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Ayu Desi Indrawati[1]
Armanu[2]
Eka Afnan Troena[3]
Agung Yuniarinto[4]

INVESTIGATING ENTREPRENEURIAL ORIENTATION VALUES TOWARDS BUSINESS PERFORMANCE: EVIDENCE FROM EMERGING ECONOMY[4]

The study aimed to investigate the influence of human capital and collective organizational engagement on entrepreneurial orientation value and SME performance. Furthermore, we examine the role of entrepreneurial orientation values based on elaborating personal value theory, local wisdom values, and entrepreneurial orientation concepts in mediating the influence of human capital and collective organizational engagement on SME performance. This study used a quantitative approach involving 270 sample SMEs in Indonesia divided into four business sectors, i.e., trade, agricultural, non-agricultural industry, and services. It was conducted using a Likert scale questionnaire and analyzed with SmartPLS. This study showed that human capital and collective organizational engagement can improve the SME's performance, both directly and indirectly, through the entrepreneurial orientation value. Furthermore, human capital, collective organizational engagement, and entrepreneurial orientation value can be unique and valuable intangible resources that will influence the performance of SMEs and further strengthen the RBV theory. The implication of this study's finding, which also reveals the mediating role of entrepreneurial orientation value, can help researchers understand the mechanisms underlying the influence of human capital and collective organizational engagement on SME performance and assist organizations in developing plans to enhance business performance.

Keywords: Entrepreneurial orientation value; human capital; collective organizational engagement; SME performance
JEL: D22; J24; L25; L26

[1] *Ayu Desi Indrawati, Mrs, Assist. Prof., Udayana University, Bali, Indonesia; Doctoral Program of Management Science Faculty of Economic and Business, Brawijaya University, e-mail: desi.indra@gmail.com, desi_indrawati@student.ub.ac.id.*
[2] *Armanu, Mr, Faculty of Economic and Business, Brawijaya University, e-mail: armanu@ub.ac.id.*
[3] *Eka Afnan Troena, Mr, Faculty of Economic and Business, Brawijaya University, e-mail: afnan@ub.ac.id.*
[4] *Agung Yuniarinto, Mr, Faculty of Economic and Business, Brawijaya University, e-mail: agung@ub.ac.id.*
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1. Introduction

Performance is one of the benchmarks for the success of SMEs in running their business in this new normal era and the transition to the industrial era 5.0, which is marked by a focus on the integration of technology and humans, as well as the need for the development of systems that are more adaptive and responsive to changes in the industrial environment. Further, the industrial era emphasized the creation of added value for humans, resilience, and sustainability (Youssef & Mejri, 2023). This indicates that SMEs must be dynamic, forward-looking, and transformational in seizing opportunities; thus, the right technology-based strategy is needed (Hu & Kee, 2022; Omerzel & Antončič, 2008; Setyawan et al., 2015; Sukati et al., 2023) revealed several aspects that maintain the resilience of the existence and expansion of SME businesses, including parts of entrepreneurship and human resource competence (I. W. E. Arsawan et al., 2022).

Based on the Resource-Based View (Barney, 1991), human capital is the centre of the assembly of all resources and capabilities because the competitiveness and performance of the company depend on its human capital profile (Chen & Chang, 2013; Kato et al., 2015; Khan & Quaddus, 2018). Empirical studies on RBV suggest that human capital, including the distinctive and valuable knowledge, skills, and capabilities of a company's human resources, especially SMEs, is one of the factors driving business performance (AlQershi et al., 2022; Chabbouh & Boujelbene, 2020; Ussenova et al., 2023). RBV is the foundation that directs organizational resources, which is human capital, to create value, innovation, and networks to achieve high business performance (Campbell & Park, 2016; Santarelli & Tran, 2013), including for SME (Aisjah et al., 2023; W. E. Arsawan et al., 2023). Although many studies indicate that human capital significantly affects business performance, several studies do not find a positive relationship between human capital and business performance (El Shoubaki et al., 2020; Rompho, 2017; Yahaya & Nadarajah, 2023). Further, there is a weak linkage between human capital and the success of entrepreneurial activities to enhance business performance ((Unger et al., 2011). This shows that there are gaps between human capital and business performance that must be immediately sought solutions to overcome different impacts.

In addition to human capital factors, business performance is also influenced by other factors, namely collective organizational engagement (COE), which is described as based on a shared perception of some corporate properties as a construct at the organizational level and an indicator of the overall motivational environment within the company so that it can be used to assess a company's performance (Barrick et al., 2015; Lunn et al., 2021; Malinen et al., 2013). Collective organizational engagement can also be considered a unique capability that creates value for the organization. SMEs that have strong collective organizational engagement can outperform other companies because the ultimate goal of the human resource management process is the accumulation, combination, and exploitation of resources, and the company's ability to create and maintain value for the company with the end goal is increasing the competitiveness and performance of the organization (Barrick et al., 2015; Sirmon et al., 2007). Most research on engagement has concentrated more on the individual and job levels than the organizational level (Kicheva, 2022; C. V. Lin, 2019; Mamun et al., 2018; Rashmi & Singh, 2020). Collective organizational engagement focuses on the organization's goals, including the best performance. In addition, studies on collective

organizational engagement still need to be carried out in the SME sector, so more research is needed to examine the role of collective organizational engagement in business performance, especially in the SME sector (Harvey & Kou, 2013; Kleinaltenkamp et al., 2019).

