

# Entrepreneurship Orientation for BUMN Performance Achievement Through Organizational Learning and Innovation as Mediator

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## ABSTRACT

Contribution of SOE Financial Performance to GDP As of December 31, 2016, total assets of BUMN reached Rp 6.325 trillion, or equivalent to 42% of GDP. As of December 31, 2012, total SOEs operating revenues reached Rp1,754 trillion (19% of GDP) with a Net Profit of Rp166 trillion (1.6% of GDP). However, if analyzed more deeply in terms of ROE (return on equity) and ROA (return on assets) from 2012 (17%) to 2016 (13%) seen that the value tends to decrease. This indicates that the efficiency of the use of assets, profits, and other improvements are not well used, and some SOEs tend to lose to lower the performance of SOEs as a whole. This research is to know the influence between Orientation of Entrepreneurship, Organizational Learning, and Innovation to Performance of State-Owned Enterprises (SOEs) in Indonesia. Orientation Entrepreneurship attracted much attention to be studied in improving Company Performance. However, there are still very few studies that can explain the influence between the Orientation of Entrepreneurship and the Role of Organizational Learning and Innovation mediation and show how important the Company Performance is. This study uses 4 variables, namely Orientation of Entrepreneurship, Organizational Learning, Innovation, and Corporate Performance. The Survey method to 38 respondents of Indonesia's State-Owned Enterprises in Indonesia was conducted and analysis of data using structural equation modeling partial least square (SEM - PLS) was used to test the 11 hypotheses. The new findings from this research are the role of the moderator of Organizational Learning and Innovation in improving Corporate Performance in sequence. Specific application of corporate strategy tends to be connected with Entrepreneurial Orientation and Organizational Learning and Innovation as a mediator. The findings would be expected to suggest that the company might increase its performance by creating a high level of entrepreneurial orientation to support Organizational Learning and Innovation in sequence as their organization strives for specific competitive goals. This also means that to improve the performance of SOEs, the company should have a good Entrepreneurship Orientation and utilize Organizational Learning to create Innovation, where the two variables have a large influence (predictor effect) which will ultimately improve the performance of SOEs better than if not through Organizational Learning and Innovation.

**Keyword:** Entrepreneurial Orientation, Organizational Learning, Innovation, Business Performance, State-Owned Enterprises (SOE)

## INTRODUCTION

SOEs are identified with corporate institutions that have large assets and the performance of BUMNs that have not yet reached the target, meanwhile, BUMNs have the convenience of obtaining capital assistance from the government every year. Although in the past few years there have been several bumps that have

started to show good performance in terms of product innovation, service to the community, and good internal business processes. Pertamina, Telkom, BRI, and several other SOEs are examples of SOEs that have successfully provided good services to the community and recorded good performance figures in their internal business processes. The shortcoming that has existed in BUMN

companies is the lack of innovation in both products and internal business processes, this is because BUMN companies control products and services which are vital needs of society so competition is minimal. This has caused Indonesia's competitiveness to be very low in recent years. Lack of initiative by Indonesian SOEs to compete with domestic and foreign companies. In 2017, Indonesia's competitiveness ranking increased from 48th to 42nd position based on a ranking carried out by the Institute of Management Development. This increase is influenced by business efficiency and productivity (Kompas 2017). Increased business efficiency makes competition between companies, especially BUMNs more competitive, especially with the issue that a BUMN Superholding will be formed to oversee each BUMN sector. It is hoped that this will trigger SOEs to compete, both between SOEs themselves and with domestic and foreign private companies.

The establishment of super holding is intended so that SOEs can compete in the regional market and provide a multiplier effect to compete with other countries. The fact is that when they were protected by monopoly, SOEs were often used as profit fields for some officials and eventually became a burden on the state. When subsidies and protection are removed and state-owned companies are managed by professionals in their fields, their performance is much better. BUMN grew positively and most BUMN companies became market leaders in their respective sectors. According to the Infobank Research Bureau, although there are still some who lose, the number continues to decrease. In 2015 17 state-owned companies made losses, then in 2016 increased to 24 companies, because the macroeconomy is not supporting business growth. This shows that SOEs have started to improve themselves because of the strong pressure to compete with companies from other countries. Like it or not, SOEs must try to improve organizationally and internally business, and try to innovate both in terms of products and services or existing business processes. step breakthrough as a BUMN in the financial sector was to launch the world's first banking satellite. This innovation is a big leap for banking because banks usually rent satellites to conduct satellite telecommunications in branch areas. BRI realizes this as a preparation to welcome the era of financial technology

which will boom in the next few years. From a business perspective, BRI will increase its capacity to innovate new banking products, especially digital products. In addition, this satellite will make BRI's communication costs more efficient because it can save communication costs of around 40% per year.

The contribution of SOEs is also reflected in the payment of dividends and taxes, capital expenditures, and employment. In 2015 the dividend payment of SOEs to the APBN reached IDR 37 trillion, while tax payments reached IDR 183 trillion. assets in 2016 amounted to 6,325 trillion rupiahs compared to 2012 which was at a value of 3,467 trillion rupiahs. Increase 2 times. Likewise, liabilities and equity which on average increased almost 2 times from 2012 and 2016. This should be spurred again because SOEs have large resources and the government annually provides incentives for capital participation for SOEs that lack. The contribution of SOEs' Financial Performance to GDP As of December 31, 2016, the total assets of SOEs reached IDR 6,325 trillion, equivalent to 42% of GDP. As of December 31, 2012, the total operating income of SOEs reached IDR 1,754 trillion (19% of GDP) with a Net Profit of IDR 166 trillion (1.6% of GDP. From the dividend payment target stated in the Revised State Budget (APBN- P) 2015 worth IDR 37 trillion, BUMN only paid about 79% of the target. Dividend payments by BUMN were taken from net profit in 2014.

There was an increase in assets, profits, income, and even dividends also increased. On paper, it can be seen that the performance of BUMN has increased because the value is getting bigger, whereas if it is analyzed more deeply in terms of ROE (return on equity) and ROA (return on assets) from 2012 to 2016 it is seen that the value tends to decrease. This indicates that the efficiency of asset use, profit, and other improvements are not used. The performance of SOEs in managing their profits cannot be properly accounted for, this can be seen from the ROA and ROE that do not increase, compared to in contrast to the value of SOE profits which continue to increase every year. In addition, there is a tendency that there are several SOEs that lose, thereby reducing the overall performance of SOEs.

