

# THE IMPACT OF ORGANIZATIONAL CULTURE AND ORGANIZATIONAL LEARNING ON SMEs PERFORMANCE THROUGH ORGANIZATIONAL INNOVATION

SI CHEN<sup>1</sup> and NIYOM SUWANDEJ<sup>2\*</sup>

<sup>1,2</sup>College of Innovation and Management, Suan Sunandha Rajabhat University, Bangkok, Thailand.  
E-Mail: <sup>1</sup>s64584945015@ssru.ac.th, <sup>2</sup>niyom.su@ssru.ac.th (\*Corresponding Author)

## Abstract

**Background:** Small and medium-sized enterprises (SMEs) are an important guarantee for China's economic development, playing a crucial role in increasing employment, maintaining social harmony and stability, and promoting technological innovation. Although the factors that affect the performance of small and medium-sized enterprises have been widely studied, few studies have explored the mediating role of organizational innovation between organizational culture and organizational learning on the performance of small and medium-sized enterprises. Based on the RBV theory, organizational culture and organizational learning are regarded as important organizational resources for enterprises, and organizational innovation is an innovative resource for SMEs. **Objective:** To explore the impact of organizational culture on the performance of SMEs. To study the impact of organizational learning on the performance of small and medium-sized enterprises. To evaluate the mediating role of organizational innovation between organizational culture, organizational learning, and SMEs performance. **Methods:** A questionnaire survey was conducted on the operators, managers, or employees of 395 small and medium-sized enterprises in Jiangxi Province. Partial least squares (PLS-SEM) structural equation modeling was used for analysis to test the relationship between research hypotheses and evaluation variables. **Findings:** Organizational culture and organizational learning both have a positive impact on the performance of small and medium-sized enterprises, with organizational innovation playing a mediating role. **Contribution:** Explored the relationship between organizational culture, organizational learning, organizational innovation, and performance of small and medium-sized enterprises, and established a variable relationship model. Enriching the existing theories of small and medium-sized enterprise management, providing theoretical insights for small and medium-sized enterprise managers, and having practical significance for the development of small and medium-sized enterprises.

**Keywords:** Organizational Culture, Organizational Learning, Organizational Innovation, SMEs Performance.

## 1. INTRODUCTION

Small and medium-sized enterprises (SMEs) are an important part of China's national economy and a fundamental force in promoting economic development and maintaining social stability. As the process of social development accelerates, the development of SMEs in today's highly competitive business environment has revealed problems in many areas. Some SMEs have a short survival life, and some have long-term losses leading to operational difficulties. It is necessary to explore the factors influencing the performance of SMEs to find out how SMEs can break the development dilemma, continuously improve their competitiveness, and obtain sustainable and healthy development.

(Abujudeh, 2020) Organizations with cultures that balance internal integration and external adaptation have a greater competitive advantage. Leaders and managers should recognize the

importance of the right organizational culture to maintain its strength and survival. Every organization has its own unique culture that emerges over time through interaction with members and the environment.(Argote et al., 2021)Organizational learning is an evolving field of research, and organizational learning is critical to organizational performance and competitive advantage.(Alharbi et al., 2019)Organizational innovation has a significant impact on the performance and survival of the organization and helps the organization to produce new and unique products for its customers to gain a competitive advantage over its competitors and increase its market share.

At present, scholars have fully recognized the role of organizational culture, organizational learning, and organizational innovation in the performance of small and medium-sized enterprises, but there is relatively little research that integrates these factors and explores the mediating role of organizational innovation. Therefore, based on the Resource Based View (RBV) theory, this study analyzes the impact of organizational culture, organizational learning, and organizational innovation as important resources for small and medium-sized enterprises on their performance. This study not only contributes to enriching the relevant theories of small and medium-sized enterprise management, but also provides practical guidance for small and medium-sized enterprise managers.

## **2. LITERATURE REVIEW**

### **2.1 Organizational culture and Organizational innovation**

Organizational culture drives innovation and creativity, making it a strategic choice for strengthening and enhancing competitiveness. Organizational culture has a significant impact on innovation, which is a key driver of growth and development. In order to create sustained value, organizations must develop a culture of innovation that enables them to compete successfully in current and future times(M.Hazem & Zehou, 2019).(Alateeg & Alhammadi, 2024)Organizational culture refers to shared values, beliefs and behaviors, while innovation introduces new ideas, products, services or processes. organizational culture has a significant impact on innovation and a strong alignment between organizational culture and innovation goals is essential for organizations to thrive in today's competitive business environment.(Cruz Junior et al., 2022)The degree of organizational innovation increases with the improvement of organizational culture.

Based on the above research, the following hypotheses were formulated in this study.

H1: Organizational culture positively affects organizational innovation

### **2.2 Organizational culture and SMEs performance**

Organizational culture is an important soft-system tool that influences decision-making, leadership development and human resource planning. It positively affects employee attitudes, perceptions, ethical behaviors, career satisfaction, job satisfaction and engagement, enhancing organizational performance and competitiveness in the long run(Wahyuningsih et al., 2019).Innovation culture significantly affects firm performance through factors such as

organizational learning, creativity and empowerment, value orientation and market orientation. There is a strong correlation between corporate culture and performance, and the more a company invests in culture building, the greater its advantage in terms of financial and non-financial performance (Dellova & Tian, 2024). (Cui, 2023) Organizations can improve performance by establishing a corporate culture that meets their needs, and understanding the impact of corporate culture on performance can help develop effective business strategies and increase efficiency.

Based on the above research, this study proposes the following hypotheses.

H2: Organizational culture positively affects SMEs performance

### **2.3 Organizational learning and Organizational innovation**

(Shahzadi, 2021) The correlation between organizational learning indicators and organizational innovation strategies was examined, and the results showed that there is a strong positive correlation between organizational learning and organizational innovation. (Thi, 2024) Organizational learning can improve its innovation capabilities by leveraging modern technologies in innovation projects, thereby increasing the likelihood of establishing technological breakthroughs and bringing them to market through a commitment to innovation. (Saki et al., 2013) Organizational learning is critical to the success of an organization as it facilitates the development of new processes and products. Organizational learning and its knowledge are considered antecedents to innovation.

