THE IMPACT OF STRATEGIC ORIENTATION, MARKET ORIENTATION, AND ENTREPRENEURIAL ORIENTATION ON CORPORATE INNOVATION IN SMES: THE ROLE OF ORGANIZATIONAL LEARNING

Hery Haryanto[1], Octavianus[2]
heryharyanto@uib.edu[1], 2241143.octavianus@uib.edu[2]
Universitas Internasional Batam

Abstract

This study investigates the impact of strategic orientation, market orientation, and entrepreneurial orientation on corporate innovation among Indonesian SMEs, with organizational learning serving as a mediating variable. Using a quantitative survey design, data were collected from 261 SME owners and managers in Batam and the Riau Islands—regions recognized for their dynamic entrepreneurial ecosystems. The results indicate that market orientation has the most significant positive effect on corporate innovation, while strategic and entrepreneurial orientations also show positive but weaker direct effects. However, the mediating role of organizational learning was found to be statistically insignificant across all orientation paths, suggesting that many SMEs have yet to institutionalize learning as a systematic mechanism for innovation. These findings reinforce the importance of developing a strong market-oriented culture and structured learning systems to enhance innovation capability. The study contributes to the Knowledge-Based View (KBV) and Dynamic Capabilities theory by emphasizing the enabling role of learning processes in transforming strategic intent into innovation performance, offering both theoretical insights and practical implications for SME competitiveness in emerging economies.

Keywords: *Strategic Orientation, Market Orientation, Entrepreneurial Orientation, Organizational Learning, Corporate Innovation, SMEs, Indonesia.*

INTRODUCTION

Although small and medium enterprises (SMEs) dominate the economic structure in developing countries, including Indonesia, their contribution to innovation is still relatively low. In the ASEAN region, SMEs account for more than 97% of total business actors and absorb the majority of the workforce (ASEAN SME Policy Index, 2022). However, this quantitative dominance has not been accompanied by adequate innovative capabilities. Most SMEs face obstacles such as limited access to capital, low quality human resources, and minimal adoption of technology and structured research systems (Moreira et al., 2024; Indriyani et al., 2025). As a result, the ability of SMEs to produce sustainable innovation is limited. Data from the Central Statistics Agency (BPS, 2023) shows that less than 30% of SMEs in Indonesia are actively innovating products or processes on an ongoing basis. This indicates a gap between growing market opportunities and the organization's internal capabilities to respond adaptively. Unlike large companies that have research and development (R&D) divisions, most SMEs have not been able to translate strategic orientation or market dynamics into real innovative advantages (Durak, 2024). In the rapidly evolving business landscape of developing countries, small and medium-sized enterprises (SMEs) are recognized as critical drivers of innovation, employment, and economic resilience. In Southeast Asia, including Indonesia, SMEs account for more than 97% of all business entities and significantly contribute to GDP growth and job creation (ASEAN SME Policy Index, 2022). However, despite their strategic role, SMEs in these regions face persistent challenges ranging from limited access to capital and skilled labor, to difficulties in keeping pace with technological advancements and global market competition.

One pressing issue confronting SMEs in emerging economies like Indonesia is their limited capacity for firm-level innovation—that is, the ability to systematically develop new

products, improve processes, or adopt novel business models to maintain competitiveness. Unlike large corporations that often benefit from formalized R&D departments, innovation funding, and established knowledge management systems, many SMEs operate without such structures, relying instead on informal or ad-hoc approaches to innovation (Moreira et al., 2024). This absence of a coherent innovation framework hampers their ability to respond effectively to changing market demands. According to a 2023 survey by Badan Pusat Statistik (BPS), only 12.8% of Indonesian SMEs engaged in product innovation, 9.1% in process innovation, and less than 5% reported adopting new business models or organizational methods in the past three years. These figures underscore a substantial innovation gap and suggest that most SMEs lack the institutional mechanisms, such as dedicated innovation teams, cross-functional collaboration routines, or structured feedback systems, that are essential for sustainable innovation.

Recognizing these limitations, the academic literature has increasingly emphasized the importance of strategic orientation, market orientation, and entrepreneurial orientation as key antecedents of firm-level innovation (Keelson et al., 2024; Sulistyo, 2020). Although often discussed together, these orientations represent distinct strategic logics. Market orientation reflects an external focus, prioritizing customer needs, competitor intelligence, and market responsiveness (Hojnik & Ruzzier, 2023). In contrast, strategic orientation emphasizes long-term positioning and alignment, guiding firms to configure internal resources in response to environmental dynamics. Meanwhile, entrepreneurial orientation highlights an opportunity-driven mindset, encouraging risk-taking, innovativeness, and proactivity (Gomes, 2022).

Rather than viewing these orientations as independent levers, recent studies argue that their interplay shapes a firm's innovation trajectory. However, much of the existing research remains centered on large corporations or firms in developed economies (Hojnik & Ruzzier, 2023), offering limited insight into how these orientations function under the resource constraints typical of SMEs in developing countries. Moreover, the majority of studies treat these orientations as direct drivers of innovation, often overlooking the internal mechanisms that mediate their effectiveness.