Furthermore. SMEs that can be competitive and perform highly can create and implement strong values that provide confidence in the business's success (Tuulik et al., 2016). Values cause ethics, and norms in doing business provide rules for SMEs about things that should not be done so as not to cause losses (Suryantini et al., 2021). One of the value creations for organizational excellence is the entrepreneurial orientation value. This variable was developed by elaborating and integrating the concept of human value theory of Rokeach (Rokeach, 1973), *Catur Paramitha* as the values of Balinese local wisdom (Rahyuda et al., 2018, 2019), and the concept of entrepreneurial orientation developed by (Lumpkin & Dess, 1996). Entrepreneurial orientation value refers to the organization's belief in the formation of certain behaviours based on principles or standards believed by members of the organization who can identify and exploit opportunities so that they constantly strive to be first in terms of innovation among their competitors, have an attitude to take risks, and are proactive to changes that occur (Lumpkin & Dess, 1996). So, the entrepreneurial orientation value as a local value is expected to be able to direct SMEs to high performance (Harsoyo et al., 2019; Parameswara et al., 2021).

Although human capital, collective organizational engagement, and business performance have been examined in various empirical studies, and the business performance construct is a multidimensional construct with many drivers influencing it (Aisjah et al., 2023; Suryantini et al., 2023), according to our understanding, there is a lack of studies evaluating the role of entrepreneurial orientation value as a mediating variable between the two constructs, given that the value of Catur Paramitha's local wisdom is is still very rarely studied in the SME sector (Goca et al., 2023; Rahyuda et al., 2018, 2019) so it is very important to examine mediation mechanisms to achieve literature completeness.

Drawing from the knowledge and identified research gaps, this study explores human capital, collective organizational engagement, and entrepreneurial orientation value concerning SME business performance. Considering several crucial aspects, we propose a structural equation model suited to Indonesia's SMEs. First, the SME sector contributes substantially to addressing economic and social problems, i.e., deprivation, unemployment, disparity in income distribution, inadequate development process, and urbanization with its adverse impacts (Aisjah et al., 2023; Gunartin et al., 2023). Furthermore, SMEs' role is significant for the nation's economic proliferation, with SMEs' contribution to the GDP covering 60.5% and occupation comprising 96.9% of the employees nationally (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2022). Consequently, investigating the determinants of entrepreneurial orientation value's role in impacting the human capital and collective organizational engagement linkage to establish business performance for Indonesian SMEs is crucial. In the context of the Indonesian economy, where SMEs act as the backbone of the economy (Aisjah et al., 2023), improving the performance of SMEs by paying attention to aspects of human capital, engagement, and entrepreneurial orientation value can significantly impact national economic growth and stability. Therefore, writing that reviews the influence of these three factors on SME performance is very important to provide insights and strategies for stakeholders in developing the SME sector in Indonesia (I. W. E.

Arsawan et al., 2022). The study only focused on four SME sectors, namely trade, agriculture, non-agriculture, and services, limiting generalizations to large companies or different industries, so caution should be exercised when applying these findings in other business settings.

2. Literature Review and Hypothesis Development

2.1 Resource Based-View

Resource-Based View (RBV) has become an influential framework in strategic management, human resource management, economics and finance, entrepreneurship, marketing, and international business research ((Barney et al., 2001). Resource-based view emphasizes that a company's excellence and superior performance rests on its resources (Hossain et al., 2022; Nieves & Quintana, 2018). In other words, valuable and scarce organizational resources are closely related to company performance, even in the SME sector (Chatterjee et al., 2024; Y. Lin & Wu, 2014). They grow from the value that companies can create for their customers beyond the costs sacrificed to create that value. A capability is an intangible asset that determines the use of tangible and other intangible assets arising from a group of people's coordinated activities that bring together their expertise in using assets. Regarding intangible assets, the knowledge possessed by human capital and collective organizational engagement is a unitary, distinctive, and invaluable asset, primarily fostering business performance (Chung et al., 2019; Nieves & Quintana, 2018; Wang & Zatzick, 2017). Accordingly, RBV is enacted to evaluate the linkage between human capital, collective organizational engagement, entrepreneurial orientation value, and business performance in SMEs.

