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## **The Effect of Entrepreneurial Orientation on the Competitive Advantage through Strategic Entrepreneurship in the Cafe Business in Ambon**

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### **Abstract**

The changed lifestyle of Ambon city residents influenced cafe business growth in Ambon. This research aims to determine the effect of entrepreneurial orientation on strategic entrepreneurship used by cafes and their impact on competitive advantage. The type of research used in this research is quantitative research using an accidental sampling technique. The data collection process was carried out by distributing 50 questionnaires to the owners or managers of cafes in Ambon. From 50 questionnaires that have been distributed, only 41 questionnaires (82% response rate) can be processed further using partial least square (PLS) method. This research found out that entrepreneurial orientation affects strategic entrepreneurship, strategic entrepreneurship affects competitive advantage, and entrepreneurial orientation affects competitive advantage through strategic entrepreneurship. The magnitude of the influence of each is 0.724; 0.511; and 0.370. In this research, the entrepreneurial orientation of the owner and manager of the cafe did not affect the competitive advantage of the cafe at all.

**Keywords:** Entrepreneurial orientation; strategic entrepreneurship; competitive advantage.

### **1. Introduction**

The growth of the food and beverage industry in Indonesia is currently increasing rapidly. In 2018, the growth of the food and beverage industry was recorded at 8.67 percent and will continue to increase (Paramaesti, 2018). One of the business sectors that affected this growth was the cafe business. From the 2016 data, it was found that there were around 10,000 cafes scattered throughout Indonesia and would continue to grow (Putra, 2016). This business growth was influenced by an increase in coffee consumption in Indonesia by seven percent per year (Sidik, 2018). The effect of this growth also spread to Ambon city, which was marked by the increase in the number of cafes in Ambon city. According to Dinas Pariwisata Kota Ambon data (2019), 39 cafes are currently still operating in Ambon city starting from 2015 to 2018. The number of cafes up to 2017 is 37 cafes, and in 2018 there were two new cafes. This shows that until now the cafe business is still growing and will continue to multiply in large numbers. The growth of the cafe was caused by a change in the lifestyle of Ambon city residents. This development is caused by the growth of the middle class, and the cafe itself has become part of the lifestyle of the community (Kompas.com, 2018). Cafes in Ambon are often used as a place for meetings, places to relax with family, and a gathering place for young people. The impact of

this growth is the increasingly fierce competition in the cafe business in Ambon so that the uniqueness that can be added to the cafe is needed.

Cafes in Ambon city are grouped into several categories. One of the categories of cafe groupings is based on the sub-district of the cafe's operational location. Sub-districts included in this grouping such as Sirimau sub-district, Nusanive sub-district, Teluk Ambon sub-district (Baguala), and Teluk Ambon sub-district (Dinas Pariwisata Kota Ambon, 2019). The number of cafes in each sub-district that is 25 cafes in Sirimau sub-district, four cafes in Nusanive sub-district, four cafes in Teluk Ambon sub-district (Baguala), and six cafes in Teluk Ambon sub-district. The next grouping is based on the village of the cafe's operational location. These villages are part of the sub-districts which are the locations of cafes in Ambon. Classifying cafes based in the village can be seen in table 1 — According to these data, many cafes in Ambon operate in Honipopu village. One of the biggest cafes in Honipopu village is Crown Cafe.

Furthermore, the other categories of grouping are based on the number of employees employed by the cafe. The cafe that employs the most employees is Mister Kopitiam Cafe, with a total of 28 employees. In total, the total number of employees working in the 39 cafes was 244 employees. However, if averaged, it is estimated that one cafe can employ at least seven employees.

**Table 1.** Grouping Cafe based on Sub-Districts and Villages

Sub-District	Village	Total
Sirimau	Honipopu	11
	Ahusen	7
	Uriteru	3
	Rijali	2
	Karpan	1
Nusaniwe	Desa Batu Merah	1
	Wainitu	2
	Silale	2
Teluk Ambon (Baguala)	Desa Latta	1
	Lateri	1
Teluk Ambon	Desa Passo	2
	Desa Laha	6

Source: Dinas Pariwisata Kota Ambon, 2019

In Ambon city, cafes can be distinguished by type, location, and consumer segmentation. According to the type, the cafe can be divided into traditional and modern cafes. Traditional cafes are better known as warung kopi (warkop) or rumah kopi, while modern cafes are better known by the name or brand of the cafe. Another differentiator is the location of the cafe, where the location of several cafes is in a crowded area and the rest are in locations that are difficult to reach (must use a vehicle and the distance is rather far from the downtown area). The latter is a cafe that is differentiated according to consumer segmentation, ranging from middle to lower, middle and upper-middle.

