



## Human Capital Readiness, Learning Orientation, and Innovation Performance in Creative Industries in Central Java

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### Info Article

#### Article History:

Submitted 2 September 2024

Revised 11 October 2024

Accepted 30 January 2025

#### Keywords:

Creative Industry,  
Human Capital Readiness,  
Innovation,  
Learning Orientation

### Abstract

This study aims to explore the effect of human capital readiness on innovation performance mediated by learning orientation. The research method used is quantitative with a survey approach. The research sample consisted of SMEs in the creative industries. Data were collected through surveys and processed using SEM\_PLS. The results showed that human capital readiness has a positive and significant effect on innovation performance through learning orientation. This study shows that human capital readiness is the willingness of employees to actively participate in operational business processes, respond to market challenges, and drive innovation. This readiness requires the support of a supportive environment, such as a learning environment. Human capital readiness can be fostered through a learning orientation that encourages employees to align the vision of the organization with the owner, to share knowledge, and to be open to change, ultimately fostering the growth of innovation.

## Human Capital Readiness, Learning Orientation dan Kinerja Inovasi pada Industri Kreatif di Jawa Tengah

### Abstrak

Tujuan penelitian adalah untuk mengeksplorasi pengaruh human capital readiness terhadap inovasi yang dimediasi learning orientation. Metode penelitian yang digunakan adalah kuantitatif dengan pendekatan survei. Sampel penelitian terdiri dari UKM di industri kreatif. Data dikumpulkan melalui survei dan diolah menggunakan PLS. Hasil penelitian menunjukkan bahwa kesiapan modal manusia berpengaruh positif dan signifikan terhadap kinerja inovasi melalui orientasi pembelajaran. Penelitian ini menunjukkan bahwa kesiapan sumber daya manusia merupakan kesediaan karyawan untuk berpartisipasi aktif dalam proses bisnis operasional, merespon tantangan pasar, dan mendorong inovasi. Kesiapan ini membutuhkan dukungan lingkungan yang mendukung, seperti lingkungan pembelajaran. Kesiapan modal manusia dapat ditumbuhkan melalui orientasi pembelajaran yang mendorong karyawan untuk menyelaraskan visi organisasi dengan pemilik, berbagi pengetahuan, dan terbuka terhadap perubahan, yang pada akhirnya mendorong pertumbuhan inovasi.

JEL Classification: L1, L10

How to Cite: Dewi, R. S., Pradhanawati, A., & Ngatno. (2025). Human Capital Readiness, Learning Orientation, and Innovation Performance in Creative Industries in Central Java. *JDM (Jurnal Dinamika Manajemen)*, 16(1), 41-57.

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## INTRODUCTION

According to the resource-based view (RBV), competitive advantage will rise as a result of knowledge management's contribution to corporate value creation (Barney, 1991). In the age of the information-based economy, financial and physical capital have been superseded by knowledge management as the most significant capital (Chen et al., 2004). To gain a competitive edge in a knowledge-based economy, businesses must address intangible assets like organizational knowledge and human resource competencies (Bontis, 1998). Since it has been proven that knowledge-based intangible assets can generate value and provide a competitive advantage, large companies have implemented them widely (Kumwenda & Msendema, 2021; Ríos-Manríquez, 2021; Tjahjadi et al., 2022). The idea of intangible assets is beginning to gain traction for SMEs, particularly in developing nations, as it has been discovered that these resources significantly impact organizational success (Khalique et al., 2015). For MSMEs looking to develop a competitive advantage in the marketplace, investment in human capital should be a top priority (Mastromartino, 2024).

Human capital is one of the intangible assets; it helps generate economic value, which is then transformed into organizational knowledge to produce unique advantages to satisfy client demands. The value of human capital is heavily reliant on its readiness (Kumwenda & Msendema, 2021; Tjahjadi et al., 2022; Khusnah & Soewarno, 2024).

Intangible assets like human capital are evaluated for strategic preparedness (Abraham & Mallatt, 2022). When supporting organizational strategy, the state of intangible assets is called strategic readiness. According to Kaplan & Norton

(2004), inadequate human capital preparation is the primary reason 70–90% of firms fail to execute their strategy.

Businesses with people resources that are prepared and skilled will be more equipped to adjust to changes and create innovative new products or services. Prior research indicates that human capital preparedness significantly enhances innovation performance across multiple industries, including small and medium-sized enterprises (SMEs) (Abdulai et al., 2022; J. Huang et al., 2023; Sutanto et al., 2023; Tjahjadi et al., 2024). The synergy between human capital readiness and advanced technologies is pivotal to full potential and boosting companies' innovation capabilities to unprecedented levels (Djerdj Horvat et al., 2024).

