

**FINANCIAL PERFORMANCE OF COFFEE CAFES IN THE  
PERSPECTIVE OF ENTREPRENEURIAL ORIENTATION,  
KNOWLEDGE, AND TASK ENVIRONMENT**

by

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**Abstract**

Population growth, changes in people's lifestyles and research findings that state coffee as a healthy drink has placed coffee as the most preferred beverage for the community. This fact was captured by the owners of capital as a profitable business opportunity which was later realized by establishing coffee cafes in various regions. As a result, competition is very intense which in turn causes financial performance of coffee cafes to be disrupted. The purpose of the study was to analyze the influence of the task environment and knowledge on entrepreneurial orientation, and the role of entrepreneurial orientation in mediating the indirect influence of task environment and knowledge on financial performance. The location of the study was coffee cafes in Banyuwangi Regency and Situbondo, East Java Province, Indonesia. The number of respondents is 50 units. Data analysis using multiple regressions. The research findings show that knowledge has a significant positive effect on entrepreneurial orientation while the task environment is not. Entrepreneurial orientation mediates the indirect influence of task environment and knowledge of financial performance.

**Keywords:** coffee cafe, financial performance, entrepreneurial orientation, knowledge, task environment.

**INTRODUCTION**

Population growth, lifestyle changes and research findings that state coffee as a healthy drink has placed coffee the most popular with people today. This phenomenon is seen by capital owners as a profitable business opportunity. Investors then set up coffee cafes in various cities / districts. As a result, competition in the coffee cafe business has become very tight. Coffee cafes are one business that can be categorized as a creative economy business. Creative business can be defined as the interaction between creativity, culture, economy and technology expressed by the ability to create and develop intellectual capital to generate income, create jobs, engage the community, cultural diversity and humanitarian development (UNTACD, 2010). High competition pressure can cause the performance of coffee cafes to be disrupted. The basis of competing coffee cafes can vary, for example choosing to focus on types of arabica coffee, robust a, liberica, or other types of coffee and provide the best service to consumers (Susan to, 2017).

Performance can be interpreted as the achievement of all organizational personnel activities that can be measured both financially and non-financially in a given period. Business performance has a lot to do with other variables including entrepreneurial orientation, knowledge and task environment. The concept of entrepreneurial orientation is a strong tendency for a series of activities to create something new, such as new products, new processes, or new governance. Entrepreneurial orientation that is high or low is related to knowledge and the task environment. Knowledge is all that is known by organizational personnel while the task environment is related to suppliers, old leaders, newcomers, substitute products, buyers, and regulations.

The study of business performance has been carried out quite a lot by experts. Study of Ascensión Barroso-Martinez et al., (2016) shows that knowledge has a significant positive effect on entrepreneurial orientation. Study of Awang et al., (2011) found that knowledge was positively related to entrepreneurial orientation. Study of Wiklund & Sherperd (2003) shows that knowledge is positively related to entrepreneurial orientation and entrepreneurial orientation enhances the relationship of knowledge to business performance. Study of Rosenbusch et al., (2011) shows the task environment (dynamic, complex, and friendly) influences entrepreneurial orientation, and entrepreneurial orientation mediates the influence of the task environment on business performance. Study of Yeni (2015), Muzaffar Asad, Mohd Noor Mohd Shariff, Muhammad Haroon Hafeez, (2016), Affendy AH, et al., (2015), Aliyu et al., (2015), Boohene et al., (2012) findings of entrepreneurial orientation have a significant positive effect on business performance. Study of Martins & Rialp (2013) shows that entrepreneurial orientation has a significant positive effect on business profitability.

Good financial performance is needed by coffee cafes for business development, paying for labor or recruiting new workers. Conversely, poor financial performance will result in business expansion and recruiting and paying for lab or becomes difficult. Financial performance research on coffee cafes in the perspective of entrepreneurial orientation, knowledge and task environment as a comprehensive model does not yet exist. Therefore, this research fills in the gaps that exist.

Based on the description above, the research problem is whether the task environment influences entrepreneurial orientation? Does knowledge affect entrepreneurial orientation? Does entrepreneurial orientation affect financial performance? does task environment affect financial performance through entrepreneurial orientation? Does knowledge affect financial performance through entrepreneurial orientation?