In the fierce competition, competitive advantage is needed. Competitive advantages can be defined as a set of competitive advantages developed through unique resources and cafes performance. By having distinct advantages from competitors, cafes can increase the benefits that can be obtained. According to Hili, Gani, Hamzah, and Rahman (2017), competitive advantage is considered as the ability of a company to achieve economic benefits in terms of profits that can be achieved by competitors within the same industry market.

Competitive advantages have an important role in business. This is because it will be able to help a cafe to increase product value and performance relative to competitors (Madhani, 2010). According to the theory of Resource-Based View (RBV) developed by Barney (1991), competitive advantage has a role to encourage entrepreneurs to find resources that are valuable, rare, imperfect imitability, non-s<sup>3</sup>stitutability, and with capabilities that can be used as a source of a sustainable competitive advantage (as cited in Madhani, 2010). This shows that cafes need to continue to look for new opportunities because in an

environment that keeps changing very quickly it can cause a reduction in products that can make profits from existing operations uncertain (Rauch, Wiklund, Lumpkin, & Frese, 2009). Barney (1991) states that to find and develop opportunities a strategy is needed that can be used to increase efficiency and effectiveness (as cited in Madhani, 2010). The competitive advantage in this research can be built if cafe owners can understand and apply the entrepreneurial orientation and strategic entrepreneurship concepts into their cafe business (Douglas *et al.*, 2010; Kantur, 2016; Parkman, Holloway, & Sebastiao, 2012; Rauch *et al.*, 2009).

The concept of entrepreneurial orientation forms the basis of the formation and development of competitive advantages. Entrepreneurial orientation in some sources is explained as a concept used to improve performance (Caseiro & Coelho, 2018; Parkman *et al.*, 2012) because this concept is part of the strategy (Cho & Lee, 2018; Kantur, 2016; Rauch *et al.*, 2009). The performance referred to in that definition is about the competitive advantage possessed by the object of this research. In this case, there is a need to explore the concept of entrepreneurial orientation, so that the owner can develop the performance or competitive advantage that is<sup>2</sup>wned and can build the ability to deal with risk. According to Lumpkin and Dess (1996), entrepreneurial orientation refers to processes, practices and decision-making activities that refer to innovation, proactivity, and risk-taking, as well as the tendency to act independently and be aggressive towards competitors (as cited in Kantur, 2016).

In the process of establishing a competitive advantage, it is also necessary to implement appropriate strategic entrepreneurship. Strategic entrepreneurship is a strategic concept that is formed from management strategies and entrepreneurship. Strategic entrepreneurship can be defined as a development activity and the ability to take action in terms of entrepreneurship to deal with existing risks. This can be done by developing a competitive advantage that has been owned. Hitt, Ireland, Camo, and Sexton (2001) and Ireland, Hitt, and Sirman (2003) explain that strategic entrepreneurship includes entrepreneurial action taking activities using strategic management orientation (as cited in Kraus, Kauranen, & Reschke, 2011). From the discussion above, competitive advantage, entrepreneurial orientation, and strategic entrepreneurship are needed in running a cafe business.

Cafes in Ambon are currently at the development stage. This development has been carried out by several cafes in Ambon, one of which is by developing the competitive advantage of each cafe. In



this case, entrepreneurial orientation and strategic entrepreneurship are the driving factors that spur these cafes to continue to develop their competitive advantage in fierce cafe competition in Ambon. Salawaku (2018) explained in his review that there are currently five cafes that are often visited by residents, especially young people in Ambon city. The five cafes are Sibu-Sibu Cafe, Dermaga Cafe, Mister Kopitiam, Joas Baru, and Agniya Cafe and Resto. According to the review, the five cafes have different competitive advantages. For example, in terms of location, the Sibu-Sibu Cafe is located near the taxi stand area on the Said Command road and is 200 meters from Tugu Trikora, while the Dermaga Cafe is located in the outskirts of Ambon, which is more precisely in Poka village adjacent to the Merah Putih Bridge. In terms of cafe interiors, the Sibu-Sibu cafe tends to prefer the traditional Maluku style, while Mister Kopitiam and Joas Baru prefer to regulate air circulation which is suitable for customers who smoke and do not smoke.