To address this theoretical gap, this study proposes an integrated framework in which strategic, market, and entrepreneurial orientations influence innovation outcomes indirectly through organizational learning. As SMEs often lack formal structures for knowledge management, their ability to transform strategic intent into innovation depends heavily on their learning capacity. Organizational learning is thus positioned as the critical internal process that enables SMEs to absorb, interpret, and integrate external and internal knowledge into actionable innovation practices.

Organizational learning is defined as a firm's ability to acquire and apply knowledge, is particularly vital for SMEs that lack formal R&D infrastructure. In resource-constrained environments, learning functions as a substitute mechanism to foster innovation. Instead of relying on expensive innovation systems, many SMEs in Indonesia leverage market feedback, peer collaboration, and trial-and-error to improve products and services. For instance, several culinary SMEs in Batam, after experiencing initial failure in product launches, adapted by collecting informal customer input via social media and community groups, eventually refining their offerings to better match local tastes. Such learning processes enhance strategic flexibility and responsiveness, enabling SMEs to innovate despite structural limitations (Durak, 2024; Azeem et al., 2021). Thus, in the SME context, organizational learning acts not only as a capability but also as a critical bridge connecting strategic insight with practical innovation outcomes.

This study proposes organizational learning as a mediating variable that transforms strategic intent and market responsiveness into concrete innovation outcomes. In SMEs, where formal structures and R&D units are often absent, learning becomes a critical internal

mechanism for translating orientations into adaptive innovation. Without robust learning routines—such as feedback loops, knowledge integration, or experimentation—the strategic potential of entrepreneurial initiatives or market insights may remain untapped.

Despite its conceptual relevance, the mediating role of organizational learning remains underexplored, particularly in the context of SMEs in developing economies. As noted by Haseeb et al. (2023), most innovation studies in emerging markets still emphasize direct linear relationships, overlooking the cognitive and absorptive processes that facilitate innovation. Similarly, Gomes (2022) and Hojnik & Ruzzier (2023) highlight the lack of attention to internal learning mechanisms in studies involving SMEs, especially outside of high-income countries. This represents a critical research gap, considering that many SMEs in Indonesia and other Southeast Asian nations operate without institutionalized knowledge systems.

Theoretically, this study contributes to the Knowledge-Based View (KBV) by positioning organizational learning as the capability that enables knowledge assets, derived from strategic, market, and entrepreneurial orientations, to be assimilated and operationalized into innovation outcomes. It also intersects with the Dynamic Capabilities perspective (Teece, 2007), where learning acts as the foundation for sensing, seizing, and transforming in response to environmental shifts. By empirically testing this mediating role, particularly within Indonesian SMEs, this research aims to enrich existing theory while providing practical insight into how learning can compensate for structural limitations in innovation processes.

Therefore, the objective of this research is to examine how strategic orientation, market orientation, and entrepreneurial orientation influence corporate innovation, with organizational learning as a mediating variable, specifically in the context of Indonesian SMEs. By focusing on SMEs in Batam and the Riau Islands key economic zones with dynamic trade and SME activity this study captures a representative view of innovation challenges and enablers in developing regions.

This study aims to examine how strategic orientation, market orientation, and entrepreneurial orientation influence firm-level innovation in SMEs, with organizational learning acting as a mediating variable. By focusing on SMEs in Indonesia—a representative context of developing economies, this research seeks to understand the internal mechanisms that enable or constrain innovation capabilities in resource-limited settings.

This study contributes to the literature by developing and empirically testing an integrated framework that links strategic, market, and entrepreneurial orientations to innovation performance through organizational learning. Theoretically, it extends the Knowledge-Based View (KBV) by positioning organizational learning as a core capability that enables SMEs to internalize and apply strategic insights for innovation. It also reinforces the Dynamic Capabilities perspective, highlighting learning as a process that underpins the firm's ability to sense, seize, and transform opportunities into competitive advantage. Practically, this study offers actionable insights for SME practitioners and policymakers on how to strengthen innovation through internal learning systems. As Indonesia pursues its 2030 digital and innovation-based economy roadmap, fostering organizational learning in SMEs becomes essential for enhancing adaptability, competitiveness, and long-term sustainability.

HYPOTHESIS DEVELOPMENT

The Influence of Strategic Orientation on Corporate Innovation in MSMEs

From a theoretical standpoint, strategic orientation reflects a firm's deliberate efforts to align internal resources with external environmental conditions in pursuit of long-term goals. This aligns with the Strategic Fit perspective, which posits that optimal performance arises

when firms synchronize their capabilities with external opportunities. In parallel, the Dynamic Capabilities Theory (Teece, Pisano, & Shuen, 1997) emphasizes the need for firms, particularly those in dynamic markets—to continuously sense, seize, and reconfigure resources to adapt and innovate effectively.

Within this theoretical framework, strategic orientation in the context of micro, small, and medium enterprises (MSMEs) can be understood as the ability to set forward-looking objectives, scan the environment, and translate strategic insight into actionable innovation. This concept involves not only long-term planning but also proactive responsiveness to change and resource alignment for innovation-driven growth (Komarudin, 2021). It becomes particularly relevant for MSMEs facing heightened uncertainty, where strategic clarity can help navigate limited resources and intense market competition.

