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The Influence of Entrepreneurial Orientation and Human Capital on Organizational Performance Mediated by Innovation (Study on Quick-Casual Dining in Malang)

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Abstract

The restaurant industry plays a significant role in the economic development of Indonesia, contributing to GDP and job creation. In 2023, this industry is projected to grow due to increasing consumer income and dining-out trends. The phenomenon of quick-casual dining, which rapidly developed during the Covid-19 pandemic, has become a tourist attraction in Malang city. This study aims to examine the influence of Entrepreneurial Orientation and Human Capital on Performance through Innovation in quick-casual dining in Malang City. Using the SEM-PLS method, this study collected data from 150 respondents with a 30-item questionnaire. The results show that Entrepreneurial Orientation and Human Capital significantly influence Innovation. Furthermore, Innovation is proven to mediate the influence of Entrepreneurial Orientation and Human Capital on Performance. This research emphasizes the importance of innovation in improving restaurant performance in Malang city, particularly in facing dynamic challenges and intense competition in this industry.

Keywords: *Entrepreneurial Orientation; Human Capital; Innovation; Performance*

1. Introduction

The restaurant industry plays a significant role in Indonesia's economic development, contributing to Gross Domestic Product (GDP) and job creation (Kompas, 2023; Kemenparekraf, 2023). In 2023, Indonesia's restaurant industry is expected to grow, driven by factors such as rising consumer incomes and the trend of dining out. The expansion of this industry is also reflected in the increasing number of Micro, Small, and Medium Enterprises (MSMEs) in the restaurant sector. The Indonesian government, through the Ministry of Tourism and Creative Economy, has been actively supporting the development of restaurants and food businesses by organizing events like "IndoStar 2023" and others (Kemenparekraf, 2023). These efforts provide opportunities for Indonesian restaurant entrepreneurs to obtain funding, expand their businesses, and increase job opportunities. This aims to encourage the growth of the restaurant industry and contribute to the overall economic development of the country.

Restaurants can be categorized into several types, including chain or independent, franchise, quick service (QSR), quick casual, family, casual, fine dining, and others such as steakhouses, seafood,

ethnic, and celebrity restaurants (Walker, 2022). The Covid-19 pandemic significantly impacted various sectors, including the restaurant industry. One interesting phenomenon that emerged was the proliferation of quick-casual dining in various regions of Indonesia. Changes in people's habits due to the pandemic led to increased demand for takeaway and delivery services. Quick-casual restaurants, which are generally structured for these services, were more prepared to meet consumer needs. Additionally, the need for practical and fast dining options made quick-casual dining an attractive choice amid the hustle and social restrictions.

Several major cities and tourist destinations in Indonesia also leverage quick-casual dining as a tourist attraction. This phenomenon is evident in Malang, where quick-casual dining is increasingly widespread, attracting locals and tourists with diverse food options and comfortable atmospheres. Many local and international investors have entered this city to invest in this type of restaurant. Along with the growth of the tourism sector, restaurants' roles have transformed beyond just places to eat. Restaurants in tourist areas like Malang serve as venues where tourists and locals can enjoy a variety of local culinary delights. While this phenomenon brings diversity and new opportunities, it also presents challenges for restaurant owners to stay relevant amid dynamic consumer tastes and increasing competition.

Table 1. Central Bureau of Statistics Malang City

Sub-District in Malang City	Number of Restaurant by Sub-District in Malang City (Unit)		
	2021	2022	2023
Kedungkandang	209	142	38
Sukun	238	169	159
Klojen	1022	243	88
Blimbing	235	159	20
Lowokwaru	714	265	200
Malang City (Total)	**2,418**	**978**	**505**

Source: Central Bureau of Statistics (2024)

Data from the Central Bureau of Statistics (2024) recorded that there were at least 505 registered restaurants in Malang in 2023, creating an increasingly crowded and competitive scene. This number is dominated by small and medium-sized restaurants or MSMEs. However, based on BPS data, this number actually shows a decrease from 2021, which had 2,418 restaurants. This indicates that at least 1,900 restaurants closed within three years. The decline in the number of restaurants, as recorded by the Central Bureau of Statistics, suggests that some business owners may face difficulties in managing these challenges.

