

# Influence Business Environment On The Organization Performance

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**Abstract:** The purpose of this study was to find solutions for problems related to the organization performance when connected with business environment. This study was theoretical review, especially about the effect of business environment on the organization performance. The results showed that business environment have a significant effect on organization performance. Furthermore it was found that business environment has implication for organization performance.

**Keywords:** business environment, organization performance

## Introduction:

Indonesia puts the cooperative as a pillar of the national economy. Economic empowerment Indonesian through cooperatives are an integral part of national development, especially as the implementation of the principle of kinship (Article 33 of the 1945 Constitution). Economic empowerment through Cooperative, Micro, Small, and Medium Enterprises (SMEs) is intended to achieve three (3) things at once, namely (a) are directly related to an increase in pro-poor welfare, (b) support national economic growth (pro-growth), and (c) expansion of business opportunities and employment in order to reduce unemployment (pro-job) (Board; 2012) Development approach aimed at economic actors, particularly in cooperatives and SMEs is essential to facilitate access to financial institutions. Poor people need quality financial services in a sustainable manner, such as savings, time deposits, loans, and various other micro financial services required. To achieve this mission, the Indonesian government and stakeholders to cooperate remove obstacles to the development of microfinance whose mother, as reflected in the White Paper for Indonesia Economic Policy. During this lending to the poor constrained collateral requirements so that credit from banking institutions can not reach the low-income population. It is empirically proven in many countries that microfinance institutions managed to empower the poor, especially women (Cull, 2009). Financial services cooperative that grows in the pockets of the poor so far managed to bridge the obstacles to conducting a series of community-based economy, including by providing training and mentoring. Cooperative financial services in Indonesia is one of the institutions of microfinance institutions that are legal entities that operate in the conventional cooperative (called the Credit Unions or KSP), as well as sharia (called Cooperative Financial Services Sharia or KJKS) which permits and supporting them by the Ministry of Cooperatives and other UKM. Institute which also gave the waiter in the form of savings and loan finance banking institutions whose licenses are issued by Bank Indonesia as well as NGOs and fostering license under the Ministry. Although Indonesia has a wide range of providers of microfinance services, but the gap between demand and supply of microfinance services is still there. Most families in Indonesia do not have access to financial services, especially families living in rural areas and outside Java and Bali high number of poor communities. Problems of low access of the poor to microfinance cooperative services caused by the legal framework of microfinance is still limited, inadequate regulation and supervision, and is still applied "old paradigm"

in the form of subsidized loans with a certain target that runs concurrently with the application of the "new paradigm" ie microfinance cooperative paradigm developed commercial and market-oriented. Based on the pattern of presentation of general information obtained demonstrate the performance measurement and preparation of competitive strategy that is consistent with the formation of cooperatives in general and in particular the financial services cooperative basis of the comprehensive not done. Traditional measurement systems that are causing organizational weaknesses analysis and competitive advantage can not be done in depth (Kimando, et al, 2012). Therefore, a comprehensive approach in the assessment of the performance of the cooperative very needed, in particular by using the balanced scorecard (BSC). Application of BSC concept is relevant to performance measurement as well as a competitive strategy and banking financial institutions (Zhang & Li, 2009). In a cooperative environment (in Indonesia) BSC is relatively new and still very minimal that implement it. Based on the value-added owned BSC, becomes the basis of Cooperatives and SMEs disseminate ministry to be applied to the cooperative, through technical assistance and training activities have introduced the concept of BSC to the cooperative. From 2010 until 2013 (recorded) 1,500 administrators / supervisors / managers of cooperatives in Central Java Province, East Java, West Java, Riau, Jambi, West Sumatra, Kalimantan, South Kalimantan, NTB, NTT, Sulawesi, Bali, Bengkulu, and North Sumatra have followed guidance and training BSC (Ministry of Cooperatives and SMEs; 2014) Phenomena that arise from the development of the Cooperative Financial Services (KSP / KJKS) can not be separated from the phenomenon of local, national and even international in general affect the development of the cooperative itself. As low performance achieved does not come by itself but rather the result of a decision-making process and the activities undertaken by the management (board, Supervisor, manager, and also includes members) KJK, and influenced by revolutionary trends that happened today such as: acceleration products and changes in technology, competition, deregulasi, demographic change, and tendency-a tendency towards public services and information. In the koptitif business environment, financial services cooperative management must have the ability to differentiate themselves in the competition in order to be able to survive this is in accordance with the statement of Peterson (2005) that the cooperative must have competitive advantage over other business organizations to be able to win in the competition. Factors competitive advantage must come from: (1) the sources of tangible just as the quality or uniqueness of the

