

## The Influence Between Entrepreneurial Orientation and Organization Performance: Role-Playing Organization and Competitive Advantage as a Mediation Variable

Kadarusman, Surachman, Eka Afnan Troena and Kusuma Ratnawati  
Faculty of Economic and Business, University of Brawijaya, Malang, Indonesia

**Abstract:** This research aims to examine and analyze the influence of entrepreneurial orientation on performance of organizations with learning organization and competitive advantage as variable mediation in creative industries sub field of fashion in East Java. The design of this research belongs to the quantitative research that is expected to test the influences between variables. Research variables measured using a questionnaire on 100 companies that distributed to firms in the creative industry sub field of fashion that was in Malang Raya. The data processing is done using Smart Partial Least Square (SmartPLS). Research findings show that the learning organization proved to be variable intervening or mediating variable that links the entrepreneurial orientation with organizational performance with the nature of mediation is partial, so, too the competitive advantage is the variable of mediation influence both but with the absolute nature of mediation. The study also confirms that in order to achieve superior performance organizations must be able to apply entrepreneurial orientation with the always innovating good product, process, service is always proactive mapun in the face of environmental changes and likely to dare take the risk to do activities that are possible outcomes are difficult to predict. Creative Insdutri is loaded with creativity and innovation to the company mengharuskan membri space to member organizations to undertake continuous learning and development. Theoretical research is expected to enrich and complement the Treasury of knowledge in the field of management science theory related to particular resources based view. The increasing understanding of the entrepreneurial orientation is expected to let the organization to continue to learn to expect can increase the prominence of the competition that ultimately can improve organizational performance.

**Key words:** Creative industry, entrepreneurial orientation, learning organization, competitive advantage, organization performance, management

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### INTRODUCTION

In such a fierce competitive environment and business environment conditions that tend to fluctuate strategic steps required to win the competition, so, the company can maintain or even improve its performance. Therefore, organizations must be proactive in the face of environmental change, able to create innovative ideas and dare to take risks in conducting organizational activities that are difficult to imitate by competitors in order to maintain and even improve its performance (Teece, 2010).

Organizations that are able to improve and even maintain their performance in a volatile environment should seek to restructure and optimize their resources through the development of new business strategies and platforms based on the availability of new market opportunities (Grande *et al.*, 2011). The success of the company is greatly influenced by the corporate strategy that is reflected in the company's strategy orientation. The company's strategy orientation includes market

orientation, learning orientation, technology orientation and entrepreneurial orientation which is a company resource that can be used as a means of achieving company goals (Liu *et al.*, 2011). Meanwhile according to Stam and Elfring (2008) orientation strategy is a resource that is identified as a determinant of superior performance for the company.

One of the strategic orientations that are the company's resources is reflected in the entrepreneurial orientation strategy (entrepreneurial orientation) (Stam and Elfring, 2008). The entrepreneurial orientation is a form of strategic orientation that encourages attitudes to be very proactive to the opportunities that arise in the market (proactiveness) to be tolerant of risk (risk taking) and to be easy to accept innovation (Innovativeness) in order to achieve organizational goals ( Lu *et al.*, 2010).

Entrepreneurial Orientation (EO) is a process, practice and decision-making activity that leads to new entries by creating new products or entering new markets (Lumpkin and Dess, 1996), consisting of three dimensions:

proactiveness, innovativeness and risk-taking (Covin and Slevin, 1991; Miller and Friesen, 1982). Entrepreneurial Orientation (EO) is a series of interrelated activities used to identify new opportunities (Lumpkin and Dess, 1996). Meanwhile Rauch *et al.* (2009) state that Entrepreneurial Orientation (EO) is a policy and practice that provides the basis for entrepreneurial decisions and actions.

Entrepreneurial Orientation (EO) can be seen as a process of making entrepreneurial strategies and key decision makers used to set organizational goals, maintain vision and create competitive advantage, consisting of proactiveness, innovativeness and risk-taking (Covin and Lumpkin, 2011; Covin and Slevin, 1989, 1991).

Proactiveness becomes an important dimension in Entrepreneurial Orientation (EO) as it leads to an advanced perspective followed by new activities and new business activities (Lumpkin and Dess, 1996).