Restaurants significantly impact various aspects of the local economy. Optimal restaurant performance not only creates jobs needed by the local community but also supports local supplier industries by forming more sustainable supply chains. Therefore, understanding restaurant performance is the main focus of this research, as this business is crucial to the success of the tourism industry and the livelihoods of areas that rely on tourism income for survival.

The restaurant sector plays a large role in the tourism industry, but its success depends on the performance of small businesses that dominate the sector. In a journal by Shah & Ahmad (2018), it is mentioned that company performance, reflecting a "strategic management" view, is a subcategory of the inclusive concept of "organizational effectiveness," a "subset of organizational effectiveness that includes operational and financial outcomes." In the book by Dess, Mc-Namara, & Eisner (2023) titled "Strategic Management: Creating Competitive Advantages ISE," two approaches are used when evaluating a

company's performance. The first approach is financial ratio analysis, which generally identifies a company's performance based on the balance sheet, income statement, and market valuation. The second perspective takes a broader stakeholder view. Companies must meet various stakeholders, including employees, customers, and owners, to ensure long-term survival. Bature and Hin (2017) state that company performance is the actual financial or non-financial result of a company's efforts to achieve defined goals and objectives.

2. Theoretical Framework and Hypothesis

Entrepreneurial Orientation

Entrepreneurial Orientation is a strategic mindset and set of practices that guide how organizations identify and capitalize on entrepreneurial opportunities. Rooted in strategic management literature, Entrepreneurial Orientation emphasizes proactive, innovative, and risk-taking behaviors within a company (Dess, McNamara, & Eisner, 2023). It involves fostering a culture that encourages autonomy, creativity, and a willingness to experiment with new ideas and ventures. Companies with a strong Entrepreneurial Orientation are often more adaptable and responsive to changing market conditions, driven by a desire to create value and maintain a competitive edge through continuous innovation and strategic decision-making. EO is not limited to new ventures but is also relevant to established firms seeking to renew and revitalize their strategies. Entrepreneurial Orientation (EO) significantly influences innovation and organizational performance. EO includes proactiveness, risk-taking ability, and innovativeness, which drive exploration of new opportunities and development of innovative products or services (Zehir, Can, & Karaboga, 2015; Ilmiyah et al., 2023; Shah & Ahmad, 2018).

Human Capital

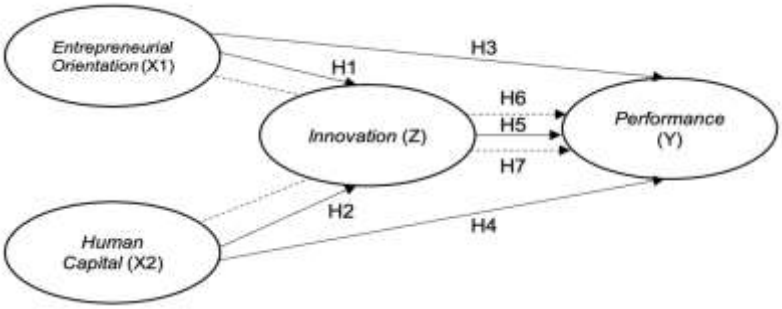
Human Capital refers to the collective skills, knowledge, and capabilities of employees within an organization. It encompasses the education, experience, creativity, and potential of individuals that contribute to organizational success (Robbins & Judge, 2023). Human Capital is a critical asset that drives innovation, productivity, and overall performance. Investing in Human Capital involves recruitment, training, and development programs aimed at enhancing employee skills and capabilities. Effective leadership and organizational culture play crucial roles in nurturing and leveraging Human Capital to drive innovation and competitiveness. Human Capital (HC), comprising skills, knowledge, and employee capabilities, is a key asset stimulating innovation in the restaurant industry. Skilled and knowledgeable employees act as primary catalysts for generating new ideas and enhancing operational innovation in restaurants (Pratono et al., 2013; Lee et al., 2016; Chou et al., 2020; Jogaratnam, 2017).

