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## Overcoming Challenges through Product Innovation and Entrepreneurial Spirit during VUCA World

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### Abstract

*The global spread of COVID-19, evolving government regulations, diverse external circumstances, and worldwide events such as conflicts or wars have placed businesses in unprecedented volatility, uncertainty, complexity, and ambiguity (VUCA). This situation undeniably exerts a significant influence on Micro, Small, and Medium Enterprises (MSMEs), including local coffee shops. The escalating competition within the industry and the challenges posed by the VUCA environment compel coffee shop entrepreneurs to enhance their competitive capabilities, all while witnessing a rise in the number of local coffee shops during the pandemic. The primary objective of this research was to investigate how entrepreneurial spirit and product innovation impact business performance amid the VUCA environment. The research method used in this study is quantitative methods. The study involved a sample of 51 coffee shop entrepreneurs located in Tasikmalaya and Ciamis as participants. The findings of this research reveal that both entrepreneurial spirit and product innovation have a positive influence on business performance and facilitate businesses in adapting to the challenges posed by the VUCA environment.*

**Keywords:** Business Performance, Entrepreneurial Spirit, Product Innovation, VUCA

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Diterima:; Direvisi:; Disetujui:

## INTRODUCTION

The power of the industrial revolution 4.0, digitalization, globalization and the pressures during the COVID-19 pandemic have demanded humans and various organizations to quickly adapt to all kinds of changes. The worldwide spread of COVID-19 and changing government regulations to reduce the rate of spread have placed humans and organizations in an environment of unprecedented volatility, uncertainty, complexity and ambiguity (VUCA), researchers are familiar with the situation. with the term 'VUCA World' (Millar et al., 2018), this certainly has a major impact on various business sectors, including Micro, Small and Medium Enterprises (MSMEs) (Bahtiar, 2021; Dai et al., 2021; Santosa et al., 2021). Limited community activities and not spending a lot of time outside cause a decrease in the income of a restaurant or coffee shop due to changes in behavior (Eger et al., 2021). However, an interesting thing happened where the prohibition of people from going out of town during the pandemic had changed their lifestyle to spend time in the city for just refreshing, working or socializing, including at local coffee shops. The increase in people spending time at coffee shops is also getting bigger when there is an easing of government restrictions and regulations, this also triggers the growth of many new coffee shops Tasikmalaya and Ciamis, both local brands, national brands and international brands (Juniansah, 2021).

The rise of coffee shops in Tasikmalaya and Ciamis City is the main concern of this research. Numerous coffee shops originate from inventive concepts and pioneering

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products, leading to the establishment of their unique market presence. Alternatively, they may stem from innovative business ideas inspired by observing the behaviors of others, driven by an entrepreneurial mindset. Now people go to coffee shops not only to taste the typical coffee of the coffee shop itself, but to just hang out and relax with the group. Not infrequently now in Tasikmalaya or Ciamis there are many coffee shops with a slightly different concept, for reasons of customer satisfaction who come, and of course to get a market share in order to get a profit or margin on the business being run. Coffee shop has become part of lifestyle. However, the increasing number of competitors, of course, requires coffee shop entrepreneurs to be more resilient and innovative in order to compete. During the pandemic, there was a 200% increase in coffee shop sales (Kompas.com, 2021; Utami et al., 2022).

To survive in the midst of high competition and also the VUCA situation such as the COVID-19 pandemic and various other challenges, companies including coffee shops must have the right strategy and also leaders who have the ability to find solutions. This study aims to examine the effect of the entrepreneurial spirit of coffee shop leaders or owners and product innovation on the business performance of coffee shops in Tasikmalaya and Ciamis.

## **LITERATURE REVIEW**

### **1. Entrepreneurial Spirit**

The entrepreneurial spirit represents the mindset of an entrepreneur. During the industrial era, entrepreneurship characterized individuals who were willing to take risks without necessarily possessing monetary capital. They would collaborate with capital owners to work on specific projects, utilizing their expertise and resources, even when they lacked significant financial resources. These risk-takers were often referred to as joint venture capitalists (one party contributing intellectual capital, the other providing financial capital).

In this modern era, the cornerstone of business success lies in the entrepreneur's creativity, often referred to as a "Creativepreneur." A study by Rosado-Cubero et al. in 2022 discovered that a high level of initiative, an open mindset, and growing up in an entrepreneurial family environment are key factors contributing to this entrepreneurial creativity.

