

The Mediating Role of Learning Orientation on the Effect of Customer and Competitor Orientation on MSME Business Performance

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ABSTRACT

The purpose of this study was to determine the effect of competitor orientation and customer orientation on business performance mediated by learning orientation. Learning orientation is taken as a mediating variable, because MSMEs must continue to learn and learn, so that they are able to have a competitive advantage. Muhammadiyah's role in supporting this is through the LAZISMU institution, namely through the MSME empowerment program. The MSME empowerment program, in addition to distributing funds, also provides coaching and learning for MSME actors so that they can run their businesses well. This study uses a quantitative approach, by distributing research questionnaires to MSME actors fostered by LAZISMU. There are 53 respondent data processed using SmartPLS. This study uses PLS-SEM analysis with the results of the direct influence between customer orientation on learning orientation and business performance showing positive and significant results, as well as the influence of competitor orientation on business performance. However, competitor orientation on customer orientation does not show a direct influence. The results of the mediation test, the influence of customer and competitor orientation on business performance can be mediated by learning orientation. This shows that learning orientation improves the organization's ability to translate market insights into strategies and innovations that improve business performance. In other words, only MSMEs that are able to internalize customer information and use it as a basis for continuous learning will be able to consistently create business value.

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Introduction

MSMEs have an important role in the Indonesian economy because they make a significant contribution, especially in the formation of gross domestic product and employment. MSMEs are also believed to have high economic resilience so that they can be a support for the stability of the financial system and the economy [1]. However, the development of MSMEs still faces various obstacles, one of which is in terms of developing business strategies [2]. Business strategy in general implies the process of creating, improving, and expanding products, processes, markets, and management to improve business performance in the market. Companies need to comprehensively develop a strategic orientation that includes: leadership, process, product, implementation. Strategic orientation directs the ability to manage organizational resources, expertise in analysing, marketing and taking opportunities, and managing access to information, both markets and capital. The implementation of strategic innovation must be carried out by companies, which is a strategic weapon to be more competitive and improve business performance [3], [4], [5], [6], [7].

LAZISMU is a social institution that has one of its missions to create a quality social and economic life for the people as a bulwark against the problems of poverty, backwardness and ignorance in society through various programs developed by Muhammadiyah [8]. To realize this mission, LAZISMU has an MSME empowerment program by providing business capital and business learning. However, MSMEs must be able to have a strategic orientation in order to improve their business performance in order to have a competitive advantage. The strategic orientation that can be carried out by LAZISMU's fostered MSMEs is learning orientation and market orientation.

Companies that develop Market Orientation will certainly maximize the company's performance in its operational activities. The results of previous research conducted by [9] revealed that companies that want to satisfy their customers better and outperform their competitors need to continuously monitor the behaviour and internal processes that occur within their company. Despite having a smaller competitive range, companies pursuing optimal performance must consider direct and indirect competitors in a volatile competitive environment if they want to successfully build a sustainable competitive business. The results of this study also support research conducted by [10]. In addition to being oriented towards competitors [11] stated that Market Orientation can be developed by utilizing networks to meet customer needs. Creating and maintaining superior customer value by considering the interests of other key business stakeholders can be achieved through market orientation. Thus, this study contributes to the understanding of the importance of implementing market orientation must be based on customer orientation and competitors optimizing business performance [12].

Business strategy development is needed by MSMEs to achieve maximum performance. Business strategy directs the ability to manage organizational resources, expertise in analysing, marketing and taking opportunities, and managing access to information, both markets and capital [13], [14] Current business dynamics are both opportunities and challenges for every business. Therefore, MSME players must be able to compete in a complex pace of change so that they can produce sustainable competitive advantages that can grow and develop [15]. Business performance is very important for every business [16], including MSMEs. Achieving maximum performance can be successful if it is appropriate in determining business strategies [17]. One of the business strategy developments is to conduct strategic orientation [18]. Strategic orientation that can be carried out by MSMEs is competitor orientation, customer orientation and learning orientation.

