

The Effect of Innovation, Competence, and Competitive Advantage on Employee Performance

Febriana Firsty Wulandari¹, Bayu Kurniawan², Noni Setyorini³

^{1,2,3}Universitas PGRI Semarang, Semarang, Indonesia

Corresponding email: monicfirsty@gmail.com

Received: December,2, 2024 | Revised: December,18, 2024 | Accepted: December,20, 2024

Abstract. The purpose of this research is to find out how innovation, competitive advantage, and innovation affect the productivity of coffee shop workers in Batang Regency. using a margin of error and a sample size of 98 respondents, this research employed a probability sampling strategy using a simple random sampling method based on the Moe formula. The population in this study was all coffee shop employees in Batang Regency. This research made use of SPSS version 24's multiple linear regression technique to examine the data. Discussion and analysis of the data reveal that innovation, even in its incomplete form, significantly improves the productivity of coffee shop workers in Batang Regency. Workers at coffee shops in Batang Regency benefit significantly from partially competent performance. The performance of coffee shop employees in Batang Regency is positively and significantly impacted by partially competitive advantage.

Keywords: Innovation; Competitive Advantage; Employee Performance

INTRODUCTION

The expansion of MSMEs, or micro, small, and medium-sized firms, is now a key driver of economic development. Despite the economic crisis, micro, small, and medium-sized enterprises (MSMEs) have the potential to endure and even thrive. MSMEs operating in various sectors must be able to face increasingly tight business competition in today's era. Increasingly tight business competition encourages MSME business entities to continue to develop product innovation. The corporate world is now experiencing a period of fiercely competitiveness. Companies risk stagnation or client churn if they can't hold on to their current market share. When workers carry out their tasks in line with their assigned responsibilities, the end result is their performance, which may be defined as the amount and quality of their labor (Indrajita, Sadiarta and Mahayasa, 2021).

Employee performance is a component that impacts the extent to which a firm achieves success. The term "performance" refers to the quantitative and qualitative outcomes that an individual or team can produce within an organization while adhering to their respective roles and responsibilities, all in an effort to reach the company's objectives in a lawful, ethical, and moral manner (Lengkey et al., 2021). Employee performance is what is given in the form of quality from each employee or can be called a performance (Ajiardani and Anjaningrum, 2022). Performance is the end product of an individual's efforts to complete assigned duties in line with predetermined standards. The degree to which an individual is effective in completing his or her job responsibilities is another indicator of that individual's performance (Pratama, 2020).

Coffee shops are one type of business that continues to grow in Indonesia, especially in Batang City. Increasingly tight competition makes coffee shop owners have to continue to innovate to maintain their business. One factor that can affect the success of a coffee shop is employee performance. Good employee performance can improve product and service

quality, thereby increasing customer satisfaction and differentiating the coffee shop from its competitors.

In order to improve employee performance in coffee shops, business owners can carry out several strategies, including: Increasing product innovation and process innovation, business owners can carry out product innovation and process innovation to improve product and service quality, as well as increase employee efficiency and effectiveness. Improving employee skills, business owners can provide training.

Based on previous research, several elements, including as product and process innovation, leadership style, organizational culture, work experience, training, and strategy, might influence employee effectiveness in coffee shops. Thus, with competitive advantage serving as an intermediary variable, this research will investigate how innovation and skills impact employee performance in coffee shops.

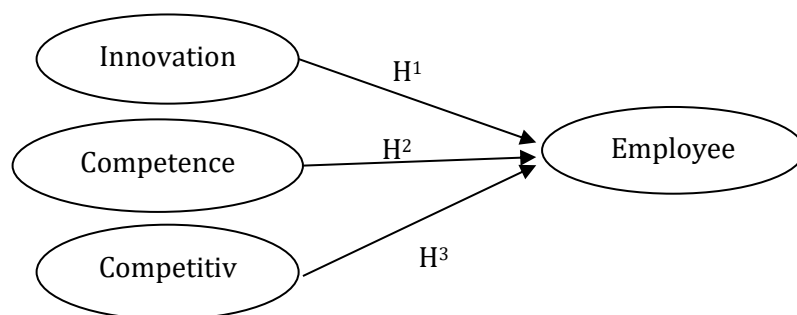
In this context, innovation can include product innovation and process innovation, while competence can include technical and non-technical skills possessed by employees. Competitive advantage can be interpreted as factors that differentiate a coffee shop from its competitors, such as product quality, price, location, and service. Consequently, this research may provide light on what makes coffee shop employees tick and how competitive advantage balances the effects of competence and innovation on productivity.