Proactive is an act of identifying opportunities for new markets that enable companies to anticipate the opportunities quickly to gain profit as first mover and capture very high entrepreneurial profits (Wiklund and Shepherd, 2005). The company's ability to expand its capacity through new opportunities and make it a successful product on the market will improve business performance (Mauludin *et al.*, 2013). Innovativeness is a company's tendency to engage and support new ideas, novelty, experimentation and creative processes that can lead to new products, services or technology processes (Lumpkin and Dess, 1996). Innovativeness refers to creativity, experimentation, novelty, technology leadership both in introducing products and processes (Lyon *et al.*, 2000). With innovation the company has a tendency to engage and support new ideas, novelty, experiments and creative processes that can create new products, new services or new technological processes. New products, services and processes are the strength to win the competition on the market that currently exists and be used as a means to enter new markets. Innovation capabilities are expected to capture emerging opportunities and avoid threats coming in, the ability to anticipate the direction and nature of market changes, the ability to tolerate risk, so as to enhance the company's performance.

Risk-taking is a willingness to implement projects that have a high risk of failure and unknown outcomes (Lumpkin and Dess, 1996). Risk taking is used to describe the uncertainty that follows entrepreneurial behavior. Entrepreneurial behavior involves the lion's share of resource investment for projects vulnerable to failure (Kraus *et al.*, 2012). Courage risks leading companies to dare to face uncertainty as opposed to crippling fear. The advantage or success of the company compared to other companies in the face of competition in a dynamic environment is determined by the resources owned by the

company. Based on a Resource Based View (RBV), a company is a collection of valuable and strategic resources both tangible and intangible that bring added value to the company (Barney, 1991). The company's resources include all the assets, capabilities, organizational processes and corporate attributes as well as company-controlled knowledge that allows companies to implement strategies to improve efficiency and effectiveness (Barney, 1991).

Resources Based View (RBV) theory assumes that the success of the company is largely determined by intangible resources including human resources, strategy, expertise and capabilities (Bakar and Ahmad, 2010). Resources can only be a source of competitive advantage if they do not work independently but must be exploited in a business process mix. Barney (1991) states that in order for a company to achieve superior performance, the company's resources must be Valuable, Rare, Inimitable and Non-substitutable (VRIN).

Conceptually, it can be explained that the higher level of Entrepreneurial Orientation (EO) can improve company performance (Covin and Slevin, 1991; Wiklund and Shepherd, 2003). Rauch *et al.* (2009), Ferreira and Azevedo (2007), Smart and Conant (1994) show a positive relationship between Entrepreneurial Orientation (EO) and organizational performance. While GT Lumpkin and Dess (1996) argue that the volatile environment becomes a significant moderator in the relationship between entrepreneurship orientation and organizational performance. Entrepreneurial influence positively and indirectly indirectly to innovation and competitive advantage (Lee and Chu, 2011).

Competitive advantage directly influences organizational performance (Kamukama *et al.*, 2011; Tuan and Yoshi, 2010) Some researchers examined the relationship between Entrepreneurial Orientation (EO) and the organization's performance was not significant (Li *et al.*, 2005; Messersmith and Wales, 2013; Slater and Narver, 2000; Stam and Elfring, 2008). A study by Tang *et al.* (2008) showed that the relationship between Entrepreneurial Orientation (EO) and original performance is not linear but curvilinear.

## **Library research**

**Entrepreneurial orientation with organization performance:** Research on entrepreneurship is not new but some studies use different terms to describe the concept of entrepreneurship as Miller and Friesen (1982) describe, entrepreneurship companies are companies that try to gain competitive advantage by innovating routinely and dramatically and simultaneously dare to take risks. In the rapidly changing environment resulting from the lifecycle of products and business models becoming increasingly short, the future earnings flow from the

operations of the company becomes uncertain, requiring an effort to seek new opportunities continuously. The search for new opportunities in a dynamic environment requires the role of entrepreneurial orientation. Entrepreneurial Orientation (EO) is a process, practice and decision-making activity that leads to new entries (Lumpkin and Dess, 1996), consisting of three dimensions: proactiveness, innovativeness and risk taking (Covin and Slevin, 1989; Kreiser *et al.*, 2002). Some studies show that businesses that adopt entrepreneurial orientation perform better than firms that do not adopt entrepreneurial orientation (Covin and Slevin, 1989; Wiklund and Shepherd, 2003, 2005) while other studies show a low relationship between entrepreneurial orientation and firm performance (Lumpkin and Dess, 2001; Rauch *et al.*, 2009; Zahra, 1993). The difference is possible because there is still a difference about the concept of performance.

