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KNOWLEDGE CAPABILITY AS A MEDIATOR BETWEEN WORK CULTURE AND INNOVATION PERFORMANCE IN BANDUNG COFFEE SHOPS

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Abstract

Purpose: This study examines the relationship between work culture and innovation performance, and tests whether knowledge capability mediates that relationship in Bandung coffee shops.

Research Methodology: Drawing on the Resource-Based View and Knowledge-Based View, this quantitative explanatory study analyzed 160 valid questionnaires completed by owner-managers, head baristas, supervisors, and senior operational staff. Purposive sampling was used, and the hypothesized relationships were assessed with PLS-SEM in SmartPLS 4.

Results: Work culture was positively associated with innovation performance ($\beta = 0.312$, $p < 0.001$) and knowledge capability ($\beta = 0.548$, $p < 0.001$). Knowledge capability was positively associated with innovation performance ($\beta = 0.426$, $p < 0.001$) and showed a significant complementary partial mediation effect ($\beta = 0.233$, $p < 0.001$; VAF = 42.75%).

Limitations: The cross-sectional, self-reported design and the Bandung-specific setting limit causal inference and generalizability.

Contribution: The study clarifies knowledge capability as the organizational mechanism through which an adaptive work culture is associated with innovation performance in knowledge-intensive coffee-shop operations.

Keywords: *work culture, knowledge capability, innovation performance, coffee shops, Bandung, KBV*



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1. INTRODUCTION

The growth of Indonesia's culinary industry and urban lifestyle in recent years has positioned the coffee shop sector as a highly promising pillar of the creative economy (Sutisna & Hidayat, 2024). Bandung, known as the epicenter of gastronomic creativity in West Java, has experienced an exponential surge in the establishment of both independent and modern franchise coffee shops (Handayani et al., 2025). The shift in the function of coffee shops from mere venues for enjoying beverages to communal workspaces and hubs for social interaction

has intensified market competition across the city's strategic corridors (Christantyo & Shiratina, 2023). High levels of market saturation require coffee shop operators to move beyond relying solely on the visual uniqueness of their venues and instead continuously update their value propositions (Purnomo & Suryana, 2022). Rapidly evolving urban consumer expectations make innovation a critical driver of sustainability for F&B businesses (Hermina & Sakti, 2023). Failure to respond to local customer preferences for taste and comfort carries a high risk of a drastic decline in market share (Caputo et al., 2021). Consequently, achieving consistent innovation performance is a crucial determinant for the operational continuity of coffee shops in Bandung (Handayani et al., 2025). Thus, gaining a comprehensive understanding of the drivers of innovation performance within the local coffee shop ecosystem constitutes an urgent strategic research agenda (Sutisna & Hidayat, 2024).

Innovation performance in the culinary industry reflects the ability to commercialize creative ideas into products, service processes, and business models that hold economic value (Scuotto et al., 2022). In the context of coffee shops in Bandung, innovation manifests in the creation of coffee-based menu items that utilize local commodities, the optimization of brewing methods, and the digitalization of point-of-sale and ordering systems (Handayani et al., 2025). Drawing on the Resource-Based View (RBV) paradigm, superior innovation performance hinges on a firm's capacity to mobilize internal resources that are unique and difficult to imitate (AlMulhim, 2023). The coffee shop sector relies heavily on direct personal interaction among baristas, kitchen staff, and customers as the nexus for the creation of service value (Christantyo & Shiratina, 2023). Without the support of integrated organizational capabilities, innovative ideas often fail to be implemented consistently at the operational level (Le & Lei, 2021). Low innovation performance has been shown to limit the competitiveness of independent coffee shops when facing expansion by national and multinational coffee retail chains (Purnomo & Suryana, 2022). Furthermore, the speed of bringing new menu creations to market (speed-to-market) is a crucial benchmark for maintaining the loyalty of urban consumers in Bandung (Sutisna & Hidayat, 2024). Consequently, strengthening the organization's internal foundations is a determining factor in achieving sustainable innovation performance (Al-Swidi et al., 2024).

