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## RESEARCH ARTICLE

# THE EFFECT OF REFLECTION ORIENTATION, INNOVATION AND COMPETITIVE ADVANTAGE ON BUSINESS GROWTH IN A CAFÉ

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### ABSTRACT

The aim of this study is to analyze the influence of entrepreneurial orientation factors on the performance of the company through a variety of innovations and competitive advantages in Jember cafes in East Java, Indonesia. The sample consisted of cafe owners in the Kaliwates sub-district, Sumbersari sub-district and Patrang sub-district which numbered 41 people. The results using path analysis show significant results with the highest number of variables in entrepreneurial orientation towards company performance through competitive advantage, while those through innovation variables have lower results. Further studies are needed to increase the number of cafes and expand the research area.

## INTRODUCTION

The creative industry in the technological era is growing because more of human resources are able to create innovative and creative products. Creative industries are seen as increasingly important in supporting economic prosperity, various parties argue that "human creativity is the main economic resource" and that "the twenty-first century industry will depend on the production of knowledge through creativity and innovation ([http://id.m.wikipedia.org/wiki/Industri\\_kreatif](http://id.m.wikipedia.org/wiki/Industri_kreatif)). Culinary is one of 15 businesses or industries that still exist today. That is because culinary efforts have never been affected by economic conditions such as when inflation occurs in a country. Cafes are one of the culinary endeavors that are now starting to mushroom in Indonesia. The cafe is a gathering place for people to talk about all kinds of things accompanied by coffee drinks and snacks or heavy foods (Wind and Wardhana, 2015). The cafe is one of the business choices that are interested by individuals who will start a business, because managing a cafe is a business that does not require large capital, a business that is easy to run, and with careful calculations and proper analysis will produce maximum profits. Cafe visitors come from various backgrounds, from young people, executives, or creative workers who represent the picture of the middle class (Wind and Wardhana, 2015). One reason individuals open cafes is the number of young people ranging from students to students, who are looking for

cafes as a gathering place, doing group assignments and doing creative activities with the community. Based on this theory, researchers have obtained data on the number of high school, vocational, MA and tertiary level schools in Jember Regency obtained from the Jember Central Statistics Agency (BPS). Looking at the data in BPS, the highest number of both SMA, SMK, MA and tertiary institutions is in the Kaliwates sub-district with 18 institutions, 22 Sumbersari institutions and 20 institutions. That is, according to the central researcher, the activities of teenagers and students occur a lot in these 3 sub-districts, so there are so many people who want to open a business especially in the culinary field in the 3 sub-districts. This is evidenced by the data on the number of Micro, Small and Medium Enterprises (MSMEs) in Jember that researchers found from BPS Jember data. Of the 31 sub-districts in Jember, the highest number of MSMEs engaged in accommodation, providers of food and drink were also concentrated in the Kaliwates, Sumbersari and Patrang sub-districts. So no wonder, if the number of businesses in the culinary field in the 3 sub-districts is increasing in number. Therefore the researcher decided to examine the number of cafes in the three sub-districts. After asking for secondary data to the Jember Regency Tourism Office and conducting observations, researchers found that there were 103 cafes in Jember that had either just opened their businesses or had long been running. Researchers observed that the cafes in Jember existed, this was evidenced by the existence of cafes that were able to last more than one year such as Cak Wang, Ndalung,