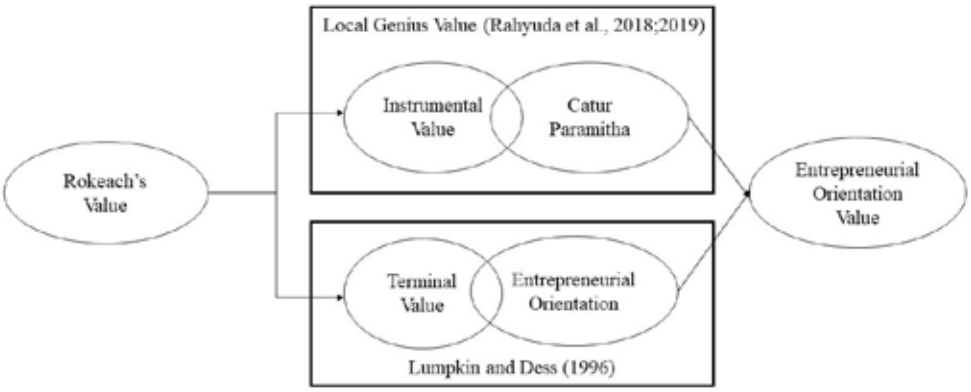
2.2 Personal Value Theory

The value system is the order and priority of a series of values related to principles, standards, and qualities considered valuable possessed by a person or group of people (Tuulik et al., 2016). Aligned, unidirectional, and aligned individual values will form organizational values, which become standards and foundations for the organization to carry out its mission and achieve its goals. One personal/individual value model still used today is Rokeach's Value Survey Model. (Rokeach, 1973) states that there are two forms of value: terminal value, which refers to the desired existence and end state; the goal one wants to achieve and can vary among different groups of people in other cultures; and instrumental value, which refers to the preferred model of behaviour and the way to attain terminal value. (Braithwaite & Law, 1985; Czerniawska et al., 2021). This value concerns moral aspects that focus on morality and relationships between humans so that one of the hopes, namely peace, can be realized, and parts of competence related to individual behaviour can shape themselves into wiser humans and produce quality lives.

2.3 The Entrepreneurial Orientation Value

The variable entrepreneurial orientation value as presented in Figure 1, is an elaboration and integration of the concept of personal values developed by Rokeach (1973) and the concept of Balinese local wisdom values, namely *Catur Paramitha* (Rahyuda et al., 2018; 2019), which will form instrumental orientation value and entrepreneurial orientation concepts developed by Lumpkin & Dess (1996) which will create terminal orientation value. Instrumental orientation value relates to organizational attitudes, traits, and behaviours that can be seen in corporate leaders' ability to form managerial courage, responsiveness, and innovative power. This value adapts the values of *Catur Paramitha*, which is defined as four foundations or guidelines for carrying out moral or ethical teachings, including *Maitri* (representing a sense of caring, politeness, friendship, full of patience, and having a big soul), *karuna* (the nature of compassion and help fellow humans, and the ability to control themselves (self-control), *mudita* (representing obedience, joy, and happiness to have a sense of sensitivity to good or bad events), and *upeksa* (tolerance and alertness to situations faced (Rahyuda et al., 2018, 2019; Rustini, 2020; Suartini, 2021). Terminal orientation value relates to the entrepreneurial characteristics that can be demonstrated by the organization so that it can achieve its goals and is highly competitive, which, by the concept of entrepreneurial orientation, include proactive, innovative, risk-taking, autonomously independent, and aggressiveness to competitors (Dess & Lumpkin, 2005; Linares & Fernandez, 2018; Lumpkin & Dess, 1996; Mcdougall & Oviatt, 2000). Briefly, the concept of entrepreneurial orientation value is described as follows.

Figure 1. Development of Entrepreneurial Orientation Value Measurement



Source: Authors.

2.4 Hypothesis Formulation

2.4.1 Human Capital, Entrepreneurial Orientation Value, Business Performance

Human capital contains knowledge, skills, and experience that have been used to contribute to organizational value creation (Asthon, 2005; Esho & Verhoef, 2020) and can improve the performance of SMEs (Al-Azizah & Wibowo, 2023). A key element held using the point of view of human capital theory is the ability to gather workers with the potential of a high level

of uniqueness that can be generated, thus allowing the determination of actions that can create groups and value (Massingham & Tam, 2015; Molloy & Barney, 2015; Toszewska-Czerniej, 2018), one of which is the entrepreneurial orientation value. This value is an organizational belief in the formation of certain behaviours based on the principle of local wisdom (*Catur Paramitha*) believed by organizational members who can bring the organization to be more innovative and proactive and dare to take risks to achieve the desired goals (Estrin et al., 2016; Manev et al., 2005). Human capital is vital in increasing entrepreneurial orientation and organizations' creativity and innovation levels. Based on the resource-based view (RBV) theory (Barney, 1991), human capital is the centre of assembling resources and capabilities. The company's competitiveness and performance depend on the human capital profile (Felício et al., 2014; Khan & Quaddus, 2018). SMEs urgently need human capital to compete in an increasingly resilient business environment. All business capabilities, business orientation, risk perception, and knowledge management owned by the organization as components of human capital contribute significantly to the business performance of SMEs later (Galabova & McKie, 2013; Muda et al., 2016). We proposed the hypotheses as follows:

H1: Human capital has a positive effect on the entrepreneurial orientation value.

