



Driving Business Performance in Jakarta's Fried Chicken MSMEs: The Role of Product and Service Innovation in Creating Competitive Advantage

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Received: 09-10-2025 Revised: 23-11-2025 Accepted: 24-11-2025

Abstract

This study investigates the strategic pathways through which product quality and service quality drive business performance in Jakarta's fried chicken micro, small, and medium enterprises (MSMEs), with competitive advantage as a mediating variable. Using a quantitative approach with structural equation modeling based on partial least squares (SEM-PLS) analysis of 101 MSME owners, the research empirically validates the Resource-Based View (RBV) theory in the emerging market context. Findings reveal that both product quality (path coefficient = 0.456 to competitive advantage) and service quality (path coefficient = 0.536 to competitive advantage) significantly enhance competitive advantage, which subsequently amplifies business performance. Service quality demonstrates the strongest direct effect on business performance (path coefficient = 0.425), while competitive advantage partially mediates the relationships between quality dimensions and performance. The exceptional explanatory power of the structural model ($R^2 = 0.992$ for business performance) confirms that quality-based competition strategies yield superior performance outcomes compared to price-based approaches in the post-pandemic culinary market. These findings demonstrate that resource-constrained MSMEs can achieve sustainable competitive advantages through strategically leveraging difficult-to-imitate quality capabilities and emotional service connections, extending RBV theory's applicability to emerging market MSME contexts and providing actionable implications for MSME strategic management and policymakers.

Keywords: Business Performance, Competitive Advantage, MSMEs, Product Quality, Resource-Based View.

Introduction

Micro, small, and medium enterprises (MSMEs) continue to experience rapid growth within Indonesia's dynamic business landscape. Among MSME sectors, the food and beverage industry has emerged as particularly attractive to entrepreneurs. This phenomenon is substantiated by data from the Jakarta PPKUKM Office (2023), which indicates that of the 1.2 million active MSMEs operating in Jakarta, approximately 12-15% are concentrated within the culinary sector. These food and beverage enterprises encompass a diverse spectrum, ranging from small street-side stalls to mid-scale café establishments, each targeting distinct market

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segments. The substantial concentration of MSMEs within the food and beverage sector demonstrates sustained public interest and economic viability in this business domain.

Specifically within the fried chicken business segment, data from Jakarta's Central Statistics Agency (BPS) reveals that approximately 5-7% of all culinary sector MSMEs operate as fast food establishments, including fried chicken vendors. This statistic underscores the intense competitive environment characterizing the fried chicken MSME sector. The competition landscape has evolved significantly in the post-pandemic era, with market dynamics shifting from price-based competition toward quality-based differentiation strategies. Recent market developments demonstrate this transformation, as international brands such as J.Chicken and Genesis BBQ have entered the Indonesian market in 2024, intensifying competitive pressures and raising consumer expectations for quality and innovation (Setiawardani, 2022). This intensifying competition necessitates that business owners develop robust competitive advantages to elevate their enterprise value relative to competitors. Moreover, competition occurs not only among micro-enterprises but also involves well-established, larger-scale businesses with recognized brand equity (Nurlatifah et al., 2023). Consequently, business owners must formulate strategic approaches to sustain optimal performance amid this increasingly competitive marketplace.

However, a critical gap exists in current research concerning MSME fried chicken businesses in Jakarta's contemporary market context. While numerous studies have examined fried chicken enterprises, the competitive paradigm has fundamentally transformed in the digital and post-pandemic era. The competitive landscape has evolved from merely "affordable pricing" strategies to emphasizing "unique quality and innovative differentiation". This represents a strategic innovation gap that warrants rigorous investigation. In the current marketplace, consumers increasingly demand authentic experiences, distinctive flavors, and memorable service quality that transcend conventional offerings. Furthermore, the rapid adoption of digital platforms such as GrabFood, GoFood, and ShopeeFood has fundamentally altered how culinary MSMEs compete, creating new opportunities for market expansion while simultaneously intensifying competition through increased transparency and consumer choice. This digital transformation, combined with post-pandemic shifts in consumer behavior, has created an environment where strategic innovation through product and service excellence has become essential for survival and growth (Triana & Lestari, 2025).

