

# The Effect of Strategic Orientation Through Social Capital on the Performance of the Republic of Indonesia Public Employee Cooperative (KPRI) Tulungagung Regency

Sawal Sartono<sup>1\*</sup>, U Ujianto<sup>2</sup>, Tri Andjarwati<sup>3</sup>

Universitas 17 August 1945, Surabaya, Indonesia

Author Email: sawaltono16@gmail.com<sup>1</sup>, Ujianto@untag-sby.ac.id<sup>2</sup>, triandjarwati@untag-sby.ac.id<sup>3</sup>

**Abstract:** Strategic orientation refers to how organizations should interact with customers, competitors, technology, and other external factors to make optimal strategic choices. Research using four orientations simultaneously is still rarely done and given the importance of social capital in social enterprises, this study will analyze the effect of social capital as an intervening variable on the performance of KPRI. Based on this, this study aims to determine the effect of strategic orientation on KPRI performance with social capital as an intervening variable. The research method uses quantitative methods with path analysis and data analysis using the PLS Smart application. The results of the study resulted in the following findings; Entrepreneurial orientation. Market orientation Technology orientation has no effect, learning orientation has no effect on KPRI performance. Social capital has a significant influence on the performance of KPRI in Tulungagung Regency. Social capital is proven as an intervening variable affecting entrepreneurial orientation, market orientation, technology orientation, learning orientation on KPRI performance. KPRI management is more risk averse to maintain financial balance so that the social mission of the cooperative is maintained. The majority of KPRI's business is savings and loans, KPRI members to meet urgent financial needs prefer to borrow from KPRI. The use of technology and learning orientation is still limited due to constraints on KPRI's resources. Improving cooperative performance can be done by the management by strengthening social capital in KPRI.

**Keywords:** Entrepreneurial Orientation, Market Orientation, Technology Orientation, Learning Orientation, Social Capital, KPRI Performance

## 1 Introduction

Companies in achieving organisational goals formulate strategies that will be used. Strategy has an important role in directing the company's activities in achieving its vision and mission. Mintzberg argues that organisational strategy can be considered as a particular form of action [1]. Strategy determines the internal processes within the organisation and helps it adapt to the conditions of the organisation's external environment. Strategy is a set of specific "pathways" through which an organisation can achieve its basic objectives by shaping and directing its activities [2]. Assuming that a company's strategic management principles can shape such pathways, it follows that organisations that follow a particular set of pathways are defined as following a particular strategic orientation [3].

Strategic orientations (SO) refer to how organisations should interact with customers, competitors, technology, and other external factors to make optimal strategic choices. The majority of the literature is close to showing that strategic orientation behaviours have a direct positive impact on performance [4]. Entrepreneurial orientation, market orientation, technology orientation, and learning orientation have attracted scholarly interest in the literature for decades. These strategic orientations are seen as principles that direct and influence a firm's activities and result in behaviours intended to ensure the survival of the organisation and its performance.

Entrepreneurial orientation, market orientation, technology orientation, and learning orientation have attracted scholarly interest in the literature for decades. Organisations in order to optimally achieve corporate goals should implement several strategic orientations. Ventrakaman states that focusing on a single business area does not truly reflect business orientation [5]. Previous research shows that organisations that focus exclusively on implementing a single orientation tend to underperform in the long run [6] and the simultaneous utilisation of multiple orientations results in better performance for the company [3], [7]. Schindehutte argues

that strategic orientation evolves dynamically over time and results in a variety of orientations, so the research framework is through a combination of customer, technology and entrepreneurial orientations [8].

Social capital undoubtedly has a certain relationship with 'co-operative groups' as opposed to co-operative enterprises conceptually [9]. What social capital and the social side of cooperation have in common is their relationship to a particular normative framework, consisting of values, norms and rules. Social capital is increasingly recognised as an important factor influencing economic performance [10]. Over the past two decades, many cooperatives have transformed from democratic organisations to more capitalist-oriented organisations while cooperatives are a form of social entrepreneurship [11]. Based on this, this study uses social capital variables as intervening variables.

A co-operative is a form of business entity that is not only profit-seeking but also socially oriented towards its members. Over the past two decades, many cooperatives have transformed from democratic organisations to more capitalistic-oriented organisations [11].

The number of KPRI in Tulungagung Regency that are registered is 62 KPRI, with a total operating capital of Rp. 85,896,631,711 and Remaining Operating Results of Rp.7,487,480,632. (source: Dinas Koperasi dan UMKM Tulungagung Regency) KPRI is used as the object of research because in terms of capital derived from principal savings, mandatory savings, reserve funds, and grants, it is relatively more certain than other cooperatives, although in government there are frequent employee transfers but the number is not significant. Major changes occur if there is a change in the nomenclature of government organisations such as merging or dividing organisations. Koperasi Pegawai Republik Indonesia (KPRI) is a cooperative of civil servants whose members are state civil apparatus. Research using four orientations simultaneously is still rarely done and given the importance of social capital in social enterprises, this study will analyse the effect of social capital as an intervening variable on the performance of KPRI. Based on this, this study aims to determine the effect of strategic orientation on KPRI performance with social capital as an intervening variable.

## **2 Literature Review**

### **2.1 Management Strategy**

Definitions of strategy vary depending on perspective and situation. Strategy Management generally involves making decisions, allocating resources, and creating a competitive advantage to achieve an organisation's long-term goals. Henry Mintzberg (1994) states Strategy is a pattern or plan that integrates key objectives, policies, and actions into a coherent whole [12]. It encompasses how the organisation operates, acts, and adapts to its external environment. Strategy is thus the selection between alternative courses of action and the allocation of resources to achieve organisational goals. It involves thinking systematically about investment decisions, diversification, product development, and market penetration.

Strategic management is the process of planning, implementing, and evaluating the strategic steps taken by an organisation to achieve its long-term goals and optimise their performance in a competitive environment.

Strategic management in the context of employee cooperatives involves developing and implementing strategies to achieve the goals and interests of the cooperative involving the employees as members. Rosenbloom identified the importance of strategic management in developing competitive advantage and running effective organisational operations [13]. Murray Fulton emphasises the importance of strategic planning, risk management, and innovation in the context of cooperatives to achieve long-term success [14].

### **2.2 Strategic Orientation**

Strategy is a means to an end. The meaning of strategic orientation refers to a set of values that consistently guide strategic actions and responses within a company or refers to how an organization uses strategy to adapt to changes in its environment. The definition of strategic orientation according to Venkatraman is a general pattern of various means used to achieve business goals, with the focus being on the hierarchical organisational structure at the business unit level [5]. A specific approach that companies apply to create the right behaviour to achieve superior and sustainable performance [15]. The strategic direction of the company in creating the right behaviour to achieve superior performance, whether market-oriented or innovation to achieve superior company performance in the long term [16]. Principles that direct and influence the Company's activities and result in behaviours intended to ensure the Company's survival and performance [17]. The dimensions of Strategic Orientation in this study used are in accordance with those used by Henry Hakala, Configuring Out Strategic Orientation namely, entrepreneur orientations, market orientations, technology orientations, and learning orientations [17].

