

Sustainability, Competitive Advantage and Entrepreneurial Orientation in Indonesian Family Culinary Business Groups

Artarina DA Samoedra^a, Deni Hermana^b, ^aFaculty of Business and Management, Widyatama University, Bandung, Indonesia, ^bUniversitas Pakuan, Bogor, Indonesia, Email: artarina.dewi@widyatama.ac.id

Survival rates of family businesses facing challenges in the robust business world are alarming. The number of family businesses that maintain family and business value systems in one operating system is decreasing. Family values as distinctive features and the foundation of organizational and cultural structures are difficult to maintain and family businesses face the demands of sustainability. The research objective of this study was to obtain an explanation of sustainability in terms of competitive advantage and entrepreneurial orientation in culinary business groups in Bandung. The research method uses the explanatory mixed method approach to investigate family micro-businesses that form the culinary sector. Data analysis uses covariant-based Structural Equation Model (SEM) with thematic research support. The results of the study show that economic sustainability is indicated by the operation of a system to support low-cost or efficient business activities and the trend of growth and profit stability is difficult to realize. The framework for solving low economic sustainability can be formulated based on the ability to offer differentiation and competitive prices.

Key words: *Sustainability, Competitive Advantage, Entrepreneurial Orientation, Small Family Business, Culinary.*



Introduction

Family businesses in the structure of the world economy on a local, regional, national and global scale are currently showing volatile and sensitive changes. Small-scale family micro-enterprises have a significant impact on the country's economic growth. Bird et al (2004) explain that based on history, family business has long been the backbone of the economy and plays an important role in the development of civilization.

High competition is an obstacle for small family groups to develop and guarantee sustainability despite various efforts to ensure the sustainability of family businesses. Daspit et al (2017) explain the strategy in the family business. Carr and Ring (2017) examine management of knowledge and harmony in family-owned businesses. Goel and Jones (2015) examine exploration and exploitation behavior in family businesses. Sauvannet et al (2015) discuss succession in family business and Hjorth & Dawson (2016), succession and value transfer as well as suggesting changes and improvements to the structure and functions of the organization and family values as resources to maintain a sustainable competitive advantage.

Family business has distinctive characteristics. Basically practices that show the operation and strategy of a family business supported by a dual system of both the family system and management system focus on how to ensure the sustainability of the two systems. Carney (2007) suggests the position of family businesses as a minority group and the benefits of social capital in the context of imperfect markets and weak institutions. Aronoff (2004) highlights the level of family business health and its sustainability. Functionalization of institutions and relationships between family members and both systems determine the survival of family businesses. Organizational structure raises a series of agency and kinship problems which lead to conflicts and reluctance which actually make the organization system run effectively and efficiently.

The field of entrepreneurship continues to develop well as related to research, theory and business activities excepting in the field of micro family businesses. The fact is that the development of entrepreneurial practice has not been followed by the development of specific entrepreneurial research, especially in small family businesses in developing countries. The results of this study can be used as a framework for solving sustainability problems in small family businesses. Pearson et al (2014) research on family business in the OB perspective finds that the body of knowledge is still limited. It emphasized that the lack of organizational behavior research (OB) in family companies is interesting and counterproductive to the development of family businesses.

Velasco et al (2011) explain that family business consolidation as a discipline requires an evolutionary analysis of contributions related to the family business field of ontology,

epistemology with a pragmatic paradigm to fill social space and axiology seen from problem solving and the consequences of future values. The study of small businesses has benefits given the difficulty of the entrepreneurs and the risks faced. It is difficult to design a simple pattern for success among small family businesses, the general theoretical framework for success is very rare in a complex dual system of family micro-enterprises.

The characteristics of family businesses are different compared to businesses managed by professionals. The organizational structure is related to the family structure. Carney (2007) suggests family functions in developing markets. Espinosa (2015) describes a framework for assessing sustainable governance in business activities. Research on family businesses especially in developing countries has a significant impact on the knowledge and development of practical problems in the family business. Mullens (2018) emphasizes that the lack of consensus on concepts has hampered the development of fields and advances in family business knowledge. The results of the study can be used as a model to realize sustainability in family businesses, especially in relation to economic, social and environmental sustainability.

