

Exploring Entrepreneurial Orientation's Impact on Innovation and Academic Performance in Malang City's Consumer Cooperatives

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ABSTRACT

The objects studied and the areas studied in this research are how a business can maintain sustainability and increase its business competitiveness, in this case, cooperatives in the city of Malang, as well as to grow the community's economy through the implementation of entrepreneurship-oriented strategies, the business environment towards innovation and performance strategies cooperative. The role of cooperatives in creating jobs and improving the welfare of their members with the principle that cooperatives are run "from, by, and for their members." The business world, primarily cooperatives, and small and medium enterprises, faces various challenges and must achieve Performance that will increase competitiveness and maintain business sustainability. For this reason, cooperatives must be more creative, innovative, agile, and intelligent in implementing their strategies. This research examines and analyzes the relationship between the business environment, entrepreneurial orientation, innovation, and Performance. Business in the era of information technology requires organizations to adapt to environmental changes and business competition, which is increasingly stringent, requiring cooperatives to provide products and services that are more market-oriented in order to be able to produce innovations that are in line with technological advances and market segments, so that Performance will increase.

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1. INTRODUCTION

One of the business actors and drivers of the community's economy who have a significant role are cooperatives, the pillars of the Indonesian economy. A group of members usually finds cooperatives because they have the same field of work in a particular organization, aiming to encourage the fulfillment of community needs together to build strength and sustainability. Cooperative members and their management must strengthen the growth and development of cooperatives because the purpose of establishing cooperatives is for the welfare of their members. As stated in the cooperative's Articles of Association and Bylaws, a management structure must be formed whose duties and full responsibility are for achieving the Performance and sustainability of the cooperative. Cooperatives in the modern economic era are expected to be able to realize their role as a professional economic institution, namely as a driver of other business networks and as an essential basis for improving services to members and the community (Pakaya, 2017). Malang City has a population of 759 cooperative units, of which 341 units are active and have smooth business, and 51.85% are classified as healthy cooperatives (Department of Cooperatives, 2022).

The business world, primarily cooperatives, and small and medium enterprises, faces various challenges and must achieve Performance that will increase competitiveness and maintain business sustainability (Kafetzopoulos, et al., 2020). For this reason, cooperatives must be more creative, innovative, agile, and intelligent in implementing their strategies. Cooperatives are a form of business entity that must run its business with appropriate management following the conditions of the business environment it faces; for this reason, it must be run with an entrepreneurial orientation in order to be able to improve Performance. Research results show that there is a significant influence between entrepreneurial orientation and Performance (Jian Feng et al., 2014; Innaka et al., 2020; Widjajani & Nurjaman, 2019; Yin et al., 2022; Ullah & Danish, 2020; Rofiaty, 2019; Shafique et al., 2020; Lie et al., 2011). Meanwhile, the results of research examining the influence of entrepreneurial orientation on Performance and the results that were not significant were studied by Emy et al. (2020), and Rachmawati et al.

(2020) stated that entrepreneurial orientation was not significant on Firm Performance. Entrepreneurs are vital for the country's economy and recognize the crucial role of developing and supporting the small and medium micro-enterprises (SMEs) sector (Mvunabandi et al., 2022).

It shows that this research is very urgent to be carried out because of the research gap. Entrepreneurship is a process that considers the three dimensions of autonomy, risk-taking, and proactiveness (Covin & Slevin, 1991). Business success is primarily determined by a strong entrepreneurial orientation, having the principle of efforts to identify and exploit opportunities, more daring to take risks, and not just sticking to past strategies. In the era of a dynamic environment, entrepreneurial orientation is an essential strategy for company sustainability (Lumpkin & Dess, 2016).

Entrepreneurial orientation is essential to apply because of its role in improving Performance; cooperative business decisions and actions are expected to directly influence the direction of achieving overall performance results. Business managers' self-confidence is the intellectual capital to take bold actions, followed by measurable planning and full responsibility for business risks.

Cooperatives must continuously observe changes in the conditions of their business environment to run a business that can successfully achieve high Performance; there are research results that examine changes in the business environment that have a significantly positive effect on Performance (Parl Rikhardson et al., 2020; Kafetzopoulos, 2020; Tanget al., 2018; Ebrahimi & Mirbargkar, 2017). Meanwhile, the inconsistency of research results, a gap in this research, is that environmental conditions do not significantly affect Performance (Fernandes & Solimun., 2017; Nguyen et al., 2021). Companies such as cooperatives face environmental change challenges in their business activities, including increasingly fierce competition and changes in market behavior. Therefore, creative and efficient efforts and effectiveness are needed in running their business. The business must achieve high Performance, which is influenced by the uncertain conditions of the business environment, which in this research is measured by VUCA (volatility, uncertainty, complexity, and ambiguity), and entrepreneurial orientation, measured by proactiveness, autonomy, and risk-taking. Environmental conditions represent instability in the market and rapid changes in customer needs. Rapid environmental changes are studied in this research from a market perspective, facing situations and competitors that are relatively difficult to anticipate.

Next, the research gap will be filled by including mediating variables that influence the relationship between the independent and dependent variables and which can be tested as mediation, namely innovation. The results of research (Uskurt et al., 2012; Freel, 2015; Skordoulis et al., 2022; Ullah & Dannish, 2020), which examined the influence of environmental conditions on innovation, show a significant influence. Furthermore, the influence of the business environment on Performance through innovation has a significant positive effect (Fernandes & Solimun, 2017).

Osman et al., 2020, Huang & Wang 2011 showed the influence of entrepreneurial orientation on innovation as a significant positive research result. Innovation can provide a competitive advantage for companies. Several empirical studies show that entrepreneurial orientation significantly affects innovation (Skordoulis et al., 2022; Ebrahimi & Miebargkar, 2017; Ulah & Danish, 2020). The research results examine entrepreneurial orientation's influence on Performance through innovation mediation (Yun & Lee, 2018; Zehir et al., 2015). The empirical roadmap above encourages and strengthens this research, which examines the relationship between hypothesized variables.

