

Digital Orientation as a Mediator in Achieving Competitive Advantage in Coffee Shops: Insights from Bukittinggi

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Abstract: This study explores the impact of human capital and social capital on the competitive advantage of coffee shops in Bukittinggi, with digital orientation acting as a mediating factor. Human capital, which includes creativity, skills, and knowledge, along with social capital, encompassing trust and networking, are examined for their role in enhancing a business's competitive positioning in today's digital age. The research adopts a quantitative methodology, collecting data from 88 coffee shop owners through structured surveys. The analysis was conducted using Structural Equation Modeling (SEM) to understand the relationships among the variables. The results reveal that both human capital and social capital significantly influence digital orientation, which subsequently strengthens the competitive advantage of coffee shops. These findings highlight the critical role of digital strategies in improving small business performance and emphasize the importance of investing in human and social capital for long-term success. This study provides practical implications for coffee shop owners and stakeholders, particularly in the context of supporting small businesses in the tourism sector through digital transformation.

Keywords: human capital, social capital, digital orientation, competitive advantage, coffee shops

1. INTRODUCTION

Bukittinggi is a major tourist destination in West Sumatra, attracting 1,231,306 visitors in 2022, the highest in the region. The city offers a variety of attractions, including natural, historical, and man-made sites, as well as numerous dining options, both traditional and modern. One rapidly growing business type is coffee shops, which began expanding in the 2000s alongside similar trends across Indonesia. These coffee shops, featuring diverse concepts from vintage to minimalist designs, not only focus on aesthetics but also on offering unique coffee flavors and quality service. This growth has led to intense competition, prompting the need for a competitive advantage.

Previous studies, such as those by Tipu & Arain (2011) and Afifah, et al. (2023), have explored factors like human capital in enhancing competitive advantage in coffee shops. However, Afifah's study indicated that human capital only accounts for about 20% of the competitive advantage, suggesting other factors are also influential. This study builds on Afifah et al.'s model by adding social capital as a key factor, emphasizing the importance of networking in the success of coffee shops. Social capital is critical in establishing connections with various stakeholders like coffee enthusiasts, baristas, and suppliers, as supported by studies from Fitriyah, et al. (2022) and Haron (2020).

Bukittinggi was chosen as the research location for several reasons: its proximity to Padang with similar cultural and business characteristics, the growth of coffee shops during the pandemic, and the local government's support of these businesses as tourist attractions. The study introduces a new model of competitive advantage mediated by digital orientation, highlighting the increasing relevance of digital strategies in today's business environment. This model aims to provide practical policies for coffee shop development, not only in Bukittinggi but also in other cities.

In response to these concerns, businesses, including coffee shops, are increasingly expected to adopt eco-friendly and zero waste practices. The concept of sustainable business operations is now a critical factor in achieving competitive advantage, particularly for businesses in tourist-heavy areas like Bukittinggi. Coffee shops that embrace sustainability

by reducing waste, utilizing recyclable materials, and adopting energy-efficient processes not only align with global environmental goals but also appeal to the growing eco-conscious consumer base.

This study builds upon previous research on competitive advantage in the coffee shop industry by incorporating eco-friendly strategies and zero waste initiatives into the framework of digital orientation. By investigating the impact of human and social capital on competitive advantage through the lens of digital strategies, this research highlights how environmentally responsible practices can be integrated into digital transformation. The findings offer valuable insights for coffee shop owners and stakeholders in supporting sustainable development within the hospitality sector, while also advancing their competitive positioning through innovation and responsible business practices.

The research aims to examine the influence of human capital and social capital on competitive advantage, mediated by digital orientation. The findings are expected to offer practical insights for developing coffee shops based on the tested model, contributing to the strategic research plan of Politeknik Negeri Padang and supporting the strengthening of MSMEs in the digital era.

2. LITERATURE REVIEW

This research is grounded in the evolution of strategic orientation studies, which traditionally focused on dimensions like market orientation, entrepreneurial orientation, and technological orientation, all linked to business performance. Recently, attention has shifted towards digitalization, known as digital orientation, a concept introduced by Kindermann, et al. (2021), which affects how businesses operate. Previous studies in West Sumatra's small businesses, especially in tourism, primarily explored market, entrepreneurial, and technological orientations.