Literature Review

Sustainability

Changes have occurred in the paradigm about the position of humans, the environment and the future as a basis for formulating a competitive advantage. Kidd (1992) explained in the 1980s that the term "sustainability" had become a broader popular field and was related to the operational planning of important institutions. Sustainability is a series of activities that create value innovations that are carried out systematically and planned while maintaining and improving the balance of social, environmental and cultural values for the generations to come. According to Rosalinde and Woolthuis (2010) the concept of sustainability is related to the impact on the economy, environment and social as well as transparency so that the market functions properly. Cohen et al (2008) explain the typology of entrepreneurship that supports expanding the scope of entrepreneurial research with economic, environmental and social values. Products are found, created and utilized with economic, psychological, social and environmental consequences.

Kidd (1992) previously revealed the root concept of sustainability found in ecology. The idea of sustainability in business is a picture of ethical responsibility and a paradigm shift in looking at the world and human position. Sustainability as a concept and practice aimed at sustainable development in a more comprehensive way is included in the family business. Bringing value to the market at the same time brings value back to society and the environment (Schaltegger, 2000; Gibs, 2006; Abrahamsson et al, 2007; Koe and Majid, 2014; Rusomyo et al, 2017) and a nique social, environmental and economic balance (Rajasekaran, 2013). Brookshire (2015) emphasized that both corporations and individuals have a moral responsibility to do the right

thing. Rajasekaran (2013) reveals sustainable entrepreneurship as a unique social, environmental and economic balance.

Business activities are not only revenue streams but are vehicles for better change. Krysiaks (2009) explains that sustainability has become the main framework for evaluating decisions with long-term consequences at the company level. The development of the sustainability concept shows the meaning of the interdisciplinary approach in solving epistemological practical problems and the clarity of the concept of sustainability in context and in governance (Espinosa & Walker, 2011).

Competitive Advantage

One focus of the company's attention is ensuring business continuity and as part of this, competitiveness is a multidimensional essential concept. According to Barney (1991), Gerhard & Bontis, (2007), Dashgarzadeh et.al, (2012) capacity and resources are the foundation for business organizations to build competitive advantage. Awuah & Gebrekidan (2008) suggest competitive advantage is very important for the survival and development of companies in the market. Competitive advantage is at the heart of marketing performance (Porter; 1990) and is concerned with building positioning as an effort to achieve excellence (Karadenist, 2009; Cater & Putcko, 2005). Competitive advantage is associated with attributes that are valued by the market. Porter (1996) , describes generic strategies to achieve competitive advantage: 1) cost leadership, 2) cost focus, 3) differentiation leadership, and 4) differentiated focus. Douglas et al (2010) asserted that the strategy to build competitive advantage is cost leadership, differentiation and focus on specific niche markets. Henderson (2011) added competitive advantage through differentiation and focus strategies as competitive strategies (Hussain et al., 2019).

Entrepreneurial Orientation

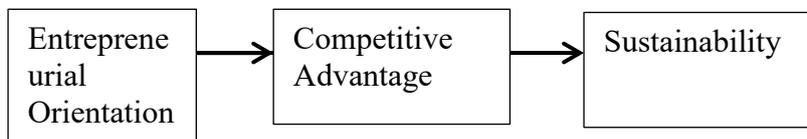
Entrepreneurial Orientation is a view of how the entrepreneurship process operates in the company. Miler (1983) explains that EO is a strategic construction that reflects innovative, proactive and taking risks in its behavior and management philosophy. Lumpkin and Dess (1996) in their efforts to clarify confusion in terms, provide clear differences between Entrepreneurial Orientation entrepreneurship. Entrepreneurship is defined as a "new entry" that can be effected by entering new markets with existing products or services or new ones or launching new companies. Entrepreneurial orientation is defined as a description of how the new entry is carried out. EO has become the main concept in the realm of entrepreneurship which has received a large amount of theoretical and empirical attention (Covin, Greene, & Slevin, 2006). EO refers to the strategy-making process that provides the organization's basis for entrepreneurial decisions and actions (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003).

Wales et al (2015) explained that entrepreneurial orientation is one of the most accepted company-level constructs. Wang (2008) describes an "Entrepreneurial orientation (EO) as a key ingredient for firm success". This shows that entrepreneurial orientation is the foundation of every entrepreneurial activity. Strengthened by George & Marino (2011) that: "Entrepreneurial orientation has become a key construct in the entrepreneurship". EO is recognized as the foundation of the company (Wales, Gupta, & Mousa, 2013).