Cafe Kolong, and Grand Cafe. However, there are also cafes that go out of business like De Javu, and Smart Cafe, no one knows what caused the roll-out of the cafes. Researchers saw a number of phenomena in cafes that until now still survive, including a cafe owner who takes risks, always innovates, then competes to determine cheap and tasty menu prices to do attractive promos. From this phenomenon, the researchers suspected that this activity had an effect on the performance of the cafe, because it was seen from the increasing number of employees, increasing production equipment and increasing tables and chairs in the cafe. Every cafe has a different concept. This cannot be separated from the entrepreneurial orientation of each cafe owner when running his business. Entrepreneurial orientation is a departure from the concept of entrepreneurship or entrepreneurship. Entrepreneurship is a career and professional choice that is on the rise (Amir 2016). Entrepreneurial orientation is wrapped in the form of a vision and is further illustrated by the concept of cafes offered to consumers. The entrepreneurial orientation will have an impact on the ability of each cafe owner to innovate and achieve competitive advantage. A lot of evidence shows a positive relationship between entrepreneurial orientation and company performance. In a study of SMEs in Singapore, Keh *et al.*, (2007) found that companies with high entrepreneurial orientation were more likely to obtain and utilize marketing information, thus leading to improved company performance. Martin and Javalgi (2016) also found a positive influence on entrepreneurial orientation on marketing skills and performance of new Mexican international businesses. Entrepreneur orientation also serves as a key driver for increasing export yields (Jin *et al.*, 2017). After an entrepreneurial orientation, the company in this case the cafe must have innovation. Innovation in developing cafes is very important in order to improve company performance. Organizations or business units that are consistently capable and willing to implement the innovation process and manage these innovations well will gain financial advantage and growth (Dhewanto *et al.*, 2015). Innovations in each cafe can also be different, can be innovated in the concept of cafes or innovation in products offered to consumers. In addition to entrepreneurial orientation and innovation, each cafe must have a competitive advantage in order to be able to withstand any threat that is predicted to be able to make the cafe experience a decline in turnover and even bankruptcy. Competition is at the core of a company's success or failure. Competition determines the accuracy of company activities that can support its performance, such as innovation, cohesive culture, or good implementation / implementation (Porter, 2008: 13). To achieve competitive advantage, cafe owners can use several ways such as differentiating products or determining costs that can benefit cafe owners without losing the quality of products offered to consumers. Entrepreneurship orientation, innovation and competitive advantage that have been carried out by cafes are expected to achieve business growth. One study found that business growth can be measured by increased sales during a certain period, labor growth, production value and income (Yoon and Kim in 2017). A number of these indicators become a measure of whether the business in the process is experiencing an increase or decrease in turnover.

**MATERIALS AND METHODS**

This study uses a type of research that is associative casual with a quantitative method approach. Analysis method that

uses the path method (Path Analysis). Used to analyze variable relationship patterns. This model to find out the direct interaction is also indirect, the independent variables are appointed (exogenous) to the independent variables (endogenous) sani and maharani (2013: 74). Sugiyono (2017: 78) variable relationship model called the path paradigm, which is considered a variable that is used as an intermediate path (X3). With this variable, it can be used to find whether to achieve the final goal must pass the variable between it or can go directly to the final goal. The path coefficient is calculated by making a structural equation which is a regression equation that shows the relationship. The path analysis model in the equation is as follows:

$$Z1 = 0,555XZ1 + e \tag{1}$$

$$Z2 = 0,468XZ2 + e \tag{2}$$

$$Y = 0,535XY + 0,327Z1Y + 0,478Z2Y + e \tag{3}$$

- Y=Company Performance
- X<sub>1</sub>=Entrepreneurship Orientation
- X<sub>2</sub>= Innovation
- Z= Competitive Advantage
- a*= independent variable coefficient
- se*<sub>1</sub>,*e*<sub>2</sub>= variable residual / error

**RESULTS AND OBSERVATION**

Descriptive statistics for each variable used in this study and data about the characteristics of respondents. The data used in this study include the following data: Age, Duration, Last Education, and Number of Workers.