This study advances these previous works with key modifications: it positions strategic orientation as a mediating variable rather than directly linked to business performance, focuses on digital orientation relevant to current marketing conditions, and integrates human capital (Iqbal, Mawardi, Sanawiri, Alfisyahr, & Syarifah, 2023) and social capital (Widyawati, Soemaryani, & Muizu, 2023). The research emphasizes how strategic orientation, particularly digital orientation, can enhance competitiveness and business resilience.

The developed model has been adopted in various studies, such as Iqbal et al. (2023) in East Java's traditional furniture industry, focusing on how human capital, through strategic orientation, impacts business performance. Similarly, Widyawati et al. (2023) examined social capital and organizational health in small food and craft businesses in Samarinda, showing its link to competitive advantage.

This approach aims to deepen the understanding of how strategic orientation, especially digital orientation, can help small businesses improve competitiveness in the digital era.

Competitive Advantage

The marketing landscape has evolved significantly from product-focused Marketing 1.0 to consumer-focused Marketing 2.0, value-driven Marketing 3.0, and technology-driven Marketing 4.0. This evolution demands businesses to enhance competitive advantage (CA) to thrive in the digital marketing era. CA, central to business performance, is defined by Kuncoro & Suriani (2018) as market control and difficult-to-replicate advantages. Kotler et al. (2020) describe CA as the superiority a company holds over competitors, particularly in delivering value to customers.

CA arises from the value or benefits a company creates for its consumers, achieved through strategies that are hard to imitate, durable, and adaptable (Farida & Setiawan, 2022). Previous studies have shown a positive correlation between CA and business performance. For instance, Farida and Setiawan (2022) found that effective business strategies contribute to CA, with performance and innovation acting as mediators. Similarly, Kuncoro and Suriani (2018) highlighted the impact of product innovation and market driving on sustainable CA.

Correia et al. (2020) examined the relationship between market orientation and business performance through CA, using three main aspects: imitability, durability, and ease of matching. Their study of 1,190 Portuguese companies found that CA mediates the relationship between dynamic capabilities and business performance.

In the digital orientation-CA relationship, Berawi et al. (2020) found that digitalization offers new ways for companies to add value for consumers, with technology, resources, creativity, and innovation playing critical roles. However,

Karina and Astuti (2022) found that digital orientation did not significantly impact CA in Indonesian MSMEs, attributing this to a lack of understanding of digital orientation and established business strategies.

Human Capital

The Human Capital Theory, introduced by Becker (1962) and expanded by Rosen (1976), argues that individuals possess skills and abilities that can be enhanced through training and education, thereby increasing their value to an organization. Human capital (HC) is an intangible asset comprising the knowledge accumulated by organizational members. Vargas et al. (2016) identify three main components of HC: intellectual capital (knowledge-based components), structural capital (systems and processes), and customer capital (relationships with business partners). In this study, HC is defined as creativity, knowledge, and the ability to develop new ideas contributing to the organization (Prajogo & Oke, 2016).

Entrepreneurship studies consistently show that HC is a key variable in determining company growth and innovation, ultimately driving entrepreneurial success. HC's importance extends to digital orientation, where it enhances organizational capabilities in leveraging technology for business activities. HC is closely related to digital capabilities, which are essential for optimizing human resources and knowledge through digital technologies (Kindermann et al., 2021).

Individuals with strong HC can strategically use their knowledge and experience to manage company resources, significantly contributing to organizational success (Iqbal et al., 2023).

Social Capital

Social capital has been extensively discussed since the 1980s, with contributions from Bourdieu (1986), Coleman (1988, 1990), and Burt (1992). Nahapiet and Ghoshal (1998) define social capital as potential and actual resources embedded in social networks, categorized into structural, relational, and cognitive dimensions. Structural social capital refers to the overall connection patterns among actors, facilitating communication and cooperation, ultimately fostering trust. Relational social capital focuses on personal relationships formed through historical interactions, with key elements including trust, reciprocity norms, and identification. Cognitive social capital relates to shared systems of meaning and representation.

Social capital, or SC, is a resource derived from networks, considered a strategic asset in building competitive advantage (Gedajlovic et al., 2013; Wahyudi et al., 2023). Studies, such as Al-Daibat (2017), show that competitive advantage is developed through social approaches based on SC, which facilitates knowledge transfer within organizations, especially in MSMEs. SC also contributes to productivity by mobilizing physical, financial, and human resources (Indriani et al., 2022).

