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## ACHIEVING PERFORMANCE THROUGH STRATEGIC AGILITY AND ENTREPRENEURIAL INNOVATION: AN EMPIRICAL RESEARCH IN SMEs SECTOR

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Abstract: Small and medium enterprises (SMEs) are often considered significant in developing countries like Indonesia. However, there are several problems regarding the quality of human resources and technical and non-technical skills, weaknesses in seizing opportunities, and lack of innovation. For this reason, SMEs need to be continuously developed both in quantity and quality, especially in improving their performance to contribute to economic development. Therefore, this study examines the factors directly or indirectly related to improving its performance. This study empirically predicts that strategic agility can influence entrepreneurial innovation and organizational learning. Furthermore, this study proposes a relationship between strategic agility, entrepreneurial innovation, and organizational learning on performance in SMEs. This research was conducted by taking samples from SMEs in the food and beverage, fashion, service, and other sectors. Sampling was conducted on 110 owners or managers of UKM in the Bandung, Garut, and Sumedang areas. Data analysis in this study used SEM-PLS. The results show that strategic agility positively relates to entrepreneurial innovation and organizational learning. Then, these findings show that organizational learning has the most significant influence on performance compared to strategic agility and entrepreneurial innovation. This study implies that SMEs can respond quickly to external changes, find creative solutions, and have agile capabilities in work processes. Recommendations for further research include environmental uncertainty moderating variables linking strategic agility and performance.

**Keywords**: Strategic Agility, Entrepreneurial Innovation, Organizational Learning, Performance, SMEs

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#### INTRODUCTION

The improvement of a country's economy must be balanced with the role of small and medium enterprises (SMEs). SMEs are often considered vital in traditional and modern sectors and can absorb various workers. Therefore, it is crucial always to develop SMEs both in quantity and quality, especially in improving their performance, to be able to contribute to economic development, especially in Indonesia. Based on information from the Indonesian Ministry of Finance, in 2021, there will be 64.2 million MSMEs with a GDP percentage of 61.07% or a total of Rp. 8,573.89 trillion (Kemenkeu, 2021). However, based on the LIPI survey's results on SMEs' performance during the Covid-19 pandemic, almost 75% experienced a decline in sales (LIPI, 2020). In addition, Covid-19 has caused various business sectors to face many performance problems, such as a lack of product innovation, production barriers, difficulty in raw materials, declining market demand, and difficulties in accessing capital. Some heavily affected businesses are tourism, retail, culinary, and transportation (Fitri, 2022). Various efforts need to be made to maintain its business. They are especially considering the strategies that must be carried out according to the problems faced, especially in improving their performance (Mahaini et al., 2022).

Martowardojo (2016) explained that quality of human resources and technical and non-technical skills in SMEs still needs to be improved, development of new products is still limited that already exists in the market, and innovation is low. In addition, Rizal (2014) stated that the main obstacle for SMEs today is the lack of application of technology and the ability to innovate in developing new products, which causes low performance of marketed products. These obstacles are classic problems for SMEs, which often find it challenging to face the expansion of large companies. If the ability to innovate is for SMEs, sooner or later, the business will die, or at least it will be challenging to develop. Therefore, the authors propose several factors that improve SME performance based on the previous study's results. These factors include strategic agility, entrepreneurial innovation, and organizational learning.

To date, several empirical studies have examined the role of strategic agility on entrepreneurial innovation in the firms (e.g., Tsolakidis et al.,

2020). Moreover, as in previous studies, the literature regarding this relationship in SME sector has primarily focused on large firms. Please focus on gap; this study highlights the relationship in SME sector between strategic agility influencing entrepreneurial innovation and organizational learning and their impact on SME performance. The contribution of this research lies in building the proper framework to evaluate the extent to which SME business activities that rely on strategic agility are positioned to develop entrepreneurial innovation. A sample of SMEs operating in several cities in West Java Province was used for this study.

Strategic agility is the company's ability to renew itself continuously and maintain flexibility without sacrificing efficiency (Weber and Tarba, 2014). It can be done by detecting changes through opportunities and threats in the business environment and providing a fast response through recombining resources, processes, and strategies (Tabe Khoshnood and Nematizadeh, 2017). In addition, strategic agility is described as the systematic application of dynamic capabilities to achieve various entrepreneurial innovations in the company's products, processes, and service structures within the business model (Clauss et al., 2019). Companies with strategic agility can achieve sustainable performance and competitiveness in a competitive environment (Arokodare and Asikhia, 2020). Entrepreneurial innovation is "the implementation of creative ideas through discovering and exploiting opportunities in entrepreneurial ventures" (Tsolakidis et al., 2020). At the same time, innovation is a new idea, which may be a recombination of old ideas, formulas, or unique approaches considered new. Innovative entrepreneurs contribute to market efficiency by offering new and unique products or services and taking advantage of new opportunities in the market (Erogul and Horne, 2014). It can be said that entrepreneurial behavior can produce specific innovative outcomes (Lassen et al., 2008). Organizational learning could be explained as the company's capability to build, transfer, and integrate knowledge and modify its behavior to boost its performance (Altinay et al., 2016). Companies can rapidly change due to the dynamic process of organizational learning. Developing new knowledge, abilities, and behaviors is an aspect of this process. Organizational learning could be the primary method for completing knowledge-based