However, it is insufficient if the learning emphasis is not balanced with human capital preparation (Munkaila Abdulai et al., 2022). An organizational mindset known as “learning orientation” promotes acquiring, exchanging, and using new information. Learning orientation is critical for SMEs because it can assist organizations in identifying opportunities for innovation and adjusting to market developments more skillfully (Mahmoud et al., 2016; Rhee et al., 2010; Dewi & Pradhanawati, 2021; Ahmed et al., 2024; Arunprasad et al., 2024). Employees can develop their competencies and abilities through continuous learning, strengthening human capital readiness. Learning orientation is a key aspect of fostering innovation in businesses. It refers to an organizational mindset and culture promoting continuous learning, in which people constantly seek new knowledge, skills, and ideas to improve their performance (Arunprasad et al., 2024). Organizations with a high learning orientation are more adaptable to change, seek innovative methods to address challenges, and use experiences

as learning opportunities. This builds a strong basis for creativity, as organizational members are encouraged to study new knowledge and expertise relevant to their work constantly (Sinkula et al., 1997; Hurley & Hult, 1998; Calantone et al., 2004; Vega Martinez et al., 2020; Ahmed et al., 2022; Karpacz & Wojcik-Karpacz, 2024).

In Central Java, SMEs in the creative industries have unique characteristics that reflect the richness of local culture and traditions. However, many SMEs still face challenges in optimizing their innovative potential. This study explores the factors influencing innovation performance among creative SMEs, focusing on human capital readiness and learning orientation.

Although numerous research studies have been undertaken on the effect of human capital preparedness on innovation performance, as well as the significance of learning orientation in the setting of SMEs, significant gaps remain in the literature. Firstly, most previous studies have focused on major corporations or non-creative businesses, ignoring the unique setting of creative industry SMEs in Indonesia, particularly in Central Java. For example, Ahmed et al. (2022) and Arunprasad et al. (2024) demonstrate the importance of learning orientation in generating innovation but do not detail how human resource preparedness might help with this process in the context of creative SMEs.

Secondly, while there is evidence that human capital readiness improves innovation performance, research into the mechanism that connects these two variables via learning orientation is scarce. Research by Acar & Kucukemiroglu (2015) highlights the importance of human capital in innovation but does not explicitly examine how learning orientation can mediate the relationship. Therefore, this study aims to fill the gap by exploring the effect of human capital readiness on

innovation performance through learning orientation in creative industry SMEs in Central Java.

Third, existing studies often do not consider the local context, culture and unique characteristics of the creative industries in Central Java, which may affect human capital readiness and learning orientation. Research by Linda et al. (2020) and Kusumawijaya & Astuti (2023) provides important insights into human capital and innovation performance but does not discuss in depth how specific conditions in Central Java may affect this relationship. This research is expected to provide a better understanding of the factors that influence innovation performance in the context of SMEs in the creative industries in the area.

## Hypothesis Development

### Relationship with Human Capital Readiness on Innovation Performance

The knowledge-based view (KBV) explains that intellectual capital is the first asset that must be transferred into innovation to create a competitive advantage and improve organizational performance (Rodríguez-ruiz & Martí, 2011; Papa et al., 2020; Sukardi et al., 2020; Kusumawijaya & Astuti, 2023).

Arunprasad et al. (2024) explained that knowledge capital is the main key of the organization and is responsible for creating innovation. Intangible assets are an important factor in creating competitiveness, especially for medium-sized companies; this shows that an organization's ability to innovate is closely related to intellectual capital or the ability to utilize knowledge resources (Delgado-Verde et al., 2011).

Human capital is the most significant component of intellectual capital and is required for creativity and innovation (A. Ahmed et al., 2022; Munkaila Abdulai et al., 2022; Arunprasad et al., 2024; Kusuma-

wijaya & Astuti, 2023; Huang et al., 2023). The importance of managing human capital is mainly based on the individual abilities, knowledge, skills, talents, education, skills, and experience of employees in the organization. Thus, the proposed hypothesis is as follows:

H1: Human capital readiness significant effect on innovative performance.

### **Relationship Human Capital Readiness on Learning Orientation and Innovation Performance**

Previous research has shown that learning orientation is closely related to the innovative activities of an organization (Kumar et al., 2020; Vega Martinez et al., 2020).

The learning process aligns the company with its internal and external surroundings (Kumar et al., 2020). Also, it plays a major role in adapting the organization to fast and complex environmental changes (Sawaeen & Ali, 2021). This process assists organizations in gathering, interpreting, and sharing related information and knowledge; therefore, it can lead to the development of capabilities such as innovation, strategic decisions, and product development (D'Angelo & Presutti, 2019). Not only is the introduction of new products and services expected to increase under the influence of new knowledge but performance related to process speed and the success rate of new products is also expected to improve. By relying on newly learned knowledge, organizations can go through the steps of the new product development process more efficiently and effectively and improve their performance in innovation. Based on the discussion above, the hypothesis that is built is:

H2: Human capital readiness significant influence on learning orientation.