Digital Orientation

Digital orientation (DO) is conceptualized as a strategic approach that empowers and leverages digital technology in products and services while digitizing internal processes to achieve competitive advantage. DO, which includes market, entrepreneurial, relationship, and technological orientations, is considered a strategic priority for maintaining competitiveness (Saunila et al., 2021).

DO is a strategic position designed to capitalize on opportunities offered by digital technology (Kindermann et al., 2021), requiring integration between technology and organizational strategies. Resource orchestration theory (ROT) explains that competitive advantage can be developed and sustained through managing resources and individual capabilities, emphasizing the role of managers in digital transformation (Badrinarayanan et al., 2019).

Small businesses, often focused on local markets, may not feel the urgency of digitalization, but the current business dynamics push them to adopt digital orientation to find resources, build new relationships, and access broader markets. Digital platforms enable businesses to transition from traditional practices to digital channels, enhancing overall business success (Qiu & Man, 2021).

Based on the literature review discussed in the previous sections, the research model is illustrated in Figure 1 Research Model

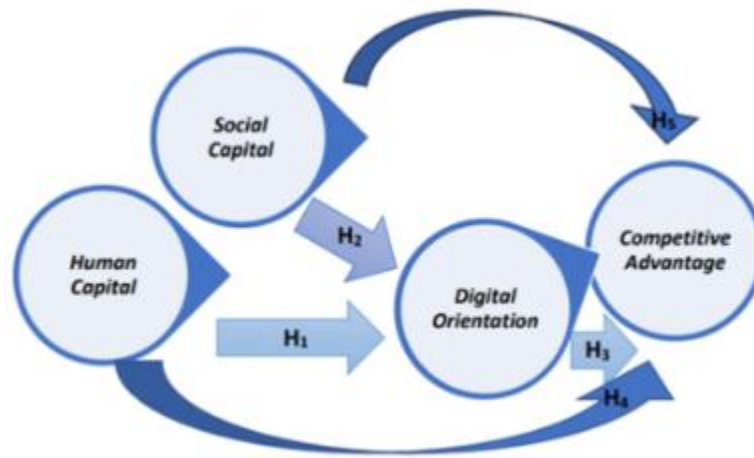


Figure 1 Research Model

Research Hypotheses

The formulated research hypotheses are:

H1: Human capital has a positive and significant effect on digital orientation.

H2: Social capital has a positive and significant effect on digital orientation.

H3: Digital orientation has a positive and significant effect on competitive advantage.

H4: Digital orientation mediates the relationship between human capital and competitive advantage.

H5: Digital orientation mediates the relationship between social capital and competitive advantage.

3. METHOD

This study examines competitive advantage (CA), human capital (HC), social capital (SC), and digital orientation (DO) using coffee shop owners or managers in Bukittinggi as the unit of analysis. It is a quantitative study, with a sample size determined using G-Power and a 5% error margin, resulting in a minimum of 77 respondents selected through simple random sampling. Data was collected via a survey using a structured questionnaire divided into four sections: respondent profile, HC, SC, DO, and CA, with both closed and open-ended questions. The closed questions used a Likert scale from 1 to 5.

Data Analysis. The collected data was processed and analyzed through several tests, including validity and reliability tests, hypothesis testing using Structural Equation Modeling (SEM), and mediation analysis.

Measurement Model Testing. **Validity Test:** Convergent validity was assessed using loading factors (0.5-0.7) and AVE values above 0.5. **Discriminant validity** was tested through cross-loadings. **Reliability Test:** Reliability was verified through Composite Reliability and Cronbach's Alpha values above 0.7.

Structural Equation Modeling (SEM) / Hypothesis Testing. The structural model or inner model was evaluated to predict relationships between latent variables. R-squares values were used to assess variance explained. Hypotheses were tested using SEM with SmartPLS 4.0, with a hypothesis considered accepted if the T-statistic exceeds the T-table value.

Mediation Analysis. Mediation was tested by evaluating both direct and indirect effects between independent variables and dependent variables through the mediator. The analysis followed a three-step model: (1) testing the direct effect of HC and SC on CA, (2) testing the effect of HC on DO, and (3) testing the effect of DO on CA.