Based on the above research, the following hypotheses are proposed in this study.

H3: Organizational learning positively affects organizational innovation

### **2.4 Organizational learning and SMEs performance**

Organizational learning can improve shared values and behaviors and further enhance organizational performance (Dellova & Tian, 2024). (Tan & Olaore, 2022) The impact of organizational learning is holistic, and ensuring organizational learning is the only way to accelerate development in all areas of the organization, as it affects the efficiency and effectiveness of all staff at all levels. (Amin et al., 2023) Organizations that promote organizational learning and development can improve performance by making employees feel comfortable and taken care of, which in turn motivates them to work harder and ultimately improves organizational performance. (Shodiya & Ojenike, 2021) Organizational learning has a positive impact on the performance of SMEs. Small and medium-sized business owners obtain information through training, seminars, and learning from other small and medium-sized enterprises, easily disseminate it among employees, and store key information and decisions for easy access, thereby improving organizational performance.

Based on the above research, this study proposes the following hypotheses.

H4: Organizational learning positively affects SMEs performance

## 2.5 Organizational innovation and SMEs performance

Innovation is a critical and complex aspect of modern business that has a significant impact on the performance and survival of organizations. It helps to gain competitive advantage, increase market share and optimize profitability, which has a significant impact on its success rate (Alharbi et al., 2019). Innovation can improve the performance of SMEs, enabling them to compete with competitors and achieve optimal performance. The level of innovation in an organization may vary considerably depending on the size of the organization, so the application of innovation in improving performance should be adjusted accordingly (Hadi, 2023). (Lisa, 2019) Organizational innovations, especially product, process and procedural innovations, have a significant effect on organizational performance, which suggests that innovative MSMEs can improve organizational performance.

Based on the above research, the following hypotheses are proposed in this study.

H5: Organizational innovation positively affects SMEs performance

## 2.6 Organizational culture, Organizational innovation, and SMEs performance

(Akhter & Chaity, 2024) Organizational culture has a positive impact on innovation and firm performance, while innovation mediates the indirect relationship. (Uzkurt et al., 2013) Organizational culture and innovation have a significant effect on firm performance, with innovation mediating this relationship and explaining a significant portion of the variation in firm performance. (Arshad et al., 2020) Organizational culture influences firms' innovations, such as managerial and technological innovations, and also significantly improves organizational performance. Organizational innovation plays a mediating role in this.

Based on the above research, this study proposes the following hypotheses.

H6: Organizational culture influences SMEs performance through organizational innovation

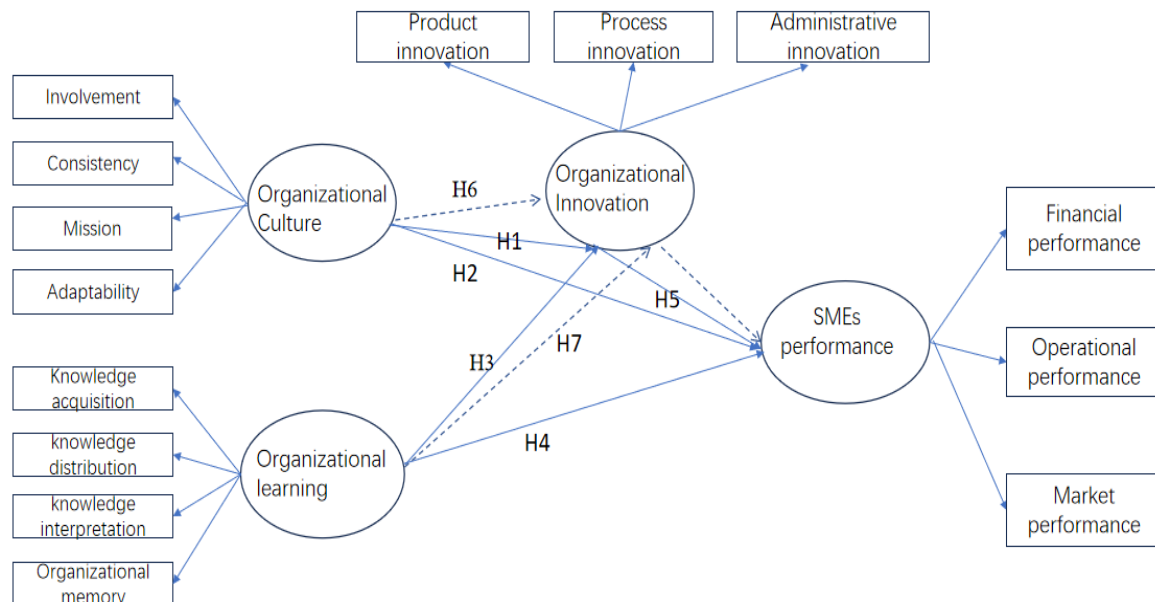
## 2.7 Organizational learning, Organizational innovation, and SMEs performance

Organizational learning is critical to achieving high performance and can be achieved through innovative practices and operations. Organizational innovation has been found to be a mediator between learning and firm performance (Inthavong et al., 2023). (Chan et al., 2023) The impact of organizational learning on organizational performance is explored through the medium of organizational innovation. Organizational learning affects organizational performance in two ways: either directly, without the intervention of other variables, or through the mediation of organizational innovation, which ultimately improves performance. (Aragón-Correa et al., 2007) Organizational learning is a collective process that positively impacts business innovation. Organizational learning directly affects performance and innovation, and through innovation affects performance.

Based on the above research, this study proposes the following hypotheses.