As a variable, strategic orientation is hypothesized to drive innovation by serving as an overarching managerial logic that shapes innovation behavior. Firms that exhibit strong strategic orientation tend to embed innovation as part of their broader positioning strategy rather than treating it as a one-off initiative. For example, Fatima (2023) found that MSMEs in the technology-based services sector in Indonesia that practiced proactive strategic planning were significantly more likely to adopt digital tools, develop new service models, and improve customer value propositions.

Empirical findings support this view. A study by Sutrisno et al. (2024) on MSMEs in the Indonesian agro-industrial sector revealed that firms with high levels of strategic orientation demonstrated better innovation performance, particularly in developing value-added products and entering new niche markets. Likewise, Ismail and Daud (2019) reported that strategic clarity and market foresight significantly influenced the innovation output of export-oriented MSMEs in Southeast Asia, underlining the importance of strategic orientation in volatile environments.

In addition, strategic orientation fosters resilience in the face of uncertainty. Darsana et al. (2023) highlight that firms with strong strategic orientation tend to be more agile and better equipped to manage environmental risks. This agility enhances their willingness and ability to innovate under uncertain conditions, ensuring not only survival but also competitive positioning. In this sense, strategic orientation enables MSMEs to remain consistent in long-term goals while adapting resource use in response to dynamic market conditions, thereby facilitating product or process innovation that channels organizational efforts toward continuous innovation.

In summary, strategic orientation plays a foundational role in MSME innovation by shaping how firms align their long-term goals with external realities, build adaptive capabilities, and transform strategic insights into innovative products, services, and processes. By combining strategic fit and dynamic capabilities perspectives, this study frames strategic orientation not merely as a planning tool, but as a strategic engine for sustained innovation and competitiveness in volatile and resource-constrained environments.

H1: Strategic orientation has a positive influence on corporate innovation in MSMEs.

The Influence of Market Orientation on Corporate Innovation in MSMEs

Market orientation refers to a firm's capability to systematically gather, interpret, and respond to market intelligence, especially regarding customer needs, preferences, and competitor behavior—by developing offerings that align with dynamic market conditions. For micro, small, and medium enterprises (MSMEs), this capability is especially critical due to limited internal resources and their heightened reliance on market responsiveness for survival and growth.

From a theoretical perspective, Market-Based View (MBV), as conceptualized by Narver and Slater (1990), positions market orientation as a form of organizational culture that emphasizes coordinated intelligence generation, dissemination, and responsiveness to

create superior customer value. This framework has evolved in recent years to accommodate rapid environmental change, where responsiveness and adaptability become vital elements of innovation (Slater, Hult, & Olson, 2021).

In the context of Indonesian MSMEs, market orientation has proven essential during periods of volatility, such as the COVID-19 pandemic and the acceleration of digital transformation. During these phases, many MSMEs successfully pivoted their offerings—adopting online channels, redesigning products for home-based consumption, or engaging more directly with customers via social media platforms. For instance, Nurpratama (2024) found that digitally active MSMEs in the retail and food sectors were more agile in identifying shifting consumer behaviors and innovating their delivery models to retain customer loyalty.

Moreover, empirical studies (e.g., Saputra, 2024) emphasize that market-oriented MSMEs are more adept at sensing subtle changes in consumer expectations and translating them into relevant product innovations. This capability substitutes for formal R&D by embedding continuous learning and feedback loops into everyday operations. A recent study by Sutrisno et al. (2024) on MSMEs in the tourism sector further revealed that firms with strong market orientation were more likely to co-create value with customers, leading to more personalized and sustainable innovations.

Thus, market orientation in MSMEs should be viewed not merely as a marketing strategy, but as a strategic innovation capability. It empowers small firms to convert real-time market knowledge into adaptive responses, driving innovation even in uncertain environments. These insights lead to the following hypothesis:

H2: Market orientation has a positive influence on corporate innovation in MSMEs.

The Influence of Entrepreneurial Orientation on Corporate Innovation in MSMEs

Entrepreneurial orientation (EO) refers to a firm's strategic posture characterized by innovativeness, proactiveness, and risk-taking (Lumpkin & Dess, 1996). In the context of micro, small, and medium enterprises (MSMEs), EO becomes particularly salient due to the high degree of environmental uncertainty and the limited organizational slack these firms face. EO is not innovation itself, but a behavioral tendency that guides how firms identify and exploit entrepreneurial opportunities. It functions as a precursor or enabler that shapes the likelihood, direction, and intensity of innovation output.

The mechanism through which EO influences innovation is multifaceted. First, innovativeness, as a core dimension of EO—reflects the firm's internal culture and commitment to pursuing new ideas, experimenting with novel solutions, and supporting creativity (Nurpratama, 2024). However, it is important to distinguish this from innovation as an outcome; innovativeness reflects willingness and orientation, whereas innovation itself requires implementation and market validation.

