

THE INFLUENCE OF ENVIRONMENTAL CONDITIONS AND ENTREPRENEURIAL ORIENTATION ON COFFEE SHOP PERFORMANCE MEDIATED BY INNOVATION IN POST COVID 19 PANDEMIC

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Abstract:

Environment and entrepreneurial orientation affect company performance. Innovation as a mediator of environmental condition and entrepreneurial approach on coffee shop performance. This quantitative research is explanatory. This study uses PLS for analysis. This finding company's performance after the Covid 19 epidemic based on environmental factors and entrepreneurial orientation. From November 2021 to April 2022, it was held at Malang Regency (Malang Districts, Malang City, and Batu City). This study includes the coffee business owner and investor making strategic decisions. This study analyzed 224 coffee shops in Malang that fulfilled the criteria. In other words the higher uncertainty on environmental condition (external factor) and entrepreneurial orientation (internal factors) it trigger the high value of innovation in coffee shop. Innovation increased coffee shop performance. This means environmental conditions and entrepreneurial orientation influence innovation and coffee shop performance. Entrepreneurial orientation through innovation (mediator) affects coffee shop performance. The more environmental and entrepreneurial orientation affect innovation, the better the coffee shop's performance, especially post covid-19. Environmental factors and entrepreneurial orientation influence innovation, according to this study. Environmental conditions, entrepreneurial orientation, and innovation influence coffee shop performance both directly and indirectly. This study is one of the few example studies that examine environmental condition, entrepreneurial orientation, innovation impact on company performance also the phenomena post covid 19 effect on coffee shop which is this phenomena include in this studies.

Keywords: Environmental Conditions, Entrepreneurship Orientation, Company Performance, Innovation, Coffee Shop, Post Covid 19.

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INTRODUCTION

Currently, various businesses including small and medium-sized businesses are facing major challenges as changes that are so rapidly occurring both in terms of environmental condition, technology, consumer needs and world economic conditions causes by Pandemic Covid 19, this phenomena make every company or business actor must manage performance to maintain the

sustainability of the company and increase the competitiveness of the company. Kafetzopoulos et al (2019) mentioned that performance is the final measure of organizational results and is influenced by many market possibilities and conditions of a business organization as well as a company. The success of a business organization can be seen through the performance of the company, by knowing the good performance of a company will be known the level of efficiency. Economic condition nowadays are very uncertain, specially with the phenomenon of Covid 19, many business actors are affected by this.

Business performance are the key factor to lead the business to survive. This research study was focusing in Indonesia that have a lot of business specially coffee shop. Phenomenon of covid 19 makes many businesses and companies adapt to new ways to improve performance in their business. At the time this research was made (October 2021- February 2022) it can be said that the Covid pandemic period began to subside slightly, so that the phenomenon that will be emphasized more to the time after the Covid-19 pandemic. This research uses the object of coffee shops in Malang Raya, where Malang Raya is also one of the best coffee type variant processors in Indonesia.

One of the type culinary businesses which very famous in Malang raya is coffee shops, where this business unit is spread in various areas of Malang Raya, the rise of business regarding coffee beans and their derivatives is a direct indication that can be felt for people living in Malang Raya in the last 10 years. One of the things that make this coffee shop business unit can survive is the decision made by a coffee shop owner, as well as adaptation to new innovations so that it can help the coffee shops they have can survive in the aftermath of the Covid-19 pandemic, especially in Malang raya.

Adaptation by way of innovation in the midst of uncertain conditions is very influential on the existence of coffee shops, it is seen that many coffee shops in Malang raya that ultimately cannot survive because there is no good strategy and without innovation that is able to solve problems in uncertain times. In the post-Covid-19 pandemic, owners must be able to have a direct impact on the business units they manage with innovations such as in products and services, which is how to sell with the take away system, obey health protocols, and provide buyer capacity in coffee shops, the creation of new product variants and things that support in the post-Covid 19 pandemic that can be run. Without innovation and the right decisions from the management of the coffee shop, it will be very difficult to maintain the business units they manage, so this study try to find that what the strategy of the coffee shop owner can put their business stay in post covid 19 pandemic, which try to respond the condition environment condition, entrepreneurial orientation, innovation to make an positive effect to the business performance.