H7: Organizational learning influences SMEs performance through organizational innovation

## 2.8. Research Conceptual Model



**Figure 1: The Research Conceptual Model**

## 3.METHODOLOGY

### 3.1 Research design

To understand the impact of organizational culture, organizational learning on SMEs performance and the mediating role of organizational innovation therein, quantitative research methods can be used to achieve this goal. The measurement scales in this study are based on existing scales that have been used and validated for reliability. All items were measured using a 5-point Likert scale from 1 to 5 as “strongly disagree”, “disagree”, “neutral”, “agree” and “strongly agree”.

### 3.2Data collection

This study is about the main factors affecting the performance of SMEs in Jiangxi Province. The subjects of the study are operators, managers or employees of SMEs in Jiangxi Province. The data were obtained through a questionnaire survey of these groups. A total of 480 questionnaires were distributed in the formal survey, and after recycling and organizing, excluding invalid questionnaires such as missing values, a total of 395 valid questionnaires were obtained, and the validity rate of the questionnaires was 82.29%.

### 3.3 Data analysis instrument

(Hair et al., 2019) PLS-SEM is a unique method for analyzing composite-based path models. When the analysis involves testing the theoretical framework from a predictive perspective, researchers should choose PLS-SEM when the structural model is complex and includes many

configurations, metrics, or model relationships. Therefore, in this study, the data were analyzed using PLS-SEM, a structural equation model of the SmartPLS software, which is capable of analyzing the complex relationships between the variables, and allows for the evaluation of the model.

## 4. DATA ANALYSIS AND RESULTS

### 4.1 reliability and validity

(Hair et al., 2019) Suggests the use of loadings above 0.708, which provides acceptable item reliability. cronbach's alpha is another measure of internal consistency reliability. (Hair et al., 2011) The overall reliability should be higher than 0.70 (in exploratory studies, 0.60 to 0.70 is considered acceptable).  $\rho_A$  as an approximate precision measure of structural reliability, provides a good representation of the internal consistency reliability. To obtain convergent validity, the researcher needs to check the average variance extracted (AVE). An AVE value of 0.50 or higher indicates sufficient convergent validity, which means that the construct explains more than half of the variance of its indicator. As can be seen in Table 1 and Table 2, the reliability coefficient values (Cronbach's alpha) are greater than 0.7, indicating that the study data have good reliability. The indicator loadings also meet the statistical criteria. From the AVE values, the average variance of extraction (AVE) is greater than 0.5, indicating that the study results have good convergent validity.

**Table 1: Reliability and validity analysis of first order dimensions**

	Loading	T	P	Cronbach's alpha	$\rho_a$	$\rho_c$	AVE
OC1 <- AD	0.878	88.178	0.000	0.879	0.897	0.911	0.673
OC2 <- AD	0.862	65.401	0.000				
OC3 <- AD	0.778	33.962	0.000				
OC4 <- AD	0.774	36.029	0.000				
OC5 <- AD	0.806	46.648	0.000				
OC6 <- IN	0.803	41.497	0.000	0.860	0.862	0.899	0.642
OC7 <- IN	0.823	45.141	0.000				
OC8 <- IN	0.830	48.759	0.000				
OC9 <- IN	0.765	33.075	0.000				
OC10 <- IN	0.782	34.106	0.000				
OC11 <- CO	0.818	44.746	0.000	0.864	0.866	0.902	0.648
OC12 <- CO	0.779	34.869	0.000				
OC13 <- CO	0.836	51.054	0.000				
OC14 <- CO	0.792	39.135	0.000				
OC15 <- CO	0.798	42.344	0.000				
OC16 <- MI	0.812	41.782	0.000	0.846	0.855	0.890	0.618
OC17 <- MI	0.781	36.523	0.000				
OC18 <- MI	0.775	37.863	0.000				
OC19 <- MI	0.760	31.379	0.000				
OC20 <- MI	0.802	40.704	0.000				
OL1 <- KA	0.798	41.704	0.000	0.849	0.850	0.892	0.623
OL2 <- KA	0.802	41.192	0.000				
OL3 <- KA	0.786	37.052	0.000				

OL4 <- KA	0.793	41.573	0.000				
OL5 <- KA	0.770	37.449	0.000				
OL6 <- KD	0.832	55.371	0.000	0.867	0.873	0.904	0.653
OL7 <- KD	0.812	47.960	0.000				
OL8 <- KD	0.842	58.918	0.000				
OL9 <- KD	0.783	40.334	0.000				
OL10 <- KD	0.771	34.249	0.000				
OL11 <- KI	0.800	43.813	0.000	0.862	0.862	0.900	0.644
OL12 <- KI	0.787	35.340	0.000				
OL13 <- KI	0.811	45.017	0.000				
OL14 <- KI	0.803	47.451	0.000				
OL15 <- KI	0.809	39.272	0.000				
OL16 <- OM	0.782	34.574	0.000	0.844	0.846	0.889	0.615
OL17 <- OM	0.766	35.944	0.000				
OL18 <- OM	0.799	37.221	0.000				
OL19 <- OM	0.796	39.971	0.000				
OL20 <- OM	0.777	34.828	0.000				
OI1 <- PDI	0.803	45.166	0.000	0.863	0.863	0.901	0.646
OI2 <- PDI	0.803	42.274	0.000				
OI3 <- PDI	0.798	39.281	0.000				
OI4 <- PDI	0.807	41.776	0.000				
OI5 <- PDI	0.806	42.449	0.000				
OI6 <- PCI	0.786	39.181	0.000	0.867	0.870	0.903	0.652
OI7 <- PCI	0.814	55.714	0.000				
OI8 <- PCI	0.806	44.162	0.000				
OI9 <- PCI	0.819	52.719	0.000				
OI10 <- PCI	0.811	49.234	0.000				
OI11 <- AI	0.766	31.323	0.000	0.840	0.843	0.886	0.609
OI12 <- AI	0.757	31.817	0.000				
OI13 <- AI	0.795	41.412	0.000				
OI14 <- AI	0.790	42.964	0.000				
OI15 <- AI	0.794	46.072	0.000				
SMEP1 <- FP	0.807	41.208	0.000	0.860	0.865	0.899	0.641
SMEP2 <- FP	0.800	37.592	0.000				
SMEP3 <- FP	0.766	33.055	0.000				
SMEP4 <- FP	0.824	46.357	0.000				
SMEP5 <- FP	0.804	41.000	0.000				
SMEP6 <- OP	0.782	38.367	0.000	0.848	0.849	0.892	0.623
SMEP7 <- OP	0.795	38.736	0.000				
SMEP8 <- OP	0.769	31.150	0.000				
SMEP9 <- OP	0.788	42.507	0.000				
SMEP10 <- OP	0.810	42.416	0.000				
SMEP11 <- MP	0.819	45.847	0.000	0.887	0.889	0.917	0.689
SMEP12 <- MP	0.840	52.251	0.000				
SMEP13 <- MP	0.845	53.756	0.000				
SMEP14 <- MP	0.826	44.391	0.000				
SMEP15 <- MP	0.821	44.846	0.000				