activities and improving organizational capabilities. Therefore, effective organizations must act strongly in learning conditions. Organizational learning is visible as a dynamic process, including knowledge creation, acquisition, and collection by identifying the resources and capacities that lead to increased organizational performance (Saki et al., 2013).

This study aims to answer the problem of improving performance in SMEs through entrepreneurial innovation, strategic agility, and organizational learning. In addition, this research is also to fill the research gap where the role of strategic agility, entrepreneurial innovation, and organizational learning is still limited to SMEs in the Indonesian context. Therefore, this study will directly examine the role of strategic agility in entrepreneurial innovation and organizational learning. Then the role of strategic agility, entrepreneurial innovation, and organizational learning on performance. In addition, this study will also examine the mediating role of entrepreneurial innovation and organizational learning in influencing the relationship between strategic agility and performance.

## LITERATURE REVIEW Strategic Agility

Understanding strategic agility is a measure, and an organization can renew itself to respond to external uncertainty and turbulence and aim to create new opportunities (Weber and Tarba, 2014). Being agile relates to a business's innate capacity to adapt continually to a changing environment, which lies in the number of ordinary people and teams (Xing et al., 2020). It is an opportunity to manage sustainable change as it relates to the frequency and tempo of environmental change and demonstrates the agility and speed of the company. Strategic agility prepares organizations to anticipate change by creating alternative resources and capabilities (Lengnick-Hall and Beck, 2016). The main capacities that enable companies to develop agile organizational systems are having a fast resource flow and making logical decisions (Shams et al., 2021). Furthermore, Shams et al. (2021) stated that strategic agility requires four main activities, including (a) creating a common strategy to be in an excellent organizational climate; (b) monitoring the external environment consistently to anticipate significant and rapid changes to formulate decisions; (c) conducting testing by trial and error as well as continuous experimentation; and, (d) implementing gradual and radical changes, and measuring their performance.

### **Entrepreneurial Innovation**

Innovation and entrepreneurship are integral to economic development and industrial renewal (Galvão et al., 2017). Innovation is the entrepreneur's specific tool, which is how change is harnessed as a chance for a brand new or different business. Entrepreneurial efforts are oriented towards adaptation and transformation of opportunities into successful innovations. Furthermore, entrepreneurs turn uncertainty into opportunity based on the influence of expertise and an efficient innovation approach (Ghorbel et al., 2021). Entrepreneurial innovation is a crucial tool to promote new business opportunities to grow in the market (Musyoki Kiilu and Peter, 2020). In today's complex business environment, entrepreneurial innovation has a crucial role in improving companies' growth and performance (Autio et al., 2014). Companies that concentrate on innovation achieve competitiveness and can maintain it for the future. Innovation can be an essential tool that provides opportunities for various inventions and developing new markets (Musyoki Kiilu and Peter, 2020). In addition, due to increasingly fierce competition, the capability to innovate and manage the innovation process is essential for SME performance (Rosli and Sidek, 2013). SMEs with high entrepreneurial innovation will invest in organizational and financial resources leading the company to be innovative. The activities involved in these steps are crucial for the delivery of R&D activities, staff training, product manufacturing, sales, and marketing, which eventually contribute to innovation in SMEs (Wang et al., 2015). Entrepreneurial innovation has three main elements: value proposition, value creation, and value capture (Tsolakidis et al., 2020). The value proposition describes the composition of the company's products and activities related to developing new offerings, production or services, selection of marketing channels, and target markets. Value creation captures how value is generated within the company and externally, along with customers and suppliers. The value capture dimension considers decisions related to new costs and revenues, such as margin, quality, and price (Clauss et al., 2019).