Innovation can create company performance and competitive advantage; innovation can also be used to allocate other resources to increase company performance (Yi et al., 2021; Rofiaty, 2019; Huang & Li, 2018). Organizational factors that can influence innovation are the knowledge base and expertise of the people within the organization or company. At the same time, some literature reveals that the determining factors for an organization to be innovative are the existence of a creative, future-oriented situation and culture, Ahmed 1998. To test and analyze the influence of the business environment and entrepreneurial orientation on Performance and innovation, as well as test and analyze the influence of innovation on Performance.

2. METHOD

This research is a type of explanatory research using a quantitative approach. This research analyzes and explains the relationship between entrepreneurial orientation, knowledge management, and innovation in improving organizational Performance. This research uses the Structural Equation Model (SEM) analysis method with the Variance Based SEM approach, known as Partial Least Square (SEM-PLS). The sample used in this research was approximately 50 consumer cooperatives in Malang City.

Operational Variables used in this research:

Business Environmental(x1)	Entrepreneurial Orientation (x2)
x1.1 Volatility	x2.1 Proactive
x1.2 Uncertainty	x2.2 Autonomy
x1.3 Complexity	x2.3 Risk Taking
x1.4 Ambiguity	
Innovation (z)	Organizational Performance (y)
z.1 Process Innovation	y.1 Quality
z.2 Market Innovation	y.2 Effectiveness
z.3 Creativity	y.3 Efficiency
z.4 Payment Administration System	y.4 Financial Perspective
	y.5 Customer Perspective

3. RESULT AND DISCUSSION

General Description of Research Objects

Cooperatives are business entities whose members are individuals or cooperative legal entities that base their activities on cooperative principles and people's economic movements based on the principle of kinship. This definition was obtained based on the explanation of Law Number 25 of 1992. The Ministry of Cooperatives and Small and Medium Enterprises divides cooperatives into five types: consumer cooperatives, savings and loan cooperatives, service cooperatives, producer cooperatives, and marketing cooperatives.

There are 452 cooperatives in Malang City registered with the Ministry of Cooperatives and Small and Medium Enterprises of various types. The number of consumer cooperatives recorded is 298 cooperatives. Consumer cooperatives have businesses and activities for members to fulfill the provision of goods or services needed. Cooperative members have two roles, both as owners and as customers.

Respondent Characteristics

Forty-nine cooperatives filled out the questionnaire.

Table 1. Respondent Characteristics

Characteristics	Total	Percentage
Gender		
Men	26	47
Women	23	53
Total	49	100
Age		
20 – 35 years old	13	27
36 – 50 years old	31	63
Over 50 years old	5	10
Total	49	100
Education		
Senior High School	18	39
Diploma	4	8
Bachelor	23	47
Master	3	6
Total	49	100
Length of Work		
< 3 years	11	22
3 - 5 years	14	29
> 5 years	24	49
Total	49	100

Position		
Administrator	26	53
Manager	23	47
Total	49	100
Established		
> 20 years	37	76
10-20 years	6	12
5-10 years	4	8
< 5 years	2	4
Total	49	100
Number of Employees		
> 15 people	3	7
5-15 people	25	57
< 5 people	16	36
Total	49	100

Table 1 shows that men and women show equal numbers, with 26 people (57%) men and 23 (43%) women. The majority of respondents were aged 36-50 years, with a total of 31 people (63%), the remainder aged 20-35 years, as many as 13 people (27%), and over 50 years, as many as five people (10%). Based on education level, it was found that the majority had a bachelor's degree, 23 people (47%), the others were high school graduates, 18 people (39%), four people with a diploma (8%) and three people with a master's degree (6%).

The length of service for the majority of decision-makers is in the range of more than five years for as many as 24 people (49%), the remaining 3 to 5 years for as many as 14 people (29%), and less than three years as many as 11 people (22%). There were 26 respondents (53%) who were cooperative administrators and 23 people (47%) who held the manager position. The majority of cooperatives have been established for more than 20 years, namely 37 cooperatives (76%); others have been established for 10-20 years, totaling six cooperatives (12%); 4 cooperatives have been established for 5-10 years (8%), and under five years as many as two cooperatives (4%).

Description of Research Variables

Business Environmental Variables

The business environment consists of the internal and external environment, which consists of the industrial competitive environment, a general condition of competition that affects all businesses that provide similar products or services and is known as the "Porters Five Forces Model". This research measures the business environment using VUCA, namely Volatility, Uncertainty, Complexity, and Ambiguity. Below are presented the results of data recapitulation of respondents' answers for the entrepreneurial orientation variable, measured using nine items with four indicators: volatility, uncertainty, complexity, and ambiguity. The details are presented in Table 2.

Table 2. Description Of Business Environment Variables

Indicators/Items	Answer										Average		
	STS		TS		R		S		SS		Item	Indicator	
	F	%	F	%	F	%	F	%	F	%			
Volatility	X1.1	0	0	0	0	6	12	33	67	10	21	4.08	4.20
	X1.2	0	0	0	0	3	6	27	55	19	38	4.32	
Uncertainty	X1.3	0	0	1	2	7	14	30	61	11	23	4.04	4.10
	X1.4	0	0	0	0	3	6	28	57	18	37	4.30	
Complexity	X1.5	0	0	0	0	11	23	29	59	9	18	3.95	4
	X1.6	0	0	0	0	6	12	32	65	11	23	4.10	
Ambiguity	X1.7	0	0	0	0	13	27	28	57	8	16	3.89	4.18
	X1.8	0	0	0	0	5	10	29	59	15	31	4.20	
	X1.9	0	0	0	0	5	10	31	63	13	27	4.16	
Variable Average												4.12	

The results of respondents' answers in Table 2 show that the average value of answers to the Business Environment variable is 4.12. This figure is in the high category, so the business environment owned by decision-makers at the cooperative is good. The indicator with the highest average value is the volatility of 4.20, with the highest question item being a high desire to continue improving knowledge with a score of 4.32. It shows that decision-makers in cooperatives have a high desire to continue to improve and increase knowledge for the progress of cooperatives.