This number decreases slightly each year but is not significant. Meanwhile, according to the

latest data from the Ministry of SOEs, until the first semester of 2017, there were still 21 SOEs that experienced losses. However, this figure decreased compared to the same period in 2016 which was 24 companies. A total of 3 SOEs managed to recover from losses in the previous year, namely PT Djakarta Lloyd, PT Nindya Karya, and PT Varuna Tirta Prakasya. PT Djakarta Lloyd managed to rise because of the synergy with PLN in ship transportation services, PT Nindya Karya who managed to get a new contract, and PT Varuna Tirta Prakasya which synergized with other SOEs. State-owned enterprises that are not healthy are generally because they cannot perform efficiently, do not comply with applicable laws, and carry out mark-ups budgets. Several state-owned enterprises that are not healthy include PT Sang Hyang Seri and PT Lets. For example, PT Sang Hyang Seri until 2014 had assets of IDR 1,225 trillion, a decrease from the previous year which reached IDR 2,059 trillion. This business also experienced a minus profit or loss of up to IDR 712 billion in 2015.

BUMN is not like a business that can generate profits. The total assets of all Indonesian SOEs in 2016 reached IDR 4,500 trillion, but the profit only reached IDR 142 trillion and rose to IDR 163.3 trillion in 2017. The return on assets is very low so BUMN can be said as an entity that is fat but lethargic. When viewed more comprehensively, among the SOEs that are concerned, there are several SOEs that have the potential to benefit the state, both in terms of dividends and taxes. Of the 118 SOEs, the profits can be counted on the fingers of Pertamina, Telkom, and BRI. SOEs profitable have implemented internal reforms so that they are increasingly appearing as modern and efficient business organizations.

Restructuring should be carried out by BUMN, for example, BUMN must be independent. This means that even though BUMN is part of the government because the shares are partly owned by the government, BUMN must be able to separate the interests of profit and the mandate given by the government. The role of the state should be indirect in the form of policies, while SOEs should be allowed to be free to be creative in creating new business opportunities or increasing competitiveness with competitors. In addition, SOEs should also be guaranteed to be free from political-economic agendas with

transparent and responsible policies. SOEs must cultivate a culture of total transparency and accountability as institutions under public ownership.

To improve the efficiency of SOEs in various countries, a model is used to invite the private sector to participate in owning shares in SOEs, so that management issues can be managed rationally because each will optimize the expected level of profit from its investment, thus the problem of the basic characteristics of efficiency of the BUMN Business is solved. Until the beginning of the decade of 2010, this effort had been introduced with the business selling some of its shares up to 35% as an effort to improve the efficiency of SOEs through private control.

Based on the Decree of the President of the Republic of Indonesia Number 122 of 2001 concerning the BUMN Privatization Policy Team, it is stated that. BUMN privatization is a Government policy that aims to improve BUMN performance which includes improving capital structure, increasing professionalism and business efficiency, changing business culture, expanding public participation in BUMN share ownership, and creating added business value through the application of good corporate governance principles based on transparency, accountability, and independence. The privatization of BUMN is carried out to improve performance, add value to the business, good corporate governance, and increase public participation in the ownership of shares in the company. Privatization allows for better and more consistent implementation of good corporate governance (GCG) within SOEs, which in turn fosters investor confidence in SOEs.

The fact shows that various Persero that have been privatized can guarantee transparency and accountability because publicly listed companies are subject to various capital market regulations that require disclosure and transparency to issuers in the capital market. Privatization is a strategic step that is proven to be able to improve the performance of SOEs. According to Law no. 19/2003 concerning BUMN, privatization is included with restructuring in Chapter VIII, especially articles 72 to 77 which imply that restructuring is a process that is considered together with privatization.

Privatization allows for a more effective learning process which will have an impact on accelerating innovation. Companies that have a high level of learning capability will make it easier to develop resources to create a competitive advantage. As stated by Nelson and Winter (1982) privatized companies will provide opportunities for learning and further innovation. With privatization, it is hoped that there will be a transfer of knowledge and turning it into a market-oriented resource so that it can improve a more competitive position.

According to Zahra et al (2000), there are two key entrepreneurial outcomes from privatization, namely innovation and new ventures. Innovation as the creation of goods and services includes quality improvement and expansion of existing products (incremental innovation) and also includes the development of radically new products. The entrepreneurial result of privatization is process innovation or the introduction of new methods of producing goods and services. Therefore process innovation contributes to operational efficiency in increasing productivity companies privatized. While new ventures are related to the creation of new businesses.

The current low performance of SOEs is indicated because SOEs are not yet entrepreneurship-oriented, which supports the learning process more effectively to enable innovation. Companies that have a high level of learning capability will make it easier to develop resources to create a competitive advantage which in turn can improve the performance of SOEs.

## LITERATURE REVIEW

### Entrepreneurial Orientation

The questionnaire developed by Covin and Slevin (1989) was used to measure the entrepreneurial orientation of companies. Covin and Slevin (1989) developed three dimensions namely, Tendency to Innovate, Proactive, and Risk-Taking which were measured at five points on a Likert scale based on research from Miller and Friesen (1982). Lumpkin and Dess (1996) proposed adding two additional dimensions to the construct of Entrepreneurial Orientation, namely competitive aggressiveness and autonomy. Competitive aggressiveness is the

intensity of efforts to beat competitors and is characterized by a strong attacking attitude to the threat of competition. Autonomy refers to the independent actions taken by individuals or teams to ensure that ideas and concepts are properly completed. Autonomy allows employees to perform effectively, by acting independently, self-directed, and creatively (Lumpkin and Dess, 1996). The following is a summary of the characteristics proposed by previous researchers, namely:

### 1. Organizational

Learning Organizational Learning (Nonaka and Takeuchi, 1995) is a process by which organizations increase the knowledge created by individuals within the organization in an organized manner and transform it into the knowledge system of the organization. The development of new skills and knowledge possessed by the organization enhances Organizational Learning. Meanwhile, according to Senge (1997), Organizational Learning consists of five disciplines: systems thinking, personal mastery, mental models, shared vision, and team learning. Viewed from the process, Organizational Learning is a process of accumulation of organizational knowledge due to the interaction process between individual learning and learning organizations, or due to the encouragement of a work environment that has characteristics that are conducive to the occurrence of Organizational Learning processes (sharing knowledge between members of the organization) to improve the quality of life. organizational work. The organizational learning process occurs through the process of interaction among organizational members, resulting tacit in a fundamental and continuous

From the explanation above, a construct regarding the Organizational Learning process can be made as follows: Organizational Learning is a process to help organizations create, transfer, and integrate knowledge and skills and learn them to increase their knowledge on an ongoing basis through the Acquisition learning (from outside the organization to the inside). organization) and Experiential Learning which integrates and exploits the knowledge gained from outside to develop the competence of the organization. Organizational Learning, is

defined as the process of increasing knowledge created by individuals in the organization in an organized way to be transformed into the knowledge system owned by the organization.