### **Organizational Learning**

Organizational learning is the acquisition of new knowledge or skills in response to internal or external stimuli that lead to an increased organization's effectiveness and or efficiency (Dada and Fogg, 2016). This learning process includes cognitive and behavioral changes that are interrelated in individuals and can be developed through routines, cultures, systems, structures, and strategies at the organizational level (Scipioni et al., 2021). In addition, learning can also occur between different organizations through alliances and networks that offer interaction and cooperation. In addition, organizational learning is seen as a corporate technique to manage change through knowledge and creative solutions because most SMEs often try to survive in competition through learning and adapting to available changes (Tam and Gray, 2016). Kasim et al. (2018) declared that organizational learning could develop a collective capacity for learning in organizations through domination, representation, or social experience. Domination identifies previous experiences that the company can learn to improve later. The representative comes from reflection and observation, whereas social experience originates from getting positive reinforcement. Therefore, organizational learning is essential as it makes organizations constantly gather information regarding their competitors, suppliers, and customers to make superior customer value (Kasim et al., 2018).

## **HYPOTHESIS DEVELOPMENT** Strategic Agility and Entrepreneurial Innovation

Companies that leverage strategic agility can be more conscious of the new capabilities, technologies, and processes needed to create new value for customers or even to offer existing value to customers differently (Clauss et al., 2019). If a business increases its strategic agility, it can identify unmet needs in market conditions and environmental changes that induce new market demands and opportunities, which is critical to its ability to increase its entrepreneurial innovation (Weber and Tarba, 2014). Strategic agility allows companies to consistently reinvent entrepreneurial innovation to pursue untapped market opportunities and meet

changing customer needs and preferences as time passes. Finally, strategic agility increases corporate awareness and allows the business to assess better the price structure and income streams associated with its value proposition and activity system configuration. Strategic agility is the essential to adopting entrepreneurial innovation (Clauss et al., 2019). We, therefore, conclude that:

**H1**: Strategic agility has a positive effect on entrepreneurial innovation.

### Strategic Agility and Organizational Learning

Organizational learning includes creating, adapting, and replicating knowledge leading to accumulating knowledge as time passes (Shin et al., 2015). Integrating an internal knowledge base and organizational learning through experiencebased improvement promotes organizational effectiveness (Braunscheidel and Suresh, 2009). Similarly, strategic agility entails knowledge obtained through a training program with qualified people. Agile organizations depend on empowered individuals with technical knowledge and skill who know opportunities and challenges to adapt their activities quickly and flexibly (Li et al., 2008). Strategic agility will therefore need improving organizational learning by empowering employees through flexible working conditions. Knowledge-intensive firms generally demonstrate creativity, adaptability, and problem-solving skill (Shin et al., 2015). In this regard, we consider organizational learning as an underlying dimension of strategic agility and propose to follow the hypothesis:

**H2**: Strategic agility has a positive effect on organizational learning.

### **Strategic Agility and Performance**

Brueller et al. (2014) explain that a firm's ability to adapt to changes in the market is a critical aspect of strategic agility. It is demonstrated by the organization's ability to continuously scan the market for emerging opportunities and threats, foresee gaps, and estimate future market trends (Brueller et al., 2014). It presents the business's strategic approach to the market, including developing and launching new products in both existing and emerging markets. Fulfilling consumers' needs, expanding an entry into new markets, enhancing brand perception, and gaining market share, can provide a solution to the market to improve mar-

ketplace search. Thus, strategic agility boosts business performance (Ahammad et al., 2021). Furthermore, research by Nurjaman et al. (2021) on logistics providers discovered that strategic agility positively affects company performance. Ahammad et al. (2021) stated that a firm's ability to respond to market developments is crucial to strategic agility. It is demonstrated in the company's capacity to continuously analyze the industry to find new opportunities, anticipate gaps, and forecast market trends. It describes the company's entire strategy in the market, such as producing and introducing new products. Delivering solutions to the market in this way can significantly increase the satisfaction of existing customers, gain a place in new markets, improve brand perception, and increase market share. As a result, strategic agility drives company performance (Ahammad et al., 2021). Therefore, we conclude that:

**H3**: Strategic agility has a positive effect on performance

### **Entrepreneurial Innovation and Performance**

Autio et al. (2014) argue that entrepreneurial innovation can generate performance for companies in today's complex economic environment. Entrepreneurial innovation in a business context can result in innovative performance across markets regarding new services and products. Several studies discuss the effect of entrepreneurial innovation on the performance of SMEs, such as El Chaarani and Raimi (2022), who found that entrepreneurial innovation can lead to improved performance in the health sector. Then, Adam and Alarifi (2021) found that the innovative practices adopted by SMEs during the pandemic positively affected the performance and likelihood of business continuity. Based on the literature review and insights from various innovation theories, entrepreneurial innovation may impact SME performance. Thus, the third hypothesis that underlies this research is formulated as follows:

**H4**: Entrepreneurial innovation has a positive effect on performance

### Organizational Learning and Performance

In Valdez-Juárez et al. (2019), SMEs can improve their learning systems and performance when they interact more with fellow members of their organization, making them better at captur-

ing, transferring, and applying the learned knowledge. Therefore, organizational learning is described as a beneficial capacity to achieve better organizational practices, including implementing social responsibility and performance improvement in SMEs (Valdez-Juárez et al., 2019). Furthermore, Real et al. (2014) argued that organizational learning is a critical component of any effort to improve perceived business performance and strengthen competitive advantage. In addition, performance provides essential feedback on the efficiency and effectiveness of the learning process. Similarly, learning organizations have better long-term performance than their competitors (Real et al., 2014). Therefore, we conclude that:

**H5**: Organizational learning has a positive effect on performance.

# The Mediating Role of Entrepreneurial Innovation

Clauss et al. (2019) suggested that organizational performance is strongly correlated with the capacity to manage resources to ensure effectiveness and harmony with the change in customer demand. Moreover, Vaillant and Lafuente (2019), showed the ability to adapt to the conditions of the work environment and the presence of flexible resources that can be reconfigured to improve innovation capability. Then, commitment to attaining strategic goals and research and development activities influence the production of various complex products and services. In addition, firms that encourage entrepreneurial innovation by depending on unique offerings of goods and services have achieved high financial returns. Their customers are loyal to their products, improving their performance (Ferreira et al., 2018). The research hypothesis can therefore be stated as follows:

**H6**: Entrepreneurial innovation has a mediating influence on the relationship between strategic agility and performance.

## The Mediating Role of Organizational Learning

Lu and Ramamurthy (2011) stated that strategic agility is an organization's capacity to deal with unforeseen obstacles in a way that enables it to adopt swift and innovative answers. In addition, Hamad and Yozgat (2017) noted that strategic agility and organizational learning are the most critic-

al factors that significantly impact a business's survival and success during technological disruption. Saha et al. (2020) stated that strategic agility enables firms to improve their competitiveness. It demonstrates how an organizational agility strategy may be a powerful tool for fostering sustainable organizational learning, allowing and encouraging firm performance growth through organizational learning. Due to its initiative in the innovation sys-

tem and the availability of organizational learning capacity, strategic agility enables the businesses to compete successfully. It focuses on firms' growth that promotes effectiveness by improving organizational learning, which finally impacts performance (Saha et al., 2020).

**H7**: Organizational learning has a mediating influence on the relationship between strategic agility and performance.

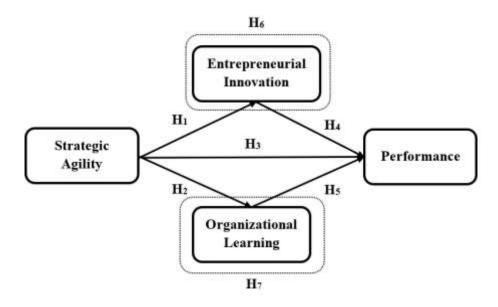


Figure 1. Research Empirical Model

### **METHOD**

This study uses primary data from respondents by asking them to answer several questions in the research instrument. Then, the data source is the owner or manager of SMEs consisting of the food and beverage, fashion, and the other sectors. Then the selected locations are Bandung, Garut, and Sumedang because these areas are centers of SMEs in West Java. The sample size refers to Ghozali (2011) states that the number of samples can be calculated from the size of the parameter multiplied by 5 - 10. Because this study uses two exogenous and two endogenous variables with a total of 22 parameters, the sample needed in the study are minimal.  $22 \times 5 = 110$  samples. This data analysis uses the least squares partial structural equation modeling based on SmartPLS 3.0. The research instrument is about strategic agility, entrepreneurial innovation, organizational learning, and performance. A five-point Likert scale, indicating strongly disagree to agree strongly, was used to measure the construction of the study. Then, validity and reliability were tested using factor loading, average variance extract or AVE, convergent validity, discriminant validity, Cronbach's alpha, and composite reliability. Factor loading ensures that each question item is classified in each variable.

### **RESULTS**

Based on the results of the respondent's data, a summary of characteristics, descriptive analysis, and analysis of the relationship between variables using structural-partial least square (SEM-PLS) modeling was obtained. Table 1 shows respondent data by gender, age, SME category, business operations, and the number of employees. Based on respondent data, it can be concluded that most SME owners or managers are women, with as many as 72 respondents (65.45 %). The age of respondents between 41 to 50 years is 55 respon-

dents (50.00 percent), the SME category is F&B with 60 respondents (54,55 percent), the business operations for 3-5 years as many as 31 respondents

(28.18 percent), and the last is the number of employees under five with a total of 83 respondents (75.45 percent).