Research Variables

In detail, research variables are described in Table 1 Research Variables, Definitions, and Indicators.

Table 1 Research Variables, Definitions, and Indicators

Variables	Definition	Indicators
<i>Human capital</i>	The level of creativity, knowledge, and ability to develop ideas used by individuals in an organization	<ul style="list-style-type: none"> ▪ Skills ▪ Industry recognition ▪ Creativity and intelligence ▪ Specialized expertise ▪ Development of new ideas and knowledge (Prajogo & Oke, 2016)
<i>Social capital</i>	Actual and potential resources obtained through a network of relationships formed by individuals or groups. (Schlepphorst, Koetter, Werner, Soost, & Moog, 2020)	<ul style="list-style-type: none"> ▪ Trust, ▪ Norms, ▪ Networks (Vipriyanti, 2017).
<i>Digital Orientation</i>	The strategic orientation of a company to promote the empowerment and use of digital technology in products and services for customers and to digitize internal processes and infrastructure as well as inter-company processes to achieve competitive advantage	<ul style="list-style-type: none"> ▪ Use of digital channels ▪ Connecting customers and operational processes in new ways ▪ Integrated view of operational and key customer information ▪ Better use of operational decision analysis ▪ Use of digital technology for product and service value addition ▪ Launch of new business models based on digital technology (Abou-foul, Ruiz-Alba, & Soares, 2021)
<i>Competitive advantage</i>	Anything that an organization/company can do and possess better compared to competitors and the ability to produce goods and services of higher quality	<ul style="list-style-type: none"> ▪ Ability to minimize production costs (Cost leadership) ▪ "Non-price" attributes that make the company superior to competitors (differentiation) (Correia, Dias, & Teixeira, 2020)

4. RESULT AND DISCUSSION

Instrument Testing Summary

The validity test results indicate that the Average Variance Extracted (AVE) values for each variable are greater than 0.5, confirming the validity of the indicators used to measure each variable. The outer loadings for all indicators are also above 0.5, further validating the measurement model. For example, the AVE for Competitive Advantage (CA) is 0.559, Human Capital (HC) is 0.64, Digital Orientation (OD) is 0.546, and Social Capital (SC) is 0.524. The validity of specific questions related to these variables was confirmed, with most questions achieving outer loading values above 0.5.

The reliability test shows that all constructs have Composite Reliability and Cronbach's Alpha values above 0.7, indicating that the questionnaire is reliable. Specifically, the Composite Reliability values are as follows: Competitive Advantage (0.835), Human Capital (0.876), Digital Orientation (0.878), and Social Capital (0.923). These results confirm the internal consistency and reliability of the measurement instruments used in the study.

The initial target sample size for this study was set at 77 coffee shops located in the central area of Bukittinggi. However, after the survey was conducted, it was found that many coffee shops had either closed or switched businesses. As a result, the researchers decided to expand the sampling area to the outskirts and borders of Bukittinggi

to meet the required sample size. Following this expansion, a total of 88 coffee shops were included in the sample, allowing for the subsequent testing of the research instruments.

Formation of the Research Model

The collected data were analyzed using Structural Equation Modeling (SEM) with the assistance of SmartPLS version 4.0 software. The data processing resulted in a model as shown in Figure 2 Research Model Testing.