### **2.2.1 Entrepreneurial Orientation**

Entrepreneurial Orientation (OK) is a basic element in the organisational culture of small firms [18]. OK reflects the managerial capabilities that a company uses to generate profits in a competitive environment with proactive and aggressive initiatives. Entrepreneurial orientation is a company orientation that has principles on efforts to identify and exploit opportunities [19]. Miller defines entrepreneurial orientation as an orientation to be the first in terms of innovation in the market, having an attitude to take risks, and being proactive towards changes in the market. Miller states that companies that have a strong entrepreneurial orientation will have the ability to innovate more strongly than other companies. Entrepreneurial Orientation thus has the components of innovation, proactiveness, risk-taking, independence, competitiveness and aggressiveness [20].

Entrepreneurial orientation refers to the strategy-making process for organisations as a basis for decision-making and action in self-employment (e.g., [19], [21] describe on the previous strategy-making process and on entrepreneurship research, the measurement scale of entrepreneurial orientation has been developed and widely used, as well as its relationship with other variables. Thus, entrepreneurial orientation is one of the areas of entrepreneurship research where the pool of knowledge is growing.

### **2.2.2 Market Orientation**

Market orientation is a business culture that is able to effectively and efficiently create employee behaviour in such a way that supports efforts to create superior value for customers. Market orientation is the ability to generate information about current and future customer needs, allocate this information to the relevant units and respond to it properly [22]. Market orientation is the most effective and efficient organisational culture. creates the behaviours necessary to create superior value for buyers and thus continue superior performance for the business [23].

Naver and Slater's popular conceptualisation divides market orientation into a customer orientation element and a competitor orientation element. Customer orientation thus becomes a more streamlined part of the broader concept of market orientation, focusing on achieving competitive advantage through understanding customers and what customers value. While the measures for customer orientation do not separately take competitor information into account, fundamentally, understanding and satisfying customers requires this, as customers compare the company's value proposition in relation to other alternatives. In this study, market orientation consists of three dimensions, namely: 1) customer orientation, 2) competitor orientation and 3) inter-functional coordination.

### **2.2.3 Technology Orientation**

Technology orientation, and terms related to innovation and products [24], which refers to a firm's propensity to introduce or utilise new technologies, products or innovations [25]. This suggests that customer value and the long-term success of the company are best created through new innovations, technological solutions, products, services or production processes [24]–[26].

Customers are unlikely to expect things they are not aware of [27], Therefore product differentiation from the competition or cost advantages in production can be achieved by developing new technologies and adapting existing ones. Technology Orientation to align with the resource-based view of strategy, as it suggests that technological resources (in the broadest sense), when uniquely combined, form the basis of competitive advantage.

Technology orientation leads to significant achievements and helps in finding technological solutions and ultimately companies fulfil the demands of their clients. Technology orientation is essential for updating new technologies besides playing a vital role to fulfil relevant challenges related to business performance.

### **2.2.4 Learning Orientation**

Learning is seen as the development or acquisition of new knowledge that has the potential to influence behaviour [28]. In this research, learning orientation fits this definition of learning and is seen as the organisation's propensity to create and use knowledge, and the processes used to do so [18] in order to achieve competitive advantage [29].

Learning orientation refers to the organisation's attitude and tendency to attach importance to learning and consider it as an important activity. By integrating learning into organisational culture, learning orientation can influence employee behaviour and encourage continuous learning to improve organisational competitiveness. Learning orientation usually consists of three dimensions: commitment to learning, shared vision, and open-mindedness [18].

In the context of organisational behaviour, learning orientation refers to an organisation's attitude and tendency to attach importance to learning and regard it as a valuable activity. By integrating learning into organisational culture, learning orientation can influence employee behaviour and encourage continuous learning to improve organisational competitiveness. Learning orientation usually consists of three dimensions: commitment to learning, shared vision, and open-mindedness [30].

## 2.3 Social Capital

### 2.3.1 Definition of Social Capital

There are many definitions of social capital found in the literature. A large number of definitions have been listed in the table 1 below [31].

**Table 1.** Definition of Social Capital

External VS Internal	Source	Definition of Social Capital
External/Bridging/Communal	Baker, Belliveau, O'Reilly, Wade	'resources that actors acquire from particular social structures and then use to pursue their interests; these resources are created by changes in the relationships among actors' [18]. 'An individual's personal network and institutional elite affiliations'.
	Bourdieu	'The aggregate of actual or potential resources associated with the possession of a durable network of more or less institutionalised relations of mutual acquaintance or recognition', 'consists of social obligations ('connections'), which can be converted, under certain conditions, into economic capital and can be institutionalised in the form of titles of nobility' [31] [31].
	Bourdieu Wacquant	'The amount of resources, both actual and virtual, that an individual or group acquires by virtue of having a durable network of more or less institutionalised relationships of mutual knowledge and recognition'.
Internal/Linking	Portes	"the ability of actors to benefit by virtue of membership in a social network or other social structure" [32].
	Coleman	'Social capital is defined by its functions. It is not a single entity, but a variety of different entities having two characteristics in common: They all comprise some aspect of the social structure, and they facilitate certain actions of individuals who are in the structure' [33].
	Fukuyama	'the ability of people to work together for common goals in groups and organisations'. 'Social capital can be defined simply as the existence of a set of informal values or norms shared among the members of a group that enables co-operation among them'.
Both types	Putnam	'features of social organisation such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit' [31].
	Nahapiet and Ghoshal	'the sum of actual and potential resources embedded in, available through, and derived from the network of relationships held by an individual or social unit. Social capital thus consists of the network and the assets that can be mobilised through that network'.
	Pennar	'a network of social relationships that influence individual behaviour and thus influence economic growth'.