MSMEs are required to know market needs and be able to provide satisfaction to customers to exceed what competitors can provide. Competitor orientation is an understanding of the short-term strengths and weaknesses as well as the long-term

capabilities and strategies of existing and potential competitors [10]. In the current competitive conditions, there is not a single company that has no competitors and is always fighting for opportunities, as well as the customers it serves, so the marketing concept needs to be operationalized to understand customer needs while assessing the existence of competitors [19]. Research proves that the stronger the implementation of market concepts can improve company performance [20], [21]. However, other studies suggest that the competitor orientation relationship does not directly affect performance [2], [4], [18], [9]. Customer orientation can be interpreted that the ability to identify and satisfy customer needs. companies that want to better satisfy their customers and outperform their competitors need to continuously monitor the internal behaviours and processes that occur within their company. Despite having a smaller range of competition, companies pursuing optimal performance must consider direct and indirect competitors if they are to successfully build a sustainable competitive business [2].

Previous research conducted by [9] revealed that companies that want to satisfy their customers better and outperform their competitors need to continuously monitor the behaviour and internal processes that occur within their company. Despite having a smaller competitive range, companies pursuing optimal performance must consider direct and indirect competitors in a volatile competitive environment if they want to successfully build a sustainable competitive business [2]. The results of this study also support research conducted by [4] and [10]. In addition to being oriented towards competitors [11] stated that Market Orientation can be developed by utilizing networks to meet customer needs. Namely by strengthening customer orientation such as increasing activities to listen to customer opinions [22] as has been done by research by [21] which states that customer orientation mechanisms are important to achieve business performance optimization. Creating and maintaining superior customer value by considering the interests of other key business stakeholders can be achieved through market orientation [23]. Market orientation-based strategies can create maximization of exploration and exploitation results in a balanced and simultaneous manner [24]. Thus, this study contributes to the understanding of the

importance of implementing market orientation based on customer orientation, competitors and other business components that can shape business performance optimization [12]. The results of previous research are inconsistent so that there is a research gap from the results of previous research. Learning orientation is considered important to improve financial performance over time [25], [26], [27], [28], [29], [30], [31]. Learning-oriented MSMEs can quickly obtain and share information related to customers, competitors, technology, and environmental changes. Learning-oriented organizations have the filtering power to assess, evaluate, and share information [22], [32].

LAZISMU is an institution whose program is to conduct training and learning for MSMEs, so to disseminate the results, research is needed that tests the role of learning orientation in improving MSME performance. Therefore, this study uses learning orientation mediation to assess the performance of MSMEs fostered by LAZISMU which is associated with customer orientation and competitor orientation. This study focused on MSMEs assisted by LAZISMU East Java. The improved performance of fostered MSMEs can be an indicator of the success of the program run by LAZISMU. MSME performance can be improved by implementing business strategies appropriately. Business strategies that can be done are competitor orientation, customer orientation with learning orientation mediation, and business performance.

Method

This study uses a sample of all MSME fostered by LAZISMU East Java, totaling 53 MSME (saturated sample), using saturated samples because the population is not large and researchers want to make generalizations with very small errors. This research was conducted with a quantitative-explanatory research approach. Explanatory research is research that aims to explain the position of the variables studied and the influence between one variable and another. The research model can be seen in the following image:

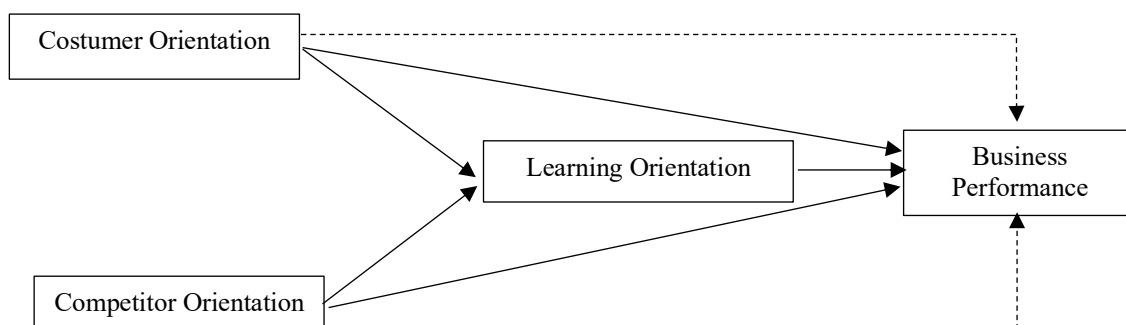


Figure 1. Conseptual Frameword

Companies that develop Market Orientation will certainly maximize the performance of the company in its operational activities. The results of previous studies conducted by [9] revealed that companies that want to satisfy their customers better and outperform their competitors need to continuously monitor the behaviour and internal processes that occur in their company. Despite having a smaller competitive range, companies pursuing optimal performance must consider direct and indirect competitors in a volatile competitive environment if they want to successfully build a sustainable competitive business [2]. The results of this study also support research conducted by [4], [10].