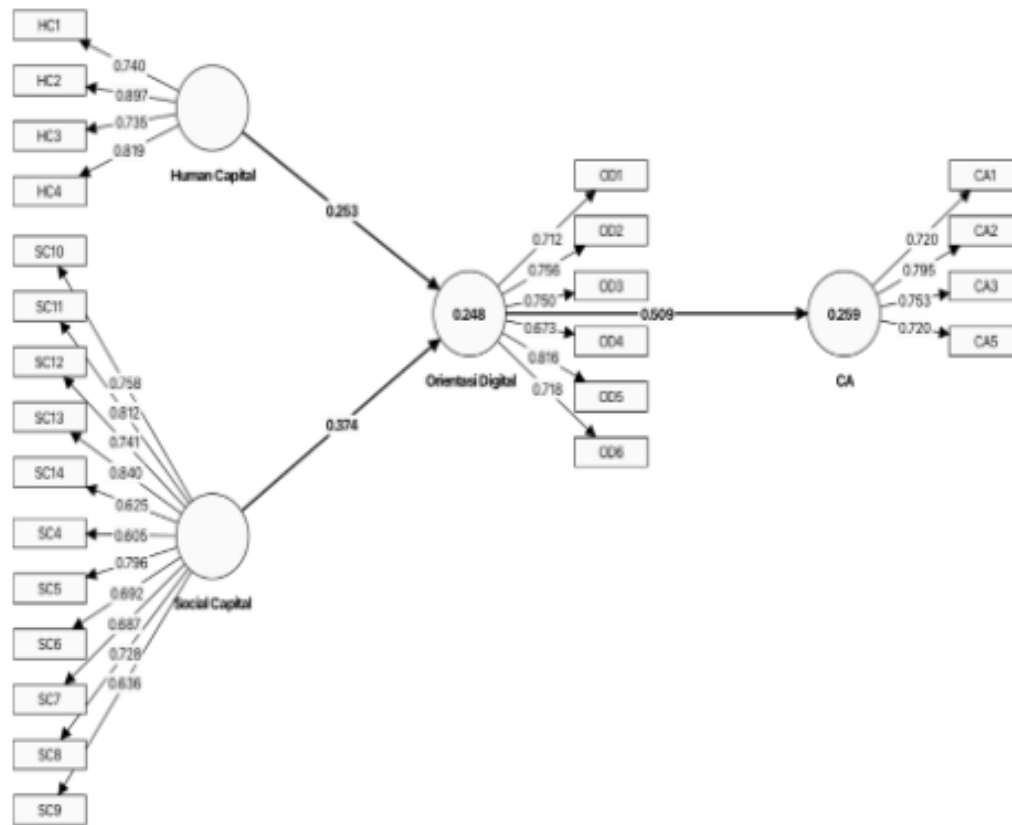


Figure 2 Research Model Testing

General Discussion

The study reveals that human capital has a positive and significant impact on digital orientation. Higher levels of skills, knowledge, and creativity among employees enhance an organization's ability to effectively adopt and utilize digital technology. This finding underscores the importance of strong human capital, which includes both technical and non-technical competencies, in enabling organizations to adapt quickly to technological changes and seize digitalization opportunities. Skilled employees can better implement new technologies and explore digital applications that boost competitiveness, aligning with Prajogo & Oke (2016), who highlight human capital's role in innovation and technology integration. Similarly, Iqbal et al. (2023) emphasize that strong human capital provides greater flexibility in responding to market and technological shifts.

The study also demonstrates a positive and significant influence of social capital on digital orientation. Social capital, encompassing trust, norms, and networks, fosters an environment that supports collaboration, idea exchange, and innovation. In the context of digital orientation, social capital facilitates the adoption of technology by providing robust internal and external network support and building trust among stakeholders. High levels of trust encourage employee support for digital initiatives and reduce resistance to change, while supportive norms and strong networks enhance the ability to adapt to digital advancements. These findings are consistent with Nahapiet & Ghoshal (1998)

and are further supported by Handoyo (2015) and Riza (2018), which highlight social capital's role in driving competitive advantage and innovation.

Digital orientation serves as a crucial mediator linking human and social capital with competitive advantage. It enables organizations to effectively integrate these resources into their business operations and strategies. By optimizing the use of human and social capital through effective digital orientation, organizations can enhance business processes, improve efficiency, and create superior customer experiences. This supports Berawi et al. (2020), who assert that digitalization is vital for creating value and maintaining a competitive edge in today's technology-driven market.

Practically, coffee shops in Bukittinggi should prioritize developing **human capital** by investing in employee training, particularly in **sustainable practices** and **digital skills**. Training employees on how to implement eco-friendly methods, such as waste reduction, energy conservation, and the use of biodegradable materials, can significantly enhance their contribution to both the business's competitive advantage and environmental sustainability. **Strengthening social capital** by building robust networks with stakeholders, including local suppliers of eco-friendly products, waste management services, and environmental advocacy groups, is also crucial for fostering collaboration on zero waste initiatives.

Moreover, adopting **digital technologies** can not only improve operational efficiency and customer experience but also support **sustainability efforts**. For example, digital platforms can streamline processes for monitoring waste output, optimizing resource usage, and reducing unnecessary consumption, all of which contribute to a zero waste approach. Coffee shops can use these technologies to promote their eco-friendly practices, such as digital receipts, waste tracking apps, and online marketing campaigns that emphasize sustainability, attracting environmentally conscious consumers.

