

Radical Innovation, Competitive Advantage and Management Capability on MSME Performance in Coffee Shop Businesses

Inkrianto Mahmud¹, Yudha Heryawan Asnawi², Lilik Noor Yulianti³

^{1,2} Department of Management and Business, Faculty School of Business, ³ Department of Family and Consumer Sciences, Faculty of Human Ecology, IPB University, Bogor, Indonesia.

Corresponding Author: Inkrianto Mahmud

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ABSTRACT

In this era of increasingly rapid technological progress that will encourage innovation by business actors in marketing their products, one thing that can be done is to carry out a marketing transformation, from conventional marketing to digital marketing. Also the competitive advantage and managerial capabilities of the coffee shop business continue to be improved. The aim of this research is that radical innovation and competitive advantage influence the performance of MSMEs through management capability in coffee shop businesses. Quantitative method with data collected by filling out an online questionnaire (Google form) with a total of 124 respondents selected using probability sampling with the criteria of MSME coffee shop business six months to one year running and the data was analyzed using SEM-PLS analysis. This analysis is to measure the results of each indicator of radical innovation, competitive advantage, management capability and MSME performance and to see the results in developing the coffee shop business. The results of this research show that radical innovation and competitive advantage have a significant effect on the performance of MSME coffee shop businesses through the mediating variable management capability.

Keywords: coffee shop business; radical innovation; competitive advantage; management capability; MSME performance

INTRODUCTION

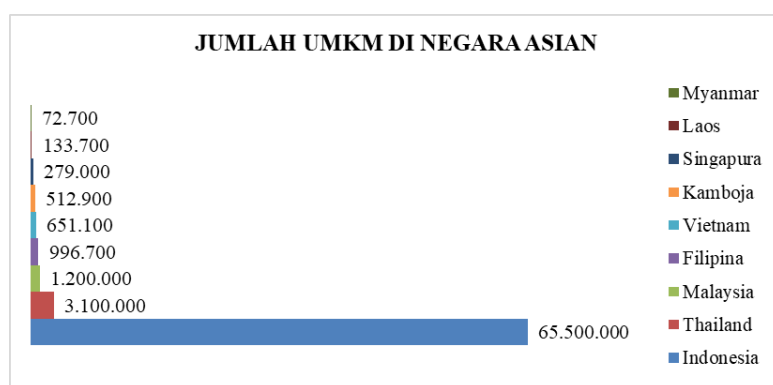
The presence of information technology has made everything easier, one of the effects of the presence of information technology is that it makes it easier for business people to compete with existing online shops by taking advantage of the ease of carrying out transactions. One thing that needs to receive more attention in business competition is Micro, Small and Medium Enterprises (MSMEs), as the large number of MSMEs gives rise to competition in the market which has an impact on the ups and downs of business development (Friesenbichler 2022). Therefore, in order to survive and excel in their respective fields, MSME players implement various strategies to remain viable and competitive. According to Sapta et al (2022), the strategies implemented in developing MSMEs from developed countries show the existence of production sources and technological innovation which makes entrepreneurs more creative and innovative in developing their businesses.

The critical issue in this research is the importance, although the role of MSMEs is very crucial, but it has not been balanced with the development (MSME development

tends to be stagnant) of MSMEs since 2015 (Depkop 2018), so that in the end these MSMEs are deemed unable to contribute optimally in overcoming various economic problems. and social in the country of Indonesia. Zainuddin (2016) stated that competitive advantage grows fundamentally by releasing more value from the company so that the company is able to create more consumers, of course with costs incurred according to the company's capabilities. Competitive advantage is a company's ability to continue to maintain and defend

what it has by forming and empowering the useful resources it has and utilizing the company's capabilities or abilities that are superior or excellent, and cannot be imitated by other companies (Barney 1991).

Indonesia itself, as one of the largest countries in the Southeast Asia region, has a large competitive market, has an economic level that is able to support the needs of society and also acts as one of the countries with the largest number of MSMEs in the Southeast Asia region.

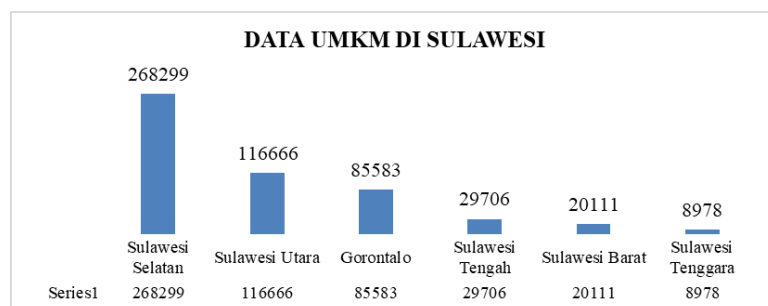


Source: Katadata, 2023.

Figure 1 Number of MSMEs in ASEAN.