H2: Human capital has a positive effect on the SMEs' performance

2.4.2 Collective Organizational Engagement, Entrepreneurial Orientation Value, Business Performance

SMEs that have strong collective organizational engagement can outperform other SMEs because the ultimate goal of the human resource management process is the accumulation, combination, and exploitation of resources and the company's ability to create and maintain value for the company (Barrick et al., 2015; Hicks et al., 2014; Sirmon et al., 2007) and improve business performance (Cook et al., 2017; Friesenbichler & Selenko, 2017; Mamun et al., 2018; Shaikh & Nawar, 2018). When collective organizational engagement is achieved, there will be awareness, understanding, and acceptance of change at all levels of the organization so that an honest, ambitious, imaginative, logical thinking attitude will be formed and create a more proactive, innovative, and dare to take risks (Groove Management, 2011; Kassa & Raju, 2015; Massingham & Tam, 2015). Collective organizational engagement is characterized by the confidence and willingness of organizational members to jointly devote all their energy, thoughts, and energy into work so that they will tend to do work so exciting that they lose track of time and are very focused when doing work to achieve the best organizational performance (Barrick et al., 2015; Harter et al., 2002; Lunn et al., 2021). We proposed the hypotheses as follows:

H3: Collective organizational engagement positively affects the entrepreneurial orientation value.

H4: Collective organizational engagement positively affects the SMEs' performance.

2.4.3 Entrepreneurial Orientation Value and Business Performance

Catur Paramitha, as local wisdom, is the basis for improving business activities and organizational performance and is the key to success in business (Rahyuda et al., 2018, 2019). It is predicted that SMEs in Bali will use the theory of local wisdom explicitly and implicitly to create managerial capabilities and behaviours to achieve high business performance. If a company has values that all parties uphold, it will have the ability and confidence to be competitive, manifested in performance. With various abilities, knowledge, skills, and experience possessed by the organization and strong collective organizational engagement, it will be able to form a principle and standard of honesty, truth, ambition, imagination, and self-control that members believe the organization to be proactive, innovative, dare to take risks to achieve optimal organizational performance. Companies with high entrepreneurial orientation values will perform well in a business environment full of turmoil and competition due to the company's ability to constantly innovate (Ramaj et al., 2022), proactively see opportunities, dare to take risks, have high aggressiveness, and be independent (Irwin et al., 2018; Kraus et al., 2011; Lim et al., 2015; Tang et al., 2017). We have arrived at the following hypotheses:

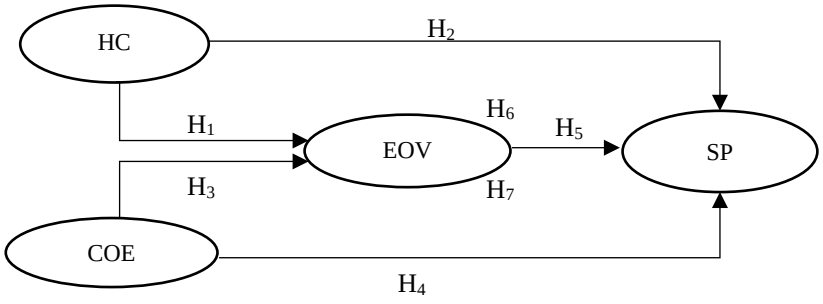
H5: The entrepreneurial orientation value significantly affects the SMEs' performance.

H6: The entrepreneurial orientation value mediates the influence of human capital on the SMEs' performance.

H7: The entrepreneurial orientation value mediates the influence of collective organizational engagement on SMEs' performance

Therefore, the study explored interlinkages between human capital, collective organizational engagement, entrepreneurial orientation value, and business performance (Figure 2).

Figure 2. Research Framework



Source: Authors

3. Methodology

This research uses a positivist or quantitative approach that seeks explanations in the form of cause-effect relationships between several concepts or variables (I. W. E. Arsawan et al., 2023). The study was conducted on Small and Medium Enterprises (SMEs) in Bali, Indonesia, which Bali is one of the regions that has experienced the highest decline in

regional income compared to other regions in Indonesia (Armanu et al., 2023; Parwita et al., 2021); besides that, the performance of SMEs is in the spotlight due to their inability to combine local values and traditions, so most have a short business cycle that will impact their business performance. The research population is all formal sector SMEs in Bali divided into four business sectors, i.e., trade, agriculture, non-agricultural industry, and diversified services. A sample of 270 SMEs was obtained using a cluster sampling technique (Sekaran & Bougie, 2016). The respondents in this study are persons who can represent SMEs to obtain representative information related to research variables and at least have a middle-level (middle management) position. The data needed for this study was collected using questionnaires from primary sources from research respondents.

The results of previous literature and empirical studies are synthesized to determine the measurement of each variable. SME performance is measured from four indicators: marketing, finance, internal business processes, and learning and growth (Cicea et al., 2019; Nastasiea & Mironeasa, 2016). Human capital is the result of the synthesis of several research results measured by four indicators: business ability, business orientation, perception of risk, and management know-how (Folloni & Vittadini, 2010; Khan & Quaddus, 2018; Ruzzier et al., 2007). Furthermore, collective organizational engagement is measured by three indicators: physical, emotional, and cognitive engagement (Barrick et al., 2015; Groove Management, 2011; Saks, 2006). Finally, using two dimensions, we assessed the entrepreneurial orientation value as a mediating variable. The instrumental orientation value consists of 4 indicators: *maitri, karuna, mudita, and upeksa* (Rahyuda et al., 2018, 2019; Tuulik et al., 2016) and the terminal orientation value is measured by five indicators: proactive, innovative, risk-taking courage, autonomy, and competitive aggressiveness (Linares & Fernandez, 2018; Lumpkin & Dess, 1996; Semrau et al., 2016).