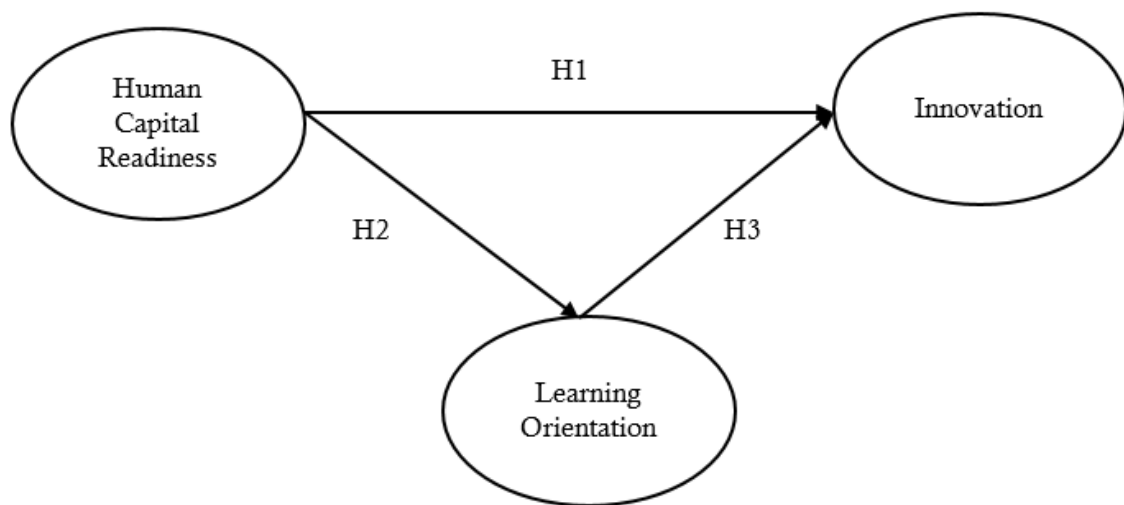
H3: Learning orientation has a significant effect on innovation performance.

### **Relationship Human Capital Readiness on Innovation Performance Mediated by Learning Orientation**

Knowledge is a core asset for sustainable organizational performance, and the role of shared intelligence in organizations is becoming increasingly important. From this point of view, maximizing the knowledge potential of employees has become one of the most pressing strategies in most organizations (Johnson, 2017). Knowledge exists in individuals; therefore, human capital becomes an important factor in sharing knowledge through its readiness to share the knowledge it has. Collective knowledge can be generated through knowledge sharing and collaboration, and such knowledge activities will become a core resource for sustainable organizational growth and innovation creation, especially in SMEs (Cormican et al., 2021).

The interaction between organizational support and individual behavior can promote collaborative learning processes. Previous studies by Ornek & Ayas (2015); Ahmed et al. (2022); Arunprasad et al. (2024) have provided evidence that organizations with more members who perceive organizational satisfaction exhibit more dynamic organizational learning activities based on shared knowledge. In addition, previous research has verified that organizational learning activities occur more frequently and more intensely when the following statuses are guaranteed: feelings of satisfaction, feelings of commitment, intentions to learn, and sharing the vision and direction of the organization (Ornek & Ayas, 2015; Egan et al., 2004; Munkaila Abdulai et al., 2022; Kusumawijaya & Astuti, 2023). Thus, the proposed hypothesis is as follows:

H4: Human capital readiness has a significant effect on innovation performance mediated by learning orientation.



**Figure 1.** Conceptual Model

Based on the development of the hypothesis, the research model is in Figure 1.

## METHOD

This type of research is quantitative and uses a survey method. The survey method was conducted on creative industry owners/managers in Central Java and Yogyakarta Provinces. The owner/manager of the handicraft creative industry is considered a researcher who can represent the organization and understand strategies and policies related to Human Capital Readiness, Learning Orientation, and Innovation Performance. The research location was the creative industry, with SME criteria in Central Java. The reason for taking this sub-sector is because it is one of the sub-sectors in Central

Java that dominates and contributes to the GDP (Kumoro, 2017). The selection of these criteria is because these criteria are leading industries in Central Java that are relatively sustainable and have the same character from resources, capabilities, and growth, so the research population is homogeneous. The Creative Industries leading in Central Java are the Batik, Leather Handicrafts, Weaving, and Carving sub-sectors, where these sub-sectors are the dominating sub-sectors and contribute to GDP. The following are the leading creative industries in Central Java:

The survey was conducted on Creative Industry SME owners using a questionnaire. The Association assisted in the process of distributing questionnaires. The distribution of questionnaires was determined using judgment sampling, name-

**Table 1.** Top Four Creative Industries in Central Java

| No | Criteria            | City       | No of SMEs |
|----|---------------------|------------|------------|
| 1  | Batik               | Pekalongan | 52         |
| 2  | Batik               | Surakarta  | 160        |
| 3  | Leather Handicrafts | Batang     | 19         |
| 4  | Weaving             | Pati       | 48         |
| 5  | Carving             | Jepara     | 15         |

Source: from various sources processed, 2023

ly with the following criteria: (1) Handicraft SMEs with small and medium criteria that still exist and (2) a workforce of at least 5 people.