In RBV theory, developing a market orientation will have an impact on the performance. In addition to being oriented towards competitors [11] stated that Market Orientation can be developed by utilizing networks to meet customer needs. Namely by strengthening customer orientation such as increasing activities to listen to customer opinions [22] as has been done by research by [21] which states that customer orientation mechanisms are important to achieve business performance optimization. Creating and maintaining superior customer value by considering the interests of other key business stakeholders can be achieved through market orientation. Thus, this study contributes to the understanding of the importance of implementing market orientation must be based on customer orientation and competitors optimizing business performance [12]. Based on this explanation, a hypothesis can be formulated:

H₁: Customer orientation has a significant effect on the business performance

In the Resource-Based View (RBV) theoretical framework, both customer orientation and learning orientation are categorized as dynamic capabilities that play an important role in creating and maintaining competitive advantage. Companies to be more open in understanding changes in market needs. This process requires the collection, dissemination, and interpretation of customer information which then drives systematic organizational learning. According to [33], companies that have a high customer orientation tend to have a strong organizational learning system to adapt to changing market needs.

Customer orientation is positively related to learning orientation. Customer-focused organizations actively develop internal learning to understand the market [34]. Other research shows that companies with a strong customer orientation will increase their learning capacity to adapt products and services to market needs [25]. Companies that focus on customer needs will be encouraged to undertake organizational learning in order to understand and adapt to market changes. Customer information collected through customer orientation will be an important input in the organizational learning process. Thus, the higher the customer orientation in an organization, the higher the tendency of the organization to have a learning orientation. Based on this explanation, a hypothesis can be formulated:

H₂: Customer orientation has a significant effect on learning orientation

Learning Orientation is an important resource needed by small companies to achieve better performance and gain competitive advantage [28], [29]. Learning Orientation is the potential of organizational resources and capabilities that support companies to develop their performance. Therefore, MSMEs must be able to develop learning orientation, so that the resources they have a competitive advantage. Learning is one of the most important resources for developing decision-making skills that are in accordance with the effectiveness of MSMEs [25]. RBV is a theory that views sustainable excellence as starting

from the development of a company's capabilities and resources [35], [36]. The development of superior resources can be created with the company's orientation towards learning. Not consolidating learning means that errors that cause MSMEs to be inefficient due to lack of information shared or developed by managers are not detected or corrected. Based on this description, the following hypothesis can be raised:

H₃: Learning orientation has a significant effect on the business performance.

Competitor orientation refers to an organization's ability and willingness to understand competitors' strengths, weaknesses, strategies, and actions, and the organization's response to that information. [33] define competitor orientation as "a thorough understanding of the short-term strengths and weaknesses and long-term capabilities and strategies of major competitors in the marketplace." The Resource-Based View (RBV) theory also supports this argument, where knowledge about competitors is considered an intangible asset that has strategic value in increasing business competitiveness and performance [36]. Competitor orientation has a positive impact on innovation and ultimately improves the business performance in China [37] Another research shows that firms that actively monitor competitors tend to be more adaptive and perform better in dynamic markets [38]. Based on this description, the following hypothesis can be raised:

H₄: Competitor orientation has a significant effect on the business performance

Competitor orientation drives companies to continuously seek, analyse, and understand strategic information from competitors. This information becomes important material for internal organizational learning. This learning not only increases responsiveness to market threats, but also strengthens innovation and decision making. Therefore, the higher a company's competitor orientation, the higher the level of learning orientation it has. Competitor orientation requires companies to continuously learn from the external environment, especially from competitors' actions and strategies. Thus, the

higher the competitor orientation, the stronger the organization's drive to carry out systematic learning.

