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# The Effect of Entrepreneurship Orientation and Marketing Innovations on Competitive Advantage and Their Impact on Business Performance of Small and Medium Culinary Business in DKI Jakarta during the Covid 19 Pandemic

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#### Abstract

The development of the Indonesian economy, especially the micro, small and medium-sized businesses, especially the culinary industry is facing serious challenges due to the COVID-19 outbreak, this is due to the government's imposition of restrictions. DKI Jakarta as an economic center is still imposing strict restrictions on human movement. The impact is that most of the culinary MSME customers have disappeared, which in the end made most of the culinary MSME business actors out of business. However, in the midst of this crisis, there are still culinary MSME business actors who still survive, of course this needs to be disclosed so that it can be a lesson and input for policy makers and culinary MSME business actors themselves. The approach so that SMEs are able to turn challenges into opportunities that help them to survive is important. This study aims to analyze the effect of Entrepreneurship Orientation and Marketing Innovation on the Competitive Advantage of Culinary MSMEs in DKI Jakarta during the Covid 19 Pandemic and their impact on Business Performance. This study uses 100 selected respondents and the analysis method uses the Structural Equation Model (SEM) with the SmartPLS 3.0 analysis tool. The results of the study show that Entrepreneurship Orientation and Marketing Innovation have a significant effect on the Competitive Advantage of Culinary MSMEs in Jakarta. Entrepreneurship Orientation and Marketing Innovation have no effect on the Competitive Advantage of Culinary MSMEs in Jakarta. Competitive Advantage has a significant effect on the Business Performance of Culinary MSMEs in Jakarta, Competitive Advantage is not a good mediating variable, the Entrepreneurial Orientation and Marketing Innovation of Culinary MSME Business Performance variables in Jakarta.

### **I. Introduction**

The Covid 19 pandemic which started in Wuhan, China has been running for almost 2 years, the Covid 19 outbreak arrived in Indonesia, since March 2, 2020 with the issuance of Decree (Kepmenkes) No. 104 of 2020, various strategic steps taken by the government to control the outbreak such as early detection and prevention. By cutting off transmission by issuing various protocols to protect the people from exposure to the virus (Apresian, 2020; Zhou et al., 2020), the COVID-19 outbreak is a new type that has never existed before is rapidly spreading, and has an impact on the decline of the Indonesian economy (Hidayat, 2020).

#### Keywords

entrepreneurship orientation; marketing innovations; competitive advantage; business performance; pandemic

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The outbreak of this virus has an impact of a nation and Globally (Ningrum *et al*, 2020). The presence of Covid-19 as a pandemic certainly has an economic, social and psychological impact on society (Saleh and Mujahiddin, 2020). Covid 19 pandemic caused all efforts not to be as maximal as expected (Sihombing and Nasib, 2020).

One of the impacts of these restrictions is that Micro, Small and Medium Enterprises (MSMEs) in various regions, including DKI Jakarta, experience setbacks, even bankruptcy. The Ministry of Cooperative MSMEs noted that around 37,000 MSMEs reported that they were very seriously affected by the pandemic, marked by about 56 percent reporting a decline in sales, 22 percent reporting problems in the financing aspect, 15 percent reporting problems with distribution of goods, and 4 percent reporting difficulties get raw materials. Thaha (2020) stated that the lockdown measure due to the pandemic had suddenly stopped economic activity, causing a decline in demand and disrupting the supply chain, more than 50% of MSMEs went out of business, which in the end greatly affected the condition of the Indonesian economy. The MSME sector that is most affected is culinary, business actors feel the decline in sales, lack of capital and hampered sales distribution (Thaha, 2020).

MSMEs have an important position for the economy, including because of their contribution to providing employment, contributing to taxes, alleviating poverty and as the foundation of life for the people in general. In this non-formal context, in the 1998 crisis it was proven that MSMEs were able to become pillars of the country's economy (Putri Nasution, Diwayana; Faried Lubis, 2018; Shariff et al., 2019).