Environmental Condition. Environmental conditions tend to create Environmental uncertainty for managers and they must respond to these uncertainties by planning so that the organization can adapt. Organizations must seek to make environmental uncertainty effective. On the other hand, environmental uncertainty makes it difficult for companies to predict and respond to the future. Environmental uncertainty is defined as an unstable environmental condition that can make it difficult to anticipate and assimilate it. It also indicates market instability and rapid changes in customer requirements (Kafetzopoulos et al, 2019).

Entrepreneurial Orientation. Porter (2008) defines entrepreneurial orientation as a company's benefit strategy to be able to compete effectively in the same market place. Entrepreneurial orientation can also be interpreted as a company orientation that has principles on efforts to identify and take advantage of opportunities. It further states that companies with a strong entrepreneurial orientation will be more willing to take risks, and not only survive from past strategies. A dynamic environment gives more advantages to entrepreneurs, entrepreneurial

orientation is clearly very important for the survival of the company (Lumpkin and Dess, 1996). Entrepreneurial orientation is defined as an organization's willingness to discover and accept new opportunities and take responsibility for influencing change (Zehira et al, 2015).

Innovation. Innovation is the introduction of equipment, systems, laws, products or services, new production process technologies, new structures or administrative systems or new planning programs to be adopted by the company (Rofiaty, 2019). The word innovation denotes the “process” and “outcome” of developing or utilizing the mobilization of knowledge, skills and experience to create or improve products (goods and services) that provide meaningful or significant value. An innovation can be new for the company's performance, new for the market, for the country or region and for the world (Farisi, 2014). Innovation is the initial commercialization of an invention by producing and selling a new product, service, or process.

Performance (Coffee Shop). According to (Mulyadi, 2007), the company performance as the overall success of the company in achieving the strategic goals that have been set through strategic initiatives of choice. Company performance is defined as the company's ability to achieve its goals through efficient and effective use of resources and describes how far a company has achieved its results after being compared with previous performance, previous performance and other organizational performance benchmarking, as well as to what extent it has achieved the goals and targets that have been set (Muhammad, 2008). Performance is a description of the level of achievement of the implementation of an activity / policy program in realizing the goals, objectives, mission and vision of the organization contained in the formulation of the strategic plan (strategic planning) of an organization (Wibowo, 2010).

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The effectiveness of innovation as a competitive strategy is influenced by the environmental context in which the company operates and competes. Innovation can be a direct result of managerial choices or it can be imposed by external conditions. More specifically, endless changes in the economic and market environment, which define an uncertain environment, affect a firm's innovation capability (Kafetzopoulos et al, 2019). Attahir (2002) found a positive effect of environmental conditions on innovation. Likewise with the results of research by Fernandes and Solimun (2018) which found that environmental conditions had a significant positive effect on innovation, indicating that the higher the level of environmental conditions, the more innovations carried out. Based on the description above, the following hypothesis can be formulated:

H1: Environmental conditions have a significant effect on innovation

Several previous studies found a significant influence of entrepreneurial orientation on innovation, including research conducted by Elbaz & Binkkour (2013) and Subagja et.al (2017). Likewise with the research conducted by Putra and Setiawan (2019) which found that entrepreneurial orientation had a positive and significant effect on innovation. These results indicate that the better the entrepreneurial orientation, the more helpful it is in carrying out and making innovations. Based on the description above, the following hypothesis can be formulated:

H2: Entrepreneurial orientation has a significant effect on innovation

In Rofiaty's research (2019) it was found that the company's innovation ability can have an impact on company performance. Likewise with research conducted by Zehira et al (2015) and Kafetzopoulos et al (2020) which found that innovation has a significant influence on company performance. Based on the description above, the following hypothesis can be formulated:

H3: Innovation has a significant effect on company performance

Bastian and Muchlish (2012) suggest that there is a significant influence between uncertain environmental conditions and business performance. The influence of environmental conditions on performance was also found in research conducted by Wang and Fang (2012) and Fahmia (2017) who found that environmental conditions had an influence on business performance. Based on the description above, the following hypothesis can be formulated:

H4: Environmental conditions have a significant effect on company performance

Rofiaty's research (2019) that entrepreneurial orientation can be a driving force for company managers to improve company performance. Likewise with research conducted by Arshad et al (2014); Jia et al (2015) and Risnawaty and Noermijati (2015) who found that entrepreneurial orientation will affect the success of company performance. Based on the description above, the following hypothesis can be formulated:

H5: Entrepreneurial orientation has a significant effect on company performance

In the research conducted by Fernandes and Solimun (2017), it is known that innovation is a variable that moderates the effect of environmental conditions on performance. The higher the level of uncertain environmental conditions, the more innovations the company will make so as to be able to create a competitive advantage for the company and better business performance on an ongoing basis. Based on the description above, the following hypothesis can be formulated:

H6: Environmental conditions affect the company's performance mediated by innovation

Research conducted by Zehira et al (2015) stated that the positive influence of entrepreneurial orientation on company performance is increasing and innovation mediates the effect of entrepreneurial orientation on company performance. Based on the description above, the following hypothesis can be formulated:

H7: Entrepreneurial orientation has an effect on company performance which is mediated by innovation.

Based on the background above, the problems that will be studied in the research are: The Influence of Environmental Conditions and Entrepreneurial Orientation on Coffee Shop Performance Mediated by Innovation in Post Covid 19 Pandemic (Study on Business Coffee shop in Greater Malang, Indonesia).

METHOD

This research is a quantitative research. Furthermore, this type of research is an explanatory research. The type of data used in this study is quantitative data, namely data in the form of numbers obtained from the distributed questionnaires. Sources of data used in this study is primary data. Primary data is data that is directly obtained from the first data source at the research location or research object. The primary data of this research is in the form of a questionnaire that uses a Likert scale measurement. This data collection was carried out by distributing questionnaires directly to respondents through questionnaires which included several structured questions according to the object of research. This technique is implemented by giving structured questions to respondents in order to obtain specific information and involve data processing. Respondents' answers were then weighted and processed with statistical measuring tools to obtain a quantitative approach to research questions. Data collection techniques in this study using a questionnaire. The distribution of questionnaires in this study was carried out by researchers in December 2021-February 2022. The distribution of questionnaires was carried out by researchers by bringing questionnaires and pens to be used by respondents and filling out online questionnaires if face-to-face could not be done because post-covid-19 pandemic was still In progress, there are still many cases of covid 19 because the new variant of covid 19 is still spreading a lot.

Basically, there are many coffee shops that have started to mushroom in several places in Malang, such as in the area of Jalan Sudimoro, Tawangmangu Market, and Omah Kampus (Hartik, 2019). This is confirmed by the data obtained from one of the communities in Malang City, namely Kondimen, that the number of 509 coffee shop business units, which includes Malang City, Malang Regency, to Batu City, which in its development coffee sales are not only selling products in the form of drinks only. The number of samples in this study were 509 coffee shops, which had met the criteria (attached). This study uses a relatively new range of years, and uses a relatively new sample. It is hoped that the research results will be more relevant to the conditions in Malang Raya, but it is necessary to review the number of samples again.