Resource Based View is a theory that holds that sustainable competitive advantage comes from the development of superior capabilities and resources. The development of superior resources can be done by focusing on learning. According to [39], competitors' ever-changing strategies force organizations to create adaptive learning systems in order to survive and excel. [40] also stated that competitor information is one of the main inputs in the organizational learning process to improve the effectiveness of marketing strategies. Studies of companies show that competitor orientation has a significant influence on learning orientation, which then influences product innovation [25]. Based on this description, the following hypothesis can be raised:

H₅: Competitor orientation has a significant effect on learning orientation

According to the resource-based view (RBV) theory, organizational learning is an intangible asset that transforms market information into valuable strategies. Customer orientation will only be effective in improving performance if the organization has the ability to learn from that information [41]. The influence of customer orientation on improving business performance does not occur directly, but is strengthened by the existence of a learning orientation. In other words, organizations that learn from customer needs and process this information into adaptive internal strategies will achieve more optimal performance results. Without a strong learning process, the influence of customer orientation may not produce maximum performance. This can be shown in previous research. Previous studies have found that learning orientation mediates the relationship between market orientation (including customer orientation) and organizational performance [34], [42]. Another research stated that learning orientation has a role as a mediator in the relationship between market orientation and innovation performance/business performance [25]. Based on this description, the following hypothesis can be raised:

H₆: Learning orientation can mediate the influence between customer orientation on business performance.

According to the resource-based view (RBV) theory, organizational learning is an intangible asset that transforms market information into valuable strategies. Competitor orientation can trigger organizations to study and analyse competitor behaviour, which encourages learning and strategy adjustment. When organizations realize that their competitors are using better techniques or approaches, they will be motivated to learn new ways and improve their internal capabilities, leading to a stronger learning orientation [25]. Several studies that support the relationship between competitor orientation and learning orientation, as well as the mediating role of learning orientation. [34], [42] States that competitor orientation is positively related to learning orientation. Knowledge of competitors encourages companies to increase their learning capacity to stay relevant in the market. Another research shows that Competitor orientation not only enhances learning orientation, but also has a direct impact on innovation and performance [43]. Based on this explanation, a hypothesis can be formulated:

H₇: Learning orientation can mediate the influence between competitor orientation on business performance

The measurement of each variable is shown in the following table: This study used a sample of all MSMEs assisted by LAZISMU East Java. Research data collection was carried out using a questionnaire. The questionnaire was developed by adopting from various previous studies, the measurement items were on a five-point likert scale ranging from 1: Strongly Disagree to 5: Strongly Agree.

Table 1. Variabel and Measurement

Variable	Measurement	Refferences
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Costumer Orientation	<ol style="list-style-type: none"> 1. Has a goal to satisfy customers 2. Has a commitment and orientation to serve customers 3. Customer satisfaction is important in surviving against competitors 4. Has a strategy in creating customer satisfaction 	Slater & Narver
Competitor Orientation	<ol style="list-style-type: none"> 1. Responds to competitors' actions that are considered to affect business growth 2. Has a uniqueness that is different from competitors 3. Discusses the strengths, weaknesses and strategies carried out by competitors. 	
Learning Orientation	<ol style="list-style-type: none"> 1. Committed to learning and developing 2. Committed to support in achieving goals 3. Willingness to evaluate activities 4. Accepting new input/ideas 5. Sharing knowledge 	Calantone et al.
Business Performance	<ol style="list-style-type: none"> 1. Revenue Growth 2. Increase in visitors 3. Increase in profit 4. Increase in employees/employees 	Sahi et al.

Source: data processed

Hypothesis Testing

A measure of the significance of hypothesis support can be done using the p-value, with a significance level of 1%, 5% or 10%. If the test results are significant, it can be interpreted that there is a significant influence of one latent variable on another latent variable. The assumption required in PLS is that the effect between latent variables is linear. In addition, the non-parametric assumption is that the observations are independent. This second assumption is not critical if the sampling is done randomly. The Bootstrap sample is

recommended to be 10000. This is based on several studies in various literature, that with 10000 Bootstrap samples, a stable parameter estimator will be produced.

Results and Discussion

To achieve the objectives of this study, a sample was taken from the entire population for data collection from respondents. A total of 62 questionnaires were distributed to MSME owners assisted by LAZISMU East Java, but after screening, the final sample size of this study was 53 respondents, with a response rate of 85 percent. SEM-PLS is a two-step equation, which is an advanced form of multiple regression and accounts for two assessments: inner model assessment and outer model assessment [44], [45]. The first step is the estimation of model reliability and validity. In SmartPLS, after obtaining the reliability and validity results for each construct, checking the structural model results is required to test the hypotheses.

Outer Model

The first step in PLS-SEM evaluation is to measure the measurement model. The first step is to compress the measurement model. In PLS-SEM analysis, all measurements in each construct must have accuracy as indicated by convergent validity, discriminant validity and composite reliability.