As a country flanked by large islands, the contribution of MSMEs in Indonesia does not only focus on one particular region, but

also other islands in Indonesia also make economic contributions through MSMEs, one of which is the island of Sulawesi.

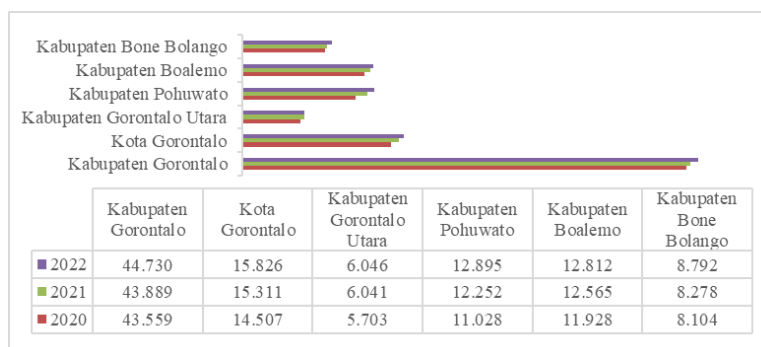


Source: Katadata (2023)

Figure 2 Number of MSMEs on Sulawesi Island.

The data above shows Gorontalo Province as a region that has only been established for a long time and is one of the small

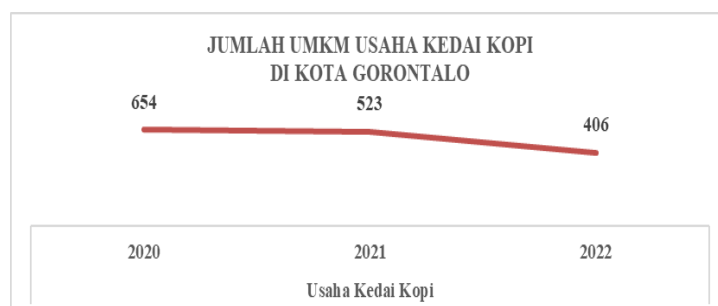
provinces on the island of Sulawesi, ranking third with a number of MSMEs of 85,553.



Source: Department of Trade, Industry, MSME Cooperatives Gorontalo Province 2023
Figure Data on the Development of the Number of Gorontalo MSMEs 2020-2022.

Stated that one of the pillars of economic growth in Indonesia is MSMEs. The important role of MSMEs in reviving the economy makes MSMEs one of the sectors that underlies a country's competitiveness. In Indonesia itself, MSMEs are the most important pillar in the economy, the Ministry of Cooperatives and MSMEs notes that currently there are approximately 64.2 million MSMEs with a contribution to GRDP of more than 50% (ekon.go.id 2021). According to Śledzik (2013) innovation has an important role in the growth of companies and countries, innovation does not only depend on innovation which can contribute to entrepreneurship, because it involves collaboration with other factors, innovation requires cognitive abilities and is able to lead to entrepreneurship as a competitive advantage because it determines business performance. One innovation that can improve the quality of MSME performance is radical innovation.

Radical innovation is a high level of novelty that is present to make a big change in a much better direction and involves existing challenges and opportunities (Teece 2010). On the other hand, Erna Mulyati (2019) stated that radical innovation has a significant effect on performance. These results also indicate that radical innovation has a role for companies and partners to have the ability to provide services according to what is needed and what customers request so that there is a reduction in time, as well as a radical reduction in time. According to Gunter Beitinger (2019) Management Capability is a set of behaviors applied by leaders in crisis situations in the organization. Management capabilities are the first capabilities created for an organization. These capabilities are developed and formalized as the organization continues to mature.



Source: Gorontalo City Industry and Trade UMKM Cooperative Service 2023

Therefore, business actors need to be able to carry out technological transformations regarding digital marketing, services and

lack creativity in developing coffee shops to increase competitive advantage. Besides that, it is necessary to improve management

capabilities in mediating between radical innovation and competitive advantage in areas such as problem solving, influence, staying focused and getting results. According to Rahmah (2018), coffee shop entrepreneurs must be able to know what consumers actually want and expect from the products offered, so that in the end consumers will decide to purchase the product.

LITERATURE REVIEW

MSME Performance

Niola and Entebang, (2015) MSME performance are an indicator to measure the level of success and health of MSMEs, including achieving sales targets, adding assets and maintaining the sustainability of the business. This aims to achieve and implement strategies, namely to obtain synergy between various existing functions and business units (Abdurrahman 2015). To become a strong business that has dynamic and competitive capabilities, companies must increase the acquisition of information so that their products meet customer needs (Anjaningrum 2021).

Apart from these assumptions, the opinion expressed by (Rapih, 2015), measuring the performance of MSMEs can be carried out using several indicators, including: (1) profit growth in nominal money which is increasing; (2) the number of consumers buying products is increasing; (3) the number of product sales increases; (4) the number of company assets, both fixed and non-fixed assets, increases.