The indicator with the lowest value is complexity of 4.00, with the lowest question item being speed in innovation, with a score of 3.89. It shows that the speed of innovation among decision-makers in cooperatives needs to be increased. The conclusion of descriptive statistics on the Business Environment variable is that volatility is an indicator with a very high influence on the Business Environment variable. At the same time, complexity is an indicator with the lowest value, so there is a need to develop this indicator.

Entrepreneurial Orientation Variable

Entrepreneurial orientation is a condition where individuals tend to have a proactive attitude, freedom in decision-making, and courage in taking risks for opportunities. Below are presented the results of data recapitulation of respondents' answers to the entrepreneurial orientation variable, measured using six items with three indicators: proactiveness, autonomy, and risk-taking. The details are presented in Table 3.

Table 3. Description Of Entrepreneurial Orientation Variables

Indicators/Items	Answers										Average		
	STS		TS		R		S		SS		Item	Indicator	
	F	%	F	%	F	%	F	%	F	%			
Proactive	X2.1	0	0	0	0	4	8	33	67	12	25	4.16	4.16
	X2.2	0	0	0	0	5	10	31	63	13	27	4.16	
Autonomy	X2.3	0	0	0	0	7	14	30	61	12	25	4.10	4.02
	X2.4	0	0	0	0	12	25	28	57	9	18	3.94	
Risk Tasking	X2.5	0	0	0	0	6	12	29	59	14	29	4.16	4.25
	X2.6	0	0	0	0	3	6	27	55	19	39	4.33	
Variable Average											4.14		

The results of respondents' answers in Table 3 show that the average value of answers to the Entrepreneurial Orientation variable is 4.14. This figure is in the high category, so it can be concluded that the entrepreneurial orientation of decision-makers in cooperatives is good. Overall, the indicator with the highest average value is risk-taking at 4.25, with the highest question item being intensive exploration with a score of 4.33. It shows that decision-makers in cooperatives always desire to find out new things related to the progress of cooperatives.

The indicator with the lowest score is autonomy at 4.02, with the lowest question item being the ability to take action independently, which has a score of 3.94. This figure is still in the sufficient category; this shows that cooperative decision-makers cannot take action independently due to several internal rules or organizational conditions. The descriptive statistics on the Entrepreneurial Orientation variable conclude that risk-taking is the indicator with the highest influence. At the same time, autonomy has the lowest value, so this indicator is still relevant for improvement.

Innovation Variable

Innovation is a new idea or idea containing breakthroughs regarding something capable of creating new production resources or processing existing resources to increase the potential value for creating new capital. Below are presented the results of data recapitulation of respondents' answers for the innovation variable, which was measured using four items with six indicators: process innovation, market innovation, creativity, and payment administration system. The details are presented in Table 4.

Table 4. Description Of Innovation Variables

Indicators/Items		Answer										Average	
		STS		TS		R		S		SS		Item	Indicator
		F	%	F	%	F	%	F	%	F	%		
Process Innovation	Z1	0	0	0	0	8	16	31	63	10	20	4.04	4.07
	Z2	0	0	0	0	7	14	30	61	12	25	4.10	
Market Innovation	Z3	0	0	0	0	4	8	33	67	12	25	4.16	4.18
	Z4	0	0	0	0	5	10	29	59	15	31	4.20	
Creativity	Z5	0	0	0	0	8	16	28	57	13	27	4.10	4.10
The Creativity of Payment Administration Systems	Z6	0	0	0	0	8	16	33	67	8	16	4.00	4.00
Variable Average											4.10		

The results of respondents' answers in Table 4 show that the average answer value for the Innovation variable is 4.00. This figure is still in the high category, so it can be concluded that the innovation possessed by decision-makers at the cooperative is good. The indicator with the highest average value is market innovation at 4.18, with the highest question item being the placement and layout of products according to customer needs, with a score of 4.20. It shows that decision-makers in the cooperative constantly analyze customer needs and arrange product layouts to make it easier for customers to visit and make purchasing transactions.

The indicator with the lowest value is the payment administration system at 4.00, with the question item creating a payment administration system according to customer wishes. It shows that decision-makers in the cooperative have innovated the payment administration system quite well. However, it needs to be improved to update and add payment systems using electronic transaction systems such as e-money, transfers, and others according to customer wishes. The conclusion of the descriptive statistics on the Innovation variable is that market innovation is an indicator that has a powerful influence on the Innovation variable. At the same time, the payment administration system is the indicator with the lowest value, so developing this indicator is necessary.

Organizational Performance Variables

Organizational Performance describes the results of an organization's work achieving predetermined goals through its resources in a particular time unit. Below are presented the results of data recapitulation of respondents' answers for organizational performance variables, measured using 11 items with five indicators: quality, effectiveness, efficiency, financial perspective, and customer perspective.