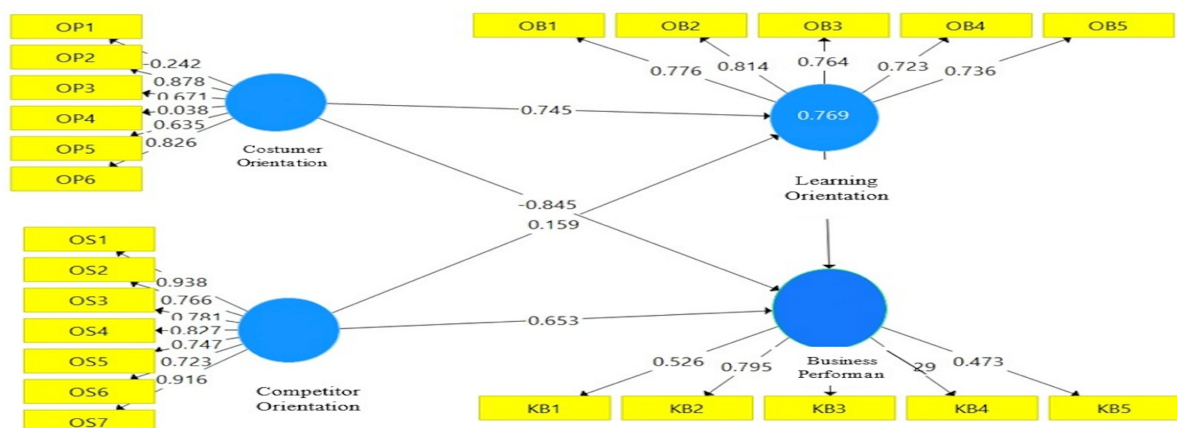


Figure 2. Output SmartPLS Logarith

Based on the results of outer loading in this test, elimination was carried out on: OP1, OP3, OP4, OP6, because the outer loading value is less than 0.700. Furthermore, the evaluation of convergent validity is measured by looking at the value of the average variance Extract (AVE) with an acceptable cut off value of more than 0.500. The table below shows the AVE value for each construct exceeding 0.500 so that it can be stated that each construct meets the criteria for convergent validity.

Table 2. Average Variance Extracted

	<i>Average Variance Extracted (AVE)</i>	Result
OP	0,821	Valid
OS	0,815	Valid
OB	0,583	Valid
KB	0,668	Valid

Source: Output SmartPLS

Based on the table above, it shows that the AVE value for all variables is more than 0, 500 dan valid. The next step in the measurement evaluation is to test the internal consistency reliability. This procedure is carried out to ensure that all question items are able to measure the indicators consistently. Internal consistency reliability testing is carried out by looking at the cronbach's alpha and composite reliability scores. Each indicator is declared reliable if the cronbach's alpha and composite reliability values are >0.70 . Table 4 shows the composite reliability value above 0.60, so it can be concluded that all constructs meet the internal consistency reliability.

Tabel 3. Reliability Test

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Hasil
OP	0,892	0,928	0,932	Reliabel
OS	0,773	0,774	0,898	Reliabel
OB	0,821	0,826	0,874	Reliabel
KB	0,917	0,945	0,933	Reliabel

OP	0,892	0,928	0,932	Reliabel
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Source: Output SmartPLS

Inner Model

In this study, testing was carried out by comparing the resulting probability values with a maximum significance value of 10%. Direct influence testing to determine the influence between variables. Hypothesis testing of direct influence between variables can be seen in the table 4.

Tabel 4. Direct Effect

	Original Sample (O)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Result
OP -> KB	0,895	0,438	4,325	0,000	Accepted
OP -> OB	0,763	0,142	5,366	0,000	Accepted
OB -> KB	0,626	0,347	4,682	0,000	Accepted
OS -> KB	0,560	0,206	2,718	0,007	Accepted
OS -> OB	0,202	0,147	1,377	0,169	Rejected

Source: Output SmartPLS

The hypotheses in this study include testing the influence of strategic orientation (customer and competitor orientation) on business performance mediated by learning orientation. The analysis of the mediation role is carried out after ensuring that the measurement model (outer model) is met.

Tabel 5. Mediation Test

	Original sample (O)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Result
OP -> OB -> KB	0,127	0,055	2,292	0,022**	Accepted
OS -> OB -> KB	0,065	0,029	2,242	0,025**	Accepted

Source: Output SmartPLS

Based on the table above, it shows that learning orientation can mediate the influence of customer and competitor orientation on business performance.