Innovation

Innovation is the process of creating and implementing new ideas or improving existing products, services, or processes to deliver value to stakeholders. It encompasses various forms, including product innovation (introducing new or improved products), process innovation (enhancing operational methods), and service innovation (improving customer experiences) (Zehir, Can, & Karaboga, 2015). Technological advancements and changing market demand often drive innovation initiatives within organizations. Successful innovation enhances organizational competitiveness by differentiating products and services, improving efficiency, and responding effectively to market dynamics. It requires a supportive organizational culture that values creativity, risk-taking, and continuous improvement. Innovation is a critical factor influencing overall organizational performance. Higher levels of innovation contribute to increased product value, cost efficiency, competitiveness, and customer satisfaction (Zehir, Can, & Karaboga, 2015; Ilmiyah et al., 2023; Shah & Ahmad, 2018).

Performance

Performance in business refers to the achievement of organizational goals and objectives. It is measured through various metrics such as profitability, sales growth, market share, and customer satisfaction. Entrepreneurial Orientation, Human Capital, and Innovation significantly influence organizational performance by enhancing operational efficiency, market responsiveness, and the ability to create sustainable competitive advantages (Lee, Hallak, & Sardeshmukh, 2016). Effective management practices, strategic alignment, and continuous monitoring are essential for optimizing organizational performance. It involves aligning resources, capabilities, and strategies to achieve sustainable growth and competitive advantage in dynamic business environments. Organizational performance is influenced by EO, HC, and innovation. EO and HC serve as key predictors in achieving competitive advantage and business growth, while innovation acts as a critical mediator in the relationship between EO/HC and organizational performance (Zehir, Can, & Karaboga, 2015; Ilmiyah et al., 2023; Shah & Ahmad, 2018; Pratono et al., 2013; Lee et al., 2016; Chou et al., 2020; Jogaratnam, 2017).



Source: Developed for thesis study, 2024

Figure 1. Conceptual Framework

H1: Entrepreneurial Orientation has a positive influence on Innovation.
H2: Human Capital has a positive influence on Performance.
H3: Entrepreneurial Orientation has a positive influence on Performance.
H4: Human Capital has a positive influence on Performance.
H5: Innovation has a positive influence on Performance.
H6: Innovation mediates the relationship between Entrepreneurial Orientation and Performance.
H7: Innovation mediates the relationship between Human Capital and Performance.

3. Research Method

The research employs a quantitative approach to delve into the influence of Entrepreneurial Orientation (EO) and Human Capital (HC) on Performance, with Innovation acting as a mediating factor. This methodological choice aims to ensure rigorous data collection and analysis, thereby yielding reliable findings and facilitating broader generalizations. Quantitative methods are favored for their ability to test hypotheses and address research questions using measurable data. This approach not only explores the relationships between variables but also fills gaps in the existing literature, particularly within the context of Indonesia's restaurant industry. By employing quantitative techniques, the study aims to make a significant contribution to understanding the factors influencing company performance in the culinary sector, specifically within Malang city, providing a strong basis for the development of more effective business strategies.

Malang was chosen as the research location due to several reasons. Firstly, it is recognized as an educational hub with numerous universities and schools, which diversify consumer preferences and habits. Secondly, Malang exhibits a high density of quick-casual dining establishments, which aligns with

the research theme on restaurant performance. The concentration of restaurants in Malang reflects intense competition and dynamic dynamics within the local culinary industry. Moreover, these restaurants serve as relevant locations for studying the impacts of Entrepreneurial Orientation and Human Capital on Performance through Innovation.

The research population comprises all restaurant owners in Malang, estimated at 505 establishments according to BPS data, although the exact number fluctuates due to rapid industry growth and high bankruptcy rates. The study employs judgment sampling to select participants, focusing on owners, managers, and supervisors who play pivotal roles in business decision-making and daily operations. Data collection methods include surveys distributed online and through direct interactions, aimed at gathering primary data on EO, HC, Innovation, and Performance indicators. Secondary data sources include statistical data, unpublished information, previous research findings, and library resources.

