THE EFFECT OF INNOVATION ABILITY AND HUMAN RESOURCE CAPABILITY ON COMPETITIVE ADVANTAGE TO IMPROVE COMPANY PERFORMANCE IN POST-PANDEMIC COVID-19 (EMPIRICAL STUDY OF COFFEE SHOP COMPANIES IN SEMARANG)

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Abstract

This study aims to develop a conceptual model based on Innovation Capability, Human Resource Capability, and Competitive Advantage which is expected to improve coffee shop business performance. Overall, there are 200 coffee shop owners and managers involved in this research activity. The structural Equation Modelling (SEM) method was adopted as software to assist in testing models and hypotheses. Structural Equation Modelling (SEM) analyzed 200 questionnaires. The findings from this study are that good coffee shop company performance can be achieved through innovation capabilities, human resource capabilities, and competitive advantage. So, this can be used as input for related company managers to be able to get their best performance in the post-pandemic period. The results of the Goodness of fit full model SEM test still show a marginal value, namely the AGFI value (0.884) which is < the cut-off value. This study also provides several suggestions for future research development. The findings contribute to practical managerial implications by providing practitioners with some insights regarding innovation capability, human resource capability, competitive advantage, and company performance. This study explains the effect of Innovation Capability and Human Resource Capability on Company Performance both directly and through an intervening variable, namely Competitive Advantage. The conceptual model of this research was tested on coffee shop samples in Semarang.

Keywords: Competitive Advantage, Business Performance, Innovation Capability, Human Resource Capability

INTRODUCTION

Basically, the company has the main objective to produce the best performance in order to obtain maximum profit. Achieving a good level of performance by a company will result in maximum profit for the company. This certainly triggers the level of competition between business people to become increasingly stringent. Moreover, the Covid-19 pandemic affecting the global economy. This pandemic has caused a decline in the company's overall performance, as companies are more focused on surviving than making profits.

Government policies such as lockdowns, Large Scale Social Restrictions (PSBB), Enforcement of Restrictions on Community Activities (PPKM), and social distancing have a significant impact on sales turnover because demand is limited. In fact, to ensure the continuity of a company, the most crucial aspect is company performance. Performance, as stated by Mulyadi (2007) includes all company achievements in achieving the strategic objectives set out in the selected strategic initiatives.

However, in 2022 conditions will start to improve with the transition from the pandemic to the post-pandemic period and then to endemic status. The government is starting to relax the restriction policy while still implementing health protocols. This provides an opportunity for businesses, including coffee shops, to rebuild their business. According to Wolff & Pett (2006), company performance can be interpreted through the structure of the fundamental factors, namely growth, sales/profits, income, company productivity, and production efficiency.

However, competition in the post-pandemic era has become increasingly stringent. Coffee shop business people are required to give their best performance. The survey results show that 100% of the 15 coffee shops in Semarang City or all respondents agree that during this transitional period, competition in the coffee shop business is felt to be getting tighter as if this period is a period of awakening for business people to be able to recover from the downturn of the Covid-19 pandemic. In other words, the recovery in economic conditions will have an impact on the high level of competition, which means that companies must always maintain their company's performance in order to survive. Coffee shop operators are competing to achieve the best performance so as not to lose out in

competitiveness, this of course causes anxiety in itself because they are just starting to recover from the slump of the Covid-19 pandemic.

This of course requires a solution to build good performance for coffee shops in Semarang. The solution that can be offered is to carry out good innovation capabilities and maintain the company's human resource capabilities. By innovating effectively and maintaining the potential of human resources, companies can gain a competitive advantage which will ultimately improve company performance.

Innovation is one strategy that can help the success of a business. Technology implementation and product development are part of innovation in the post-pandemic era. Innovation is the ability to be able to see opportunities by implementing creative ideas for an existing problem with the aim of improving and enriching one's life (Aditi, 2018). In addition to innovation, human resource capabilities are also important to improve company performance. Human Resources according to Sedarmayanti (2009) are workers or employees in an organization who have an important role in achieving success. Especially in the post-pandemic era that has significantly changed the way things work and do business, companies must quickly adapt to stay competitive. Therefore, the capability of human resources is very crucial, because employees who have the necessary abilities and skills will help companies face various challenges and difficulties that arise in the post-pandemic era.