## 2. Innovation

Innovation is defined as an idea, product or process, system or device that is perceived to be new to an individual, a group of people or firms, and industrial sector, or society as a whole (Rogers, 1995, p. 11). Meanwhile, according to the OECD (1991) Innovation is an iterative process initiated by the perception of a new market and/or service opportunity for a technology-based invention which leads to development, production, and marketing tasks striving for the commercial success of the invention. Innovation, defined as an iterative process, begins with the opening of market opportunities for products and services using new technologies and then development, production, and marketing efforts are made to achieve the goals of the new invention.

## 3. SOE Performance

The use of performance measurement systems is often recommended to facilitate strategy implementation and improve performance (Davis and Albright, 2004). Companies are required to provide value not to shareholders but also to stakeholders and it is proven that a performance measurement system can help with that (Ittner and Larcker, 2003), so it can be understood why many companies invest a lot of money to develop and maintain their performance measurement system (Neely et al., 2008). In this study the dimensions used to measure variables in each perspective are as follows: Financial Perspective (ROI, ROA, and ROE, profitability) Customer Perspective (Customer / Subjective Satisfaction, customer complaints), Internal Business Process Perspective (administrative processes, coordination between departments), Perspective Learning and Growth (Training and opportunities for growth).

## Hypothesis

Hypothesis 1: Entrepreneurship orientation is good, Organizational Learning is good, Innovation has been actively carried out, and BUMN Performance is good.

Hypothesis 2: Entrepreneurship Orientation has a positive and significant effect on Organizational Learning in SOEs

Hypothesis 3: Entrepreneurial Orientation has a positive and significant impact on Innovation in SOEs.

Hypothesis 4: Organizational Learning has a positive and significant effect on Innovation in SOEs

Hypothesis 5: Entrepreneurial Orientation has a positive and significant impact on SOE Performance

Hypothesis 6: Organizational Learning has a positive and significant impact on SOE Performance

Hypothesis 7: Innovation has a positive and significant impact on SOE Performance

Hypothesis 8: Entrepreneurship Orientation has a positive and significant effect on SOE Performance indirectly through Innovation

Hypothesis 9: Entrepreneurial Orientation has a positive and significant impact on Innovation indirectly through Organizational Learning

Hypothesis 10 Entrepreneurial Orientation has a significant effect on SOE Performance through Organizational Learning

Hypothesis 11 Entrepreneurial Orientation has a positive effect and significantly on SOE Performance through Organizational Learning and Innovation

## RESEARCH METHODS

### Methods Used

Based on the objectives and problems of this research, this research is descriptive and verified. This study aims to obtain an overview of Entrepreneurship Orientation, Organizational Learning, Innovation, and Performance of SOEs. Another aspect of research design that is important to consider in this study is the design

of taking the unit of observation into the sample. It is necessary to determine an appropriate design so that the answers given by respondents are not biased, or the composition of the sample is not representative. Related to this, it is realized that the performance of SOEs is related to the size applied in SOEs. This is to avoid the risk if only large or small SOEs are sampled. The research data was collected using a questionnaire that was compiled based on operational definitions which were then distributed to the sampled observation units. To enrich and complement the findings of the sample, data were collected through several interviews with senior managers or directors of SOEs.

### Population and Sample

The target population is all BUMN Head Offices in Indonesia, the number is 118. This means that there are 118 observation units consisting of Senior Managers/Directors in BUMN from the BUMN population. The unit of observation is the Senior Manager/Director of SOEs. The total number of senior managers who have to fill out the questionnaire is 118. According to the table of Krejcie and Morgan (1970), the data required are 92 SOEs. Meanwhile, according to Cohen's table (Hair, 2017), for the calculation of the minimum sample with 3 arrows that lead to the independent variable % and the minimum R<sup>2</sup> to be achieved is 0.5. If the consideration for determining the sample size of SOEs taken is determined based on the GPower software then the total sample size n minimum is 77. Therefore, the Cohen Table method is used to determine the number of samples, which is 38. Because SOEs can be classified according to their owners such as Perum, Persero, and Persero TBK, and can also be classified according to their contribution to GDP, or can be classified according to SOEs that lose or gain, or classified according to the type of industry, this study then divides the sample based on the contribution of SOEs to GDP, so that the behavior of the sample better reflects the population, according to the predictor variables studied are Entrepreneurship Orientation, Organizational Learning, and Innovation.

### Validity and Reliability

Test Validity test is used to measure whether the measuring instrument used is correct, the number of samples used is 30 respondents. Validity and reliability tests were carried out using software SPSS Spearman rank of the total item. A validity test is carried out on each item, the indicator is if the Pearson correlation value is  $> 0.7$  then the questionnaire is said to be valid. While the reliability test was carried out on each variable to determine whether the questionnaire can be trusted (Singarimbun and Effendi, 2005). Reliability criteria describe the level of confidence, accuracy, and accuracy even though they are used repeatedly at different times. In this study, the reliability test used the Cronbach Alpha, namely the comparison of the amount of diversity of each item with the total diversity. The reliability test was carried out using SPSS with the Cronbach alpha coefficient indicator  $> 0.7$  indicating that the questionnaire was considered reliable and consistent.

### Analysis Design and Hypothesis Testing

The analysis used consisted of two types, namely descriptive analysis, especially for qualitative variables, and quantitative analysis in the form of verifying hypothesis testing using statistical tests.

#### 1. Descriptive

Analysis Descriptive analysis is a statistical analysis that explains or describes the observed data without performing statistical tests. This analysis aims to describe the characteristics of a sample or population that are observed and can be described through tables, graphs, or diagrams to facilitate understanding and provide an overview of a phenomenon that is currently happening. Descriptive analysis is used to support and sharpen the analysis carried out.

#### 2. Verification Analysis

Testing the 2nd to 11th hypotheses using data analysis techniques, namely Structural Equation Modeling using Partial Least Square (SEM - PLS). SEM - PLS according to World in Ghazali (2008) PLS-SEM is a strong analytical method because it is not based on many assumptions and the distribution is evenly distributed. PLS is also called path modeling because it is illustrated in the form of a path diagram.

**RESULTS AND DISCUSSION**

Innovation has an average 4.03 variable, and the lowest is variable Orientation Entrepreneurial (3.77). The average index of variables and their dimensions is presented in Table 4-13 below.