The questionnaire was distributed to as many as 200 because not all SMEs follow the Association. The results of the questionnaire collection obtained as many as 145 who filled by the criteria set and who filled in completely only 120 respondents. For this reason, the research sample was 120 respondents, with a response rate of 60%.

The measurement of Capital Readiness (HCR) is divided into 3 dimensions, according to Kaplan & Norton (2004), namely knowledge, skills, and values. A total of four items have been developed to measure the construction of HCR.

Learning Orientation consists of four dimensions: commitment to learning, shared vision, open-mindedness, and intra-organizational knowledge (Calantone et al., 2004; Ojha et al., 2018; D'Angelo & Presutti, 2019).

The innovation performance variable is formed by the two dimensions adopted (Prajogo & Ahmed, 2006; Prajogo & Sohal, 2006): product and marketing innovation. Product innovation includes product creation activities, speed in developing products, and the creation of the newest products on the market. Marketing innovation includes speed in adopting technology in the field of marketing.

A five-point Likert scale was used, stating that 1 is for "strongly disagree," 2 is for "disagree," 3 is for "neutral," 4 is for "agree," and 5 is for "strongly agree." Data analysis was carried out after getting answers from questionnaires distributed to respondents. Questionnaire analysis using Smart-PLS version 3.2.9. The analysis carried out is the Evaluation of the Structural Model (Inner Model) by looking at the R-squared and Path Coefficient.

## RESULT AND DISCUSSION

An analysis was conducted based on respondents to see the background of SME owners in managing their business operations. Based on the length of the business, the longest established SMEs since 1970 were 5 SMEs, and this business has been passed down for 3 generations. The survival of SMEs for a long time shows the existence of handicraft SMEs capable of facing many challenges. Most others started their business around the 2000s and still survive today. These SMEs are pretty good because they can operate for more than 4 years.

Based on the observation, 40 SMEs with legal entities have registered their business in SIUP, NPWP, and SKU. Respondents believed that legally registering for their business was a form of responsibility and a process to strengthen their business. However, as many as 80 businesses admitted that the SMEs they owned were not yet legal entities; this was because their companies were still small-scale with minimal capital, so they had not prepared for this.

SMEs that have a workforce of 1-6 people total 87 SMEs. Respondents stated that their business was done alone or assisted by their family. 16 of them have a workforce of around 7-12 people. These SMEs can be categorized as mediums with large enough capital and offline shop establishments. Based on these data, creative SMEs in Central Java and Yogyakarta fall into the category of small SMEs that are individual or have a workforce of at most 6 people.

Handicraft SMEs not only meet domestic market demand but also foreign markets. Of the 120 respondents, 109 have local or domestic market targets. Respondents said that the biggest demand came from the local market or region of origin, then it was sent to several cities on the is-

**Table 2.** Demographic Profile

| <b>Data</b>                   | <b>N</b>   | <b>Percentage (%)</b> |
|-------------------------------|------------|-----------------------|
| <b>Establishment of SMEs</b>  |            |                       |
| 1970-1975                     | 5          | 4                     |
| 1976-1981                     | 3          | 3                     |
| 1982-1987                     | 3          | 3                     |
| 1988-1993                     | 11         | 9                     |
| 1994-1999                     | 7          | 6                     |
| 2000-2005                     | 23         | 19                    |
| 2006-2011                     | 35         | 29                    |
| 2012-2017                     | 28         | 23                    |
| >2018                         | 5          | 4                     |
| <b>Total</b>                  | <b>120</b> | <b>100</b>            |
| <b>SMEs with Legal Entity</b> |            |                       |
| Yes                           | 40         | 33                    |
| No                            | 80         | 67                    |
| <b>Total</b>                  | <b>120</b> | <b>100</b>            |
| <b>Target Market of SMEs</b>  |            |                       |
| Domestic                      | 109        | 91                    |
| Export                        | 11         | 9                     |
| <b>Total</b>                  | <b>120</b> | <b>100</b>            |
| <b>Gender</b>                 |            |                       |
| Man                           | 95         | 79                    |
| Woman                         | 25         | 21                    |
| <b>Total</b>                  | <b>120</b> | <b>100</b>            |
| <b>Education</b>              |            |                       |
| High Scholl or below          | 104        | 87                    |
| Associate degree              | 5          | 4                     |
| Undergraduate                 | 9          | 7                     |
| Master                        | 2          | 2                     |
| <b>Total</b>                  | <b>120</b> | <b>100</b>            |