products marketed and capital strength; (2) non-tangible resources such as brand name, reputation, and management practices are applied; and (3) the capability or competence-kompetansi core complex is the ability to perform a series of specific job or competitive activities (Peterson, 2005). Cooperative will have a competitive advantage when customers (mainly members) obtain satisfaction through the impression that the product or service is better than competitors' products or services. For that cooperatives should pay attention to five points in developing the competitiveness, which focus on the customer as a member or non-member, fidelity on quality, attention to comfort, concentration towards innovation, and dedication on services (Hendar, 2010). For that management needs to learn more reliable resources to excel and be able to compete in the kopertitif environment, namely through the ability to put lavarage on resources that are able to put the cooperative in competitive position in the long term. This phenomenon outline indicates that the performance of the Cooperative Financial Services is low due to the competitive advantages possessed too low. That is because the application of the basic types of competitive advantage has not fully implemented a in accordance with the conditions of the external factors and internal factors facing owned. In other words not maximal application of the strategy of competitive advantage due to the inability menganalisis and adapting the challenges and opportunities of external environmental factors faced by the cooperative financial services and simultaneously analyze and empower the weaknesses and strengths of the corresponding internal factors and owned by cooperative financial services. Means kinerja or success of the cooperative financial services is strongly influenced by the competitive advantages that are owned and environmental factors facing and internal environmental factors that are owned and managed in accordance with the industry who try it. There are three important ideas in the definition of participation is involvement, contribution and responsibility (Keth Davis; 1990, Arief Subiyanto; 1993, Hendar 2010). Participation as a member of the owner (participation contribution) may be proposed, supervision, criticism and sara, capital contribution and the contribution required alinnya cooperative. While the participation of members as service users / customers can be the purchase of goods and services produced and or sell goods and services to cooperatives. To be able to give the waiter who maximum operating cooperatives be required to efficiently and effective. in The cooperative known three kinds of efficiency, ie the efficiency of the business, the efficiency of members and efficiency of development. Business efficiency is defined as the achievement of cooperative business efficiency, and efficiency of members used to see where as far asooperative efforts to meet the needs of members in relation to the improvement of welfare. The efficiency of development intended to see how the cooperative development goals in the region (Hanel; 1989 Hendar; 2010). In service delivery, especially to members of the cooperative are required to work in a professional manner in order to realize competitive advantage, here cooperatives are required to be able to combine the management of all resources that become elements of an optimal internal environmental factors in order to produce the required goods and services consumers (both members and non-members ). This means that niali-value business and economic principles

and economic laws applicable in the cooperative management. One reflection of competitive advantage is the ability of cooperatives to remain "survive" in the "turbulence" environmental uncertainty. Many cooperatives established by the managers to then not have the ability to "going concern", and this fonomena be justification that a cooperative of the establishment does not have a strategy on how to survive to live and thrive. Furthermore, when a cooperative has had and get an edge, it can be said that the organization has "survive" and have a positive performance. The positive performance can be proved one indicator is the increase in net income (SHU), which in turn will have an impact on improving the welfare of the members.

## Literature Review

### Business environment

Relevance between theory and practice that occurs has prompted experts and researchers to indent research related to general business management and strategic management in particular. A number of researchers have proposed various models of strategic management. Strategic management model proposed by Wright, Kroll and Parnell (1996) contains five basic framework, namely: (1) opportunities and external threats that include macro environment and industry; (2) The internal environment that includes the company's resources, the organization's mission and goals; (3) Formula strategies include koporasi level, business unit level and functional level; (4) Implementation of the strategy which includes organizational structure, leadership, authority, and organizational culture; and (5) that includes the strategic control process and performance. Fundamental understanding into key points in this model is the formulation of a strategy that is divided into phases of corporate, business unit and functional levels. Furthermore, Wheelen and Hunger (2010) outlines the strategy formulation directly in the elaboration of a more operational level, namely the mission, goals, strategies, and policies. As for the implementation of the strategy outlined in the degree program, budget, and procedures. In a pragmatic model of the strategic management of Wheelen and Hunger looks easier to understand and easier to implement, although from the aspect of leadership, structure, and culture look less highlighted in the model they put forward.

