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The Impact of Innovation Drivers and Innovation on Business Performance: Coffee Shops in Bekasi

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Abstract

Due to the increasing demand for coffee in Indonesia and the predilection of the Indonesian people for coffee, numerous coffee businesses have emerged in various locations, including Bekasi. The coffee stores of Bekasi City, a city with a population of 2.5 million (Central Bureau of Statistics, 2020) and a border with DKI Jakarta, are a significant and expanding culinary enterprise. This increase makes competition among coffee shops very intense, and efforts must be made to comprehend how coffee shops can preserve or improve their performance through innovation in order to retain certain competitive advantages in order to survive and to maintain a stable, growing business performance. This study investigates whether innovation drivers and innovation have an impact on business performance. This research combines quantitative and qualitative approaches. The quantitative survey was conducted with 83 participants using a technique of purposive sampling. The findings of quantitative analysis utilising the Partial Least Square-Structural Equation Model (PLS-SEM) tool indicate that organisational innovation and internal innovation drivers have no effect on business performance, while for external innovation drivers, product innovation, process innovation, and marketing innovation have a positive impact on business performance. Qualitative methods are carried out to complement the analysis that has been carried out based on the findings from the processing of quantitative data. The conclusion of this study is that coffee shop owners and management should pay attention to aspects of organizational innovation by always empowering existing human resources, creating comprehensive SOPs, and always analyzing information obtained by owners and management in order to remain adaptive. In addition, owners and management must actively communicate with their employees/baristas in order for them to comprehend field conditions and actively conduct R&D while considering the coffee shop's financial situation in order for it to be effective and cost-effective.

Keywords: *Innovation Drivers; Innovation; Business Performance*

Introduction

Coffee has now become a globally popular beverage. The world's coffee consumption has climbed from 2012 to 2021, regardless of the current epidemic (Statista, 2021). According to the information presented above, nations that play an active role in the production of coffee, such as Brazil, Vietnam, Colombia, and Indonesia are ranked fourth with a total of 12,400 million per 60 kg of coffee bags and eighth among nations that play an active role in the export of coffee with a value of 821.94 million US dollars based on data taken from Statista in 2020. After Brazil, Indonesia is the second largest producer of coffee in the world, with a total planted area of around 1,264.33 hectares. This places Indonesia behind only Brazil.

Coffee is now a need for the whole Indonesian population, young and elderly alike. Along with public acceptance of new lifestyles such as activities while gathering with friends or discussing work in coffee shops or cafes, it can be claimed that having coffee has become a way of life for Indonesians (Hafasnuddin et al., 2019). Moreover, according to the Indonesian Ministry of Trade, coffee is a top export commodity with destinations including Brazil, Spain, the United States, and Turkey, among others.

This coffee-drinking lifestyle has increased the commodity's market demand and may foster innovative economic development, including the establishment of coffee cafes. According to research conducted by Toffin in 2019, the number of coffee shops in Indonesia as of August 2019 exceeded 2,950, a threefold rise compared to 2016, when there were only 1,000 coffee shops. Where the market value created annually exceeds Rp 4.8 trillion. A coffee shop is an establishment that serves coffee as its primary offering and snacks as a complement. In contrast to the café that serves food and beverages but does not concentrate on coffee.

In a dynamic environment, a company's strategic capacity to adopt creative approaches is contingent upon the integration of the proper organizational skills and resources to create processes, new products, and organizational innovation (Bernauer et al., 2007). (Schwenk & Shrader, 1993) found that firms that can determine their own strategy are more lucrative and successful than those that cannot. With strategic innovative management, the rivalry that exists among the several existing coffee shops might inspire coffee shop owners to generate innovative concepts. According to a study done by (Aghion et al., 2005), competition and innovation have an inverted U-shaped connection, indicating that the more the rivalry, the greater the innovation carried out by the company's owners.

The objective of innovation is to establish competitive distinctiveness, or the combination of a company's strengths and strategy that separates it from its rivals. Product innovation, technology, and staff motivation are often sources of competitive advantage (Boone et al., 2019). Several studies demonstrate a significant relationship between strategic planning and innovation, including research by (Nwachukwu et al., 2018) in several Microfinance Banks in Nigeria demonstrating that the strategic management process can have a positive effect on business process innovation, products, services, and marketing.

In innovation management, an organization's success is mostly determined by its internal capabilities, represented here as internal drivers. Internal factors include technical capability, expertise, and financial resources (Baumol, 2002). Innovation tends to spawn innovation with the company's inventive capabilities. In addition, (Davis et al., 2013)believe that careful observation and study of the external environment are essential components of any strategic planning process. It entails seeking for and gathering information about the external world. This information may affect planning choices and give evidence about consumer wants, new technologies, or throw light on future market or technological trends, which can provide fresh insights and essential input for the innovation process. Therefore, coffee shop owners must continue to innovate depending on their internal and external situations in order to enhance the success of their coffee shop businesses.