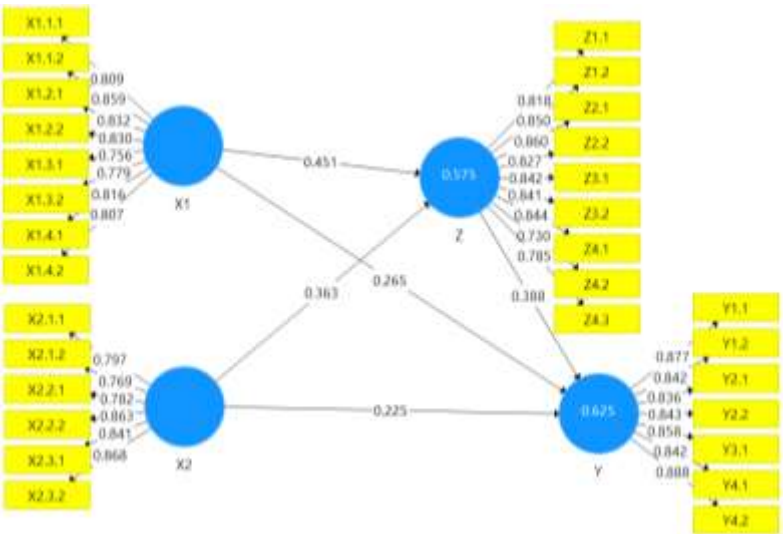
4. Data Analysis and Discussion

Data Processing Technique using Partial Least Square Structural Equation Modeling (PLS-SEM)

Data processing in this study employed the Partial Least Square (PLS) method, utilizing the SMARTPLS software version 4.0 developed at the University of Hamburg, Germany. PLS method involves two stages: the evaluation of the outer model (measurement model) and the evaluation of the inner model (structural model) to test the hypotheses. This study also estimated path coefficients to identify the strength of relationships between exogenous and endogenous variables.

Evaluation of the Outer Model (Measurement Model)

The outer model evaluation focused on Convergent Validity, Discriminant Validity, and Composite Reliability. Convergent validity was assessed based on the factor loadings of reflective indicators. According to Chin (1998, as cited in Ghozali, 2006), factor loadings between 0.5 to 0.6 are considered adequate for initial stages of scale development. In this study, a threshold loading factor of 0.60 was adopted. All indicator loadings exceeded this threshold, indicating high convergent validity.



Source: Primary Data Processing Results with SmartPLS, 2023
Figure 2. Measurement Model (Outer Loading)

Table 2. Outer Loadings (Mean, STDEV, T-Values)

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Information
X1.1.1 <- X1	0.809	27.107	**0.000**	**Valid**
X1.1.2 <- X1	0.859	34.741	**0.000**	**Valid**
X1.2.1 <- X1	0.832	28.873	**0.000**	**Valid**
X1.2.2 <- X1	0.830	23.800	**0.000**	**Valid**
X1.3.1 <- X1	0.756	14.906	**0.000**	**Valid**
X1.3.2 <- X1	0.779	18.921	**0.000**	**Valid**
X1.4.1 <- X1	0.816	22.894	**0.000**	**Valid**
X1.4.2 <- X1	0.807	21.351	**0.000**	**Valid**
X2.1.1 <- X2	0.797	25.064	**0.000**	**Valid**
X2.1.2 <- X2	0.769	19.519	**0.000**	**Valid**
X2.2.1 <- X2	0.782	19.732	**0.000**	**Valid**
X2.2.2 <- X2	0.863	32.291	**0.000**	**Valid**
X2.3.1 <- X2	0.841	28.703	**0.000**	**Valid**
X2.3.2 <- X2	0.868	34.402	**0.000**	**Valid**
Y1.1 <- Y	0.877	37.662	**0.000**	**Valid**
Y1.2 <- Y	0.842	29.743	**0.000**	**Valid**
Y2.1 <- Y	0.836	26.366	**0.000**	**Valid**
Y2.2 <- Y	0.843	23.855	**0.000**	**Valid**
Y3.1 <- Y	0.858	36.143	**0.000**	**Valid**
Y4.1 <- Y	0.842	26.306	**0.000**	**Valid**
Y4.2 <- Y	0.888	43.821	**0.000**	**Valid**
Z1.1 <- Z	0.818	17.927	**0.000**	**Valid**
Z1.2 <- Z	0.850	23.748	**0.000**	**Valid**
Z2.1 <- Z	0.860	30.463	**0.000**	**Valid**
Z2.2 <- Z	0.827	25.397	**0.000**	**Valid**
Z3.1 <- Z	0.842	31.743	**0.000**	**Valid**
Z3.2 <- Z	0.841	29.089	**0.000**	**Valid**
Z4.1 <- Z	0.844	26.569	**0.000**	**Valid**
Z4.2 <- Z	0.730	16.034	**0.000**	**Valid**
Z4.3 <- Z	0.785	20.673	**0.000**	**Valid**