Sahoo and Yadav (2018) assert that quality functions as a strategic capability enabling businesses to create superior value and maintain performance advantages over competitors.

Therefore, maintaining quality throughout operational processes proves crucial for business sustainability. To establish competitive advantage within the expanding MSME fried chicken market, both product quality and service quality represent sustainable resources, particularly when their characteristics prove difficult for competitors to replicate (Barney, 1991). The Resource-Based View (RBV) theory provides theoretical foundation for understanding how firms can leverage valuable, rare, inimitable, and non-substitutable resources to achieve sustainable competitive advantage. Through these difficult-to-imitate characteristics, businesses can create unique value propositions that differentiate them from competitors and become distinctive attributes in customers' perception. These distinctive characteristics subsequently form the foundation for customer decision-making processes when selecting purchase locations (Dionysus & Arifin, 2020).

Recent research emphasizes that sustainable competitive advantage derived from superior quality results in enhanced company performance within dynamic environments (Hitt, Ireland, and Hoskisson, 2022). Evidence from the culinary sector demonstrates that quality competition strategies yield higher profitability compared to price competition approaches, particularly when combined with investment in intangible assets such as brand reputation, service excellence, and product innovation. Therefore, maintaining quality encompassing both product quality and service quality is considered essential for creating competitive advantage within micro-enterprises, particularly in the increasingly crowded fried chicken business market. Through unique and distinctive competitive advantages, businesses can attract larger customer bases, ultimately increasing sales revenue. Strong sales performance and revenue generation enhance overall business performance and extend enterprise longevity through enhanced resilience against market competition pressures (Morikawa, 2021).

Contemporary research further demonstrates that innovation serves as a critical driver of competitive advantage and business performance in the culinary MSME sector. Studies conducted between 2023 and 2024 reveal that MSMEs implementing product and service innovation strategies exhibit significantly improved market positioning, operational efficiency, and financial performance. The integration of strategic innovation with quality management practices enables culinary MSMEs to adapt to evolving consumer preferences, leverage digital technologies effectively, and create sustainable competitive advantages in increasingly saturated markets. This innovation imperative has become particularly pronounced in Jakarta's fried chicken sector, where differentiation through unique menu offerings, superior service experiences, and quality consistency determines market success.

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Based on the background articulated above, this study investigates the relationships among product quality, service quality, competitive advantage, and business performance within Jakarta's fried chicken MSME sector. By examining these strategic innovation pathways, this research contributes to understanding how quality-based resources translate into sustainable competitive advantages and enhanced business performance in the contemporary culinary marketplace.

Research Method

Research methods used in this study is quantitative method which designed to analyze influence of product quality, services quality to business performance, where competitive advantage is used to be an intervening variables, on MSME Fried Chicken in Jakarta. Population of this study is MSME fried chicken owners in Jakarta, with samples used is in range between 100-150 respondents and choose by purposive sampling technique based on several criteria. Structural Equation Modeling based Partial Least Squares (SEM-PLS) is used to test connection between variables, with hypothesis testing is done through bootstrapping technique to analyze significance path (*T*- statistic value and *P*-value) (Santoso et al., 2022).

Result

The results of empirical data analysis were obtained from Structural Equation Modeling analysis based on Partial Least Squares (SEM-PLS) conducted on 101 fried chicken MSME owners in DKI Jakarta. The results are presented in sequential order, beginning with descriptive analysis, followed by evaluation of measurement models (outer models), structural model testing (inner models), and hypothesis testing.

Descriptive Analysis

Respondent Profile

Demographic analysis reveals that the majority of respondents in this study are fried chicken MSME owners with business histories ranging from one to five years. Furthermore, the respondents' businesses were distributed throughout Jakarta, with the highest concentration located in Central Jakarta, followed by North Jakarta, West Jakarta, and South Jakarta, with the fewest located in East Jakarta. This geographic distribution indicates that the findings possess high relevance, as respondents represent diverse locations and possess sufficient operational experience.

Variable Data Description

Evaluation of mean scores (scale 1–5) for each indicator across study variables provides deeper understanding of fried chicken MSME owners' perceptions.