**Results of Variable Analysis Research****Table of Variable Average Index and Measurement Dimensions**

<b>Variables</b>	<b>Dimensions</b>	<b>Average</b>	<b>Means</b>
Entrepreneurial Orientation	Tendency to Innovate	3.77	Good
	Proactive	3.74	Poor
	Risk-taking	3.80	Good
	Average	3.77	Good
Organizational Learning	Discussion and Information Sharing	4, 04	Good
	Group Learning	3.96	Poor
	Connection System	3.95	
	Applied System	4.04	Good
	Leadership for Learning	4.05	Good
	Average	4.00	Good
Innovation	4.07	Innovation	Good
	Active	4.02	Good
	Adoption	3.94	Poor Good
	Average	4.03	Good
BUNN	Performance Financial Performance	4.09	Good
	Customer Satisfaction	3.98	Good
	Internal Business Process	3.89	Poor
	Learning and Growth	4.02	Good
	Average	3.99	Good

Source: Research 2017

**Hypothesis Testing 1**

**Hypothesis 1 - I There is a good Entrepreneurial Orientation in BUMN in Indonesia**

**Table 4 Summary of Hypothesis Test Results 1**

Hypothesis	p	Z	Test Results
1.1 Entrepreneurial Orientation is good	0.67	2.06	H1.1 Accepted
1.2 Organizational Learning is good	0.784	3.5	H1.2 Accepted
1.3 Innovation is good	0.73	2.89	H1.3 Accepted
1.4 BUMN performance is good	0.750	3.05	H1.4 Accepted

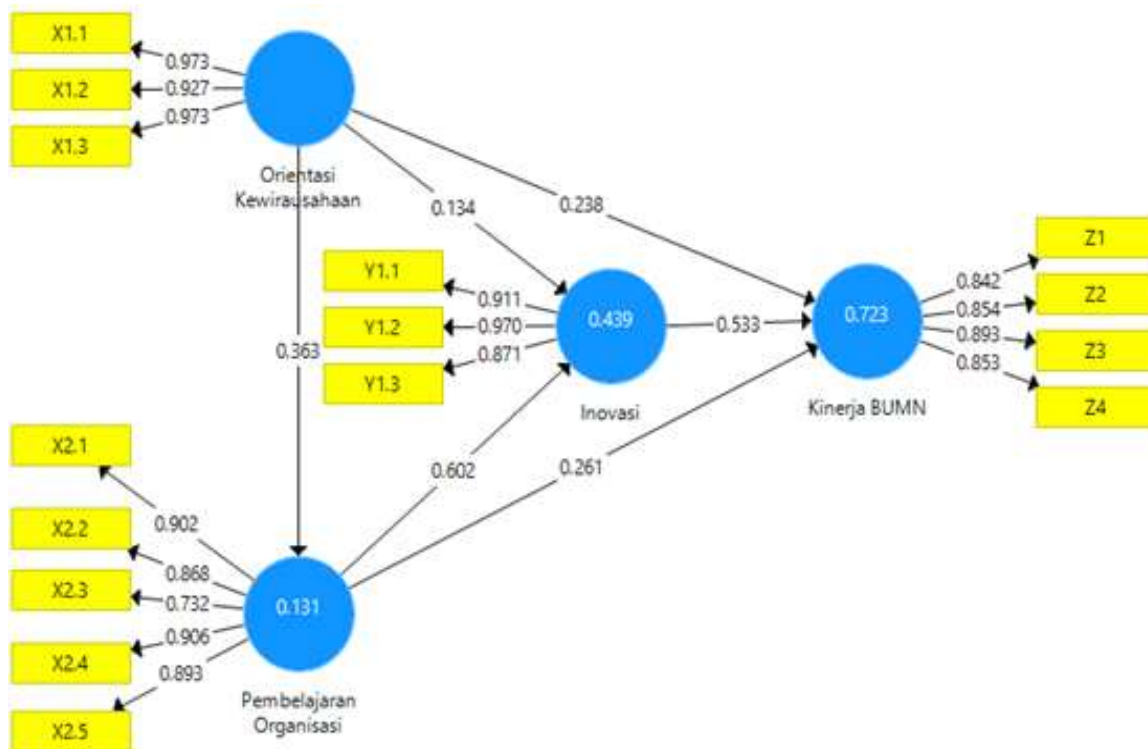
\*\* significant at the 0.05 level (Z Table = 1.96)

Source: processed from research results, 2017

Entrepreneurship Orientation affects SOE performance directly or through Organizational Learning and Innovation. Organizational Learning has an effect on BUMN Performance and Innovation, and Innovation has an effect on BUMN Performance, so the research model is described as follows.

**Model Evaluation Research**

The research paradigm written in Chapter 2 Literature Review regarding the relationship between variables concludes that



**Figure 4.26 Research Model**

Source: processed from 2017 research results.

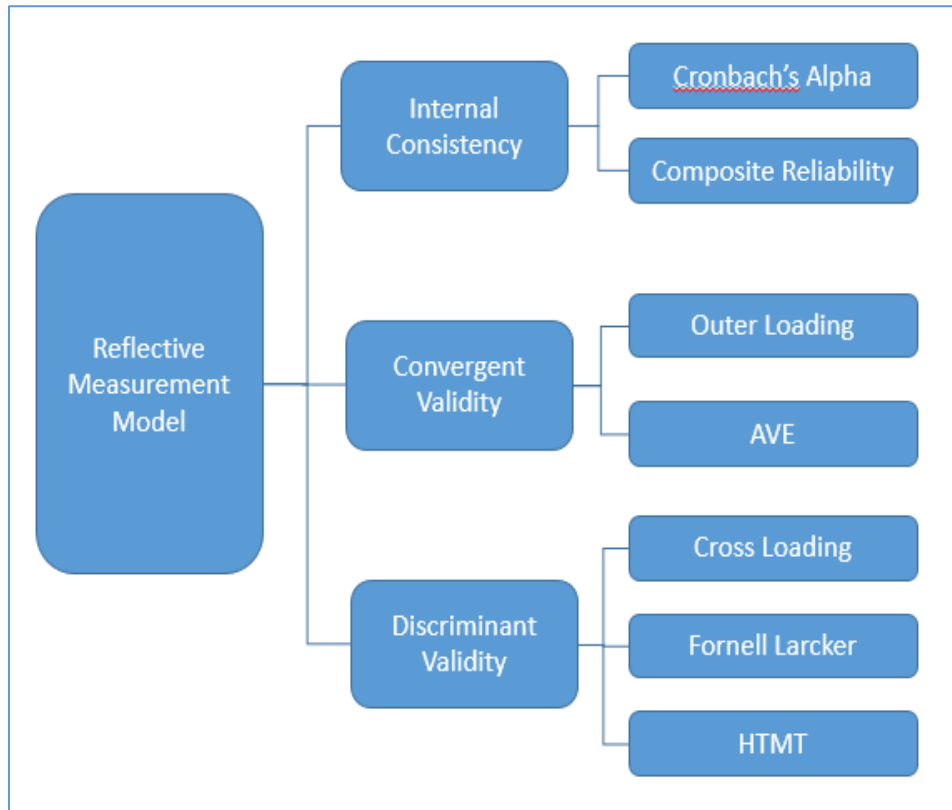
To determine how well the data reflect the theory built, the first step is to evaluate the research model that has been built. The evaluation stage follows a two-step process,



namely: 1) evaluation of the measurement model and 2) evaluation of the structural model (Hair Jr et al., 2014). If the measurement model meets the criteria, then an evaluation is carried out on the structure. (Hair Jr et al., 2017)