This research focuses on micro, small, and medium-sized enterprise (MSMEs) owners or managers in Bekasi City coffee shops with less than 15 workers and the same market segmentation and production capacity. The coffee shop in question offers coffee-based beverages as its primary menu and sales emphasis, and sells other sorts of food and beverages as a supplement.

Based on the research of (Singh et al., 2016), they performed a study to determine the link between innovation drivers, innovation, and company success in the manufacturing sector of micro, small, and medium-sized businesses (MSMEs). 61% of the variation in the business performance of a firm may be attributed to the influence of innovation drivers and innovation, as shown by the study results.

Small businesses' success and survival often rely on the extent to which their plans integrate innovation. Product innovation is required to sustain market share, process innovation is required to maintain competitive pricing and stimulates productivity, and management innovation is required to maintain a flexible and durable organization (Heunks, 1998).

Multiple coffee businesses have emerged in Bekasi as a result of the rising demand for coffee in Indonesia and the predilection of the Indonesian people for coffee. Bekasi, a city with a population of 2.5 million (Central Bureau of Statistics, 2020) and a border with DKI Jakarta, are a significant and expanding culinary enterprise. According to Syafrudin, the chairman of the Specialty Coffee Association of Indonesia (SCAI), coffee stores contribute between 25 and 30 percent to the consumption of locally produced coffee (Zuhriyah, Bisnis.com, 2019). This increase makes competition among coffee shops extremely intense, and efforts must be made to comprehend how coffee shops can preserve or improve their performance through innovation in order to retain certain competitive advantages in order to survive and to maintain a stable growth in business performance.

The motivation to innovate plays an important role in ensuring the long-term viability of coffee shop in an environment of intense competition; therefore, the author wishes to determine whether the drivers of innovation and innovation have a positive relationship with the business performance of coffee shops in Bekasi. Based on the formulation of the problem above, the purpose of this study is to determine and analyze the influence of the drivers of innovation and innovation on the business performance of coffee shops in Bekasi City.

Literature Review

Innovation Drivers

(Teece, 2018), created the notion of "dynamic capabilities," in which firms are able to adapt to changing surroundings and provide value for customers. According to (Schoemaker et al., 2018), innovation drivers are fostering an innovative culture that is adaptable and sensitive to environmental changes. In the book of "Open Innovation: The New Imperative for Creating and Profiting from Technology,"

(Tidd & Bessant, 2020) state in their book "Managing Innovation: Integrating Technological, Market, and Organizational Transformation" that people resources, knowledge, and relationships are innovation driving factors.

1. Human resources consist of employee skills and knowledge, innovation drive, and creativity.
2. Knowledge consists of technical, market, and commercial expertise.
3. Connections consist of social networks, commercial partnerships, and information access.

Innovation

Innovation, according to KBBI, is a new invention that is distinct from current or previously recognized products (ideas, methods or tools). Innovation, as defined by (Pearce & Robinson, 2013) is the first commercialization of an invention through the production and sale of a new product, service, or process. According to Dibrell et al. (2013), innovation is a company's desire to prioritize technological development, new product creation, new services, and/or enhancing product lines in order to gain a competitive edge.

Business Performance

According to (Prawirosentono, 1999), performance is the result of work that can be accomplished by a person or group of people within an organization, in accordance with their respective authorities and responsibilities, in an effort to achieve the organization's goals legally, morally, and ethically. The purpose of measuring the assessment of the performance or performance of a company (business performance) is to provide a basis for decision-making by both internal and external parties. In the formal control system, financial and non-financial performance measures are included (Fisher, 1998) in (Astuti & Sabeni, 2005). The company's financial performance (financial measurement) is more profit-driven and short-term oriented. The brief term is approximately one year of the company's life cycle. In contrast, the company's non-financial performance (non-financial measurement) is of a more long-term nature, such as the creation of developing value. Long-term orientation typically exceeds one year of a company's lifespan.

Conceptual Framework

In this research, the independent variable is the Driver of Innovation, the mediator variable is Innovation, and the dependent variable is business performance. In this study, the conceptual framework will explain the formation of solutions.