1. Product Quality (PQ):

The PQ variable records an overall mean score of 3.87 (77.45%). All indicators demonstrate fairly good scores, with durability emerging as the most prominent indicator at 3.91. The durability indicator encompasses long-lasting taste consistency and crispiness consistency. This finding demonstrates that all attributes within Garvin's (1987) framework constitute appropriate criteria for determining product quality in Jakarta's fried chicken MSMEs.

2. Service Quality (SQ):

The SQ variable demonstrates an overall mean score of 3.87 (77.48%). All indicators fall within the fairly good category, exceeding 75%. The highest-scoring indicator is reliability at 3.90 (78.01%), which encompasses service suitability and accuracy provided by business operators. These results validate the SERVQUAL model (Parasuraman, Zeithaml & Berry, 1988) as an appropriate framework for assessing service quality in Jakarta's fried chicken MSMEs.

3. Competitive Advantage (CA):

The CA variable records an overall mean score of 3.88 (77.62%). All indicators demonstrate good scores exceeding 75%. Differentiation achieves the highest score among all indicators at 3.92 (78.51%), encompassing unique characteristics that distinguish businesses from competitors. This result indicates that achieving superior competitive advantage requires business operators to create distinctive attributes that render their establishments unique compared to competitors.

4. Business Performance (BP):

The BP variable records an overall mean score of 3.89 (77.87%). All indicators, selected based on the balanced scorecard framework, demonstrate fairly good scores exceeding 75%. The internal process perspective achieves the highest score at 3.91 (78.26%), reflecting efficiency in product and service processes within business operations. This result demonstrates that all balanced scorecard perspectives are crucial for measuring performance in the fried chicken MSME sector.

Outer Model Evaluation

Outer model evaluation comprises validity and reliability testing for latent constructs. Path loading factors reveal that all indicators fall within the acceptable category with scores

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exceeding 0.7 (Hair et al., 2019). Consequently, all indicators are retained in the analysis. The following table presents outer model evaluation results.

Variable	Average Variance Extracted (AVE)	Composite Reliability (CR)	Cronbach's Alpha	Criteria (Min.)	Conclusion
Business Performance	0.756	0.980	0.978	≥ 0.5 (AVE); ≥ 0.7 (CR/Alpha)	Reliable & Valid
Competitive Advantage	0.759	0.950	0.936	≥ 0.5 (AVE); ≥ 0.7 (CR/Alpha)	Reliable & Valid
Service Quality	0.747	0.967	0.962	≥ 0.5 (AVE); ≥ 0.7 (CR/Alpha)	Reliable & Valid
Product Quality	0.745	0.979	0.977	≥ 0.5 (AVE); ≥ 0.7 (CR/Alpha)	Reliable & Valid

All Average Variance Extracted (AVE) scores exceed 0.5. Composite Reliability (CR) and Cronbach's Alpha values surpass 0.7. These findings indicate that all constructs employed possess valid and reliable values.

Inner Model Evaluation

Structural model evaluation comprises coefficient of determination (R^2) and effect size (f^2) assessments.

Coefficient of Determination (R^2):

Variable	R Square	R Square Adjusted	Category
Business Performance	0.992	0.992	Strong
Competitive Advantage	0.980	0.980	Strong

R^2 value testing reveals that both Business Performance and Competitive Advantage possess substantially high values, indicating that independent variables (Product Quality and Service Quality) explain a very strong proportion of variance in these variables. These results demonstrate that the model is highly robust and informative in explaining study outcomes.

Effect Size (f^2):

Relationship	Competitive Advantage	Business Performance
Competitive Advantage -		0.126 (Small)
Service Quality	0.177 (Medium)	0.229 (Medium)
Product Quality	0.245 (Medium)	0.315 (Medium)

Effect size analysis reveals that Competitive Advantage influences Business Performance at a small level (0.126). Both Product Quality and Service Quality influence Business Performance at medium levels (0.229 and 0.315 respectively). This finding indicates that each tested variable demonstrates meaningful relationships with other variables in the model.

Hypothesis Testing

Hypothesis testing employed bootstrapping techniques to determine statistical significance based on T-statistics (≥ 1.96 for $\alpha=0.05$) and P-values (≤ 0.05).