Hypothesis

Ha1 : Entrepreneurial orientation has an influence on competitive advantage

Ha2 : Competitive advantage has an influence on sustainability



Research Method

The research method uses the explanatory mixed method approach to family micro-businesses that comprise the service sector. The unit of analysis is a micro culinary family business in Bandung. Control variables such as size and age of the company were determined in this study. Sustainability measurement refer to the concept put forward by Abrahamsson et al (2007), Schaltegger, S. (2000, 2011) on economics, social and environment and entrepreneurial innovation. Competitive advantage refers to Porter (1991), Henderson (2010) with differentiation and cost. Entrepreneurial orientation adapts the dimensions of Miller (1982), Lumpkin & Dess (1966), Perlins & Hoch (2017), Rezaei et al (2017) : innovation, risk taking, and proactivity. Data analysis used covariant-based Structural Equation Model (SEM) with thematic research support.

Results and Discussion

The success of achieving sustainability in the family business is determined by the capability of resources and entrepreneurial orientation. This is in line with Miller (1982) who emphasizes the importance of doing risky business and 'proactivity' to maintain superiority over competitors. Kraus et al (2017) add to this by explaining that this EO dimension forms a composite dimension representing a unidimensional view. EO can be understood as a strategic dimension of the company (Covin & Slevin, 1991). The Average Variance Extracted value is 0.647, meaning that on average 64.7% of the information contained in each indicator can reflect the latent variable Entrepreneurship Orientation. The Average Variance Extracted value is 0.69 for competitive advantage and sustainability 0.83. The composite reliability value of the

research variable shows that each indicator can explain latent variables. The indicator for sustainability that is considered weak is the environment. This shows the orientation of the environment which is indicated by the structure and sub-structure of the organization to safeguard environmental interests affecting how economic, social and environmental change. The fact is that one important aspect is that less attention is related to the processing of food waste in the family culinary business studied. According to Quarteng et.al, (2016) the integration of the sustainability concept into business governance comprehensively encourages companies to achieve and maintain competitiveness. There are reciprocal long run relationships.

The results of verification tests show that changes in the variable competitive advantage can be explained by the level of entrepreneurial orientation of 52%. Competitive advantage has an impact on sustainability of 92%. Price and differentiation are indicators that determine business continuity in culinary groups. Differentiation lies in the appearance of food products while prices are more on the pieces given as part of the promotion. Prices that are too low actually cannot compete. Price reduction further reduces competitive advantage.

The test results show CR (critical ratio) value the effect of entrepreneurial orientation on competitive advantage of 6.190. The CR value of the influence of entrepreneurial orientation on sustainability is 12,215. These results show that only entrepreneurial orientation has a significant effect on competitive advantage and sustainability. This is in line with Mullens' (2018) who explains the history of theories of family company risk orientation and family influence on social and environmental responsibilities. Family businesses innovate to configure and integrate initiatives for environmental and social change into organizational functions and family system / kinship functions. Competitive advantage is important to encourage economic, social and environmental initiatives. The next generation of family businesses invests in business initiatives that support sustainability. Brookshier (2015) asserts that for a company to be sustainable, organizational members carry out sustainability policies and procedures.

In an era of increasingly open competition and the development of an increasingly professional business governance system, family businesses strive to build new paradigms that show a shift in the point of view of themselves and their environment. From the paradigm of a conservative family company, with a tendency to be passive, unwilling to take risks and traditionally directed. EO describes how the company's strategic orientation is implemented in value creation activities for future needs.



Conclusion

EO's position as a predictor to realize competitive advantage and sustainability in family business operates in two organizational structures that determine the direction of the family business. An empirical study of family values is needed to reinforce the position of the EO as a knowledge base to solve problems in the competitive advantage of family business and sustainability.