## **LITERATURE REVIEW**

Company performance is a company achievement (financial and non-financial) that can be evaluated periodically, for example every 3 months, 6 months or 1 year. Company performance can be defined as the total value created by a company through a series of activities, which is the number of utilities made for each legitimate stakeholder of a company (Harrison & Wicks, 2013). Elements of stakeholders are customers, the community in which the company operates, suppliers of capital, equipment, materials and lab or.

Financial performance refers to acts of financial activities. In a broader sense, financial performance refers to the level at which financial goals can be completed. Financial performance is usually used to measure a company's financial health and can also be used to be compared with similar companies in the same industry. The study of corporate performance conducted by Santos (2012) uses indicators of profitability, growth, market value, customer satisfaction, labor satisfaction, environmental performance, and social performance. The study findings show that profitability and growth are the most important indicators as forming the company's financial performance which is then followed by market value. Other experts use measures of profit margin on sales, ROI, ROE (Kasmir, 2008).

Entrepreneurship is a series of activities that involve the discovery, evaluation and exploitation of business opportunities to introduce new goods and services, ways of organizing, markets, processes and raw materials through organizing efforts that were not previously carried out or not yet available (Shane & Venkataraman, 2000). Entrepreneurship as processes, practices, and decision-making activities that lead to new things (Dess & Lumpkin, 1996).

Entrepreneurial orientation as a reference to a firm's strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices (Lumpkin & Dess, 1996). There are five dimensions of entrepreneurial orientation, namely autonomy, innovativeness, risk taking, proactiveness, competing aggressiveness (Certo et al, 2009). Autonomy is not dependent on other parties in making decisions. Innovation is the birth of new things. Risk taking is to accept any consequences for decisions that have been taken. Proactive is to respond to anything related to the purpose of the activity. Aggressive competing is trying to be the market leader in his business.

Knowledge is all that is known that can be used to complete work. Knowledge is one element of intangible resources because its existence cannot be held but can be felt (Penrose, 1959, Wenerfelt, 1984, Barney, 1991, 2007). Knowledge of organizational personnel is related to business performance. Characteristics of knowledge: can be measured, transferred, and cumulative (Kerste et al., 2002). Knowledge can be divided into two: tacit knowledge and explicit knowledge (Nonaka and Takeuchi, 1995). Tacit knowledge is everything stored in people's brains. Explicit knowledge is everything contained in documents or other forms of storage outside the human brain. Explicit knowledge can be stored or attached to facilities, products, processes, services and systems (Uriarte, 2008). Examples of knowledge assets are resources, capabilities and products (Kusumadmo, 2013).

In the business context, knowledge can be interpreted as very sufficient information about customers, products, processes of failure and success and then used to build competitiveness (Gana, 2011). Knowledge is the ability to utilize the competitive advantage of individuals or organizations. This competitive advantage is realized through the use of information and data, and utilizing people's skills and ideas such as commitment and motivation. The task environment can be defined as a number of elements outside the organization whose existence can directly influence business performance (Porter, 1980). Environmental elements outside the organization

such as supplier bargaining power, substitute products, new entrants, old leaders, bargaining power of buyers.

Based on the theoretical studies and findings of previous studies, the research hypotheses are as follows: the task environment influences entrepreneurial orientation (H1), knowledge affects entrepreneurial orientation (H2), entrepreneurial orientation influences financial performance (H3), the task environment has an indirect effect on financial performance through entrepreneurial orientation (H4), knowledge has an indirect effect on financial performance through entrepreneurial orientation (H5).

## **METHOD**

The research sample is a part of coffee cafes in Banyuwangi and Situbondo districts located in East Java Province, Indonesia. The sampling technique uses a purposive sample because there are a number of reasons (Purwanto & Sulistyastuti, 2007). For example, utilizing knowledge capital, there is something new (eg music, cafe design, color, comfortable furniture, coffee processing technology). The research respondents were leaders of coffee cafes who had operated for at least one year and had financial records. Number of respondents is 50 business leaders.

Knowledge variables are measured using 2 indicators: tacit knowledge and explicit knowledge. Task environment variables are measured using 5 indicators: competitors, substitution products, suppliers, buyers, regulations. Entrepreneurship Orientation variable is measured using 5 indicators: proactiveness, innovativeness, risk taking, competing

Aggressiveness, autonomy. Business Performance variables are measured using 2 indicators: profitability relative to industry average, and growth. The measurement instrument uses a Likert Scale (Black and Champion, 2001). The Likert Scale study uses five alternative answers: "strongly disagree" identical to number 1, "disagree" identical to number 2, "neutral" identical to number 3, "agree" identical to number 4, and "strongly agree" identical to number 5. Data collection using a questionnaire. Data processing uses regression analysis with SPSS software (Siregar, 2013).