No.	Connection Variables	Original Sample (O)	T-Statistics	P-Value	Conclusion ($\alpha=0.05$)
H1	Product quality → Competitive advantage	0.456	4,008	0,000	Accepted (+)
H2	Service quality → Competitive advantage	0.536	4,704	0,000	Accepted (+)
H3	Product quality → Business performance	0.352	5,297	0,000	Accepted (+)
H4	Service quality → Business performance	0.425	6,208	0,000	Accepted (+)
H5	Competitive advantage → Business performance	0.222	3,764	0,000	Accepted (+)
H6	Product quality → Competitive advantage → Business performance	0.101	3,100	0,007	Accepted (+)
H7	Service quality → Competitive advantage → Business performance	0.119	2,707	0,002	Accepted (+)

Discussion

This section interprets hypothesis testing results and explicates their relationships to existing theoretical frameworks and prior empirical research.

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Product Quality and Service Quality on Competitive Advantage (H1 and H2)

H1: Influence of Product Quality on Competitive Advantage

The findings confirm that product quality functions as a critical driver of competitive advantage in Jakarta's fried chicken MSME sector. In this operational context, product quality particularly consistent taste, optimal crispiness, and lasting freshness serves as the primary differentiation strategy. Unlike large franchise operations that compete predominantly on brand recognition, MSMEs leverage product consistency as a strategic innovation to build customer loyalty and differentiation (Dini & Janet, 2024).

From the Resource-Based View (RBV) perspective, product quality represents a valuable and rare intangible resource that proves difficult for competitors to replicate. The ability to maintain consistent taste and texture (crispiness) reflects tacit knowledge and operational capabilities that develop over time through experimentation and process refinement. This aligns with Barney's (1991) VRIN framework, where resources that are valuable, rare, inimitable, and non-substitutable create sustainable competitive advantages. In Jakarta's competitive landscape, where numerous fried chicken vendors operate, the capacity to deliver consistently superior product quality becomes a strategic resource that distinguishes successful MSMEs from their competitors.

These findings corroborate previous research demonstrating significant positive relationships between product quality and competitive advantage in micro-scale fried chicken businesses (Nainggolan and Rezeki, 2024; Adilfi and Yuldinawati, 2024). The results Das et al. (2013) underscore that quality fried chicken products characterized by crispy exterior texture combined with juicy, tender interior meat create superior value in customers' perception, ultimately establishing distinct competitive advantages.

H2: Influence of Service Quality on Competitive Advantage

The analysis reveals that service quality directly and substantially influences competitive advantage, with the highest path coefficient (0.536) among direct effects. This finding demonstrates that in Jakarta's increasingly sophisticated culinary market, service excellence transcends mere transaction completion to encompass emotional connection creation. Quality service characterized by reliability, responsiveness, empathy, and tangible elements enables MSMEs to differentiate themselves through memorable customer experiences that larger franchises often struggle to replicate due to standardization constraints (Purnami & Nurcaya, 2025).

From the RBV theoretical lens, service quality constitutes an intangible strategic resource that is particularly difficult to imitate due to its dependence on human capital, organizational culture, and social complexity. Unlike tangible assets that competitors can readily acquire, superior service quality emerges from deeply embedded organizational routines, employee commitment, and customer relationship management capabilities that evolve over extended periods. These characteristics align with the VRIO framework's criteria for sustained competitive advantage, where organizational resources that are socially complex prove extremely challenging for competitors to duplicate.

Research in the restaurant industry consistently demonstrates that service quality significantly influences customer satisfaction, which subsequently fosters loyalty through emotional connections. In the context of fried chicken MSMEs, responsive service, accurate order fulfillment, and empathetic customer interactions create positive emotional experiences that translate into repeat patronage and positive word-of-mouth recommendations. These findings support previous research demonstrating significant positive relationships between service quality and competitive advantage in micro-scale fried chicken businesses (Raza, Saeed, and Iqbal, 2022; Mahmoud, Al-Ali, and Shah, 2023).