Performance is a multidimensional concept and the relationship between EO and performance will largely depend on the indicators used to assess performance (Lumpkin and Dess, 1996). Size performance depends on the researcher and the general measure of performance is divided into two parts, namely financial performance and non-financial performance. Financial performance data can be derived from financial data based on accounting records and financial perceptions data. Sedangkan non-financial data based on non-financial perceptions. The results by Kraus *et al.* (2012) shows that there is no real difference between the relationship between entrepreneurial orientation with perceptions of financial performance and financial data as well as with non financial perceptions.

#### **Entrepreneurial orientation with competitive**

**Advantage:** Resource-based views suggest that resources are a key determinant of competitive advantage and superior performance especially related to valuable and expensive attributes of resources and capabilities to imitate (Barney, 1991; Ray *et al.*, 2004). Some studies support the importance of resource-based views (Grant, 1991; Tuan and Mai, 2012; Tuan and Yoshi, 2010). If these resource-based strategies can be well formulated and implemented can enhance the company's competitive advantage (Ismail *et al.*, 2012). Entrepreneurial orientation is an orientation strategy that is also part of corporate resources that is expected to increase the company's competitive advantage, if the planning and application of entrepreneurial orientation strategy can be well managed it is expected to increase the company's competitive advantage. Based on the above, it can be formulated hypothesis as follows:

- H<sub>1</sub>: entrepreneurial orientation has a positive and significant impact on the company's competitive advantage

#### **Competitive advantage with organization performance:**

According to Porter (1985) a competitive advantage is the ability to get a consistent return on investment above the industry average. Meanwhile according to Barney (1991) states that competitive advantage can be achieved, if the company implements a value creation strategy that at the same time is not done by current competitors or potential competitors. In addition Barney (1991) also states that competitive advantage is an internally controlled asset strategy enabling companies to formulate and implement strategies to achieve efficiency and effectiveness.

Competitive advantage and performance are frequently used constructs in turn but according to Newbert (2008) they are different constructs. Competitive advantage is the concept of enterprise strategy implementation that is not done by current competitors through cost reduction, exploitation of market opportunities and efforts to neutralize threats from competitors (Barney, 1991) while performance is the result obtained by the company as a result of strategy implementation (Teece and Pisano, 1994):

- H<sub>2</sub>: competitive advantage has positive and significant influence on organization performance

#### **Entrepreneurial orientation with learning orientation:**

The orientation of corporate strategy including market orientation, learning, technology and entrepreneurial orientation are corporate resources that can be used as a means of achieving company goals (Liu *et al.*, 2011). Ferreira *et al.* (2011), Ferreira and Azevedo (2007) states that resource-based views are a force that can be used to formulate and implement a strategy, so that, resources are the main competencies for formulating and implementing strategies. Entrepreneurial orientation is an organizational strategy that allows companies to act proactively and innovative in the face of changing external environmental conditions and always dare to face the risk of doing activities that are likely to be unknown results, so that, every individual in the organization has the same views in the face of environmental change (Covin and Lumpkin, 2011).

Learning organization is an organization that facilitates learning from all members and continuously in transforming themselves (Marquardt, 2002). Learning organization plays an important role in improving organizational performance because learning organizations always update their resources and

capabilities in accordance with the demand of internal and external environment conditions. The organization as a collective entity requires a better understanding of how organizational learners engage in entrepreneurial activities in order to improve performance.