**Table 2: Reliability and validity analysis of second order variables**

	Loading	T	P	Cronbach's alpha	rho_a	rho_c	AVE
AD <- OC	0.815	46.338	0.000	0.825	0.827	0.884	0.656
IN <- OC	0.775	33.494	0.000				
CO <- OC	0.841	52.673	0.000				
MI <- OC	0.808	45.918	0.000				
KA <- OL	0.832	51.349	0.000	0.827	0.827	0.885	0.658
KD <- OL	0.815	42.625	0.000				
KI <- OL	0.810	42.269	0.000				
OM <- OL	0.787	37.046	0.000				
PDI <- OI	0.830	56.314	0.000	0.773	0.774	0.869	0.688
PCI <- OI	0.838	52.443	0.000				
AI <- OI	0.820	48.505	0.000				
FP <- SMEP	0.810	39.863	0.000	0.761	0.761	0.863	0.677
OP <- SMEP	0.837	54.212	0.000				
MP <- SMEP	0.820	48.381	0.000				

## 4.2 Discriminant validity

(Hair et al., 2011) To assess discriminant validity, the AVE of each potential structure should be greater than the highest squared correlation of the potential structure with any other potential structure. The Fornell-Larcker criterion metrics should have loadings higher than all of their cross loadings. (Fornell & Larcker, 1981) The square root of the AVE value lies on the diagonal, while the correlation coefficients lie on the off diagonal. The square root of the AVE for each factor must be greater than the correlation coefficient for each paired variable to indicate discriminant validity between factors. As shown in Tables 3 and 4, the open root sign of the AVE is greater than the off-diagonal coefficients, thus this study has discriminant validity.

**Table 3: Fornell and Larcker Distinguishing Effect for First Order Dimensions**

	AD	IN	CO	MI	KA	KD	KI	OM	PDI	PCI	AI	FP	OP	MP
AD	0.821													
IN	0.500	0.801												
CO	0.589	0.534	0.805											
MI	0.542	0.505	0.578	0.786										
KA	0.289	0.203	0.287	0.176	0.790									
KD	0.290	0.198	0.275	0.187	0.552	0.808								
KI	0.309	0.189	0.280	0.172	0.575	0.566	0.802							
OM	0.208	0.216	0.258	0.174	0.567	0.519	0.483	0.784						
PDI	0.484	0.386	0.476	0.360	0.385	0.417	0.413	0.375	0.803					
PCI	0.357	0.283	0.400	0.327	0.368	0.426	0.418	0.358	0.549	0.807				
AI	0.377	0.365	0.429	0.383	0.412	0.419	0.404	0.368	0.511	0.537	0.780			
FP	0.367	0.324	0.410	0.298	0.328	0.350	0.361	0.354	0.479	0.436	0.425	0.801		
OP	0.404	0.317	0.422	0.336	0.375	0.399	0.413	0.388	0.456	0.480	0.389	0.518	0.789	
MP	0.376	0.321	0.422	0.298	0.324	0.403	0.368	0.344	0.437	0.422	0.422	0.488	0.538	0.830

**Table 4: Fornell and Larcker Distinguishing Validity for Second Order Variables**

	OC	OL	OI	SMEP
OC	0.810			
OL	0.355	0.811		
OI	0.576	0.590	0.830	
SMEP	0.539	0.551	0.643	0.823

The heterolat monotarit ratio (HTMT) is one of the indicators for assessing discriminant validity. It is the ratio of the mean value of the correlation of indicators between different constructs to the mean value of the correlation of indicators between the same constructs. High HTMT values may lead to problems with discriminant validity. (Mohammadkhani, 2024) HTMT index less than 0.9 proves discriminant validity. It is shown in the table below. HTMT value less than 0.9 between every two variables indicates good discriminant validity between each variable.

**Table 5: First order dimension HTMT discriminant validity**

	AD	IN	CO	MI	KA	KD	KI	OM	PDI	PCI	AI	FP	OP
AD													
IN	0.572												
CO	0.677	0.620											
MI	0.624	0.591	0.674										
KA	0.329	0.237	0.336	0.200									
KD	0.326	0.228	0.317	0.213	0.645								
KI	0.346	0.216	0.324	0.196	0.672	0.655							
OM	0.237	0.249	0.297	0.197	0.668	0.605	0.566						
PDI	0.546	0.447	0.549	0.412	0.447	0.480	0.478	0.439					
PCI	0.398	0.323	0.458	0.377	0.424	0.483	0.479	0.413	0.632				
AI	0.433	0.429	0.503	0.445	0.485	0.485	0.470	0.432	0.600	0.626			
FP	0.412	0.370	0.469	0.339	0.380	0.401	0.418	0.411	0.552	0.504	0.493		
OP	0.459	0.371	0.490	0.389	0.440	0.459	0.482	0.456	0.532	0.558	0.457	0.604	
MP	0.420	0.366	0.479	0.341	0.372	0.458	0.421	0.395	0.497	0.476	0.485	0.556	0.620