REFERENCES

- Abrahamsson, et al (2007) Researching Sustainability – conditions, concepts, approaches, arenas and questions . Paper presented at the 13th International Sustainable Development Research Conference, Mälardalens Högskola, Västerås,
- Aronoff,C. (2004) Self-Perpetuation Family Organization Built on Values: Necessary Condition for Long-Term Family Business Survival. *Family Business Review*, XVII, no. 1, pp 55-59
- Awuah, G. B., & Gebrekidan, D. A. (2008). Networked (interactive) position: A new view of developing and sustaining competitive advantage. *Competitiveness Review*, 18(4), 333–350.
- Barney,J.B., Wright,P.M. (1994) On Becoming a Strategic Partner: The Role of Human Resources in Gaining Competitive Advantage . Working Paper 97 - 09. CAHRS / Cornell University 187 Ives Hall
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99–120.
- Bird, B., Welsch, H., Astrachan, J. H., & Pistrui, D. (2002). Family Business Research: The Evolution of an Academic Field. *Family Business Review*, 15(4), 337–350
- Brookshire, J. (2015). *Toward Moral Responsibility Theories of Corporate Sustainability and Sustainable Supply Chain*. *Journal of Business Ethics*, 145(2), 227–237.
- Carney, M. (2007). Minority family business in emerging markets: Organization forms and competitive advantage. *Family Business Review*, 20(4), 289–300.
- Carr,J.C., Ring,J.K. (2017) Family Firm Knowledge Integration and Noneconomic Value Creation. *Journal Of Managerial Issues* XXIX 1 Spring pp. 30-56
- Cater, T., & Pucko, D. (2005). *How Competitive Advantage Influences Firm Performance : the Case of Slovenian Firms*. *Economic and Business Review for Central and South - Eastern Europe*, 7(2), pp 120-135
- Cohen, B., Smith, B., & Mitchell, R. (2008). Toward a sustainable conceptualization of dependent variables in entrepreneurship research. *Business Strategy and the Environment*, 17(2), 107–119.
- Covin, J. G., & Wales, W. J. (2018). *Crafting High-Impact Entrepreneurial Orientation Research: Some Suggested Guidelines*. *Entrepreneurship Theory and Practice*, 1-16



Covin, J. G., Green, K. M., & Slevin, D. P. (2006). *Strategic Process Effects on the Entrepreneurial Orientation-Sales Growth Rate Relationship*. *Entrepreneurship Theory and Practice*, 30(1), 57–81.

Cruz, C., & Nordqvist, M. (2010). *Entrepreneurial orientation in family firms: a generational perspective*. *Small Business Economics*, 38(1), 33–49. Dashgarzadeh et al (2012)

Daspit, J.J., Chrisman, J.J., Sharma, P., Pearson, A.W., Long, R.G. (2017) A Strategic Management Perspective of the Family Firm: Past Trends, New Insights, and Future Directions. *Journal Of Managerial Issues* Vol. XXIX Number 1 Spring pp. 6-29

Espinosa, A (2015) Governance for sustainability: learning from VSM practice. *Kybernetes* Vol. 44 No. 6/7, pp 955-969

Espinosa, A., Walker, J (2011) Complexity approach to sustainability. *Teori and application*. London: World Scientific Publishing Co. Pte. Ltd

Fayolle, A., Basso, O., & Bouchard, V. (2010). *Three levels of culture and firms' entrepreneurial orientation: A research agenda*. *Entrepreneurship & Regional Development*, 22(7-8), 707–730.

George, B. A., & Marino, L. (2011). *The epistemology of entrepreneurial orientation: Conceptual formation, modeling, and operationalization*. *Entrepreneurship: Theory and Practice*, 35(5), 989–1024.

Gerhard K., & Bontis, N (2007). *Constructing a definition for intangibles using the resource based view of the firm*. *Management Decision*, 45(9), 1510–1524.

Gibbs, (2006) Sustainability Entrepreneurs, Ecopreneurs and the Development of a Sustainable Economy . *Greener Management International* 55. pp. 63-78

Goel, S., & Jones, R. J. (2016). *Entrepreneurial Exploration and Exploitation in Family Business*. *Family Business Review*, 29(1), 94–120.

Hair J., V. Jr et al (2014) *Multivariate data analysis*. Usa. Pearson Education

Henderson, S. (2011). The development of competitive advantage through sustainable event management. *Worldwide Hospitality and Tourism Themes*, 3(3), 245–257.

Hjorth, D., & Dawson, A. (2016). The Burden of History in the Family Business Organization. *Organization Studies*, 37(8), 1089–1111.