Table 5. Description Of Organizational Performance Variables

Indicators/Items		Answer										Average	
		STS		TS		R		S		SS		Item	Indicator
		F	%	F	%	F	%	F	%	F	%		
Quality	Y1	0	0	0	0	3	6	31	63	15	31	4.24	4.21
	Y2	0	0	1	2	4	8	29	59	15	31	4.18	
Effectiveness	Y3	0	0	0	0	6	12	31	63	12	25	4.12	4.12
	Y4	0	0	0	0	7	14	32	65	10	20	4.06	
Efficiency	Y5	0	0	0	0	6	12	29	59	14	29	4.16	4.11
	Y6	0	0	0	0	12	25	30	61	7	14	3.90	
Financial Perspective	Y7	0	0	0	0	12	25	29	59	8	16	3.92	3.91
	Y8	0	0	0	0	12	25	29	59	8	16	3.92	
Customer Perspective	Y9	0	0	0	0	8	16	21	43	20	41	4.24	4.22
	Y10	0	0	0	0	4	8	22	45	23	47	4.39	
	Y11	0	0	0	0	6	12	36	74	7	14	4.02	
Variable Average											4.11		

The respondents' answers in Table 5 show the average value of answers to the Organizational Performance variable of 4.11. This figure is in the high category, so it can be concluded that the Organizational Performance of the Cooperative is good. The indicator with the highest average value is customer perspective at

4.22, with the highest question item, namely handling member and customer complaints according to procedures, with a score of 4.39. It shows that decision-makers in the cooperative always maintain good relationships with members and customers by handling complaints according to procedures.

The indicator with the lowest score is the financial perspective of 3.91, with 3 question items with close scores, namely increasing transactions, income, and the remaining results of the cooperative's business. It shows that the Performance of cooperatives from a financial perspective cannot be good, especially in increasing transactions, income, and residual business results. The conclusion of descriptive statistics on the Organizational Performance variable is that the customer perspective is an indicator that has a powerful influence on the Innovation variable. In contrast, the financial perspective is the indicator with the lowest value, so there is a need to develop this indicator.

Evaluation of Measurement Models

Evaluation of the measurement model is carried out to test the research instrument so that the analysis results are tested for validity and reliability and to test the model fit so that further analysis can be carried out.

Convergent Validity

The parameters used to test convergent validity using the Average Variance Extracted (AVE) value. The general rule used is an AVE value > 0.5 . The results of convergent validity testing are in Table 6.

Table 6. The Results Of The Convergent Validity Test

Variable	Item	AVE	Description
Business Environment	X1.1	0.507	Valid
	X1.2		Valid
	X1.3		Valid
	X1.4		Valid
	X1.5		Valid
	X1.6		Valid
	X1.7		Valid
	X1.8		Valid
	X1.9		Valid
Entrepreneurial Orientation	X2.1	0.581	Valid
	X2.2		Valid
	X2.3		Valid
	X2.4		Valid
	X2.5		Valid
	X2.6		Valid
Innovation	Z1	0.560	Valid
	Z2		Valid
	Z3		Valid
	Z4		Valid
	Z5		Valid
	Z6		Valid
Performance	Y1	0.593	Valid
	Y2		Valid
	Y3		Valid
	Y4		Valid
	Y5		Valid
Performance	Y6	0.593	Valid
	Y7		Valid
	Y8		Valid
	Y9		Valid
	Y10		Valid
	Y11		Valid

All items in the Business Environment, Entrepreneurial Orientation, Innovation, and Organizational Performance variables have an AVE value greater than 0.5. So, all items are valid and able to measure variables.

Discriminant Validity

Discriminant validity testing is carried out to ensure that the items used as measurement instruments for a latent variable can predict the size of that variable better than other latent variables in the model. This criterion can be seen from the results of the loading value of the items on the construct being formed, which must be greater than the cross-loading value on other constructs [Sholihin and Ratmono \(2020\)](#). The following are the results of the discriminant validity test in Table 7.

Table 7. The Results Of The Discriminant Validity Test

Item	X1	X2	Z	Y
X1.1	0.764	0.587	0.496	0.587
X1.2	0.681	0.481	0.505	0.675
X1.3	0.732	0.564	0.500	0.682
X1.4	0.720	0.442	0.472	0.462
X1.5	0.704	0.443	0.384	0.492
X1.6	0.787	0.682	0.602	0.675
X1.7	0.683	0.405	0.506	0.533
X1.8	0.714	0.325	0.408	0.461
X1.9	0.611	0.584	0.493	0.523
X2.1	0.556	0.757	0.614	0.658
X2.2	0.534	0.674	0.382	0.485
X2.3	0.452	0.765	0.510	0.538
X2.4	0.615	0.851	0.561	0.710
X2.5	0.559	0.793	0.473	0.614
X2.6	0.562	0.721	0.463	0.566
Z1	0.520	0.525	0.779	0.659
Z2	0.544	0.468	0.762	0.652
Z3	0.481	0.459	0.734	0.561
Z4	0.566	0.587	0.775	0.672
Z5	0.530	0.454	0.710	0.579
Z6	0.449	0.484	0.727	0.620
Y1	0.703	0.527	0.585	0.772
Y2	0.586	0.586	0.640	0.802
Y3	0.757	0.637	0.682	0.860
Y4	0.746	0.705	0.654	0.731
Y5	0.707	0.527	0.557	0.762
Y6	0.522	0.583	0.585	0.697
Y7	0.471	0.598	0.614	0.755
Y8	0.623	0.582	0.618	0.701
Y9	0.556	0.664	0.742	0.785
Y10	0.612	0.629	0.791	0.791
Y11	0.554	0.619	0.797	0.797

Table 7 shows that each item has the highest value compared to the values of other variables, so it can be concluded that the cross-loading test has been successful, and the items are said to be valid.

Internal Consistency Reliability Testing (Cronbach Alpha and Composite Reliability)

The construct measuring instrument is declared reliable if the Cronbach alpha and composite reliability values are between 0.7 and 0.9 (Hair et al., 2017; Sholihin & Ratmono, 2020). Table 8 shows the results of reliability testing in this study.