Based on the research gap in the research of Dewi & Wibawa, (2022) stated that the way employees perform is impacted by innovation. Kusuma et al. (2021) found no correlation between innovation and worker productivity. Latief et al. (2019) found that competence influences productivity in the workplace. Lengkong et al. (2019) found no correlation between competence and performance in the job. This research found that competence, innovation, and competitive advantage all have an impact on the performance of coffee shop workers (Ety, 2023) in the workplace.

Determining what elements impact employee performance was the goal of this study, as stated in the previous research. For the simple reason that both elements competence and innovation are crucial for SMEs to provide their workers a sense of security. Furthermore, this research utilizes work satisfaction as a mediator to quantify the influence of innovation and competence on employee performance. The findings of this research could help coffee shop operators boost staff productivity and stay in business in the face of cutthroat competition.

Based on the explanation of the development of the hypothesis above, the following is an empirical model or framework for thinking in this research:

Figure 1: Empirical Research Model



Source: Indrajita et al., (2021) developed by researchers (2024)

METHOD

This research is a statistically-based quantitative study that takes a causal associative method, in other words, it's a study of causes and effects that reveals how independent factors affect dependent ones (Sugiyono, 2017). The study focused on employees of coffee shops in Batang Regency, utilizing a probability sampling technique with a simple random sampling method. This approach involved selecting sample members randomly without considering population strata. With a known population size, the sample size was determined using Moe's formula, resulting in 98 respondents. Data collection was conducted through offline distribution of paper-based questionnaires directly to these 98 employees. The analysis employed multiple linear regression to evaluate the relationships between the variables Innovation, Competence, and Competitive Advantage with Employee Performance (Y), both individually and collectively.

RESULTS AND DISCUSSION

RESULTS

The linear regression analysis was used to determine the extent to which the factors of Innovation, Competence, and Competitive Advantage impact the performance of employees at a coffee shop in Batang Regency. This is what the linear regression analysis turned out to be:

Table 1: Results of Multiple Linear Regression Analysis Test

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	,161	1,701		,094
	Innovation	,284	,136	,241	,039
	Competence	,397	,082	,463	,000
	Competitive Advantage	,240	,119	,237	,047

a. Dependent Variable: Employee performance

Source: Primary data processed, (2024)

Based on the results of linear regression analysis, the linear regression equation is obtained:

$$Y = a_i + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

$$Y = 0,161 + 0,284X_1 + 0,397X_2 + 0,240X_3$$

Information :

- Y : Employee performance
- a_i : Koefisien Konstanta
- β₁ β₂ β₃ : Koefisien Regresi
- X₁ : Innovation
- X₂ : Competence
- X₃ : Competitive Advantage

The results of this multiple linear regression are as follows:

1. The constant value (α) is 0.161, representing the baseline influence of Innovation, Competence, and Competitive Advantage on the performance of coffee shop employees in Batang Regency.
2. The regression coefficient for the Innovation variable (β_1) is 0.284, indicating that Innovation contributes to a 0.284 increase in Employee Performance.
3. The regression coefficient for the Competence variable (β_2) is 0.397, reflecting a 0.397 increase in Employee Performance. Similarly, the Competitive Advantage variable shows a coefficient of 0.240, contributing a 0.240 increase in Employee Performance.