Not only that, in the review, it was also explained that the operating hours of the five cafes differ from one another. For example, the Dermaga Cafe operational hours start at 18:00 until 24:00 WIT, while Mister Kopitiam starts operating from morning until 2:00 or sometimes until 3:00 WIT. The latter in terms of the menu offered is also quite different, for example, toast is a mainstay menu of Joas Baru, while the mainstay menu of Agniya Cafe and Resto is juice, especially mango juice and orange juice. These advantages can be a competitive advantage of each cafe and show the importance of competitive advantage in competition. From these advantages, it can be seen that cafes continue to strive to develop their competitive advantage.

In running a cafe business, the average cafe owner in Ambon can take risks. They tend to choose to take higher risks because according to them, their competitors are not only cafes but also restaurants, especially those around their operational locations. This helps them to see business opportunities clearer and help in developing their business.

The strategy itself was designed for the interests of the cafe business in Ambon. From the results of interviews conducted with Mr. H as the owner of the Ambon branch Excelso cafe franchise on April 24, 2019, at 8:00 WIB. He said that he runs this cafe with business partners and his main task is only to choose locations that according to him meet the standards, provide resources in the form of employees that meet the criteria and always control the operations of the cafe every day. For the location, he chose a busy and strategic location, such as the city center and airport. His business partner will then survey to see whether

the location meets the standards or not. Next, to choose human resources (HR), he uses employee criteria provided by his business partners. These criteria help him to determine what candidates are needed. The overall recruitment process starts with finding suitable candidates until the interview is conducted by himself, but the process of employee training is carried out by his business partners. His next task is to control the operation of the cafe every day. He said that sometimes he would take the time to come to visit the cafe directly and ask employees who were tasked with the sale and condition of the cafe that day.

There are several things found from cafes in Ambon. From the results of observations found a shortage of cafes in Ambon, such as some cafes are still using technology that is still very simple, new competitors can enter or exit quickly, and the selection of locations that are not strategic. The cafe itself is considered to be lacking in terms of promotion and the services provided are also not good.

Previous research on cafe entrepreneurship, especially in Ambon city, is still very little. Some previous studies explained that entrepreneurial orientation, strategic entrepreneurship, and competitive advantages are related to each other (Caseiro & Coelho, 2018; Cho & Lee, 2018; Douglas *et al.*, 2010; Kantur, 2016; Shirokova, Vega, & Sokolova, 2013). In his research, Cho and Lee (2018) stated that entrepreneurial orientation and competitive advantage (performance) has a positive relationship. In contrast to these findings, the research conducted by Smart and Conant (1994), cannot find a significant relationship between entrepreneurial orientation variables and competitive advantage variables (as cited in Parkman *et al.*, 2012). Hart (1992) explains that entrepreneurial orientation can make performance decrease at a certain time (as cited in Parkman *et al.*, 2012). Covin, Slevin, and Schultz (1994) and George, Wood, and Khan (2001) in their research also cannot find a significant relationship between entrepreneurial orientation variables and competitive advantage variables, this is due to the amount of variation that can still be considered (as cited in Rauch *et al.*, 2009).

When viewed again, the research that uses variables, such as entrepreneurial orientation, strategic entrepreneurship, and competitive advantage is still very rarely used in Ambon. These variables are often used in research conducted abroad. This causes a gap of the theory that can be used in this research because the location, conditions, time and object of the previous research are very different from the research conducted today.

## 2. Literature Review

### 2.1 Entrepreneurial Orientation

<sup>3</sup> Entrepreneurial Orientation (EO) rated as one of the key concepts in entrepreneurship research at the organizational level (Shirokova *et al.*, 2013). Miller (1983) explained that the EO measures the extent to which company managers strive to be innovative, proactive, and risk-taking in their strategic decision making (as cited in Cho & Lee, 2018). According to Chen, Li, and Evans (2012), EO can be explained as an effective way to overcome the threat of competition and avoid competitive pressures, this becomes a necessity in the company's entrepreneurial process, namely in terms of identifying opportunities, innovation practices and opportunity exploitation (as cited in Caseiro & Coelho, 2018). EO indicators according to Miller (1983) that is innovative, proactive, and risk-taking (as cited in Parkman *et al.*, 2012).