Work culture is a fundamental internal determinant shaping employees' behavioral patterns and their spirit of innovation (Ogbeibu et al., 2021). It reflects shared values, team norms, and the psychosocial climate that guides daily operational interactions within coffee shops (Budur et al., 2024). In the dynamic service industry, a work climate that emphasizes collaboration, transparency, and tolerance for risk-taking can spark creative initiatives among frontline staff (Al-Swidi et al., 2024). Management-supported freedom to experiment fosters psychological safety, allowing baristas to explore roasting profiles and flavor formulations without fear of reprisal for failure (Christantyo & Shiratina, 2023). Conversely, rigid, hierarchical, and insular work structures tend to stifle bottom-up innovative initiatives (Le & Lei, 2021). Numerous studies demonstrate that an adaptive organizational culture contributes significantly and positively to superior business performance (Wu et al., 2024). However, the internalization of a robust work culture in Bandung's coffee shop businesses is often hindered by high labor turnover (Handayani et al., 2025). Therefore, empirically verifying the direct impact of work culture on coffee shop innovation performance is essential (Ogbeibu et al., 2021).

Despite the pivotal role of work culture, a conducive work climate does not automatically yield measurable innovation without systematic knowledge management capabilities (Caputo et al., 2021). From the perspective of the Knowledge-Based View (KBV), intellectual capital constitutes the most valuable resource for creating organizational competitive advantage (AlMulhim, 2023). In the modern coffee shop business, knowledge encompasses technical expertise in coffee bean processing, analysis of consumer taste-preference trends, and the use of

sales transaction history data (Hermina & Sakti, 2023). Knowledge capability refers to an organization's capacity to acquire, assimilate, share, and apply such strategic insights within work activities (Scuotto et al., 2022). Without structured knowledge capabilities, employees' creative ideas remain fleeting concepts rather than being converted into value-added products (Le & Lei, 2021). Knowledge-sharing practices among baristas in Bandung often occur informally, making the knowledge vulnerable to loss when expert employees move to other workplaces (Purnomo & Suryana, 2022). The absence of a standardized knowledge repository can hinder the replication and consistency of quality in new product innovations (Hermina & Sakti, 2023). Thus, knowledge capability is positioned as a core mechanism ensuring the smooth processing of market information into innovative outputs (Al-Swidi et al., 2024).

A research gap arises from theoretical debates and varying findings regarding the transmission mechanism through which work culture directly influences innovation performance (Ogbeibu et al., 2021). Some literature indicates that the impact of work culture values on innovation is not always linear or direct; rather, it requires mediating variables to operationalize this relationship (Wu et al., 2024). Within this framework, knowledge capability serves as a transformational bridge that converts cultural motivational energy into concrete operational actions (Scuotto et al., 2022). A collaborative work culture fosters an atmosphere of openness that encourages baristas to voluntarily share tacit knowledge regarding coffee operational techniques (Budur et al., 2024). The accumulated knowledge is subsequently applied to refine menu formulations, improve kitchen workflows, and devise creative marketing strategies (Hermina & Sakti, 2023). This mediation model offers a more comprehensive explanation of how the work climate translates into tangible innovation performance in the culinary sector (AlMulhim, 2023). Therefore, examining the mediating role of knowledge capability is crucial for bridging the theoretical gap in the context of the coffee shop business (Caputo et al., 2021).

Based on the background review and the identification of research gaps, this study aims to examine and analyze the influence of work culture on innovation performance, mediated by knowledge capability, within the coffee shop industry in Bandung (Handayani et al., 2025). Theoretically, this research contributes by extending the validity of the integrative KBV and RBV model to the context of micro, small, and medium-sized enterprises (MSMEs) in the creative industry within developing nations (Al-Swidi et al., 2024). From a practical standpoint, the findings are expected to serve as a managerial reference for coffee shop owners and managers in Bandung when formulating cultural interventions and intellectual capital management strategies (Purnomo & Suryana, 2022). Strengthening internal capacity is crucial for achieving product differentiation and ensuring business resilience amidst a highly competitive environment (Christantyo & Shiratina, 2023). The article begins with a literature review and the formulation of relevant research hypotheses (Scuotto et al., 2022). The methodology section outlines data collection procedures and the structural analysis design based on PLS-SEM (Hair et al., 2022). The results and discussion section details the empirical findings and compares them with current literature (AlMulhim, 2023). Finally, the article concludes with a comprehensive summary, strategic implications, and directions for future research (Ogbeibu et al., 2021).

Prior research consistently links organizational culture, knowledge management, and innovation, but it provides limited evidence on how this resource-to-capability pathway operates in small, service-intensive coffee shops. In this setting, menu development, brewing consistency, and customer-facing service depend heavily on tacit and rapidly transferable operational knowledge. Accordingly, this study does not claim that the basic relationships are novel; its contribution is to examine the knowledge-capability mechanism in a Bandung coffee-shop setting and to connect this mechanism explicitly to RBV and KBV.