### Evaluation of the Measurement Model

The criteria for evaluating the measurement model are 1) internal consistency 2) convergent validity and 3) discriminant validity. The procedure for testing the suitability of the measurement model is carried out following the procedures and criteria in Hair Jr, Hult, Ringle, & Sarstedt (2014) and Henseler is presented in the figure below:



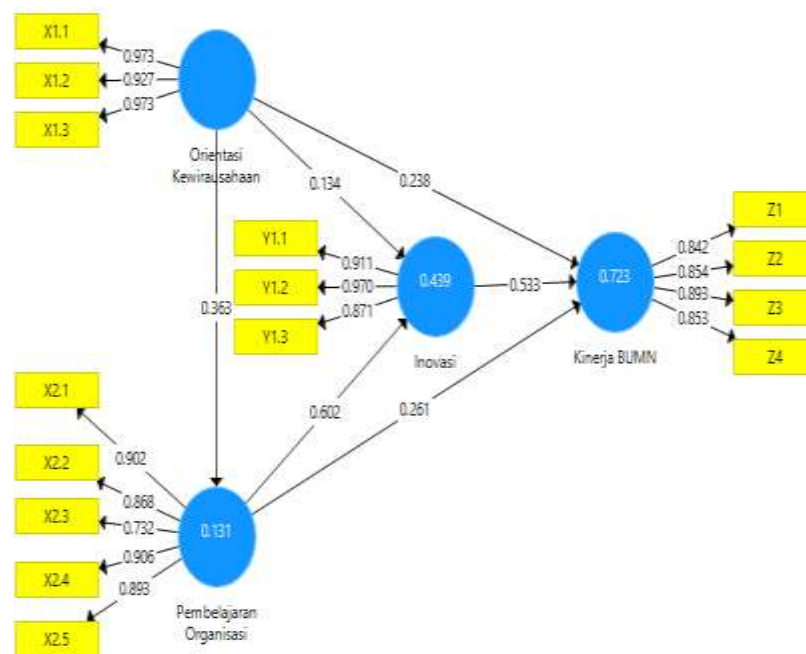
**Figure 4.27 Evaluation of the Measurement Model**

Source: (Basbeth, 2018)

### Evaluation of the Structural Model

Evaluation of the model structural function is to see the structural and the influence between latent variables and the quality of the former model. Several PLS-SEM test criteria based on Hair Jr et al (2014) and Esposito Vinzi, Chin, Henseler, & Wang (2010) are: 1) collinearity 2) significance of the path coefficient 3) the level of R<sup>2</sup>, 4) the f<sup>2</sup> effect size, 5) the predictive relevance Q<sup>2</sup> and the q<sup>2</sup> effect size. The structural collinearity model between latent variables can be evaluated using the Variance Inflation Factor (VIF). All VIF values < 5, so it can be said that there is no problem with

collinearity and the collinearity criteria are met. The path coefficient is standardized between -1 and +1. The path coefficient close to +1 reflects a strong and positive relationship which is usually also statistically significant. While the path coefficient on the structural model of the study is described in Figure 4.28. To determine whether the strength of the significant relationship is usually evaluated t values and values. The t value must be > 1.96 and the p-value < 0.05. In addition, an evaluation is also carried out whether the path coefficient is significantly different from the value 0, by looking at the confidence interval value. If the confidence interval value for the lower and upper bounds does not include the number 0, it means that the relationship is significant.



**Figure 4.29 Research Structural Model**

Source: Research Results 2017

Total Effect is the sum of direct and indirect effects. From the table below, it can be concluded that of the many variables that influence the performance of BUMN, the most influential is Organizational Learning (0.582), and the dimension that most reflects the variable of Organizational Learning is the Applied System dimension. The next model evaluation is to see whether the model has a good prediction, using the coefficient of determination  $R^2$ . The value of  $R^2$  to 1, and the higher the value indicates a higher level of predictive accuracy.  $R^2$  values of 0.5 or 0.25 can be described as strong, moderate, and weak (JF Hair et al., 2011). The value  $R$  square, which shows the contribution construct latent or in other words, the constructs of Organizational Learning, and Entrepreneurship and Innovation Orientation together explain 72.3% of the SOE Performance variance.

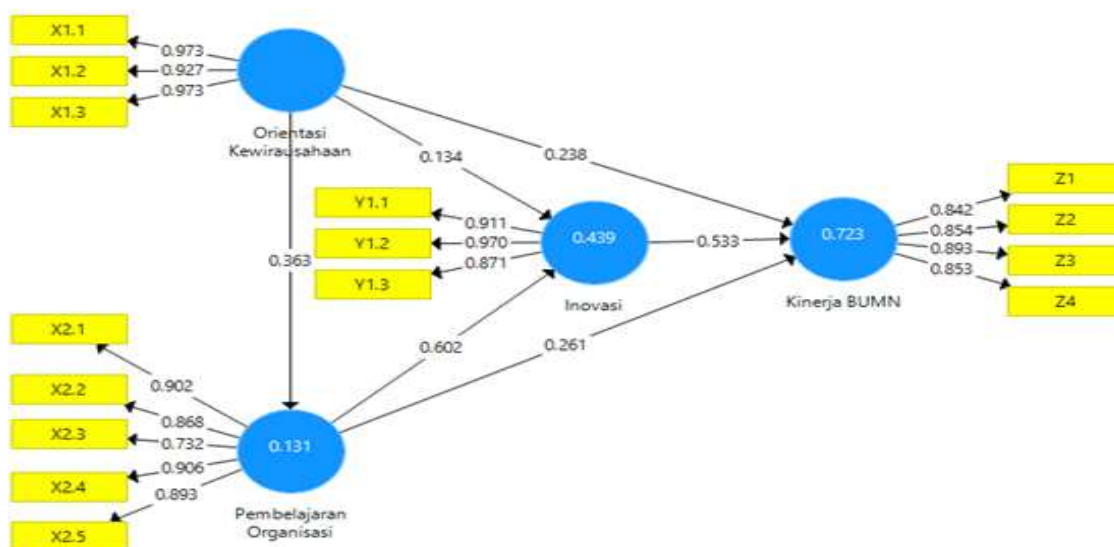


Figure 4.30 Figures R square in the blue circle

Source: processed from the results of 2017 research.

To evaluate whether the committed constructs have a substantial effect on construction, a calculation is carried out to produce  $f^2$ . As a guideline for evaluating  $f^2$  is if the value is 0.02 (small), 0.15 (medium) and 0.35 (large). If the value of  $f^2 < 0.02$  it means that there is no effect (Cohen, 1998). The value of  $f^2$  effect size for predictive variable Innovation to BUMN Performance = 0.574 (large), and Organizational Learning has an effect = 0.562 (large) on Innovation. Q2 value or predictive relevance is an indicator of the model's predictive relevance and was suggested to be used to examine the magnitude of the R2 values (Geisser, 1974; Hair, 2007; Stone, 1977). The Q2 values larger than zero for a specific reflective endogenous construct indicate the path model's predictive relevance for a particular dependent construct. The evaluation results show that all numbers are more than 0 with the predictive relevance for BUMN Performance and Innovation, meaning that the construct shows predictive relevance so that the evaluation criteria are met.