Second, risk-taking enables MSMEs to pursue uncertain but potentially high-reward ventures, such as adopting emerging technologies or entering untested markets. Yet, this behavior entails a critical trade-off: unlike large firms, MSMEs face tighter financial constraints, and overextending resources on failed innovations may threaten survival. Dewanti (2022) notes that MSMEs with moderate risk orientation—those that balance opportunity pursuit with resource discipline, tend to achieve more sustainable innovation outcomes. Therefore, effective EO in MSMEs demands calibrated boldness, not recklessness.

Third, proactiveness ensures that MSMEs are not merely reactive to market changes but can anticipate trends and act ahead of competitors. This forward-leaning posture accelerates opportunity recognition and market shaping. As shown in a study by Amirahesti (2024), MSMEs with strong proactive behavior were able to realign their product strategies

more swiftly during post-pandemic recovery, leading to faster time-to-market and greater customer retention.

Empirical research confirms the strategic value of EO in the MSME context. For instance, Sutrisno et al. (2024) found that EO significantly influenced product innovation among craft-based MSMEs in Yogyakarta, especially when coupled with informal market feedback and localized experimentation. This highlights that EO alone is not sufficient—it must interact with internal learning processes and market insight to yield meaningful innovation.

In sum, entrepreneurial orientation acts as a behavioral driver that fosters innovation potential in MSMEs, but its effectiveness is contingent on the firm's ability to manage resource limitations and translate entrepreneurial tendencies into actionable strategies. This leads to the following hypothesis:

H3: Entrepreneurial orientation has a positive influence on corporate innovation in MSMEs.

The Role of Organizational Learning as a Mediating Variable

Organizational learning (OL) in MSMEs refers to the dynamic, ongoing process through which firms acquire, assimilate, transform, and apply knowledge to improve their innovation capacity. In resource-constrained environments, such as those typically faced by MSMEs in developing economies, OL serves not only as a mechanism for adaptation but also as a strategic capability that compensates for the absence of formal R&D structures (Ratiyah, 2021; Aji, 2024). Firms with a strong learning orientation are more agile in capturing market signals, translating experiences into actionable knowledge, and implementing process or product innovations.

The mediating role of OL can be conceptually grounded in the Knowledge-Based View (KBV), which emphasizes knowledge as a core resource for innovation and competitive advantage. Under this view, OL acts as the transformation mechanism, bridging the gap between external stimuli and internal capabilities. For example, strategic orientation may provide long-term direction, market orientation captures external demands, and entrepreneurial orientation reflects internal drive. However, without a learning system to integrate, reinterpret, and act upon this information, the innovative potential of these orientations may not materialize.

This logic is further refined by Absorptive Capacity Theory (Cohen & Levinthal, 1990), which breaks the learning process into stages: recognizing the value of new knowledge to assimilating it to applying it. In MSMEs, this implies that strategic inputs (e.g., market trends or entrepreneurial initiatives) serve as input variables, which are processed through organizational learning (e.g., feedback loops, experimentation, knowledge sharing), resulting in innovation outputs such as product refinement or business model adaptation. This input → process → output pathway constitutes the core of the mediation mechanism.

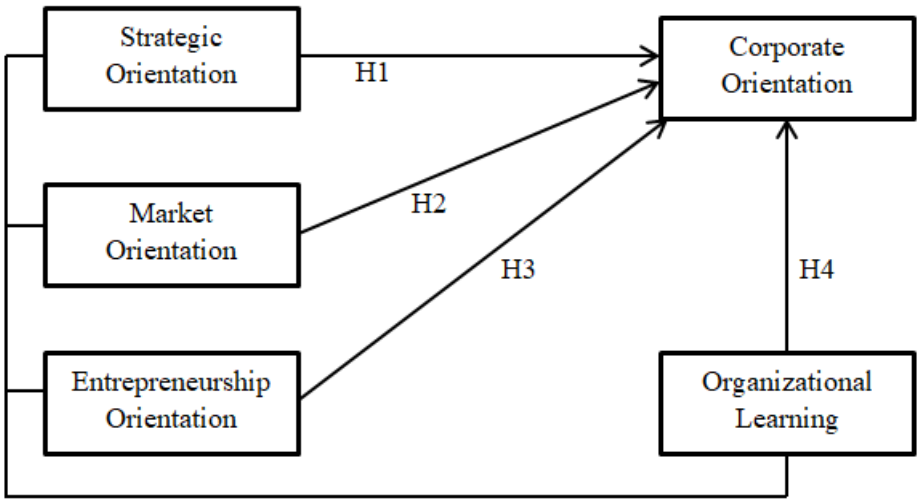
Empirical evidence supports this theoretical integration. Aji (2024) demonstrated that learning-intensive MSMEs in Indonesia were more successful in converting risk-based entrepreneurial actions into product differentiation strategies. Similarly, Pramono et al. (2023) found that organizational learning mediated the relationship between market orientation and innovation performance among manufacturing MSMEs in Central Java, with knowledge-sharing culture as a key enabler. These findings confirm that OL not only enhances innovation directly, but also amplifies the influence of other strategic orientations by converting abstract strategic intent into operational decisions and innovative practices.