Source: processed primary data, 2023

land of Java, such as Jakarta, Semarang, and Surabaya. Some respondents also said that products could be sent from Kalimantan to Papua, not only in Java. This regional difference depends on which city to place the order. SMEs admit that the domestic market is stronger due to the difficult export process and an uncertain pan-

demic situation. The remaining 11 SMEs said their products were often exported to several countries such as Malaysia, Singapore, the Netherlands, Japan, Thailand, and the Middle East. It can be concluded that the local market still dominates the largest market for Handicraft SMEs, so there is still a need for much support

**Table 3.** Outer Loading

|     | <b>Human Capital<br/>Readiness</b> | <b>Learning<br/>Orientation</b> | <b>Innovation<br/>Performance</b> |
|-----|------------------------------------|---------------------------------|-----------------------------------|
| X11 | .853                               |                                 |                                   |
| X12 | .788                               |                                 |                                   |
| X13 | .828                               |                                 |                                   |
| X14 | .831                               |                                 |                                   |
| X21 |                                    | .747                            |                                   |
| X22 |                                    | .705                            |                                   |
| X23 |                                    | .778                            |                                   |
| X24 |                                    | .780                            |                                   |
| X25 |                                    | .863                            |                                   |
| X26 |                                    | .720                            |                                   |
| X27 |                                    | .837                            |                                   |
| X31 |                                    |                                 | .807                              |
| X32 |                                    |                                 | .780                              |
| X33 |                                    |                                 | .806                              |
| X34 |                                    |                                 | .721                              |

Source: processed primary data, 2023

**Table 4.** Average Variance Extracted (AVE)

| <b>Variable</b>             | <b>Average Variance Extracted (AVE)</b> |
|-----------------------------|-----------------------------------------|
| Human Capital Readiness (X) | .895                                    |
| Learning Orientation (Z)    | .914                                    |
| Innovation Performance (Y)  | .860                                    |

Source: processed primary data, 2023

**Table 5.** Reliability

| <b>Variables</b>        | <b>Composite Reliability</b> | <b>Cronbach's Alpha</b> |
|-------------------------|------------------------------|-------------------------|
| Human Capital Readiness | .895                         | .844                    |
| Learning Orientation    | .914                         | .890                    |
| Innovation Performance  | .816                         | .784                    |

Source: processed primary data, 2023

**Table 6.** R-Square Calculation Result

| <b>Variable</b>            | <b>R-Square</b> |
|----------------------------|-----------------|
| Learning Orientation (X2)  | .310            |
| Innovation Performance (Y) | .241            |

Source: processed primary data, 2023



from the government as a liaison for these SMEs so that they can introduce their products to foreign markets.

Based on gender, most SME owners are men, with a total of 95 SMEs. This quite large difference shows that men tend to be ready and courageous when setting up a business. Judging from its existence, SME, which founded, is quite solid and has survived for quite a long time. On the other hand, a woman who can establish SMEs and survive until now shows that she is skilled, patient, and thorough in expanding her business.

Education refers to the mindset of the owner in managing his business. Respondents were dominated by high school graduates, with 69 respondents indicating that most of them did not continue their studies and chose to become entrepreneurs. Then, some respondents, as many as 26 people, were junior high school graduates, and 9 were elementary school graduates. Respondents who continued their education at the associate degree level were 5 people, 9 people were bachelors, and 2 post-graduates continued their careers as entrepreneurs because they were skilled at producing handicrafts and wanted to develop their businesses bigger.

### Validity and Reliability Test

Validity testing via Smart-PLS using convergent validity and discriminant validity. This research is divided into 3 variables with 15 question items. Based on calculations, convergent validity shows that the 15 question items get an outer loading score of  $> 0.7$ , which leads to the conclusion that the questionnaire is valid. Then, the AVE score or Average Variance Extracted gets Human Capital Readiness scores (0.895), Learning Orientation (0.914), and Innovation Performance (0.860), which meet the requirements of more than 0.5 and are considered valid.

Composite reliability shows a value of Human Capital Readiness of 0.895, Learning Orientation of 0.914, and Innovation Performance of 0.816, the value of which is greater than 0.7. The good Cronbach's Alpha values obtained were Human Capital Readiness of 0.844, Learning Orientation of 0.890, and Innovation Performance of 0.784, all worth greater than 0.7. These three variables can then be declared reliable as research instruments and used for further testing.