### 2.2 Strategic Entrepreneurship

<sup>1</sup> The concept of strategic entrepreneurship (SE) is a combination of the concept of strategic management and entrepreneurship (Kraus *et al.*, 2011). Hitt, Ireland, Camo, and Sexton (2001) and Hitt *et al.* (2003) explained that SE covers decision making in entrepreneurship by using a strategic management orientation (as cited in Kraus *et al.*, 2011). <sup>3</sup> Hitt *et al.* (2001) also explain that SE can formally be defined as the integration of entrepreneurship (for example opportunity-seeking behavior), and strategic views or profit-seeking behavior in developing and taking actions designed to create wealth (as cited in Shirokova *et al.*, 2013).

According to Kuratko, Morris, and Covin (2011), SE involves entrepreneurial strategic events (as cited in Kantur, 2016) which according to Kuratko and Audretsch (2013) consist of several activities, such as distinguishing companies from their past and from industry standards (as cited in Kantur, 2016). According to Kantur (2016) indicators of SE are introducing new strategies or service lines, adopted new strategies to exploit new opportunities, reorganized to foster innovation, adopted flexible organizational structures for innovation, moved the competition to a new platforms, spending on new product development, introducing team-work to foster innovation, and introducing new products or service lines in new industries.

### 2.3 Competitive Advantage

Many references say that a competitive advantage (CA) can be interpreted as the performance of a company, because to be able to measure CA,

company performance data consisting of financial resources (tangible) and non-financial (intangible) is needed (Cho & Lee, 2018; Kantur, 2016; Rauch *et al.*, 2009; Syapsan, 2019). CA can be defined as the ability of a company to achieve economic benefits in profits that can be achieved by competitors within the same industrial market (Hili *et al.*, 2017).

The same thing is explained by Wernerfelt (1984) where CA is a function of resources developed by companies to be implemented into product market strategies (as cited in Shirokova *et al.*, 2013). CA arises when resources are in a situation of heterogeneity (different from company-owned resources) and resource immobility (inability of competing companies to obtain resources from other companies) (Madhani, 2010). Indicators of CA, according to Lasalewo, Masruroh, Subagyo, Hartono, and Yuniarto (2016) are cost, delivery, product quality, and product variety.

### 2.4 The Relationship Among Entrepreneurial Orientation, Strategic Entrepreneurship, and Competitive Advantage – Hypotheses Development

Someone who has and understands EO tends to have initiative, while someone who understands and implements SE can take appropriate actions to deal with a problem. If both are combined then someone who has understood and implements EO and SE tend to take action based on initiatives that can be implemented when facing a problem. SE is used to be able to increase the diversity of products carried out by applying the strategy, which is caused by the courage to take initiatives that are formed from understanding EO so that it can generate more profits (Kantur, 2016).

In this case, someone who has an initiative due to the understanding of EO tends to prefer a suitable strategy because the result of applying this strategy is the increase in profits gained due to the large variety of products produced. According to Kuratko *et al.* (2011), EO and SE both influence an individual's behavior, but what distinguishes these two concepts is the intention and purpose of the behavior (as cited in Kantur, 2016). From the explanation above, the hypothesis can be determined as follows:

*H<sub>1</sub>*: Entrepreneurial orientation has a positive effect on strategic entrepreneurship.

SE and CA are tied to each other. To get a CA, the utilization of operating strategies is needed that can reflect the chosen business strategy (Douglas *et al.*, 2010; Parkman *et al.*, 2012). This is because SE



relates to a person's behavior to look for opportunities whose purpose is to create a CA (Kantur, 2016). According to Kantur (2016), SE can increase the diversity of products, because the implementation of SE can help to create new market opportunities and determine new competitive strategies that can be used to face of competition.

An effective strategy, in this case, is the main key in competition in a dynamic market environment (Parkman *et al.*, 2012). This is because the success of CA development which is competitiveness is determined by the strategy used. The purpose of using strategy is to be able to make customers satisfied with the services and products offered, so strategies that are effective and suitable to be implemented into the business is needed. The result of choosing the right strategy in business is being able to produce CA, which will then bring profit in the form of profit for the business (Hili *et al.*, 2017; Shirokova *et al.*, 2013). From the explanation above, the hypothesis can be determined as follows:

*H<sub>2</sub>: Strategic entrepreneurship has a positive effect on competitive advantage.*