Product Quality and Service Quality on Business Performance (H3 and H4)

H3: Influence of Product Quality on Business Performance

The findings demonstrate that product quality exerts direct substantial influence on business performance (path coefficient = 0.352), confirming that quality-based competition strategies yield superior performance outcomes compared to price-based approaches in Jakarta's post-pandemic culinary market. This relationship underscores a fundamental strategic principle: MSMEs that prioritize product excellence create sustainable value propositions that translate into enhanced financial performance, operational efficiency, and customer-facing metrics.

In practical terms, fried chicken MSMEs that maintain consistent crispiness, optimal juiciness, and distinctive flavors generate repeat purchases and positive customer advocacy, directly impacting sales volume and revenue growth. The balanced scorecard perspective reveals that superior product quality enhances performance across multiple dimensions: financially through increased sales and profitability; customer-wise through expanded customer base and retention; operationally through process refinement and efficiency gains; and learning-wise through continuous quality improvement capabilities (Zahara et al., 2024).

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The RBV framework illuminates why product quality drives performance: organizations that develop superior quality management capabilities as strategic resources achieve competitive positions that competitors cannot easily erode. Quality consistency in taste and texture reflects accumulated knowledge, refined processes, and operational expertise intangible resources that require substantial time investment to develop and prove challenging for competitors to replicate. These findings align with previous research demonstrating positive significant relationships between product quality and performance in micro-scale fried chicken businesses in Jakarta (Kumar and Singh, 2022; Wang and Li, 2022).

H4: Influence of Service Quality on Business Performance

The analysis reveals service quality as the strongest direct predictor of business performance (path coefficient = 0.425), demonstrating that service excellence constitutes a critical performance driver in Jakarta's fried chicken MSME sector. This finding reflects a market evolution where customers increasingly value experiential dimensions alongside product attributes, particularly in the post-pandemic era where emotional connections and personalized experiences have gained heightened importance.

Service quality excellence creates multiple performance enhancement pathways. First, reliable and responsive service generates customer satisfaction, fostering emotional loyalty that manifests through repeat visits and increased purchase frequency. Second, empathetic customer interactions create positive word-of-mouth marketing, effectively reducing customer acquisition costs while expanding market reach. Third, consistent service excellence builds brand reputation and trust, enabling MSMEs to command premium pricing without significant customer attrition (Marie & Prasetyo, 2025).

From a strategic resource management perspective, superior service quality represents a socially complex capability rooted in organizational culture, employee training, and relationship management systems. These characteristics render service excellence particularly valuable as a competitive resource, as competitors face substantial barriers in replicating the interpersonal dynamics and cultural attributes that underpin exceptional service delivery. These findings corroborate previous studies demonstrating significant positive relationships between service quality and performance, particularly in micro-scale fried chicken businesses in Jakarta (Hudha and Hidayati, 2023; Al-Harbi and Alqahtani, 2024).

Competitive Advantage on Business Performance (H5)

H5: Influence of Competitive Advantage on Business Performance

The analysis confirms that competitive advantage significantly influences business performance (path coefficient = 0.222), validating the fundamental strategic management principle that sustainable competitive positioning translates into superior organizational performance. This relationship demonstrates that MSMEs possessing distinctive competitive advantages whether through product differentiation, unique service experiences, or cost efficiencies achieve enhanced performance across financial, operational, customer, and learning dimensions.

In Jakarta's intensely competitive fried chicken market, where approximately 5-7% of culinary MSMEs operate as fast food establishments, competitive advantage serves as the critical differentiating factor determining business survival and growth. MSMEs that successfully create unique value propositions through signature recipes, distinctive preparation methods, or memorable service experiences attract larger customer bases and command greater customer loyalty, directly impacting revenue generation and profitability (Tojiri, 2023).

The mediating role of competitive advantage reveals an important strategic insight: while product and service quality directly influence performance, their effects are amplified when they translate into clear competitive advantages that customers recognize and value. This suggests that quality alone proves insufficient; MSMEs must effectively communicate and position their quality attributes to create perceived differentiation in customers' minds. These findings strengthen previous research conclusions demonstrating significant positive relationships between competitive advantage and performance, especially in micro-scale fried chicken businesses in Jakarta (Marinković, Đorđević and Kalinić, 2021; Al-Mahmoud et al., 2023).