The measurement of data on these variables used the Likert scale, which is designed to examine how strongly research subjects agree or disagree with research statements with assessment intervals ranging from a score of 1 (strongly disagree) to a score of 5 (strongly agree) (Sekaran & Bougie, 2016). There were 30 respondents piloted using the questionnaire to clarify instructions and statements. Consequently, there was a minor adjustment in the questionnaire's wording. This study used partial least square-structural equation modelling (PLS-SEM), considering the formation of models based on a resource-based view and personal value theory and examining the influence between direct and indirect variables. Moreover, to determine the construct variables' validity and reliability, as (Hair et al., 2021) recommended, we assessed the measurement model, hypotheses, relationship between variables, and the structural model. SEM-PLS was suitable because the research goal was to validate the research model.

4. Results

4.1 Respondents

Table 1 shows the demographic characteristics of this study sample. Based on the tabulation results, it is known that most of the SME business sectors in Bali are trade (52%), and only 6% are engaged in the service sector, with the majority of business length 11 – 20 years

(53%). This indicates that SMEs in Bali have much business experience and have survived until now. Around 2% have been running their businesses for almost 50 years. Most owner/management level SMEs are male (68%), and most (42%) are aged 41-50, indicating maturity in business decisions. From the level of education, 78% of respondents had a high school education, followed by 22% had a bachelor's degree. SMEs with higher education backgrounds tend to have a deeper understanding of certain aspects of business and are more likely to adopt modern technology in their business activities.

Table 1. Respondents Characteristics

Characteristic		Frequency	Percentage (%)
Business Sector	Trade	140	52
	Agricultural	16	20
	Non-Agricultural	55	22
	Services	59	6
Length of business	1 – 10	75	28
	11 – 20	144	53
	21 – 30	44	16
	31 – 40	2	1
	41 – 50	5	2
Gender	Male	18	68
	Female	77	32
Age	21 – 30	14	5
	31 – 40	32	12
	41 – 50	113	42
	51 – 60	103	37
	>60	10	4
Education	High School	211	78
	Bachelor	59	22

Source: Author's Primary Data.

4.2 Outer Model Measurement

Table 2 shows the results of the outer model analysis by looking at its validity and reliability. The indicator is valid if the loading factor value exceeds the recommended value of 0.7 (Hair et al., 2017). The convergent validity results show that all research indicators' outer loading factor value is higher than 0.7, which makes these indicators valid. Validity and reliability criteria can also be seen from each construct's composite reliability (CR) value and the Average Variance Extracted (AVE) value. The construct is highly reliable if the value is 0.70 and the AVE is above 0.50. The results of Composite Reliability and AVE values for all variables meet the criteria of discriminant validity. In addition, all Average Variance Extracted (AVE) values are> 0.50, and all Cronbach's Alpha (CA) values are> 0.70 so that all variables are reliable.

Table 2. Outer Model Measurement

Variable	Indicator	Loading	CA	CR	AVE
Human Capital (HC)			0.807	0.873	0.632
	HC1	0.775			
	HC2	0.795			
	HC3	0.808			
	HC4	0.803			
Collective Organizational Engagement (COE)			0.843	0.905	0.761
	COE1	0.891			
	COE2	0.869			
	COE3	0.857			
Entrepreneurial Orientation Value (EOV)			0.910	0.926	0.581
Instrumental Orientation Value (IOV)			0.823	0.883	0.653
	IOV1	0.778			
	IOV2	0.717			
	IOV2	0.758			
	IOV4	0.776			
Terminal Orientation Value (TOV)			0.861	0.900	0.643
	TOV1	0.790			
	TOV2	0.778			
	TOV3	0.771			
	TOV4	0.772			
	TOV5	0.718			
SME Performance (SP)			0.729	0.831	0.551
	SP1	0.726			
	SP2	0.708			
	SP3	0.807			
	SP4	0.725			

Source: Author's Primary Data Proceed.

4.3 Inner Model Measurement

The structural model is evaluated by considering the Q^2 predictive relevance model, which measures how well the model generates the observation values. Q^2 is based on the coefficient of determination of all dependent variables. The magnitude of Q^2 has a value with a range of $0 < Q^2 < 1$; the closer the value of 1 means, the better the model (Hair et al., 2017). The results of the structural model evaluation obtained Q^2 of 0.844, a value close to 1. Thus, the results of this test provide evidence that the goodness of fit of the structural model is very good or prove that this model is considered to have good predictive relevance. In other words, it can be interpreted that the information contained in the data, 84.4%, can be explained by the model. In comparison, the remaining 15.6% is explained by errors and other variables yet to be contained in the model.