The basis of CA is EO. EO can be seen as a process of making strategies and entrepreneurial decisions that are key determinants for combining goals, maintaining vision, and creating CAs (Rauch *et al.*, 2009). This is because EO represents rules and practices that provide a basis for entrepreneurial decisions and actions. According to the results of the research conducted by Covin and Slevin (1986), Hult, Snow, and Kandemir (2003), Lee, Lee, and Pennings (2001) and also Wiklund and Shepherd (2003), if a company has and adopts the EO concept that strong, this can make the company perform better than other companies that do not adopt the EO concept at all (as cited in Rauch *et al.*, 2009). From the explanation above the hypothesis can be determined as follows:

*H<sub>3</sub>: Entrepreneurial orientation has a positive effect on competitive advantage.*

The relationship between EO to CA through SE can be seen through the SE indicator. The relationship between these three variables can be seen through one of the indicators, which is innovative. Innovative is also one of the indicators of EO, whereas when seen in the SE indicators it can be found that there are several indicators related to innovation. Specifically, the SE indicators related to the increase of innovation are influenced by other things, so that innovation on the SE indicator is only in the form of a goal or focus of several SE indicators. Unlike the EO and SE indicators, innovation is not included in the CA

indicator. However, if we pay close attention, CA indicators such as product variety, are the results of innovative development. This is because creating product variety requires ideas related to product innovation that is different from other products, so that product variety can be created which consists of many different product variations. In this case, it can be said that the relationship of EO to CA through SE can be seen by using innovative indicators.

The relationship between EO to CA through SE has never been studied. Each of these variables is often used in many previous studies, but these studies only use one or two variables. The most frequently used the variable in the previous research is EO to SE, EO to CA, SE to CA, and all three variables to other variables. No research has been found that examines the relationship between EO to CA through SE, so this research is the first research that wants to know the relationship between EO to CA through SE. The result of this gap is whether or not the previous research explained the relationship between EO to CA through SE, so the results of this research still need to be developed again using the same or different objects. From the explanation above, the hypothesis can be determined as follows:

*H<sub>4</sub>: Entrepreneurial orientation has a positive effect on competitive advantage through strategic entrepreneurship.*

From four hypotheses above, this research framework concepts can be seen in figure 1.

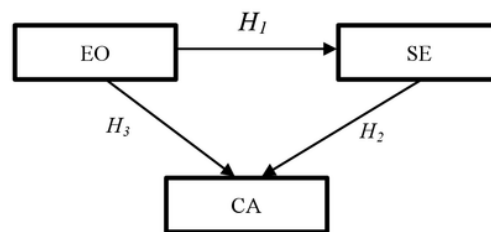


Figure 1. Research Framework Concept

### 3. Methods

The type of this research is quantitative research. Quantitative research in this research is used to examine the relationships between variables. This research wants to find out the effects of EO and SE on CA by using quantitative research to test the established hypotheses. The object of this research is cafes in Ambon city so that the population of this research is all owners and managers of the existing cafes that operate in Ambon. The sampling technique

used in this research is non-probability sampling with the type of sampling technique that is accidental sampling because all the samples in this research were obtained by chance (Sugiyono, 2015, p. 156). The number of samples used is 41 cafe owners and managers operating in Ambon.

The method of data collection in this research used a questionnaire. This questionnaire is divided into three parts, namely the respondent's identity, business identity, and research indicator items. In the respondent's identity section, respondents were asked to fill in their name, status, gender, age, and education, while in the business identity the respondent was asked to fill in the business name, business address, length of operation, and the number of employees owned. These items are questions that are derived from indicators and are used to measure research variables. There are seven questions to measure EO, nine questions to measure SE, and 12 questions to measure CA. To measure these questions a Likert scale is used, with 1 as strongly disagree to 5 as strongly agree. Data analysis was performed using Partial Least Square (PLS) method using SmartPLS 3.0 software.

## 4. Results

### 4.1 Respondent Profile

The total questionnaires distributed were 50 questionnaires, but only 41 questionnaires returned. From 41 respondents who filled out the questionnaire, it was found that the majority of the research respondents were cafe owners (75.61%) and the rest were managers and owners who also managers of the cafe. The data also shows that the majority of cafe owners and managers are male (51.22%) with an age range between 41-50 years (51.22%) and have studied S1/S2 (65.58%). The majority of cafes in Ambon have only operated for less than ten years (90.24%), with a total number of employees owned as many as 1-10 people (78.05%). This is because the majority of cafes in Ambon start operating between 2017 and 2019. This is due to the very rapid increase in the number of cafes in Ambon, the cause of this business growth is a change in the lifestyle of Ambon city residents who tend to prefer to relax in the cafe. The majority of cafes that operate for less than ten years are cafes that only operate for about one year or around four to eight months, for example, such as Tifa Hatukau Cafe, Workshop Cafe, and several other cafes.