Radical Innovation

According to Schumpeter (1934 & 1942); Sen and Ghandforoush (2011) describe radical innovation as the key to economic development, through a creative process, revolutionary change in a breakthrough product, process or organization. The innovation carried out is not necessarily about the discovery of new technology or knowledge, because this innovation is technology and knowledge that already exists. Therefore, innovation takes the form

of changes or discoveries in satisfying consumer desires that have not been fulfilled or finding and providing solutions for consumers.

According to Greenberg and Baron (2008) there are seven categories of innovation targets, namely (1) product innovation: introducing new or substantially improved goods, (2) service innovation: introducing services new or substantially improved, (3) process innovation: creating a production or delivery method that is new or has been significantly improved, (4) marketing innovation: advancing methods new and/or improved marketing methods, (5) supply chain innovation: developing faster and more accurate ways to obtain products from suppliers and deliver them to customers, (6) business model innovation (business model innovation): improving the basic way business has been carried out, and (7) organizational innovation: changing the basic practices of the organization.

Competitive Advantage

In improving one's business in market competition, a mature strategy is needed. The strategy must be designed to create continuous competitive advantage, so that the company can dominate old and new markets. Porter (1993) in (Suhaeni, 2018) defines competitive advantage as a benefit strategy from companies that collaborate to compete more effectively in the market place. The most important thing in achieving success with the implemented strategy is to identify the company's true assets, in this case the tangible and intangible resources that make the organization unique.

On the other hand, Kotler and Armstrong (2008) define competitive advantage as superiority over competitors that is achieved by offering greater value to consumers, either through lower prices or by providing more benefits commensurate with higher prices (Kudus, n.d.). Therefore, the business must provide a superior offer or selling point that becomes the company's main attraction.

Management Capabilities

Capabilities are defined by (Jarratt 2004) as complex collective bundles of skills and learning, carried out through organizational processes, that ensure superior coordination of functional activities. While the resource definition emphasizes the components and processes that operationalize capabilities, it presents the scope of capabilities as functional. In the business-to-business sector, functional boundaries are not always clearly defined, with many organizations choosing to integrate functional divisions to provide a more cohesive approach to the development of value-laden client offerings. Thus, the scope of relationship management capabilities tends to extend beyond the functional domain, drawing on assets and skills that reside within other functional areas of the organization, as well as from within the stakeholder network.

Although researchers have different ideas in determining various attributes of managerial effectiveness, basically there are 3 important components, namely appropriate behavior, motivation and ability (skill) (Latif, 2002). Management ability is measured using 10 indicators, which were used in Latif's research (2002), namely: 1. Verbal communication (verbal communication) 2. Managing time and pressure (managing time and stress) 3. Managing individual decisions (managing individual decisions) 4. Recognizing, defining and solving problems (recognizing, defining, and solving problems) 5. Motivating and influencing others (motivating and influencing others) 6. Delegating 7. Determining goals and articulating a vision (setting goals and articulating a vision) 8. Self-awareness 9. Team building 10. Managing conflict.

MATERIALS & METHODS

Data collection technique

This research totalled 406 specifically to owners or managers of MSME coffee shops in the Gorontalo City area. Furthermore, the reason this research focuses on coffee shops is because this business has been the target

of the community for some time. Apart from that, this MSME is a place that supports the desires of the community as a reason for researchers to be the object of research carried out. The requirements for MSME coffee shop businesses studied are those that have been running for 6 months to 1 year. The sampling technique for this research was at 406 MSME coffee shop businesses in Gorontalo City. The probability sampling technique was used, which is one of the sampling techniques used in this research. This technique explains that it provides equal opportunities for each element (member) of the population to be selected to be a member of the sample. The collection process was carried out using an online questionnaire (Google form) with a sample size of 124 samples.

Data analysis method

Structural equation modeling (SEM) is a statistical technique that combines factor analysis and correlation analysis (regression) to explain the relationship between several latent variables contained in a model. Latent variables (constructs) are variables that can only be measured using a number of manifest variables (indicators). The formation of the SEM model carried out by researchers based on the conceptual framework in this research was processed using Smart-PLS software with the stages of testing the goodness of the measurement model (outer model), testing the goodness of the structural model (inner model) and then testing the entire model (Goodness of fit test).