**Table 1. Demographic Characteristics of the Respondents** 

Characteristic	Description	Amount	Percentage
Gender	Man	38	34,55
	Woman	72	65,45
Age	20-30 year	11	10,00
	31-40 year	30	27,27
	41-50 year	55	50,00
	51-60 year	14	12,73
SMEs Category	F&B	60	54,55
	Fashion	19	17,27
	Services	11	10,00
	Others	20	18,18
Business Operation	1-2 year	19	17,27
	3-5 year	31	28,18
	6-10 year	27	24,55
	> 10 year	33	30,00
Number of Employees	< 5 person	83	75,45
	5-10 person	12	10,91
	> 20 person	15	13,64

Source: PLS (2022)

The research instrument's validity measurement determines whether it is valid. This test was performed using the SmartPLS 3.0 application tool, indicating convergent validity (See Table 2). The dependent variables for this study are entrepreneurial innovation, organizational learning, and performance, whereas the independent variable is strategic agility. Convergent validity is used to evaluate the cross-loading factor and determine the validity of each variable. The weight of each factor must be more than 0,5. All indicators of strategic agility, entrepreneurial innovation, organizational learning, and performance have variables with an estimated value of more than 0.5 and a t-statistic value greater than t-table (t-table = 1,98). The convergence of the validity is also seen in Table 4. The average variance extracted (AVE) for many construct variables is more significant than 0,5. All variables are acceptable and may be used in the following process. Table 3 showed the reliability test to check the consistency of each variable. With a minimum value above 0,4, it can be explained that constructs can pass the reliability test. The reliability test also assesses the reliability of the composite. That is acceptable if the composite reliability value is between 0,6 to 0,7; then, for an increased level, the assessment results between 0,7 to 0.9 can be more satisfactory (Hair et al., 2014). The results can be seen in Table 3. Reliability testing implies that each composite reliability of all variables is above 0,7. All variables in this study are reliable and can be continued for the following process. Table 4 estimated the R-square value using PLS, showing the entrepreneurial innovation value of 0,662. It explains that strategic agility can explain 66,2% of entrepreneurial innovation, and other variables outside this research model are 33,8%. Furthermore, the estimated value of the Rsquare shows an organizational learning value of 0,670. It explains that strategic agility can explain

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67,0% of organizational learning and other variables outside this research model are 33,0%. Then the estimated value of R-Square on performance is 0,796. That means that strategic agility, entrepre-

neurial innovation, and organizational learning can explain 79,6% of the performance of SMEs, while the remaining 20,4% are other variables outside this research model.

**Table 2. Validity Test** 

Construct	Loading Factor	Standard Deviation	T-Statistics	P-Values	Description
Strategic Agility					
(AVE = 0,677)					
X1.1 <- SA1	0,835	0,029	28,381	0,000	Valid
X1.2 <- SA2	0,899	0,014	62,284	0,000	Valid
X1.3 <- SA3	0,776	0,043	18,021	0,000	Valid
X1.4 <- SA4	0,808	0,058	13,888	0,000	Valid
X1.5 <- SA5	0,771	0,045	17,187	0,000	Valid
X1.6 <- SA6	0,842	0,025	33,677	0,000	Valid
Entrepreneurial Innovation (AVE = 0,674)					
Y1.1 <- EI1	0,855	0,034	25,433	0,000	Valid
Y1.2 <- EI2	0,722	0,059	12,219	0,000	Valid
Y1.3 <- EI3	0,876	0,022	40,366	0,000	Valid
Y1.4 <- EI4	0,921	0,013	72,422	0,000	Valid
Y1.5 <- EI5	0,888	0,019	47,724	0,000	Valid
Y1.6 <- EI6	0,796	0,034	23,618	0,000	Valid
Y1.7 <- EI7	0,654	0,063	10,431	0,000	Valid
Organizational Learning (AVE = 0,644)					
Y2.1 <- OL1	0,651	0,069	9,367	0,000	Valid
Y2.2 <- OL2	0,872	0,031	27,770	0,000	Valid
Y2.3 <- OL3	0,889	0,018	50,293	0,000	Valid
Y2.4 <- OL4	0,776	0,048	16,175	0,000	Valid
Performance (AVE = 0,804)					
Z1.1 <- P1	0,892	0,030	29,413	0,000	Valid
Z1.2 <- P2	0,903	0,029	31,653	0,000	Valid
Z1.3 <- P3	0,918	0,030	30,824	0,000	Valid
Z1.4 <- P4	0,881	0,024	36,780	0,000	Valid
Z1.5 <- P5	0,888	0,016	54,623	0,000	Valid