### 4.2 Outer Model Evaluation

Outer model evaluation consists of the validity test (convergent and discriminant), and reliability test.

The following are the criteria in evaluating the measurement model using the PLS method, such as:

- Outer loading  $\geq 0.5-0.7$  (Hair *et al.*, 2010, p. 709).
- The cross-loadings indicator for variables must be higher than for other variables.
- Cronbach's alpha ( $\alpha$ ) and composite reliability  $\geq 0.6-0.7$  indicates that there is a construct reliability (Hair *et al.*, 2010, p. 710).

Table 2 shows the results of the validity test and construct reliability. The results of the validity and reliability test on the PLS method indicate that the construct used has met the criteria for validity and reliability.

### 4.3 Hypothesis Testing

The results of the research hypothesis testing are presented in figure 2 and table 3. Testing the hypothesis to test the direct effect and indirect effect of the research variables is done by looking at the value of t-statistics and p-values obtained. From the results of testing the hypothesis by using t-statistics, it was found that EO affected SE, SE affecting CA, EO did not affect CA, and EO affected CA through SE. It was found that three of the four hypotheses from the test results using the t-statistics were acceptable because the t-statistics value met the criteria of more than 1.64, that are EO had a positive effect on SE, SE had a positive effect on CA, and EO had a positive effect on CA through SE. Meanwhile, one hypothesis was not accepted because the results were less than the criteria of 1.64, which that is EO had a positive effect on CA.

## 5. Discussion

From the results of the research hypothesis test shown in table 3, it was found that EO had a positive effect on cafe SE in Ambon. The results of this hypothesis test are accepted and in accordance with the sound of the first hypothesis ( $H_1$ ) that is "EO has a positive effect on SE". The analysis of this hypothesis is that the higher the understanding of the EO, the higher the SE owner and manager of the cafe in Ambon. It is found that the t-statistic value is 11.758, this value is higher than the criterion value which is 1.64.

The results of this study are the same as previous studies conducted by Kantur (2016). From these results, it was found that EO influences entrepreneurial behavior in terms of intensity which turns into an initiative to use SE in the development of its business. This initiative will then be an encouragement for entrepreneurs to continue to develop their