SEM begins by building a specific model based on existing problems in the field or based on previous studies. The model's degrees of freedom are then measured. A model can be identified statistically (over-identified model) if the degrees of freedom are positive or in other words the number of variance and covariance values originating from sample data (sample moments) is greater than the estimated parameters. The next stage is to estimate the model using the Maximum Likelihood method for normally

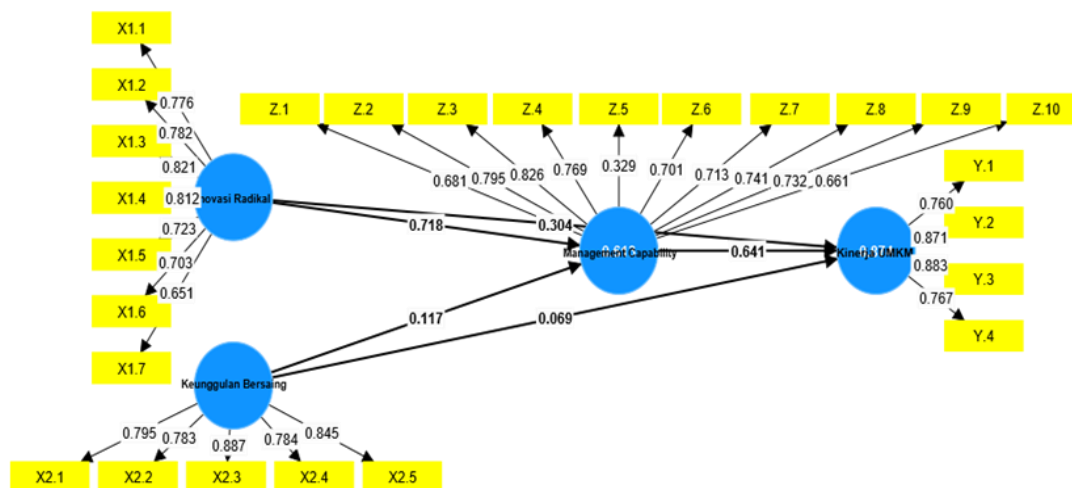
distributed data. The estimated model is then evaluated for its feasibility using Goodness of Fit criteria. at this stage, researchers are allowed to modify the indicators until a better model is obtained (Adam 2018).

the aim of describing actual conditions. The suitability of the model was evaluated through various Goodness of Fit criteria. A model is said to be feasible if one of the model feasibility test methods is met (Haryono 2016).

a. Model Suitability Criteria

The estimated model is tested for its level of suitability before the model is accepted with

RESULT



Evaluation of Model Suitability

This evaluation is to show that the variables X, Y and Z are correlated, of course further studies must be carried out with a more sophisticated analysis. This reference is to the procedure proposed by Hair, et al (2017), namely SEM-PLS analysis in research carried out by researchers, including three stages of modeling and overall analysis with the following details:

a. Evaluate measurement test results (Outer Model)

In the variance-based SEM analysis model or PLS-path modeling, this model consists of the measurement model carried out (outer model). Ghazali (2016) suggests using procedures in the PLS Algorithm, the purpose of which is to test the outer model, namely specifying the relationship between latent variables and research indicators. In addition, an evaluation of the quality of this measurement model must be carried out to focus on measures that indicate the predictive ability of the model which

includes reliability, convergent validity and discriminant validity (Mahfud Sholihin, 2021).

b. Reflective measurement model

Consistency reliability is the first criterion in which the model is conducted and must be evaluated. The traditional approach commonly used is Cronbach's alpha, which is an estimate based on the intercorrelation of existing latent variable indicators. This characteristic explains Cronbach's alpha which produces low reliability values (underestimate) and conversely, other approaches, namely composite reliability measurements, tend to estimate too high (overestimate). On the other hand, in the SEM-PLS analysis book by Mahfud Solihin (2021) on exploratory research, Cronbach's alpha and composite reliability values of 0.60 - 0.70 are acceptable, while for further research, the criteria that must be carried out are Furthermore, the acceptable criteria are 0.70 – 0.90. From the output results in table 4.2, it can be seen that the indicators in this

study show Cronbach's alpha and composite reliability values > 0.6, meaning that the latent variable can explain on average more than half of the indicators.

The output produced in table shows that all latent variables in Radical Innovation have a loadings factor value of 0.776 for IR1; 0.782 for IR2; 0.821 for IR3; 0.812 for IR4; 0.723 for IR5; and 0.703 for IR6. This shows that radical innovation meets the requirements for good convergent validity. Then referring to other variables, the MSME Performance variable also has a loading factor value of >0.6 with a value of 0.795 for KB1, 0.783 for KB2, 0.784 for KB4 and 0.845 for KB5. These two indicators state that the latent variable of MSME performance has met the criteria for good convergent validity and is continued with other variables.

Next, to see indicators that have strong and weak measurement quality from the measurement model process carried out KU2: MSME Performance (0.871), KU3:

MSME Performance (0.883), and KB3: Competitive Advantage (0.887) these three indicators have outer loadings indicators which is high compared to the 26 indicators measured in this study. On the other hand, indicators with lower outer loadings compared to the total indicators in the research include IR7: Radical Innovation (0.651), MC1: Management Capability (0.681), MC2: Management Capability (0.661), and MC6: Management Capability (0.329). These results show that the indicator does not work in the measurement model.

c. Convergent Validity

In this research, in the same construction, convergent validity can increase one indicator that is positively correlated with an indicator that is positively correlated with alternative research indicators. Outer loading of indicators and AVE (Average variance extracted) are used to evaluate convergent validity.