Source: Primary Data Processing Results with SmartPLS, 2023

Discriminant Validity

Discriminant validity was assessed through cross-loadings and the Fornell-Larcker criterion. Cross-loadings demonstrated that each indicator within its respective latent variable had the highest loading compared to loadings on other latent variables, confirming discriminant validity. The Fornell-Larcker criterion further supported this by showing that the square root of AVE for each construct was higher than its correlations with other constructs, with all AVE values exceeding 0.5.

Table 3. Discriminant Validity Test Results

	X1	X2	Y	Z
X1.1.1	**0.809**	0.593	0.547	0.604
X1.1.2	**0.859**	0.620	0.648	0.652
X1.2.1	**0.832**	0.641	0.629	0.589
X1.2.2	**0.830**	0.666	0.597	0.624
X1.3.1	**0.756**	0.504	0.582	0.546
X1.3.2	**0.779**	0.543	0.522	0.547
X1.4.1	**0.816**	0.617	0.537	0.555
X1.4.2	**0.807**	0.535	0.500	0.513
X2.1.1	0.604	**0.797**	0.590	0.576
X2.1.2	0.537	**0.769**	0.483	0.509
X2.2.1	0.571	**0.782**	0.581	0.564
X2.2.2	0.610	**0.863**	0.551	0.565
X2.3.1	0.610	**0.841**	0.605	0.621
X2.3.2	0.651	**0.868**	0.554	0.564
Y1.1	0.638	0.647	**0.877**	0.638
Y1.2	0.593	0.596	**0.842**	0.668
Y2.1	0.596	0.563	**0.836**	0.589
Y2.2	0.586	0.612	**0.843**	0.608
Y3.1	0.623	0.543	**0.858**	0.579
Y4.1	0.567	0.557	**0.842**	0.662
Y4.2	0.626	0.586	**0.888**	0.639
Z1.1	0.568	0.595	0.651	**0.818**
Z1.2	0.582	0.534	0.625	**0.850**
Z2.1	0.629	0.541	0.594	**0.860**
Z2.2	0.544	0.600	0.567	**0.827**
Z3.1	0.597	0.633	0.580	**0.842**
Z3.2	0.626	0.581	0.629	**0.841**
Z4.1	0.681	0.624	0.667	**0.844**
Z4.2	0.542	0.533	0.541	**0.730**
Z4.3	0.514	0.468	0.556	**0.785**

Source: Primary Data Processing Results with SmartPLS, 2023

Table 4. Discriminant Validity Fornell Larcker Test Result

	AVE	X1	X2	Y	Z
X1	**0.659**	0.812			
X2	**0.674**	0.729	0.821		
Y	**0.732**	0.706	0.686	0.855	
Z	**0.677**	0.716	0.692	0.733	0.823

Source: Primary Data Processing Results with SmartPLS, 2023

Composite Reliability, Average Variance Extracted (AVE), and Cronbach Alpha

Reliability of the measurement model was evaluated using Cronbach's alpha and Composite Reliability. All constructs demonstrated high reliability, with values exceeding 0.7 for both Cronbach's alpha and Composite Reliability, indicating robust internal consistency.