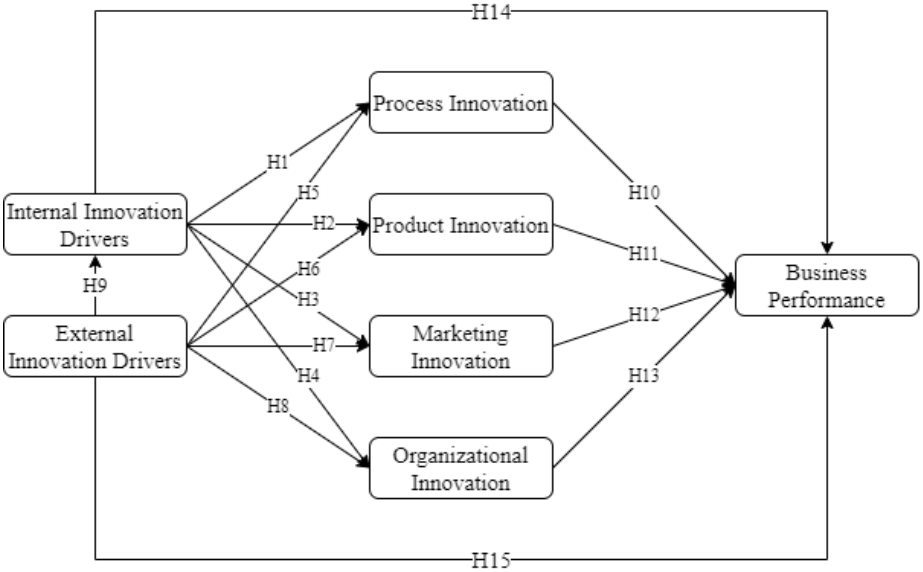

Figure 1. Conceptual Framework

Research Methodology

Typically, quantitative research employs an explanatory design, the purpose of which is to examine hypothesized correlations between variables. In this form of study, it is clear that there are hypotheses that will be examined to determine their validity. The hypothesis itself outlines the relationship between two or more variables; whether one variable is caused or impacted by another.

In this study, there are seven factors, and the identification of research variables includes independent variables, mediation variables, and dependent variables. The independent variable in this research is consists of Internal Innovation Drivers and External Innovation Drivers. The mediation variable in this research is consists of Process Innovation, Product Innovation, Marketing Innovation, and Organizational Innovation The dependent variable in this research is consist of Business Performance.

Research may be characterized as a systematic, controlled, empirical process of finding that is his study is an explanatory study. This research paradigm combines quantitative and qualitative research approaches. This study was performed in a coffee shop in the Indonesian city of Bekasi, West Java Province. Reporting from Kompas on September 24, 2021, as a satellite city with the third-largest population based on the 2020 census of the Indonesian Central Bureau of Statistics, which reached 2.5 million population, and the mentioned context, it is intriguing to use coffee shops as research object.

In this research, the population size is unknown, hence the sample size is determined based on the parameters proposed by Roscoe as explained in (Albert, 2014), namely:

1. A suitable sample size for study is between 30 and 500 samples.
2. If the sample includes of categories (women against men, government servants), each category must have at least 30 sample members.
3. If the study involves multivariate analytic techniques, the sample size must be at least 10 times the number of analyzed variables. For instance, if there are five study variables (4 independent and 1 dependent), the sample size would be 10 x 5 = 50.
4. The number of sample members for basic studies with experimental and control groups is between 10 and 20 for each group.

Based on these circumstances, the number of samples is: 10 x 7 variables explored in this study, or 70 samples, plus an additional 13 samples to acquire maximum research findings, for a total of 83 samples/respondents in this study. Purposive sampling, a non-probability sampling approach, is used to collect the sample. This implies that the sampling is based on particular characteristics of the respondents, especially the size, production capacity, and market segmentation of the coffee shops' owners or managers.

Qualitative research seeks to gain an in-depth and contextual understanding of phenomena. In qualitative research, the researcher accumulates and interprets data in the form of words, images, and audio in order to gain a deeper understanding of the phenomenon being studied. According to (Mulyadi, 2011), in qualitative research, there is a greater emphasis on the researcher as an instrument. In a qualitative approach, (Lincoln et al., 1985) contend that researchers should use themselves as instruments because it is challenging to use non-human instruments flexibly to capture the various realities and interactions that occur. Utilizing all of their senses, researchers must be able to detect social phenomena in the wild. In order to uncover concealed data through speech, body language, behavior, and expressions that develop in the informant's world and environment, the researcher must therefore be acceptable to the informants and their environment. The uniqueness of human beings or social phenomena that cannot be analyzed using statistical methods is one of the arguments made in favor of qualitative research. Qualitative research methods prioritize observation and dialogue research methods (in-depth interviews) in the field, with non-statistical data analysis.

Research Finding

Survey Analysis Result

The respondent profile of this study based on their position in coffee shop management, the majority respondent were business owners by 63% (52 person) and the rest were employees at managerial level by 37% (31 person)

The respondent profile of this study based on their gender, the majority respondent were male by 58% (48 person) and the rest were female by 42% (35 person).

The respondent profile of this study based on their age, the majority respondent age were 26 - 30 years old by 41% (34 person), followed by respondents aged of 21 - 25 years old by 28% (23 person), 31 - 35 years old by 23% (19 person), more than 35 years old by 8% (7 person) and 15 - 20 years old by 0% (0 person).

The respondent profile of this study based on their education background, the majority respondent were educated on bachelor degree by 45% (37 person), followed by respondent were educated on diploma degree by 35% (29 person), high school level education by 17% (14 person), master degree level education by 4% (3 person) and junior school level and elementary level education by 0% (0 person).