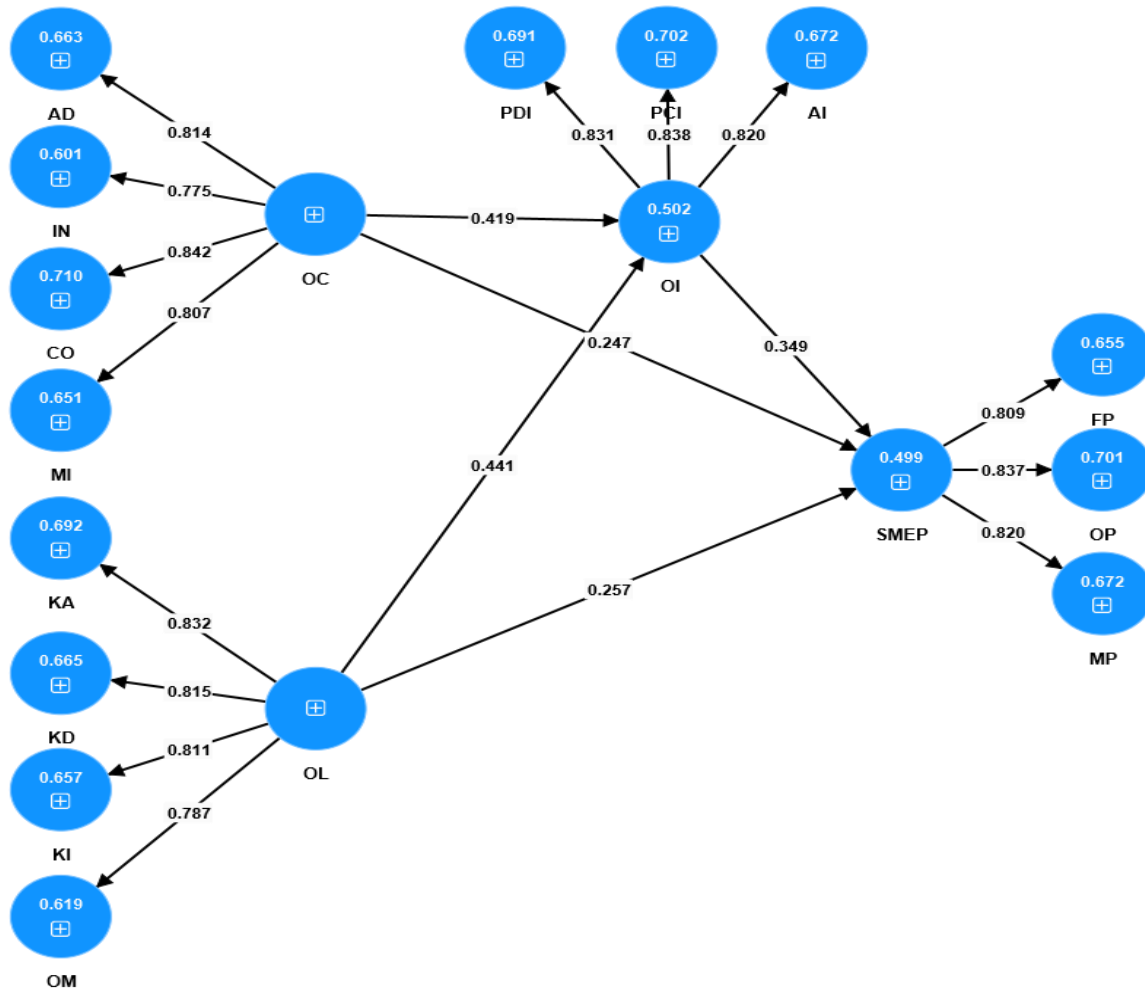
**Table 6: HTMT discriminant validity of second order variables**

	OC	OL	OI	SMEP
OC				
OL	0.428			
OI	0.719	0.738		
SMEP	0.678	0.694	0.838	

### 4.3 Structural Model

(Hair et al., 2019) After confirming the explanatory and predictive power of the model, the researcher needs to run the bootstrap to assess the significance of the path coefficients and evaluate their values, which are usually in the range of “-1” and “1”. If their values are close to 1, they indicate a positive correlation, while if the values are close to -1, they indicate a

negative correlation. (Hair et al., 2011) Path coefficients and t-values were calculated by setting Bootstrap cases to 5000. The critical t-values for the two-sided test were 1.65 (significance level = 10%), 1.96 (significance level = 5%), and 2.58 (significance level = 1%). In marketing research, researchers typically assume a significance level of 5%. Set the number of bootstrap cases to 5000 and calculate the path coefficient and T-value. The path coefficients for the structural model of this study are shown below and the results are shown in Table 7.



**Figure 2: The path coefficients of the structural model**

**Table 7: PLS structural equation modeling path coefficient**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics	P values
OC → OI	0.419	0.419	0.037	11.468	0.000
OC → SMEP	0.247	0.246	0.044	5.590	0.000
OL → OI	0.441	0.442	0.037	11.803	0.000
OL → SMEP	0.257	0.257	0.044	5.860	0.000
OI → SMEP	0.349	0.350	0.052	6.657	0.000

The data from the above table shows the results of this study and it shows that all the following relationships have a significant positive impact:

Organizational Culture -> Organizational Innovation has a significant positive effect ( $\beta=0.419$ ,  $P<0.001$ ) ;

Organizational Culture -> SMEs Performance has a significant positive effect ( $\beta=0.247$ ,  $P<0.001$ );

Organizational Learning -> Organizational Innovation has a significant positive effect ( $\beta=0.441$ ,  $P<0.001$ )

Organizational Learning -> SMEs Performance has a significant positive effect ( $\beta=0.257$ ,  $P<0.001$ )

Organizational Innovation -> SMEs performance has a significant positive effect ( $\beta=0.349$ ,  $P<0.001$ ).