### **2. Product Innovation**

Product innovation is a significant improvement or thing that new from an existing product (Atalay et al., 2013). Product innovation involves the development of novel products that align with consumer needs and wants, thereby generating interest in purchasing the product and leading to actual buying decisions. (Almodóvar & Nguyen, 2022; Hermawan, 2012). Confronted with intensifying competition and the challenges of a VUCA environment, businesses are compelled to seek solutions and strategies to ensure the sustainability of their operations, particularly in the realm of product development. In this context, the formulation and execution of innovation strategies become crucial. These strategies are heavily influenced by consumer requirements, prevailing trends, and the prevailing circumstances.. According to Kotler (2015) there are three indicators of product innovation, namely: product quality, product variants, and product style and design.

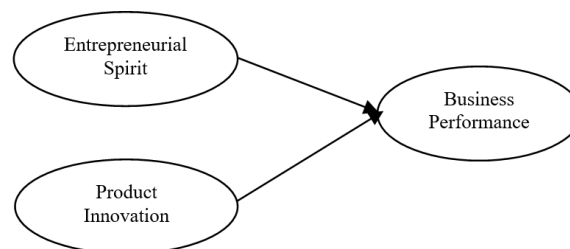
### **3. Business Performance**

Business performance is a complex concept encompassing various aspects, including departmental metrics like production, financials, and marketing, as well as

outcomes such as expansion and profitability (Atalay et al., 2013). Performance Indicators (Kreshpaj et al., 2022); Returns on Equity, Operating Margin, Labor-to-Revenue Ratio.

## METHOD

In this study, quantitative research methods were employed. The research involved a sample of 51 coffee shop entrepreneurs as respondents. Data collection was carried out through the use of questionnaires and observational techniques. The analysis included multiple linear regression and hypothesis testing, both in a partial and simultaneous manner.



**Figure 1. Research Framework**

## RESULTS AND DISCUSSION

The data obtained in this study were as many as 51 respondents that own or manage local coffee shops at Tasikmalaya and Ciamis. The age of respondents is dominated by the age of 26-33 years (76%).

**Table 1. Respondent Profile**

	N	Percentage
<b>Location</b>		
Tasikmalaya	35	0.6862
Ciamis	16	0.3137
<b>Age</b>		
18-25 years old	3	0.0588
26-33 years old	39	0.7647
34-41 years old	8	0.1568
42-49 year	1	0.0196
50 and above	0	0
<b>Gender</b>		
Female	11	0.2157
Male	40	0.7843

Table 2 demonstrates that the concurrent correlation coefficient between entrepreneurial spirit and product innovation in relation to the business performance of coffee shops is 0.833. This signifies a simultaneous relationship between entrepreneurial spirit and product innovation with business performance. Essentially, it implies that as entrepreneurial spirit and product innovation improve, the business performance of a company tends to enhance accordingly.

**Table 2. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error the Estimate
1	.928 <sup>a</sup>	.833	.759	9.2814

a. Presictors : (Constant), Entrepreneul Spirit, Product Innovation

b. Dependent Variable; Business Performance

Source : Data results from SPSS

Table 3 indicates that the ability of the independent variables (entrepreneurial spirit and product innovation) in explaining the dependent variation (business performance) reaches 95%. This means that the independent variables used in this study are able to explain the business performance variables by 95%, and the remaining 5% are variables outside this study. Table 2 also shows the F value of 31,707. We can infer that both entrepreneurial spirit and product innovation collectively impact business performance, as indicated by the F-value being greater than the critical F-table value.

**Table 3 ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regressi on	12,035	2	100,801	31,707	,000 <sup>b</sup>
	Residual	48,543	28	7,177		
	Total	95,346	31			

a. Dependent Variable: Business Performance

b. Predictors: Entrepreneurship Spirit, Product Innovation

Source : Data results from SPSS

Table 4 reveals that the Entrepreneurial Spirit variable (X1) has a value less than or equal to 0.05, while the t-count of 3.265 surpasses the t-table value of 2.048. This suggests that entrepreneurial spirit has a partially positive and significant influence on business performance.