However, the study acknowledges limitations such as a limited geographic scope and small sample size, which may not fully represent conditions in other Indonesian cities. Future research should expand geographically and consider additional factors like organizational culture, **local environmental regulations**, and **government policies** on sustainability to further validate and extend these findings. Overall, the study provides valuable insights into how human capital, social capital, digital orientation, and **eco-friendly practices** can jointly contribute to **competitive advantage**, particularly in Indonesia's tourism and service sectors, where sustainability is becoming increasingly important.

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5. CONCLUSION

This study highlights the significant role that human capital and social capital play in enhancing the competitive advantage of coffee shops in Bukittinggi, with digital orientation serving as a key mediating factor. The findings reveal that creativity, knowledge, trust, and networking not only impact digital orientation but also offer opportunities to integrate eco-friendly and zero waste practices into everyday business operations. Coffee shop owners can enhance their business performance by developing their workforce's skills in sustainable practices, fostering strong networks that support environmentally responsible initiatives, and embracing digital strategies that facilitate these transitions.

By incorporating eco-friendly principles into their digital orientation, coffee shops can optimize resource usage, reduce waste, and improve operational efficiency. This aligns with the growing demand for sustainable business models, especially within the SME sector. The integration of zero waste practices—such as reducing single-use plastics, utilizing biodegradable materials, and adopting energy-efficient processes—can strengthen customer loyalty and competitive positioning, as eco-conscious consumers increasingly favor businesses that demonstrate environmental responsibility.

For SMEs and entrepreneurial startups, particularly in the tourism and service sectors, embracing holistic business processes that prioritize sustainability and zero waste is essential for long-term success. The findings of this study provide practical insights for coffee shop owners, policymakers, and other stakeholders on how to merge digital

innovation with sustainable business practices, creating a path toward both environmental stewardship and competitive advantage.

Future research should explore the implementation of these practices in various industries and geographical areas to broaden the understanding of how eco-friendly strategies, alongside human and social capital, contribute to business success. By promoting eco-friendly and zero waste initiatives, businesses can not only enhance their profitability but also contribute meaningfully to the global sustainability movement.

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Implementation of Contract Employee Status to Improve Employee Performance

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Abstract: This study investigates the impact of motivation on employee performance and examines whether employee status moderates this relationship. The research employs a quantitative approach, using surveys and statistical analysis to collect and analyze data from 144 employees. The findings indicate that motivation has a significant and positive effect on employee performance. However, the study also reveals that employee status does not moderate the relationship between motivation and performance. In other words, the level of motivation experienced by employees, regardless of their employment status (contract or permanent), significantly influences their performance. The results suggest that organizations should focus on enhancing employee motivation as a primary strategy to improve overall performance without being influenced by the distinction between contract and permanent employees. Management can change employee status from permanent to contract employee to increase agility and avoid potential cost loss.

Keywords: Contract; Employee status; Employee performance; moderating; Motivation

1. INTRODUCTION

Employee performance was essential to the sustainability of the Company. Besides accounting profits, employee performance affects company performance (Khare et al., 2023). They also emphasize the importance of sustainability in every situation and condition of the company (Silva & Pålsson, 2022). The three pillars of company sustainability are (Hansmann et al., 2012), i.e. Economic, Environment, and Social. Economic, Environmental, and Social. Economic: Aspect for Exploring income, growing economic value and future impacts. Environment: Activities that focus on the sustainability of renewable resources, environmental protection. Social: protecting social health, safety, harmonization, social responsibility, local organisations, policies and regulations.

Enhancing company performance leads and increasing company sustainabilities. Good communication will present a clear discourse that encourages new technologies in optimizing the company's performance, making employees and production conditions visible and integrated (Rossi & Sangster, 2023). Company should consider all impact from managerial decision, in term of social and environment view (Hidayah & Raihan, 2024). Green recruitment of employees is also essential to ensure company sustainability and encourage employees to understand the environment (Barakat et al., 2023). Psychological Capital positively effect to Employee performance (Daswati et al., 2022). Therefore, company management should consider effect of changing regulatory on Human Resources, if any cginging of employee status as well.