The combination of innovation strategy capabilities and human resource capabilities is expected to provide a competitive advantage for the company. The heart of a company's performance in a competitive market is a competitive advantage (Porter, 1998). Hajar and Sukaatmadja (2016) define competitive advantage as a strategy to be superior to competitors. Competitive advantage can help companies gain an advantage over their rivals in competition because companies are able to carry out activities more effectively than their competitors (Pitts and Lei, 2006).

Based on gap analysis originating from previous research, there are still gaps in the variables to be examined so further research is needed with the title "The Influence of Innovation Ability and Human Resource Capability on Competitive Advantage to Improve Company Performance Post-Covid-19 Pandemic in coffee shop companies in Semarang City"

REVIEW OF LITERATURE

Resource-Based View Theory (RBV)

Barney (1991) stated that companies can achieve competitive advantage when they implement a value-creation strategy that has not or cannot be implemented by current competitors or potential competitors simultaneously. A sustainable competitive advantage occurs when a company uses a value-creation strategy that cannot be implemented by competitors and cannot be easily transferred to other companies. The Resource-Based View (RBV) theory identifies a company's internal resources as opportunities to respond to threats in the company's external environment (Barney, 1991). RBV resources include assets, information knowledge, process capabilities, and other enterprise attributes, as key to implementing an effective and efficient strategy.

Wernerfelt (1995) makes the same observation, namely that the development of new resources and the exploitation of existing resources is an integral part of corporate strategy. This theory explains how the resources currently owned can contribute to achieving sustainable competitive advantage. This is done through the implementation of a strategy that exploits the company's internal strengths, faces and overcomes external threats, avoids potential internal weaknesses, and is able to analyze opportunities around it.

If the resources are controlled by other competitors, then these resources cannot be considered as a competitive advantage for the company because each company has the same capabilities. Thus, a competitive advantage can be achieved when a company is able to apply value creation from a strategy that potential competitors or current competitors cannot implement simultaneously, and the company is also unable to duplicate the benefits of that strategy.

Ghozali (2020) states that a Resource-Based View (RBV) as an internal resource act as a tool for organizing processes and achieving competitive advantage. Jay Barney's 1991 article, entitled "Firm Resources and Sustained Competitive Advantage", is considered important in the development of the Resource-Based View. This theory emphasizes that to be a source of sustainable competitive advantage, resources must meet several conditions, namely, they must be valuable, cannot be perfectly imitated, rare, and cannot be replaced by other resources. In this theory, the importance of developing unique and specific core

competencies within the company is emphasized, so that the company can outperform competitors in different ways.

However, this theory proposes that heterogeneous companies have different resources, allowing other companies to have different strategies based on the mix of resources they have. The focus of management in RBV is on identifying the company's internal assets, capabilities, and competencies that can provide a superior competitive advantage. Competitive advantage occurs when a company is able to create value by implementing a strategy that potential or current competitors cannot immediately imitate.

Company resources can be tangible or intangible, but both have invaluable value in achieving competitive advantage. Competitive advantage can be generated when company resources meet VRIN's criteria: valuable, rare, difficult to imitate (imperfect imitability), and cannot be replaced (non-substitutability).

RBV emphasizes the importance of innovation capabilities and human resource capabilities in achieving competitive advantage. Innovation capabilities enable companies to face external environmental opportunities and challenges, while human resource capabilities make a major contribution to competitive advantage through the development, utilization, and maintenance of valuable, unique, and hard-to-imitate resources. The RBV also highlights that the entire organization, not just senior management, has a responsibility in creating and leveraging resources to achieve performance and competitive advantage. Companies that have a competitive advantage can outperform competitors because they are able to do different and unique things that add value to the company financially.

Thus, RBV is the basis of the theory used in this research, in which innovation ability and human resource capability as a company's internal strength are expected to help build a company's competitive advantage and lead to good company performance.

Company Performance

Company performance is an important factor that determines the company's success in achieving the strategic goals that have been set. Mulyadi (2007) defines company performance as overall success in achieving strategic goals through selected strategic initiatives. Measurement of company performance is very relevant because it provides information about the success of the implemented strategy and the contribution of

managers. In addition to financial aspects, performance measurement must also consider non-financial aspects in a competitive business environment.

According to Vinagre et. al (2006), company performance measurement provides important information about the success of a strategy that can be evaluated for improvement. Performance information helps in decision-making and company policies. Company performance, according to Wolff & Pett (2006), can be indicated by key factors such as growth, sales/profits, income, productivity, and production efficiency.