Source: <https://www.socialcapitalresearch.com/literature/definition/?unapproved=28098&moderation-hash=6ec31835a6d90e14d9a2451d14516f93#comment-28098>

As identified earlier, social capital theory has been heavily criticised for being poorly defined and conceptualised. This problem largely stems from the fact that social capital is multi-dimensional with each dimension contributing to the meaning of social capital although each alone is unable to fully capture the concept as a whole (Hean et al. 2003). The main dimensions are generally seen as:

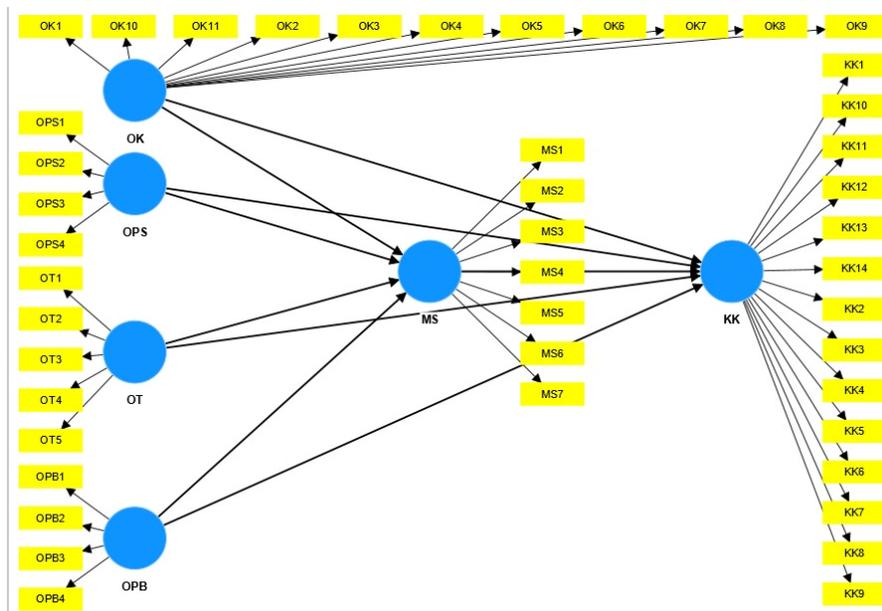
- a. Trust [33], [34]
- b. Rules and norms that govern social action ([32], [33])
- c. Types of social interaction
- d. Network resources
- e. Other network characteristics

## 2.4 Co-operative Performance

Indonesian Co-operative Council (2018): "Cooperative performance is the result of the effectiveness and efficiency of the cooperative in managing resources, planning, implementing, and monitoring its activities to achieve its goals and role in advancing the economy of its members and the surrounding community.

Cooperative performance is an evaluation or measure of the extent to which a cooperative achieves its objectives, both in economic, social, and institutional aspects. Co-operative performance includes effectiveness and efficiency in resource management as well as the positive contribution of the co-operative to the welfare of its members and the surrounding community.

Cooperative performance indicators consist of; Institutional (Y1), Cooperative Business (Y2), Financial (Y3), Cooperative benefits to members (Y4), and Cooperative benefits to society (Y5).



**Figure 1.** Research Model with SmartPLS-SEM

Description:

- OK = Entrepreneur Orientation
- OP = Market Orientation
- OT = Technological Orientation
- OPs = Learning Orientation
- MS = Capital Social
- KB = Cooperative Performance

The hypotheses in this study consist of:

- H1: Entrepreneurial orientation has a significant effect on the performance of KPRI Tulungagung district.
- H2: Market / customer orientation has a significant effect on the performance of KPRI Tulungagung district.
- H3: Technology orientation has a significant effect on the performance of KPRI Tulungagung district.
- H4: Learning orientation has a significant effect on the performance of KPRI Tulungagung district.
- H5: Social capital has a significant effect on the performance of KPRI Tulungagung district.
- H6: Entrepreneurial orientation has a significant effect on the performance of KPRI Tulungagung district through social capital.
- H7: Market / customer orientation has a significant effect on the performance of KPRI Tulungagung district through social capital.

H8: Technology orientation has a significant effect on the performance of KPRI Tulungagung district through social capital.

H9: Learning orientation has a significant effect on the performance of KPRI Tulungagung district through social capital.

### 3 Research Method and Materials

This study aims to determine the effect of strategic orientation variables on the performance of the Indonesian Employee Cooperative through the intervening variable of social capital, based on this, this research is included in the category of causality research.

In this study, the population determined is the Indonesian Employee Cooperative (KPRI) in Tulungagung Regency with a total of 62 KPRIs, of which 54 KPRIs are currently active. (Source: Secondary data from the Office of Cooperatives and MSMEs of Tulungagung Regency) The determination of the target population is based on the research objectives and because KPRI has different membership characteristics from other forms of cooperatives.

The sampling technique is saturated sampling technique. All KPRIs in Tulungagung Regency in 2022/2023 were used as samples in this study. KPRI registered at the Tulungagung Regency Cooperative Office there are KPRI with inactive status totaling 8 KPRI and with active status totalling 54 so that the technique To meet the adequacy of the sample, the number of respondents in this study consists of elements of KPRI management members, and KPRI supervisory members. The selection of respondents at the management level is based on the consideration that they are the determinants of KPRI's policy strategy and KPRI supervisors act as cooperative supervisors in the aspects of compliance implementation, institutional examination, examination of savings and loan business, health assessment of savings and loan business, and application of sanctions.

This study aims to determine the effect of strategic orientation variables on the performance of the Indonesian Employee Cooperative through the intervening variable of social capital. Data analysis with Partial Least Square-Structural Equation Model (PLS-SEM) using Smart PLS to determine the effect of exogenous variables on endogenous variables.

The definition of concepts in this study is as described in the operational conceptual framework of the research, below:

- a. Entrepreneurial Orientation (X1); entrepreneurial orientation as an orientation to be the first in terms of innovation in the market, having an attitude to take risks, and being proactive towards changes in the market. The indicators used are; innovation (X1.1), risk taking (X1.2), and proactivity (X1.3)
- b. Market Orientation (X2); Craven and Piccry (2013), market orientation is a perspective that places consumers as the focus of attention in company activities. In this study, market orientation consists of three indicators, namely: 1) customer orientation (X2.1), 2) competitor orientation (X2.2) and 3) inter-functional coordination (X2.3)
- c. Technology Orientation (X3); Technology orientation is the company's tendency towards applying the latest technology to introduce new products, in addition to improving existing products and services by encouraging and supporting innovative ideas (Ardito and Dangelico, 2018; Yousaf and Majid, 2017). Measurement uses the following indicators; aggressive forms of technology (X3.1), automation and process innovation (X3.2), new product development (X3.3)
- d. Learning Orientation (X4); Learning orientation is conceptualised through Indicators of shared vision, open-mindedness and commitment to learning (Sinkula et al., 1997). The measure of learning orientation used captures the general tendency towards organisational learning. (There are 4 perceptions, namely; understanding the vision of the cooperative (X4.1), sharing information (X4.2), sharing goal thinking and new ideas (X4.3), tolerating failure (X4.4).
- e. Social Capital (X5); Social capital is a concept that refers to the network of relationships, norms, values, and resources that exist within a social group or community. Social capital is a type of asset that can help individuals or groups achieve common goals, improve quality of life, and build trust. The dimensions used in this study are, Network dimensions (Relational Dimensions (X5.1)): This indicator refers to the network of relationships between individuals or entities in a society or organisation. This network enables the exchange of information, support, resources, and cooperation. In a business context, network indicators can influence collaboration between companies, suppliers and customers. Cognitive Dimension (X5.2): This indicator focuses on the knowledge, norms, and values that exist within the social network. The cognitive dimension plays an important role in facilitating effective communication and sustainable cooperation. Structural Dimension (X5.3) (Structural Dimension): This indicator refers to the resources that can be accessed through social networks and the knowledge possessed by individuals or groups. In a business context, structural indicators can have an impact on innovation, performance, and a company's ability to adapt to market changes.