### R-Square

Based on Table 6, the results of the r-square calculation show that the effect of Human Capital Readiness on Learning Orientation is 0.310 or 31%. This result means that the variability of human capital readiness is constructed with the dimensions of knowledge, skills, and values, which explains learning orientation by 31%, while other variables outside this study describe 69%.

The results of the second calculation show that Human Capital Readiness and Learning Orientation affect Innovation Performance by 0.241 or 24.1%. It can be concluded that human capital readiness and learning orientation explain innovation performance as much as 24.1% and 75.9% are influenced by other variables not examined.

### Path-Coefficient Calculation

Table 7 shows that the relationship between Human Capital Readiness and Innovation Performance creates a positive relationship with a value of 0.329. The obtained t-statistic score of 3.608 shows a result that is greater than 1.96, and the P value obtained is 0.000, which is smaller than 0.05, so the relationship can be said to be significant. This study proves that Human Capital Readiness positively and significantly affects Innovation Performance, so H1 is accepted.

**Table 7.** Path Coefficient Test Results

|                        | Original Sample | T Statistics | P -Values | Decision  |
|------------------------|-----------------|--------------|-----------|-----------|
| <b>Direct Effects</b>  |                 |              |           |           |
| HCR -> IP              | .329            | 3,608        | .000      | Supported |
| HCR -> LO              | .557            | 7,896        | .000      | Supported |
| LO -> IP               | .224            | 2,151        | .032      | Supported |
| <b>Indirect Effect</b> |                 |              |           |           |
| HCR à LO à IP          | .125            | 2.015        | .044      | Supported |

Source: processed primary data, 2023

The relationship between Human Capital Readiness and Learning Orientation shows positive results with a score of 0.557. The T-Statistic value obtained is  $7.896 > 1.96$ , and the P values are  $0.000 < 0.05$ . Based on the criteria, Human Capital Readiness to Learning Orientation is significant because  $t \text{ count} > t \text{ table}$ , and its significance value is less than 0.05. This study proves that Human Capital Readiness positively and significantly affects Learning Orientation, so H2 is accepted.

The relationship between learning orientation and innovation performance is positive, with a score of 0.224. The T-statistic value gets a value of  $2.151 > 1.96$  and a P value of 0.032, less than 0.05. Therefore, this study can prove that Learning Orientation has a positive and significant effect on Innovation Performance. Hypothesis 3, namely Learning Orientation on Innovation Performance, can be accepted (H3).

The hypothesis regarding the effect of Human Capital Readiness on innovation performance through Learning Orientation through two stages of analysis, namely direct effects and indirect effects. The direct effect shows that the Human Capital Readiness on Innovation Performance gets an original sample value of 0.329, which means that the relationship is positive. Then the T-statistics obtained were  $3.608 > 1.96$  and P Values  $0.000 < 0.05$ . The direct effect proves that the relation-

ship between Human Capital Readiness and Innovation Performance is positive and significant.

The next calculation is the indirect effect regarding the relationship of Human Capital Readiness to Innovation Performance through Learning Orientation. This hypothesis test shows a positive original sample result of 0.125. The good T-statistic obtained is 0.215 w, which is more than the T table of 0.19. Then, the P-value obtained is 0.044, indicating a number smaller than 0.05. Based on these criteria, it can be concluded that Learning Orientation can mediate the relationship between Human Capital Readiness and Innovation Performance. When human capital readiness has a significant influence on innovation performance, then control by learning orientation shows results that are still significant. Variance Accounted For (VAF) was employed to determine the level of mediation of learning orientation on the effect of human capital readiness on innovation performance (Hair et al., 1998). A VAF value of less than 20% indicates no mediation effect, a VAF value between 20 – 80% indicates partial mediation, and a VAF value of more than 80% indicates Full mediation.

The results show a VAF value of 27%, which confirmed that learning orientation partially mediates the effect of human capital readiness on innovation performance, so H4 is accepted.

## Discussion

### Effect of Human Capital Readiness on Innovation Performance

Human Capital Readiness (HCR) contributes to creating economic value that becomes organizational knowledge to create a differential advantage. According to Kaplan & Norton, 2004), Human Capital Readiness (HCR) is the competency preparedness of SME personnel to support business operations and the success of the organizational strategy. The higher the level of readiness, the faster intangible assets contribute to generating sales. This finding supports the results of previous studies, which state that effective HR management and development contribute significantly to organizational innovation capabilities. As a unique strategic resource (Linda et al., 2020; Ríos-Manríquez, 2021).

### Effect of Human Capital Readiness on Learning Orientation

Human capital is an intangible asset in the form of skills, knowledge, creativity, values, and experience embedded in the employees of an organization. Therefore, the organization must always prepare the-

se intangible assets to create skilled, knowledgeable employees with values that align with the company's vision (Sawaeen & Ali, 2021; Sudiro et al., 2024).