Competitive Advantage

Competitive advantage is a strategy that allows a company to outperform its competitors by carrying out activities more effectively. Porter (1998) states that competitive advantage is at the heart of a company's performance in a competitive market. To achieve a competitive advantage, companies must develop an effective strategy by taking into account six core elements: vision, value creation, planning and administration, global awareness, stakeholder management, and technology utilization.

According to Hajar and Sukaatmadja (2016), competitive advantage can be measured through several factors such as competitive prices, opportunity exploration, competitive threat defense, flexibility, and customer relations. By having a competitive advantage, companies can compete more effectively and are expected to achieve maximum performance.

So, the research hypothesis to be proposed:

H1: Competitive advantage has a positive effect on company performance.

Innovation Capability

Ability is an individual's capacity to perform various tasks in a particular job (Robbins, 2009). Innovation is the ability to implement creative ideas to improve one's life by overcoming existing problems (Aditi, 2018). Innovation also refers to new discoveries, the development of existing ones, duplication, and synthesis of existing concepts or formulas (Kuratko, et al., 2019).

The ability to innovate involves sources of ideas or means such as internal creativity (use of personal experience in developing ideas) and external creativity (observing the environment to generate ideas) (Silva et al., 2014). Indicators of innovation capability include product quality, product uniqueness, new products, product variants, and product

development (Sya'roni et al., 2012). Innovation is an important factor for company performance because by innovating, companies can create new opportunities that have not been exploited by their competitors, so as to improve overall company performance.

In the knowledge-based economy era, innovation is a major factor in achieving competitive advantage because by doing differentiation, companies can better maintain their advantage (Suhaeni, 2018). By having the ability to innovate, companies can create new things that can outperform their competitors, and this is a source of competitive advantage for the company. In conclusion, innovation capabilities play a key role in creating a competitive advantage for companies, enabling them to maintain a superior position through product differentiation and unique services. Innovation is an important factor in improving company performance and achieving success in a competitive market.

Then, the research hypothesis to be proposed:

H2: Innovation capability has a positive effect on company performance.

H3: The ability of innovation has a positive effect on competitive advantage.

Human Resource Capability

Human resource capability consists of two components, namely capability as the ability to exploit resources that are owned by oneself and the organization, as well as self-potential to carry out certain activities or series of activities (Amir, 2011). Meanwhile, human resources or human resources as a workforce plays an important role in the success of the company (Sedarmayanti, 2009). Human resource capabilities include experience, knowledge, judgment, tendency to take risks, and individual wisdom related to the company, (Barney, 1995) and serves to achieve corporate success by executing work processes, adapting to business and market changes, developing new products and processes, and maintaining relationships with customers for innovation and new technology transitions (Chatab, 2007).

Indicators of human resource capability include skills, knowledge, abilities, attitudes, experience, and wisdom. Human resources who have good capabilities can contribute to the company's competitive advantage and provide added value that competitors do not have. Improving HR capabilities is an important factor to increase a company's competitive advantage.

Human resource capabilities enable companies to create and exploit external opportunities as well as develop sustainable advantages. Human resources who are able to work flexibly, adapt to new technologies, and lead change can help companies cope with the changes that occur. Digital skills also enable companies to develop effective digital strategies to expand their customer base and improve company performance.

In conclusion, human resource capability is the main driver of the company in achieving competitive advantage. It is important for companies to pay attention to and manage HR capabilities and competencies properly to create a competitive advantage. Then, the research hypothesis to be proposed:

H4: Human resource capability has a positive effect on company performance.