Table 5. Composite Reliability Test Results

	Cronbach's Alpha	Composite Reliability
X1	**0.926**	**0.939**
X2	**0.903**	**0.925**
Y	**0.939**	**0.950**
Z	**0.940**	**0.950**

Source: Primary Data Processing Results with SmartPLS, 2023

Goodness of Fit (GoF)

The Goodness of Fit (GoF) measured the overall model fit, combining the outer and inner model evaluations. The calculated GoF was 64.12%, indicating a strong fit of the model to the empirical data.

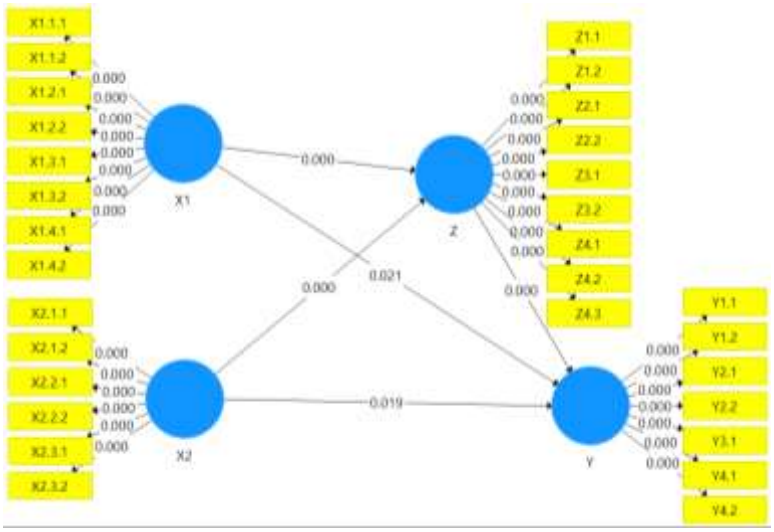
Table 6. Goodnes of Fit Model

Variable	Average Variance Extracted (AVE)	R Square
X1	**0.659**	
X2	**0.674**	
Z	**0.677**	0.575
Y	**0.732**	0.625
Average	0.685	0.600

Source: Primary Data Processing Results with SmartPLS, 2023

Testing the Structural Model (Inner Model)

The inner model analysis aimed to understand the relationships between variables, evaluating significance levels and R-squared values. Innovation (Z) was influenced by Entrepreneurial Orientation (X1) and Human Capital (X2) with an R-squared value of 57.5%, indicating that 57.5% of the variance in Innovation was explained by the model. Performance (Y) was influenced by Entrepreneurial Orientation (X1), Human Capital (X2), and Innovation (Z) with an R-squared value of 62.5%, indicating that 62.5% of the variance in Performance was explained by the model.



Source: Primary Data Processing Results with SmartPLS, 2023

Figure 2. Structural Model (Inner Model)

Predictive Relevance

Predictive relevance (Q2) indicated that 84.06% of the variance in the data could be explained by the structural model, underscoring its predictive capability.

$Q^2 = 1 – (1 – R^2) (1 – R^2)$
$Q^2 = 1 – (1 – 0.575) \times (1 – 0.625)$
$= 0.8406$

Hypothesis Testing

Hypothesis testing confirmed significant relationships between variables. Entrepreneurial Orientation (X1) significantly influenced Innovation (Z) and Performance (Y), as did Human Capital (X2). Innovation (Z) significantly influenced Performance (Y), supporting all research hypotheses.

Table 7. Hypothesis Test Results

	Original Sample (O)	**T Statistics (|O/STDEV|)**	**P Values**	Result
X1 -> Z	0.451	5.489	0.000	Significant
X2 -> Z	0.363	4.405	0.000	Significant
X1 -> Y	0.265	2.309	0.021	Significant
X2 -> Y	0.225	2.343	0.019	Significant
Z -> Y	0.388	3.994	0.000	Significant
X1 -> Z -> Y	0.175	3.127	0.002	Significant
X2 -> Z -> Y	0.141	2.870	0.004	Significant