Table 8. The Results Of The Reliability Test

Variable	Cronbachs Alpha	Composite Reliability	Description
X1	0.878	0.882	Reliable
X2	0.855	0.864	Reliable
Z	0.843	0.845	Reliable
Y	0.931	0.932	Reliable

The Cronbach alpha and composite reliability values of all latent variables in this study are above 0.7, so the measurement instruments for all these variables are reliable.

Structural Model Evaluation

VIF Test

The VIF value must be less than five because if it is more, it indicates the collinearity of the construct. The VIF test results in this study can be seen in Table 9.

Table 9. The Results Of The VIF Test

Item	VIF Value
X1.1	2.555
X1.2	1.716
X1.3	2.350
X1.4	2.600
X1.5	2.653
X1.6	2.290
X1.7	1.792
X1.8	2.862
X1.9	1.907
X2.1	1.879
X2.2	1.987
X2.3	2.428
X2.4	2.434
X2.5	2.209
X2.6	1.985
Z1	2.854
Z2	2.913
Z3	1.735
Z4	1.780
Z5	1.907
Z6	1.789
Y1	4.503
Y2	3.866
Y3	3.538
Y4	1.973
Y5	4.187
Y6	2.233
Y7	3.267
Y8	2.419
Y9	3.850
Y10	3.570
Y11	3.972

All items obtained a VIF value below 5, so it can be concluded that they are free from collinearity problems.

Path Coefficient Test

The path coefficient test was conducted to see the relationship between exogenous and endogenous latent variables. The basis for decision-making for the path coefficient test is that if the t-statistic value is >1.96, then the exogenous latent variable is declared to have a relationship with the endogenous latent variable. Meanwhile, the p-value must be <0.05 for a significance level of 5%. The path coefficient test results can be seen in Table 10.

Table 10. The Results Of The Path Coefficient Test

No.	Relations	Path Coefficient	t-Statistics	p-Value	Description
1.	Business Environment => Performance	0.316	2.775	0.006	Significant
2.	Entrepreneurial orientation => Performance	0.273	3.296	0.001	Significant
3.	Business Environment => Innovation	0.438	2.976	0.003	Significant
4.	Entrepreneurial orientation => Innovation	0.351	2.255	0.024	Significant
5.	Innovation => Performance	0.437	4.779	0.000	Significant
6.	Business Environment => Innovation => Performance	0.191	2.568	0.010	Significant
7.	Entrepreneurial orientation => Innovation => Performance	0.153	2.048	0.041	Significant

Based on the table above, it can be concluded that the seven existing pathways have a positive and significant relationship.

Explanatory Power Test (R-Square)

The basis for making decisions to measure the model's strength is to look at the R-Square value. If the R-Square value is 0.25-0.50, then the research model is declared weak, whereas if the R-Square value is 0.50-0.75, then the model is declared quite good. Meanwhile, if the R-Square value is >0.75, the model is declared Very good. The R-Square test results can be seen in Table 11.

Table 11. The Results Of The R-Square Test

Variable	R-Square
Innovation	0.535
Performance	0.836

Table 11 shows that the R-Square value of the innovation variable is 0.535, which means that the innovation variable can be explained by the business environment and entrepreneurial orientation variables, with the model's predictive power being 0.535, or 53.5%. In comparison, other variables explain the remaining 46.5%. Outside the research model. Furthermore, the R-Square value of the organizational performance variable can be influenced by independent variables in the form of business environment, entrepreneurial orientation, and innovation with a predictive power of the model of 0.836 or 83.6%. Then, the remaining 16.4% is explained by other variables outside the research model.

Predictive Power Test (Q-Square)

The Q-Square value is used to measure the level of predictive relevance in the research model. If the Q-Square value is <0, then the model is declared to have no predictive relevance, but if it is >0, it is declared to have predictive relevance. The results of the predictive power test can be seen in Table 12.

Table 12. The Results Of The Q-Square Test

Variable	Q-Square
Innovation	0.515
Performance	0.825

Based on the Q-Square calculation results, the values obtained are 0.561 and 0.892, where the proposed model has a predictive relevance value because the Q-Square value is greater than 0.

Hypothesis Testing

Direct Effect Test

Direct hypothesis testing is carried out to determine the effect of each independent variable on the dependent variable. The partial least squares structural equation modeling data analysis technique is suitable for using models with small samples and without using normality assumption tests such as in multiple regression testing or path analysis. When rejecting or accepting a research hypothesis, the t-statistic value is used as a reference compared to the t-table value. If the t-statistic value is greater than the t-table value (1.96), then the relationship between a variable is said to have a significant effect, or the hypothesis is accepted. The results of direct testing using the bootstrapping technique on the SmartPLS 4.0 software can be seen in Table 13.

Table 13. The Results Of The Direct Effect Test

No.	Relations	Path Coefficient	t-Statistic	p-Value	Description
1.	Business Environment => Performance	0.316	2.775	0.006	Significant
2.	Entrepreneurial orientation => Performance	0.273	3.296	0.001	Significant
3.	Business Environment => Innovation	0.438	2.976	0.003	Significant
4.	Entrepreneurial orientation => Innovation	0.351	2.255	0.024	Significant
5.	Innovation => Performance	0.437	4.779	0.000	Significant

The test results in Table 13 are accompanied by visualization through images showing the coefficient values for each research hypothesis.