## **DISCUSSION**

### **Description of Respondents**

The number of respondents is 50 business leaders. Respondents of male sex were around 89 percent and 11 percent were female. Respondents from tertiary education are around 34 percent and those who are not college graduates are 66 percent. Respondents under the age of 35 are around 30 percent while respondents aged over 35 years are around 70%. Respondents who started their business in 2017 were 61 percent while those running coffee cafes before 2017 were 39 percent.

### **Inferential Statistics**

The table below is the result of research data processing in both districts.

Table 1. SPSS Output Test Results

Model		Coefficients <sup>a</sup>			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.872	.724		1.205	.234
	Knowledge	.415	.108	.499	3.857	.000
	Task environment	.354	.229	.200	1.545	.129

a. Dependent Variable: Entrepreneurial orientation

Source: primary data, 2018

The table above shows the task environment has a significance value of 0.129 (outside  $\alpha = 0.05$ ) with a positive coefficient value. This shows the task environment has no effect on entrepreneurial orientation. Based on these findings, the research hypothesis which states the task environment influences entrepreneurial orientation (H1) is rejected. The task environment is an environment outside the business organization (Hunger & Wheelen, 2002). When research findings show there is no influence of the task environment on entrepreneurial orientation, the environment in the organization is a temporary answer that needs to be tested for its truth. Resource theories state that an organization's internal strength can shape competitive advantage, performance, and entrepreneurial orientation. The outside environment of the organization is important to note but it is far more important to pay attention to internal resources to build strength and entrepreneurial orientation. Conversely, knowledge has a significance value of 0,000 at the level of meaning 95 percent ( $\alpha = 0.05$ ) with a positive coefficient value. This shows that knowledge has a significant positive influence on entrepreneurial orientation. Based on this, the research hypothesis which states that knowledge influences entrepreneurial orientation (H2) is acceptable. This can be interpreted if the knowledge of cafe coffee leaders increases, the financial performance of the cafe will also increase.

The researcher also examined the effect of entrepreneurial orientation as a variable that moderated the knowledge and task environment variables on financial performance. The test results can be seen in the table below.

Table 2. SPSS testing for Moderation output

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.457	.358		6.863	.000
	moderating EO	.054	.018	.395	2.980	.005

a. Dependent Variable: Financial performance

Source: primary data, 2018

Based on the table above, it can be seen that entrepreneurial orientation has a significance value of 0.005 at the level of meaning 95 percent ( $\alpha = 0.05$ ). This shows that entrepreneurial orientation has a significant positive effect on financial performance. Based on these findings, the research hypothesis which states that entrepreneurial orientation influences financial performance (H3) is acceptable. This finding can be interpreted if the entrepreneurial orientation is higher in the coffee cafe leader, the better the financial performance of the cafe. In addition, entrepreneurial orientation moderates the indirect influence of knowledge and task environment on financial performance. Based on these findings, the hypothesis that states the task environment and knowledge affects financial performance through entrepreneurial orientation (H4 & H5) can be accepted. However, from the analysis of the coefficient of determination, it was found that in addition to the task environment, knowledge, and entrepreneurial orientation, there are other variables (but not examined) that influence financial performance. See the table below.

Table 3. Coefficient of determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.395 <sup>a</sup>	.156	.139	.86583

a. Predictors: (Constant), moderatingEO

Source: primary data, 2018

Based on the table above, the coefficient of determination is 0.395, which means there are 61.5 percent of the financial performance of coffee cafes still influenced by other variables outside of knowledge, task environment and entrepreneurial orientation.

**CONCLUSSION AND RECOMMENDATION**

The conclusion of the research findings is that knowledge influences entrepreneurial orientation while the task environment does not. Entrepreneurial orientation is a moderating variable that is very important because it is able to mediate the indirect influence of knowledge and task environment on the financial performance of coffee cafes. The recommendation for future research is to examine more closely the variables other than the three variables of this study so that very comprehensive findings are obtained on the variables that affect financial performance.

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