The respondent profiles of this study based on their participation in the business community were 92% (76 person) actively participate in the business community and the remaining 8% (7 person) do not actively participate in the business community.

The respondent profiles of this study based on their business operational period, the majority of coffee shops have been operating for 6-12 months by 41% (34 person) followed by coffee shops which have been operating for 1-2 years by 35% (29 person). Furthermore, coffee shops that have been operating for 0-6 months were 14% (12 person) and for more than two years were 10% (8 person).

The respondent profiles of this study based on their number of employees, the majority of coffee shops have less than 5 employees (51% or 42 respondents) followed by coffee shops which have less than 7 employees (35% or 29 respondents) and coffee shops with less than 10 employees (14% or 12 respondents).

The respondent profiles of this study based on the reason why management innovates for its coffee shop were for business productivity (33% or 27 respondents), recession (25% or 21 respondents), competitors (22% or 18 respondents), following trends (17% or 14 respondents), and green innovation (4% or 3 respondents).

Evaluation of Measurement Models

Convergent Validity

Convergent validity relates to the principle that a measure of a construct should be highly correlated. Convergent validity occurs if the scores obtained from two different instruments that measure the same construct have a high correlation. An indicator is said to be valid if the value is greater than 0.60, while the loading factor is below 0.60 till 0.500, can be considered to be maintained or removed from the model according to needs (Ghozali, 2014; Mashal & Shuhaiber, 2018). The following is the result of statistic calculation of the outer loading value for each construct indicator in the following figure:

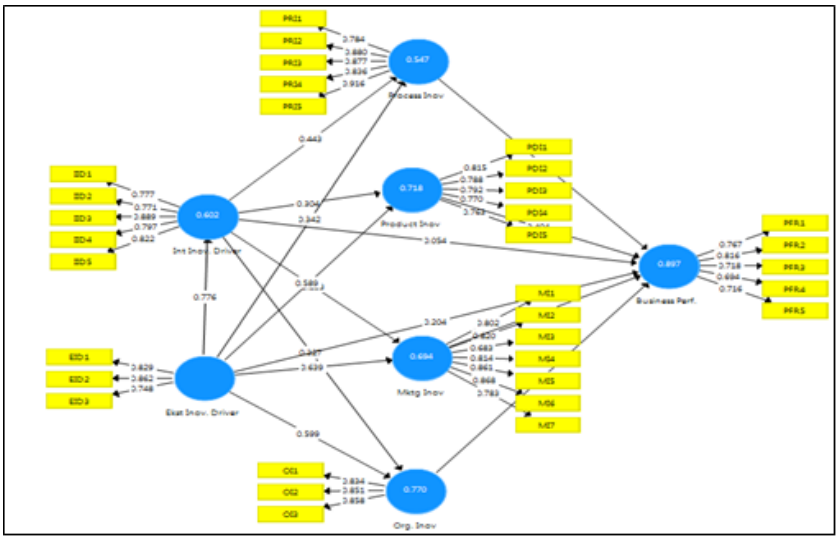

Figure 1. Convergent Validity

Figure 2 is an illustration of the research model that was carried out. The loading factor values of all research indicators are above 0.600, which means that they meet the convergent validity aspect. The convergent validity test can also be carried out by looking at Average Variance Extracted (AVE) value as shown in the table 1 below:

Table 1 Average Variance Extracted (AVE)

Construct	Average Variance Extracted (AVE)
Business Performance	0.553
External Innovation Driver	0.663
Internal Innovation Driver	0.660
Marketing Innovation	0.650
Organizational Innovation	0.719
Process Innovation	0.739
Product Innovation	0.618

Fulfilment of the convergent validity aspect is based on the Average Variance Extracted (AVE) value if it has a value that must be greater than 0.50 (Hair et al., 2010). Based on table 3.10, it can be said that all research h constructs have an AVE value greater than 0.50, it's mean that all constructs meet the convergent validity criteria.

Discriminant Validity

Discriminant validity testing is carried out to determine the extent to which latent variables are really different (not correlated) from other latent variables in predicting endogenous constructs. Discriminant validity testing can be assessed based on cross loading where if the indicator value shows a higher value of each construct compared to indicators in other constructs then it meets the criteria of discriminant validity (Sekaran & Bougie, 2018).