### External environment

Strategic planning can be divided into four stages of the process (Wheelen and Hunger, 2010) that is environmental scanning, formulate strategy formulation, strategy implementation, and conduct evaluation and control. Furthermore, the process of examining the environment, the external environment analysis is intended to know the two variables, namely the opportunities and threats that are beyond the organization and are likely not in the short-term control of the company. In general, the analysis of the external environment will include the macro environment and the environmental aspects of the industry. Macro environment includes aspects related to the political, legal, economic, social and technology that may affect the business of the organization. While the industry environment is an environment that is closer to the business activities of the organization. Experts termed the management of the external environment as a place where the bargaining power of

buyers, bargaining power seller, the entry of potential new entrants, their substitutes, and the intensity of competition in the industry company, which all of these are beyond the control of the company (external factors). These factors can not be controlled companies without the right strategy and according to the situation of environmental change. Management, with all their expertise, are required to develop a suitable strategy for the company he leads. Rapid environmental change caused uncertainty of business environment (external), and therefore contributes to the strategic plan that has been formulated (Handriani, 2011). The external environment needs to be analyzed to determine the opportunities and threath who will face the company. There are two perspectives (Clark et al., 1994; Tan & Litschert, 1994) to conceptualize the external environment. First, perspective view of the external environment as a vehicle for providing resources. The second perspective view of the external environment as a source of information. The first perspective is based on the premise that the external environment is a vehicle that provides the resources critical to the survival of the company (Tan & Litschert, 1994). This perspective also implies external potential to threaten the company's internal resources. Strikes, deregulation, changes in legislation, for example, potentially damaging the company's internal resources (Clark et al., 1994). The second perspective associate information with environmental uncertainty. Environmental uncertainty refers to the external environment conditions unpredictable changes, therefore these factors may affect the ability of members of the organization in decision making.

### Internal environment

Internal environment (Marcus, 2005) is an environment that describes a resource strengths and weaknesses of an organization that should be a concern and should be analyzed to determine the extent to which companies can accommodate the opportunities and threats originating from the external environment. Analysis of the internal environment of the company, according to Pearce and Robinson (2013), include the resources, capabilities and competencies possessed by the company. This approach is known as the Resource Base View (RBV). In the RBV approach the resources owned by the company is much more important than the structure of the organization to obtain and maintain a competitive advantage. Pearce Robinson's (2013: 164), further, classify resources into three, namely (1) the assets are tangible assets, such as production facilities, raw materials, financial resources, and facilities such as computer technology. (2) intangible assets, such as reputation, moral company personnel, technical knowledge, patents, trademarks, and accumulated experience of the company; and (3) the capability of the organization, such as the ability and means to empower (combine) assets, human resources, and production processes that convert inputs into outputs. Concepts and methods of analysis of the internal environment in relation to the determination of the organization's strategy, further can be mapped into: (1) Management Principles, (2) Seven S's, (3) Value Chain, and (4) Resources, Capabilities, and Competencies. On the principles of management analysis approach argued that the company should have personnel who are capable of, especially jajaran directors who can monitor, control, and provide input and advice to the leaders summit. Leadership is

needed to build the core values and corporate structure in order to realize the strategy of the company through the division of labor based on specific tasks and systematic. Furthermore, the internal analysis based strategy 7S framework stated that there are 7 basic things that can or should be done and controlled by management to realize the company into excellence, namely: (1) Strategy, (2) Structure, (3) System, (4) Style, (5) Staffing, (6) Skills, and (7) Shared Values. In the value chain analysis approach, which is also known as the concept of "the building blocks of competitive advantage" that was developed by Porter (1996) and Wheelen & Hunger (2012), the internal environmental analysis conducted to analyze the strengths and weaknesses of the company. Value chain applied to understand that the activities of the organization is as an ongoing process in the value creation activities paid by the buyer of something created by the company. The measured values of total income benefit, ie when the value of a given company's products or services exceed all costs incurred in making the value of the product or service. Creating value for buyers who are able to exceed the cost of production (margin) is a key concept used in analyzing the competitive position of the company. Further analysis based on the value chain can be grouped into five main activities and four support activities. Five main activities are as follows: (1) Inbound Logistics, (2) Operations, (3) Outbound Logistics, (4) Marketing and Sales, and (5) Service. While supporting activities are: (1) Resource Procurement, (2) Technology Development, (3) Human Resources Management, and (4) Firm Infrastructure. Concepts and methods of analysis of recent internal environment is resource-based view which gives emphasis on resource aspects, capabilities, and competencies. This concept was developed from the "Theory of the Growth of the Firm" presented by Edith Penrose (Edith Panrose, 1996). In more detail, this approach can be described as follows:

- Resources are the basic capabilities of a company in the financial, physical, and human capital.
- Capabilities are the company's ability to exploit resources owned in order to achieve the desired planning. An organization can have many capabilities but little competencies.
- Competencies is the manager's ability to connect with key resources and capabilities combine, transform and direct them to satisfy customers.

### Organizational Performance

An important role of organizational performance to support business processes have received special attention management experts. Empirically, the researchers have tested the use of a construct of performance for a variety of issues related to the survival of an organization (Venkatraman & Ramanujam, 1986). Performance, according to Whitmore (1997), is an achievement of the target in the form that must be known and communicated to all parties within the organization, and are associated with vision assigned to an organization. Narrowly, business performance reflects the achievement of the objectives ekonomi an organization that is reflected in the financial indicators. Financial indicator-based performance measures is referred to as an indicator of financial performance and it has become the main model in research in the field of startegik (Hofer, 1983). Generally, financial indicators used for this approach is sales growth, profitability (which is reflected by the return

on investment, return on sale, and return on equity), earnings per share, and so on. In addition, in an effort to better reflect current market conditions, the researchers also used the areas of strategy-based performance measurement market, such as market-to-book or stock-market returns and the like (Montgomery, Thomas, & Kamath, 1984). Broader conceptualization of business performance is pengukuran performance that incorporate operational performance indicators (nonfinancial) in addition to the measurement of financial performance. This is done because the financial measures are not fully able to provide a real picture of the state of the company. Under this conceptual framework, measurements such as market share, new product introduction, product quality, marketing effectiveness, manufacturing value-added, and another measurement of the efficiency of the technology included as indicators of organizational performance measurement. Besides the performance measurement paradigm as described above, in the late 1980s emerged a new paradigm known as the balanced scorecard. This idea evolved because companies have already started to think to balance the performance of non-financial information with financial data. Integration between the performance of non-financial and financial data will help the company to determine the strategy for the challenges of the future. Balanced Scorecard arises from a simple argument is that the financial model of the business alone is no longer sufficient as the primary way to manage performance. The financial model is beneficial to provide details about what happened yesterday, but only slightly helpful in managing the development of the business. This is because the financial model displays the data obtained historically and illustrates the company's past performance that is hard to describe the situation what will happen in the future.

**Furthermore, the measurement of the performance of the balanced scorecard approach to** Performance evaluation is done by considering the company 4 (four) perspectives (Kaplan & Norton, 1996), namely financial perspective, customer perspective, internal process perspective, and learning and growth perspective. A more detailed description of each perspective are as follows:

a. **Financial Perspective** Financial perspective into focus the objectives and measures in all other balanced scorecard perspectives. Each measure must be part of a causal relationship, which in turn will be able to improve financial performance. Mulyadi and Setiawan (2001: 347) explains that the financial performance measures indicate whether the strategies, goals, strategic initiatives and implementation is able to contribute in generating profits for the company. Financial measure commonly manifested in profitability, growth and shareholder value. Financial perspective can be measured through appropriate financial ratios financial statement profitability ratio, which is a tool to analyze or measure the level of business efficiency and profitability achieved by the companies concerned. Generally ratios used are: (1) Return on Assets (ROA). Ratio This ratio is used to measure the ability of management to obtain an overall profit, and (2) Return on Investment Investment (ROI). This measure is used to align the income generated by the investment level. Furthermore, the application of the balanced scorecard to measure the performance of a financial perspective, the company needs to determine the

strategic objectives relating to the company's ability to survive the financial sector, successful and prosperous, and then determine the size of the results for each of these strategic objectives. Measurement used can be very different in each stage of the business life cycle. Kaplan and Norton (2000: 42-43) divide the business life cycle into three stages.

