

## Continuity Business of Coffee Shop in Malang City in the Facing of Covid-19 Pandemic

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### ABSTRACT

In the midst of the impact of the pandemic, coffee shops are facing problems in maintaining the continuity of their business. For this reason, it is important for coffee entrepreneurs shop to have an entrepreneurial and innovation orientation. This study aims to determine the effect of entrepreneurial orientation and innovation toward business continuity. This type of research is explanatory research using path analysis. The population of this research is coffee SMEs shop in Malang City who have started their business for at least two years. Respondent data comes from [umkm.depkop.go.id](http://umkm.depkop.go.id) with the keyword coffee shops and coffee shops, so that as many as 149 respondents were obtained. Based on the search, there are 132 coffee SMEs shops and coffee shops in Malang City that have been running the business for at least two years. The sample technique used is a saturated sample, so that all members of the population are sampled. Data was collected by distributing questionnaires. The results of this study are that there is an influence of entrepreneurial orientation on business continuity, there is an influence of entrepreneurial orientation on innovation, there is an influence of innovation on business continuity, and innovation has a mediating role in the influence of entrepreneurial orientation on the sustainability of coffee shops in Malang City.

**Keywords:** Business Continuity, Entrepreneurial Orientation, Innovation

## **INTRODUCTION**

The VUCA (Volatility, Uncertainty, Complexity, Ambiguity) phenomenon has hit as a Covid-19 pandemic since 2020 (McKibbin & Fernando, 2020; McKibbin & Fernando, 2021). Indonesia is one of the countries affected by the Covid-19 pandemic. The impact of the Covid-19 pandemic has made every member of society try to cope by reducing activities that are in crowds, reducing interactions with other people and reducing activities outside the home. The government adopted a policy to tackle the spread of Covid-19 by implementing various regulations, such as Large-Scale Social Restrictions (PSBB), Enforcement of Restrictions on Community Activities (PPKM) and several other regulations. Mass layoffs, poverty and high inflation occurred as a result of this condition (Indarwati, 2021). Declining public income will reduce the level of public spending. This is really felt by SMEs with declining sales. During the pandemic, data shows that nearly 30 million SMEs in Indonesia experienced bankrupt and were unable to operate (Jelita, 2021). Constraints faced by SMEs, among others, such as capital, production delays, difficulty obtaining raw materials and a decrease in the number of customers. One of the hardest hit by this pandemic is the food and beverage industry. The Covid-19 pandemic has become a hard slap for all business activists in the food and beverage industry.

Before the Covid-19 pandemic the development of the coffee shop in Malang is experiencing an increasing trend, the number is increasing, especially during the 3 (three) years from 2017 to 2018, the number of coffee businesses shop experienced a significant increase. In 2015 the number of coffee shop 13 businesses, in 2016 there were 24 businesses and in 2017 there were 38 businesses. Then in 2018 there was a significant jump, namely to 92 businesses (Kurniawati, 2019). In 2019 coffee shops in Malang Raya increased by 80% from 2018 (Wicaksana, 2028) . Paying attention to the development of the number of coffee shop in Malang as it shows that Malang is a potential profitable market. Coffee shop in Malang is inseparable from the presence of students from 59 public and private universities in Malang City. Since the outbreak of the Covid-19 virus occurred in early 2019, the impact will affect the coffee business shop in Malang as happened in other cities. One example of the impact is that there is a significant difference in ratios in profitability or business profits (Darma et al., 2022). It is interesting to study the impact of the spread of the Covid-19 virus on the success of business resilience in running the coffee business shop in Malang as one of the SME business actors.

Although business continuity is not a new problem for SMEs (Chadwick & Raver, 2020; Deller & Conroy, 2017), the study of SME business survival is very important, especially in the unprecedented situation of the COVID-19 pandemic. Several previous studies have stated that a dynamic business environment can have a negative impact on the sustainability of SMEs (Neirotti et al., 2018; Wiklund & Shepherd, 2003). Several studies prove that the government has an important role in the development of SMEs (Najib & Kiminami, 2011; Park et al., 2020; Doh & Kim, 2014). Based on research, there is a gap between what SMEs need and what the government provides, indicating that government support is not always suitable for SMEs (Kaufmann & Tödtling, 2002; Petti et al., 2017). Peace of mind and confidence in restaurant quality and service are the result of implementing hygiene protocols. Expressions of positive intent towards the products and services offered by a restaurant are an indicator when customers are satisfied with their experience (Pradana et al., 2021).