Source: PLS (2022)

Table 3. Reliability Test

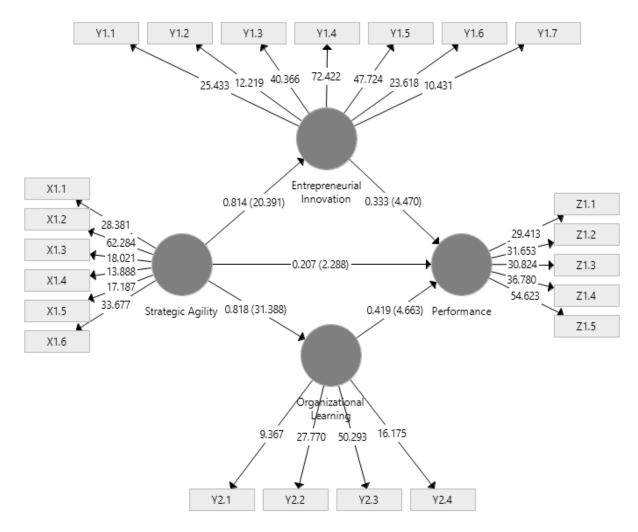
Variable	Cronbach Alpha	Composite Reliability	Description
Strategic Agility	0,904	0,926	Reliable
Entrepreneurial Innovation	0,917	0,935	Reliable
Organizational Learning	0,810	0,877	Reliable
Performance	0,939	0,953	Reliable

Source: PLS output results (2020)

Table 4. R-Square

Variable	R-Square	Adjusted R-Square
Entrepreneurial Innovation	0,662	0,659
Organizational Learning	0,670	0,667
Performance	0,796	0,790

The data testing results using SmartPLS reveal that the structural equation model explains the correlation between constructs using bootstrap. The results show an empirical research model of the strategic agility, entrepreneurial innovation, organizational learning, and performance (see Figure 2).



**Figure 2. Structural Test** 

**Table 5. Hypothesis Testing Results** 

Hypothesis	Original Sample	t-statistic (t-tabel=1,98)	Conclusion
H₁: Strategic Agility → Entrepreneurial Innovation	0,814	20,391	Accepted**
H <sub>2</sub> : Strategic Agility → Organizational Learning	0,818	31,388	Accepted**
H <sub>3</sub> : Strategic Agility → Performance	0,207	2,288	Accepted*
H <sub>4</sub> : Entrepreneurial Innovation → Performance	0,333	4,470	Accepted**
H <sub>5</sub> : Organizational Learning → Performance	0,419	4,663	Accepted**
H <sub>6</sub> : Strategic Agility → Entrepreneurial Innovation	0,271	4,177	Accepted**
→ Performance			
H <sub>7</sub> : Strategic Agility → Organizational Learning	0,343	4,540	Accepted**
→ Performance			

Note: \*\*sig. < 0.01, \*sig. < 0.05

Source: PLS (2022)

The data processing results in Table 5 showed the effect of strategic agility on entrepreneurial innovation with an estimated value of 0,814 and a sig level. < 0,01 (t-statistic 20,391). It means that there is a positive and significant influence on the role of strategic agility in entrepreneurial innovation; therefore, this study supports hypothesis 1. Furthermore, the effect of strategic agility on organizational learning has an estimated value of 0,818 with a sig level. < 0,01 (t-statistic 31,388). It means that there is a positive and significant influence on the role of strategic agility in organizational learning; therefore, this study supports hypothesis 2. So these results indicate that strategic agility positively affects performance with a t-statistic value of 2,288 and sig. < 0.05. The path analysis of the sample estimate is 0,207. It shows a positive and significant influence between strategic agility and performance; therefore, this study supports hypothesis 3. Furthermore, the influence between entrepreneurial innovation and performance shows the path analysis estimation value of 0,333; the test results are sig. < 0.01 (t-statistic 4,470). Thus it can be concluded that entrepreneurial innovation has a significant and positive effect on performance; therefore, this study supports hypothesis 4. Then, the influence between organizational learning and performance shows an estimated value of 0,419 with a sig level. < 0,01 (t-statistic 4,663). It shows a positive and significant effect between organizational learning and performance; therefore, this study supports hypothesis 5.

The table shows that entrepreneurial innovation positively mediates the relationship between strategic agility toward performance with a t-statistic value of 4,177 and sig. < 0,01. The original value of the sample estimate is 0,271. Therefore, it can be concluded that entrepreneurial innovation positively and significantly mediates the relationship between strategic agility and performance; therefore, this finding supports hypothesis 6. Next, the result indicates that organizational learning positively mediates the relationship between strategic agility toward performance with a t-statistic value of 4,540 and sig. < 0,01. The original value of the sample estimate is 0,343; therefore, this finding support hypothesis 7.