Competitive advantage in products or services is now the main focus for the business world to be able to survive the onslaught of globalization, competitive advantage will have a significant impact in maintaining business performance in conditions full of uncertainty (Yoo & Kim, 2019), the main challenge of a business is sustainability and maintain business growth (Nasir et al., 2017), business performance is one indicator of business growth that indicates the ability of businesses to be competitive in the market (Subagja, 2018), research results show competitive advantage has a significant effect on business performance (Agwu, 2018; Anwar, 2018; Udriyah et al., 2019). Competitive advantage is closely related to business performance, competitive advantage builds strong relationships between customers and producers, competitive advantage becomes the spearhead of facing competitors and guarantees the sustainability of a business (Sigalas & Pekka-economou, 2013; Tehseen, S. and Ramayah, 2015). Competitive advantage can be related by reducing costs, neutralizing threats from competitors, and exploiting market opportunities (Hamdan, 2017).

Furthermore, daring to take risks to win the competition is an important factor for efforts to improve business, this courage to take risks is known as entrepreneurial orientation (Hakala & Kohtamäki, 2011; Suherman & Yusuf, 2021). Entrepreneurship orientation for MSMEs during the pandemic must be owned to deal with conditions so that businesses can continue to survive. Entrepreneurial orientation can be seen with the courage of business owners to innovate, make decisions and be active in the business environment (Ramadini Frida, 2019), the ability of business owners or entrepreneurial orientation has a significant impact on the success of a business (Alvarez-Torres et al., 2019). Furthermore, marketing innovation is also important for MSMEs to encourage business performance, innovation in the form of making new breakthroughs that serve market needs and tastes will increase product competitiveness, which in turn will improve business performance (Elgebali, 2019; Quaye & Mensah, 2019; Zeebaree & Siron, 2017). Currently, marketing innovations can be carried out by MSMEs easily, namely by utilizing advances in information technology and social media (Rokhman, 2019).

Bahren et al (2018) research shows that the lack of marketing innovation applied in a business can lead to losing competitiveness, easy to imitate and less successful MSME business performance increase. Marketing innovation mediated by competitive advantage on SME business performance has a positive impact on the advancement of SME business performance (Quaye & Mensah, 2019).

Findings from previous studies on competitive advantage and business performance point to gaps that need to be addressed which leads to more constructive implications especially among small businesses. Empirical findings that support the application of competitive advantage in business, especially among SMEs are still lacking. If a small business wants to implement and use competitive advantage successfully it needs to understand and apply competitive advantage theory in running an SME business. Therefore, it is important for this study to explore the application of the benefits of competitive advantage and understand how SMEs can adapt their understanding to improve business performance.

### **II. Review of Literature**

#### **2.1 Business Performance**

Business performance is the achievement or achievement of the organization in carrying out activities within a certain period (Anwar, 2018), to achieve high business performance, a business must recognize the external and internal environment, so that strategies for achieving high business performance can be realized (Munizu, 2010). Business performance is influenced by the effectiveness of the company's sales growth rate and profits (Masri, 2015). Business performance of all organizational units (Al-Ansaari et al., 2015).

Achieving sales targets, increasing the number of customers, expanding market reach and persistence in profit growth are indicators of business performance (Udriyah et al., 2019). Do Hyung & Dedahanov (2014) stated that market share, growth rate and profit are indicators in measuring the business performance of a business.

#### **2.2 Competitive Advantage**

Encouraging customers to continue buying products or using services can be achieved with a competitive advantage (Christensen, 2010), competitive advantage will make it difficult for competitors to enter the market, so competitive advantage is the spearhead in facing competition (Hamdan, 2017). Competitive advantage is the most important thing from a company in improving company performance. Dimensions of competitive advantage are: Reduction of Cost, Neutralization of Competitive Threats) and Exploitation of Market Opportunities (Sigalas & Pekka-economou, 2013).