#### 4.4 Analysis of Mediating Effect

This study focuses on exploring the mediating role of organizational innovation between organizational culture, organizational learning on the performance of SMEs, using Bootstrap mediation effect test to test whether the mediation effect is significant or not, with a confidence interval of Bias Corrected (95%), and the number of repetitive samples is 5000, to carry out the test of the mediation effect results, as shown in the figure below.

**Table 8: Bootstrap mediation effect test**

	Effect	Original sample (O)	Sample mean (M)	STDEV	T	P values	2.50%	97.50%
OC -> SMEP	Direct effect	0.247	0.246	0.044	5.590	0.000	0.162	0.335
OC -> OI -> SMEP	Indirect effect	0.146	0.146	0.025	5.832	0.000	0.100	0.201
OC -> SMEP	Total effect	0.393	0.392	0.040	9.921	0.000	0.315	0.469
OL -> SMEP	Direct effect	0.257	0.257	0.044	5.860	0.000	0.171	0.340
OL -> OI -> SMEP	Indirect effect	0.154	0.155	0.028	5.420	0.000	0.102	0.213
OL -> SMEP	Total effect	0.411	0.412	0.037	11.108	0.000	0.335	0.479

From the Bootstrap mediation effect test in the table above:

The direct effect of Organizational culture-> SMEs performance is 0.247, the confidence interval of Bias Corrected (95%) [0.162,0.335], not including 0, indicating that the direct effect is significant. The indirect effect of Organizational culture -> Organizational innovation -> SMEs performance is 0.146, the confidence interval of Bias Corrected (95%) [0.100,0.201], not including 0, indicating that the indirect effect is significant, Organizational innovation has a mediating role;

The direct effect of Organizational learning -> SMEs performance is 0.257, the confidence interval of Bias Corrected (95%) [0.171,0.340], not including 0, indicating that the direct effect is significant, the indirect effect of Organizational learning -> Organizational innovation ->

SMEs performance is 0.154, the confidence interval of Bias Corrected (95%) [0.102,0.213], not including 0, indicating that the indirect effect is significant, Organizational innovation has a mediating role.

## 5. DISCUSSION AND CONCLUSION

This study found that organizational culture has a significant positive effect on both organizational innovation and SMEs performance. Hypotheses H1 and H2 are supported. When it comes to innovation, organizational culture must be added as a fundamental factor. (Lukic et al., 2014)Organizational culture plays a key role in shaping corporate innovation. Not only does it create a conducive environment for innovation, it also aligns employee behavior and motivation with organizational goals. Developing a positive organizational culture that is consistent with corporate strategy can directly improve SMEs performance.(Nursetiana et al., 2022) Organizational culture can predict future organizational performance. The stronger the organizational culture, the better the performance of SMEs.(Baba & Audu, 2021)Corporate culture has a positive impact on the performance of small and medium-sized enterprises. should be improved Organizational culture in an organization increases performance. Organizational learning also has a significant positive effect on organizational innovation and SMEs performance.

Hypotheses H3 and H4 are supported.(Maktabi & Khazaei, 2014)Organizational learning has a positive impact on organizational innovation. Organizations should encourage employees to share work experiences or reflections on learning, and cultivate and promote a passion for learning among employees. (Morales et al., 2012)Through learning, organizations can change their behavior, update technology and production, and avoid stagnation, thereby promoting organizational innovation.(Kartika & Nur, 2024)Learning significantly improves the performance of SMEs. Internal and external learning have a significant impact on the business performance of SMEs. All organizational learning dimensions should be combined to achieve greater improvements in organizational performance. (Ruiz-Mercader et al., 2006) Organizational learning has a significant and positive impact on organizational performance.

Organizational innovation has a significant positive effect on SMEs performance and hypothesis H5 is tested.(Kowo et al., 2022)The adoption of innovation is an important factor in organizational change and can improve performance. Innovation capabilities have a strong impact on corporate performance. Organizations should encourage employees to demonstrate innovative behaviors at work.(Afriyie et al., 2019)Innovative activities that improve products, processes, marketing, and organization can improve marketing performance. Owners and managers of SMEs should attach great importance to the implementation of innovative activities in their enterprises as this will have a positive impact on performance.

Organizational culture and organizational learning can positively influence SMEs performance through organizational innovation, and hypotheses H6 and H7 are supported.(Tang & Yeh, 2015)Organizational culture has a positive impact on organizational performance through organizational innovation. If the organizational culture is more creative, the organization will improve its inefficient work processes and inferior products, reflect on past mistakes, and then

come up with solutions and new ways of thinking, allowing all organizations to achieve innovation and improve organizational performance. (Schuldt & Gomes, 2020) Organizational culture can shape the innovation process, ultimately affecting the overall performance of the company.

A culture of innovation is critical to improving performance. Mechanisms that promote organizational innovation culture can promote the implementation of innovation and help improve organizational performance (Imran et al., 2022). (Sawaeen & Ali, 2020) Learning has a positive and significant impact on organizational performance, and innovation capability is an important mediating factor. Small and medium-sized enterprises should improve their learning orientation, which will help them adopt more innovative practices, develop their own capabilities, and improve their competitive advantage and organizational performance. (Bello & Adeoye, 2018) Organizational learning contributes to innovation and helps companies survive and develop in competition. Managers should promote employees' enthusiasm for learning in order to develop new skills and share existing knowledge. In order to improve organizational performance through innovation, reward policies should be developed for new ideas and innovations proposed by employees, and efforts should be made to improve organizational performance directly or indirectly through organizational innovation.