H5: Human resource capability has a positive effect on competitive advantage.
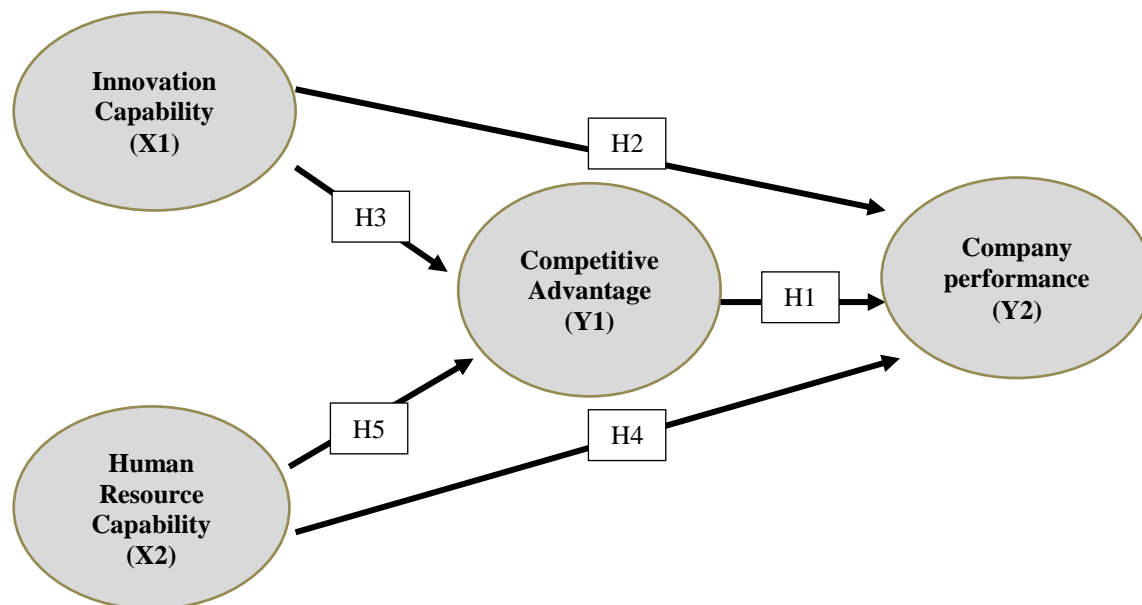
Figure 1
Conceptual Framework

RESEARCH METHOD

Development of Measures

The measuring instrument used is an interval scale, an interval scale is a scale that processes raw data in the form of numbers, which are then interpreted in a qualitative sense (Sugiyono, 2011). In this study, respondents were required to fill out a questionnaire by selecting ratings from one to seven which stated the respondents' opinions from strongly

disagree to strongly agree. The details are as follows: 1 strongly disagree, 2 disagree, 3 moderately disagree, 4 neutral, 5 moderately agree, 6 agree, 7 strongly agree.

Sample Design and Data Collection

In this study, the population is Coffee Shop UKM owners or managers who have been operating for at least six months, have more than 5 employees and are located in the Semarang area. So, the population in this study is unknown. In this study, the data was distributed to coffee shop owners and managers in Semarang which produced 200 data that could be processed for analysis. The following is a table of descriptive data from 200 respondents that have been collected, and it can be seen that gender is dominated by men (65%), educational background is dominated by Diploma/Bachelor level (71%), and positions are dominated by Managers (74%).

RESULTS AND DISCUSSION

Respondent Profile

Table 1
Respondent Profile

Classification of Respondents	Information	Number of Respondents	Percentage
Gender	Man	130	65%
	Woman	70	35%
	Total	**200**	**100%**
Educational Background	Diploma/Bachelor Degree	141	71%
	S2/S3	12	6%
	Senior High School	47	24%
	Total	**200**	**100%**
Position	Manager	148	74%
	Owner	52	26%
	Total	**200**	**100%**

Measurement

To test the model studied in this study, the object manager and owner of a coffee shop in Semarang are used. The sampling technique used is non-random or non-probability sampling, where elements or members of the population do not have the same opportunity to be sampled (Sugiyono, 2008).

While the sampling method used is purposive sampling because researchers know that the information needed can be obtained from a group that meets certain characteristic criteria (Ferdinand, 2014). In this method, there are certain considerations in taking samples (Sugiyono, 2008). So, the sample is taken intentionally with certain considerations or criteria determined by the researcher, not randomly. Determining the number of samples as a reference is the opinion of Hair et.al (2010) that in order to use SEM interpretation estimation, the sample size for the maximum likelihood estimation technique ranges from 100-200.

The first data processing step is validity and reliability testing to evaluate the quality of the instruments or measuring instruments used. The analysis technique in this study uses Structural Equation Modelling (SEM) which is operated through AMOS 26. The indicator of the variable is valid if the estimated value is > 0.50, but if the result is < 0.50 then the result is invalid. Reliability testing in this study uses CR (Construct Reliability), which has criteria if the CR value > 0.7 then the variable can be said to be reliable. Then the recommended VE (Variance Extracted) measurement is more than 0.50 (> 0.50).