The entrepreneurial entrepreneur opens space for individuals within the organization to continue learning in order to align organizational goals, organizational business processes with environmental change (Wang, 2008; Zhao *et al.*, 2011). So, it can be expected that a proactive, innovative and risk-taking organization can facilitate individuals within the organization to continue learning:

- H<sub>3</sub>: Entrepreneurial Orientation (EO) has a positive and significant effect with the Learning Organization (LO)

**The influence between learning organizational with competitive advantage:** Learning organization evolved from the 1980-2000's in order to find new resources to create corporate competitive advantage in the face of global environmental change (Kofman and Senge, 1993). The main competence of a company lies in its ability to act in a superior way in dealing with competitors and the way it can be achieved is through the ownership and use of specialized knowledge in various stages of business processes which are not owned or can not be easily copied by the company. Therefore, the development of learning organizations represents the challenges and needs of the modern enterprise. Kofman and Senge (1993) states that learning organizations are vehicles to maintain competitiveness in the 21st century, so that, organizations have a unique capacity that includes skills and knowledge, organization and coordination of various activities and utilize its assets.

Unique capacity has several requirements including: to contribute disproportionately to superior value enable organizations to offer value to customers more cost-effectively excel with competitors difficult to duplicate competitors and can be applied to various competitive situations (Mauludin *et al.*, 2013). Learning organization makes the existing individuals in the organization continue to learn and continuously make adjustments to environmental changes conditions to improve organizational performance.

Organizational learning produces behavioral changes that can improve the ability of organizations in the face of competition. Individual and organizational learning becomes a resource difficult to imitate by other companies, so as to differentiate with other companies, so

that, learning companies can build or maintain competitive advantage in competitive, dynamic and uncertain environments (Djonlagic *et al.*, 2013). The ability of the organization to continue to learn is an effort to empower employees to provide experience to every employee to continue to work with business partners and other external parties that can create competitive advantage that ultimately can improve the organization performance (Aly, 2016):

- H<sub>4</sub>: learning Organization (LO) has a positive and significant influence with the company's Competitive Advantage (CA)
- H<sub>5</sub>: learning Organization (LO) has positive and significant effect with Organizational Performance (OP)

**The influence of entrepreneurial orientation on corporate performance and the role of learning organization and competitive advantage as a mediation variable:** Several studies have shown results with a significantly positive relationship between entrepreneurial orientation and firm performance (Rauch *et al.*, 2009; Wiklund and Shepherd, 2003, 2005). While some studies on the relationship between entrepreneurial orientation and organizational performance are not statistically significant (Li *et al.*, 2005, 2008; Stam and Elfring, 2008). Entrepreneurial orientation is part of the orientation corporate strategy. Strategy strategy is one of intangible corporate resources. Thus, Entrepreneurial Orientation (EO) is the enterprise resource that becomes the main input in improving organizational capability.

Entrepreneurial Orientation (EO) refers to a company's strategic orientation, capturing specific aspects of entrepreneurship and decision-making styles, methods and practices (Wiklund and Shepherd, 2003). EO refers to the process of creating a strategy that provides the basis for the organization for decision making and entrepreneurial action. Entrepreneurial Orientation (EO) is rooted in the literature of the stratification process. Strategy determination is an entire organizational phenomenon that incorporates planning, analysis, decision making and many aspects of organizational culture, value systems and missions (Hart, 1992):

- H<sub>6</sub>: learning Organization (LO) and Competitive Advantage (CA) mediates the influence between Entrepreneurial Orientation (EO) and Organization Performance (OP)

**MATERIALS AND METHODS**

This research was conducted in creative industry sub-field of fashion in East Java. Questionnaires were collected as many as 186 respondents. Unobserved variables were done through measurement scale of reflective indicator by using Likert scale technique. The entrepreneurial orientation constructs are measured in 3 dimensions, namely Innovativeness, risk taking and proactiveness in which each dimension is measured by 3 items, so that, there are a total of 9 items (Covin and Slevin, 1989, 1991; Covin and Lumpkin, 2011).

Competitive advantage constructs are measured by 10 items (Porter, 1985) and organizational performance is measured by 9 items (Zhao *et al.*, 2011; Li *et al.*, 2009). The analysis used Partial Least Square Structural Equation Model (PLS SEM) with SmartPLS 2.0 Software where variable entrepreneurial orientation was analyzed by second order while competitive advantage and organizational performance with first order.