The company's readiness to manage human capital is called human capital readiness. An organization that has good human capital readiness can also encourage a good learning orientation process. In other words, when an organization can appropriately prepare its employees' knowledge, skills, and values, the organizational culture or environment will create a learning orientation. Business actors and employees can exchange ideas, information, and skills (Cavalcanti et al., 2023; Arunprasad et al., 2024).

From a pragmatic perspective, learning orientation will have implications for HRM professionals. The role of HRM professionals has shifted from traditional operational functions to organizational consulting roles, HRM professionals are becoming more proactive as strategic advisors to the organization. In organizations, HCR or human capital readiness also functions as the anchor of learning orientation. People with high levels are most

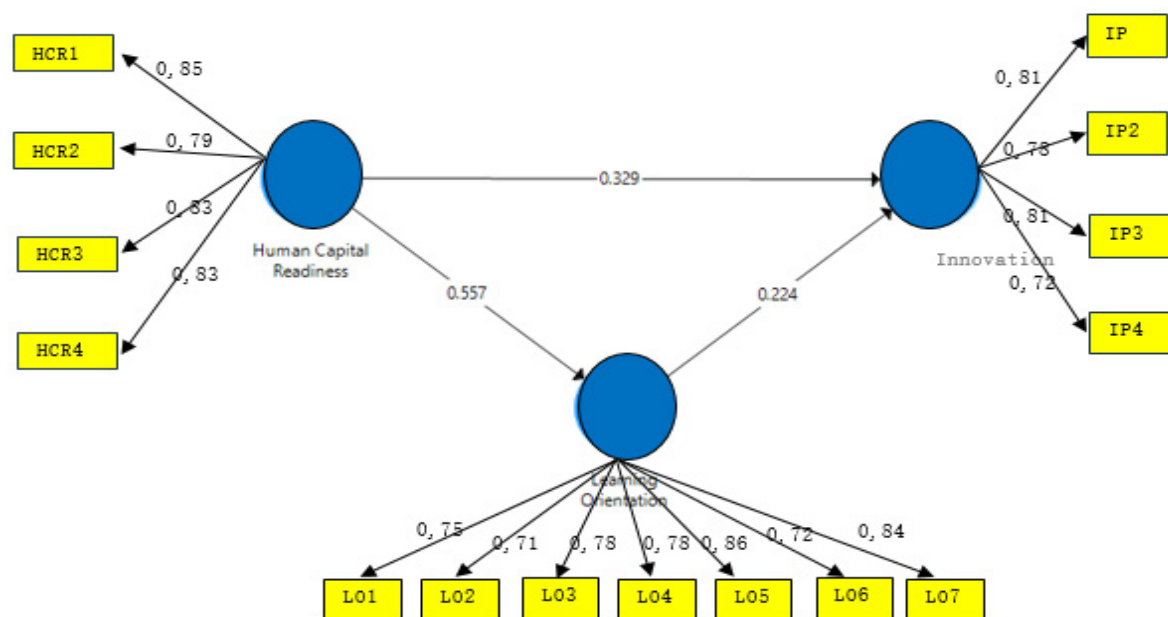


Figure 2. Inner and Outer Model Output

likely to be receptive to new information and adopt new practices and skills. Such change advocates are quite employable and competent in that they pick up new concepts easily and apply them within an organization. Some studies have established that prepared and competent human resources tend to foster learning environments in organizations due to the ability to transfer knowledge and skills between individuals (Nonaka & Takeuchi, 1995). The findings are in line with (Sawaeen & Ali, 2021; Yang et al., 2022; Karpacz & Wojcik-Karpacz, 2024), where managers should pay attention to the learning processes, routines, and mechanisms adopted to improve company performance. As a result, managers can apply diverse knowledge in various markets, thereby improving firm performance.

### **Effect of Learning Orientation on Innovation Performance**

Lestari et al. (2018); Vega Martinez et al. (2020); Byungyun Bae & Sungyong Choi (2021) mention that learning orientation is closely tied to business innovation. Learning orientation is the process by which an organization processes the knowledge it already has and receives information, skills, and knowledge from outside (Gerschewski et al., 2018). This fast broad information can encourage organizations to create value, creativity, knowledge, and innovation. Organizational capabilities that can manage this knowledge can later improve innovation performance. The more an organization has a high commitment to learning, is open to change, and has a clear vision, the more aligned it is to improve its innovation performance. Innovation is not only in the field of products but also in marketing, this is the answer to challenges that are starting to emerge in the field of marketing. Learning Orientation in a business helps balance the competitive scales, as Kohli & Jaworski (1990) pointed