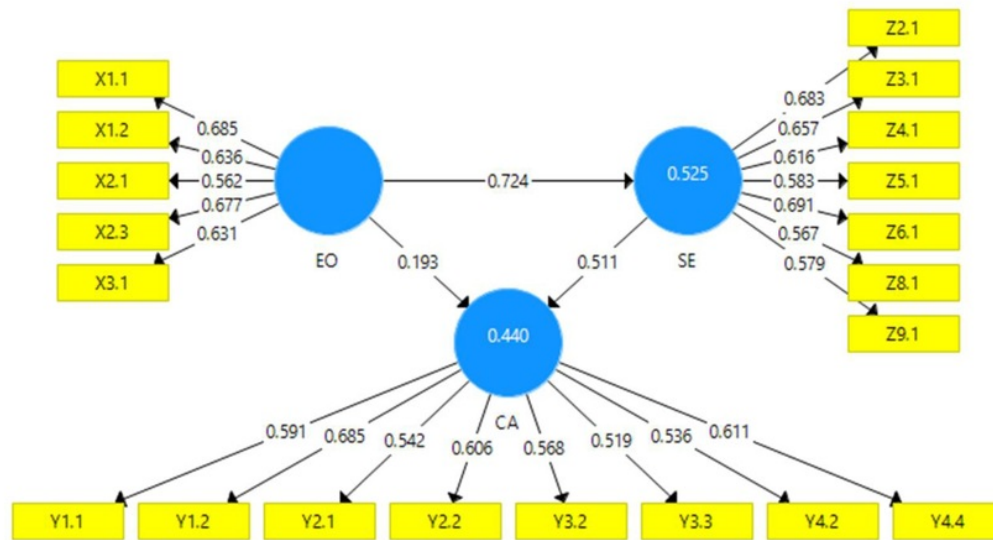


Figure 2. PLS Analysis Results

Table 2. Validity and Reliability Test Results

Construct	Indicator	Outer Loading	Cross-Loadings	<sup>4</sup> Cronbach's Alpha	Composite Reliability
EO	X <sub>1.1</sub>	0.685	0.685	0.636	0.818
	X <sub>1.2</sub>	0.636	0.636		
	X <sub>2.1</sub>	0.562	0.562		
	X <sub>2.3</sub>	0.677	0.677		
	X <sub>3.1</sub>	0.631	0.631		
SE	Z <sub>2.1</sub>	0.683	0.683	0.743	0.775
	Z <sub>3.1</sub>	0.657	0.657		
	Z <sub>4.1</sub>	0.616	0.616		
	Z <sub>5.1</sub>	0.583	0.583		
	Z <sub>6.1</sub>	0.691	0.691		
	Z <sub>8.1</sub>	0.567	0.567		
	Z <sub>9.1</sub>	0.579	0.579		
CA	Y <sub>1.1</sub>	0.591	0.591	0.725	0.805
	Y <sub>1.2</sub>	0.685	0.685		
	Y <sub>2.1</sub>	0.542	0.542		
	Y <sub>2.2</sub>	0.606	0.606		
	Y <sub>3.2</sub>	0.568	0.568		
	Y <sub>3.3</sub>	0.519	0.519		
	Y <sub>4.2</sub>	0.536	0.536		
	Y <sub>4.4</sub>	0.611	0.611		

Table 3. Hypotheses Testing Results (Direct Effect and Indirect Effect)

	Original Sample	t-statistics	p-values
EO -> CA	0.193	0.643	0.260
EO -> SE	0.724	11.758	0.000
SE -> CA	0.511	2.225	0.013
EO -> SE -> CA	0.370	2.084	0.019

business so that in this case entrepreneurs need strategies that can support the process. In this case, SE itself is the planning and development of the strategies

owned by the owner and manager of the cafe, which basically can be done if the owner and manager of the cafe have an understanding of the EO. Proof of the



relationship between EO and SE itself can be seen through one of the indicators of EO, which is innovative (innovation). Innovation can be developed by using SE, which is a strategy or method that can be used by cafe owners and managers to be able to carry out the innovation process in their business. Innovation in the EO is a view of the attitudes needed to look for new opportunities (Fillis & Renstschler, 2010), then this attitude will be the basis of decision making on the strategies taken. This is because EO can affect a person's behavior in the process, practice, and decision making related to the SE process.

From the results of interviews, visits (observations), and the results of filling out questionnaires can illustrate the EO relationship model towards SE in cafe management. The results obtained are that EO is seen as the basis of all processes, practices, and decisions made by the owner and manager of the cafe. From the results of the average recapitulation of respondents' answers, it was found that EO influenced the strategy and decision-making taken by cafe owners and managers in Ambon through attitudes and intentions which could eventually develop into an initiative to take an action (strategy). This decision making is based on the initiative that comes from understanding the EO, so it can be concluded that the owner and manager of the cafe act through initiatives that indicate that they understand the EO.

Hypothesis testing shows that SE affects the CA with a t-statistic value of 2.225. When compared with the hypothesis testing criteria of 1.64, this hypothesis can be accepted because the t-statistic value is higher than the criteria value. The result of this test is that the hypothesis "SE has a positive effect on CA" can be accepted. The influence caused by SE on CA can be seen in phenomena; one form of influence from SE is the uniqueness or superiority of a cafe that is different from competitors.

Results from previous studies indicate that SE has a positive effect on CA (Cho & Lee, 2018). The results of the study found that one proof of the influence of SE on CAs can be seen and measured through company performance, which is through financial and non-financial data. Both of these data can show how much the influence of SE on the CA will have. Also, besides, both of these data are used as data that is useful in decision making.

To produce CA, SE is needed, which can support the CA development process. This is the main focus of cafe owners and managers in Ambon. Through the results of interviews with several respondents, it was found that the main focus of the cafe in Ambon was the innovation used to develop CA from their products and cafes. This is also supported

by the results of recapitulation of respondents' responses which shows that the main focus of most cafes in Ambon is innovation, but the method or strategy used to carry out this development is still very minimal and not very visible. In this case, the majority of cafes in Ambon do not have a long-term strategy and tend to be more concerned with profit rather than business development.