#### 2.3 Entrepreneurship Orientation

Forming managers with character, proactive in taking risks and the ability to innovate is one of the goals of entrepreneurial orientation. Personal characteristics of decision makers in a business are the ability to take risks, promote learning activities, innovation, pro-active and aggressive in improving company performance (Li, Y., Su, Z., Liu Y&Li, 2011; Sarker & Palit, 2015). Entrepreneurial orientation reflects the company's ability to seek and exploit new opportunities or new opportunities, entrepreneurial orientation is how companies gain new markets with methods, practices, and decision-making styles that assist leaders in acting in an entrepreneurial way (Nasir et al., 2017).

Proactive, Innovative, and Risk Taking are dimensions used in measuring entrepreneurial orientation (Hakala & Kohtamäki, 2011)

#### **2.4 Marketing Innovation**

Innovation is needed for a business to survive, innovation can be done by creating new products and services using the accumulated knowledge of customers, competitors, and technology (Cascio, 2011), marketing innovation has an effect on competitive advantage and marketing performance. So the key to success in winning the market is to increase the role of creative innovation that can bring bright ideas that affect the company's competitive advantage (Kotler, 2015). Marketing innovation can be done by paying attention to the aesthetics of product design and packaging, price innovation, innovation in retail, and product promotion innovation (Quaye & Mensah, 2019).

#### **III. Research Method**

The design of this research is descriptive survey method and verificative explanatory survey through primary data collection in the field to explain descriptions based on perceptions of respondents' responses. Furthermore, hypothesis testing is conducted which aims to test the hypothesis of the influence of entrepreneurial orientation and marketing innovation on the business performance of Culinary MSMEs in DKI Jakarta through competitive advantage.

The measurement scale used in this study is an interval scale with a Likert scale measurement method. The Likert scale is a measurement method that measures respondents' attitudes by stating their agreement or disagreement with certain subjects, objects, or events (Sekaran & Bougie, 2014). In this study, the researcher distributed a questionnaire to the selected respondents by asking their level of agreement or disagreement with the statements submitted by the researcher using a Likert scale.

The population of this study is the owner of Culinary SMEs in DKI Jakarta Province. Sampling was done by non-probability sampling technique with purposive sampling method. Therefore, the criteria or consideration for the sample in this study are culinary MSME owners who have run their business for at least two years and are still surviving or operating during this COVID-19 pandemic. Processing of the collected data using Structural Equation Models (SEM) analysis with SmartPLS version 3.00 analysis tool.

Hair & Anderson (2014) stated that the minimum sample size for SEM analysis is 5-10 times the number of parameters or indicators used. However, because it uses the PLS method, in this study the sample used was only 100 respondents. This is based on the research of Ulum et al (2014) which examined SEM with the Partial Least Square (PLS) approach for small samples.

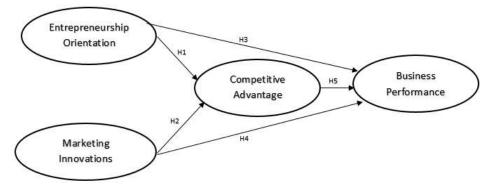


Figure 1. Research Framework

H1	:	Entrepreneurship Orientation is suspected to have a positive and significant
		impact on the Competitive Advantage of Culinary MSMEs in DKI Jakarta
		during the Covid 19 Pandemic Period
H2	:	Marketing Innovation is suspected to have a positive and significant impact
		on the competitive advantage of Culinary MSMEs in DKI Jakarta during the
		Covid 19 Pandemic Period
H3		Entrepreneurship Orientation is suspected to have a positive and significant
		impact on the Business Performance of Culinary MSMEs in DKI Jakarta
		during the Covid 19 Pandemic Period
H4	:	Marketing Innovation is suspected to have a positive and significant effect of
		Culinary MSMEs in DKI Jakarta during the Covid 19 Pandemic Period
H5	:	Competitive Advantage is suspected to have a positive and significant impact
		on the Culinary MSME Business Performance in DKI Jakarta during the
		Covid-19 Pandemic Period
H6	:	Entrepreneurship Orientation is suspected to have a positive and significant
		impact on Business Performance through the Competitive Advantage of
		Culinary MSMEs in DKI Jakarta during the Covid 19 Pandemic Period
H7	:	Marketing Innovation is suspected to have a positive and significant impact
		on Business Performance through the Competitive Advantage of Culinary
		MSMEs in DKI Jakarta during the Covid-19 Pandemic Period