## Testing Hypothesis 2 - II

### Hypothesis 2 - Entrepreneurship Orientation Has a Positive and Significant Influence on Organizational Learning

Concerning the table Bootstrapping generated from SmartPLS3 is known to have a path coefficient of (0.418). This means that the Entrepreneurship Orientation has a positive effect on Organizational Learning so that H2 is accepted. While the t-value (3.871) and p-value (0.000), with a confidence interval (0.0130, 0.570) means that statistically, the relationship between Entrepreneurship Orientation to Organizational Learning is positive and significant.

Previous research theories are from Slater and Naver (1995), Tsai (2009), Wang (2010), Kreisser (2011), and Real, Roldan, and Leal (2014) which say that Entrepreneurship Orientation has a positive effect on Organizational Learning. research Kresser (2011) which examines specifically the influence between Entrepreneurial Orientation and Organizational Learning affects the level of acquisitive and experiential learning. A culture that values entrepreneurship and innovation will create a good learning environment (Prahalad and Hamel, 1990). Based on several previous studies, it turns out to confirm the influence of Entrepreneurship Orientation on Organizational Learning. From the evaluation of the measurement model on the outer loading, it is known that the entrepreneurial orientation dimension that has the most influence on organizational learning is the tendency to innovate (0.973). So to improve Organizational

Learning, SOE management must play an active role in the Tendency to Innovate.

### **Hypothesis 3 - Entrepreneurship Orientation Has a Positive and Significant Influence on Innovation**

**Further Innovation** The influence of Entrepreneurial Orientation to Innovation can be seen from the table which shows the path coefficient value (0.062), meaning that the effect is positive. To see if the positive correlation is significantly different from zero, the t, p test and confidence interval bias-corrected are carried out. Meanwhile, the t-value (1.361) and p-value (0.174) with a confidence interval (-0.079, 0.311) included zero. It means that Entrepreneurship Orientation has a positive effect on Innovation. However, the value is small and insignificant. The results of this study support previous research from Chiva, Ghauri & Alegre (2014) which says that Entrepreneurial Orientation does not have a direct effect on Innovation. Entrepreneurship Orientation only affects Innovation, if Organizational Learning is in a good state. The factor that most influences the Entrepreneurial Orientation to Organizational Learning is the Tendency to Innovate (0.973).

Tendency to innovate supports the creation of innovation according to consumer needs. If SOEs want to improve innovation performance, management can start from the tendency to innovate in all SOE managers and leaders. An example of a BUMN that has implemented this is Bank BRI which has innovated in launching its satellite when other banks do not have a satellite system. Telkom Indonesia with digitalization which makes the entire system well-integrated, this is included in process innovation, while Pertamina provides innovation in the form of services that make consumers accustomed to rising and falling fuel prices after previously being subsidized.

### **Hypothesis 4 - Organizational Learning Has a Positive and Significant Influence On Innovation**

**Further Innovation** The influence of Organizational Learning on Innovation can be seen from table 4-24 which shows the path

coefficient value (0.602), meaning that the influence is positive and strong. The Effect of Organizational Learning on Innovation, as can be seen in the table, namely: path coefficient (0.602), t-value (6.474), and p-value (0.000) with a confidence interval (0.351, 0.735) meaning that Organizational Learning has a positive and significant effect on Organizational Learning so that H4 is accepted.

The results of the study confirm the previous theory of Aragón-Correa, García-Morales, & Cordón-Pozo, (2007), Tohidi et al (2012), Bueno et al., (2010) which stated that there was a positive and significant correlation between Organizational Learning and Innovation. Research conducted by Hurley and Hult (1998) found a positive correlation between Organizational Learning and Organizational Innovation. Furthermore, research from Aragón-Correa, García-Morales, & Cordón-Pozo, (2007) and Tohidi et al (2012) also proves that there is a positive and significant correlation between Organizational Learning and Innovation.

The most influencing factor for Organizational Learning on Innovation is the Applied System (0.906). This means that innovation in BUMN will occur if the organization implements regular two-way communication such as suggestion systems, electronic bulletin boards, or open meetings so that it is easy for people to get information and learn.

### **Hypothesis 5 - Entrepreneurial Orientation Has a Positive and Significant Influence on SOE Performance**

The Influence of Entrepreneurial Orientation on SOE Performance, as can be seen in the table that produces path coefficient (0.238), t-value (2.367), and p-value (0.018) with confidence interval (0.038, 0.432) means that the Entrepreneurship Orientation has a positive and significant effect on the performance of SOEs so that H5 is accepted. The results of this study support previous research from Ismail & Rashid (2012), and Wang et al (2010), which stated that Entrepreneurship Orientation affected SOE performance. The positive influence between Entrepreneurial Orientation and performance has also been carried out by many previous researchers, namely Covin and Slevin (1989).

Lumpkin and Dess (1996), Wiklund (1999), Krieser, Marino and Weaver (2002), Kraus et al (2005), and Al Swidi and Mahmood (2011). The factors that most influence the Entrepreneurial Orientation on BUMN Performance are the Tendency to Innovate (0.973), and Risk-Taking, namely the willingness to always do something with new concepts and dare to take risks.

In the current era of technological disruption, Entrepreneurship Orientation may affect the performance of SOEs. For example Pertamina (new product) and BRI (satellite) which is a program of digitization. The transition from the old concept of product-centric to consumer-centric. In today's new business era, innovative behavior based on creative thinking cannot be patterned, impulsive, fast, and proactive. Therefore, it can affect the performance of SOEs in a certain period and is inorganic or unstructured.

#### **Hypothesis 6 – Organizational Learning Has a Positive and Significant Effect on BUMN Performance**

By referring to the table generated from SmartPLS 3, it can be seen that the path coefficient on the path of Organizational Learning to BUMN Performance is 0.119, meaning that Organizational Learning is positively correlated with BUMN Performance. Then to find out whether the correlation is significant, an evaluation is carried out on the t value, p-value, and confidence interval. The t-value (1.848), p-value (0.065), and bias-corrected confidence interval, (-0.046, 0.517) include zero, so it can be said that although the effect is positive, it is not significant. This finding does not confirm the research of Egan, Yang, & Bartlett (2004); Kropp, Lindsay & Shoham (2006) who found that organizations that focus on direct organizational learning will also produce high SOE performance. The factor that most influences Organizational Learning to BUMN Performance is the Applied System (0.906).