Table 2
Measurement of Construct Validity and Reliability

Variable	Indicator	Factor Loading	Limit	Information	CR	Limit	VE	Limit	Information
Innovation Capability	KI1	0.770	> 0.5	Valid	0.922	>0.7	0.629	> 0.5	Reliable
	KI2	0.699		Valid					
	KI3	0.803		Valid					
	KI4	0837		Valid					
	KI5	0.703		Valid					
	KI6	0.833		Valid					
	KI7	0.886		Valid					
Human Resources Capability	KHR1	0.775	> 0.5	Valid	0.871	>0.7	0.530	> 0.5	Reliable
	KHR2	0697		Valid					
	KHR3	0.662		Valid					
	KHR4	0.707		Valid					
	KHR5	0.782		Valid					
	KHR6	0.736		Valid					
Competitive Advantage	KB1	0.675	> 0.5	Valid	0.864	>0.7	0.563	> 0.5	Reliable
	KB2	0.858		Valid					
	KB3	0.677		Valid					
	KB4	0.724		Valid					
	KB5	0.800		Valid					
Company Performance	KP1	0.866	> 0.5	Valid	0.880	>0.7	0.601	> 0.5	Reliable
	KP2	0.848		Valid					

	KP3	0.794		Valid					
	KP4	0.543		Valid					
	KP5	0.782		Valid					

SEM analysis is a combination of various multivariate techniques that try to simultaneously analyse the relationship between the dependent and independent variables (Haryono, 2013). SEM is an effective and flexible analytical method that assists researchers in understanding the relationship between variables in a complex theoretical model. This helps in testing hypotheses and gaining deeper insight into the interactions between relevant variables in research. In processing research data using the AMOS 26 application. SEM analysis consists of two stages, namely the Measurement Model and Structural Model. The measurement model is carried out to obtain a fit construct or latent variable so that it can be used for the next stage of analysis by conducting a Confirmatory Analysis Factor (CFA) test.

The full model SEM analysis is an analysis carried out on the entire research model, including the Goodness of Fit test and the Regression test.
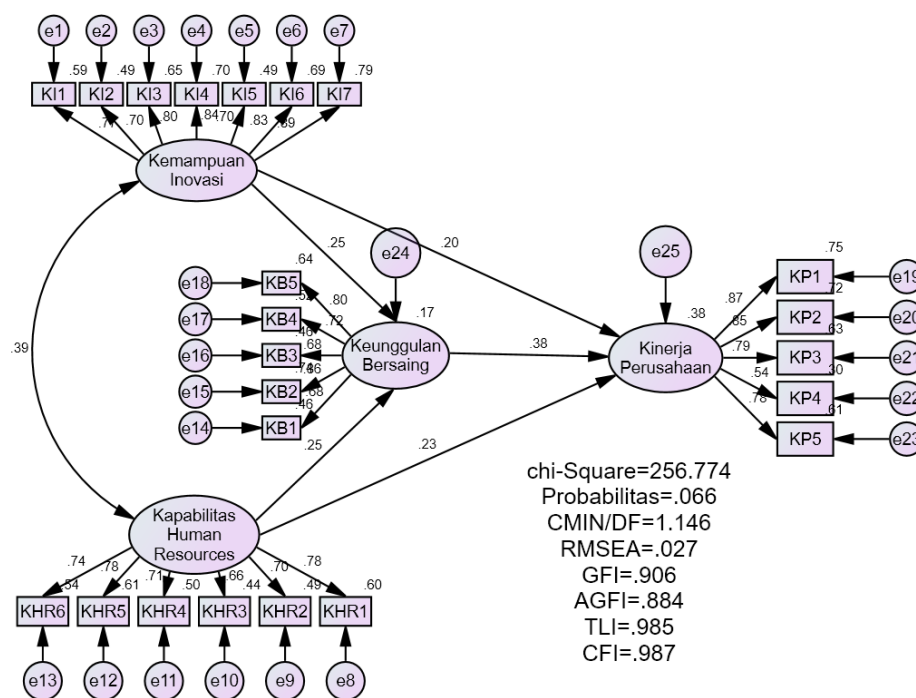
Figure 2
SEM Full Model Results

From the GoF test, it is obtained that the chi-square is 256.774 and the probability significance level is 0.066, so the model is good fit. Then RMSEA 0.027, GFI 0.906,

CMIN/DF 1.146, TLI 0.985, and CFI 0.987 which already meet the cut-off value of the SEM assumptions. While the AGFI value of 0.884 is included in the marginal category. Overall, the feasibility test of this research model is appropriate and meets the criteria needed for an acceptable model.