### **(1) Growth**

This stage is the initial stage of the business life cycle. In this stage the company usually has a negative cash flow and return on capital are low, then the measurement used is the rate of growth of sales or revenues.

### **(2) Sustain**

In this stage the company is expected to maintain existing market share and gradually grow year after year. Most at this stage the company will establish financial goals related to profitability. This purpose can be expressed by means of the size associated with the accounting profit as operating profit and gross margin. This measure considers the investment capital of a company is already fixed and ask the manager to maximize the revenue generated from the capital investment. In addition, at this stage the company was asked to not only manage the flow of income but also the level of investment capital invested. The measures used to regularize the profit generated by the return on investment.

### **(3) Harvest**

A stage in which the company gain from the investment made. This stage is achieved by firms in producing its products have reached saturation point. The company just invested in the maintenance and repair of facilities that have been owned. The overall financial objectives for the business at this stage is the operating cash flow (before depreciation) and saving various working capital requirements.

### **b. Customer Perspective**

In the perspective of the company's customers identify market segments and customers where they will compete. A market segment that will be the source of a major component of financial goals, or it could be said that the market or sales are the backbone of the company's sustainability. Customer satisfaction in enjoying the products or services of the company is an important variable to assess the success of a company, because without the presence of the consumer can be sure that the existence of the company will not last long. Customer perspective enables companies to identify and measure the proportion of the value to be given by the company to customers and target markets. Mulyadi (2001: 238) states that the measure can be used to measure the success of achieving the strategic target customers are: (1) market share, (2) customer acquisition, (3) customer loyalty, (4) customer satisfaction, and (5) profitability customer. Market share reflects the proportion of businesses owned by the company in a market segment. Customer acquisition reflects the company's ability to attract or win new customers or business. Customer loyalty reflects the company's ability to sustain or maintain relationships with existing customers. Customer satisfaction reflects the company's ability to satisfy its customers based on certain criteria (such as quality, time, price). Customer profitability reflects the ability of the service to the customer or a specific market segment in generating profits.

### c. Internal Business Perspective

This perspective refers to the work done in the organization. In this perspective the organization's performance is measured by how the organization is run and whether the organization can operate production or services effectively and efficiently according implied or organizations that claim to be customers. Kaplan and Norton (2000: 83) explains that in perspective, there are three main components, namely (1) the process of innovation, (2) operational processes, and (3) the service process. Explanation of each of these components are as follows:

#### (1) The process of innovation.

In the process of innovation, business unit examines emerging customer needs or are still hidden, and then create a product or service that will meet those needs. Innovation process is divided into two parts: identifying market needs and create products or services to meet the needs of the market.

#### (2) The process of operation

Process operating companies show activities undertaken by the company begins from the receipt of a customer order and ending with the delivery of products or services to customers. This process focuses on the delivery of products and services to existing customers in an efficient, consistent and timely. Customers appreciate the grace period (lead time) are reliable as measured by their timely delivery. A company must always measure cycle time and set goals for employees to reduce the overall production process cycle time.

#### (3) The process of service

This process is a service to the customer after the sale of products or services are performed. After-sales service activities include warranty and repair, and replacement of defective products that are returned and processing customer payments.

### d. Learning and Growth Perspective

In this perspective measure matters relating to human resources. There are three dimensions that must be considered in this perspective are:

#### (1) The ability of Employees

Measurements were performed on three main points namely measurement of employee satisfaction, measurement of employee turnover in the company, and the measurement of employee productivity.

#### (2) Information System Capabilities

Measurement of the company can be done by measuring the percentage of availability of the information required by the employees of the customer, the percentage of availability of information on the cost of production and others.

#### (3) Motivation, Granting Privileges and Restrictions Authority Employees

Measurements can be done through several dimensions, namely: (a) Measurement of the advice given to the company and implemented, (b) Measurement on improving and improving employee performance, and (c) Measurement of the limitations of the individual within the organization. To determine the objectives and measures related to the ability

of the employees there are three things that will be considered in this study are:

#### (1) Productivity of employees

Is a measure of the results, the overall impact of efforts to increase employee morale and expertise, innovation, and customer satisfaction. The goal is to compare the output generated by the number of employees who were deployed to produce the output. There are many ways to measure labor productivity and one of the simplest measure of productivity is per capita income.