Table 1. Cross Loading

	EID	IID	MI	OI	PDI	PFR	PRI
EID1	**0.829**	0.622	0.761	0.727	0.695	0.757	0.667
EID2	**0.862**	0.677	0.690	0.744	0.677	0.729	0.577
EID3	**0.748**	0.597	0.533	0.603	0.645	0.584	0.404
IID1	0.559	**0.777**	0.541	0.578	0.593	0.658	0.555
IID2	0.601	**0.771**	0.563	0.607	0.611	0.589	0.515
IID3	0.716	**0.889**	0.637	0.701	0.634	0.690	0.620
IID4	0.614	**0.797**	0.588	0.661	0.617	0.622	0.571
IID5	0.652	**0.822**	0.628	0.663	0.637	0.666	0.608
MI1	0.616	0.585	**0.802**	0.666	0.616	0.677	0.618
MI2	0.655	0.561	**0.820**	0.651	0.629	0.674	0.572
MI3	0.495	0.405	**0.683**	0.473	0.535	0.553	0.370
MI4	0.633	0.612	**0.814**	0.684	0.707	0.747	0.611
MI5	0.642	0.612	**0.861**	0.678	0.643	0.672	0.536
MI6	0.807	0.621	**0.868**	0.745	0.697	0.757	0.671
MI7	0.734	0.680	**0.783**	0.677	0.651	0.712	0.624
OI1	0.674	0.680	0.703	**0.834**	0.731	0.714	0.727
OI2	0.750	0.667	0.743	**0.851**	0.765	0.773	0.672
OI3	0.743	0.668	0.631	**0.858**	0.780	0.719	0.613
PDI1	0.615	0.631	0.651	0.690	**0.815**	0.697	0.483
PDI2	0.638	0.594	0.656	0.733	**0.788**	0.669	0.504
PDI3	0.639	0.597	0.717	0.719	**0.792**	0.737	0.603
PDI4	0.674	0.599	0.524	0.674	**0.770**	0.640	0.498
PDI5	0.677	0.568	0.576	0.700	**0.763**	0.666	0.513
PFR1	0.632	0.620	0.618	0.630	0.613	**0.767**	0.676
PFR2	0.659	0.599	0.706	0.729	0.717	**0.816**	0.659
PFR3	0.564	0.579	0.675	0.656	0.660	**0.718**	0.586
PFR4	0.679	0.625	0.572	0.619	0.661	**0.694**	0.543
PFR5	0.637	0.529	0.596	0.586	0.571	**0.716**	0.601
PRI1	0.621	0.550	0.627	0.674	0.587	0.692	**0.784**
PRI2	0.560	0.593	0.589	0.693	0.544	0.690	**0.880**
PRI3	0.597	0.636	0.638	0.694	0.573	0.712	**0.877**
PRI4	0.603	0.654	0.616	0.663	0.579	0.727	**0.836**
PRI5	0.561	0.603	0.613	0.671	0.563	0.723	**0.916**

The correlation between the EID (External Innovation Driver) construct and its indicators is higher than the correlation between EID and other constructs (IID, MI, OI, PDI, PRI, PFR). The correlation between the IID (Internal Innovation Driver) construct and its indicators is higher than the IID correlation with other constructs (EID, MI, OI, PDI, PRI, PFR). The correlation between the MI (Marketing Innovation) construct and its indicators is higher than the correlation between MI and other constructs (EID, IID, OI, PDI, PRI, PFR).

The correlation between OI (Organizational Innovation) construct and its indicators is higher than the correlation between OI and other constructs (EID, IID, MI, PDI, PRI, PFR). The correlation between PDI (Product Innovation) construct with its indicators is higher than the PDI correlation with other constructs (EID, IID, MI, OI, PRI, PFR). The correlation for the PRI (Process Innovation) construct with its indicators is higher than the correlation for PRI with other constructs (EID, IID, MI, OI, PDI, PFR) and PFR (Business Performance) construct correlation with indicators is higher than the PFR correlation with other constructs (EID, IID, MI, OI, PDI, PRI).

Reliability Test

A questionnaire to be reliable if one's answers to questions are consistent or stable. To test the reliability of construct data, it can be seen from the composite reliability value. Composite reliability measures the real value of the reliability of a construct. If all latent variable values have a composite reliability value ≥ 0.700 and Cronbach alpha > 0.700, this means that the construct has good reliability, or the questionnaire used as a research tool is reliable or consistent (Hair et al., 2010).

Table 3. Composite Reliability

Construct	Composite Reliability	Cronbach's Alpha	Result
Business Performance	0.860	0,796	Reliable
External Innovation Driver	0.855	0,746	Reliable
Internal Innovation Driver	0.906	0,870	Reliable
Marketing Innovation	0.928	0,910	Reliable
Organizational Innovation	0.885	0,804	Reliable
Process Innovation	0.934	0,911	Reliable
Product Innovation	0.890	0,845	Reliable

Table 3 shows that the results of composite reliability testing on all constructs, namely business performance, external innovation drivers, internal innovation drivers, marketing innovation, organizational innovation, process innovation, and product innovation have a value ≥ 0.700 which can be interpreted that the construct has good reliability, or the questionnaire used as a tool in research has been reliable or consistent. According to table 3.13 above, it can be seen that all constructs in this research model are reliable because cronbach's alpha > 0,700.

Coefficient of Determination (R^2)

R^2 value for each endogenous latent variable indicates the predictive power of the structural model. Like linear regression, R^2 is the ability of exogenous constructs to explain variations in endogenous constructs. Changes in the value of R^2 can be used to explain the effect of certain exogenous latent variables on endogenous latent variables whether they have a substantive effect. There are three criteria for R^2 values, namely 0,67 which means good, 0,33 which means moderate, and 0,19 which means weak (Ghozali, 2014).