Descriptive analysis is used to explain and describe the characteristics of respondents and each of the variables studied. Characteristics of respondents are the diversity of respondents viewed from various aspects for the purpose of knowing the condition of the respondents and their relationship to the problems and objectives of this study. Descriptive analysis was also conducted to describe respondents' perceptions of questions related to the research variables used. Inferential statistical analysis is used to test the hypothesis and produce a model that is feasible (fit). The data analysis method used is the Structural Equation Model (SEM) with the Variance Based SEM approach or better known as Partial Least Square (PLS). PLS software used for data

analysis uses smartPLS 3.0. Model evaluation in PLS analysis is carried out in 2 (two) ways, namely the measurement model (outer model) and structural model (inner model).

RESULTS AND DISCUSSION

Convergent Validity aims to determine the validity of each relationship between indicators and their latent variables. Convergent Validity can be measured based on the value of outer loading. The indicator is said to be valid, if the outer loading coefficient is between 0.60 – 0.70. The results of the calculation regarding the value of the outer loading above can be seen in the following table:

Table 1. Convergent Validity

Variable	Indicator	Loading factor	Information
Environmental Conditions	X1.1	0.774	Valid
	X1.2	0.706	Valid
	X1.3	0.753	Valid
	X1.4	0.737	Valid
	X1.5	0.734	Valid
	X1.6	0.778	Valid
	X1.7	0.731	Valid
	X1.8	0.711	Valid
	X1.9	0.737	Valid
	X1.10	0.761	Valid
Entrepreneurial Orientation	X2.1	0.790	Valid
	X2.2	0.754	Valid
	X2.3	0.800	Valid
	X2.4	0.741	Valid
	X2.5	0.778	Valid
	X2.6	0.837	Valid
	X2.7	0.811	Valid
	X2.8	0.809	Valid
	X2.9	0.781	Valid
	X2.10	0.799	Valid
	X2.11	0.735	Valid
	X2.12	0.761	Valid
	X2.13	0.755	Valid
Inovation	Z1.1	0.724	Valid
	Z1.2	0.724	Valid
	Z1.3	0.761	Valid
	Z1.4	0.776	Valid
	Z1.5	0.704	Valid
	Z1.6	0.731	Valid
	Z1.7	0.702	Valid
	Z1.8	0.731	Valid
Company Performance	Y1.1	0.772	Valid
	Y1.2	0.831	Valid
	Y1.3	0.707	Valid
	Y1.4	0.719	Valid
	Y1.5	0.729	Valid
	Y1.6	0.777	Valid
	Y1.7	0.713	Valid

Y1.8	0.715	Valid
Y1.9	0.709	Valid
Y1.10	0.761	Valid
Y1.11	0.724	Valid
Y1.12	0.710	Valid
Y1.13	0.731	Valid
Y1.14	0.717	Valid
Y1.15	0.737	Valid

Table above shows that all items used to measure environmental conditions, entrepreneurial orientation, innovation and company performance are declared valid with values above 0.6.

The following are the results of the convergent validity test of the AVE (average variance extracted) value.

Table 2. Validity Test

Variable	AVE	Information
Environmental conditions	0.551	Valid
Entrepreneurial orientation	0.661	Valid
Inovation	0.544	Valid
Company performance	0.536	Valid

Based on the results of discriminant validity using the Average Variance Extracted (AVE) number, it is known that each variable has an AVE number greater than 0.5.

Reliability testing is used to test the reliability of the research construct. This test is done by looking at composite reliability and cronbach alpha. An instrument item can be said if it has a composite reliability value and Cronbach alpha above 0.6. The results of the construct reliability test of this study are as follows:

Table 3. Reliability Test

Variable	Composite Reliability	Cronbach Alpha	Information
Environmental conditions	0.925	0.910	Reliabel
Entrepreneurial orientation	0.953	0.953	Reliabel
Inovation	0.947	0.947	Reliabel
Company performance	0.902	0.902	Reliabel

Table above shows that all research instrument items that measure environmental conditions, entrepreneurial orientation, innovation and coffee shop performance variables have composite reliability and Cronbach alpha values greater than or equal to 0.6. This shows that all instrument items are reliable in measuring the variables.