## Reference

- 1) Abujudeh, S. (2020). Examining the impacts of organizational culture and leadership styles on the organizational performance indicators A szervezeti kultúra és vezetői stílus szervezeti teljesítmény indikátoraira gyakorolt hatása. 11(31), 39–54.
- 2) Afriyie, S., Du, J., & Ibn Musah, A.-A. (2019). Innovation and marketing performance of SME in an emerging economy: the moderating effect of transformational leadership. *Journal of Global Entrepreneurship Research*, 9(1). <https://doi.org/10.1186/s40497-019-0165-3>
- 3) Akhter, P., & Chaity, N. S. (2024). Exploration of the Relationship between Organizational Culture and Its Performance in the Bangladeshi Microfinance Sector with Organizational Innovation as a Mediating Factor. *European Scientific Journal*, ESJ, 20(10), 88. <https://doi.org/10.19044/esj.2024.v20n10p88>
- 4) Alateeg, S., & Alhammadi, A. (2024). The Impact of Organizational Culture on Organizational Innovation with mediation role of Strategic Leadership in Saudi Arabia. *Journal of Statistics Applications and Probability*, 13(2), 843–858. <https://doi.org/10.18576/jsap/130220>
- 5) Alharbi, I. B. A., Jamil, R., Mahmood, N. H. N., & Shaharoun, A. M. (2019). Organizational Innovation: A Review Paper. *Open Journal of Business and Management*, 07(03), 1196–1206. <https://doi.org/10.4236/ojbm.2019.73084>
- 6) Amin, M. S., Sudarmiatin, S., & Hermawan, A. (2023). Do the Organizational Learning and Innovation Increase Organizational Performance on SMES? *Journal of Business and Management Review*, 4(5), 306–320. <https://doi.org/10.47153/jbmr45.6862023>
- 7) Aragón-Correa, J. A., García-Morales, V. J., & Cordon-Pozo, E. (2007). Leadership and organizational learning's role on innovation and performance: Lessons from Spain. *Industrial Marketing Management*, 36(3), 349–359. <https://doi.org/10.1016/j.indmarman.2005.09.006>
- 8) Argote, L., Lee, S., & Park, J. (2021). Organizational learning processes and outcomes: Major findings and future research directions. In *Management Science* (Vol. 67, Issue 9). <https://doi.org/10.1287/mnsc.2020.3693>

- 9) Arshad, I., Haider, G., Rehman, S. U., & Loh, C. I. (2020). The mediating role of management innovation between organizational culture, organizational learning, business strategy, and firms' performance. *Journal of Critical Reviews*, 7(10), 3136–3147.
- 10) Baba, M., & Audu, I. (2021). Relationship between Corporate Culture, Strategic Planning and Performance of SMES in Nigeria: The Moderating Role of Environmental Turbulence. *Fudma Journal of Management ...*, June.
- 11) Bello, O. B., & Adeoye, A. O. (2018). Organizational learning, organizational innovation and organizational performance: Empirical evidence among selected manufacturing companies in Lagos metropolis, Nigeria. *Journal of Economics and Management*, 33(3), 25–38. <https://doi.org/10.22367/jem.2018.33.02>
- 12) Chan, D. W. M., Sarvari, H., Golestanizadeh, M., & Saka, A. (2023). Evaluating the impact of organizational learning on organizational performance through organizational innovation as a mediating variable: evidence from Iranian construction companies. *International Journal of Construction Management*, 24(9), 1–14. <https://doi.org/10.1080/15623599.2023.2239486>
- 13) Cruz Junior, A. C. de O., Profeta, R. A., & Hanai-Yoshida, V. M. (2022). Relação entre cultura organizacional e inovação empresarial em micro e pequenas empresas. *International Journal of Innovation*, 10(4), 579–609. <https://doi.org/10.5585/iji.v10i4.21166>
- 14) Cui, L. (2023). The Organizational Culture and Organizational Performance of The Construction Industry in Jiangsu. *Frontiers in Business, Economics and Management*, 11(1), 228–235. <https://doi.org/10.54097/fbem.v11i1.12039>
- 15) Dellova, R. I., & Tian, Y. (2024). Fostering Innovation: Exploring Key Factors and Their Relationship on Organizational Performance Towards Innovation Management Culture. *Organization and Human Capital Development*, 3(1), 1–15. <https://doi.org/10.31098/orcaddev.v3i1.1940>
- 16) Fornell, & Larcker. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research* This, 18(1), 39–50.
- 17) Hadi, P. (2023). Effect of product innovation on SME's performance: The moderating role of organizational learning and market orientation. *International Journal of Business Ecosystem & Strategy*, 5(2), 47–54. <https://www.proquest.com/scholarly-journals/effect-product-innovation-on-sme-s-performance/docview/2824490630/se-2?accountid=14648%0Ahttp://linksource.ebsco.com/linking.aspx?sid=ProQ%3Aabiglobal&fmt=journal&genre=article&issn=&volume=5&issue=2&date=2023-0>
- 18) Hair, J. F., Ringle, C. M., & Sarstedt, M. (2011). PLS-SEM: Indeed a silver bullet. *Journal of Marketing Theory and Practice*, 19(2), 139–152. <https://doi.org/10.2753/MTP1069-6679190202>
- 19) Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, 31(1), 2–24. <https://doi.org/10.1108/EBR-11-2018-0203>
- 20) Imran, M., Ismail, F., Arshad, I., Zeb, F., & Zahid, H. (2022). The mediating role of innovation in the relationship between organizational culture and organizational performance in Pakistan's banking sector. *Journal of Public Affairs*, 22(S1). <https://doi.org/10.1002/pa.2717>
- 21) Inthavong, P., Rehman, K. U., Masood, K., Shaukat, Z., Hnydiuk-Stefan, A., & Ray, S. (2023). Impact of organizational learning on sustainable firm performance: Intervening effect of organizational networking and innovation. *Heliyon*, 9(5), e16177. <https://doi.org/10.1016/j.heliyon.2023.e16177>
- 22) Kartika, P., & Nur, I. (2024). Relationship between Organizational Learning and Supply Chain Agility on Organizational Performance : A Quantitative Study in Fashion SMEs. <https://doi.org/10.25077/josi.v23.n1.p46-60.2024>