Table 1. Construct Reliability dan Validity Overview

Variable Laten	Cronbach's alpha	AVE
Radical Innovation	0,873	0,57
Competitive Advantage	0,878	0,67
MSME performance	0,838	0,67
Management Capabilities	0,883	0,50

It can be seen from the table shown above that all latent variables are. It is presented as meeting the requirements for good convergent validity, of all the variables in this study each has a Cronbach's alpha value above 0.6. These results show that the latent variables are able to reflect more than 60 percent of each indicator in the research. The resulting AVE is the average loading squared of the indicators of this research by construct, the resulting AVE value of 0.50 or more indicates one construct variable. It can be seen in the table that the MSME performance indicators show an AVE value of > 0.60 and other indicators meet the AVE requirement of 0.50. The conclusion from the evaluation results of the measurement model (outer model) shows that overall the model fit of the data and indicators

presented can be declared valid and reliable. The convergent validity value is good from the measurements taken to measure the intended construct well, so that the measurement tool used is considered appropriate.

d. Discriminant Validity

From the results shown by empirical research, discriminant validity. Used to evaluate how much a latent variable or construct is truly different from other constructs produced. Broadly speaking, discriminant validity can be used with two approaches, namely cross loadings and Fornell-Lacker criterion. Specifically, the loading of an indicator on the construct being measured should be greater than the loading on other constructs in the research.

The best way to assess and convey the results of the model testing carried out is

with a table of indicator rows and construct columns as in the example below.

Table 2. Discriminant Validity – Fornell Larker Criterion

Variabel Laten	IR	KB	KU	MC
IR: Radical Innovation	0,755			
KB: Competitive Advantage	0,503	0,820		
KU: MSME Performance	0,836	0,528	0,822	
MC: Management Capability	0,776	0,478	0,910	0,707

Based on the results of the cross loading values in the table above, discriminant validity can be seen that the loading factor value between indicators in this study with pairs of latent variables is greater than the cross tabulation value of loading factor indicators for other latent variables. This can be seen from the correlation of the latent variable for MSME performance of 0.836 which is greater than the correlation with other late variables in the variables above, including management capability of 0.776 and 0.755 for the radical innovation variable. Other indicators of other latent variables are low with a value of 0.503 for competitive advantage. Then the latent variable competitive advantage is 0.820, greater than the correlation between MSME performance of 0.528 and the other latent variable management capability has the largest value of 0.478. Apart from that, the table shows that with cross tabulation the

other variables presented are greater than those of other latent indicators. This can be shown in measurement tools that are valid and reliable. Seeing this, it can be measured that the evaluation of the outer model above the measurement model that was built is good. This tool is valid and means that it is appropriate and capable of constructing the objectives of this research, while it is reliable which shows that the measurement tool used has a high level of consistency in the research presented.

e. Composite Reliability

The results shown by the research, composite reliability is used to evaluate how much composite reliability is. The best way to assess and convey the results of the model testing carried out is with a table of indicator rows and composite reliability columns as in the example below.

Table 3. Composite Reability

Variable Laten	(rho_a) *	(rho_c) *
Inovasi Radikal	0,877	0,902
Keunggulan Bersaing	0,884	0,911
Kinerja UMKM	0,846	0,893
Management Capability	0,901	0,906

The part used to test the reliability value of indicators on a variable, a variable can be declared to meet composite reliability if it has a composite reliability value > 0.6. From the table above, the average composite reliability for radical innovation is 0.902, competitive advantage is 0.911, MSME performance is 0.893 and management capability is 0.906. So, the composite reliability evaluation above can be strengthened.

f. Evaluate the results of structural model testing (Inner Model)

Evaluation must be carried out regarding the suitability of the measurement model as a whole, so it is necessary to evaluate the suitability of the model for structural equation coefficients such as R2 (explained variance), Q2 (predictive relevance), and the magnitude of the path coefficient and its significance. The goodness-of-fit test of the structural model is seen through the bootstrapping procedure. This is to find out

how far the influence of this variable is compared with other variables, this refers to the path in Figure 4.1. Seen in the figure, it is clear that the path coefficient value is 0.718 for the radical innovation variable on management capability; amounting to 0.304 radical innovation on MSME performance, amounting to 0.641 on the variable radical innovation and competitive advantage on MSME performance through management capability, on a variable of 0.11 on the variable competitive advantage on management capability and competitive advantage on MSME performance is 0.069 and is proven to have no significant influence. This means that all of the hypotheses are significant, indicating that the hypothesized causal relationship.