### **IV. Results and Discussion**

#### 4.1 Results

### a. Data Description

1. Respondent's Gender

Gender	Percentage (%)	
Man	78	78%
Woman	22	22%
Amount	100	100%

### Tabel 1. Respondent's Gender

Source: processed data (2022)

Based on the tabulation of data in Table 1, the majority of respondents in this study were male by 78 percent.

#### 2. Respondent's Age

Tabel 2. Respondent's Age						
Age	Number of Respondents	Percentage (%)				
26 Yrs - 30 Yrs	12	12%				
31 Yrs - 35 Yrs	19	19%				
36 Yrs - 40 Yrs	41	41%				
> 40 Yrs	28	28%				
Amount	100	100%				

Based on the tabulation of data in Table 2, the majority of respondents in this study were aged 36-40 years, namely 41 percent.

#### **b. Model Validity Test**

In using the PLS method, an indicator is declared valid if it has a loading factor above 0.70 for the construct in question (Ghozali, 2014). Based on the results of data processing, the following are the results of the validity test in this study.

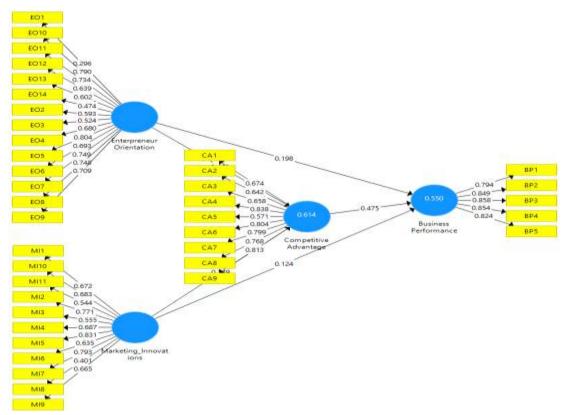


Figure 2. First Validity Test

Based on the test results in Figure 2, there are still statements that are declared invalid because they have a loading factor below 0.70, so retesting is needed by removing invalid statements.

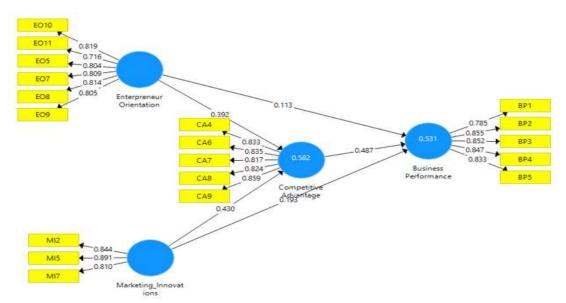


Figure 3. Second validity test

Based on the test results in Figure 3, all statements are declared valid because all of them have a loading factor above 0.70.

#### c. Evaluation of the Measurement Model (Outer Model)

The results of the evaluation of the measurement model (outer model) were calculated using the discriminant validity and composite validity methods. The discriminant validity of the reflexive indicator measurement model was assessed based on the value of the cross loading measurement with variables.

Table 3.	Discriminant	Validity
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	Business Performance	Competitive Advantage	Enterpreneur Orientation	Marketing_Innovations
BP1	0,785			
BP2	0,855			
BP3	0,852			
BP4	0,847			
BP5	0,833			
CA4		0,833		
CA6		0,835		
CA7		0,817		
CA8		0,824		
CA9		0,859		
EO10			0,819	
EO11			0,716	
EO5			0,804	
E07			0,809	
EO8			0,814	
EO9			0,805	
MI2				0,844
MI5				0,891
MI7				0,810

#### Outer Loadings

Source: processed data (2022)

Based on table 3, it can be concluded that each latent variable is able to predict the size of each block better than other block sizes, so the Evaluation of the Measurement Model (outer model) with Discriminant validity is valid.