Table 4 R Square

Construct	R Square
Business Performance	0,897
Internal Innovation Driver	0,602
Marketing Innovation	0,694
Organizational Innovation	0,770
Process Innovation	0,547
Product Innovation	0,718

Based on table 4, there are six structural equations that are formed from the research model that is formed. In the first equation, the R Square business performance value is 0.897 where the value is greater than 0.67 so that it can be interpreted that the predictive power of the structural model formed are external innovation drivers, internal innovation drivers, marketing innovation, organizational innovation, process innovation, and product innovation simultaneously on business performance is strong.

In the second equation, the R Square internal innovation driver value is 0,602 where the value is greater than 0,33 but less than 0,67 so that it can be interpreted that the predictive power of the structural model formed, namely external innovation drivers simultaneously with internal innovation drivers, is moderate.

In the third equation, the R Square marketing innovation value is 0,694 where the value is greater than 0,67 so that it can be interpreted that the predictive power of the structural model formed, that are

external innovation drivers and internal innovation drivers simultaneously on marketing innovation is strong.

In the fourth equation, the R Square value of organizational innovation is 0,770 where the value is greater than 0,67 so that it can be interpreted that the predictive power of the structural model formed, namely external innovation drivers and internal innovation drivers simultaneously on organizational innovation is strong.

In the fifth equation, the R Square value of the innovation process is 0,547 where the value is greater than 0,33 but less than 0,67 so that it can be interpreted that the predictive power of the structural model formed namely external innovation drivers and internal innovation drivers simultaneously on innovation process is moderate.

In the sixth equation, the R Square product innovation value is 0,718 where the value is greater than 0,67 so that it can be interpreted that the predictive power of the structural model formed, namely external innovation drivers and internal innovation drivers simultaneously on product innovation is strong.

Hypotesis Testing

One part of structural models evaluation is hypothesis testing which aims to determine the effect between constructs that can be obtained by the bootstapping procedure. The resulting value is in the form of ρ value or t-count value which is then compared with the t-table. If the ρ value < 0.05 or t-count > t-table (1.96) at the significance level (α = 5%) then the estimated value of the path coefficient is significant (Ghozali, 2014).

Table 5 Hypothesis Testing

Path Coefficient Estimation	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	ρ Values
External Innov. Driver > Business Performance	0.204	0.198	0.081	2.536	**0.012**
External Innov. Driver > Internal Innov. Driver	0.776	0.780	0.057	13.663	**0.000**
External Innov. Driver > Marketing Innovation	0.639	0.624	0.098	6.534	**0.000**
External Innov. Driver > Organizational Innovation	0.599	0.592	0.115	5.197	**0.000**
External Innov. Driver > Process Innovation	0.342	0.339	0.127	2.684	**0.008**
External Innov. Driver > Product Innovation	0.589	0.576	0.114	5.178	**0.000**
Internal Innov. Driver > Business Performance	0.054	0.065	0.070	0.772	**0.440**
Internal Innov. Driver > Marketing Innovation	0.233	0.251	0.105	2.227	**0.026**
Internal Innov. Driver > Organizational Innovation	0.327	0.335	0.109	3.009	**0.003**
Internal Innov. Driver > Process Innovation	0.443	0.449	0.114	3.900	**0.000**
Internal Innov. Driver > Product Innovation	0.304	0.316	0.114	2.663	**0.008**
Marketing Innovation > Business Performance	0.186	0.197	0.078	2.380	**0.018**
Organizational Innovation > Business Performance	-0.154	-0.146	0.118	1.303	**0.193**
Process Innovation > Business Performance	0.367	0.336	0.115	3.201	**0.001**
Product Innovation > Business Performance	0.404	0.413	0.078	5.187	**0.000**

According to table 5, empirical evidence of the research hypothesis that has been formulated can be concluded as follows:

- H1: There is a significant positive association between internal innovation drivers and process innovation.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.000) < α = 5% (0.050)** or **t statistics (3.900) > t table (1.96)** and **Original Sample (O) positive sign (0,443)** so that internal innovation drivers have a significant positive effect on process innovation.

- H2: There is a significant positive association between internal innovation drivers and product innovation.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.008) < α = 5% (0.050)** or **t statistics (2,663) > t table (1.96)** and **Original Sample (O) positive sign (0,304)** so that internal innovation drivers have a significant positive effect on product innovation.

- H3: There is a significant positive association between internal innovation drivers and marketing innovation.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0,026) < α = 5% (0.050)** or **t statistics (2,227) > t table (1.96)** and **Original Sample (O) positive sign (0,233)** so that internal innovation drivers have a significant positive effect on marketing innovation.

- H4: There is a significant positive association between internal innovation drivers and organizational innovation.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0,003) < α = 5% (0,050)** or **t statistics (3,009) > t table (1.96)** and **Original Sample (O) positive sign (0,327)** so that internal innovation drivers have a significant positive effect on organizational innovation.