### DISCUSSION

## Strategic Agility on Entrepreneurial Innovation

This study finds that strategic agility has a positive effect on entrepreneurial innovation. This result is supported by Clauss et al. (2019), which showed that strategic agility comprising strategic sensitivity, leadership unity, and resource fluidity is positively related to components of entrepreneurial innovation, including value proposition, value creation, and value capture innovation. These results explain that SMEs that adopt strategic agility predicated on introducing practices from sensing changes in the business environment have a more significant chance to improve innovation features (Al Taweel and Al-Hawary, 2021). The role sho-

wed that strategic agility helps organizations sense their environment for changes and opportunities, adapt and respond quickly and utilize their resources effectively and efficiently (Clauss et al., 2021).

### **Strategic Agility on Organizational Learning**

This study found that strategic agility has a positive effect on organizational learning. This result is supported by Hamad and Yozgat (2017), conducting a study on strategic agility in organizational learning at the commercial banks in Turkey, that strategic agility is needed to improve organizational learning because agile organizations are always ready to learn. Then, strategic agility can encourage organizational learning because organizations feel and respond to environmental pressures so that they learn from experience and thus can develop organizational learning (Hamad and Yozgat, 2017). Saha et al. (2020) highlighted that fundamentally organizational agility could improve the ability to face unexpected challenges allowing them to adopt fast and innovative responses. Furthermore, Shin et al. (2015) explained that strategic agility could improve organizational learning by empowering human resources through flexible work situations. Knowledge-intensive organizations are the creative and excel in problem-solving (Shin et al., 2015).

### **Strategic Agility on Performance**

This study found that strategic agility has a positive effect on performance. This result is supported by Al Taweel and Al-Hawary (2021), who stated that there is a positive relationship between strategic agility and performance in financial and service companies listed on ASE. Therefore, companies recognize the importance of providing unique products and services to customers and adopt strategic agility that helps them in the development process to meet market needs. Furthermore, these companies are trying to adapt to the changing work environment by obtaining sufficient flexible organizational resources and proactively sensing the opportunities and threats in the work environment to develop appropriate strategies for these changes, which will ultimately impact performance (Al Taweel and Al-Hawary, 2021). A study by Lungu (2020) on IT companies in Romania confirmed the positive relationship between strategic agility and performance. Ravichandran (2018) also supported this finding, confirming that companies using strategic agility have better performance levels.

### **Entrepreneurial Innovation on Performance**

Then this study also found that the role of entrepreneurial innovation has a positive effect on performance. These results aligned with El Chaarani and Raimi (2022) by conducting a study in a private hospital in Lebanon that validated the impact of entrepreneurial innovation on performance during the pandemic crisis. Ignatov (2018) confirmed that entrepreneurial innovation represented through the level of R&D spending of each business is sensitive to performance. In addition, several researchers found that entrepreneurial innovation can positively affect firm performance, including non-financial performance, business growth, and performance (Autio et al., 2014; Tajuddin et al., 2015). Furthermore, Falahat et al. (2018) added that the logical finding of this result is that when companies manage to satisfy and retain their customers for the long term due to their innovative practices, this results in the superior performance. This superior performance can lead to better worklife balance for managers and owners. Guerrero and Urbano (2021) confirmed that innovative business models perform two essential functions, to create value and to capture that value into profit. Therefore, entrepreneurial innovation connects value creation with consumers—either explicitly or implicitly—through the processes used to adequately capture it and transform it into sustainable profit and performance (Zott and Amit, 2007). According to this perspective, entrepreneurial innovation allows companies to use their resources more efficiently, capture more value, and share risks and resources with partners (Munawar and Tarmidi, 2020). As a result, companies can better anticipate uncertainty, innovate quickly, and identify innovative business models for commercializing their innovations. Then, the configuration of entrepreneurial innovation in various contexts provides services and organizational forms. Therefore, achieving the level of performance is dependent on entrepreneurial innovation (Guerrero and Urbano, 2021).