Thus, OL plays a dual role in the innovation process: as a direct enabler and as a mediator that explains how strategic, market, and entrepreneurial orientations translate into tangible innovation. In the MSME context, especially in Indonesia—this mediating role is

crucial for leveraging scarce resources and ensuring strategic adaptability. Consequently, this study posits the following hypothesis:

H4a: Organizational learning mediates the relationship between strategic orientation and corporate innovation.
H4b: Organizational learning mediates the relationship between market orientation and corporate innovation.
H4c: Organizational learning mediates the relationship between entrepreneurial orientation and corporate innovation.

Kerangka Konseptual



RESEARCH METHODS

Types of research

This research is a quantitative research that uses a survey approach. This approach is used to test the relationship between strategic orientation, market orientation, entrepreneurial orientation, organizational learning, and corporate innovation in MSMEs (Kurniawati, 2025). Quantitative research was chosen because it allows systematic testing of hypotheses using numerical data that can be analyzed using statistical methods (Siroj, 2024).

Research Object

The object of this research is MSMEs operating in sectors that have the potential to innovate, such as manufacturing, technology, and service industries. These MSMEs were chosen because they often face major challenges in terms of resources and competitive advantage, so the ability to innovate becomes a determining factor in their sustainability. In addition, selected companies must have been operating for at least two years and engaged in product or service innovation activities.

In this study, the final questionnaire was used to measure various variables that can influence corporate innovation in MSMEs, by referring to various relevant indicators based on previous research. Some of the variables tested include strategic orientation , market orientation , entrepreneurial orientation , organizational learning , and corporate innovation . Each of these variables is described in several indicators designed to clearly describe the conditions and practices applied in the MSMEs studied.

This questionnaire is designed to collect data on how companies manage their long-term strategies, how they understand market needs, the extent to which companies dare to take risks to adopt new ideas, and the extent to which companies implement a learning

culture to support innovation. These indicators allow for an in-depth assessment of how each aspect contributes to sustainable corporate innovation. The expected respondents in this study are the owners or managers of MSMEs who are directly involved in making strategic and operational decisions for the company. The criteria used to determine the object of the study are as follows:

1. Gender
   Filtering respondents based on gender, considering the different roles of men and women in strategic decision making in the context of MSMEs.
2. Age group
   Determining the age of respondents that is relevant to company management so that the information obtained is more representative for research purposes.
3. Educational level
   Assessing the level of education of respondents to understand how much influence formal knowledge has on strategic orientation and innovation in MSMEs.
4. Work
   Ensuring that respondents have a role in decision-making related to strategic orientation and product innovation within the company.
5. Residing in a certain area
   Ensure that respondents are located in a specific area that is relevant to the research, so that the data obtained is more in line with the context to be researched.
6. Income per month
   Helps to determine whether the scale of revenue is related to the ability of MSMEs to implement innovations and strategies that support company growth.

FINAL QUESTIONNAIRE

NO	VARIABLE	INDICATOR	
1.	Strategic Orientation (Solikahan, 2018)	SO 1	The company has clear long-term planning.
		SO 2	The company's market strategy is designed to respond quickly to market changes.
		SO 3	Companies actively manage and utilize resources to gain competitive advantage.
		SO 4	A company's strategic decisions always focus on achieving long-term vision and goals.
2.	Market Orientation (Astuti, 2022)	MO 1	Companies routinely collect relevant market information.
		MO 2	Companies actively respond to changing customer needs and preferences.
		MO 3	Companies develop new products or services that suit market trends and needs.
		MO 4	Companies always conduct analysis to understand customer behavior and needs.
3.	Entrepreneurship Orientation (Astuti, 2022)	EO 1	Companies are prepared to take risks in the face of market uncertainty.
		EO 2	The company is actively exploring new opportunities despite uncertain market conditions.
		EO 3	Companies focus on innovation to maintain competitiveness despite limited resources.
		EO 4	The courage to innovate and try new ideas is part of the company culture.
4.	Organizational Learning (Matthews, 2017)	OL 1	The company has effective mechanisms for sharing knowledge and experience among employees.
		OL 2	The company supports the development of skills and knowledge through training and continuing education.
		OL 3	Organizational learning is considered an important element

			to enhance innovation in companies.
		OL 4	Companies integrate knowledge gained from various sources to support the development of new products or services.
5.	Corporate Innovation (Pan, 2024)	CI 1	The company develops new products that suit market needs.
		CI 2	The company's business processes are continuously improved to increase efficiency and competitiveness.
		CI 3	Companies adopt new technologies to improve the quality and competitiveness of products and services.
		CI 4	Corporate innovation involves intensive research and development to create products or services that are different from competitors.

Through this questionnaire, it is expected to find patterns and relationships between strategic orientation, market, entrepreneurship, and organizational learning towards innovation carried out by MSMEs. The results of this questionnaire will be the basis for analyzing factors that contribute to innovation and sustainability of MSMEs in facing increasingly competitive market challenges.