Product Quality and Service Quality through Competitive Advantage on Business Performance (H6 and H7)

H6: Influence of Product Quality through Competitive Advantage on Business Performance

The mediation analysis reveals that competitive advantage partially mediates the relationship between product quality and business performance (indirect effect = 0.101), indicating that product quality operates through dual pathways to enhance performance. The direct path reflects immediate performance benefits from quality products (increased sales, reduced waste, enhanced efficiency), while the indirect path operates through competitive

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advantage creation, where superior quality establishes market differentiation that subsequently drives sustained performance improvements.

This finding carries important strategic implications for fried chicken MSMEs. While maintaining excellent product quality generates immediate operational and financial benefits, the full performance potential materializes when quality excellence translates into recognized competitive advantages such as reputation for "best crispiness in the neighborhood" or "most consistent taste" that attract and retain customers over extended periods. From the RBV perspective, this mediation demonstrates how tangible resources (quality products) must be organized and leveraged to create intangible strategic resources (competitive advantage) that ultimately drive sustainable superior performance (Zhang, 2024).

The partial mediation suggests that product quality improvement strategies should encompass not only operational quality control but also strategic positioning and communication initiatives that ensure target customers recognize and value the quality differentiation. These findings align with previous research concluding significant positive relationships between product quality and competitive advantage as pathways to enhanced performance, particularly in micro-scale fried chicken businesses in Jakarta (Hashim and Rosli, 2023; Yuliani et al., 2024).

H7: Influence of Service Quality through Competitive Advantage on Business Performance

The mediation analysis confirms that competitive advantage partially mediates the relationship between service quality and business performance (indirect effect = 0.119), demonstrating that service excellence influences performance through both direct mechanisms (immediate customer satisfaction and loyalty) and indirect mechanisms (competitive advantage creation through service differentiation).

This mediation relationship illuminates how service quality creates enduring performance advantages. While excellent service immediately generates customer satisfaction and repeat purchases (direct effect), the sustained performance impact emerges when service excellence becomes a recognized competitive advantage such as "friendliest staff" or "most attentive service" that differentiates the MSME in customers' consideration sets. The RBV framework explains this phenomenon: service quality represents an intangible resource that, when effectively organized and leveraged, creates social complexity-based competitive advantages that competitors find extremely difficult to replicate (Purnami & Nurcaya, 2025).

The practical implication for Jakarta's fried chicken MSMEs is that service excellence strategies must encompass both operational service delivery improvements and strategic brand positioning initiatives that highlight service differentiation to target markets. This dual approach ensures service investments translate into both immediate satisfaction benefits and long-term competitive positioning advantages. These findings align with previous studies demonstrating significant positive relationships between service quality and competitive advantage as mediators on business performance, particularly in micro-scale fried chicken businesses in Jakarta (Wijetunge, 2016; Anggara, 2022).

Implications

Theoretical Implications

This study makes significant theoretical contributions by empirically validating the Resource-Based View (RBV) theory in the context of Jakarta's fried chicken MSME sector. The findings demonstrate that both tangible resources (product quality) and intangible resources (service quality) function as strategic resources that create competitive advantages and enhance business performance when they satisfy VRIN criteria valuable, rare, inimitable, and non-substitutable.

The results extend RBV theory by demonstrating that in resource-constrained MSME environments, intangible resources (particularly service quality and competitive advantage) often prove more strategically valuable than tangible resources, as they exhibit greater resistance to competitor imitation due to social complexity and causal ambiguity. Furthermore, the mediation analysis reveals that the performance impact of strategic resources is partially channeled through competitive advantage creation, suggesting that resource possession alone proves insufficient resources must be effectively organized and leveraged to create recognized market differentiation.

Additionally, this research contributes to understanding quality-based versus price-based competition strategies in emerging market MSMEs, confirming that quality differentiation strategies yield superior performance outcomes in increasingly sophisticated post-pandemic culinary markets. This finding challenges conventional assumptions that micro-enterprises compete primarily on price, demonstrating instead that strategic innovation through quality excellence represents a viable competitive pathway for resource-constrained MSMEs.