Source: Primary Data Processing Results with SmartPLS, 2023

Based on the results of the hypothesis test above, it is known that entrepreneurial orientation has a positive and significant effect on innovation, where the analysis results show the t-statistic value (5.489) > t-table value (1.96) and are significant at 5%, Thus H1 is accepted. Meanwhile, the human capital variable has positive effect and significant on innovation, where the analysis results show the t-statistic value (4.405) > t-table value (1.96) and are significant at 5%, thus H2 is accepted. Furthermore, the results of the analysis on the variables entrepreneurial orientation and human capital are known to have a positive and significant influence on organizational performance, where the results of the analysis show the t-statistic value (2.309) > t-table value (1.96) and are significant at 5%, thus H3 is accepted. Meanwhile, the results of the analysis of the human capital variable on organizational performance obtained a t-statistic value (2.343) > t-table value (1.96) and were significant at 5%, thus H4 was accepted. The results of the analysis of the innovation variable on organizational performance show the t-statistic value (3.994) > t-table value (1.96) and is significant at 5%, thus H5 is accepted. Meanwhile, the results of the analysis on the indirect influence of entrepreneurial orientation on organizational performance through innovation showed that the t-statistic value (3.127) > t-table value (1.96) was significant at 5%, thus H6 was accepted. The results of the mediation test on the indirect influence of human capital on organizational performance through innovation obtained a t-statistic value (2.870) > t-table value (1.96) and were significant at 5%, thus H7 was accepted.

Discussion

Impact of Entrepreneurial Orientation on Innovation

Entrepreneurial Orientation (EO) in quick-casual dining in Malang fosters sustained innovation and overall company performance through its elements of innovation, proactiveness, and risk-taking. EO

encourages restaurants to explore new opportunities, develop creative ideas, and introduce innovative products and services to enhance competitiveness and meet consumer preferences. This finding is in line with previous research showing that companies with higher levels of EO tend to achieve better innovation performance (Zehir, Can, & Karaboga, 2015; Ilmiyah, Puspitaningtyas, Poernomo, & Murdyastuti, 2023; Shah, & Ahmad, 2018). This finding is also in line with the theory from Dess, Mc-Namara, & Eisner (2023) that companies that have a high level of EO tend to be more innovative and able to produce new products or services that are attractive to consumers.

Impact of Human Capital on Innovation

Human capital plays a crucial role in driving innovation within quick-casual dining establishments in Malang. It encompasses individual traits, knowledge skills, and educational levels of employees. Effective leadership, adaptive skills to market changes, and strong marketing and management abilities contribute significantly to creating innovative restaurant strategies and improving service quality. This finding is in line with the theory from Robbins & Judge (2023), namely that good human capital enables companies to respond to environmental changes quickly and effectively, as well as optimize existing innovation potential.

Impact of Entrepreneurial Orientation on Performance

Entrepreneurial Orientation significantly influences the performance of quick-casual dining restaurants in Malang. It enhances profitability through innovation and proactive market approaches, increases sales volume by improving product attractiveness, supports overall growth by seizing new opportunities, and ensures goal achievement by exceeding owner expectations. This finding is in line with the results of previous research which states that EO contributes to increasing profitability, sales volume, growth, overall performance and achieving company expectations (Ilmiyah et al., 2023; Situmorang, 2023; Arzubiaga et al., 2018; Shah & Ahmad, 2018; Nguyen et al., 2021; Bascoa et al., 2018;

Impact of Human Capital on Performance

Human capital positively impacts the performance of quick-casual dining restaurants in Malang through enhanced profitability, increased sales volume, sustained growth, improved overall performance, and goal achievement. Skills such as effective management, market understanding, and entrepreneurial education contribute to operational efficiency and strategic success. This is in accordance with the results of previous research by Jang (2021) which shows that human capital in restaurants is proven to be more important than product quality, especially through service quality which can contribute to the continuity of the restaurant business.