Discussion

The Influence of Costomers Orientation on the Business Performance

The results of the analysis show that customer orientation has a positive effect on the business performance of MSMEs fostered by LAZISMU East Java. This finding is in line with the Resource-Based View (RBV) theoretical framework, which emphasizes the importance of unique internal resources as the basis for sustainable competitive advantage. In the RBV perspective, customer orientation is seen as an intangible strategic capability that is valuable to the company. Deep knowledge of customer needs and preferences - which is cultivated through a customer-oriented culture - is a valuable resource that is difficult for competitors to imitate. In other words, customer orientation meets the criteria for strategic resources in the VRIN framework (Valuable, Rare, Inimitable, Non-substitutable).

The consistent implementation of customer orientation significantly drives improved business performance. Customer orientation fosters customer commitment and loyalty, while spurring product innovation and improving company quality. This is reflected in the results of other studies that found that customer orientation has a direct positive effect on organizational performance. Customer-oriented companies design products/services according to consumer preferences so that their performance is better, in line with our findings. A number of literatures support these findings. [39] Emphasize customer orientation as the foundation for creating superior value for customers. At the performance level, creating superior customer value is the key to competitive advantage as well as improving company performance. [43] research also found that market-oriented companies (customer orientation) tend to have more business opportunities and better performance than those that are not oriented. Furthermore, that market orientation (including customer orientation) is a strategic capability that through VRIN resources increases competitive advantage, which ultimately drives company performance. Overall, these findings confirm

that customer orientation forms a unique capability for MSMEs, thus becoming the basis for competitive advantage and increasing business performance.

The Influence of Costumer Orientation on Learning Orientation

The results of the study indicate that customer orientation has a positive effect on learning orientation in MSMEs fostered by LAZISMU East Java. This finding strengthens the view that the ability to understand and respond to customer needs not only has a direct impact on business performance but also encourages the development of an organizational culture that actively learns. In the Resource-Based View (RBV) theoretical framework, both customer orientation and learning orientation are categorized as dynamic capabilities that play an important role in creating and maintaining competitive advantage.

The finding that customer orientation has a positive effect on learning orientation indicates that the desire to meet customer expectations effectively drives MSMEs to continue learning—either through exploring new information, reflecting on market experiences, or developing internal skills. This is in line with the opinion of [42] that customer orientation can be a trigger for a learning culture in an organization. In the context of LAZISMU coaching, the role of mentoring and training not only strengthens MSMEs' understanding of customers, but also encourages a reflective attitude and continuous learning. Programs that emphasize the importance of customer surveys, product development based on market needs, and periodic evaluation of business practices encourage MSMEs to continue learning and improving themselves. This accelerates the integration between customer orientation capabilities and learning within the framework of increasing business capacity. In addition, moral and social support from institutions such as LAZISMU also creates a collective learning environment that supports the creation of synergy between business actors.

The Influence of Learning Orientation on Business Performance of MSMEs

The results of the study indicate that learning orientation has a positive effect on business performance in manufacturing MSMEs fostered by LAZISMU East Java. This finding indicates that MSMEs that have a strong learning culture tend to show better business

performance, both in financial and non-financial aspects such as customer satisfaction, product innovation, and market adaptation. These results strengthen the position of learning orientation as one of the strategic capabilities in the Resource-Based View (RBV) theoretical framework.

The finding that learning orientation improves business performance is supported by various literatures. Organizations that encourage continuous learning are able to create innovations that are more relevant to market needs, resulting in superior performance. Similarly, [46] stated that learning orientation strengthens the competitiveness of companies through process improvement and product innovation. Learning Orientation is an important resource needed by small companies to achieve better performance and gain competitive advantage [28], [29]. Learning Orientation is the potential of organizational resources and capabilities that support companies to develop their performance. Therefore, MSMEs must be able to develop learning orientation, so that the resources they have a competitive advantage. Learning is one of the most important resources for developing decision-making skills that are in accordance with the effectiveness of MSMEs [25].

In the context of MSMEs fostered by LAZISMU East Java, learning orientation emerged from various coaching activities such as entrepreneurship training, business discussion forums, and direct mentoring. These activities encourage business actors to evaluate their practices, learn market strategies, and apply new knowledge in the production and marketing processes. In this way, MSMEs become more responsive to changes in customer needs and are better able to create new value for the market. Better business performance in this context is not only measured through increased revenue, but also through operational efficiency, improved product quality, customer loyalty, and resilience to crises. This shows that learning orientation contributes to achieving sustainable business performance by strengthening core competencies and reducing dependence on external factors.