- Hughes, P., Hodgkinson, I. R., Hughes, M., & Arshad, D. (2017). *Explaining the entrepreneurial orientation–performance relationship in emerging economies: The intermediate roles of absorptive capacity and improvisation*. *Asia Pacific Journal of Management*, 1–2.
- Hussain, H.I., Ali, A., Thaker, H.M.T., & Ali., M. (2019) Firm Performance and Family Related Directors: Empirical Evidence from an Emerging Market, *Contemporary Economics*, 13 (2), 187-204.
- Intihar, A., & Pollack, J. M. (2012). *Exploring small family-owned firms' competitive ability*. *Journal of Family Business Management*, 2(1), 76–86.
- Jackson, K. T. (2014). *Economy of Mutuality: Merging Financial and Social Sustainability*. *Journal of Business Ethics*, 133(3), 499–517 Karadenist, 2009)
- Jermisittiparsert, K., Siam, M., Issa, M., Ahmed, U., & Pahi, M. (2019). Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behavior. *Uncertain Supply Chain Management*, 7(4), 741-752.
- Kidd, C. V. (1992). *The evolution of sustainability*. *Journal of Agricultural and Environmental Ethics*, 5(1), 1–26.
- Krysiak, F. C. (2009). *Risk Management as a Tool for Sustainability*. *Journal of Business Ethics*, 85(S3), 483–492.
- Kwarteng, A., Dadzie, S. A., & Famiyeh, S. (2016). *Sustainability and competitive advantage from a developing economy*. *Journal of Global Responsibility*, 7(1), 110–125.
- Koe,W.L., Majid,i.A (2014) Socio-Cultural Factors and Intention towards Sustainable Entrepreneurship
- Kraus, S., Berchtold, J., Palmer, C., & Filser, M. (2017). *Entrepreneurial Orientation: The Dark Triad of Executive Personality*. *Journal of Promotion Management*, 24(5), 715–735.
- Li, Y. H., Huang, J. W., & Tsai, M. T. (2008). Entrepreneurial orientation and firm performance: The role of knowledge creation process. *Industrial Marketing Management*, 38(4), 440–449.
- Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1), 135–172



- Lumpkin, G. T., Brigham, K. H., & Moss, T. W. (2010). *Long-term orientation: Implications for the entrepreneurial orientation and performance of family businesses*. *Entrepreneurship & Regional Development*, 22(3-4), 241–264.
- Mahrinasari, M., Haseeb, M., Ammar, J., Meiryani, M. (2019). Does Trade Liberalization a Hazard to Sustainable Environment? Fresh Insight from ASEAN Countries. *Polish Journal of Management Studies*, 19 (1), 200-210.
- Marshall, D., McCarthy, L., McGrath, P., & Claudy, M. (2015). Going above and beyond: How sustainability culture and entrepreneurial orientation drive social sustainability supply chain practice adoption. *Supply Chain Management*, 20(4), 434–454]
- Masa'deh, R., Al-Henzab, J., Tarhini, A., & Obeidat, B. Y. (2018). The associations among market orientation, technology orientation, entrepreneurial orientation and organizational performance. *Benchmarking: An International Journal*, 00–00
- Miller, D. (1983) The Correlates of Entrepreneurship in Three Types of Firms. *Management Science* 29(7):770-791
- Mullens, D. (2018). *Entrepreneurial orientation and sustainability initiatives in family firms*. *Journal of Global Responsibility*, 9(2), 160–178.
- Naldi, L., Nordqvist, M., Sjöberg, K., & Wiklund, J. (2007). *Entrepreneurial Orientation, Risk Taking, and Performance in Family Firms*. *Family Business Review*, 20(1), 33–47.
- Pearson, A. W., Bergiel, E., & Barnett, T. (2014). *Expanding the study of organizational behaviour in family business: Adapting team theory to explore family firms*. *European Journal of Work and Organizational Psychology*, 23(5), 657–664.
- Perlines, H. F., & Hoch, R. N. (2017). *Sustainable Entrepreneurial Orientation in Family Firms*. *Sustainability*, 9(7), 1212
- Porter, M.E. (1990). The competitive advantage of nations. *Harvard Business Review*, 68(2), 73-93.
- Porter, M. E. (1996). *What is Strategy?*. *Harvard Business Review*. 74, No. 6 (November – December): 61 – 78.
- Pratono, A. H., Darmasetiawan, N. K., Yudianto, A., & Jeong, B. G. (2019). Achieving sustainable competitive advantage through green entrepreneurial orientation and market orientation: The role of inter-organizational learning. *Bottom Line*, 32(1), 2–15.