#### **Hypothesis 7 – Innovation Has a Positive and Significant Influence on SOE Performance**

Referring to the table below, it can be seen that the path coefficient from the Innovation

construct to SOE Performance (0.586), means that Innovation is positively and strongly correlated with SOE Performance. To find out whether the relationship is significant, the t-value is 3.859, the p-value is 0.000, and in the bias-corrected confidence interval, the lower and upper bounds do not include zero, so it can be said that the effect is positive and significant. has a positive effect on BUMN performance, for example, Shi et al (2015), Hurley and Hult, (1998), and Argyris and Schön, (1996 innovation ). Therefore, to improve the performance of SOEs, the efforts that must be made should be related to carrying out more innovations, both processes and creating new products, including adopting advanced technology to increase the frequency of innovation.

In the era of technological disruption, it is now possible for strong innovation to improve SOE performance; for example at PT KAI which applies technology to ticket services to make it easier for consumers to buy, this of course will also affect the performance of SOEs; Another example is Bank BRI which implements digitalization of banking system innovations in the production process, besides being more efficient, of course, this makes it easier for consumers to transact. The SOE's innovation activity in processing existing big data based on design thinking can answer consumer needs. BRI has "my BRI" which applies to Customer-Centric, where services follow the needs of their customers.

#### **Hypothesis 8 – Entrepreneurship Orientation has a positive and significant effect on Performance indirectly through Innovation**

The indirect effect of Entrepreneurship Orientation on BUMN Performance through Innovation is the result of the interaction of the path coefficients from Entrepreneurial Orientation to Innovation and from Innovation to BUMN Performance (mediation path 1). The indirect effect of Entrepreneurial Orientation on SOE Performance through Innovation is not significant because t value < 1.96 and p-value > 0.05, and confidence interval contains a value of 0, so, thus, the relationship between Entrepreneurial Orientation is indirect. On SOE Performance through Innovation is declared insignificant and Hypothesis 8 is rejected, so it

can be concluded that Innovation does not mediate the relationship between Entrepreneurial Orientation and SOE Performance (Hair, 2017). Because so far there has been no research that specifically examines the influence of Entrepreneurial Orientation on Performance through Innovation, especially in BUMN, this result can be said to be a novelty of research.

**Hypothesis 9 – Entrepreneurship Orientation has a positive and significant effect on Innovation indirectly through Organizational Learning.**

The indirect effect of Organizational Learning to BUMN Performance through Innovation is the result of the path coefficients from Entrepreneurship Orientation to Organizational Learning, and from Organizational Learning to Innovation (mediation path 2). The indirect effect is significant because the t value (2,916), p-value (0.004), and the confidence interval at the 95% level do not contain a value of 0 so the indirect relationship of Organizational Learning on BUMN Performance through Innovation is significant and Hypothesis 9 is accepted. . Then to find out the type of mediation from Organizational Learning, the direct influence of Entrepreneurial Orientation to Innovation is also evaluated, concerning the path coefficient value of Entrepreneurial Orientation direct influence of Entrepreneurial to Innovation is declared insignificant because t-value (1.361), p-value (0.174) and the confidence interval number at the 95% level contain a value of 0. If the indirect effect of Entrepreneurship Orientation to Innovation through Organizational Learning is significant and the direct effect is not significant, it can be concluded that the type of mediation constructs Organizational Learning full mediation or mediation (Hair, 2017 ). The effect of mediation on mediation path 2, namely Organizational Learning through Innovation to BUMN Performance, is indicated by the VAF value of 62%. Based on this, it can be concluded that the influence of Entrepreneurship Orientation on Innovation will be greater indirectly through Learning Organizational Thus, Organizational Learning acts as a mediator between Entrepreneurial Orientation to Innovation with a mediating effect of 62%. The results of this study confirm previous research conducted by Chica, Ghauri, and Alegre (2014)

and conclude that Entrepreneurial Orientation does not have a direct effect on Innovation. Entrepreneurship Orientation will only have an effect if Organizational Learning is in good condition. The BUMN that has succeeded in doing this is Pos Indonesia, which has succeeded in carrying out process innovation, namely by diversifying its business processes after sticking to the conventional system. Pos Indonesia applies organizational learning to encourage process innovation in its services.

This result is the novelty of this research because so far there has been no research that specifically examines the influence of Orientation to Innovation through Organizational Learning, especially in BUMN.

**Hypothesis 10 - Entrepreneurship Orientation has a significant effect on BUMN Performance through Organizational Learning.**

The indirect effect of Entrepreneurship Orientation on BUMN Performance through Organizational Learning is the result of the interaction of the relationship from Entrepreneurship Orientation to Organizational Learning and from Organizational Learning to BUMN Performance (mediation pathway 3). The indirect effect has at value (1.471) and p-value (0.141), and the confidence interval at 95% (-0.016, 0.213) contains the number 0 so that the indirect relationship between Entrepreneurial Orientation on Performance through Organizational Learning is not significant and Hypothesis 10 was rejected. Therefore, it can be concluded that Organizational Learning does not mediate the relationship between Entrepreneurial Orientation and BUMN Performance.

**Hypothesis 11 - Entrepreneurship Orientation has a positive and significant effect on BUMN Performance through Organizational Learning and Innovation.**

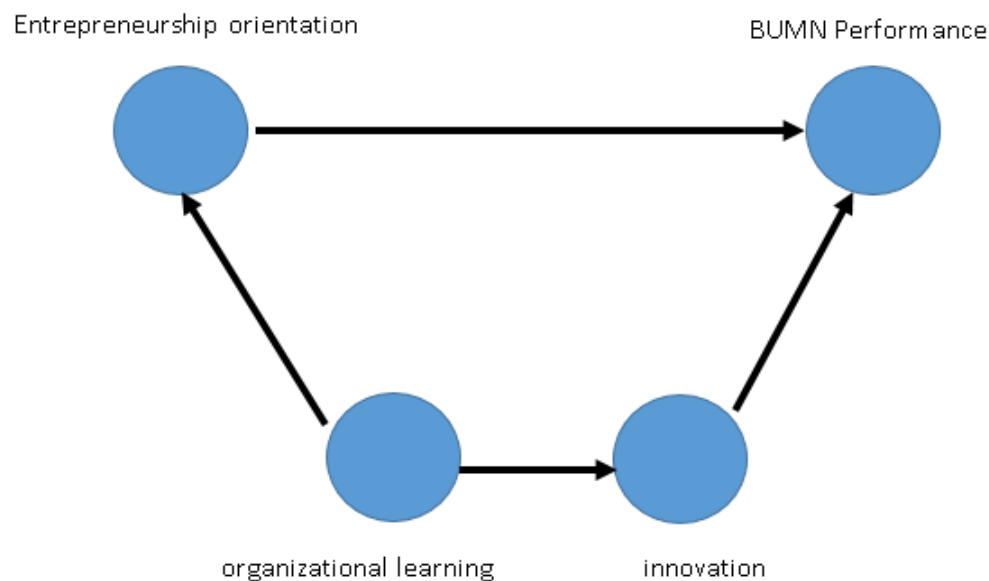
The indirect effect of Entrepreneurship Orientation on BUMN Performance through Organizational Learning is the result of the interaction of path coefficients from Entrepreneurship Orientation to Organizational