LITERATURE REVIEW AND HYPOTHESIS

RESOURCE-BASED VIEW (RBV) AND KNOWLEDGE-BASED VIEW (KBV)

The Resource-Based View (RBV) argues that sustained advantage arises from resources that are valuable, rare, difficult to imitate, and organizationally embedded (Barney, 1991). The Knowledge-Based View (KBV) extends this logic by treating specialized knowledge and its integration as central to firm value creation (Grant, 1996). In the Bandung coffee-shop context, work culture is conceptualized as an intangible organizational resource that can enable open exchange, experimentation, and collaborative routines. Knowledge capability is then the organizational capability through which knowledge is acquired, shared, integrated, and applied. Innovation performance is the resulting product, process, and service outcome. This theoretical ordering provides the basis for the proposed mediation model.

The Influence of Work Culture on Innovation Performance Work culture comprises the shared values, beliefs, behavioral norms, and assumptions that guide organizational members in carrying out operational tasks (Ogbeibu et al., 2021). In the gastronomy service industry, such as coffee shops, a work climate that fosters openness, collaboration, and tolerance for experimental failure is essential for driving innovative behavior among frontline staff (Budur et al., 2024). When coffee shop management grants baristas the autonomy to explore new roasting methods and brewing recipes, the drive to generate unique menu innovations increases significantly (Christantyo & Shiratina, 2023). An adaptive work culture can reduce employees' fear of failure when launching new service concepts or product variants (Le & Lei, 2021). Conversely, a rigid and restrictive work culture has been shown to hinder organizational agility in responding to shifting consumer preference trends in Bandung (Handayani et al., 2025). Various empirical studies demonstrate that an innovation-oriented organizational culture is directly linked to improved process efficiency and product performance (Al-Swidi et al., 2024). A supportive work atmosphere fosters intrinsic motivation among all coffee shop personnel to continuously refine the customer experience (Sutisna & Hidayat, 2024). Based on these theoretical arguments and empirical evidence, the first hypothesis is formulated as follows:

H1: Work culture has a positive and significant effect on innovation performance in the coffee shop industry in Bandung.

THE EFFECT OF WORK CULTURE ON KNOWLEDGE CAPABILITY

Knowledge capability reflects an organization's capacity to acquire, create, share, and apply strategic knowledge within business activities (Scuotto et al., 2022). Knowledge transfer processes, particularly regarding tacit knowledge such as a barista's sensory acuity (sensory cupping) and friendly service techniques, rely heavily on social relationships and mutual trust within the workplace (Hermina & Sakti, 2023). A collaborative work culture can mitigate knowledge hoarding, a behavior that often hinders a team's operational efficiency (Caputo et al., 2021). A coffee shop environment that prioritizes continuous learning encourages senior baristas to voluntarily mentor new staff on precise espresso extraction techniques (Purnomo & Suryana, 2022). Open communication across departments facilitates the flow of insights regarding customer preference trends from service staff to kitchen management (Budur et al., 2024). Without an inclusive cultural foundation, formal knowledge management initiatives often fail due to low levels of active employee participation (Ogbeibu et al., 2021). Previous studies confirm that organizational climate is a key antecedent that reinforces every stage of the knowledge capability cycle (AlMulhim, 2023). Therefore, the relationship between work culture and knowledge capability is formulated in the second hypothesis:

H2: Work culture has a positive and significant effect on knowledge capability in the coffee shop industry in Bandung.

THE INFLUENCE OF KNOWLEDGE CAPABILITY ON INNOVATION PERFORMANCE

Innovation is fundamentally the tangible outcome of recombining and applying new knowledge to solve business problems (Al-Swidi et al., 2024). Knowledge acquisition capability enables managers to identify superior local coffee bean varieties and the latest brewing technologies emerging in the market (Sutisna & Hidayat, 2024). The ability to share knowledge among staff accelerates the conversion of insights into consumer trends into innovative, market-ready beverage menu formulations (Hermina & Sakti, 2023). Through knowledge application capability, customer transaction pattern data from Point-of-Sale (POS) systems can be processed into promotional strategies and used to improve service efficiency (Handayani et al., 2025). Organizations with mature knowledge capabilities demonstrate greater speed in launching product innovations to market (speed-to-market) than their competitors (Scuotto et al., 2022). Conversely, weaknesses in documenting and applying knowledge make coffee shops vulnerable to a decline in taste consistency during barista turnover (Christantyo & Shiratina, 2023). Strategic management literature consistently demonstrates that mastering knowledge capabilities directly impacts innovation excellence across processes, products, and business models (Le & Lei, 2021). Based on this, the third hypothesis is formulated:

H3: Knowledge Capability has a positive and significant effect on Innovation Performance in the coffee shop industry in Bandung City.