**Findings**

**Assessment of the measurement models**

**Reliability test:** Research instruments should be evaluated to have internal consistency reliability that is measures through composite reliability and Cronbach’s alpha. Based on Table 1, the composite reliability indicated values >0.6 are generally acceptable. The Cronbach’s alpha measure for the majority of the construct was above 0.7. The Cronbach’s alpha can be considered as the lower bound and the composite reliability as the upper bound of the true internal consistency reliability. The convergence validity of the Average Variance Extracted (AVE) are distributed more than 0.50 indicated that all the constructs satisfy the convergent validity criterion.

Table 1: Cronbach alpha, composite reliability and AVE

Variables	Cronbach’s alpha	rho A	Composite reliability	AVE
CA	0.897	0.903	0.915	0.522
EFFII	0.788	0.800	0.877	0.705
GROW	0.707	0.713	0.837	0.633
INN	0.824	0.824	0.895	0.740
LO	0.873	0.885	0.902	0.569
PRO	0.781	0.789	0.873	0.698
PROF	0.765	0.765	0.864	0.680
RIS	0.604	0.602	0.791	0.557

Table 2: Fornell Larcker test result

Variables	CA	EFFII	GRW	INN	LO	PRO	PROF
CA	0.722						
EFFII	0.551	0.839					
GROW	0.576	0.763	0.795				
INN	0.479	0.400	0.328	0.860			
LO	0.475	0.411	0.267	0.265	0.754		
PRO	0.602	0.366	0.349	0.706	0.357	0.835	
PROF	0.510	0.673	0.643	0.407	0.345	0.420	0.825

**Discriminant validity:** The second approach for evaluating research instrument is the discriminant validity that tested by Fornell Larcker methods and the Heterotrait Monotrait ratio (HTMT). The Fornell Larcker criterion suggests that the square root of AVE must be greater than the correlation of the construct with all other constructs in the structural model. Based on Table 2, the values shown that the square root of AVE tends to be greater than the cross of correlation of the construct with all other constructs in the structural model, therefore, it can be conclude that the research instrument is valid discriminant.

The last testing evaluation procedure is based on discriminant validity assessment through Heterotrait Monotrait ratio (HTMT) test as recommended by Henseler *et al.* (2015). The HTMT is the average Heterotrait-monotrait correlations relative to the average Monotrait-Heterotrait correlations. Hence, monotrait heteromethod correlations represent correlations of indicators measuring the same construct.

Heterotrait-heteromethod are correlations of indicators across constructs measuring different phenomena. HTMT values close to 1 is indicated lack of discriminant validity. The threshold value is considered close to 0.85. The constructs in the study satisfy the discriminant validity assessment on the basis of HTMT.

**Assessment of the structural model:** The value indicates the strength of model prediction (goodness-fit of the model) whereas Q<sup>2</sup> has the same meaning as R<sup>2</sup>. Q<sup>2</sup> values can be calculated with the following equation:

$$Q^2 = 1 - (1 - R_{21})(1 - R_{22})$$

$$Q^2 = 1 - (1 - 0.461)$$

$$(1 - 0.399)(1 - 0.399)$$

$$(1 - 0.119) = 0.706$$

**Table 3: Discriminant validity assessment through Heterotrait-monotrait ratio**

Variables	EFFI	GROW	INN	LO	PRO	PROF
GROW	<b>1.019</b>					
INN	<b>0.494</b>	<b>0.430</b>				
LO	<b>0.491</b>	<b>0.331</b>	<b>0.308</b>			
PRO	<b>0.464</b>	<b>0.472</b>	0.880	0.418		
PROF	0.857	0.868	0.515	<b>0.415</b>	<b>0.544</b>	
RIS	<b>0.591</b>	<b>0.573</b>	<b>1.049</b>	<b>0.366</b>	<b>1.024</b>	<b>0.562</b>

Bold values are significant values

**Table 4: R<sup>2</sup> and Q<sup>2</sup>**

Variables	R <sup>2</sup>	Q <sup>2</sup>
Competitive Advantage (CA)	0.461	0.706
Organization Performance (OP)	0.399	
Learning Organization (LO)	0.119	

The value shows a large enough value, so, it can be concluded that the model has the power for the prediction (goodness of fit) (Table 3 and 4).