#### (2) Percentage Skilled Employee Training

Coaching and development of human resources is a priority concern. This is done in an effort to increase competence in managing the management, so that employees can continue to grow and skilled in their respective work units.

#### (3) Employee satisfaction

Overall job satisfaction is now considered very important by most companies and this is a pre-condition to improve productivity, quality responsiveness, and customer service. To achieve employee satisfaction, then the manager can conduct surveys on a regular basis. There are several elements of employee satisfaction about involvement in decisions (Lasdi, 2002), namely (a) Recognition; (B) Access to information; (C) active encouragement to creativity and initiative; and (d) Support boss Gaps in the financial aspect, customers, and internal company processes can be detected by using a balanced scorecard. To make improvements to the performance and reduce the gap companies need to implement employee training programs and continuous improvement system that is aligned with the procedure (Ward, 1999). Balanced scorecard emphasizes the company's efforts to implement the investment for the sake of the future, including human investment, systems and procedures. Human or corporate employees need to be given regular training to increase skills or abilities in order to meet changing customer and environmental guidelines. The system needs to be improved by using information technology. In this perspective to measure the importance of a business organization to continue to pay attention to their employees, to monitor the welfare of employees and increase employee knowledge. This happens due to the increased level of knowledge of employees will increase the ability of employees to participate in the achievement of corporate goals. Excellence in the balanced scorecard concept of strategic planning system is able to produce a strategic plan that has the following characteristics (Mulyadi, 2005):

#### (1) Comprehensive

Balanced scorecard broaden perspectives covered in strategic planning. Expansion perspective of strategic plans for the non-financial perspective generates benefits consist of: (1) Promising financial performance and sustainable multiplied; and (2) the ability of the organization to enter complex business environment.

#### (2) Coherent

Balanced scorecard requires personnel to establish a causal link between the strategic objectives resulting in strategic planning.

**(3) Balanced**

Balance of strategic targets generated by the system of strategic planning is important to generate long-term financial performance.

**(4) Measured**

Measurable strategic targets generated by the system of strategic planning promising achievement of strategic objectives generated by the system. In this study disampaing 4 (four) balanced scorecard perspectives, researchers also will exclude social perspective as one measure of organizational performance. This is done because the object of study in this research is a microfinance institution. In general, one of the indicators of the success of the institution in question is their ability to reduce poverty.