When viewed based on respondents' profile description data, the number of cafes that can survive and operate more than ten years is less than cafes that operate less than ten years. From these data, it can be shown that the majority of cafe owners in Ambon are not focused on innovation, but rather on the benefits they get. Although the number of cafes operating more than ten years is minimal, in reality, they can explain the influence that SE has on CA in their cafes. Here it can be seen that the focus of the cafe is innovation. This is supported by the selection of the appropriate strategy so that it can encourage the continued innovation, especially the products owned.

From the results of testing the hypothesis, it was found that EO did not affect CA. The t-statistic value (0.643) in this hypothesis, testing is smaller than the criterion value (1.64). This makes the hypothesis of this study which says "EO has a positive effect on CA" is rejected. This results indicates that EO does not affect CA. From the results of the research conducted by Smart and Conant (1994), it was found that EO did not affect CA (as cited in Parkman *et al.*, 2012). Hart (1992) explains that EO can reduce performance at a given time (as cited in Parkman *et al.*, 2012). In practice, EO is input from innovation, while CA is the output of innovation (e.g., product variety). The results of hypothesis testing indicate that the EO cannot directly influence CA. Thus, other variables are needed to mediate these two variables.

The results of testing the indirect effect hypothesis prove that EO has a positive effect on CA through SE, where the value of the t-statistic 2.084 is higher than the criterion value of 1.64. Here, SE can be fully functioned as intervening in the influence of the EO on CA cafe businesses in Ambon. From the results of previous research, it was found that SE involving entrepreneurial activities mediates the relationship between EO which involves the intention of behavior towards entrepreneurship and financial and non-financial performance (Kantur, 2016). In this case, the results of the study support SE as intervening (influence) on the effect of EO on other variables. The results of these studies support the hypothesis of the study which states that "EO has a positive effect on CA through SE."

The influence caused by EO on the competitive advantage through SE in cafes in Ambon is illustrated using decision making and strategy determination carried out by the owner and manager of the cafe. To be able to see the influence that is generated, a simulation can be made based on the similarity of the variables, which is innovation. In terms of innovation, EO can be considered as an input or the basis of the desire of cafe owners and managers to innovate. This input will then be processed through several methods or strategies that show how the innovation was executed so that CA can eventually be produced, which is the output of innovation. This shows that SE cannot be separated from EO and CA, because SE in this research is a variable that mediates the relationship between EO and CA. This can be seen through the phenomena that exist in this study because it can support conclusions from the results of the indirect effect tests that have been carried out. From the phenomenon it can be seen that cafe owners and managers in Ambon tend to be brave enough to take risks because they have strategies that can help them in the process of dealing with risk, then the strategy will be developed into the advantages of the cafe.

Orientation in terms of product creation and innovation carried out by cafe owners and managers in Ambon gave rise to new cafe concepts such as live music as an entrepreneurial strategy. The superiority of the taste of food and drinks as well as the unique decoration concepts based on the ability of owners and managers to initiate business ideas will also impact the competitive advantage of the cafe in Ambon. In this case, the cafe will survive because of the benefits gained due to a large number of visitors. Some cafes that have a unique concept and good product quality actually have more visitors. For example, Wailela Cafe and several other cafes have a concept of semi-outdoor by offering sea views. Implementing a good strategy for an innovative entrepreneurial orientation will improve the ability of the cafe to compete.

## 6. Conclusions

This research aims to find out the influence that EO, SE, and CA have on the cafe business in Ambon. The results of this research are similar to results from previous studies conducted in different industries from this research. From the results of this research, it was found that according to cafe owners and managers in Ambon, EO had a positive effect on SE, SE had a positive effect on CA, EO had no effect on CA, and EO had an effect on CA through SE. Two recommendations can be given to cafe owners and

managers in Ambon. First, cafe owners and managers in Ambon need to focus more on improving innovation, which can be done by encouraging employees to innovate, choose suppliers, and choose marketing methods that are suitable for the cafe they own. Finally, cafe owners and managers can make or develop products that are owned by using seasonal ingredients that are easily available (eg. gandaria and durian fruit) and ingredients or menus that have never been tried or which are rarely used (eg. combining regional special menus with other regional special menus or regional special menus with other country special menus). Owners and managers can also provide products that can be adapted to favorite ingredients or which cannot be consumed by customers (mix and match products according to customer tastes), for example, mix and match toppings on drinks or sauces on food and use ingredients based on customer requests.

In the future, researchers can further develop the research topic by selecting other populations and samples and using more sample sizes.

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