## RESULTS AND DISCUSSION

In testing this hypothesis is used direct relationship between entrepreneurial orientation with organization performance and the effect of mediation that appear on the results of SmartPLS as presented in Fig. 1 and Table 5 as follows. The first hypothesis test based on the result of inner model analysis of the direct effect between Entrepreneurial Orientation (EO) to Competitive Advantage (CA) is indicates the parameter value of 0.517 with statistical t value of 9.4. The value of t-statistics 9.4 is greater than the value of t 0.05 with p<5%, means that the direct influence between entrepreneurial orientation and competitive advantage is positive and significant. The resulting positive effect means that the higher the level of Entrepreneurial Orientation (EO) will increase the Competitive Advantage (CA) and the lower the Entrepreneurial Orientation (EO), the lower the Competitive Advantage (CA).

Companies that tend to be innovative in managing resources, proactive in the face of environmental change and risk-taking tend to become first mover. Firstly, mover means being the first in developing both products, processes and services and being proactive rather than reactive in responding to environmental changes as well as bold acting even though the likelihood of success is relatively small.

Companies in this industry rely on creativity that must always be innovative in the face of environmental changes and dare to take action, so that, the company can improve its performance.

Testing of the second hypothesis, based on the results of inner model analysis to determine the direct effect of Competitive Advantage (CA) on the Organization Performance (OP) shows the value of direct influence of 0.563 with a t-statistics of 9.054. The value of

**Table 5: Path coefficient and analysis result of direct effect statistical test**

Variables	Original sample	t-stats	p-values	Discription
CA->OP	0.563	9.054	0.000	Support
EO->CA	0.517	9.400	0.000	Support
EO->LO	0.345	5.214	0.000	Support
LO->CA	0.297	4.527	0.000	Support
LO->OP	0.124	2.021	0.044	Support

**Table 6: The indirect effect test result**

Values	Original sample (O)	t-stats	P-values	Discription
EO->CA	0.103	3.020	0.003	Support
EO->OP	0.391	7.149	0.000	Support
LO->OP	0.167	4.343	0.000	Support

9.05 is greater than the value of t-statistics 1, 96 ( $\alpha = 5\%$ ), meaning that the direct influence between Competitive Advantage (CA) and Organization Performance (OP) is significant and positive. The resulting effect is positive which means that the higher level of Competitive Advantage (CA) will increase the Organization Performance (OP) and the lower the Competitive Advantage (CA) the lower the Organization Performance (OP).

Testing of the thirds hypothesis, the results of inner model analysis to determine the direct influence between Entrepreneurial Orientation (EO) to Learning Organization (LO) can be seen in the total effect Table 6 showing the value of direct influence of 0.345 with t-statistics of 5.214. The value of 5, 214 is greater than t-table of 1.96 ( $\alpha = 5\%$ ), meaning that the direct influence between Entrepreneurial Orientation (EO) and Learning Organization (LO) is significant and positive. The effect is positive, meaning that the higher level of Entrepreneurial Orientation (EO) will improve the Learning Organization (LO) and the lower the Entrepreneurial Orientation (EO), the lower the Learning Organization (LO).

Companies that are innovative, proactive in the face of environmental change and companies that tend to take risks tend to facilitate the learning of organizations and collective learning well. The company will study continuously integrated and in line with the job design, so that, organizational competence is linked to a systematic and sustainable learning environment.

Ongoing learning enables organizational members to gain productive reasoning skills to express their abilities and views. Innovative, risk-tolerant and proactive companies in the face of environmental change tend to be flexible and tend to give individuals and eams the