- f. Cooperative Performance (Y): Indonesian Co-operative Council (2018): "Cooperative performance is the result of the effectiveness and efficiency of the cooperative in managing resources, planning, implementing, and monitoring its activities to achieve its goals and role in advancing the economy of members and the surrounding community. Cooperative performance indicators consist of; Institutional (Y1), Cooperative Business (Y2), Financial (Y3), Cooperative benefits to members (Y4), and Cooperative benefits to society (Y5).

## 4 Results and Discussion

Collection and tabulation of research data:

The total number of questionnaires distributed was 108. An overview of the distribution of questionnaires can be seen in table 2 below:

**Table 2.** Sample Distribution and Questionnaire Return

Description	Amount	%
Distributed questionnaires	108	100
Non-Returned Questionnaires	6	5.55
Unusable questionnaires	2	1.85
Questionnaires that can be processed	100	92,59

Based on table 2, it is known that there are 6 questionnaires that are not returned. There are 2 questionnaires that cannot be used because they have blank answers and incomplete answers in filling out the questionnaire.

### A. Hypothesis Testing

Testing the hypothesis proposed is done by testing the structural model (inner model) by looking at the R Square value which is a goodness fit model test. In addition, by looking at the total effects which shows the parameter coefficient and the significant value of the t-statistic 1.96. The hypothesis will be accepted if the T statistic value > 1.96 or P values with a value < 0.05. The results of hypothesis testing are presented in table 3 below.

**Table 3.** Test Results Path Coefficients (Direct Effect)

Hypothesis	T Statistic	P Values	Description
H <sub>1</sub> OK > KK	1,99	0,030	Supported
H <sub>2</sub> OPS > KK	2,28	0,000	Supported
H <sub>3</sub> OT > KK	0,75	0,125	Not Supported
H <sub>4</sub> OPB > KK	0,74	0,083	Not Supported
H <sub>5</sub> MS > KK	2,17	0,000	Supported

Description: KK (KPRI Performance), OK (Entrepreneurial Orientation), OPS (Market/Customer Orientation), OT (Technology Orientation), OPB (Learning Orientation), MS (Social Capital).

The first hypothesis (H1) has a statistical t value showing a number of 1.99 which is greater than 1.96. This can also be proven also in the P Value value of 0.030 or the value is smaller than 0.05 so it is concluded that H1 is supported. These results prove that entrepreneurial orientation has an insignificant effect on the performance of KPRI in Tulungagung Regency. The majority of KPRI in Tulungagung Regency has a savings and loan business. Based on data from the cooperative office, the total number of KPRIs with active status is 54 KPRIs and those that have businesses other than savings and loans are 4 KPRIs. From the type of business, the majority is only a savings and loan business, it can be concluded that the KPRI management has not dared to add a business field to serve members because the management does not dare to take risks, only a few KPRIs dare to add new businesses such as self-service stores to serve members and the general public.

In some cases, KPRI administrators may not be willing to take risks in adding more businesses. This could be due to several factors, such as lack of capital, lack of managerial skills, or market uncertainty. Several studies have shown that self-reliance and independent decision-making are important co-operative principles.

According to Andjar in [35] states that cooperative member deposits are capital in cooperatives that come from members and the community, both principal savings, mandatory savings, and voluntary savings that are deposited gradually and continuously with agreed rules. The measurement used to determine the savings of cooperative members is to compare the amount of principal savings, mandatory savings and voluntary savings with the amount of deposits received by cooperative members during one year. Deposits from members are one aspect of the cooperative business which is a source of income for the cooperative because from this activity the cooperative benefits in the form of interest. The more cooperative members who save funds (deposits) in the

cooperative, it will increase the volume of cooperative business. The greater the business activity carried out, the greater the profit obtained so that it will improve the performance of venture capital [36].

This is in line with the opinion that credit is classified as non-performing if there is no credit return for more than one year from the due date, does not pay off at all or needs to be renegotiated regarding the terms of credit and interest payments recorded in the credit agreement. The high level of non-performing loans will affect the performance of the cooperative, because the higher the non-performing loans, the worse the credit score will be which causes losses which result in decreased profits and performance of the cooperative's operating capital [37]. However, in practice, KPRI administrators may find it difficult to make risky decisions, which means that in taking risks, administrators tend to be moderate because they do not want to jeopardise the cooperative's finances or members' trust. However, being too cautious in taking risks can also hinder the growth and development of employee cooperatives. Therefore, it is important for employee cooperative boards to carefully consider business risks and opportunities, and take appropriate actions to strengthen cooperative performance.

The existence of a social mission has several important implications for the nature of strategic orientation in co-operatives. [38] First, co-operative managers are willing to take economic risks but are highly risk-averse in terms of impact on the co-operative. As a managerial implication, this study suggests that cooperative managers balance different targets to fulfil various social enterprise objectives. Second, co-operatives are less proactive and innovative in developing solutions for their members and seeking ways to increase revenue. Co-operatives prioritise their mission and social impact, so they have not been very proactive and innovative in their business activities.

Co-operatives have different objectives and characteristics compared to commercial businesses. Co-operatives often operate within the framework of member interests, community service and social welfare. These characteristics may limit the entrepreneurial orientation of co-operative performance, as the main focus of co-operatives is not seeking maximum financial returns.

The second hypothesis (H2) shows the results of T statistics show a number of 2.28 which is greater than 1.96. This can also be proven also in the P Value value of 0.000 or the value is smaller than 0.05 so it is concluded that H2 is supported. These results prove that market orientation has a significant effect on the performance of KPRI in Tulungagung Regency.

Market orientation is a strategic approach in which civil service cooperatives direct their efforts to fulfil members' needs and wants. When a cooperative has a strong market orientation, this can have a positive impact on the performance of the cooperative. KPRI in an effort to improve the performance of the business being managed can provide good service to customers. Good service will satisfy consumers so that it will help market the products offered by KPRI.