4.4 Hypothesis testing

The significance of the estimated parameters provides beneficial information regarding the relationship between the research variables. The results of hypothesis testing can be seen in Table 3.

Table 3. Structural estimate of the effect of the variable

Hypothesis	Direct effect		Indirect effect		Total effect	
	β	p-value	β	p-value	β	p-value
HC à EOV	0.399	0.000	-	-	0.399	0.000
HC à SP	0.317	0.000	0.125	0.000	0.442	0.000
COE à EOV	0.482	0.000	-	-	0.482	0.000
COE à SP	0.179	0.007	0.151	0.000	0.330	0.000
EOV à SP	0.313	0.000	-	-	0.313	0.000

Source: Author's Primary Data Proceed.

Table 3 shows that human capital significantly affects the entrepreneurial orientation value (β = 0.399; p-value = 0.000) and SME performance (β = 0.317; p-value = 0.000), H1 and H2 supported. If viewed from the analysis of the influence of collective organizational engagement on the value of entrepreneurial orientation (β = 0.482; p-value = 0.000) and SME performance (β = 0.179; p-value = 0.000) is significant, H3 and H4 are accepted. The value of entrepreneurial orientation and SME performance (β = 0.313; p-value = 0.000) also had a significant influence and meant that it supported H5.

Mediation Testing

Testing the significance of mediating variables in the model can be examined from the results of the indirect influence test (Hair et al., 2021) by looking at the indirect influence of human capital and collective organizational engagement on SME performance through the entrepreneurial orientation value. In Table 3, it can be seen that the impact of human capital on SME performance through entrepreneurial orientation value is significant (indirect effect 0.125 and total effect 0.442; p-value = 0.000), as well as the influence of collective organizational engagement on SME performance through entrepreneurial orientation value is significant (indirect effect 0.151 and total effect 0.330; p-value = 0.000). This test also examines the intervention level of the mediation variable, whether full mediation, partial mediation, or non-mediation refers to the mediation testing stages proposed by (Hair et al., 2017). Based on the analysis results in Table 4, it is concluded that the orientation value acts as a complementary mediator so that H6 and H7 are supported.

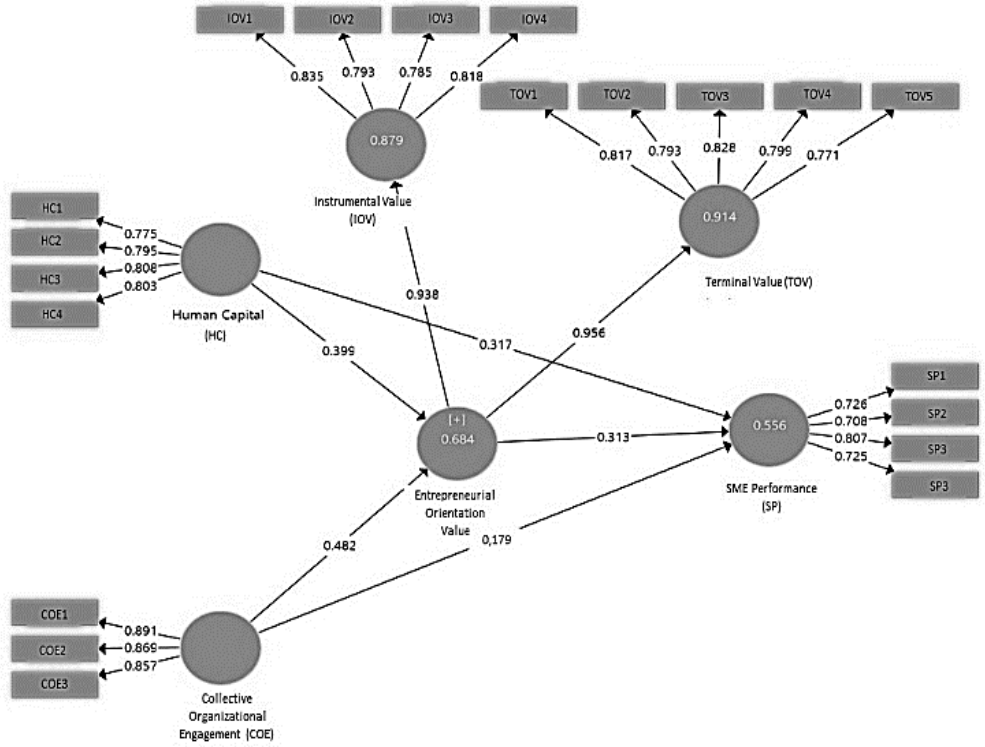
Based on Tables 2, 3 and 4, the calculation of the hypothesis research results directly and indirectly obtained the structural research model, as shown in Figure 3.

Table 4. Determination of Mediation Effect

Variable	Effect			Result
	Exg. à Med	Med. à Endg.	Exg. à Endg.	
HC à EOV à SP	0,339 (Sig.)	0,313 (Sig.)	0,317 (Sig.)	Partial Mediation
COE à EOV à SP	0,482 (Sig.)	0,313 (Sig.)	0,179 (Sig.)	Partial Mediation

Source: Author's Primary Data Proceed

Figure 3. Research output



Source: Author's calculation.