THE MEDIATING ROLE OF KNOWLEDGE CAPABILITY

Although work culture provides a social climate conducive to creativity, the mere presence of cultural values is insufficient to generate commercial innovation without structured intellectual processing mechanisms (Wu et al., 2024). Knowledge-Based View (KBV) theory posits that work culture serves as a contextual enabler, activating employees' knowledge capabilities and, in turn, driving the emergence of innovative breakthroughs (AlMulhim, 2023). In the competitive landscape of coffee shops in Bandung, cultural enthusiasm for innovation requires operational channels such as recipe documentation, periodic taste-quality evaluations, and workflow standardization (Purnomo & Suryana, 2022). Knowledge capability acts as an intervening variable that bridges cultural motivation with innovation actions that are measurable and consistently replicable (Scuotto et al., 2022). Through this transmission, a collaborative culture is transformed into problem-solving capabilities that accelerate the creation of seasonal drinks and improvements in service management (Hermina & Sakti, 2023). Recent empirical research confirms that knowledge management capability significantly mediates the relationship between organizational climate and business innovation outcomes (Caputo et al., 2021). The absence of this mediating role in the knowledge process causes the drive for an innovation culture to lose its strategic direction for execution (Ogbeibu et al., 2021). Thus, the fourth hypothesis is proposed as follows:

H4: Knowledge capability mediates the relationship between work culture and innovation performance in the Bandung coffee shop industry.

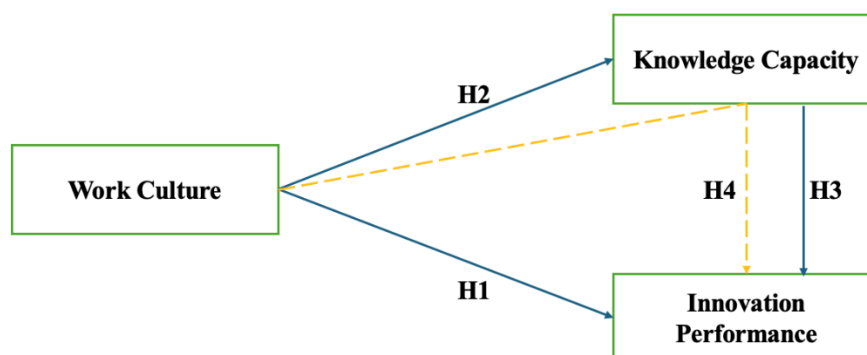


Figure 1. Research framework

METHOD

This study employs a quantitative approach within a positivist paradigm and a causal-explanatory research design to test hypothesized structural relationships among latent variables (Work Culture, Knowledge Capability, and Innovation Performance). The target population consists of business owners and managers of coffee shops in Bandung City that are registered with industry associations or local tourism and culture agency databases and have been actively operating for at least 2 years. Sampling was conducted using a non-probability sampling method, specifically purposive sampling. The established respondent inclusion criteria were: 1) Owners (owner-managers), head baristas, operational supervisors, or senior staff with a minimum tenure of one year at the respective coffee shop; 2) Coffee shops featuring signature drinks and conducting on-site brewing operations (dine-in and manual brewing); and 3) Coffee shops located within Bandung City's culinary clusters. The unit of observation is the eligible individual informant who is directly involved in managerial or operational work. Therefore, the results should be interpreted as informed perceptions of organizational practices and innovation outcomes, rather than as independently audited firm-level performance measures.

The minimum sample size was determined via statistical power analysis using "G*Power 3.1.9.7" software for a multiple linear regression/PLS-SEM path model, based on the following parameters: a medium effect size (f^2) of 0.15, a significance level (α) of 0.05, a statistical power ($1-\beta$) of 0.80, and a maximum of two predictor variables. The G*Power calculation established a minimum sample threshold of 68 respondents. Additionally, the "10-times rule" proposed by Hair et al. (2022) suggests a minimum of 20–30 samples. To ensure parameter estimation stability and avoid small-sample bias, questionnaires were distributed using a structured approach (combining offline questionnaires with supervised digital forms) until 160 valid and complete questionnaires were obtained for analysis. Respondent eligibility was screened before analysis using the stated position, tenure, operational, and location criteria. The reporting of 160 valid and complete questionnaires refers to the final analytic sample.