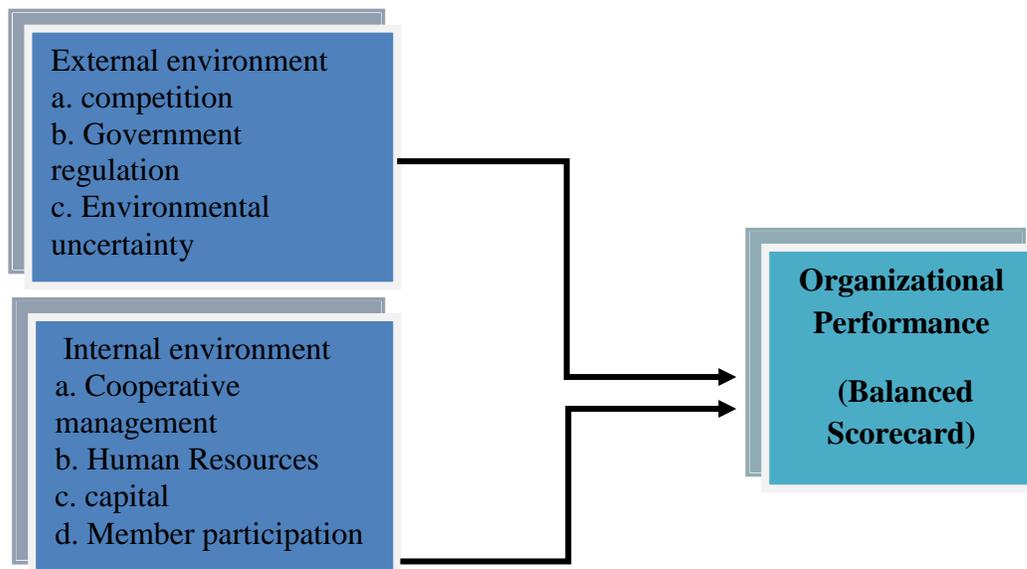
**e. Social Perspective**

Especially for Microfinance Institutions (MFIs) there is a social aspect that should be added for performance assessment such institution. This addition is based on the argument that in order to measure the performance of an MFI, we not only consider the aspect of financial sustainability (balanced scorecard) of the organization, but also must consider aspects of improving the living standards of clients (social perspective) as a measure of the success of an MFI's principal, including Cooperative Financial Services in it. This is in line with research that has been done Matul & Simonyan (2007) on Microfinance Institutions MDF-Kamurj in Armenia and Pawlak & Egusquiza (2007) on the NGO Manuela Ramos-CrediMUJER in Peru.

**Theoretical Framework****Effect of the Business Environment and Organizational Performance**

Temtime & Pansiri (2004), in a small business research entitled critical success / failure factors in developing economies: some evidence from Botswana, conducting research on 203 units of SMEs (Small and Medium Enterprises) in three cities in the republic of Botswana. They used a questionnaire as a tool for collecting research data, and analyze the data with statistical techniques aided descriptive and inferential statistics. Their results showed that the development of human resources, organizational development, the background manager, manejerial leadership and competitive strategy is an important component that affects the performance of the organization (SMEs). The main criticism we can give to this research is the research question still contain fundamental flaws in the design aspects of research, conceptualization and operationalization of the factors that become a critical aspect of the success and failure of SMEs. Thus, further, we need a re-Explored on their research to include external factors,

such as the role of government, competition, and so on. Furthermore, research conducted by Munizu (2010) with the title of the influence of external factors and internal to the performance of micro and small enterprises (MSEs) in South Sulawesi, which is held in the city of Makassar and Pare-Pare, and involved 300 respondents. Next, Mappingau & Maupa (2012), in a study entitled entrepreneurial intention and small business growth: an empirical study of small food processing enterprises in South Sulawesi, Indonesia, conducting research on 137 units of small businesses in the food maker Erekang region of South Sulawesi. They used a stratified random sampling and questionnaire as techniques and tools to collect research data, and analyze the data with path-aided engineering analysis. The results of their research to document empirically that both internal factors (availability of start-up capital, the desire for self, family support, a model of entrepreneurship, personal skills, and work experience) and external factors (availability of assistance and support from the government, the availability of processing technology, availability of raw materials, and option markets) simultaneously and positively affect the growth of small businesses. Criticism that can be raised above their research is the conceptualization of organizational growth has not been formulated clearly, so that the further research of this variable should be developed in a more measured, such as organizational performance variables. Furthermore, Herman (2011), in a study entitled influence business location, business character of the business strategy and business performance of small industry in North Sulawesi, carry out research on the 6 districts / cities (each of the three counties / cities) in North Sulawesi. He used questionnaires in research involving 200 respondents, and then analyze the data using descriptive analysis and structural equation modeling (Structural Equation Modeling-SEM). Research results conclude that government regulation, competition and business location significantly influence business strategy. Being small industrial business performance is significantly affected by government regulation, competition, business characteristics through business strategy. Criticism which can be raised against this study is the researchers did not include the uncertainty of the environment variable in examining the relationship between business strategy and organizational performance, so that in future studies mentioned variables should be considered as one dimension of business strategy variables. Of a partial picture of the influence between each variable that consists of the external environment, internal environment, and cooperative performance, it can be arranged as represented research paradigm shown in the figure below. This research attempts to explain and predict the effects of external and internal environment for the performance of Cooperative Financial Services.



**Figure :** Theoretical Framework

The external environment affecting the cooperative financial services is the level of competition in similar businesses, governments, and environmental uncertainty, while the internal environment affecting the financial services cooperative strategy is the ability of the cooperative management, human resources, participation of members, and cooperative capital. Both aspects of this environment must be addressed by the cooperative financial services in its business strategy. If it is run, then the cooperative financial services will obtain high performance.

### Hypothesis

Based on a literature review and a framework that has been developed, the hypothesis can be put forward is the effect on the Business Environment Organizational Performance.

### Conclusion

The business environment effect on the organization performance. The theories that already exist about management and organization make more emphasized linkages, that the influence business environment the to increase the organization performance. The results of the theoretical evidence from this study can be used to solve problems that occurs the business environment and the organization performance. The organization performance can be improved through increases in the business environment.

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