5. Discussion

This research was initiated to predict SME performance's determinants in an increasingly turbulent business environment. The results show the significant influence of human capital on the entrepreneurial orientation value and SME performance. These findings support and confirm previous research (Molloy, Barney, 2015; Rahyuda et al., 2018). These results indicate that a good or high level of organizational ability, knowledge, and capability can create good entrepreneurial values (Beattie & Smith, 2010; Fletcher, 2004). With all their abilities and knowledge, SMEs strive to adopt the values of local wisdom, namely *Catur*

Paramitha, into their business activities so that SMEs in Bali have unique characteristics. In other words, the integration of *maitri, karuna, mudita*, and *upeksa* that form a proactive, innovative, courageous, independent, and aggressive organizational character into the organization is inseparable from the role of human capital reflected through business capabilities, business orientation, perception of risk, and management know-how (Česynienė, Stankevičienė, 2011; Massingham, Tam, 2015; Molloy, Barney, 2015; Vomberg et al., 2014).

The findings on human capital influence on SME performance align with previous research (Mubarik et al., 2020; Tjahjadi et al., 2022). This indicates that the higher the level of knowledge, abilities, skills, and capabilities of SMEs, the better they can achieve good performance in various aspects: customers, finance, internal business processes, and learning and growth (Jogaratnam, 2018; Zainol et al., 2018). Referring to the resource-based view of the firm, human capital is the centre of assembling resources and capabilities, so company performance depends on the level of knowledge, ability, expertise, and capability (Barney, 1991; Khan & Quaddus, 2018). The findings in this research also illustrate that SMEs in Bali have made reasonable efforts to improve their business capabilities and orientation, positively perceive risk, and carry out various techniques and strategies to maintain and enhance organizational knowledge so that their business activities can run effectively and efficiently (Suryantini et al., 2023).

The results also describe that collective organizational engagement significantly affects entrepreneurial orientation value and SME performance. Positive influence occurs because members of the organization collectively devote all their energy, thoughts, and energy to work and the organization for the company's betterment. Collective organizational engagement can be considered a unique organizational ability and creates value (Hicks et al., 2014); where SMEs that have strong collective organizational engagement will be able to achieve the ultimate goal of the human resource management process, there are accumulation, combination, and exploitation of resources and the company's ability to create and maintain value for the company (Barrick et al., 2015; Sirmon et al., 2007). Three engagement characteristics that are reflected in physical, emotional, and cognitive can make it easier for organizations to apply the values of *maitri* (caring), *karuna* (self-control and empathy), *mudita* (obedience and courage), and *upeksa* (tolerance and capability) (Rahyuda et al., 2018, 2019) to create organizational attitudes and characters that are proactive, innovative, risk-taking, independent, and have high aggressiveness and competitiveness (Groove Management, 2011; Kassa & Raju, 2015; Lim et al., 2015).

The results of this study strengthen research conducted by several researchers (Barrick et al., 2015; Lunn et al., 2021) on the effect of collective organizational engagement on SME performance. When used together, corporate resources will maximize the psychological conditions needed for engagement (physical, emotional, and cognitive), thus, it is essential to emphasize organizational engagement as a motivational construct that will strengthen business performance (Aristana et al., 2021; Noor, 2021). Collective organizational engagement as an organizational capability involves investing "hands, heads, and hearts," which shows the role of individuals in the organization which is no less important is their role as members of the organization, which is shown by physical, cognitive and emotional self-investment into the organization for the achievement of better performance (Cook et al., 2017; Friesenbichler & Selenko, 2017; Mamun et al., 2018; Shaikh & Nawar, 2018).

The finding of entrepreneurial orientation value has a significant positive effect on the SME's performance in this research shows that the better the creation and application of entrepreneurial orientation value will be able to improve the performance of SMEs according to the results of previous empirical research (Fallatah, 2018; Konak & Demir, 2018; Ode et al., 2018). Based on the value of local wisdom (*Catur Paramitha*) as a foundation to improve business activities, SMEs use these values to develop managerial capabilities and behaviours to achieve good business performance (Kertiyasa et al., 2020; Rahyuda et al., 2019). The values of local wisdom consisting of *maitri, karuna, mudita, and upeksa* become instrumental values that can form entrepreneurial attitudes or patterns that are reflected in terminal values that reflect the entrepreneurial characteristics, which include proactive attitudes, initiative, risk-taking courage, autonomy, and aggressiveness to competitors which in turn can improve SME performance from the marketing, finance, internal business management, and learning and growth aspects (Fang et al., 2022; Semrau et al., 2016). SMEs with high entrepreneurial orientation values will perform well in a business environment full of turmoil and competition due to the company's ability to constantly innovate, proactively see opportunities, dare to take risks, have high aggressiveness, and be independent (Irwin et al., 2018; Kraus et al., 2011; Tang et al., 2017; Zehir et al., 2015).