Inner Moder Evaluation. R-Square (R²) indicates the strength or weakness of the influence caused by the dependent variable on the independent variable. R-Square also shows the strength or weakness of a research model. Ghozali (2012) states that the R-Square value of 0.75 is classified as a strong model, an R-Square of 0.50 is classified as a moderate model, and an R-Square of 0.25 is classified as a weak model. The R-Square value of this study is shown in the following table:

Table 4. Inner Moder Evaluation

Variable	R-Square
Inovation	0,274

Company performance 0,278

Table above shows that the R-Square value for the innovation variable is 0.274, so it can be categorized as a weak model. With this value, it can be interpreted that the innovation variable can be explained by the variables of environmental conditions and entrepreneurial orientation by 27.4% and the remaining 72.6%, explained by other variables outside the model studied. The company's performance variable has an R-Square value of 0.278 which can also be categorized as a weak model. Thus, it can be concluded that the variables of environmental conditions, entrepreneurial orientation and innovation are able to explain the variable of company performance by 27.8%, the remaining 72.2% percent is explained by other variables outside the model.

Q-Square Predictive Relevance (Q2) is a measure of how well the observations made can give results to the research model. The value of Q-Square ranges from 0 (zero) to 1 (one). The Q-Square value is getting closer to 0 indicating that the research model is getting worse, on the contrary if the Q-Square value is getting closer to 1, the research model is getting better. Ghozali and Latan (2012) determine the criteria for a strong or weak model based on Q-Square are as follows: if the Q-Square value is 0.35 then it is a strong model, if the Q-Square value is 0.15 then it is a moderate model, and if the Q-Square value is 0.02 then including weak models. The results of the calculation of the Q-Square value in this study are as follows:

$$\begin{aligned} Q2 &= 1 - (1 - R12) (1 - R22) \\ &= 1 - (1 - 0,274) (1 - 0,278) \\ &= 0,476 \end{aligned}$$

The results of the calculation of the Q-Square value of 0.476, the model in this study is categorized as a strong model. This means that 47.6% of the variation in endogenous variables (company performance) can be predicted by exogenous variables (environmental conditions, entrepreneurial orientation and innovation). The remaining 35.9 percent is explained by other variables not included in this research model.

Goodness of Fit (GoT) is a measurement of the overall model accuracy, because it is considered as a single measurement of the outer model measurement and the inner model measurement. The measurement value based on Goodness of Fit has a value range between 0 (zero) to 1 (one). The Goodness of Fit value which is getting closer to 0 (zero) indicates that the model is getting less good, and vice versa if the Goodness of Fit is close to 1 (one) indicates that the model is getting better. The criteria for the strength or weakness of the research model based on the measurement of Goodness of Fit according to Ghozali (2012) are 0.36 (GoF large); a value of 0.25 (GoF medium), and a value of 0.10 indicates (GoF small). Model validation testing is done by calculating the Goodness of Fit. The Goodness of Fit value is obtained by the following calculation:

$$\begin{aligned} GoF &= \sum \sqrt{AVE \times R^2} \\ GoF &= \sqrt{\left(\frac{0.536 + 0.544}{2}\right) \times \left(\frac{0.274 + 0.278}{2}\right)} \\ GoF &= \sqrt{0.540 \times 0.276} = 0.386 \end{aligned}$$

The GoF value obtained is 0.386, which means that the accuracy of the model is included in the large category. It can be concluded that the structural model in this study generally has strong predictive properties, and has a high ability to explain empirical data.

Direct Effect Testing and Indirect Effect Testing. The test criteria are in direct influence of the variables, if the value of t-count or t-statistic is greater than t-table (1.96) or the probability value is less than 0.05 (significance level 5%). Tests in PLS analysis can be done by looking at the results of the t-statistics test and the probability value. Statistical testing in smartpls 3.0 is carried out using the bootstrap resampling method, which can minimize the abnormality of research data. Figureshows the results of the outer loading estimation.