These results show that the variables of radical innovation and competitive advantage on MSME performance through management capability have the greatest influence compared to other variables, including radical innovation on management capability and competitive advantage on management capability.

g. Evaluate the overall model (Goodness of fit)

Before proceeding to the next stage in this analysis, SEM-PLS analysis provides effect

size information for each existing latent variable through evaluation of F-square, R-square and predictive relevance explanations in the table above. The results given by the F-square influence give a moderate classification effect size, namely radical innovation on MSME performance is 0.27, competitive advantage has a very small influence on MSME performance at 0.02, radical innovation has a large influence on management capability of 0.99, however competitive advantage on management capability is 0.02. Meanwhile, radical innovation and competitive advantage on MSME performance through management capability have a very large influence with a value of 1.26. Next, to evaluate the R-square of the variables that are influenced, the effect size results in the moderate classification, resulting in a value of > 0.33. From the results of the evaluation carried out by researchers, it is in line with measuring predictive relevance that the effect size is medium (0.15) to large (0.35). From the results of the analysis carried out in the table below, it is clear that all latent effect size variables have a moderate and strong influence of R-square on the variables tested, so that the modeling carried out on the latent variables is feasible.

Table Hasil F-Square

	Radical Innovation	Competitive Advantage	MSME Performance	Management Capability
Radical Innovation			0,27**	0,99*
Competitive Advantage			0,02***	0,02***
MSME performance				
Management Capabilities			1,26*	

***) 0.02 small influence, **) 0.15 moderate influence, *) 0.035 large influence

Table of R-Square Results and predictive relevance

Variabel	<i>R-Square</i>			<i>Predictive Relevance</i>
	Value	Clarification	Q ²	Clarification
Radical Innovation				
Competitive Advantage				
MSME performance	0,87	Strong	0,882	Big
Management Capabilities	0,61	Moderate	0,644	Big

*) R-square: strong (0.67), moderate (0.33), weak (0.19).

**) Predictive Relevance: weak (0.02), medium (0.15), large (0.35).

After testing the F-square and R-square in this research, the next stage that must be carried out is testing the overall level of the model using Goodness of fit criteria. Haryono (2016) said, this model will be said to be suitable for use if one of the feasibility test methods for this model has been fulfilled, including the GFI (Goodness of Fit Index), which is a non-statistical measure that has a value range of 0, it is declared poor fit and if it is close to 1 resulting in

perfect or good fit. Of course, this test is very important to carry out in this research to test that the overall suitability of the model is acceptable with good results with an SRMR value of 0.082. Based on the goodness of fit value, it is considered that the feasibility value of the model used in this research is acceptable. The following is an evaluation of Goodness of fit criteria that tests an acceptable model.

Table Model Goodness of fit.

Ukuran GOF	Hasil	Batas Cut-off	Keterangan
<i>Standardized Root Mean Square Residual (SRMR)</i>	0,07	SRMR ≤ 0,08 = <i>good fit</i>	Good
<i>Normed Fit Index (NFI)</i>	0,726	NFI approaching value 1 = <i>good fit</i>	Good

*Source: Haryono (2016)

Based on the empirical study model proposed by researchers in this research, hypothesis testing will then be carried out through path coefficient and t-calculated values in the model presented in the structural equation model. However, if the t-count > t-table (1.96) and the p-value is equal to or < 0.05 then it is declared to reject H0, thus "accepting the hypothesis and declaring a significant effect". On the other hand, if the t-count < t-table (1.96) the p-value is equal to or > 0.05 then it is declared that H0 is accepted, with the meaning "rejects the hypothesis and is declared to have no significant effect". In a series of observations, SEM can simultaneously evaluate the influence between variables both directly and indirectly.

Direct Influence Between Variables

Structural model analysis in the SEM model in the previous explanation, the hypothetical results based on direct influence are presented in Table 4.6. The relationship between the resulting variables has a significant direct influence on the variables as a whole, including radical innovation, competitive advantage and MSME performance. Of these four variables, three variables that provide positive effects and influence each other, H1, H2, H3, are acceptable. Meanwhile, H4 has no effect and is declared rejected based on evaluation of the t-count and p-values. The results of H2 with the same variable, namely competitive advantage, can be interpreted as the competitive advantage variable not consistently having a direct effect on the performance of MSME coffee shop businesses.

Table of results of direct influence between variables in the SEM model

Influence of Variables	t-hitung	P-Values	Influence	Ket.
Radical Innovation Management Capability	11,71	0,000*	Significant	Accept
Management Capability Competitive Advantage	2,09	0,036*	Significant	Accept
Radical Innovation MSME performance	3,84	0,000*	Significant	Accept
H4: Competitive Advantages of MSME Performance	1,45	0,146*	Not significant	Rejected

*) categorized as significant t-count > t-table (1.96); and p-value < 0.05

Indirect influence between variables

This research has one mediating variable, namely management capability, so apart

from the indirect influence between variables, this research has one indirect variable. Based on the evaluation, the

resulting indirect influence between variables: management capability plays a real role as a mediating (intervening) variable. These variables influence radical

innovation and competitive advantage influencing the performance of MSME coffee shop businesses through management capability.