Causal Hypothesis Test

After the model is declared fit and meets the criteria, the next test is the hypothesis test. Hypothesis testing is done with a causality test (regression test) to find out the causal relationship developed in this modelling. If the CR is positive and the value is above $\geq$ 1.96, it indicates that the hypothesis has a positive effect. Then, for p-values below 0.05, there is an effect (Ghozali, 2017). H1 C. R 4.679 p 0.000; CR 2.656 p 0.008; C. R 2.957 p 0.003; C. R 2.955 p 0.003; CR 2.887 p 0.004. Then the results of testing H1, H2, H3, H4, and H5 each had a positive value $\geq$ 1.96 and $p < 0.05$, so all hypotheses were stated to be significantly positive (accepted).

Table 3
Hypothesis Testing Results

No.	Hypothesis	CR	P	Results
H1	Competitive Advantage→ Company Performance	4,679	0.000	Significant Positive
H2	Innovation Capability→ Company Performance	2,656	0.008	Significant Positive
H3	Innovation Capability→ Competitive Advantage	2,957	0.003	Significant Positive
H4	Human Resources Capability→ Company Performance	2,955	0.003	Significant Positive
H5	Human Resources Capability→ Competitive Advantage	2,887	0.004	Significant Positive

The results of the research discussion that competitive advantages such as competitive prices, opportunity exploration, defense against competitive threats, flexibility, and good customer relations are proven to be able to increase sales growth, increase profits, revenue, company productivity, and carry out production efficiency that supports the performance of things this is supported by research by Majeed, et. al (2011). Then the

ability to innovate such as good product quality, unique product taste, new product creation, product variants, product development, process improvement, and new methods have proven to be able to make the company able to increase sales growth, increase profits, revenue, company productivity, and carry out production efficiency that supports good performance. This is supported by research by Zehir, et. al (2015). Likewise, innovation capabilities such as good product quality, unique product taste, new product creation, product variants, product development, process improvement, and new methods have proven to be able to support competitive advantage supported by research by Eidizadeh, et.al (2017). Then human resource capabilities such as skills, knowledge, abilities, attitudes, experience, and wisdom are proven to be able to increase sales growth, increase profits, income, and company productivity, and carry out production efficiency that supports good performance. This is supported by research by Khandekar, et.al (2005). And also, with human resource capabilities such as skills, knowledge, abilities, attitudes, experience, and wisdom proven to be able to support competitive advantage which is supported by research by Kazlauskaitė, et.al (2008).

CONCLUSION

This study aims to develop a conceptual model based on Innovation Capability, Human Resource Capability, and Competitive Advantage which is expected to improve coffee shop business performance. The results of research on the performance of coffee shop companies in Semarang City in the post-pandemic period with innovation capabilities and human resource capabilities through competitive advantage prove that the innovation capability and human resource capability variables can affect company performance both directly and indirectly through competitive advantage as an intervening variable. The competitive advantage variable is also able to have a positive influence on company performance.

It is hoped that this research will be able to contribute as practical advice for coffee shop owners and managers in Semarang City based on research findings which in the future can be used as a basis for decision making by understanding the importance of competitive advantage in order to improve company performance so that it is superior to competitors, understanding the importance of applying innovation capabilities who can improve

company performance, understand the importance of innovation capabilities in order to gain competitive advantage, understand the importance of human resource capabilities to improve company performance by always providing training to HR with the aim of increasing HR experience and knowledge so that company performance can also increase, understand the importance of human resource capabilities in order to increase the company's competitive advantage by continuing to add training and competitions for HR so that the company is able to achieve increased competitive advantage.

In this study the limitations that were felt were the results of the GoF full model SEM test, the AGFI value was still marginal (0.884), then there were coffee shops that were not willing to participate, and also the research only covered the coverage area of Semarang City, not yet covering Semarang Regency which incidentally is still nearby. and one region with almost the same characteristics.

Suggestions for future research are to refer to the research limitations that have been described so that they are refined and can also develop research models using other variables that can be used as methods to achieve company performance such as TQM, service quality, knowledge management, flexibility, and others.

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