Inferential data analysis in this study was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method, implemented in SmartPLS version 4. The PLS-SEM approach was selected due to its robust capability to analyze and predict complex models, its lack of a multivariate normality assumption requirement (non-parametric nature), and its effectiveness in testing mediation relationships within strategic management and MSME research (Hair et al., 2022). The analysis process comprised two main stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model). In the measurement model evaluation stage, testing focused on construct validity and reliability, including convergent validity (assessed via outer loadings > 0.70 and Average Variance

Extracted (AVE) > 0.50); internal consistency reliability (the minimum threshold of 0.70); and discriminant validity. Once the measurement model was confirmed to be valid and reliable, the structural model was evaluated; this included testing for collinearity between constructs (using Variance Inflation Factor/VIF < 5), assessing the coefficient of determination (R^2) to evaluate the predictive power of exogenous variables on endogenous variables, measuring effect sizes (f^2) to determine the contribution of each predictor, and assessing predictive relevance. The reported Q^2 values should be interpreted as in-sample predictive relevance; a future replication should additionally report the full PLSpredict error comparison against a linear-model benchmark (Shmueli et al., 2019). Finally, direct and indirect hypothesis testing was performed using the Complete Non-Parametric Bootstrapping procedure with 5,000 subsamples (bootstrapped samples) at a 5 percent significance level. A hypothesis is accepted if the t-statistic exceeds 1.645 for a one-tailed test or 1.96 for a two-tailed test, and the p-value is less than 0.05. To test for mediation effects, this study employs the Variance Accounted For (VAF) approach and 95% bias-corrected bootstrap confidence intervals, with the mediation effect deemed significant if the confidence interval does not include zero. The constructs were modeled reflectively because their indicators represent correlated manifestations of the underlying work-culture, knowledge-capability, and innovation-performance perceptions. To reduce common-method concerns, the questionnaire used eligibility screening and separated construct sections; nevertheless, the cross-sectional self-report design remains a limitation and is acknowledged in the interpretation (Podsakoff et al., 2003).

Measurement and Reporting Clarification

The submitted dataset reports eight indicators for Work Culture, eight indicators for Knowledge Capability, and six indicators for Innovation Performance. All item loadings exceeded 0.70. For full replication, the final submission should retain the exact questionnaire wording, original scale citations, translation/adaptation procedure, and response anchors in an online appendix or supplementary file; these materials cannot be reconstructed from the manuscript text alone.

Statistical Reporting Clarification

Hypotheses were assessed with complete non-parametric bootstrapping of 5,000 subsamples. Results are presented using two-tailed 95% bootstrap confidence intervals, and statistical significance is reported as $p < 0.001$ where the software output rounds to 0.000. HTMT values are reported as inter-construct comparisons rather than directional paths. The reported cross-sectional associations do not establish temporal causality.

RESULTS AND DISCUSSION

A. RESULTS

Respondents' Demographic Characteristics

Data were collected from 160 respondents representing coffee shop businesses in Bandung City. The demographic profile of the respondents is presented in Table 1.

Table 1. Respondents' Demographic Profile (n = 160)

Characteristic	Category	Frequency (n)	Percentage (%)
Gender	Male	98	61.25
	Female	62	38.75
Age	20-25 years	74	46.25
	26-30 years	56	35.00
	> 30 years	30	18.75
	Owner-Manager	34	21.25

Characteristic	Category	Frequency (n)	Percentage (%)
Business Operational Duration	Head Barista/Supervisor	58	36.25
	Senior Barista/Operations Staff	68	42.50
	2-3 years	88	55.00
	4-5 years	48	30.00
	> 5 years	24	15.00

The findings indicate that most respondents were young adults aged between 20 and 30 years, accounting for 81.25% of the sample. Furthermore, the majority were directly involved in operational and managerial activities within their coffee shops, reflecting the practical and entrepreneurial nature of the industry.

Measurement Model Evaluation (Outer Model)

Convergent Validity and Construct Reliability

Convergent validity was assessed using outer loading values and the Average Variance Extracted (AVE), while construct reliability was examined through Cronbach's Alpha, Composite Reliability (CR), and Dijkstra-Henseler's rho_A. The results are presented in Table 2.

Table 2. Results of Outer Loading, Reliability, and Convergent Validity Assessment

Construct	Indicator	Outer Loading	Cronbach's α	ρ_A	ρ_C (Composite Reliability)	AVE
Work Culture (WC)	WC1	0.782	0.904	0.908	0.923	0.601
	WC2	0.761				
	WC3	0.814				
	WC4	0.749				
	WC5	0.793				
	WC6	0.802				
	WC7	0.735				
	WC8	0.764				
Knowledge Capability (KC)	KC1	0.798	0.918	0.921	0.933	0.635
	KC2	0.825				
	KC3	0.774				
	KC4	0.811				
	KC5	0.836				
	KC6	0.769				
	KC7	0.788				
	KC8	0.770				
Innovation Performance (IP)	IP1	0.812	0.895	0.899	0.920	0.656
	IP2	0.840				
	IP3	0.795				
	IP4	0.828				
	IP5	0.766				
	IP6	0.816				