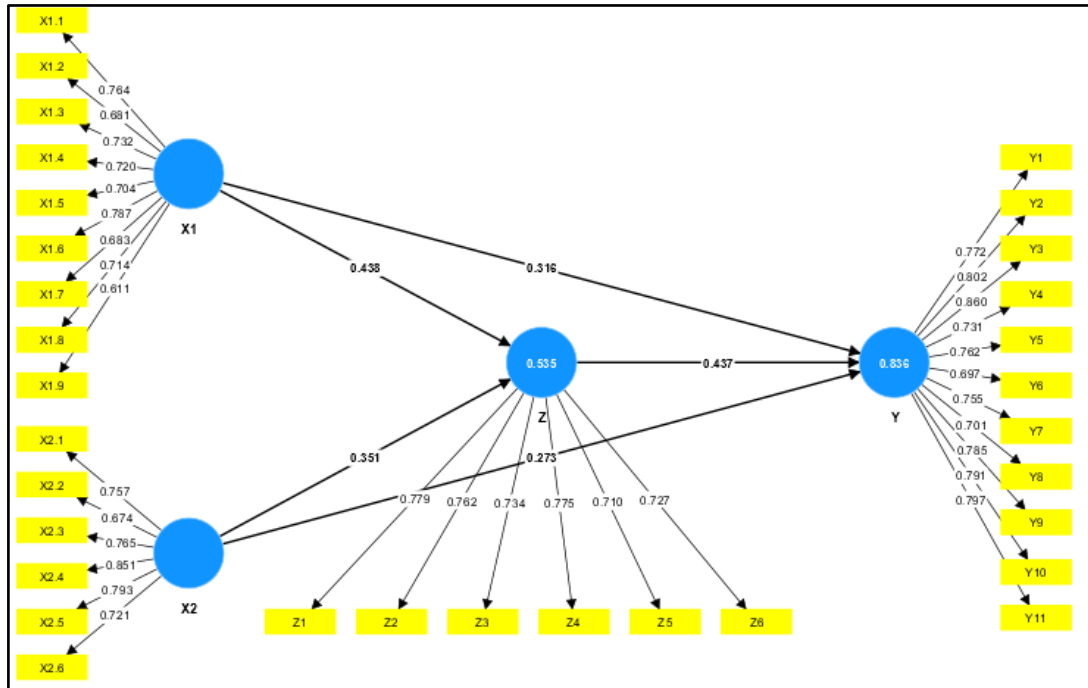


Figure 1. The Results Of The Direct Effect Test

Based on Table 13, research hypotheses related to entrepreneurial orientation, knowledge management, innovation, and organizational performance were tested. Seven hypotheses were tested using the structural model that showed how the latent variables were related. There were five direct effects and two indirect effects. The following are the results of testing the direct influence hypothesis in this research:

Hypothesis 1: The stronger the business environment, the higher the Performance.

Based on path coefficient analysis, it is known that the t-statistical value for the Business Environment variable (X1) on Organizational Performance (Y) is **2,775 > 1.96** at the 5% level. The t-statistic value obtained shows a positive and significant influence between the Business Environment variable (X1) and Organizational Performance (Y). These results show that hypothesis 1, namely, the Business Environment (X1) has a positive and significant effect on Organizational Performance (Y), is **accepted**.

Hypothesis 2: The stronger the entrepreneurial orientation, the higher the Performance.

Based on path coefficient analysis, it is known that the t-statistic value for the Entrepreneurial Orientation variable (X2) on Organizational Performance (Y) is **3,296 > 1.96** at the 5% level. The t-statistic value obtained shows a positive and significant influence between the Entrepreneurial Orientation variable (X2) on Organizational Performance (Y). These results show that hypothesis 2, namely Entrepreneurial Orientation (X2), has a positive and significant effect on Organizational Performance (Y) and is **accepted**.

Hypothesis 3: The stronger the business environment, the more it will encourage innovation.

Based on path coefficient analysis, it is known that the t-statistical value for the Business Environment variable (X1) on Innovation (Z) is **2,976 > 1.96** at the 5% level. The t-statistic value obtained shows a significant influence between the Business Environment variable (X1) on Innovation (Z). These results can be said that hypothesis 3, namely the Business Environment (X1) has a positive and significant effect on Innovation (Z) is **accepted**.

Hypothesis 4: The stronger the entrepreneurial orientation, the more likely it will encourage innovation.

Based on path coefficient analysis, it is known that the t-statistic value for the Entrepreneurial Orientation (X2) to Innovation (Z) variable is **2,255 > 1.96** at the 5% level. The t-statistic value obtained shows that there is a positive and significant influence between the Entrepreneurial Orientation variable (X2) on Innovation (Z). These results show that hypothesis 4, namely Entrepreneurial Orientation (X2), has a positive and significant effect on Innovation (Z) and is **accepted**.

Hypothesis 5: The stronger the innovation, the higher the Performance.

Based on path coefficient analysis, it is known that the t-statistic value for the Innovation variable (Z) on Organizational Performance (Y) is **4,779 > 1.96** at the 5% level. The t-statistic value obtained shows that there is a positive and significant influence between the Innovation variable (Z) on Organizational Performance (Y). These results show that hypothesis 5, namely Innovation (Z), has a positive and significant effect on Organizational Performance (Y) is **accepted**.

Mediation Test

Mediation test results use SmartPLS version 4.0 output values with the bootstrapping technique. The complete results of the mediation test are presented in Table 14.

Table 14. The Results Of The Mediation Test

No.	Relations	Path Coefficient	t-Statistic	p-Value	Description
1.	Business Environment => Innovation => Performance	0.191	2.568	0.010	Significant
2.	Entrepreneurial Orientation => Innovation => Performance	0.153	2.048	0.041	Significant

Hypothesis 6: Innovation can mediate the influence of the business environment on Performance.