out, since there is a constant necessity for innovation in the organization due to the fact such is learning in the organization. Empirical studies prove that most creative industries always learn from previous experiences. The knowledge they gain is then shared and discussed to make the best decision, especially in the creation of innovation. Most respondents believe that learning is an investment for SMEs. In an organization, knowledge exchange among employees can improve their competence and skills. The exchange process can create a supportive learning atmosphere and later can move SMEs in a better direction. Organizations that have a high learning orientation tend to be more innovative because they are constantly looking for new ways to solve problems and improve performance. With a learning orientation, organizations encourage employees to engage in experimentation, share knowledge, and take risks associated with innovation. This enhances creativity and results in various innovative solutions. According to research by Sinkula et al. (1997), learning orientation facilitates the creation of an environment where innovation becomes an integral part of the organization's strategy, as learning is directly linked to the innovation process.

### **Effect of Human Capital Readiness has a positive and significant effect on Innovation Performance Through Learning Orientation**

Readiness in managing the knowledge, skills, and values employees possess is the organization's most important strategy. Organizations that understand how ready they are to face market challenges can easily acquire customers and increase their sales. This readiness requires the support of a supportive environment such as a learning-oriented environment or Learning Orientation. Organizational human capital can be managed properly

through Learning Orientation. In a learning orientation, employees will always be committed to learning, aligning the company's vision with the owner, exchanging knowledge, and being open to change. This openness can encourage companies to be responsive in adapting through innovation.

The ability to learn is critical to achieving competitive advantages (Sinkula et al., 1997) through innovation, and the LO engages individuals from all levels of the business in creating and applying knowledge to gain a competitive advantage. Papa et al. (2020) highlight the importance of strategic knowledge learning in gaining a competitive advantage; a high LO can provide competitive benefits for an organization's survival and growth. According to various writers, competitiveness depends on market opportunities, and team members must be encouraged to learn, develop, and share their abilities and learning habits with others (Vega Martinez et al., 2020). Therefore, human capital readiness is one factor determining the success of learning orientation.

Innovation is not only carried out in product improvement but also in marketing. Companies that manage learning-oriented human capital readiness will foster an environment that is responsive to innovation (Huang et al., 2023). This innovation can guarantee the survival of an SME because they proactively follow market needs. Innovation is not only carried out in product improvement but also in marketing. Companies that manage learning-oriented human capital readiness will foster an environment that is responsive to innovation (Ríos-Manríquez, 2021; Linda Sutanto et al., 2023; Tjahjadi et al., 2024). This innovation can guarantee the survival of an SME because they proactively follow market needs.

## CONCLUSION AND RECOMMENDATION

The findings of this study support the knowledge-based view (KBV), which emphasizes the essence of the resource-based view of the enterprise (Conner & Prahalad, 1996). Strategic information within relevant firms is increasingly becoming a vital source of competitive advantage (Lestari et al., 2018; Sawaeen & Ali, 2021; Arunprasad et al., 2024). The knowledge-based view emphasizes that the main reason for a company to have a competitive advantage is the creation and application of knowledge (Grant, 1996).

Knowledge is a core asset for sustainable organizational performance, and the role of shared intelligence in organizations is becoming increasingly important. From this perspective, enhancing employees' knowledge potential has become one of the most pressing strategies in most firms. (Johnson, 2017). Knowledge exists in individuals, therefore human capital becomes an important factor in the process of sharing knowledge, through human capital readiness can share the knowledge it has. Collective knowledge can be generated through knowledge sharing and collaboration, and such knowledge activities will become a core resource for sustainable organizational growth and innovation creation, especially in SMEs.

The interaction between organizational support and individual behavior can promote collaborative learning processes. Previous research Delgado-Verde et al., (2011); Arunprasad et al., (2024), has shown that companies with more members who feel organizational satisfaction engage in more dynamic organizational learning activities based on shared knowledge. Furthermore, past research has confirmed that organizational learning activities occur more frequently and intensely when the following statuses are guaranteed: sentiments of contentment, feelings



of commitment, intentions to learn, and sharing the organization's vision and direction (Ornek & Ayas, 2015; Gerschewski et al., 2018; Huang et al., 2023)

Suggestions that can be given based on research results (1) SME owners/managers always need to manage their human capital so that they are better prepared to face the challenges of an increasingly changing market, especially in the process of transferring knowledge so that employees are ready in all conditions. (2) Learning orientation, is a necessity not only for owners/managers but for employees, this can be applied through small meetings held every month, supervision for new employees, and discussions about new products. (3) Innovation towards marketing needs to be increased because currently, almost all aspects use technology. The use of technology as a tool for marketing is an easy way to reach a wider and faster market.

## ACKNOWLEDGEMENT

We would like to thank the respondents, namely creative industry SMEs who have provided information related to the research. This research was funded from Sources of funds other than APBN RKAT Diponegoro University, 2022-2023.

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