The results also show the entrepreneurial orientation value mediating the influence of human capital and organizational engagement on SME performance with complementary partial mediation types. These results can mean that the entrepreneurial orientation value plays a role in strengthening or increasing the influence of human capital and collective organizational engagement on the SME's performance. The results of this study, when confirmed with previous studies (Campbell & Park, 2016; Oh et al., 2015; Santarelli & Tran, 2013), appear that the results of this study are in line with these studies, where strong human capital and collective engagement can lead to positive performance through the creation of entrepreneurial original value. With various abilities, knowledge, skills, and business experience, SMEs will be able to form principles and standards of honesty, care, self-control, obedience, tolerance, and other local wisdom values (Kertiyasa et al., 2020; Rahyuda et al., 2018, 2019) which is believed by SMEs to form the characteristics of organizations that are proactive, innovative, courageous, independent, and aggressive to achieve business performance both from the aspects of customers, finance, internal business processes, as well as growth and learning (Estrin et al., 2016; Zehir et al., 2015).

When individuals in the organization understand their role as members of the organization (Saks, 2006), which is shown by the willingness of these individuals to devote their energy, thoughts, and energy together, feel proud to be part of where they work, and feel confident in the organization's ability to realize its goals (Kraus et al., 2011; Tang et al., 2017), it will make it easier for organizations to apply the values of local wisdom (*maitri, karuna, mudita, and* upeksa*) and* create an organizational character: innovative, proactive, risk-taking, independent, and has competitive aggressiveness (Lumpkin & Dess, 1996; Rokeach, 1973) which will lead to increasing the performance of SMEs from customer aspects (loyalty, market expansion, complaint handling), financial factors (sales growth and price stability), internal business processes (accuracy levels, work accidents, schedule accuracy, reinvestment), and learning growth aspects (idea realization, learning days, turn over) (Cicea et al., 2019; Nastasiea & Mironeasa, 2016).

5.1 Theoretical and Managerial Contribution

Research findings, as previously described, can strengthen, confirm, and explore the resource-based view of the firm, especially on the formation of intangible resources as determinants of SME performance (Barney, 1991). The resource-based view emphasizes that organizational resources (physical capital, organizational capital, and human capital) can be a source for creating value for SMEs (Campbell & Park, 2016; Santarelli & Tran, 2013). According to this view, valuable, scarce, and hard-to-replicate intangible resources are the source of organizational excellence (Suryantini et al., 2023) to create unique organizational beliefs and characteristics that can be relied upon to achieve the best performance (Barney et al., 2001; Y. Lin & Wu, 2014).

This study proves that human capital and collective organizational engagement are essential foundations or determinants for forming and applying entrepreneurial orientation values and SME performance in Indonesia. It also proves that the entrepreneurial orientation value is considered a variable that will later strengthen the concept of entrepreneurial orientation based on local wisdom values that will support achieving SME goals embodied in their performance. Moreover, Indonesia is rich in local wisdom values that can be applied well in SME business activities.

The results of the study can make a practical contribution regarding the SME's performance in Indonesia, which in detail can be done by creating a culture based on human capital management, which is a culture that values and develops employees as valuable assets, one of which is by providing incentives and rewards for employees who excel and contribute. Based on previous research (Fathi et al., 2013; Jogaratnam, 2018), human capital is the economic value of human resources related to ability, knowledge, innovation, ideas, energy, and organizational commitment. Organizations also need to ensure that employees already have competencies and skills that match the organization's needs by conducting needs analysis, performance appraisal, and relevant training. SMEs also need to provide opportunities for employees to develop their potential through mentoring, coaching, and talent management programs. The entrepreneurial orientation value contributes to the achievement of SME performance. This can be realized by applying Indonesian local wisdom values because it is undeniable that SMEs' business activities inevitably involve values, ethics, morals, and norms when making decisions. The value of *Catur Paramitha* as local wisdom can help Indonesian SMEs become more humane organizations and prioritize friendship-based partnerships or cooperation.

6. Conclusion and Future Research

The results highlight the importance of entrepreneurial orientation value based on human capital and collective organizational engagement, a unique and valuable intangible resource that becomes a principle for SMEs to improve performance amid rapidly changing business environment conditions. Understanding the entrepreneurial orientation value as a result of the elaboration of the concept of personal value, the local wisdom value, and entrepreneurial orientation is still in its early stages. Therefore, further evaluation of this topic is needed to improve SME performance. Although its contribution is significant to expanding knowledge

about SME performance, the study has shortcomings. First, the collection of research data, which only involved SME owners/managers in Bali, Indonesia, limited the generalization of the study. Therefore, conducting studies in different regions or countries can improve the generalization of results. Examining proposed models across industries can also allow us to understand business performance and its determinants comprehensively. Second, the analysis results found that the entrepreneurial orientation value has a complementary partial mediation role, which indicates that other mediation variables can mediate the influence of independent variables on SME performance. Organizational resources can lead to positive performance through innovation and strong network ties (Campbell & Park, 2016; Santarelli & Tran, 2013), so future research can analyze innovation variables and strong network ties to mediate the influence of independent variables on SME performance.

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