Impact of Innovation on Performance

Innovation plays a crucial role in enhancing company performance, particularly in the quick-casual dining restaurant industry. It involves introducing new ideas, products, services, or processes that add value to customers and improve operational efficiency. Research indicates that innovation in product development, operational processes, marketing strategies, and organizational structure significantly contributes to increased profitability, sales volume, growth, overall performance, and meeting expectations. Implementing new technologies in restaurant operations, developing innovative menus, and leveraging digital marketing strategies are examples of how innovation strengthens company performance by attracting more customers and improving efficiency. This finding is in accordance with previous research that success in innovation can produce benefits such as increased product value, cost savings, increased competitiveness, and increased customer satisfaction. Thus, the better a company's innovation performance, the greater the possibility of that company achieving better overall performance, both in

terms of profitability, growth and competitive advantage (Zehir, Can, & Karaboga (2015), Ilmiyah, Puspitaningtyas, Poernomo, & Murdyastuti (2023), Shah, & Ahmad (2018)).

Impact of Entrepreneurial Orientation on Performance Mediated by Innovation

Entrepreneurial Orientation (EO) is instrumental in driving innovation within companies. High EO includes traits like proactivity, innovation, and risk-taking that can generate added value through the development of new products, services, and processes. Innovation, as a mediator, facilitates the relationship between EO and company performance by enhancing profitability, growth, and competitive positioning. Companies with strong EO are better equipped to explore new opportunities and take strategic risks necessary to achieve competitive advantages through innovation. This finding is in accordance with previous research that companies with high EO tend to be better able to encourage innovation, which contributes to increasing profitability, growth and competitive position in the market (Bascoa et al., 2020).

Impact of Human Capital on Performance Mediated by Innovation

Human Capital (HC), such as employee skills, knowledge, and experience, supports innovation and company performance. Investing in HC development enables companies to generate creative ideas that drive innovation in products, services, and processes. Innovation, as a mediator, strengthens the relationship between strong HC and increased profitability, growth, and competitiveness in the market. Leveraging employees' knowledge to tackle market challenges is crucial in harnessing HC potential to achieve optimal performance. This is in accordance with empirical evidence which shows that human capital is a key factor that can encourage companies to innovate and achieve superior performance. Innovation acts as a significant mediator in the relationship between HC and firm performance (Gosnik et al., 2023).

Conclusion

In the dynamic landscape of quick-casual dining in Malang, Entrepreneurial Orientation (EO) emerges as a catalyst for sustained innovation and enhanced company performance. EO, characterized by its emphasis on innovation, proactiveness, and risk-taking, empowers restaurants to explore new opportunities and introduce innovative products and services. This approach not only enhances competitiveness but also aligns closely with consumer preferences, driving continual growth and market adaptation.

Simultaneously, Human Capital (HC) assumes a pivotal role in driving innovation within these establishments. Comprising individual traits, skills, and knowledge levels of employees, HC fosters effective leadership, adaptive market strategies, and superior service delivery. The investment in developing HC enables restaurants to innovate in their operational processes, marketing strategies, and customer experiences, thereby bolstering their competitive edge and market resilience.

The influence of EO on performance in Malang's quick-casual dining sector is profound. EO enhances profitability through proactive innovation and strategic market engagement, amplifies sales volumes by enhancing product appeal, fuels overall growth by seizing emerging opportunities, and ensures the attainment of ambitious operational goals. This proactive stance not only propels financial metrics but also fortifies market positioning and customer satisfaction, underscoring EO's role in driving sustainable business success.

Similarly, HC contributes significantly to performance outcomes by augmenting profitability, elevating sales figures, sustaining growth trajectories, and enhancing overall operational efficacy. The competencies embedded within HC—ranging from managerial acumen to entrepreneurial insight—directly impact strategic decision-making and operational efficiency. This synergy between HC and performance underscores the critical role of employee capabilities in driving sustainable business growth and operational excellence.

In conclusion, innovation stands as the linchpin that connects EO and HC to overall company performance. By fostering a culture of innovation, quick-casual dining establishments in Malang not only differentiate themselves in a competitive market but also position themselves for sustained growth and customer satisfaction. EO and HC, when leveraged effectively through innovation, propel these restaurants towards achieving superior performance outcomes and enduring market leadership.

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