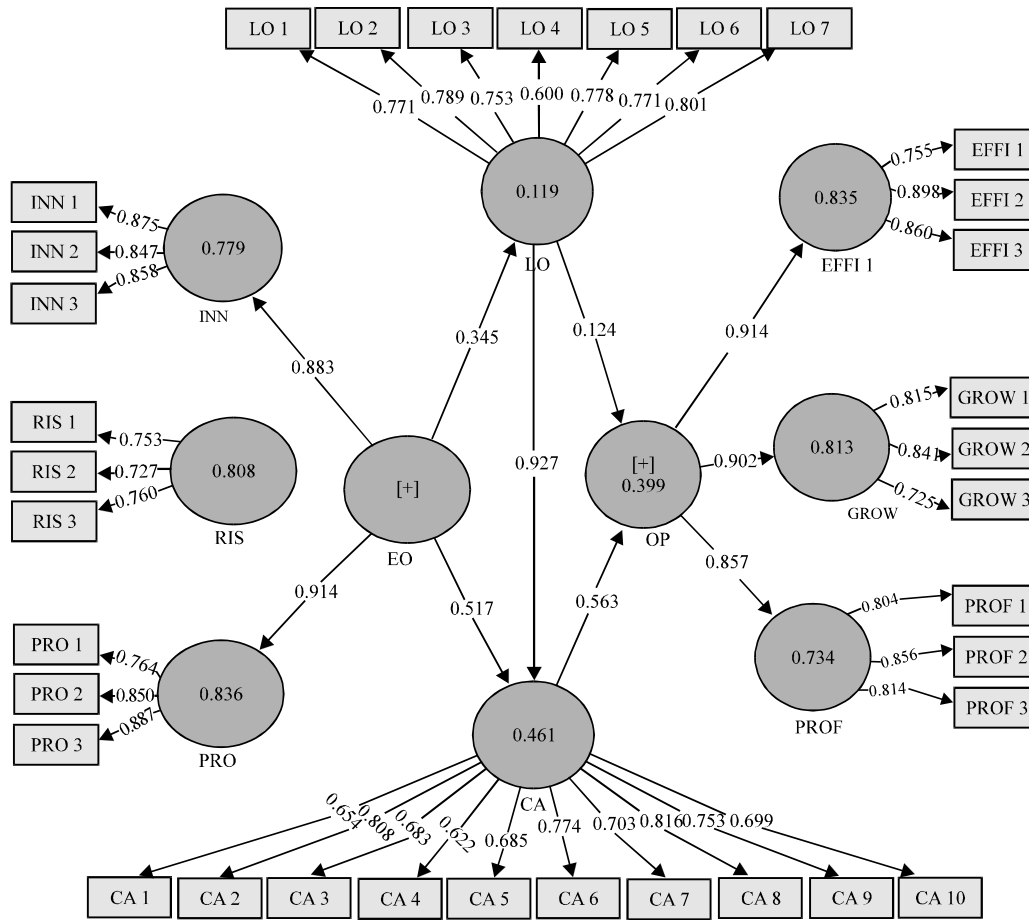


Fig. 1: Path relation between entrepreneurial orientation and organization performance

freedom to develop creativity that tends to eliminate authoritarian structures. The flexibility of employee oriented organizations tends to also allow the members of the organization to engage in learning and measure and assess the efforts made by the members of the organization in the learning process. Every member of the organization is also involved in organizing and implementing a shared vision, each member of the organization having responsibilities at all levels of decision-making. Organizations also encourage each member to take the initiative in completing their work, so that, they can assess the risks themselves. The entrepreneurial entrepreneur opens space for the individual-individuals within the organization to continue learning in order to align organizational goals, organizational business processes with environmental change. The findings of this research result are in line with the findings of the research (Wang, 2008; Zhao *et al.*, 2011). Testing of the fourth hypothesis, the results of inner model analysis to determine the direct

influence between Learning Organization (LO) to Competitive Advantage (CA) shows the value of direct influence of 0.297 with a t-statistical value of 4.527 is > 1.96 ( $\alpha = 5\%$ ) means that the influence direct between Learning Organization (LO) with Competitive Advantage (CA) is significant and positive. Influence is positive which means that the higher level of Learning Organization (LO) will increase the Competitive Advantage (CA) and the lower the Learning Organization (LO) will also lower the company's Competitive Advantage (CA). Companies should always seek new resources to build and maintain competitive advantage in highly competitive, dynamic and uncertain environments (Djonlagic *et al.*, 2013). Individual and organizational learning becomes a resource difficult to imitate by other companies, so as to differentiate with other companies. Organizational learning results in behavioral changes that can improve the organization's ability to cope with competition. Companies that continue to learn and always proactive in the face of environmental change, tend to have more capability compared with other