Table of results of indirect effects on the SEM model

Pengaruh tidak Langsung antar Variabel	t-hitung	P-values	Influence	Ket.
Radical Innovation and Competitive Advantage MSME Management Capability Performance	6,862	0,000*	Significant	Accept

**) categorized as significant t-count > t-table (1.96); and p-value < 0.05*

The consistent results provided by the management capability variable state that this mediating variable has a significant and large influence on the performance decisions of MSMEs in the coffee shop business. The p-value is 0.000 from the results provided by radical innovation and competitive advantage and the t-count is >1.96 with a value of 6.826. This means that radical innovation and competitive advantage have a positive effect on MSME performance through the mediating variable management capability.

The influence of radical innovation variables on management capability

The radical innovation variable has a significant influence on management capability. This is shown by the results which show that the t-count value is greater than the t-table (1.96), namely 11.71 and the p-value results are estimated to be 0.000 < 0.005 percent, which states that there is an influence between the variables of radical innovation and management capabilities. In this way, the hypothesis (H1) is accepted and proven to have a positive and significant influence on the variable in question. The results of this analysis are supported by previous research stated by Hadiyati (2008) which states that internally and externally innovation and managerial ability are very important in facing market competition. This strategy is very appropriate to develop capabilities and threats in each business environment. This means that the higher the innovation carried out by producers in making decisions in marketing their products. Hanifah (2011) in

his research, management capability is very weak if it is not done well in managing the business or good performance targets.

The radical innovation variable is composed of product innovation, service innovation, process innovation, marketing innovation, offering innovation, business model innovation, and organizational innovation in managing business. This means that large respondents decided to use this radical innovation in managing the business. Next, the results of the opinion of respondents who gave the lowest rating of 0.651 (outer loading) were in the form of radical innovation, producers felt they got things like productivity when deciding on the performance of MSMEs in the coffee shop business.

The influence of competitive advantage variables on management capability

The results of the influence testing obtained by researchers show that the t-calculation of competitive advantage on management capability influences each other. This is proven by the consistently positive results given in the t-count correlation analysis of 2.09 > t.table (1.96); and p-value 0.036 < 0.05. The outer loading value of 0.877 is the strongest indicator which explains that the competitive advantage variable greatly influences the managerial capability (management capability) of coffee shop businesses. This is supported in previous research conducted by Arafah (2018), there is a positive relationship between the competitive advantage of the resulting business performance which is mediated by management capability, the stronger the

competitive advantage, the better the company is. Management capability is the main capital in running a company or MSME coffee shop business. Because business competition is very real and must be managed as well as possible, it is necessary to carry out good management. If a business requires a competitive advantage, it needs managerial skills in managing the business.

The influence of radical innovation variables on the performance of MSME coffee shop businesses

In line with the analysis carried out by researchers on the fourth hypothesis (H4), namely the radical innovation variable which has an influence on the performance of MSMEs in coffee shop businesses, positive or significant results can be accepted. From the results of the analysis, the direct influence between variables is t-count $3.84 > t\text{-table}$ (1.96); The resulting p-value is $0.000 < 0.05$. So, from these results these variables influence each other in supporting radical innovation and the performance of MSME coffee shop businesses in Gorontalo City.

These results are in line with those described in previous research by Galbreth et.al (2013) which states that increasing the possibility of radical innovation reduces the use of less than optimal ones in a better direction. Not only that, radical innovation will reduce the average of all risks and will result in lower production costs. This fully encourages the performance of companies or businesses that innovate with very good knowledge. Apart from that, producers must innovate radically to improve the performance of MSMEs, so that business income or profits will continue to increase, especially since we are in the current technological era.

The influence of competitive advantage variables on the performance of MSME coffee shop businesses

The competitive advantage variable does not have a significant influence on the

MSME performance variable which is declared insignificant. This is proven by the results of the t-count analysis of $1.25 > t\text{-table}$ 1.96 and p-value $0.146 < 0.05$. In this way, the fourth hypothesis (H4) was declared rejected in the research conducted by the researcher. Competitive advantage is considered not to be one way to improve even though previous research conducted by Ida and Doddy Setiawan (2022) explains that competitive advantage can be obtained if the product being marketed is consistent when compared with business competitors. This competitive advantage must be measured by the two important roles of tools that produce performance and tools that neutralize existing assets. On the other hand, competitive advantage in the performance of MSMEs can be measured by business sales volume, profits, market share and profit or investment. Matching price and benefits is a strategy carried out by business people to improve quality or competitive advantage in performance for consumers.