The results demonstrate that all indicators achieved outer loading values exceeding the recommended threshold of 0.70, indicating satisfactory indicator reliability. The AVE values ranged from 0.601 to 0.656, exceeding the minimum criterion of 0.50 and thus confirming convergent validity. In addition, all reliability measures, including Cronbach's Alpha, Composite Reliability, and rho_A, were above 0.70, indicating a high level of internal consistency among the constructs. Specifically, Work Culture exhibited Cronbach's Alpha = 0.904, rho_A = 0.908, Composite Reliability = 0.923, and AVE = 0.601. Knowledge Capability demonstrated Cronbach's Alpha = 0.918, rho_A = 0.921, Composite Reliability = 0.933, and AVE = 0.635. Innovation Performance recorded Cronbach's Alpha = 0.895, rho_A = 0.899, Composite Reliability = 0.920, and AVE = 0.656. Consequently, all constructs satisfied the requirements for convergent validity and reliability.

Discriminant Validity

Discriminant validity was evaluated using the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT).

Table 3. Discriminant Validity Results (Fornell-Larcker Criterion)

Construct	Innovation Performance	Knowledge Capability	Work Culture
Innovation Performance	0.810		
Knowledge Capability	0.597	0.797	
Work Culture	0.545	0.548	0.775

The square root of the AVE for each construct was greater than its correlations with other latent constructs, thereby satisfying the Fornell-Larcker criterion and confirming discriminant validity.

Table 4. Discriminant Validity Results (HTMT)

Inter-Construct Relationship	HTMT Value	Threshold	Result
Knowledge Capability → Innovation Performance	0.653	< 0.85	Valid
Work Culture → Innovation Performance	0.601	< 0.85	Valid
Work Culture → Knowledge Capability	0.598	< 0.85	Valid

All HTMT values were substantially below the conservative threshold of 0.85, indicating the absence of discriminant validity issues. Therefore, the discriminant validity of the measurement model was successfully established.

Structural Model Evaluation (Inner Model)

Collinearity Assessment

Before assessing the structural relationships, the Variance Inflation Factor (VIF) values were examined to detect potential multicollinearity issues among predictor constructs.

Table 5. Inner VIF Values

Construct	Innovation Performance	Knowledge Capability
Work Culture	1.429	1.000
Knowledge Capability	1.429	-

All VIF values were below the critical threshold of 3.0, indicating that multicollinearity was not a concern within the structural model.

Coefficient of Determination (R^2), Effect Size (f^2), and Predictive Relevance (Q^2)Table 6. Results of R^2 , f^2 , and Q^2 Assessment

Endogenous Construct	R^2	R^2 Adjusted	Q^2 Predict	Exogenous Construct	f^2	Effect Size
Knowledge Capability	0.300	0.296	0.284	Work Culture	0.429	Large
Innovation Performance	0.428	0.421	0.391	Work Culture	0.118	Medium
				Knowledge Capability	0.221	Moderate-to-High

The results indicate that Work Culture explained 30.0% of the variance in Knowledge Capability ($R^2 = 0.300$). Moreover, Work Culture and Knowledge Capability jointly explained 42.8% of the variance in Innovation Performance ($R^2 = 0.428$). The positive Q^2 values for both endogenous constructs (0.284 and 0.391) demonstrate that the model possesses adequate in-sample predictive relevance. Furthermore, Work Culture exerted a large effect on Knowledge Capability ($f^2 = 0.429$), while both Work Culture ($f^2 = 0.118$) and Knowledge Capability ($f^2 = 0.221$) showed meaningful contributions to Innovation Performance.

Hypothesis Testing

Hypothesis testing was conducted using a complete bootstrapping procedure with 5,000 subsamples at a 5% significance level.

Direct Effects

Table 7. Direct Effects Hypothesis Testing Results

Hypothesis	Structural Path	Path Coefficient (β)	STDEV	t-value	p-value	95% Confidence Interval	Decision
H1	Work Culture → Innovation Performance	0.312	0.076	4.105	< 0.001	[0.163, 0.459]	Supported
H2	Work Culture → Knowledge Capability	0.548	0.058	9.448	< 0.001	[0.428, 0.654]	Supported
H3	Knowledge Capability → Innovation Performance	0.426	0.072	5.917	< 0.001	[0.283, 0.564]	Supported

The results reveal that Work Culture has a significant positive effect on Innovation Performance ($\beta = 0.312$, $t = 4.105$, $p < 0.001$), thereby supporting H1. Work Culture also significantly influences Knowledge Capability ($\beta = 0.548$, $t = 9.448$, $p < 0.001$), supporting H2. Furthermore, Knowledge Capability exerts a significant positive effect on Innovation Performance ($\beta = 0.426$, $t = 5.917$, $p < 0.001$), providing support for H3.