Table 5. Relationships between Variables

Relationship between Variables	Path Coefficient	t- statistic	P-values	Information
Environmental Condition → Innovation	0.320	5.483	0.000	Significant
Entrepreneur Orientation → Innovation	0.322	5.054	0.000	Significant
Innovation → Company Performance	0.355	5.053	0.000	Significant
Environmental Condition → Company Performance	0.155	2.470	0.014	Significant
Entrepreneur Orientation → Company Performance	0.146	2.030	0.043	Significant

Table above shows that there are five direct relationships between variables that have a significant effect, namely environmental conditions on innovation, entrepreneurial orientation on innovation, innovation on company performance, environmental conditions on company performance and entrepreneurial orientation on company performance.

The indirect effect test is used to determine the overall correlation and influence between the predictor and criterion variables and to see the effect of mediation on the relationship between the predictor (X), mediator (Z), and criterion (Y) variables in this study. This mediation testing procedure is carried out in two steps, namely estimating the direct effect on the predictor variable against the criterion variable and estimating the indirect. The effect of the triangle PLS model is the predictor variable (X), mediator (Z), and criterion (Y). Based on the results of the direct effect it can be seen that the indirect effect test in table is as follows:

Table 6. Direct Effect Testing and Indirect Effect Testing

Relationship between Variables	Path Coefficient	t- statistic	P-values	Information
Environmental Condition → Innovation →	0.114	3.953	0.000	Significant
Entrepreneur Orientation → Innovation → Company Performance	0.114	3.255	0.001	Significant

Table above shows that the t-statistical value of the Environmental Condition variable on Company Performance through Innovation is 3,953. The t-statistical value of the Entrepreneurial Orientation variable on Company Performance through Innovation is 3.255. All relationships between variables through indirect effects are > 1.96. So, all the relationships between the independent variables on the dependent variable through the mediating variable are significant.

CONCLUSIONS

Company performance is defined as the company's ability to achieve its goals through efficient and effective use of resources and describes how far a company has achieved its results after being compared with previous performance, previous performance and other organizational performance benchmarking, as well as to what extent it has achieved the goals and targets that have been set (Muhammad, 2008). The company's performance is an illustration of the level of achievement of the company's activities in realizing the company's goals. The company's performance will be influenced by the environment either directly or indirectly. The results show that the company's performance is influenced by environmental conditions. This result indicates if Uncertain environmental conditions faced by the company are one of the factors that affect the performance and success of the company in achieving its goals. One form of change in environmental conditions that is currently engulfing the whole world and must be faced by all business actors is the Covid-19 pandemic. The occurrence of this Covid-19 pandemic has an impact on the performance of business actors including coffee shops, various restrictions on activities outside the home have resulted in a decrease the number of visitors is very drastic. This condition shows the magnitude of the influence of environmental conditions on company performance. Pearce and Robbinson (2003) suggest that environmental conditions directly affect the company's ability to achieve goals. When companies find that their environment is becoming very uncertain, they must respond quickly to the challenges of a changing environment. In other words, the environment can create uncertainty for managers and stakeholders and they must respond to these uncertainties by planning so that companies can adapt and try to make environmental uncertainty effective.