KPRI in many cases is the first choice for members who need funds to fulfil urgent needs but in limited amounts. Members in the case of requiring large funds such as for the purchase of houses, vehicles prefer financial institutions. Therefore, the role of cooperation between the salary treasurer and the KPRI management is to avoid bad credit which will affect the performance of KPRI.

The third hypothesis (H3) shows that the T statistic shows a number of 0.75 which is smaller than 1.96. This can also be proven also in the P Value value of 0.125 or the value is greater than 0.05 so it is concluded that H3 is not supported. These results prove that technology orientation has no effect on the performance of KPRI in Tulungagung Regency. KPRI does not have adequate technology infrastructure or employees do not have the necessary skills, so even if there is a technology orientation, its implementation may not be effective. Technological readiness includes IT infrastructure, internet access, and adequate hardware. Technology orientation can have a positive effect if there is adequate training and development to ensure that employees can use the technology effectively. If there is no investment in training, employees may not be able to utilise the full potential of the technology. The majority of KPRIs do not have adequate budgets to meet the needs of technology orientation implementation. Cooperative employee performance can be affected by the level of employee participation and involvement in adopting and using technology. If employees do not feel involved or have resistance to change, then technology orientation may not achieve the desired results.

The fourth hypothesis (H4) shows that the T statistic shows a number of 0.74 which is smaller than 1.96. This can also be proven also in the P Value value of 0.083 or the value is greater than 0.05 so it is concluded that H4 is not supported. These results prove that learning orientation has no effect on the performance of KPRI in Tulungagung Regency. The relationship between technology orientation and business performance has received less attention in the literature. SMEs do not have technology orientation in a significant relationship with their business performance. The relationship between technology orientation and business performance may not be linear and mediated by other factors (e.g. innovation). SMEs may not be able to respond effectively to the emergence of new technologies [39] and unwilling to change. They may stick to dominant internal routines that increase reliance on existing resources and capabilities and prevent the development of new resources and capabilities. This type of internal rigidity is observed when business organisations are faced with threats (e.g. industry competition) from the external environment to their business performance and survival [40]. The majority of interactions between members and cooperative management occur when members borrow/buy

goods and during the Annual Members' Meeting (RAT). In the RAT, the management only reports on the financial report (co-operative performance) and the distribution of the remaining profit (SHU).

Some public employee cooperative boards may have a more traditional organisational orientation, with a culture that does not encourage learning and innovation. In such contexts, a learning orientation may not be fully accepted or integrated into the organisation's culture and working practices, thus having a limited impact on KPRI performance.

KPRI often focus more on stability and sustainability, rather than growth and innovation. A more change- and adaptation-oriented learning orientation may not be a top priority for such cooperatives, so the impact on performance may be limited.

If the learning programme is not in line with the needs, objectives, or challenges faced by the cooperative, then the learning may not provide significant benefits. This can happen if the learning curriculum is irrelevant or not tailored for the co-operative context so that the learning is not fit for purpose.

A learning orientation that is not followed by concrete action or implementation may lead to an inability to turn knowledge into useful action. If KPRI members or staff do not apply what they learnt, the learning will be ineffective.

Lack of support from management or lack of resources to support learning can be a significant barrier. Effective learning requires an investment of time and resources, including training, learning materials and appropriate facilities.

Learning that is unable to link the knowledge gained with the daily situation in KPRI may not have an impact on performance. The transition from learning to application in a real context is often an obstacle because KPRI administrators and members are already busy with work routines.

KPRI does not yet have an effective measurement and evaluation system to measure the impact of learning on their performance. Without proper measurement, it is difficult to determine whether the learning orientation has delivered significant benefits.

If KPRI is unable to cope with changes that may arise as a result of learning, the learning orientation may not have a positive impact on performance. Change requires adaptation and proper implementation.

Resistance to change, if KPRI members or staff are reluctant to accept learning or proposed changes, this can hinder the effectiveness of learning orientation.

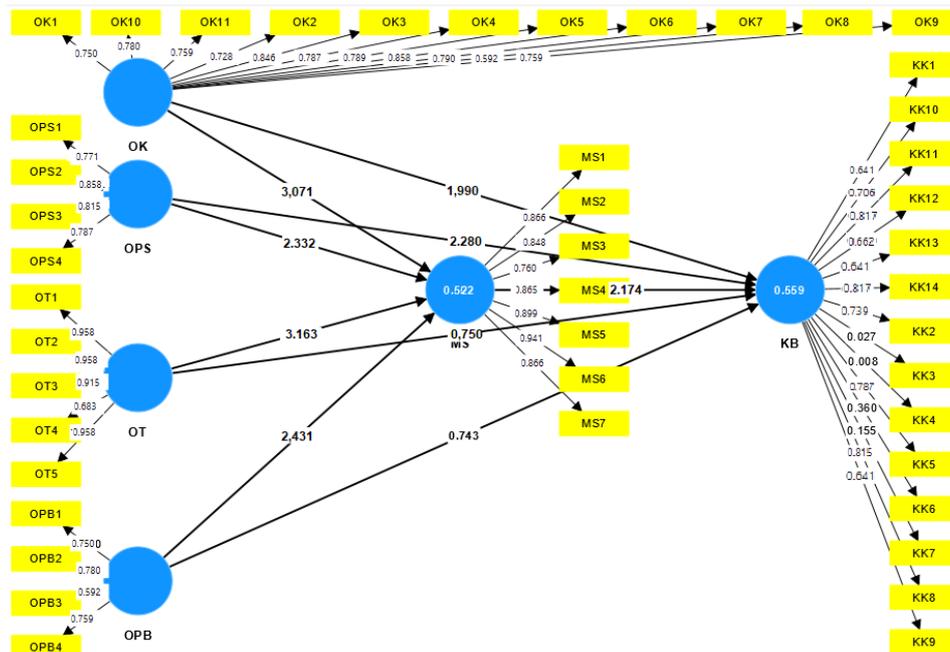
The fifth hypothesis (H5) shows that the T statistical results show a number of 2.17 which is greater than 1.96. This can also be proven also in the P Value value of 0.000 or the value is smaller than 0.05 so it is concluded that H5 is supported. These results prove that social capital has a significant effect on the performance of KPRI in Tulungagung Regency. Social capital refers to networks, relationships, and social connections within a community or organisation [31]. Social capital plays an important role in social enterprise performance.

Social capital facilitates the development of trust among individuals and organisations within an ICC. Trust is essential for collaboration and cooperation among various stakeholders, including members, employees, customers, suppliers, and partners. An example of trust is if members have high trust in the KPRI management, then decision-making by the KPRI management will be approved by KPRI members. Social enterprises with strong social capital are more likely to build collaborative relationships, leading to better access to resources, knowledge sharing, and coordinated efforts to achieve common goals.