Indirect Effect and Mediation Analysis

Table 8. Mediation Effect Testing Results

Hypothesis	Mediation Path	Indirect Effect (β)	STDEV	t-value	p-value	95% Bias-Corrected CI	Mediation Type	Decision
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Hypothesis	Mediation Path	Indirect Effect (β)	STDEV	t-value	p-value	95% Bias-Corrected CI	Mediation Type	Decision
H4	Work Culture → Knowledge Capability → Innovation Performance	0.233	0.046	5.065	< 0.001	[0.151, 0.332]	Complementary Partial Mediation	Supported

The indirect effect of Work Culture on Innovation Performance through Knowledge Capability was found to be positive and statistically significant ($\beta = 0.233$, $t = 5.065$, $p < 0.001$). The 95% bias-corrected confidence interval did not include zero, confirming the significance of the mediation effect.

The Variance Accounted For (VAF) analysis yielded a value of 42.75%, indicating that Knowledge Capability partially mediates the relationship between Work Culture and Innovation Performance. Since both the direct effect (H1) and the indirect effect (H4) were significant and pointed in the same direction, the mediation mechanism can be classified as complementary partial mediation. Therefore, Knowledge Capability serves as an important explanatory mechanism through which Work Culture enhances Innovation Performance in Bandung's coffee shop industry.

B. DISCUSSION

The Influence of Work Culture on Innovation Performance

The results of the first hypothesis test demonstrate that work culture is positively and significantly associated on innovation performance ($\beta = 0.312$; $t = 4.105$; $p < 0.001$); thus, H1 is accepted. These findings indicate that the stronger and more conducive the work culture established within a coffee shop organization, the higher the level of innovation performance achieved. In coffee shops in Bandung, cultural values such as openness to new ideas, cross-divisional teamwork (among baristas, roasters, and service staff), and the freedom to experiment create a psychologically safe climate for employees. This environment alleviates staff anxiety about failure when attempting unconventional brewing techniques or formulating beverage menus using local ingredients.

Theoretically, these findings reinforce the Resource-Based View (RBV) postulate, which regards organizational culture as a high-value intangible asset that is difficult for competitors to imitate (Caputo et al., 2021). These results align with research by Ogbeibu et al. (2021) and Al-Swidi et al. (2024), which state that a supportive and flexible organizational climate is a fundamental catalyst for stimulating bottom-up innovation initiatives. Amid the saturated coffee shop market in Bandung, work-culture flexibility enables outlets to adapt rapidly to shifting urban consumer tastes and price competition (Handayani et al., 2025). Consequently, fostering collaborative work norms has been shown to contribute directly to successful product launches and service process innovations within coffee shops.

The Influence of Work Culture on Knowledge Capability

Empirical analysis results show that work culture is positively and significantly associated on knowledge capability ($\beta=0.548$; $t=9.448$; $p < 0.001$), confirming the acceptance of H2. The dominant path coefficient ($\beta=0.548$) and large effect size ($f^2=0.429$) confirm that work culture is the most crucial determinant of knowledge management capacity in coffee shop environments.

Intellectual capital, specifically tacit knowledge such as sensory sensitivity to coffee flavor profiles (cupping skills) and espresso machine handling, is extremely difficult to transfer solely through formal instruction or written standard operating procedures (SOPs).

This knowledge exchange process requires a psychosocial foundation comprising mutual trust, a habit of continuous learning, and open communication among staff (Budur et al., 2024). A healthy work culture reduces knowledge hoarding among senior baristas, thereby facilitating the transfer of expertise to junior staff (Hermina & Sakti, 2023). These findings align with research by Le and Lei (2021) and AlMulhim (2023), which concluded that an organizational learning climate is an absolute prerequisite for the effectiveness of the knowledge acquisition, creation, sharing, and application cycle. In Bandung, coffee shops that consistently foster a culture of daily flavor evaluation (calibration) sessions and weekly menu discussions have successfully built a robust, sustainable collective knowledge repository.