However, the hypothesis results that were rejected in this research were based on the number of years that coffee shop businesses tend to have their own markets and very clear targets. Every MSME coffee shop business has a management concept to increase competitive advantage.

The influence of radical innovation and competitive advantage variables on MSME performance through management capability

It is proven by the test results in this research analysis that management capability has a very significant effect as a mediating variable on radical innovation and competitive advantage to measure the performance of MSME coffee shop businesses in Gorontalo City. This is proven by the t-count value of 6.862, which means the t-table is > 1.96 . In contrast to the hypothesis results on other variables, the variable t-count produces large values. This means that there is a directly proportional relationship if this is felt by respondents

who feel about the business they are running. Thus, the fifth hypothesis (H5) is proven and acceptable in research on the variables of radical innovation and competitive advantage on MSME performance mediated by management capability.

The management capability variable has ten indicators, management capability is an intervening variable to measure the performance of MSMEs in the coffee shop business. By analyzing these variables, coffee shop business owners can do this with positive results. The analysis of these variables is in accordance with previous research that innovation and competitive advantage as factors can influence the performance of MSMEs. Innovation refers to the development of a business product and customer preferences (Quaye and Mensah, 2017). Apart from that, product, marketing and organizational innovation have been fully proven to drive MSME performance (Koffi et al., 2021). Management capability can lead to developing product and process innovations, the main source of sustainable competitive advantage (De Guimaraes et al., 2020).

Managerial Implications

This research is something to increase sales volume and competitiveness in the era of digitalization which requires innovation and managerial skills in coffee shop businesses. Based on the statistical analysis produced through SEM-PLS analysis, the t-count, p-value, and model evaluation were carried out referring to the path coefficient value.

The results of the competitive advantage variable have a significant influence on management capability, because the competitiveness of the coffee shop business is important to improve the performance of MSMEs and radical innovation has an influence on the management capability of the coffee shop business in improving the performance of the MSMEs. The results of this research are that the demographics of coffee shop business owners are very productive for 20-30 years with an income

of IDR 5,000,000 – IDR 10,000,000 per month. Apart from that, radical innovation and competitive advantage on MSME performance mediated by management capability in this research test were proven to have a significant impact. In testing the competitive advantage variable on the performance of MSMEs, there was no influence.

Owners of this coffee shop business need a mindset to improve their performance so that the business remains able to compete in today's global market. Product innovation in this coffee shop business can create a good business ecosystem. The value of this innovation can be demonstrated by consumers who come to do activities at coffee shops. The marketing innovations carried out also have a positive effect on consumers who will be active in the coffee shop business, because the online platform for marketing a business is the most important for consumers to come, also the coffee shop provides a collaborative space for consumers to carry out activities in that place. Next, communicate with the owner, employees of the coffee shop business and consumers to build the continuity of consumers coming to the coffee shop. The price, quality of coffee and complete facilities offered support such as internet, private work or meeting space and digitalized services. Even though this element is very important, coffee shop business owners cannot ignore the desires of consumers, because this is a need that continues to be improved so that coffee shop business consumers are consistent.

The managerial implication according to the results of this research is that the Gorontalo City Government needs to encourage MSME coffee shop businesses to apply the results of this research to improve the performance of coffee shop businesses so that coffee shop businesses in Gorontalo City continue to increase their income and continue to innovate in the competition of this coffee shop business. so that the performance of MSMEs continues to improve, especially coffee shop businesses

owned by the community. This is because competition in carrying out digital transformation is increasingly visible in all businesses, especially coffee shop businesses. Because consumers see the modern coffee shop business and provide comfort for consumers in carrying out activities in the coffee shop business.

CONCLUSION

MSME coffee shop business is a business that requires innovation, competitive advantage and managerial ability to improve the performance of the business. Coffee shop business owners need this to improve performance, the target of which is consumers who will be active in the coffee shop business. This research shows that radical innovation and management capability greatly influence the selling power and performance of MSMEs in coffee shop businesses apart from large companies. Starting from sales growth, customer growth to profits, the marketing innovations carried out can also be seen having an impact on the target market. Apart from that, the price, quality and innovation of the coffee products offered are also important in this coffee shop business. Several indicators in this research are proven to influence the decisions of coffee shop business owners in running their business, mainly radical innovation and competitive advantage in the performance of MSMEs through the role of the mediating variable management capability.

The facts show that radical innovation, competitive advantage and management capability consistently significantly influence the performance of MSMEs in coffee shop businesses, but competitive advantage on the performance of MSMEs has no influence in Gorontalo City on businesses that have been operating for six months to one year. Consumers can be influenced by radical innovation and the managerial abilities of the coffee shop business which is more contemporary as a means of discussion, work and other

activities. This must also be adjusted to the needs of other consumers.

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