companies. All members of the company must continue to improve their ability through continuous learning process in accordance with their respective portions and responsibilities. Environmental changes are driven to continue to learn and change according to changing environmental conditions. Companies that continue to learn tend to have a culture that focuses on systems that can be applied in the workplace. Testing of the fifth hypothesis, the result of inner model analysis to know the direct influence between Learning Organization (LO) to Organization Performance (OP) shows the value of direct influence of 0.124 with the value of t-statistics of  $2.021 > 1.96$  ( $\alpha = 5\%$ ), direct influence between Learning Organization (LO) and Organization Performance (OP) is significant and positive. The effect is positive which means that the higher level of Learning Organization (LO) will increase the Organization Performance (OP) and the lower the Learning Organization (LO) the lower the Organization Performance (OP).

Companies that tend to continue to learn can be leverage and empowerment in building or creating intangible resources that are not easily imitated by competitors. Each member of the organization must be aware of its capacity as part of a system, so that, they are capable and willing to work in relation to one another. That awareness will make the company has the ability that is an intangible resource that is not easily imitated by competitors. The higher the organizational learning capacity the higher the organization's ability to improve its performance. Testing the sixth hypothesis seen from the table path coefficient as shown. Firstly, the determination of whether the variable of Entrepreneurial Orientation (EO) is successfully impact to competitive advantages that mediated by Learning Organization (LO). The statistical t test is indicated 3.020 with p-values 0.003 look as supporting the mediatipon process of the perception.

Secondly, Entrepreneurial Orientation (EO) can be found and supporting as double mediation of Learning Organization (LO) together with Compatituve Advantages (CA) as double mediation of Entrepreneurial Orientation (EO) to be impact more strongly to Organization Performance (OP). The parameter is 0.391 with t value of 7.149 that still  $> t_{1.96} = 5\%$ . Thirds, tha is Leambing Orientation (LO) I support successfully mediated by Competitive Advantages (CA) significantly with t value of 4.343 that still  $> t_{1.96} = 5\%$ .

Partial mediation occurs because the indirect influence between entrepreneurial orientation and organization performance remains significant after the mediation variables. In the case of indicet effect evaluation, this research take some advantageous

attention that Resource Based Value (RBV) is one of the most dominant theoretical perspectives in the field of strategic management (Newbert, 2007). Companies that have valuable resources, rarely owned resources of competitors and capabilities will be able to increase competitive advantage which in turn can improve performance (Barney, 1991). Companies can not receive more benefits simply because they have good resources but rather how companies can use those good resources into competing competencies (Mahoney and Pandian, 1992). Resources will be a competitive advantage if the valuable resources are truly utilized and managed and well integrated into organizational capabilities (Peteraf, 1993). Grant (1991) argues that key inputs and basic inputs in organizational processes are individual resources such as financial capital, physical equipment, intellectual property, reputation, human resources. Individual resources are not productive if they work individually. For companies to create competitive advantage, individual resources must work together that ultimately to build organizational capabilities.

The competitive advantage becomes the heart in the strategy management literature. Under-standing the source of competitive advantage becomes a major area of study in strategy management. The resource-based view confirms that in strategic management, the primary sources and drivers of competitive advantage and superior performance of firms are primarily related to resource attributes and capabilities, valuable and costly to imitate (Barney, 1991; Ray *et al.*, 2004).

## CONCLUSION

Entrepreneurial orientation is part of the company's strategy orientation. Operation strategy is one of intangible corporate resources. Thus, Entrepreneurial Orientation (EO) is the enterprise resource that becomes the main input in improving organizational capability. Entrepreneurial orientation becomes the main source for the company to continue to learn through innovation both product, process and service. Opportunities to learn continuously through learning on routine activities, so that, people can learn from work which in turn can increase the competence of individuals within the organization. The company supports everyone to ask questions, suggestions or feedback and experiments to acquire productive reasoning skills in expressing their view and capacity to listen to and know the views of others. Members of the organization can interact freely with other members of the organization because work is designed and done using groups/teams to access different mindsets.



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