**Table.1 Age of Respondents**

Age	Total	Percentage (%)
24 – 28 years	12	29,2
29 – 33 years	11	26,8
34 – 38 years	8	19,8
39 – 43 years	5	12,1
44 – 48 years	5	12,1
Total	41	100

Source: primary data processed, 2019

**Table.2 Length of respondent's effort**

Length of respondent's effort	Total	Percentage (%)
2 – 4 years	31	75,6
5 – 7 years	7	17,2
8 – 10 years	1	2,4
11 – 13 years	2	2,8
Total	41	100

Source: primary data processed, 2019

**Table.3 Last Education**

Last Education	Total	Percentage (%)
SMA	15	36,5
D3	7	17,2
S1	19	46,3
Total	41	100

Source: primary data processed, 2019

Entrepreneurship Orientation (X) with Competitive Advantage (Z2) has a significant influence. This can be known with the results of a significant value that is 0,000 smaller than  $\alpha = 0.05$ . The second path between Innovation (Z1) and Competitive Advantage (Z2) has a significant effect which is

equal to 0.041 smaller than  $\alpha = 0.05$ . The third path between Entrepreneurship Orientation (X) and Company Performance (Y) has a significant effect that is equal to 0.002 smaller than  $\alpha = 0.05$ . The fourth path between Innovation (Z1) and Company Performance (Y) has a significant effect of 0.032, which is smaller than  $\alpha = 0.05$ . The fifth path between Competitive Advantage (Z2) and Customer Satisfaction (Y) has a significant effect that is equal to 0.001

**Table 4. Total Employees**

Employees	Jumlah	Persentase (%)
1 – 5 peoples	16	39,1
6 – 10 peoples	17	41,3
11 – 15 peoples	7	17,2
> 15 peoples	1	2,4
Total	41	100

Source: primary data processed, 2019

**Table 4. Variable Path Analysis Results**

Standardized Jalur	Beta	Sig	A	Keterangan
X → Z1	0,555	0,000	0,05	Signifikan
X → Z2	0,468	0,041	0,05	Signifikan
X → Y	0,535	0,002	0,05	Signifikan
Z1 → Y	0,327	0,032	0,05	Signifikan
Z2 → Y	0,478	0,001	0,05	Signifikan

Source: primary data processed, 2019

### Entrepreneurship Orientation influences innovation

The results of multiple regression analysis on the t test of the first hypothesis (H1) indicate that the Entrepreneurship Orientation influences Competitive Advantage by looking at the significance level of 0,000. The relationship shown by the regression coefficient is positive, meaning the better the Entrepreneurship Orientation, the Competitive Advantage will increase (H1 accepted). The results of this study are in line with previous research conducted by Cynthia Vanessa Djodjoko and Hendra N. Tawas (2014) which states that there is a significant effect of Entrepreneurship Orientation on Competitive Advantages. So it can be concluded that the Entrepreneurship Orientation influences the Advantages of Competing Cafes in Jember

### Entrepreneurship orientation influences competitive advantage

The results of multiple regression analysis on the t test of the second hypothesis (H2) indicate that Entrepreneurship Orientation influences Competitive Advantage by looking at the significance level of 0.041. The relationship shown by the regression coefficient is positive, meaning the better the Entrepreneurship Orientation, the Competitive Advantage will increase (H2 is accepted). The results of this study are in line with previous research conducted by Michael Sheppard (2018) which states that there is a significant effect of Entrepreneurship Orientation on Competitive Advantages. So it can be concluded that the Entrepreneurship Orientation influences the Advantages of Competing Cafes in Jember.

### Innovations affect the Company's Performance

The results of multiple regression analysis on the t test of the third hypothesis (H3) indicate that Innovation has an effect on Company Performance by looking at the significance level of

0.002. The relationship shown by the regression coefficient is positive, meaning the higher the Innovation, the Company Performance will increase (H3 is accepted). The results of this study are in line with previous research conducted by Unai Arzubiaaga Txomin Iturralde, Amaia Maseda, Josip Kotlar (2017) which states that there is a significant effect of Innovation on Company Performance. So it can be concluded that Innovation has an effect on the Performance of Cafe Companies in Jember.

### Entrepreneurship Orientation influences Company Performance

The results of multiple regression analysis on the t test of the fourth hypothesis (H4) indicate that the Entrepreneurship Orientation influences the Company's Performance by looking at the significance level of 0.032. The relationship shown by the regression coefficient is positive, meaning the better the Entrepreneurship Orientation, the Company Performance will increase (H4 is accepted). The results of this study are in line with previous research conducted by Yuanita Larasati Purnomo (2006) which states that there is a significant effect of Entrepreneurship Orientation on Company Performance. So it can be concluded that the Entrepreneurship Orientation influences the Performance of Cafe Companies in Jember.