The test is used to determine the value of the independent variable; if the significance level is less than 0.05, then the independent variable (X) is considered to be a pair that influences the dependent variable (Y). Table 2 displays the results of the T-test conducted using the SPSS program:

Table 2: T-Test Results

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	,161	1,701		,094
	Innovation	,284	,136	,241	,039
	Competence	,397	,082	,463	,000
	Competitive Advantage	,240	,119	,237	,047

a. Dependent Variable: Employee performance

Source: Primary data processed, (2024)

1. The Effect of Innovation on Employee Performance
The statistical test results indicate that Innovation significantly influences Employee Performance, with a p-value of $0.039 < 0.05$. Thus, H1 is accepted, confirming that Innovation has a positive and significant effect on the performance of coffee shop employees in Batang Regency.
2. The Effect of Competence on Employee Performance
The statistical test results indicate that Competence significantly affects Employee Performance, with a p-value of $0.000 < 0.05$. Therefore, H2 is accepted, confirming a positive and significant relationship between Competence and the performance of coffee shop employees in Batang Regency.
3. The Effect of Competitive Advantage on Employee Performance
The statistical test results show that Competitive Advantage significantly impacts Employee Performance, with a p-value of $0.047 < 0.05$. Thus, H3 is accepted, confirming that Competitive Advantage positively and significantly influences the performance of coffee shop employees in Batang Regency.

DISCUSSION

The results of this study The Influence of Innovation, Competence, and Competitive Advantage on Employee Performance (Study on Coffee Shop Employees in Batang Regency) are as follows:

1. The Influence of Innovation on Employee Performance

The performance of coffee shop employees in Batang Regency is positively and significantly impacted by innovation. As a result, workers at Batang Regency's coffee shops are more productive when they use new ideas. The use of innovation in coffee shops has the potential to greatly enhance both the customer experience and the performance of the employees. Greater success may be achieved by coffee shops by fostering an atmosphere that encourages innovation and growth. By illuminating market orientation and entrepreneurial orientation, inventing to build or develop new products that will eventually raise consumer purchasing power for items that will affect business performance, and so on, the role of innovation variables on company performance encourages the creation of diverse new products to break into or try other market segments (Wicaksono and Isa, 2023). This is in line with research (Indrajita, Sadiartha and Mahayasa, 2021) explained that innovation increases productivity in the workplace.

2. The Influence of Competence on Employee Performance

Competence has a positive and significant effect on the Performance of Coffee Shop Employees in Batang Regency. So that the more Competence increases, the more the Performance of Coffee Shop Employees in Batang Regency increases. Employee competence greatly influences the overall performance of the coffee shop. Coffee shops in Batang Regency have the potential to generate more revenue, delight customers more, and expand their businesses if they invest in their employees' professional development. A key component in reaching this goal is allocating resources to staff training and development. Employee performance is greatly enhanced by competence. Competence may help businesses function better by enhancing efficiency, decreasing mistakes, boosting work satisfaction, promoting flexibility, fostering cooperation, and stimulating innovation. Consequently, businesses should put money into their employees' skill sets by providing them with training, education, and chances for professional growth. A number of critical success criteria for competence development and enhancing employee performance include management buy-in, a learning-friendly corporate culture, and a reliable mechanism for evaluating performance. This is in line with research (Yohanson et al., 2024) and (Rahman, Sahabuddin and Ruma, 2022) which explains that competence influences employee performance.

3. The Influence of Competitive Advantage on Employee Performance

Coffee shop employees in Batang Regency are positively and significantly impacted by competitive advantage in terms of their performance. Workers at Batang Regency's coffee shops will be able to perform better thanks to the competitive advantage. Having a distinct edge over the competition does double duty: it brings in customers and makes everyone happy at work. Coffee shops in Batang Regency can boost employee performance and the company's overall success by enhancing the quality of their goods, services, and work environments. In light of these findings, it is critical that management institute programs aimed at enhancing workers' capacity for interpersonal and communicative competence. Workers will be more equipped to

connect with consumers and foster lasting connections as a result of this training, which should boost customer happiness and loyalty. The capacity of one business to outperform its rivals in the same sector in terms of financial gain is known as a competitive advantage. The organization must innovate if it wants to gain a competitive edge. Part of the company's plan to dominate the market is to innovate its products and services. With the innovation carried out by the company, it will improve the company's performance (Purwanto and Mela, 2021). This is in line with research (Darmawan et al., 2023) which explains that competitive advantage can influence employee performance.