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Managerial Implications

This study provides actionable strategic guidance for fried chicken MSME owners and managers in Jakarta:

1. Product Quality as Strategic Differentiation:

MSME owners should prioritize product quality consistency as their primary competitive strategy, focusing specifically on maintaining optimal crispiness, distinctive taste profiles, and ingredient freshness. Practical recommendations include: implementing standardized preparation procedures to ensure consistency; investing in quality ingredients even when slightly costlier, as quality differentiation commands premium pricing; developing signature recipes or preparation methods that create unique taste experiences difficult for competitors to replicate; and establishing quality control checkpoints throughout production processes to identify and address inconsistencies immediately.

The strategic logic underlying these recommendations derives from RBV principles: product quality capabilities that develop over time through experimentation and refinement become valuable intangible resources that competitors cannot easily duplicate, creating sustainable competitive advantages. Unlike large franchises constrained by standardization requirements, MSMEs possess agility to innovate and refine products based on direct customer feedback, transforming this flexibility into competitive strength.

2. Service Quality as Emotional Connection Strategy:

MSME owners must recognize service quality as extending beyond transactional efficiency to encompass emotional connection creation with customers. Practical recommendations include: training employees in empathetic customer interaction techniques that create memorable experiences; implementing customer relationship management practices such as remembering regular customers' preferences; developing service recovery protocols that transform service failures into loyalty-building opportunities; and creating welcoming physical and emotional atmospheres that encourage repeat visits and extended dwell times.

The strategic rationale emphasizes that in Jakarta's competitive environment, where multiple fried chicken vendors offer similar products, service excellence creates emotional differentiation that proves more sustainable than product-based differentiation alone. Service quality rooted in organizational culture and employee commitment represents a socially complex resource that competitors find extremely difficult to imitate, even when they observe specific service practices.

3. Competitive Advantage as Market Positioning Strategy:

MSME owners should actively develop and communicate distinctive competitive advantages rather than passively expecting quality and service excellence to automatically translate into market differentiation. Practical recommendations include: identifying specific unique attributes whether product features, service experiences, or operational capabilities that genuinely differentiate the business from competitors; developing clear positioning statements that communicate these differentiators to target customers; leveraging social media and word-of-mouth marketing to amplify competitive advantage messages; and continuously monitoring competitor actions to ensure differentiation remains relevant and valued by customers.

The strategic principle underlying this recommendation recognizes that resources and capabilities must be effectively organized and communicated to create recognized competitive advantages in customers' minds. Quality and service excellence represent necessary but insufficient conditions for performance; MSMEs must transform these operational strengths into clear market positioning that influences customer choice behavior.

4. Integrated Quality Management System:

MSME owners should implement holistic quality management approaches that integrate product quality, service quality, and competitive positioning into coherent strategic frameworks. Practical recommendations include: establishing regular quality assessment routines across all operational dimensions; implementing feedback mechanisms that capture customer perceptions regarding both product and service quality; developing continuous improvement cultures where employees actively contribute quality enhancement ideas; and aligning resource allocation decisions with quality priorities to ensure adequate investment in quality-critical areas.

This integrated approach reflects the empirical finding that product quality, service quality, and competitive advantage operate synergistically to enhance performance optimizing one dimension while neglecting others produces suboptimal outcomes. Successful MSMEs must cultivate comprehensive excellence across all strategic dimensions while ensuring these dimensions reinforce rather than contradict each other in customers' experiences.

Limitations and Recommendations for Further Research

Limitations

This research encountered several limitations that warrant acknowledgment. First, the sample size (n=101), while adequate for SEM-PLS analysis, approaches minimum requirements, suggesting that larger samples could provide more robust parameter estimates

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and generalizability. Second, questionnaire distribution relied exclusively on Google Forms, preventing direct researcher-respondent interaction that might have clarified ambiguous items and ensured response quality. Third, respondent homogeneity primarily MSMEs in the fried chicken sector with 1-5 years operational history potentially contributed to the extremely high reliability coefficients and near-zero p-values observed, raising questions regarding result generalizability to more diverse MSME populations.