Social capital gives KPRI access to valuable resources such as financial capital, human resources, and information. Strong social networks and relationships allow social enterprises to tap into a wide range of resources through partnerships, referrals, and support from community members. Access to these resources can positively impact the performance of social enterprises by enhancing their capabilities, expanding their reach, and improving operational efficiency.

KPRIs that have extensive social networks and strong social capital will find it easier to identify market opportunities and stay connected to emerging trends and customer needs. Through their social connections, they can gather market information, receive feedback, and customise their products or services. This allows them to better meet the demands of their target audience, gain a competitive advantage, and improve their overall performance.

Below is a diagram of the data processing results:



**Figure 2.** Diagram of Data Processing Results

Hypothesis testing of the influence of intervening variables is done by looking at the value of the indirect effect. Indirect effects are indirect effects of a construct or exogenous latent variable on endogenous latent variables through an endogenous intermediate variable. The test results on the effect of intervening variables are presented in table 4.

**Table 4.** Test Results Path Coefficients (Indirect Effect)

Hypothesis	T Statistic	P Values	Description
H <sub>6</sub> OK > MS > KK	3,07	0,000	Supported
H <sub>7</sub> OPS > MS > KK	2,33	0,023	Supported
H <sub>8</sub> OT > MS > KK	3,16	0,000	Supported
H <sub>9</sub> OPB > MS > KK	2,63	0,019	Supported

Description: KK (KPRI Performance), OK (Entrepreneurial Orientation), OPS (Market/Customer Orientation), OT (Technology Orientation), OPB (Learning Orientation), MS (Social Capital).

Based on table 4, it is stated that hypothesis 6 (H<sub>6</sub>) shows the t statistical value is 3.07 (> 1.96). In addition, it is supported by a p value of 0.000 or smaller than 0.050 so it can be concluded that H<sub>6</sub> is supported. The coefficient value shows that social capital is proven to be an intervening variable in the effect of entrepreneurial orientation on KPRI performance. Entrepreneurial orientation involves aspects such as innovation, risk taking. However, the direct influence of entrepreneurial orientation on KPRI performance through social capital can serve as a connecting mechanism between entrepreneurial orientation and performance, by linking the resources and competencies possessed by KPRI with competitive advantage and the resulting performance.

Social capital includes social networks, trust, social norms, and collaboration among KPRI members and with external parties. Strong social capital can influence KPRI's access to necessary resources, such as financial capital, knowledge, information, and social support. In addition, social capital also facilitates the effective and efficient utilisation of these resources. Thus, social capital can strengthen the influence of entrepreneurial orientation on KPRI's performance through better access and utilisation of resources.

Social capital enables cooperation, knowledge exchange, and collaboration among KPRI members and with external parties, such as business partners, government, and local communities. This collaboration and knowledge exchange can lead to innovation, the development of better products and services, and an increase in KPRI's competitiveness. Thus, social capital plays a role in linking entrepreneurial orientation with KPRI's performance through collaboration and innovation.

Social capital creates trust, commitment, and solidarity between KPRI members. High trust and commitment can influence members' motivation to actively contribute, cooperate, and innovate in order to improve KPRI's

performance. Thus, social capital can mediate the relationship between entrepreneurial orientation and KPRI performance through member trust and commitment.

The test results in table 4 mentioned hypothesis 7 ( $H_7$ ) show the t statistical value is 2.33 ( $>1.96$ ). In addition, it is supported by a p value of 0.023 or smaller than 0.050 so it can be concluded that  $H_7$  is supported. The coefficient value shows that social capital is proven to be an intervening variable in the effect of market/customer orientation on KPRI performance. Social capital allows for an extensive network of relationships between KPRI, KPRI members, and external parties such as consumers, suppliers, and business partners. Through this network, social capital facilitates access and exchange of information related to market orientation. Information on consumer preferences, market trends, business opportunities, and competition can be obtained through social capital networks. Thus, social capital strengthens the relationship between market orientation and KPRI performance through better access to relevant market information.

Social capital creates social norms, trust, and commitment among KPRI members. This can influence KPRI's ability to collaborate in developing products and services that meet market needs and preferences. Through collaboration with members and external parties supported by social capital, KPRI can produce products and services that are more innovative, relevant, and attractive to consumers. Thus, social capital becomes the link between market orientation and KPRI's performance through support and cooperation in product and service development.

Social capital can help KPRI in building reputation and consumer trust. By having a strong network of relationships and high trust between KPRI members and external parties, KPRI can gain support and positive recommendations from satisfied consumers. A good reputation and consumer trust formed through social capital can improve KPRI's perception and image in the eyes of consumers, thus having a positive impact on organisational performance. Thus, social capital plays an important role as a link between market orientation and KPRI performance through building reputation and consumer trust.

The test results in table 4 mentioned hypothesis 8 ( $H_8$ ) show the t statistical value is 3.16 ( $>1.96$ ). In addition, it is supported by a p value of 0.000 or smaller than 0.050 so it can be concluded that  $H_8$  is supported. The coefficient value shows that social capital is proven to be an intervening variable in the effect of technological orientation on KPRI performance. Social capital enables the exchange of knowledge and experience between KPRI members and external parties, such as business partners, government, and local communities. Through this exchange, social capital facilitates KPRI's access to knowledge and experience in the use of technology relevant to its business. Information on the latest technology, industry trends, and best practices can be obtained through social capital networks. Thus, social capital strengthens the relationship between technology orientation and KPRI's performance through better access to relevant technological knowledge and experience.

Social capital enables support and collaboration in the implementation and utilisation of technology in KPRI. Through social capital networks, KPRI members can share knowledge, resources, and support in adopting new technology. Collaboration with external parties supported by social capital can also help KPRI overcome barriers or challenges in implementing technology. With this support and collaboration, KPRI can be more effective in implementing and utilising technology, thus having a positive impact on organisational performance. Thus, social capital becomes a link between technology orientation and KPRI performance through support and collaboration in the implementation and utilisation of technology.

Strong social capital can provide better access to technology resources. Through social capital networks, KPRI can develop partnerships with technology companies, research institutions, or communities that have access to necessary technology. These partnerships can enable KPRI to gain access to hardware, software, or technological infrastructure needed to support operations and innovation in its business. With better access to technological resources, KPRI can improve organisational performance. In this case, social capital plays an important role as a link between technology orientation and KPRI performance through access to technology resources.