### Entrepreneurship Orientation influences Company Performance

The results of multiple regression analysis (H4) indicate that the Entrepreneurship Orientation influences the Company Performance at the significance level of 0.032. The relationship shown by the regression coefficient is positive, meaning the better the Entrepreneurship Orientation, the Company Performance will increase (H4 is accepted). The results of this study are in line with the previous research conducted by Yuanita Larasati Purnomo (2006) which states that there is a significant effect of the Entrepreneurship Orientation on Company Performance. So it can be concluded that the Entrepreneurship Orientation influences the Performance of Cafe Companies in Jember.

### Entrepreneurship Orientation influences Company Performance through Innovation

The results of the path calculation analysis of the sixth hypothesis (H6) indicate that the Entrepreneurship Orientation influences the Company's Performance through Innovation of 0.716 or 71.6%. This shows that innovation has proven to be an intervening variable. The Influence of Entrepreneurship Orientation affects the Company Performance directly at 0.535 or 53.5% after going through an intervening variable of Work Life Quality (QWL) to be 0.716 or 71.6%.

### Entrepreneurship Orientation influences Company Performance through Competitive Advantages

The results of the path calculation analysis on the sixth hypothesis (H6) indicate that the Entrepreneurship Orientation influences the Company's Performance through Innovation of 0.758 or 75.8%. This shows that innovation has proven to be an intervening variable. The Influence of Entrepreneurship Orientation affects the Company Performance directly at 0.535 or 53.5% after going through the intervening variables of Work Life Quality (QWL) to be 0.758 or 75.8%.

## Conclusion

Based on the results of the analysis and discussion that the researcher has explained, such as:

1. The results of testing the path analysis for the effect of Entrepreneurship Orientation on innovation show a significant positive relationship. This proves that a good Entrepreneurship Orientation will increase innovation
2. The results of testing the path analysis on the effect of Entrepreneurship Orientation on Competitive Advantages show a significant positive relationship. This proves that a good Entrepreneurship Orientation will increase Competitive Advantage.
3. The results of testing the path analysis on the effect of Innovation on Company Performance show a significant positive relationship. This proves that good innovation will improve company performance.
4. The results of testing the path analysis on the effect of Entrepreneurship Orientation on Company Performance show a significant positive relationship. This proves that a good Entrepreneurship Orientation will improve Company Performance
5. The results of the path analysis test for the influence of Competitive Advantages on Company Performance show a significant positive relationship. This proves that the appropriate Competitive Advantage will improve Company Performance.
6. The results of the path analysis test show that Innovation is proven to mediate the effect of Entrepreneurship Orientation on Company Performance.
7. The results of path analysis tests show that Competitive Advantage is proven to mediate the effect of Entrepreneurship Orientation on Company Performance.

## Research limitation

There are two things that must be studied as the limitations of this study:

1. This research only focuses on sub-districts, including Kaliwates sub-district, Sumbersari sub-district and Patrang sub-district, in the city of Jember.
2. This study only took cafes that lasted more than 2 years, so they could still be developed if they wanted to do the same research several years later because the number of cafes would definitely increase.

## Suggestion

Based on the results of the analysis and discussion that the researcher has explained, such as:

1. Every cafe owner should rethink if he wants to innovate, because the results of the study show that the value of innovation is lower than the competitive advantage of the company's performance.
2. Cafe owners who have not updated technology, are expected to be able to use technology such as google maps and Instagram to make it easier for consumers to find cafe locations and contact cafe owners.
3. For the next researcher, it is better if the questionnaire distributed using technology is through a questionnaire with link.bit.ly to be more time efficient and paperless.

4. For further research, it is expected that the distributed questionnaires should be packaged in an interesting manner so that respondents will participate more in filling out the research questionnaire.

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