Fourth, the cross-sectional research design captures relationships at a single time point, precluding causal inference and temporal dynamics examination. Competitive advantage and performance likely evolve over time as markets mature and competitive conditions change, dynamics that cross-sectional data cannot adequately capture. Fifth, self-reported performance measures may introduce common method bias, as respondents assess both predictor variables (quality perceptions) and criterion variables (performance perceptions). Finally, the study focuses exclusively on owner perspectives, potentially overlooking customer and employee viewpoints that would provide more comprehensive understanding of quality and competitive advantage dynamics.

Recommendations for Further Research

Based on these limitations and study findings, several research directions merit investigation:

1. Expanded Sampling Strategy:

Future research should employ larger, more heterogeneous samples encompassing diverse culinary MSME types (not limited to fried chicken), varied operational histories (including both nascent and mature enterprises), and multiple geographic contexts beyond Jakarta. This expanded sampling would enhance generalizability and potentially reveal contextual factors moderating relationships among product quality, service quality, competitive advantage, and performance.

2. Longitudinal Research Design:

Longitudinal studies tracking MSMEs over extended periods would illuminate how quality investments translate into competitive advantages and performance outcomes over time, revealing potential lag effects and dynamic feedback loops. Such research could address critical questions: How long does quality improvement require to manifest as recognized competitive advantage? Do competitive advantages erode over time as competitors imitate? How do performance gains reinvest into quality enhancement to create virtuous cycles?

3. Multi-Stakeholder Perspectives:

Future research should incorporate multiple stakeholder viewpoints including customers, employees, and owners to triangulate perceptions regarding quality, competitive advantage, and performance. Customer assessments of quality and differentiation may diverge substantially from owner perceptions, revealing gaps between intended and realized strategies.

4. Objective Performance Metrics:

Incorporating objective performance measures such as actual sales data, customer retention rates, and profitability metrics alongside subjective assessments would mitigate common method bias concerns and provide more rigorous performance evaluation.

5. Moderating Variable Investigation:

Research examining potential moderators such as market competitiveness intensity, resource availability, owner entrepreneurial orientation, and digital capability would reveal boundary conditions for observed relationships and identify contingency factors influencing when quality investments most effectively translate into competitive advantages and performance gains.

6. Qualitative Deep-Dive Studies:

Qualitative case studies examining highly successful fried chicken MSMEs would provide rich contextual understanding of how quality capabilities develop, how competitive advantages emerge and sustain, and how these strategic resources translate into superior performance through specific mechanisms and processes. These research directions would substantially advance understanding of strategic resource management in MSME contexts, providing both theoretical insights and practical guidance for supporting MSME competitiveness and performance in emerging markets.

Conclusion

This study empirically validates the strategic importance of product quality, service quality, and competitive advantage in driving business performance within Jakarta's fried chicken MSME sector, providing robust evidence that aligns with Resource-Based View theory and contemporary quality-competition paradigms in emerging markets. The findings demonstrate that both tangible product quality (characterized by consistent taste, optimal crispiness, and ingredient quality) and intangible service quality (encompassing reliability, empathy, and emotional connection) function as valuable strategic resources that directly enhance competitive advantage and business performance, with competitive advantage partially mediating these relationships to amplify long-term performance sustainability. The

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structural model's exceptional explanatory power ($R^2 = 0.992$ for business performance; $R^2 = 0.980$ for competitive advantage) indicates that quality-based strategies represent fundamental drivers of MSME success in Jakarta's intensely competitive post-pandemic culinary landscape, where differentiation through quality excellence has supplanted price-based competition as the critical success factor. These findings challenge conventional assumptions regarding MSME competitive strategies by demonstrating that resource-constrained micro-enterprises can achieve sustainable competitive advantages through strategically leveraging difficult-to-imitate quality capabilities and service-based emotional connections, thereby extending RBV theory's applicability to emerging market contexts. Consequently, Jakarta's fried chicken MSME owners and policymakers must recognize quality management as a strategic imperative rather than an operational luxury, with implications extending beyond individual enterprise success to encompass broader MSME sector competitiveness and resilience in the increasingly digital and quality-conscious culinary marketplace.

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