The Influence of Knowledge Capability on Innovation Performance

Testing the third hypothesis confirms that knowledge capability is positively and significantly associated on innovation performance ($\beta = 0.426$; $t = 5.917$; $p < 0.001$); thus, H3 is accepted. From the perspective of the Knowledge-Based View (KBV), stored knowledge does not confer a competitive advantage without the organization's dynamic capability to assimilate and integrate it into operational routines (Scuotto et al., 2022). Information acquisition and processing capabilities enable operators to discern shifts in consumer taste preferences and the latest trends in brewing technology (Purnomo & Suryana, 2022). When these market insights are combined with barista expertise through knowledge creation and application, coffee shops can produce innovative beverage variations (signature beverages), enhance flavor consistency, and optimize service speed (speed-to-market) (Sutisna & Hidayat, 2024). Conversely, coffee shops with weak knowledge management suffer from recipe inefficiencies and are vulnerable to a loss of flavor quality standards during key personnel turnover (Christantyo & Shiratina, 2023). These findings reinforce the results of studies by Wu et al. (2024) and Scuotto et al. (2022), which demonstrate that an organization's capacity to configure knowledge capital is a primary driver for creating highly competitive product, process, and marketing innovations.

The Mediating Role of Knowledge Capability

Mediation analysis results demonstrate that knowledge capability significantly mediates the relationship between work culture and innovation performance ($\beta = 0.233$; $t = 5.065$; $p < 0.001$); thus, H4 is accepted. Since both the direct effect ($p < 0.05$) and the indirect effect ($p < 0.05$) are significant and share a positive coefficient sign, this mediating role is classified as complementary partial mediation. The Variance Accounted For (VAF) value of 42.75% indicates that nearly half of the total positive impact of work culture on enhancing coffee shop innovation performance is channeled through strengthening organizational knowledge capabilities.

Conceptually, these findings offer a theoretical resolution to the debate regarding the transmission pathways through which culture influences business performance. An adaptive and supportive work culture generates motivation and provides a social environment; however, such cultural impetus requires operational mechanisms to avoid remaining merely an abstract concept (Caputo et al., 2021). Knowledge capability acts as a transformational instrument that filters, organizes, and operationalizes the creative energy derived from work culture into tangible product formulations, improved barista workflows, and enhanced inventory management efficiency (Hermina & Sakti, 2023). This research extends the validity of the synthesis between Resource-Based View (RBV) and Knowledge-Based View (KBV) theories within the context of creative MSMEs in Bandung, demonstrating that integrating a

collaborative work culture with structured knowledge capital management constitutes an essential strategic recipe for gaining a competitive edge in the modern coffee shop industry.

CONCLUSION

This research empirically tests the structural model of the influence of work culture on innovation performance, both directly and indirectly through the mediation of knowledge capability, in the coffee shop industry in Bandung City, using SmartPLS 4. The results of the analysis show that work culture is positively and significantly associated on innovation performance, as a collaborative work climate and a sense of psychological security foster staff courage to develop menu items and improve services. Apart from that, work culture is positively associated on knowledge capability, which serves as the foundation for the transfer of tacit knowledge, while knowledge capability itself has been shown to have a positive and significant influence on innovation performance through the use of market trends and taste formulas. In particular, knowledge capability serves as a significant complementary partial mediator, with a VAF of 42.75%, confirming that work culture motivation requires a structured intellectual capital governance mechanism to produce highly competitive innovation output.

Theoretically, these findings provide context-specific empirical support for the RBV-KBV explanation that work culture functions as an intangible organizational resource and knowledge capability operates as the mechanism through which this resource is associated with innovation outcomes. The contribution is bounded to respondents from Bandung coffee shops and should not be generalized beyond comparable settings without further testing.

Despite its contributions, this research has limitations in its cross-sectional design, which does not capture the gradual, long-term evolution of culture and innovation, and in its spatial scope, which is limited to the administrative area of Bandung City. Therefore, it is recommended that future research agendas adopt a longitudinal approach, expand geographic coverage across metropolitan cities, and conduct comparisons with other creative industry sub-sectors such as fashion, crafts, or boutique hospitality. Finally, future researchers can integrate contextual moderating variables, such as digital leadership, entrepreneurial orientation, or environmental turbulence, to test the robustness of this structural model amidst dynamic market volatility.

DECLARATION ON THE USE OF AI-ASSISTED TECHNOLOGIES

During the preparation of this manuscript, the author(s) utilized AI-assisted technologies solely to improve language clarity, grammar, and readability. The technology was applied with human oversight, and the author(s) reviewed, edited, and verified all generated text, data interpretations, and theoretical arguments. The AI tool does not qualify for authorship, and the author(s) take full responsibility for the originality, scientific integrity, and overall content of the publication.

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