Based on path coefficient analysis, it is known that the t-statistical value for the Business Environment variable (X1) on Organizational Performance (Y) through (Z) is **2,568 > 1.96** at the 5% level. The t-statistic value obtained shows that the Innovation variable (Z) can mediate the influence of the Business Environment variable (X1) on Organizational Performance (Y). These results show that hypothesis 6, namely Innovation (Z), can mediate the Business Environment (X1) on Organizational Performance (Y) is **accepted**. Therefore, it can be concluded that Innovation (Z) can mediate the influence of the Business Environment (X1) on Organizational Performance (Y) with a complementary mediation effect because the direct and indirect influences have a positive and significant effect.

Hypothesis 7: Innovation can mediate the effect of entrepreneurial orientation on Performance.

Based on path coefficient analysis, it is known that the t-statistic value for the Entrepreneurial Orientation variable (X2) on Organizational Performance (Y) through Innovation (Z) is **2,048 > 1.96** at the 5% level. The t-statistic value obtained shows that the Innovation variable (Z) can mediate the influence of the Entrepreneurial Orientation variable (X2) on Organizational Performance (Y). These results show that hypothesis 7, namely Innovation (Z), can mediate Entrepreneurial Orientation (X2) on Organizational Performance (Y) is **accepted**. Therefore, it can be concluded that Innovation (Z) can mediate the influence between Entrepreneurial Orientation (X2) on Organizational Performance (Y) with a complementary mediation effect because the direct and indirect influences have a positive and significant effect.

Discussion of Research Results

The Influence of the Business Environment on Organizational Performance

Cooperatives must continuously observe changes in the conditions of their business environment (Kafetzopoulos, 2020) to run a business that can successfully achieve high Performance. This research found that the business environment can improve performance as measured by volatility, uncertainty, complexity, and ambiguity. Based on the frequency distribution of respondents' answers, it was found that all items from the business environment variables had high or good values for supporting performance improvement.

Cooperatives in their business activities face environmental challenges, including increasingly fierce competition and changes in market behavior, so creative and efficient efforts and effectiveness are needed in running their business. Environmental changes that continue to occur prove that the business world is a whole of challenges, uncertainty, and complexity, and it is true that nothing remains constant in this world; only change itself remains constant. An environment that is changing rapidly and will continue in the future must be responded to and faced by seeking stability that underlies changes in the business environment. Based on the distribution of respondents' answers, it was also found that the item asking about the desire to continue to increase knowledge had the highest score; this item is essential in facing turbulent environmental changes.

This stability lies in knowledge, manifested in core capabilities in its business strategy (Muluk, 2003). It is supported by steps already owned and implemented by the cooperative. Annual member meetings and various

meeting forums with members provide a forum for exchanging and gathering information to anticipate environmental changes. Communication with the cooperative department is also well established through mentoring and counseling programs routinely carried out. Complexity indicators can and need to be improved, especially regarding speed in innovation.

The ability to deal with environmental changes can ultimately influence organizational Performance in cooperatives. The results of this research also align with and support research conducted by Kafetzopoulos (2020) that business environment variables have a direct, positive, and significant effect on performance variables.

The Influence of Entrepreneurial Orientation on Organizational Performance

Entrepreneurial orientation is a strategic orientation that reflects innovation, proactiveness, and courage in taking risks, which are very important for institutional growth and Performance (Fairoz, 2010). This research has findings that strengthen the idea that strategic decision-makers in an organization with a proactive attitude, autonomy, and courage in taking risks have a crucial role in influencing organizational Performance. Based on the frequency distribution test results, the entrepreneurial orientation variable has the highest indicator of courage in taking risks. Strategic decision-makers in cooperatives tend to dare to take risks for progress and explore intensely. It aligns with the findings of (Alvarez-Torres et al., 2019) research, which found that courage in taking risks is a critical dimension vital in explaining the influence of entrepreneurial orientation on Performance.

Lumpkin and Dess (2001) stated that autonomy is one of the factors forming entrepreneurial orientation, namely the ability or authority to take action independently. In fact, in this research, the autonomy indicator has the lowest score compared to other indicators, meaning that cooperative decision-makers are still given less freedom and authority to take action independently. This factor can occur because cooperative management has supervisors and administrators, so it requires coordination in making decisions. However, all question items from the entrepreneurial orientation variable in this study have a high or good average value for supporting increased organizational Performance in cooperatives.

The results of this research support the research conducted by Yanti (2019) that the entrepreneurial orientation variable has a positive and significant influence on the Performance of cooperatives in Surabaya. Likewise, research by Jannah et al. (2019) found a positive and significant influence of entrepreneurial orientation variables on organizational performance variables. It means that increasing entrepreneurial orientation can improve organizational Performance.

The Influence of the Business Environment on Innovation

The business world, primarily cooperatives and small and medium enterprises faces various challenges and must achieve Performance that will increase competitiveness and maintain business sustainability (Kafetzopoulos et al., 2020). For this reason, cooperatives must have more innovation power in implementing their strategies. It means that organizations that can adapt to the business environment have higher success in finding innovation than organizations that cannot adapt to environmental changes. Based on the results of data analysis, decision-makers in cooperatives regarding business environmental indicators can increase innovation through adjustments to the volatility, uncertainty, complexity, and ambiguity that exist in cooperatives.

Based on data from respondents' answers, it was found that the item with the lowest score was the speed in carrying out innovation; this indicates that although there are new ideas in the cooperative, the process takes quite a long time. One of the causes of the need for rapid innovation in cooperatives is the somewhat formal and standard organizational structure with the existence of a supervisory board and management board. It is also proven by the second-lowest score, namely the question item, which states that speed in making the right decisions, speed in making decisions is a note that needs to be improved by cooperatives so that they can adapt to changes in the business environment, which can also occur quickly and in a short time.

The results of this research align with Afqarina and Dihan (2019), who also examined 60 respondents using SEM analysis tools and found that knowledge management affected innovation.