RESULTS AND DISCUSSION

RESULTS

Based on Table 2 regarding the characteristics of respondents, it is known that the number of respondents involved in the study consisted of 261 people with a relatively balanced gender composition, namely 125 men (48%) and 136 women (52%). This shows good gender representation, which is important to ensure diverse perspectives in data collection. In terms of age, the majority of respondents were in the 20-30 year range, as many as 134 people (51%), which shows that most respondents came from the productive age group who were active professionally and academically. The next age group was 31-40 years (21%), followed by 41-50 years (15%), while respondents under 20 years old were only 12%, and those over 50 years old were very few, namely 0% (1 person), which shows low involvement of the older generation in this study.

In terms of education level, most respondents have a higher education background, namely 42% are bachelor's degree graduates (S1) and 31% are diploma graduates (D3/D4), while master's degree graduates (S2) only cover 5%, and high school/vocational school graduates as much as 22%. These data indicate that the majority of respondents have adequate academic backgrounds to understand and answer the questionnaire critically. In terms of employment, respondents are dominated by private employees (39%), followed by entrepreneurs (37%), and students (24%), which reflects the diversity of professional backgrounds that can enrich the research results.

In terms of monthly income, the largest category is respondents with income below IDR 4,600,000 (31%), followed by the category of IDR 4,601,000 – IDR 10,000,000 (26%) and IDR 10,000,001 – IDR 15,000,000 (23%). Meanwhile, respondents with income above IDR 20,000,000 are only 6%, indicating that most respondents come from the lower middle economic group. This demographic composition is important for understanding the socio-economic context of respondents, especially in assessing the strategic orientation, entrepreneurship, and innovation of small and medium enterprises.

Table 2. Characteristics of respondents

Characteristics		Frequency	Percent
Gender	Man	125	48%
	Woman	136	52%
Age	<20	32	12%
	>50	1	0%
	20 - 30	134	51%
	31 - 40	54	21%
	41 - 50	40	15%
Education	Diploma (D3/D4)	80	31%
	Master (S2)	14	5%
	Bachelor degree)	110	42%
Work	High School/Vocational School Student	57	22%
	Private employees	62	24%
	Self-employed	103	39%
		96	37%
Monthly Income	< Rp. 4,600,000.00	81	31%
	> Rp. 20,000,000.00	16	6%
	Rp. 10,000,001.00 - Rp. 15,000.0	60	23%
	Rp. 15,000,001.00 - Rp. 20,000.0	35	13%
	Rp. 4,601,000.00 - Rp. 10,000.00	69	26%

Measurement Model (outer model)

Table 3. Validity Test Results

Variables	Item	Outer Loading	AVE	Information
Corporate Innovation	CI1	0.903	0.749	Valid
	CI2	0.887		
	CI3	0.804		
Entrepreneurship Orientation	EO1	0.779	0.716	Valid
	EO2	0.875		
	EO3	0.854		
	EO4	0.873		
Market Orientation	MO1	0.843	0.725	Valid
	MO2	0.825		
	MO3	0.888		
	MO4	0.850		
Organizational Learning	OL1	0.928	0.875	Valid
	OL2	0.917		
	OL3	0.958		
	OL4	0.938		
Strategic Orientation	SO3	0.874	0.798	Valid
	SO4	0.912		

Based on Table 3 regarding the results of the validity test, it can be explained that all constructs in this study have met the criteria for convergent validity. Convergent validity is evaluated through the outer loading and average variance extracted (AVE) values. According to Hair et al. (2019), an indicator is said to be valid if it has an outer loading value of more than 0.70 and a construct is said to be convergently valid if it has an AVE value above 0.50. For the Corporate Innovation variable, three indicators (CI1, CI2, and CI3) show outer loading values of 0.903, 0.887, and 0.804, respectively, with an AVE value of 0.749. This shows that these indicators are valid in measuring their constructs. Furthermore, the Entrepreneurship Orientation variable also shows good validity. Four indicators (EO1 to EO4) have outer loading values ranging from 0.779 to 0.875, and an AVE value of 0.716. This shows that the indicators are strongly correlated to the constructs they represent. The Market Orientation variable consists of four indicators (MO1 to MO4) with outer loadings ranging from 0.825 to 0.888, and an AVE value of 0.725, which means it meets the convergent validity requirements according to Hair et al. (2019). For the Organizational Learning variable, the indicators (OL1–OL4) have very high outer loadings, ranging from 0.917 to 0.958, and an AVE value of 0.875. These values indicate that the Organizational Learning construct is very good at explaining its variables and has a very strong correlation between items. Finally, in the Strategic Orientation variable, there are two indicators used, namely SO3 and SO4, with outer loadings of 0.874 and 0.912 respectively, and an AVE value of 0.798. These values also indicate that this construct is valid. Overall, all constructs and indicators in the model have met the requirements for convergent validity, because outer loading > 0.70 and AVE > 0.50 (Hair et al., 2019). Thus, the measurement model in this study can be said to be feasible and valid in measuring each variable.