- 23) Kowo, S. A., Akinbola, O. A., & Oyedele, O. O. (2022). Mediating Role of Entrepreneurial Orientation, Organisational Learning And SMEs' Performance. *Journal of Economics and Management Research*, 10(January), 32–56. <https://doi.org/10.22364/jemr.10.03>
- 24) Lisa, O. (2019). The Effect of Entrepreneurial Behavior and Organizational Innovation on MSMEs Performance. *JEMA: Jurnal Ilmiah Bidang Akuntansi Dan Manajemen*, 16(2), 160. <https://doi.org/10.31106/jema.v16i2.2709>
- 25) Lukic, T., Dzamic, V., Knezevic, G., Alcakovic, S., & Boskovic, V. (2014). The Influence of Organizational Culture on Business Creativity, Innovation and Satisfaction. *Management - Journal for Theory and Practice of Management*, 19(73), 49–57. <https://doi.org/10.7595/management.fon.2014.0027>
- 26) M.Hazem, S., & Zehou, S. (2019). Organizational culture and innovation: A literature review. January 2019. <https://doi.org/10.2991/icecsd-19.2019.58>
- 27) Maktabi, S. H., & Khazaei, A. (2014). The Impact of Organizational Learning on Organizational Performance and Organizational Innovation : Evidence from Bank Industry of Iran. *International Journal of Economy, Management and Social Sciences*, 3(10), 569–573.
- 28) Mohammadkhani, N. (2024). Translation and adaptation of the person-centered maternity care scale to a Persian-speaking population: a confirmatory factor analysis. *BMC Public Health*, 24(1), 1–11. <https://doi.org/10.1186/s12889-024-19117-1>
- 29) Morales, V. G., Barrionuevo, M. J., & Gutierrez, L. (2012). Transformational leadership influence on organizational performance through organizational learning and innovation. *Journal of Business Research*, 65, 1040–1050.
- 30) Nursetiana, N., Hanifah, I. A., & Ismawati, I. (2022). The effect of business strategy, innovation, organizational culture on the performance of micro small medium enterprises (MSMES) moderated by financial literature. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, 4(10), 4416–4426. <https://doi.org/10.32670/fairvalue.v4i10.1685>
- 31) Ruiz-Mercader, J., Meroño-Cerdan, A. L., & Sabater-Sánchez, R. (2006). Information technology and learning: Their relationship and impact on organisational performance in small businesses. *International Journal of Information Management*, 26(1), 16–29. <https://doi.org/10.1016/j.ijinfomgt.2005.10.003>
- 32) Saki, S., Shakiba, H., & Savari, M. (2013). Study of the Relationship between the Organizational Learning and Organizational Innovation at University of Tehran. *Journal of Organizational Learning & Leadership*, 11(1), 1–18.
- 33) Sawaeen, F. A. A., & Ali, K. A. M. (2020). The impact of entrepreneurial leadership and learning orientation on organizational performance of SMEs: The mediating role of innovation capacity. *Management Science Letters*, 10(2), 369–380. <https://doi.org/10.5267/j.msl.2019.8.033>
- 34) Schuldt, K. S., & Gomes, G. (2020). Influence of organizational culture on the environments of innovation and organizational performance. *Gestao e Producao*, 27(3). <https://doi.org/10.1590/0104-530x4571-20>
- 35) Shahzadi, S. (2021). The Indicators of Organizational Learning and their Correlation with Organizational Innovation Strategies. *Ilkogretim Online-Elementary Education Online*, Year, 20(2), 420–427. <https://doi.org/10.17051/ilkonline.2021.02.45>
- 36) Shodiya, A. O., & Ojenike, J. O. (2021). The Effect of Organisational Learning on Small and Medium-Sized Enterprises (SMEs) Performance in Abeokuta, Ogun State, Nigeria. *Acta Universitatis Danubius. OEconomica*, 17(17(2)), 124–138. <https://ideas.repec.org/a/dug/actaec/y2020i2p124-138.html%0Ahttps://ideas.repec.org/a/dug/actaec/y2020i2p124-138.html>

- 37) Tan, F. Z., & Olaore, G. O. (2022). Effect of organizational learning and effectiveness on the operations, employees productivity and management performance. *Vilakshan - XIMB Journal of Management*, 19(2), 110–127. <https://doi.org/10.1108/xjm-09-2020-0122>
- 38) Tang, L. L., & Yeh, Y. L. (2015). Effect of organizational culture, leadership style, and organizational learning on organizational innovation in the public sector. *Journal of Quality*, 22(5), 461–481. [https://doi.org/10.6220/joq.2015.22\(5\).06](https://doi.org/10.6220/joq.2015.22(5).06)
- 39) Thi, N. (2024). The relationship between organizational learning and innovation capability in the Vietnamese banking sector Keyword s. 12(3), 531–542. <https://doi.org/10.18488/73.v12i3.3802>
- 40) Uzokurt, C., Kumar, R., Kimzan, H. S., & Eminoğlu, G. (2013). Role of innovation in the relationship between organizational culture and firm performance: A study of the banking sector in Turkey. *European Journal of Innovation Management*, 16(1), 92–117. <https://doi.org/10.1108/14601061311292878>
- 41) Wahyuningsih, S. H., Sudiro, A., Troena, E. A., & Irawanto, D. W. (2019). Analysis of organizational culture with denison's model approach for international business competitiveness. *Problems and Perspectives in Management*, 17(1), 142–151. [https://doi.org/10.21511/ppm.17\(1\).2019.13](https://doi.org/10.21511/ppm.17(1).2019.13)