The Influence of Competitor Orientation on the Business Performance

The results of this study indicate that competitor orientation has a positive effect on the business performance of MSMEs fostered by LAZISMU East Java. This finding strengthens the argument that a deep understanding of the strengths and weaknesses of competitors is an important part of an effective business strategy, especially in the context of MSMEs operating in a dynamic market full of competitive pressure. Competitor orientation refers to a company's ability to identify, analyse, and respond to competitors' strategies and actions. In the context of MSMEs, this orientation includes sensitivity to changes in competitor prices, product innovation, promotional patterns, and service strategies. Within the framework of the Resource-Based View (RBV) theory, competitor orientation can be categorized as a strategic capability that supports the creation of sustainable competitive advantage [36]. RBV states that a company will excel competitively if it has valuable, rare, inimitable, and non-substitutable resources and capabilities [47]. Competitor orientation can be considered valuable because it allows MSMEs to adjust their business strategies based on actual market dynamics. It is also relatively rare among MSMEs that tend to focus on day-to-day operations without conducting external analysis. Its knowledge- and experience-based characteristics make it difficult to imitate, especially if the orientation is integrated into the organizational culture.

The finding that competitor orientation positively contributes to business performance is in line with previous literature. According to [37], competitor orientation encourages companies to be more adaptive and innovative in responding to market pressures. This is particularly relevant for MSMEs, which generally have limited resources and need to make strategic decisions quickly and accurately. In the context of MSMEs fostered by LAZISMU East Java, competitor orientation is reflected in several business behaviours, such as monitoring competitor product trends, comparing pricing strategies, and imitating marketing practices that have proven effective. Through coaching and mentoring from LAZISMU, MSME actors are encouraged not only to imitate competitors, but also to critically analyse and make decisions that are in accordance with their internal capacity. The business performance referred to in this study includes various indicators, such as increased

turnover, market expansion, operational efficiency, and customer loyalty. Competitor orientation supports the achievement of these indicators by increasing strategic alertness—namely the ability of MSME actors to identify opportunities and threats that arise from competitor movements.

The Influence of Competitor Orientation on Learning Orientation

The results of the study indicate that competitor orientation does not have a significant effect on learning orientation in MSMEs fostered by LAZISMU East Java. This finding indicates that awareness and response to competitor actions do not automatically encourage MSME actors to develop organizational learning processes. This is interesting to analyse, especially in the context of the Resource-Based View (RBV) theory which emphasizes the importance of internal capabilities in forming sustainable competitive advantage. In the context of fostered MSMEs, these results indicate that the mechanism does not run automatically. MSME actors may be aware of competitors' steps, but do not immediately reflect deeply, develop new knowledge, or change their way of thinking and acting because of limited human resource capacity and time that make MSME actors more focused on short-term responses to competitors (such as lowering prices or imitating products), rather than using competitor information as a trigger for strategic learning. MSMEs fostered by LAZISMU are generally still in the early stages of growth, with simple organizational structures and leadership centre on individual owners. In this condition, learning tends to be informal and unstructured. Although MSME actors are able to identify competitors, limitations in human resources, time, and management systems hinder the processing of this information into organizational learning. The fact that LAZISMU has provided various training and mentoring is not enough if it is not followed by strengthening the internal learning culture. This emphasizes the importance of mentoring that is not only technical in nature, but also encourages the development of a learning mindset in business actors.

The Effect of Costumer Orientation on Business Performance is Mediated by Learning Orientation.

These findings underscore the importance of a customer-based strategic approach in micro and small business environments, especially when combined with a strong learning capacity as a valuable internal asset. This study found that learning orientation is able to significantly mediate the influence of customer orientation on business performance. learning orientation mediates the relationship between market orientation (including customer orientation) and organizational performance [34], [42]. Another research stated that learning orientation has a role as a mediator in the relationship between market orientation and innovation performance/business performance [25]. This means that high customer orientation will only provide an optimal positive impact on business performance if accompanied by an active organizational learning process. MSMEs that not only listen to customer needs, but also make them a source of learning for product improvement, marketing strategies, and operational decision making, will have a greater opportunity to increase competitiveness. Learning orientation allows MSMEs to continue to adapt, improve processes, and create innovations that are relevant to market needs. Thus, learning orientation acts as a bridge that transforms customer focus into productive and sustainable strategic actions. This finding strengthens previous research by [43] which states that learning orientation improves the organization's ability to translate market insights into strategies and innovations that improve business performance. In other words, only MSMEs that are able to internalize customer information and make it the basis for continuous learning will be able to create business value consistently.