Table 4. Reliability Test Results

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Information
Corporate Innovation	0.832	0.839	0.900	Reliable
Entrepreneurship Orientation	0.867	0.870	0.910	Reliable
Market Orientation	0.874	0.877	0.913	Reliable
Organizational Learning	0.952	0.952	0.965	Reliable
Strategic Orientation	0.748	0.763	0.887	Reliable

Based on Table 4 regarding the results of the reliability test, it can be concluded that all variables in this study have met the construct reliability criteria. The reliability test was carried out by considering three main measurements, namely *Cronbach's Alpha, Composite Reliability* (rho_a), and Composite Reliability (rho_c). According to Hair et al. (2019), the Cronbach's Alpha and Composite Reliability values are considered adequate if the value is more than 0.70. This value indicates that the indicators in each construct have good internal consistency in measuring the variables in question. The Corporate Innovation variable has a Cronbach's Alpha value of 0.832, rho_a of 0.839, and rho_c of 0.900. These three values exceed the threshold of 0.70, so this construct is categorized as reliable. For the *Entrepreneurship Orientation variable, the Cronbach's Alpha* value was recorded at 0.867, the rho_a value was 0.870, and the rho_c was 0.910. All of these values indicate high internal consistency and state that this construct is reliable. The Market Orientation variable also shows very good reliability results, with a Cronbach's Alpha of 0.874, a rho_a of 0.877, and a rho_c of 0.913. Thus, this construct is also declared reliable. The Organizational Learning variable even shows very high reliability, with *Cronbach's Alpha* and rho_a both at 0.952, and a rho_c of 0.965. These values indicate that the instrument used is very reliable in measuring the construct. Meanwhile, the Strategic Orientation variable has a Cronbach's Alpha value of 0.748, rho_a of 0.763, and rho_c of 0.887. Although the Cronbach's Alpha

value is at the recommended lower limit, these values still indicate that this construct is still in the reliable category (Hair *et al.* , 2019). Thus, all variables in this research model can be said to have good reliability because they have met the requirements for Cronbach's Alpha and Composite Reliability values> 0.70. This shows that the instrument used is consistent and reliable in measuring the variables studied.

Hypothesis Test

Table 5. Booststrapping Test Results

XY	Original sample (O)	T statistics (|O/STDEV|)	P values	Conclusion	information
Strategic Orientation -> Corporate Innovation	0.151	2,719	0.007	Significant Positive	H1 Accepted
Market Orientation -> Corporate Innovation	0.421	5,770	0,000	Significant Positive	H2 Accepted
Entrepreneurship Orientation -> Corporate Innovation	0.238	2,167	0.030	Significant Positive	H3 Accepted
Strategic Orientation -> Organizational Learning -> Corporate Innovation	0.021	1,452	0.146	Not Significant	H4 Rejected
Market Orientation -> Organizational Learning -> Corporate Innovation	0.002	0.245	0.807	Not Significant	H5 Rejected
Entrepreneurship Orientation -> Organizational Learning -> Corporate Innovation	0.087	1,559	0.119	Not Significant	H6 Rejected

DISCUSSION

H1: Strategic Orientation → Corporate Innovation (Significant Positive)

The test results show that strategic orientation has a significant positive effect on corporate innovation with an *original sample value of* 0.151, *t-statistic* 2.719, and *p-value* 0.007. This finding supports previous statements in the literature that strategic orientation helps companies, including MSMEs, to prepare long-term plans and direct resources to be adaptive to environmental changes (Fatima, 2023; Komarudin, 2021). In addition, this orientation allows MSMEs to act proactively in responding to market dynamics and channeling strategies into innovative activities. This is in line with the Dynamic Capabilities theory (Teece et al., 1997) which states that strategic orientation helps companies sense and respond to innovation opportunities systematically.

H2: Market Orientation → Corporate Innovation (Significant Positive)

Market orientation has the strongest influence on corporate innovation with a coefficient of 0.421, *t-statistic* 5.770, and *p-value* 0.000. These results reinforce previous findings that companies that are able to capture market needs and respond to customer changes will create relevant innovations faster (Narver & Slater, 1990; Slater et al., 2021). In the context of MSMEs in Indonesia, this approach is very important because they do not have formal R&D. Therefore, market orientation functions as a substitute for structural innovation through adaptation based on customer feedback and competitor observations (Saputra, 2024; Nurpratama, 2024).

H3: Entrepreneurial Orientation → Corporate Innovation (Significant Positive)

Entrepreneurial orientation also showed a significant positive effect on corporate innovation (coefficient 0.238, *t-statistic* 2.167, *p-value* 0.030). This shows that the courage to take risks, being proactive in facing change, and commitment to innovation play a major role in driving the innovation orientation of MSMEs (Amirahesti, 2024). Although previously found several cases of EO failed to trigger innovation due to lack of resources (Dewanti, 2022), this study shows that, at least in the sample used, EO still makes a positive contribution to corporate innovation.