**Table 4 Coefficients<sup>a</sup>**

Model		Unstandardized Coefficient		Standardized Coefficient	t	Sig.
		b	Std. error	Beta		
1.	Constant	11,854	1,256		3,185	,000
	Entrepreneul Spirit	,743	,073	,481	3,265	,000
	Product Innovation	,952	3,820	,596	4,511	,000

a. Dependent Variable: Business Performance (Y)

Similarly, Table 4 indicates that the Product Innovation variable (X2) has a partially significant impact on business performance, as reflected by the t-count of 4.511 exceeding the t-table value of 2.048. This implies that enhanced product innovation leads to improved business performance.

The presented findings investigate the connection between entrepreneurial spirit (X1) and product innovation (X2) in relation to the performance of coffee shop businesses (Y). The results of this research, as succinctly outlined in Tables 2, 3, and 4, provide valuable insights into the interplay of these elements.

Begins by examining the simultaneous correlation and effect of entrepreneurial spirit and product innovation on coffee shop business performance. The correlation coefficient of 0.833, as indicated in Table 2, suggests a strong positive relationship between these two variables and business performance. This means that coffee shop owners and managers can expect better business performance when both entrepreneurial spirit and product innovation are strong. In Table 3, the simultaneous effect is quantified further, with the independent variables (entrepreneurial spirit and product innovation) explaining 95% of the variation in business performance. This finding is particularly significant as it indicates that nearly all changes in business performance can be attributed to these factors, leaving only 5% unexplained. The F-value exceeding the critical F-table value reinforces the notion that entrepreneurial spirit and product innovation significantly influence business performance when considered together.

The research then delves into the partial effects of entrepreneurial spirit (X1) and product innovation (X2) on business performance, presented in Tables 4, respectively. For entrepreneurial spirit (Table 4), the significant coefficient (t count = 3.265) exceeding the critical t-table value (t table = 2.048) demonstrates that entrepreneurial spirit has a positive and significant effect on business performance. A stronger entrepreneurial spirit tends to lead to better coffee shop business performance, because if the leader of a business has a low entrepreneurial spirit, then they have difficulty and easily give up in facing challenges such as VUCA.

Likewise, for product innovation (Table 4), the significant coefficient (t count = 4.511) surpassing the critical t-table value (t table = 2.048) signifies that product innovation also has a substantial impact on business performance. When coffee shops focus on improving their product innovation and being adaptive to VUCA, this leads to enhanced business performance.

While this research provides valuable insights, it is essential to acknowledge its limitations. The study does not delve into the specific mechanisms through which entrepreneurial spirit and product innovation impact business performance. Further research could explore these mechanisms to provide a deeper understanding of the relationships.

In addition, the research may benefit from a larger and more diverse sample to ensure the generalizability of the findings. Other variables, such as market conditions and customer preferences, should also be considered in future studies to provide a comprehensive view of coffee shop business performance.

## CONCLUSION

In conclusion, the research findings reveal that both entrepreneurial spirit and product innovation have a significant positive impact on coffee shop business performance. These factors should be seen as critical drivers for coffee shop success. To thrive in the competitive coffee industry, owners and managers should encourage entrepreneurial thinking and continually innovate their products, recognizing the potential for simultaneous and partial effects on business performance. During the Covid-19 outbreak and facing VUCA, entrepreneurial spirit of the leader is important to maintain the business performance, they need to take a risk and solutions. Innovation product also has an important role in VUCA situation, for example during COVID-19 pandemic, the online selling strategy seems to work better as their customers are mostly working from home. Coffe shop provide one-liter bottled iced coffee so the customer can enjoy it at home with their family, they also make some bundling or package to be sent as a form of concern for

friend/family who are in quarantined by covid and they also working with online food deliveries such as Go-Jek, Grab, Shopee to deliver their coffee to consumers.

Here are some suggestions that can serve as input and constructive feedback:

1. Based on the results of research on the entrepreneurial spirit variables are expected to be more resilient and courageous to take risks in this challenging time. The entrepreneurial spirit will also lead the business to be adaptive and responsive to any challenge.

2. In light of the research findings regarding product innovation variables, it is recommended that coffee shops in Tasikmalaya and Ciamis embrace innovation, not only for the product but also for the services and promotion. For example, a coffee shop can provide delivery services or register at food online delivery apps like gojek, grab, maxim, etc and utilize the social media usage.

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