The Influence of Entrepreneurial Orientation on Innovation

Entrepreneurial orientation results from changing old business practices and building something new (innovative), patterned on the courage to bear risks as economic behavior (Matekenya & Moyo, 2022). Increasing entrepreneurial orientation can increase innovation. This research found that the entrepreneurial orientation variable positively and significantly influences the innovation variable. Based on the results of data analysis, decision-makers in cooperatives based on indicators of the entrepreneurial orientation variable can increase innovation. It is supported by a proactive attitude and the courage to take risks, improving process innovation, market innovation, creativity, and payment administration systems. However, the ability to take action independently of decision-makers in cooperatives is still limited.

This research aligns with what was researched by Rofiaty (2019), who found that the entrepreneurial orientation variable had a positive and significant influence on increasing innovation. Likewise, research by Prima

Lita et al. (2020), which examined 183 SMEs that trade customer products, proves that the entrepreneurial orientation variable significantly influences innovation.

The Effect of Innovation on Organizational Performance

Innovation can produce better performance and competitive advantage (Philipson, 2016). Based on the results of data analysis, decision-makers in cooperatives regarding innovation variable indicators can improve organizational Performance. Through process innovation, transaction processes can be made faster and product distribution more economical. The research results also show that the process innovation indicator has the highest score. The product layout is also good, although promotion via the Internet is still limited. The resources available in the cooperative are also allocated quite well, as shown by the number of personnel and efficient operational time in achieving the cooperative's targets and goals. The payment administration system still needs to be improved to suit customer desires.

By increasing operational efficiency, cooperatives can identify and implement new ways to increase efficiency in various operational aspects to improve organizational Performance. This research is in line with research by Beltraminio et al. (2020), which shows that there is a significant positive relationship between innovation capacity in the process and Performance. Alrowwad et al. (2020) research also found that innovation affects organizational Performance.

The Influence of the Business Environment on Performance Through Innovation

Based on the results of the mediation test, it was found that innovation could mediate the influence of the business environment on Performance. It shows that the increasing business environment can improve organizational Performance through innovation. Based on the results of statistical tests, it is stated that the business environment has a positive and significant effect on Performance through partial mediation of innovation, meaning that changes in the value of innovation can mediate changes in the influence of the business environment on Performance.

It means that if the innovation variable has a high value, it will impact the level of influence of the business environment on Performance. The highest question indicator on the innovation variable is process innovation. These results show that if process innovation is improved, it will help cooperatives adapt to a business environment of volatility, uncertainty, complexity, and ambiguity, which, in the end, can improve organizational Performance. Innovation can help cooperatives overcome environmental changes that occur. Volatility, uncertainty, complexity, and ambiguity will be increasingly better anticipated if new methods are encouraged that can adapt to changes related to cooperatives. So, in the end, the interconnected role of innovation in influencing the level of the business environment in a cooperative will improve the Performance of consumer cooperatives. The results of this research align with research by Lyn Chan and Muthuyeloo (2019), which shows that increasingly vital agility strategies can improve organizational Performance, which is considered an essential dynamic capability for organizations to cope with change.

The Influence of Entrepreneurial Orientation on Performance through Innovation

Performance is believed to be improved through entrepreneurial orientation, reflected in an attitude of innovation, proactiveness, and the courage to take risks (Weerawardena, 2003). This research found that the entrepreneurial orientation variable positively and significantly influenced Performance through innovation mediation. Based on the results of statistical tests, it was found that the entrepreneurial orientation variable had a positive and significant influence on Performance through complete mediation of innovation, meaning that changes in innovation values could mediate changes in the influence of entrepreneurial orientation on Performance. With a proactive attitude, autonomy, and high risk-taking, it will be better if it is supported by good innovation through product promotion via the Internet efforts to carry out renewal processes in the administration system by paying according to customer wishes.

However, the ability of decision-makers in cooperatives to take action independently is still not good enough, thus becoming an obstacle and barrier to innovation. Several cooperatives have complex organizational structures with standard bureaucratic communication patterns that require various permits and approvals from superiors, especially cooperatives under the Indonesian National Army (TNI) and the Police.

The results of this research are also in line with research by Rofiaty (2019), which found that entrepreneurial orientation has a significant positive effect on organizational performance variables and innovation affects Performance.

4. CONCLUSION

Based on findings from studies and discussions about how entrepreneurial spirit and the business environment affect an organization's ability to innovate and perform. Thus, it may be said that an atmosphere that

is favorable for business might enhance organizational performance. VUCA (volatility, uncertainty, complexity, and ambiguity) is a component of a favorable business environment as assessed from the outside. It is thought to be able to enhance organizational performance in terms of quality, effectiveness, efficiency, and financial and customer perspectives. Performance within an organization can be enhanced by a greater entrepreneurial attitude. Proactiveness, independence, and risk-taking are characteristics of an entrepreneurial approach, which is thought to enhance organizational success. Innovation can rise in a business environment that is becoming more favorable. Being able to adapt to shifting external conditions over an extended period of time is a sign of mature business management. In addition, through process innovation, market innovation, creativity, and upgrades to payment administration systems, entrepreneurial orientation can boost innovation. Additionally, effective innovation can raise organizational performance. A contributing factor is the positive evaluation of market innovation provided by cooperative decision-makers. As a result, cooperative decision-makers constantly adjust product layout and promotions based on member and customer needs. The impact of the business environment and an entrepreneurial orientation on the success of an organization can be somewhat mitigated by innovation. Because cooperatives manage their resources well, innovation can act as a mediator between the business environment and organizational performance. This allows innovation to weigh the influence of the business environment on performance. The second way that innovation mediates the impact of entrepreneurial orientation on organizational performance is because it can maximize the creative aspect. This allows innovation to act as a mediator between the two forces.

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