H4: Strategic Orientation → Organizational Learning → Corporate Innovation (Not Significant)

The mediation path from strategic orientation through organizational learning to corporate innovation is not significant (coefficient 0.021, t-statistic 1.452, p-value 0.146). These results indicate that although strategic orientation has a direct effect on innovation, it is not strongly mediated by organizational learning. This is likely due to the weak formal learning capacity among MSMEs, such as the lack of a knowledge management system or explicit practices in integrating strategic information into the innovation process (Aji, 2024).

H5: Market Orientation → Organizational Learning → Corporate Innovation (Not Significant)

This path is also not significant (coefficient 0.002, t-statistic 0.245, p-value 0.807). Although market orientation has a strong direct effect on innovation, these results imply that the organizational learning process has not become the main link. This can happen because in MSME practice, many decisions are taken intuitively or spontaneously, without going through a structured organizational learning mechanism (Pramono et al., 2023).

H6: Entrepreneurial Orientation → Organizational Learning → Corporate Innovation (Not Significant)

The mediation path from entrepreneurial orientation through organizational learning to corporate innovation is also not significant (coefficient 0.087, t-statistic 1.559, p-value 0.119). These results reinforce the view that high EO without a strong learning system often produces unfocused or poorly documented ideas. In the context of resource-limited MSMEs, the courage to experiment will not produce sustainable innovation if it is not supported by a systematic learning and evaluation process (Durak, 2024; Ratiyah, 2021).

Conclusion And Suggestions

Based on the results of the analysis and discussion, it can be concluded that strategic orientation, market orientation, and entrepreneurship orientation directly have a significant effect on corporate innovation in MSMEs. Market orientation has the most dominant influence, indicating that understanding market needs and responding to external dynamics are the main drivers of innovation in the MSME sector. Meanwhile, strategic orientation and entrepreneurship orientation also contribute significantly, indicating the importance of strategic direction and entrepreneurial spirit in driving corporate innovation. On the other hand, the results show that organizational learning is not able to significantly mediate between the three types of orientation and corporate innovation. This indicates that the organizational learning process among MSMEs is still not optimal in supporting the transformation of ideas into structured innovation.

Based on these findings, the suggestions that can be given are: (1) MSMEs need to increase their market orientation capacity through simple consumer research and observation of competitor trends so that innovation is more relevant to market needs; (2) strengthening strategic orientation needs to be followed by concrete and targeted implementation capabilities, for example through medium-term business planning and sustainable value creation; (3) the entrepreneurial spirit of MSME actors must be supported by managerial training and access to market information so that the courage to take risks does not become speculative; and (4) the development of organizational learning needs to be encouraged, for example through knowledge documentation, evaluation of business experience, and the formation of a learning culture so that innovation can be developed sustainably. The government and MSME supporting institutions are expected to provide digital and community-based learning platforms that encourage knowledge transfer between business actors.

CONCLUSION

Three hypotheses are found to be significantly supported in this study based on the findings of hypothesis testing: corporate innovation is significantly boosted by strategy orientation, market orientation, and entrepreneurial orientation. Market orientation has the most impact among them, emphasizing how crucial it is for SMEs to comprehend consumer demands, industry trends, and competitive dynamics as major sources of innovation. However, organizational learning did not play a statistically significant role in moderating the relationship between corporate innovation and entrepreneurial, market, and strategic orientations. SMEs in Batam and the Riau Islands exhibit strong strategic and entrepreneurial intent, but it appears that they have not yet established organized learning processes that convert these orientations into innovation outcomes. According to the study's overall findings, market orientation is the primary driver of corporate innovation, while organizational learning, while theoretically significant, has not yet proven to be an effective mediating mechanism in the context of SMEs. These results highlight the necessity of creating learning systems that encourage strategic and entrepreneurial endeavors and reflect the inadequate formal learning infrastructure seen in SMEs.

Implication

The results of this study provide several practical implications:

1. Market developments, competitive activity, and consumer preferences should all be regularly observed by SMEs. Product and process innovation should be guided by market insights to make up for the lack of official R&D divisions.
2. Companies must implement structured learning practices, such as knowledge-sharing platforms, feedback systems, and internal training. Learning will be able to act as a link between strategic planning and the implementation of innovations as a result.
3. Daily learning and operational procedures should incorporate strategic and entrepreneurial objectives. When systematic knowledge collection and evaluation are included into entrepreneurial endeavors, innovation becomes sustainable.

Suggestion

Based on the results and findings of the study, here are some suggestions that can be given:

1. Policy Makers should offer mentorship and training programs for SMEs with a focus on market intelligence, organizational learning, and knowledge management. Encourage digital platforms that help SMEs from all industries collaborate and learn from one another.
2. Future research is advised to: To increase generalizability, future research could increase the sample size across different industries and geographical areas. The relationship between orientation and innovation may potentially be better explained by other mediating factors, such as innovation culture, absorptive aptitude, or technological capabilities, which researchers may investigate. SMEs may be better able to understand how learning processes are implemented through qualitative or mixed-method techniques. Further research is recommended to use a larger sample or a different industry sector, in order to reinforce the generalization of the findings and explore other mediating variables that may be more effective, such as culture of Orientation or technology support.

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