- H5: There is a significant positive association between external innovation drivers and process innovation.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.008) < α = 5% (0.050)** or **t statistics (2.684) > t table (1.96)** and **Original Sample (O) positive sign (0.342)** so that external innovation drivers have a significant positive effect on process innovation.

- H6: There is a significant positive association between external innovation drivers and product innovation.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.000) < α = 5% (0.050)** or **t statistics (5.178) > t table (1.96)** and **Original Sample (O) positive sign (0.589)** so that external innovation drivers have a significant positive effect on product innovation.

- H7: There is a significant positive association between external innovation drivers and marketing innovation.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.000) < α = 5% (0.050)** or **t statistics (6.534) > t table (1.96)** and **Original Sample (O) positive sign (0.639)** so that external innovation drivers have a significant positive effect on marketing innovation.

- H8: There is a significant positive association between external innovation drivers and organizational innovation.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.000) < α = 5% (0.050)** or **t statistics (5.197) > t table (1.96)** and **Original Sample (O) positive sign (0.599)** so that external innovation drivers have a significant positive effect on organizational innovation.

- H9: There is a significant positive association between external innovation drivers and internal innovation drivers.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.000) < α = 5% (0.050)** or **t statistics (13.663) > t table (1.96)** and **Original Sample (O) positive sign (0.776)** so that external innovation drivers have a significant positive effect on internal innovation drivers.

- H10: There is a significant positive association process innovation and business performance.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.001) < α = 5% (0.050)** or **t statistics (3.201) > t table (1.96)** and **Original Sample (O) positive sign (0.367)** so that process innovation have a significant positive effect on business performance.

- H11: There is a significant positive association between product innovation and business performance.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.000) < α = 5% (0.050)** or **t statistics (5.187) > t table (1.96)** and **Original Sample (O) positive sign (0.404)** so that product innovation have a significant positive effect on business performance.

- H12: There is a significant positive association between marketing innovation and business performance.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.018) < α = 5% (0.050)** or **t statistics (2.380) > t table (1.96)** and **Original Sample (O) positive sign (0.186)** so that marketing innovation have a significant positive effect on business performance.

- H13: There is a significant positive association between organizational innovation and business performance.

The results of empirical evidence on the hypotheses formulation that have been made were **REJECTED** where **P Values (0.193) < α = 5% (0.050)** or **t statistics (1.303) < t table (1.96)** and **Original Sample (O) negative sign (0.154)** so that organizational innovation doesn't have a significant and negative effect on business performance. In this case, the authors conducted in-depth interviews with the existing findings on 7 respondents who were taken from the questionnaire data giving a score of less than 3 in filling out the questionnaire in the organizational innovation section. The insignificant effect of

organizational innovation on business performance is due to the lack of maximum organizational business activities using a novel strategy, particularly in the information system aspect as an indicator of organizational innovation. The means value of organizational innovation is still unsatisfactory (the lowest), especially in information system aspect (means = 3.65), indicating that respondents' perceptions of information systems usage are still using old methods of information system (un-updated), so it has no impact on business performance. One of the respondents interviewed by the author is Satria, owner of the Philosopher's Den coffee shop. The respondent stated, "I only rely on my memory and process the information system that I receives conventionally; I am unable to analyze the data or have human resources capable of processing the received information system data.

- H14: There is a significant positive association between internal innovation drivers and business performance.

The results of empirical evidence on the hypotheses formulation that have been made were **REJECTED** where **P Values (0.440) < α = 5% (0.050)** or **t statistics (0.772) < t table (1.96)** and **Original Sample (O) positive sign (0.054)** so that Internal innovation drivers doesn't have a significant and positive effect on business performance. In this case, the author does the same thing when discussing organizational innovation with in-depth interviews on the findings of 7 respondents taken from the questionnaire data giving a score of less than 3 in filling out the questionnaire in the internal innovation drivers section. The insignificant effect of internal innovation drivers on business performance due to external factors that put more pressure on the cafe business. The condition of COVID 19 pandemic that hit Indonesia was an external factor that caused the performance of the cafe business to experience a decline in performance, thus push the management to be more priority on external drivers as a source of innovation for the company. Seven respondents admitted that the employees they hired were university students or high school graduates with no experience who were chosen based on physical aspects, got along well with customers, and had a strong work ethic. In addition, management is hesitant to invest in research and development (R&D) that would lead to an innovation in their products, and the majority of their products merely imitate what is currently popular. As Jaka, the manager of a coffee shop named Kiev, he stated: "The financial factor is one of the reasons why it is challenging for us to conduct R&D; our inconsistent income and high monthly expenditures force us to reconsider R&D. Another factor is that we are confident in the safety of our products, and we have not received many complaints about them."

- H15: There is a significant positive association between external innovation drivers and business performance.