Furthermore, composite validity can be measured from the Average Variance Extract (AVE) value that must be above 0.5 and Composite Reliability must be above 0.7 (Ghozali, 2014).

#### Table 4. Reliability Test

# Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
<b>Business Performance</b>	0,894	0,916	0,920	0,697
Competitive Advantage	0,890	0,893	0,919	0,695
Enterpreneur Orientation	0,883	0,888	0,912	0,633
Marketing_Innovations	0,807	0,821	0,885	0,721

Source: processed data (2022)

Based on table 4, it is known that the AVE value is above 0.5 and the Composite Reliability value is above 0.7, so that all variables meet the reliability requirements (Ghozali, 2014).

#### d. Evaluation of the Structural Model (Inner Model)

 Table 5. Evaluation of the Structural Model (Inner Model)

#### **R** Square

	R Square	R Square Adjusted
Business Performance	0,531	0,516
Competitive Advantage	0,582	0,573

#### f Square

	Business Performance	Competitive Advantage	Enterpreneur Orientation	Marketing_Innovations
<b>Business Performance</b>				
Competitive Advantage	0,211			
Enterpreneur Orientation	0,011	0,176		
Marketing_Innovations	0,031	0,211		

Based on table 5, it can be concluded that 53.1% of Culinary SME business performance can be explained in this model, the remaining 46.9% is explained by other factors. Competitive Advantage can be explained by the research model by 58.2%, the remaining 41.8% is explained by other factors. Furthermore, based on the f square value, Competitive Advantage explains 21.1% Business Performance, Entrepreneur Orientation explains 17.6% Competitive Advantage and Entrepreneur Orientation does not explain Business Performance variables well. The Marketing Innovations variable explains 21.1% of the Competitive Advantage variable and Marketing Innovations does not explain the Business Performance variable well.

#### e. Hypothesis Testing

The following are the results of data processing using the PLS Bootstrapping method.

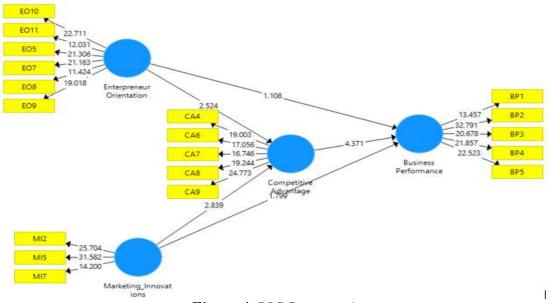


Figure 4. PLS Bootstraping

Furthermore, to clarify the coefficients of the structural equation, consider the following table:

#### Table 6. Hypothesis Testing

#### Path Coefficients

Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Competitive Advantage - > Business Performance	0,487	0,481	0,111	4,371	0,000
Enterpreneur Orientation -> Business Performance	0,113	0,113	0,102	1,108	0,269
Enterpreneur Orientation -> Competitive Advantage	0,392	0,400	0,155	2,524	0,012
Marketing_Innovations -> Business Performance	0,193	0,202	0,107	1,799	0,073
Marketing_Innovations -> Competitive Advantage	0,430	0,430	0,151	2,839	0,005

Based on Table 6, the regression equation formed is as follows:

### **Equation 1:**

Competitive Advantage = 0,392\_Enterpreneur Orientation + 0,430\_Marketing Innovations + erorr

#### **Equation 2:**

Business Performance = 0,487\_ Competitive Advantage + 0,113\_Enterpreneur Orientation + 0,193\_Markering Innovations + erorr

#### **4.2 Discussion**

Based on the results of statistical testing, the explanation of each influence variable is explained as follows:

# a. The Influence of Entrepreneurship Orientation on the Competitive Advantage of Culinary MSMEs in Jakarta

Based on table 5, Entrepreneurship Orientation has a significant effect on the Competitive Advantage of Culinary MSMEs in Jakarta because the p-value of 0.012 is smaller than 0.05 (0.012 < 0.05). Based on the results of this study, innovating on menus, packaging, flavors, making the place/business location more comfortable and expanding the marketing network are the main factors in finding indicators of entrepreneurial orientation that increase the competitive advantage of Culinary SMEs. The results of the study are in accordance with the research of Utama et al., (2020) which states that Entrepreneurial Orientation has a significant effect on Competitive Advantage.

# b. The Effect of Marketing Innovation on the Competitive Advantage of Culinary MSMEs in Jakarta

Based on table 5, Marketing Innovation has a significant effect on the Competitive Advantage of Culinary MSMEs in Jakarta because the p-value of 0.005 is smaller than 0.05 (0.005 <0.05). Based on this research, indicators of marketing innovation that have an effect on increasing competitive advantage are by providing communication and information media to respond to customer questions and/or requests, and innovating by following consumer tastes, in addition, providing special prices with the aim of attracting customers. This research is in accordance with the results of research by Lestari et al (2019), Satwika & Dewi (2018), Sherlin (2016) which states that Marketing Innovation has a significant effect on Competitive Advantage.

# c. The Influence of Entrepreneurship Orientation on Business Performance of Culinary MSMEs in Jakarta

Based on table 5, Entrepreneurship Orientation has no effect on Culinary MSME Business Performance in Jakarta, because the p-value of 0.269 is greater than 0.05 (0.269 > 0.05). The results of this study are different from the results of Elgebali (2019); Quaye & Mensah (2019); Zeebaree & Siron (2017) which states that Entrepreneurial Orientation has a significant effect on Business Performance, thus, the indicators of Entrepreneurship Orientation in this study, namely innovating on menus, packaging, flavors, making business places/locations more comfortable and expanding marketing networks have no impact on performance. Culinary MSME Business in Jakarta.

# d. The Effect of Marketing Innovation on Business Performance of Culinary MSMEs in Jakarta

Based on table 5, Marketing Innovation has no effect on Culinary MSME Business Performance in Jakarta, because the p-value of 0.073 is greater than 0.05 (0.073 > 0.05). The results of this study are different from that of Hamali (2019), Hartini (2012), which states that Marketing Innovation has a significant effect on Business Performance, thereby providing communication and information media to respond to customer questions and or requests, and innovating by following consumer tastes, in addition, providing special prices with the aim of attracting customers does not have an impact on MSME Business Performance Culinary in Jakarta.

# e. The Influence of Competitive Advantage on Business Performance of Culinary MSMEs in Jakarta

Based on table 5, Competitive Advantage has a significant effect on Culinary MSME Business Performance in Jakarta, because the p-value of 0.000 is smaller than 0.05 (0.000 <0.05). Based on this research, Competitive Advantage indicators that have an effect on increasing competitive advantage are to keep prices from rising and maintain product quality, continue to expand the market, and continue to innovate. sales continue to increase, profit is achieved according to target, and product market share is well maintained. The results of this study are in accordance with Asyhari et al (2018), GS et al (2019), Setyawati & Rosiana (2015) who also stated that Competitive Advantage affects Business Performance.

To test the indirect effect hypothesis, the Sobel test was carried out, with the numbers according to table 5.