CONCLUSION

Based on the previous discussion, the test results confirm that Innovation, Competence, and Competitive Advantage each have a positive and significant impact on Employee Performance in coffee shops in Batang Regency. Enhancing employee skills and abilities can lead to improved services, greater customer satisfaction, and the achievement of higher business goals. Investing in training and development is essential, and management should focus on evaluating and enhancing employee competencies. More focused training and skills development programs can help improve employee technical skills and strengthen their motivation to achieve goals, providing training that focuses on developing employee interpersonal and communication skills. Through this training, employees will be better prepared to build good relationships with customers, which in turn can increase customer loyalty and satisfaction.

REFERENCES

- Ajiardani, R. L. B., & Anjaningrum, W. D. (2022). Bagaimana keterlibatan kerja, perilaku kerja inovasi, dan lingkungan kerja fisik menjelaskan kinerja karyawan Vosco Group? *Jurnal Ecogen*, 5(3), 328. <https://doi.org/10.24036/jmpe.v5i3.13379>
- Darmawan, D., et al. (2023). Studi tentang pengaruh keunggulan kompetitif dan manajemen sumber daya manusia terhadap kinerja perusahaan. *Journal of Management and Economics Research*, 1(3), 85.
- Indrajita, I. K., Sadiartha, A. N. G., & Mahayasa, I. G. A. (2021). Pengaruh kreativitas dan inovasi terhadap kinerja karyawan pada PT. Tohpati Grafika Utama Denpasar. *Widya Amrita*, 1(1), 1–13. <https://doi.org/10.32795/widyaamrita.v1i1.1142>
- Kusuma, A., Purwanto, H., & Utama, P. (2021). Pengaruh inovasi terhadap kinerja karyawan dengan self-efficacy sebagai moderasi. *Jurnal Ekonomi dan Bisnis Islam*, 23(2), 302–309.
- Lengkey, S. J., et al. (2021). Pengaruh kompetensi, inovasi, dan kreativitas terhadap kinerja karyawan (Studi pada Kantor PDAM Dua Sudara Kota Bitung). *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*, 9(1), 1242–1251. <https://ejournal.unsrat.ac.id/v3/index.php/emba/article/view/32963>
- Pratama, G. (2020). Analisis motivasi kerja, kepemimpinan transformasional, dan budaya organisasi terhadap kinerja karyawan dimediasi kepuasan kerja pada angkatan kerja generasi Z. *Jurnal Ekonomi: Journal of Economic*, 11(2). <https://doi.org/10.47007/jeko.v11i2.3503>
- Purwanto, P., & Mela, N. F. (2021). Pengaruh modal intelektual dan keunggulan bersaing terhadap kinerja keuangan. *CURRENT: Jurnal Kajian Akuntansi dan Bisnis Terkini*, 2(2), 339–362. <https://doi.org/10.31258/jc.2.2.339-362>

- Rahman, F. A., Sahabuddin, R., & Ruma, Z. (2022). Pengaruh motivasi, lingkungan kerja, dan kompetensi terhadap kinerja karyawan PT. Telkom Witel Makassar. *YUME: Journal of Management*, 5(1), 39–46. <https://doi.org/10.37531/yume.vxix.457>
- Sugiyono. (2017). *Metode penelitian kuantitatif, kualitatif, R & D*. Bandung: CV Alfabeta.
- Wicaksono, M. W., & Isa, M. (2023). Pengaruh orientasi pasar dan orientasi kewirausahaan dengan variabel inovasi sebagai mediasi terhadap kinerja usaha susu segar. *SEIKO: Journal of Management & ...*, 6(1), 357–374. <https://doi.org/10.37531/sejaman.v6i1.3401>
- Yohanson, A. K., et al. (2024). Pengaruh kepemimpinan dan kompetensi terhadap kinerja karyawan CV Hanif Mitra Lampung. *Juremi: Jurnal Riset Ekonomi*, 3(5), 4–6.