The test results in table 4 mentioned hypothesis 9 ( $H_9$ ) show the t statistical value is 2.63 ( $>1.96$ ). In addition, it is supported by a p value of 0.023 or smaller than 0.019 so it can be concluded that  $H_9$  is supported. The coefficient value shows that social capital is proven as an intervening variable. Social capital enables the exchange of knowledge and experience between KPRI members and external parties, such as other members, business partners, and the local community. Through this exchange, social capital facilitates KPRI's access to knowledge and experience related to learning. Information on best practices, innovations, and successful learning experiences can be obtained through social capital networks. Thus, social capital strengthens the relationship between learning orientation and KPRI performance through better access to relevant knowledge and learning experiences.

Support in individual and organisational capacity building: Strong social capital enables support and collaboration in the development of individual and organisational capabilities in KPRI. Through social capital networks, KPRI members can share knowledge, resources, and support in developing capabilities and skills relevant to learning. Collaboration with external parties supported by social capital can also help KPRI access

training, mentors, or other resources that support learning. With this support and collaboration, KPRI can improve the ability of individuals and organisations to learn and adapt to changes that occur, thus having a positive impact on organisational performance. Thus, social capital is the link between learning orientation and KPRI's performance through support and collaboration in developing individual and organisational capabilities.

Social capital can facilitate the spread of learning culture in KPRI. Through social capital networks, learning values such as curiosity, reflection, knowledge sharing, and the desire to keep learning can be promoted and applied in the organisation. The learning culture established through social capital can encourage KPRI members to actively engage in learning activities, share knowledge, and participate in learning initiatives. With a strong learning culture, KPRI can create an environment that supports learning, innovation, and improved organisational performance. In this case, social capital plays an important role as a link between learning orientation and KPRI performance through the spread of learning culture.

## 5 Conclusion

Entrepreneurial orientation has an insignificant effect on the performance of KPRI in Tulungagung Regency. The reason why entrepreneurial orientation has no significant effect is because the majority of KPRI administrators focus on maintaining financial balance, so they are less brave in taking risks because every year KPRI must distribute SHU members. In addition to this, the majority of KPRI administrators are civil servants who are bound by the main duties and functions of their positions, as well as regulations related to the state civil apparatus.

Market orientation has a significant effect on the performance of KPRI in Tulungagung Regency. These results prove that market orientation has a significant effect on the performance of KPRI in Tulungagung Regency. This is because good service from KPRI is one of the promotional media for KPRI for its members, so that KPRI administrators must continue to provide good service to all types of businesses owned.

Technology orientation has no effect on the performance of KPRI in Tulungagung Regency. These results prove that technology orientation has no effect on the performance of KPRI in Tulungagung Regency. The application of technological development is not a priority for KPRI because KPRI.

Learning orientation has no effect on the performance of KPRI in Tulungagung Regency. Learning for KPRI members is almost never carried out so that especially KPRI administrators there are those who do not understand the duties and obligations as KPRI administrators, especially at the managerial level. Learning orientation is important because organizations that apply learning orientation will be able to generate innovation, adapt to environmental changes, and achieve sustainable business performance.

Social Capital affects the Performance of KPRI in Tulungagung Regency, the t statistical results show a number of 2.17 which is greater than 1.96. This can also be proven also in the P Value value of 0.000 or the value is smaller than 0.05 so it is concluded that H5 is supported. These results prove that social capital has a significant effect on the performance of KPRI in Tulungagung Regency.

Social capital as an intervening variable in this study is proven to influence the strategic orientation of entrepreneurial orientation, market orientation, market orientation, technology orientation and learning orientation. Social capital can function as a linking mechanism between entrepreneurial orientation and performance, by connecting the resources and competencies possessed by KPRI's resources for competitive advantage and the resulting performance. Social capital, which includes social networks, trust, social norms, and collaboration among KPRI members and with external parties, can influence KPRI's access to necessary resources, such as financial capital, knowledge, information, and social support. Social capital enables cooperation, knowledge exchange, and collaboration among KPRI members and with external parties, such as business partners, government, and local communities. Social capital creates trust, commitment, and solidarity among KPRI members.

## References

- [1] H. Mintzberg, "Patterns in Strategy Formation," *Manage. Sci.*, vol. 24, no. 9, pp. 934–948, 1978, doi: 10.1287/mnsc.24.9.934.
- [2] A. Fulford, Heather; Rizzo, "Orientation of Small Firms," *J. enterprising Cult.*, vol. 17, no. 1, pp. 25–54, 2009.
- [3] H. Hakala, "Strategic Orientations in Management Literature: Three Approaches to Understanding the Interaction between Market, Technology, Entrepreneurial and Learning Orientations," *Int. J. Manag. Rev.*, vol. 13, no. 2, pp. 199–217, 2011, doi: 10.1111/j.1468-2370.2010.00292.x.
- [4] G. Liu, S. Takeda, and W. W. Ko, "Strategic Orientation and Social Enterprise Performance," *Nonprofit Volunt. Sect. Q.*, vol. 43, no. 3, pp. 480–501, 2014, doi: 10.1177/0899764012468629.
- [5] N. Venkatraman, "strategic Orientation of Business Enterprises: The Construct, Dimensionality and Measurement," Cambridge, WP#1781-86, 1986.