The results of empirical evidence on the hypotheses formulation that have been made were **ACCEPTABLE** where **P Values (0.012) < α = 5% (0.050)** or **t statistics (2.536) > t table (1.96)** and **Original Sample (O) positive sign (0.204)** so that external innovation drivers have a significant positive effect on business performance.

Business Solution Alternatives

Based on the analysis as proven by the hypothesis testing that has been done, business solution alternatives that can be implemented as a proposed coffee shop business strategy to improve business performance are as follows:

Table 6. Business Solution Alternatives

Hypothesis Testing	Proposed Business Solution
External Innov. Driver > Business Performance	Actively using social media as a medium for researching customer needs and product trends
External Innov. Driver > Internal Innov. Driver	Developing benchmarking analysis as an effort to achieve an excellent best practice standards
External Innov. Driver > Marketing Innovation	Creating official company website and social media
External Innov. Driver > Organizational Innovation	Continuous training program for outstanding employees
External Innov. Driver > Process Innovation	Updated on the latest coffee processing technology utilization
External Innov. Driver > Product Innovation	Doing a benchmarking methods in developing new products
Internal Innov. Driver > Business Performance	Develop an organizational culture that is open to innovation
Internal Innov. Driver > Marketing Innovation	Develop a comprehensive and measurable marketing program
Internal Innov. Driver > Organizational Innovation	Considering to expand the business by conducting a strategic partnership (external funding)
Internal Innov. Driver > Process Innovation	Creating an excellent quality control
Internal Innov. Driver > Product Innovation	Actively producing new products and services, which can be in the form of improving the performance of products and services (incremental innovation) or producing products and services that have never been presented by competitors (radical innovation).
Marketing Innovation > Business Performance	Actively use social media as a medium of communication and build relationships with customers (customer engagement)
Organizational Innovation > Business Performance	Create an employee care and retention programs, besides that, it also organizes training so that the barista in the coffee shop has expertise.
Process Innovation > Business Performance	Creating an excellent service and product quality
Product Innovation > Business Performance	Creating Signature Menus

Conclusion

Following are the findings to answer the research questions mentioned in this study:

1. Internal innovation drivers and process innovation has a significant positive association.
2. Internal innovation drivers and product innovation has a significant positive association.

3. Internal innovation drivers and marketing innovation has a significant positive association.
4. Internal innovation drivers and organizational innovation has a significant positive association
5. External innovation drivers and process innovation has a significant positive association
6. External innovation drivers and product innovation has a significant positive association.
7. External innovation drivers and marketing innovation has a significant positive association.
8. External innovation drivers and organizational innovation has a significant positive association.
9. External innovation drivers and internal innovation drivers has a significant positive association.
10. Process innovation and business performance has a significant positive association.
11. Product innovation and business performance has a significant positive association
12. Marketing innovation and business performance has a significant positive association
13. Organizational innovation and business performance hasn't a significant positive association.
14. Internal innovation drivers and business performance hasn't a significant positive association.
15. External innovation drivers and business performance has a significant positive association.

Recommendation

The proposed suggestions are as follows:

- In this study, it is recommended that the owners and management of coffee shops will be able to plan for the development of their human resources by providing training to employees/baristas regarding services and knowledge related to the basic ingredients, which are the coffee beans themselves. With this training, it is recommended that the barista will be able to identify each individual characteristic of the coffee bean, thereby enhancing the barista's ability to explore the wide variety of coffee beans. It is also recommended that management be able to provide guidance regarding the establishment of a standard operating procedure (SOP) for the coffee shop, such as SOPs related to the cleanliness of the coffee shop, quality control for the taste of coffee beans, calculating daily income, calculating supply availability, etc. In addition, management must actively analyze the past, present, and future information contained within their internal and external coffee shops. With the availability of management information systems, it is anticipated that management will be adaptable and continue to innovate.
- It can be concluded that it is crucial for coffee shop owners and management to be aware of the need to constantly innovate by listening to staff who understand real conditions in the field, so that communication can be established and management can comprehend field conditions to determine necessary follow-up. Additionally, it is essential for management to have employees who have studied coffee for an extended period of time, as this individual will assist management in determining products and make it simpler for management to conduct R&D so that management has its own "character" of coffee establishment. However, it is necessary to also consider the financial condition of the coffee shop business in order for the management-determined plan to achieve optimum results that are efficient and cost-effective.
- It is expected that coffee shop business actors will maintain and improve strategic planning in this study, particularly in the internal innovation driver analysis section, because these elements are important inputs for the occurrence of innovation for companies apart from external factors, and as the industry expands, innovation becomes increasingly important for business continuity, particularly when the industry is entering a period of decline. It is anticipated that the greater the coffee shop management's willingness and motivation to analyze internal and external factors, the greater the innovations they will generate.
- It is recommended that future researchers able to add additional variables, making the final output more accurate and comprehensive. Future researchers are expected to validate the results of this study by conducting research on diverse populations and samples.

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