Environmental conditions are defined as uncertainty or instability in the market and the rapid change of customer requirements. Market uncertainty indicates changes in the composition and preferences of consumers. That is, it is very difficult to anticipate, understand and predict the future direction of the market in line with the actions of competitors and the external environment (Wang and Fang, 2012; Kafetzopoulus et al, 219). Based on the results of the analysis, it is known that environmental conditions have a significant positive effect on innovation. These results indicate that the higher the uncertainty of the environmental conditions faced by the company, the more innovative the company must be. Environmental factors play an important role for every business actor, including coffee shops, especially in choosing the direction and formulation of the company's strategy. The changes in the environment that the company must face requires the company's capability to survive by carrying out various innovations. The indicators used in presenting environmental conditions show several aspects of several things related to customers, economic growth and customers. In the current pandemic conditions, the business environment has changed which has an impact on all aspects of the business, including coffee shops. Therefore, in order to survive in an environment with high uncertainty conditions, coffee shop business actors must continue to innovate, both innovations in the technical field, innovations in the administrative field and innovations in the managerial field.

A bold business move to take risks is very important in sustaining a business venture. Entrepreneurial-oriented companies will seek to create new businesses by taking risks and uncertain conditions in order to achieve profit and growth by identifying opportunities and combining the necessary resources. Entrepreneurial orientation is a process in a business that is carried out in competing with other business competitors. The results show that entrepreneurial orientation has a significant influence on company performance through innovation. Innovation as part of an entrepreneurial orientation will encourage and strengthen the creation of optimal company performance. This is as stated by Gunarto (2014) that the most dominant factor

influencing the relationship between entrepreneurial orientation and company performance is innovation, meaning that an entrepreneur must be able to increase his innovative power.

Entrepreneurial orientation is one of the key elements that will direct the success of the company's performance, especially in the face of uncertain business conditions. Entrepreneurial orientation is defined as an organization's willingness to discover and accept new opportunities and take responsibility for influencing change (Zehira et al, 2015). Based on the results of the study, it is known that entrepreneurial orientation has a significant influence on company performance. Furthermore, it is known that entrepreneurial orientation has a positive effect on company performance, which shows that the better the company's entrepreneurial orientation, the better its performance. Companies with a strong entrepreneurial orientation will be more willing to take risks, and not only survive from past strategies. A dynamic environment gives more advantages to entrepreneurs, entrepreneurial orientation is clearly very important for the survival of the company (Lumpkin and Dess, 1996).

Entrepreneurial orientation is defined as an organization's willingness to discover and accept new opportunities and take responsibility for influencing change (Zehira et al, 2015). Entrepreneurial orientation can also be interpreted as a company orientation that has principles on efforts to identify and take advantage of opportunities. Companies with a strong entrepreneurial orientation will be more willing to take risks, and not only survive from past strategies. In this study, entrepreneurial orientation was measured by autonomy, risk taking and proactiveness. Based on the results of the analysis, it is known that entrepreneurial orientation has a significant positive effect on innovation. These results indicate that the greater the entrepreneurial orientation of a business actor, the more innovative the business actor will be. This is as stated by Sinarasri (2013) that entrepreneurial orientation is a creative and innovative ability that is used as the basis, tips, and resources to find opportunities for success. Innovativeness refers to an entrepreneurial attitude to be creatively involved in the process of experimenting with new ideas that allow generating new production methods so as to produce new products or services, both for the current market and for new markets.

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Innovation is the ability to apply creativity into something that can be implemented and provides added value to the resources owned. Innovation is the emergence of something new, for example in the form of a new idea, a new theory, a new hypothesis, or a new method for the management of an organization and business (Suryana, 2014). In a business environment full of uncertainty and competition, innovation is needed as a company strategy.

This research cannot be separated from the existence of limitations. The limitation of this study is that this research is limited to the effect of environmental conditions and entrepreneurial orientation on company performance by mediating innovation. Further research is expected to add other variables related to company performance. This research is also limited to coffee shop business actors in Malang City. Therefore the results cannot be generalized. Further research can

expand the focus of the research area to other industrial sectors. The distribution of questionnaires in this study has not been able to cover all coffee shops in Malang Raya proportionally. This is due to the limitations of researchers and also the Covid-19 pandemic which limits the space for distributing questionnaires even though there has been leeway in activities outside the home. Further research can distribute questionnaires to all coffee shops in Malang Raya.

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