Learning and from Organizational Learning to Innovation and from Innovation to BUMN Performance (mediation path 4). For the indirect effect of Entrepreneurial Orientation on BUMN Performance through Learning and Innovation has at value (2.003) and p-value (0.045) and the 95% confidence interval does not contain the number 0, so the indirect effect of Entrepreneurship Orientation on BUMN Performance through Organizational Learning and Innovation is declared significant so that Hypothesis 11 is accepted. After performing a significant test on the indirect effect, then a test to determine the significance of the direct effect. The direct effect is significant because the t-value (2.367), p-value (0.018), and the confidence interval number at the 95% level do not contain a value of 0. If the indirect effect is significant and the direct effect is also significant, it can be concluded that the type of mediation of the construct Organizational learning is complementary partial mediation because both direct and indirect effects are positive (Hair, 2017). The magnitude of the variance accounted for (VAF) or the mediating effect of Organizational Learning and Innovation is 33%. Thus, it can be said that the influence of Entrepreneurship Orientation on

BUMN Performance will be greater indirectly through Organizational Learning. Based on this, it can be concluded that Organizational Learning and Innovation acts as a mediator of the relationship between Entrepreneurial Orientation to BUMN Performance with a total mediating effect of 33%. This result is the **novelty** of this research because so far there has been no research that specifically examines the influence of Entrepreneurial Orientation on Performance through Organizational Learning and Innovation, especially in BUMN.

### Novelty

In this study, a new model was produced, based on the findings in sub-chapter 4.9 Hypothesis Testing for direct and indirect effects. Mediation pathways 2 and 4 were positive and significant with 62% VAF, and 33% respectively, with two variables, namely Organizational Learning and Innovation, respectively. Based on this, a BUMN Performance Improvement model can be described, which is new with the name TROLLY Model because it looks like a trolley illustrated in the model below.



**Figure 4.31 SOE Performance Improvement Model**

Source: 2017 Research Results

From the picture above, it can be concluded that the recommended path to use to improve SOE Performance is Entrepreneurship Orientation –

Organizational Learning – Innovation – SOE Performance because the effects of the two mediators are large. The total effect of Entrepreneurial Orientation on BUMN Performance is positive, significant on company Performance and jointly carried out through Organizational Learning and Innovation. In other words, the increase in SOE performance is influenced by Entrepreneurial Orientation either directly or through the mediation of Organizational Learning and Innovation. To spur the company's performance, the efforts through Commitment to Novelty, Proactivity, and Risk-Taking made by the company's leadership with efforts to disseminate Entrepreneurship Orientation through organizational learning to create an innovative culture at the organizational level must be carried out simultaneously. The higher the value of the Entrepreneurial Orientation, the higher the performance of SOEs. For this reason, it is necessary to strengthen the entrepreneurial orientation of BUMN from all dimensions (Commitment to Novelty, Proactivity, and Risk-Taking) so that it will reduce the influence of organizational culture which is still strongly influenced by bureaucracy, political interference, and the role as the bearer of social tasks which ultimately improves the performance of BUMN. Through organizational learning, the dimensions that are influenced by the Entrepreneurial Orientation that will have an increasing effect are the Tendency to Innovate and Take Risks. Thus the Trolley model is expected to be able to improve the performance of SOEs by implementing improvements to the Entrepreneurial Orientation directly to Performance and Entrepreneurial Orientation to Organizational Learning which is directed to the creation of Innovation through the organization.

## CONCLUSION

In general, it can be concluded that the Entrepreneurship Orientation, Organizational Learning, Innovation, and Performance of SOEs in Indonesia are in good condition. This is evidenced by hypothesis testing and descriptive statistical analysis, which shows that respondents consider the Entrepreneurial Orientation, Organizational Learning, Innovation, and Performance of BUMN to be Good. Although the average value is good, there are indicators whose values are still below the

average, namely the Proactive dimension (variable), Group Learning and Connection System Learning (variable), Adoption of Innovation (Innovation), and Internal Business Process (BUMN Performance). The results of the study prove that the Entrepreneurship Orientation only has a direct effect on the performance of SOEs, not through innovation, and not through Organizational Learning. Then the Entrepreneurship Orientation has an effect on Innovation through Organizational Learning so that the novelty of this research is obtained from the Entrepreneurship Orientation path - Organizational Learning - Innovation - BUMN Performance. The results also show that Innovation does not act as a mediator in the relationship between Entrepreneurial Orientation and BUMN Performance. Likewise, Organizational Learning does not act as the sole mediator between Entrepreneurship Orientation and BUMN Performance, but Entrepreneurship Orientation has a positive and significant effect on BUMN Performance through Organizational Learning and then through Innovation, with a greater total mediating effect if both are used as mediators sequentially (Trolley).

## The Practical Suggestions

1. findings show that the Entrepreneurial Orientation in which one of the dimensions is Risk-Taking has the highest value, so it is suggested that companies need to adopt Risk Management or Risk-Based Rating using the RGEC Approach which consists of several factors including (Risk Profile, Good Corporate Governance, Earnings, and Capital) from the practices carried out in the industry because it is proven that four state-owned banks are in the Emerging Industry Leaders with better financial performance every year.
2. Conducting research with a sample of SOEs that are in one category of KPKU assessment, especially those with low scores and poor financial performance.
3. Universities can participate in formulating a new model of Organizational Learning made specifically for SOEs. In addition, by working together to improve the performance of SOEs through consultation and training for the application of Innovation, Organizational Learning, and Entrepreneurship



Orientation. It is very urgent to intensify learning/training in BUMN, in the current context where the mission of BUMN is full of challenges because there is a social mission to overcome the problem of unemployment but must remain profitable. That can only happen if there is an entrepreneurial orientation that leads to sociopreneurship

### Academic Suggestions

The results of the study show two variables that mediate the relationship between Entrepreneurial Orientation and BUMN Performance sequentially, which have not been carried out by other researchers, so that this opens opportunities for improvement in further research, including:

1. Examining the influence of Entrepreneurship Orientation and its influence on Competitive Advantage in various external conditions that change, such as rapidly developing
2. Research variables that influence Entrepreneurial Orientation in a formative way, because this study measures Orientation Entrepreneurial variable an important reflectively.
3. Further research needs to focus on the comparison of strategy and performance in BUMN with the status of Tbk and non-Tbk so that their output can be used as a standard for other SOEs.

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