### **Organizational Learning on Performance**

This study also found that organizational learning has a positive effect on performance. This

result is in line with the findings of Wuen et al. (2019) by researching 275 SMEs in Brunei Darussalam, which concluded that organizational learning positively affects SMEs' performance. Hapsari et al. (2014) added that organizational learning enables organizations to improve strategic capabilities to maintain competitive advantage. In addition, Yusoff et al. (2019) stated that organizational learning is essential for improving performance by developing learning resources and skills. Improved organizational learning significantly affects performance and competitive advantage for the organization. Then, Suchahyo et al. (2016) added that organizational learning affects performance by increasing employee learning and adaptability to change, reducing the impact of employee turnover, improving service quality, successful innovation in new products, and increasing excellence for the organization. Hussein et al. (2014) explained that learning organizations allow for increased performance due to the exchange of valuable knowledge. It is because a learning organization has a continuous and harmonious learning environment. In particular, system connections have the same impact on organizational performance because employees are known to have internal and external experience with the surrounding environment and can build relationships between the two (Hussein et al., 2014).

## The Mediating Role of Entrepreneurial Innovation

We further examine the mediation role of entrepreneurial innovation on the relationship between strategic agility and performance. The findings of our mediation tests suggest that entrepreneurial innovation is an essential intermediary mechanism through which businesses' strategic agility leads to excellent company performance. This conclusion was reached as a direct consequence of the findings of the experiments. We believe that the addition of this process will further extend our understanding of the function that entrepreneurial innovation plays as crucial strategic conduits. Thereby demonstrating how strategic mindsets (such as the strategic agility) influence firm performance beyond the investigation of their direct effects. This result is in line with the findings of Clauss et al. (2019) by researching 432 German firms in the electronics industry, which conclude that entrepreneurial innovation is an essential factor in mediating the relationship between strategic agility and performance. The logical explanation for this result is that entrepreneurial innovation functions as an intermediary strategic action between strategic agility and performance because it enables organizations to interpret market intelligence as their capacity to notice and analyze market changes. It is a strategic measure that capitalizes on this new market development. Entrepreneurial innovation assists businesses in identifying significant market shifts caused by new technologies and capabilities. In addition, it enables businesses to respond to market shifts by introducing new products and services and entering new product markets. Therefore, entrepreneurial innovation can provide practical agile strategic activities that increase firm performance (Clauss et al., 2019).

## The Mediating Role of Organizational Learning

Furthermore, we examine organizational learning as a mediating factor in the relationship between strategic agility and performance. Our mediation test findings suggest that organizational learning is an essential mediation through which strategic business agility leads to more excellent firm performance. This result is in line with the findings of Akhlagh et al. (2022) by researching 96 production and service companies in Rasht industrial park, Iran, which conclude that strategic agility can affect company performance indirectly through organizational learning. The possible explanation is that strategic agility was introduced as the best solution for companies to respond to the external environment and rapid changes because it allows them to change their competitive characteristics and adapt to market trends. These factors improve the conditions for change adaptation and provide organizations with more opportunities to implement organizational learning capabilities. As a result, strategic agility influences firm performance indirectly via organizational learning capabilities (Akhlagh et al., 2022).

### **IMPICATIONS**

Owners or managers of the SMEs can draw the three practical implications from this research. First, SME owners or managers who want to improve performance successfully must try to develop their company's capabilities in strategic agility by responding to external changes, finding creative solutions, and having agile abilities in every job. Second, the SME owners or managers can develop entrepreneurial innovation by creating value with new products or services for consumers in new markets through proactive, innovative, and risktaking ways. It is used to seize opportunities and turn them into sustainable profits and performance. Third, SME owners or managers should strive to improve employees' capabilities by participating in proper training or skills development, learning to adapt quickly to the external environment, sharing knowledge, and finding joint solutions to overcome problems.

### RECOMMENDATIONS

Our study has several limitations that may stimulate future research. First, it is essential to mention the selection of sector-specific data in this study, with our sample coming from SMEs. Since the industry is located in a low-tech sector, one might expect a higher level of innovation than other industries (e.g., the technology sector and mid-to-high-end companies). Second, this research is limited to only three places in the West Java region: Bandung, Garut and Sumedang.

The recommendation for further research is to generalize to a larger population, such as the high-tech sector and others. In addition, the research place should be more generalized with a broader range. The study recommends including moderating variables, such as environmental uncertainty, that link strategic agility to performance.

### **CONCLUSIONS**

This study aims to analyze the role of strategic agility on entrepreneurial innovation, organizational learning, and performance in the SME sector. The results of this study emphasize the importance of strategic agility in encouraging entrepreneurial innovation and organizational learning. The results also support the findings of previous studies regarding the role of strategic agility, entrepreneurial innovation, and organizational learning on performance. All hypotheses in this study can be accepted based on a series of data analysis processes. Strategic agility has a strong influence on entrepreneurial innovation and organizational learning. In addition, the overall roles of strategic

agility, entrepreneurial learning, and organizational learning can strongly affect performance when combined. However, strategic agility's effect on the performance is relatively low compared to organizational learning and entrepreneurial innovation variables.

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