Reliability (pc): -0,803 (accept if >0,7)
Convergent Validity	AVE= 0,508 (accept if >0,5)
Discriminant Validity	Accept if AVE square root > Correlation between latent variables (Accepted)

3) Formative Outer Model**1) Innovation (INV) and Organisational Performance of MSMEs (OP)****Table-4: Innovation (INV) and Organisational Performance of MSMEs (OP)**

Variabel Laten	Indikator	Loading Factor	SE	P value	Collinearity (VIF)
Innovation (INV)	TI	0.518	0.096	<0.001*	1.216
	MI	0.507	0.096	<0.001*	
	IM	0.343	0.101	<0.001*	
Organisational Performance of MSMEs (OP)	Financial	0.355	0.100	<0.001*	1.059
	Market	0.471	0.097	<0.001*	
	Knowledge	0.421	0.098	<0.001*	
	Employee Satisfaction	0.255	0.103	0.008**	

Evaluation of Inner Model**Table-5: Value of R-square Coefficient**

Laten variable	R ²	Effect size (f ²)		
		OLC	OC	INV
Innovation (INV)	0,218	0,130	0,088	
Organisational Performance of MSMEs (OP)	0,191	0,024	0,050	0,117
$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2)$ $Q^2 = 1 - (1 - 0,218) (1 - 0,191)$ $= 1 - (0,782) (0,809)$ $= 1 - 0,632$ $= 0,367$				

Reference : WarpPLS data, 2017