Sa1 = 0.113 Standard Error = 0.102Sa2 = 0.190 Standard Error = 0.107

Sb = 0.487 Standard Error = 0.111

Variable	Test Statistics	P-Value				
Competitive Advantage =>	1.0741	0.2827				
Competitive Advantage =>						
Business Performance						
Marketing Innovation =>	1.645	0.0997				
Competitive Advantage =>						
Business Performance						

Table 7. Sobel Test

#### f. The Influence of Entrepreneurship Orientation on Business Performance of Culinary MSMEs in Jakarta through Competitive Advantage Variable

Based on table 6, the mediation of the Competitive Advantage variable on the Entrepreneurial Orientation has no effect on the Culinary MSME Business Performance in Jakarta because the p-value of 0.2827 is greater than 0.05 (0.2827 > 0.05). The results of this study indicate that Entrepreneurship Orientation, either directly or indirectly, does not significantly affect Business Performance, the indicators of Entrepreneurship Orientation in this study, namely innovating on menus, packaging, flavors, making business places/locations more comfortable and expanding marketing networks, have no impact on Business Performance. In fact, based on the research results of the culinary MSME Business Performance in Jakarta during the pandemic, namely the sales turnover target, efficiency, sales growth, profit target, and product market share were well maintained. From the interviews, many culinary MSME actors in Jakarta carry out a strategy by creating a COD and Free Shipping system for certain areas, approaching communities or groups, and offering new products at affordable prices.

# g. The Effect of Marketing Innovation on the Business Advantage of Culinary MSMEs in Jakarta through the Competitive Advantage variable

Based on table 6, the mediation of the Competitive Advantage variable on Marketing Innovation has no effect on the Business Advantage of Culinary MSMEs in Jakarta because the p-value of 0.0997 is greater than 0.05 (0.0997 > 0.05). Winata & Wijaya (2019) stated that the influence of marketing innovation was not significant because innovations were not focused on the main things so that the results of innovation were not significant. Dewi & Supriyanto (2017) stated that many consumers who subscribed to

MSMEs directly came or ordered and did not open the internet to see the promotions offered by MSMEs, this caused social media to have no significant effect on marketing performance.

## V. Conclusion

The conclusions of this study are as follows:

- 1. Entrepreneurship Orientation has a significant effect on the Competitive Advantage of Culinary MSMEs in Jakarta. Innovating on menus, packaging, flavors, making business places/locations more comfortable and expanding marketing networks are the main factors in looking for indicators of entrepreneurial orientation that increase the competitive advantage of Culinary SMEs.
- 2. Marketing Innovation has a significant effect on the Competitive Advantage of Culinary MSMEs in Jakarta. An indicator of marketing innovation that is influential in increasing competitive advantage is by providing communication and information media to respond to customer questions and/or requests, and innovating by following consumer tastes.
- 3. Entrepreneurship Orientation does not affect the Business Performance of Culinary MSMEs in Jakarta, the indicators of Entrepreneurship Orientation in this study, namely innovating on menus, packaging, flavors, making business places/locations more comfortable and expanding marketing networks, have no impact on Business Performance.
- 4. Marketing Innovation has no effect on the Business Performance of Culinary MSMEs in Jakarta, this can be caused by many MSME customers who come directly or order and do not open the internet to see the promotions offered by MSMEs, this causes marketing innovation to have no significant effect on business performance.
- 5. Competitive Advantage has a significant effect on the Business Performance of Culinary MSMEs in Jakarta. Competitive Advantage indicators that have an effect on increasing competitive advantage are to keep prices from rising and maintain product quality, continue to expand the market, and continue to innovate, by doing so, the impact is that sales turnover targets are achieved, continue to make efficiency, sales growth continues to increase profit is achieved according to target, and product market share is well maintained
- 6. The mediation of the Competitive Advantage variable on the Entrepreneurial Orientation does not affect the Business Performance of Culinary MSMEs in Jakarta, many culinary MSME actors in Jakarta carry out different strategies to improve their business performance, namely by creating a COD and Free Shipping system for certain areas, approaching the community or group, and offer new products at affordable prices.
- 7. The mediation of the Competitive Advantage variable on Marketing Innovation has no effect on the Business Advantage of Culinary MSMEs in Jakarta, the influence of marketing innovation is not significant because innovations are not focused on the main things so that the results of innovation are not significant.

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