- [6] G. J. Pearson and G. J. Pearson, "Business orientation : Cliche or substance ? Business Orientation : Cliche or Substance ?," no. January 2015, pp. 37–41, 2010, doi: 10.1080/0267257X.1993.9964235.
- [7] Atuahene, Kwaku, and Gima, "2003 An Exploratory Analysis of the Impact of Market Orientation on New Product Performance.-atuahenegima2003.pdf," pp. 276–293, 1995.
- [8] M. Schindehutte, J. Richardson, and J. Allen, "Is the Business Model a Useful Strategic Concept? Conceptual, Theoretical, and Empirical Insights," *J. Small Bus. Strateg.*, vol. 17, no. 1, pp. 27–50, 2006.
- [9] V. Valentinov, "Toward a social capital theory of cooperative organization," *J. Coop. Stud.*, vol. 37, no. 3, pp. 5–20, 2004.
- [10] Q. Liang, Z. Huang, H. Lu, and X. Wang., "Social Capital, Member Participation, and Cooperative Performance: Evidence from China's Zhejiang," *Int. Food Agribus. Manag. Rev.*, vol. 12, no. 3, pp. 1–22, 2009.
- [11] J. Nilsson, G. L. H. Svendsen, and G. T. Svendsen, "Are Large and Complex Agricultural Cooperatives Losing Their Social Capital?," *Agribusiness*, vol. 28, no. 2, pp. 187–204, 2012, doi: 10.1002/agr.21285.
- [12] H. Mintzberg, "The Fall and Rise of Strategic Planning The Fall and Rise of Strategic Planning - Harvard Business Review," pp. 1–6, 1994.
- [13] D. H. Rosenbloom, "Public Sector Human Resource Management in 2020: Part III: Public Organizations for the Future," *Public Adm. Rev.*, no. December, pp. S175–S176, 2007.
- [14] M. Fulton, "Cooperatives and Member," *Finnish J. Bus. Econ.*, vol. 4, no. 99, pp. 418–437, 1999.
- [15] H. Gatignon *et al.*, "Strategic orientation of the firm and new product performance," *J. Mark. Res.*, vol. 34, no. 1, pp. 77–90, 1997, doi: 10.2307/3152066.
- [16] K. Z. Zhou, C. K. Yim, and D. K. Tse, "The effects of strategic orientations on technology- and market-based breakthrough innovations," *J. Mark.*, vol. 69, no. 2, pp. 42–60, 2005, doi: 10.1509/jmkg.69.2.42.60756.
- [17] H. Hakala, "Configuring Out Strategic Orientation," 2010.
- [18] J. M. Sinkula, W. E. Baker, and T. Noordewier, "A framework for market-based organizational learning: Linking values, knowledge, and behavior," *J. Acad. Mark. Sci.*, vol. 25, no. 4, pp. 305–318, 1997, doi: 10.1177/0092070397254003.
- [19] Lumpkin, G.T, and G. G. Dess, "Clarifying the entrepreneurial orientation construct and linking it to performance." pp. 135–172, 1996.
- [20] D. Miller *et al.*, "The Correlates of Entrepreneurship in Three Types of Firms," *Manage. Sci.*, vol. 29, no. 7, pp. 770–791, 1983, doi: 10.1287/mnsc.29.7.770.
- [21] S. W. Bradley, J. Wiklund, and D. A. Shepherd, "Swinging a double-edged sword: The effect of slack on entrepreneurial management and growth," *J. Bus. Ventur.*, vol. 26, no. 5, pp. 537–554, 2011, doi: 10.1016/j.jbusvent.2010.03.002.
- [22] A. K. Kohli, B. J. Jaworski, and A. Kumar, "MARKOR: A Measure of Market Orientation," *J. Mark. Res.*, vol. 30, no. 4, p. 467, 1993, doi: 10.2307/3172691.
- [23] J. C. Narver and S. F. Slater, "The Effect of a Market Orientation on Business Profitability," *J. Mark.*, vol. 54, no. 4, p. 20, 1990, doi: 10.2307/1251757.
- [24] A. Grinstein, "The effect of market orientation and its components on innovation consequences: A meta-analysis," *J. Acad. Mark. Sci.*, vol. 36, no. 2, pp. 166–173, 2008, doi: 10.1007/s11747-007-0053-1.
- [25] H. Gatignon and J. M. Xuereb, "Strategic orientation of the firm and new product performance," *J. Mark. Res.*, vol. 34, no. 1, pp. 77–90, 1997, doi: 10.2307/3152066.
- [26] R. B. J. Reulink, "Strategic orientation and innovation performance at Dutch manufacturing SME's: The overrated role of Market Orientation and Entrepreneurial Orientation," UNIVERSITEIT TWENTE, 2012.
- [27] prahalad Hamel, "Pengantar Pengantar Konsep Lain Strategi • Dapat disebabkan oleh ketepatan dalam Tipe Strategi," no. 1962, pp. 1–16, 2011.
- [28] G. P. Huber, "Organizational Learning: The Contributing Processes and the Literatures," *Organ. Sci.*, vol. 2, no. 1, pp. 88–115, 1991, doi: 10.1287/orsc.2.1.88.
- [29] R. J. Calantone, S. T. Cavusgil, and Y. Zhao, "Learning orientation, firm innovation capability, and firm performance," *Ind. Mark. Manag.*, vol. 31, no. 6, pp. 515–524, 2002, doi: 10.1016/S0019-8501(01)00203-6.
- [30] P. Yang, D. Li, and P. Li, "Continual Learning for Natural Language Generations with Transformer Calibration," *CoNLL 2022 - 26th Conf. Comput. Nat. Lang. Learn. Proc. Conf.*, pp. 40–49, 2022, doi: 10.18653/v1/2022.conll-1.4.
- [31] T. Claridge, "Social Capital and Natural Resource Management: An important role for social capital?," University of Queensland, Brisbane, 2004.
- [32] Alejandro Portes, "Social Capital : Its Origins and Applications in Modern Sociology Alejandro Portes," *Annu. Rev. Sociol.*, vol. 24, no. 1998, pp. 1–24, 2007.

- [33] J. Coleman, "Social Capital in the Creation of Human Capital Author," *Am. J. Sociol.*, vol. 94, no. Supplement, pp. S95–S120, 1988, doi: 10.1037/0012-1649.22.6.723.
- [34] K. Lochner, I. Kawachi, and B. P. Kennedy, "Social capital: A guide to its measurement," *Heal. Place*, vol. 5, no. 4, pp. 259–270, 1999, doi: 10.1016/S1353-8292(99)00016-7.
- [35] M. M. Nikolić, "Cooperatives in International Trade of Agricultural and Food Products," in *Challenges for the Global Agricultural Trade Regime after Doha*, 2013, pp. 255–266.
- [36] D. Mulyanti and Rina, "Meningkatkan Sisa Hasil Usaha Melalui Modal Dan Pemberian Pinjaman," *Ecodemica*, vol. 1, no. 1, pp. 81–88, 2017.
- [37] S. Rusnaini, H.- Hamirul, and A. M, "Non Performing Loan (Npl) Dan Return on Asset (Roa) Di Koperasi Nusantara Muara Bungo," *J. Ilm. Manajemen, Ekon. Akunt.*, vol. 3, no. 1, pp. 1–18, 2019, doi: 10.31955/mea.vol3.iss1.pp1-18.
- [38] P. Syrjä, K. Puumalainen, H. Sjögrén, J. Soininen, and S. Durst, "Entrepreneurial orientation in firms with a social mission - a mixed-methods approach," *Cogent Bus. Manag.*, vol. 6, no. 1, pp. 1–25, 2019, doi: 10.1080/23311975.2019.1602016.
- [39] M. Tripsas and G. Gavetti, "Capabilities, cognition, and inertia: Evidence from digital imaging," *Strateg. Manag. J.*, vol. 21, no. 10–11, pp. 1147–1161, 2000, doi: 10.1002/1097-0266(200010/11)21:10/11<1147::aid-smj128>3.0.co;2-r.
- [40] B. L. Connelly and W. Shi, "Threats and Responses in Organizational Research," *J. Manage.*, vol. 48, no. 6, pp. 1366–1381, 2022, doi: 10.1177/01492063221080431.