This finding can be explained in depth through the Resource-Based View (RBV) approach. According to RBV, sustainable competitive advantage is achieved through the mastery and utilization of internal resources that are valuable, rare, inimitable, and non-substitutable. In this context, learning orientation is an intangible resource that meets all four criteria. While customer orientation is an external response to the market, learning orientation is rooted in internal resources that determine how market information is interpreted and applied effectively in business strategy. MSMEs that have a strong learning culture can utilize customer insights more deeply and systematically, resulting in better

product and service innovation than competitors. In other words, RBV helps explain that although customer orientation is important, MSME competitive advantage is more determined by internal capabilities (such as learning orientation) in managing and utilizing this information to create superior business value. For MSMEs fostered by LAZISMU East Java, these results provide an important strategic direction for coaching and mentoring programs. Focusing on customers must be accompanied by strengthening the learning capacity of business actors. Through structured training, facilitating joint discussions, case studies, and collective learning among MSME actors, LAZISMU can help create a social entrepreneurship ecosystem that is not only market-oriented but also has a solid internal foundation in terms of learning and innovation.

The Effect of Competitor Orientation on Business Performance is Mediated by Learning Orientation.

A key finding of this study is that learning orientation significantly mediates the relationship between competitor orientation and business performance. Learning orientation describes the extent to which an organization encourages the creation, acquisition, and transfer of knowledge as part of a continuous improvement process. [34], [42] States that competitor orientation is positively related to learning orientation. Knowledge of competitors encourages companies to increase their learning capacity to stay relevant in the market. Another research shows that Competitor orientation not only enhances learning orientation, but also has a direct impact on innovation and performance [43] In the context of fostered MSMEs, this means that business owners who not only observe competitors but also actively learn from those observations—whether through training, discussions, or business experiments—will be better able to convert market insights into concrete actions that improve business performance. MSMEs that are able to develop a strong learning culture have knowledge assets that differentiate them from other competitors. This learning culture not only strengthens the response to competition, but also produces innovation, flexibility, and adaptability in running a business. In other words, even though information

about competitors is widely available, only MSMEs with a high learning orientation are able to utilize it optimally to improve business performance.

The explanation of this finding is strengthened through the Resource-Based View (RBV) approach, which states that an organization's long-term competitive advantage lies in its ability to develop valuable, rare, inimitable, and non-substitutable internal resources [47]. In this case, learning orientation can be categorized as an intangible resource that has these characteristics. For MSMEs, these results have strategic relevance. The mentoring provided must not only focus on strengthening market orientation, but must also build the learning capacity of MSME actors. Through training, ongoing mentoring, and the creation of learning communities between business actors, coaching can strengthen MSMEs' ability to absorb, manage, and apply external information into effective business strategies. Learning orientation functions as an internal mechanism that transforms external information (from competitor orientation) into adaptive and innovative strategies that drive improved performance.

Conclusion

This finding confirms that learning orientation is not just a managerial behavior, but rather a strategic capability based on resources that can be identified, developed, and managed. In the context of modern RBV, learning orientation is the main mechanism for absorbing and developing other resources, including market orientation, innovation, and technological capabilities. Thus, MSMEs that are able to build a strong learning orientation will have a greater ability to create innovation, retain customers, and achieve sustainable business growth. In the context of fostered MSMEs, collective learning facilitated by LAZISMU strengthens the synergy between human capital and organizational knowledge, both of which are the main drivers of business performance according to the RBV framework. For MSMEs fostered by LAZISMU East Java, these results provide an important strategic direction for coaching and mentoring programs. Focusing on customers must be accompanied by strengthening the learning capacity of business actors. Through structured



training, facilitating joint discussions, case studies, and collective learning among fellow MSME actors, LAZISMU can help create a social entrepreneurship ecosystem that is not only market-oriented but also has a solid internal foundation in terms of learning and innovation. These results show that coaching strategies are not enough to only direct business actors to recognize customer needs, but must also strengthen their internal learning capacity. This means that programs such as adaptive training, knowledge sharing forums, business mentoring, and communities of practice will play a major role in building a strong learning orientation. In the long term, coaching that integrates a market-driven approach with learning-driven will produce MSME actors who are not only reactive to the market, but also proactive, innovative, and resilient in facing change.

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