Rajasekaran, B (2013) Sustainable Entrepreneurship: Past Researches and Future Directions *Journal of Entrepreneurship and Management* Volume 2 Issue 1 February. pp. 20-27

Rezaei,S. Matin,B.K., Hajizadeh,M., Soroush,A., Mohammadi,Z., Babakhany,M., Jamshidi ,K. (2017)," Evaluating service quality in the higher education sector in Iran: an examination of students' perspective ", *International Journal of Human Rights in Healthcare*, Vol. 10 Iss 2 pp

Ritthaisong, Y., Johri, L. M., & Speece, M. (2014). Sources of sustainable competitive advantage: The case of rice-milling firms in Thailand. *British Food Journal*, 116(2), 272–291.

Rosalinde, J.A. and Woolthuis, K. (2010). Sustainable Entrepreneurship in the Dutch Construction Industry. *Sustainability*, 2, pp. 505–523

Rusomyo, R., Junlin, H., & Mangare, C. (2017). The Role of Social Networks as Survival Strategies in Agro-Pastoral Communities in Arid And Semi-Arid Lands in Tanzania. *Asian Development Policy Review*, 5(2), 90-99.

Samuelsson,J.,Andersén,J.,Ljungkvist,T. Jansson,C , (2016),"Formal accounting planning in SMEs", *Journal of Small Business and Enterprise Development*, Vol. 23 Iss 3 pp. 691 - 702

Saudi, M. H. M., Sinaga, O., Roespinoedji, D., & Razimi, M. S. A. (2019). The role of renewable, non-renewable electricity consumption and carbon emission in development in Indonesia: Evidence from Distributed Lag Tests. *International Journal of Energy Economics and Policy*, 9(3), 46-52.

Sauvannet, M.-C.C, Deschamps, B., & Cisneros, L. (2015). Unexpected Succession: When Children Return to Take Over the Family Business. *Journal of Small Business Management*, 54(2), 714–731.

Schaltegger, S. (2000) Vom Bionier zum Sustainopreneur, Presentation at Rio Impuls Management Forum 2000,

Schaltegger, S. ,Wagner.,M (2011). Sustainable Entrepreneurship and Sustainability Innovation: Categories and Interactions. *Business Strategy and the Environment* Bus. Strat. Env. 20, 222–237

Schumpeter.,J.,A (1939) *Business Cycles, A theoretical, Histryorical and Statistical Analysis of the Capital Process*.NY: Mc Graw Hill



Sinaga, O., Saudi, M. H. M., Roespinoedji, D., & Razimi, M. S. A. (2019). The Dynamic Relationship between Natural Gas and Economic Growth: Evidence from Indonesia. *International Journal of Energy Economics and Policy*, 9(3), 388-394.

Stojanovic, M. (2019). Conceptualization of Ecological Management: Practice, Frameworks and Philosophy. *Journal of Agricultural and Environmental Science*. Springer.

Velasco, C. A.B, Quintana-García, C., & Guzmán-Parra, V. F. (2011). *Trends in family business research*. *Small Business Economics*, 40(1), 41–57.

Wales, W., Wiklund, J., & McKelvie, A. (2015). What about new entry? Examining the theorized role of new entry in the entrepreneurial orientation–performance relationship. *International Small Business Journal*, 33(4), 351–373.

Wang, C. L. (2008). Entrepreneurial Orientation, Learning Orientation, and Firm Performance. *Entrepreneurship Theory and Practice*, 32(4), 635–657.

Wiklund, J., & Shepherd, D. (2003). Aspiring for, and Achieving Growth: The Moderating Role of Resources and Opportunities. *Journal of Management Studies*, 40(8), 1919–1941.

Zellweger, T., & Sieger, P. (2012). Entrepreneurial orientation in long-lived family firms. *Small Business Economics*, 38(1), 67–84