To realize SMEs in a dynamic environment, requires state support and the ability of SMEs' internal factors to respond to changes in the external environment. The sustainability of small businesses and the way out of the crisis cannot be separated from the contribution of entrepreneurial personalities who are active and quickly adapt to changes in the external environment. (Najib et al., 2020; Deller & Conroy, 2017). Sumarlinah et al., (2022) also agree that SMEs can adapt to changes in the business environment then, they can afford endure and respond to every change. Several empirical studies have found that one of the factors that influence the sustainability of a business is entrepreneurial orientation (Nwankwo & Kanyangale, 2020). Putra et al., (2020) found that entrepreneurship contributes significantly to business continuity. In particular, several studies have shown that there is a positive influence between entrepreneurial orientation and the sustainability of SME businesses (Aigboje, 2022; Nwankwo & Kanyangale, 2020; Etim et al., 2017).

Many empirical studies have found that entrepreneurial orientation plays an important role in business continuity. However, on the other hand, a previous study provided important findings that entrepreneurial orientation is capable of producing innovation for the creation of a sustainable competitive advantage (Shah & Ahmad, 2019). Supporting this, Worthington (2018) proves that a business that has a stronger entrepreneurial orientation will encourage innovation which will in turn have an impact on business resilience. On the other hand, Adiputra et al. (2023) also said that business must continue to make efforts strategic for survival, remember increasingly fierce commercial competition available resources are limited. This concludes that there is an important role of innovation in the influence of entrepreneurial orientation on the sustainability of a business. Therefore, this study seeks to analyze the role of mediation of innovation on the effect of entrepreneurial orientation on business continuity. This research was conducted on SMEs in Malang with the type of coffee business shop intended to find out whether innovation is important in supporting entrepreneurial orientation to maintain business resilience during the Covid-19 pandemic.

## **LITERATURE REVIEW**

### **Small and Medium Enterprises (SMEs)**

The understanding of the meaning and/or definition of Small and Medium Enterprises (SMEs) differs from one institution to another, especially in terms of criteria, namely aspects of the number of assets or the amount of investment, the number of workers used, the form of business, turnover, and the nationality of the owner. However, the categorization related to the meaning of SMEs has been explained in Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (Badan Pemeriksa Keuangan Republik Indonesia [BPK RI], 2008). The difference between SMEs and large companies in responding to the effects of changes in the external environment will be different. The impact of the outbreak of the Covid-19 virus which limited the activities of all sectors and affected the life of companies, the way of responding between SMEs and large companies was different. The Indonesian government is trying to help SMEs during the COVID-19 pandemic. Using digital marketing and improving product quality and packaging is a form of government assistance to help SMEs innovate in marketing. To offer credit to small businesses, the government has also introduced a tax guarantee policy and encouraged the banking sector and financial institutions. The national government has increased demand for SME products during the pandemic, thereby encouraging the public and large companies to buy SME products. The government has also carried out innovations in the service processes offered to consumers to help SMEs adapt more quickly to the "new normal"

### **Entrepreneurial Orientation**

The management of the Coffee Shop, which is a type of UKM, has felt the impact of the Covid-19 pandemic. The Coffee Shop business places business actors/owners in a central position, SME owners who apply an entrepreneurial orientation can increase the formation and activity of personal strategies, thus influencing business growth and performance (Omisakin et al., 2016). Entrepreneurial orientation refers to behavioral tendencies, managerial philosophies, and strategic decision-making practices that are entrepreneurial in nature (Anderson & Eshima, 2013). The willingness to actively identify and pursue business opportunities is a sign that an organization is committed to strategic entrepreneurship (Kohtamäki et al., 2019; Rubin & Callaghan, 2019). Entrepreneurial orientation is an indispensable variable for growth-oriented SMEs as it is a significant contributor to business success, despite the belief in the important role of entrepreneurial orientation for SMEs in reducing disruption environment by increasing their resilience, especially in a rapidly changing business environment (Al-Hakimi & Borade, 2020; Coleman & Adim, 2019).

Wickramaratne et al. (2014) explained that entrepreneurial orientation has three dimensions, which include: innovative, proactive, willing to take risks (risk-taking). The description of a comprehensive construct for a company to be defined as entrepreneurial in different contexts is entrepreneurial orientation (Miller, 1983). A quote from Miller (1983), "In general, theorists would not call a firm entrepreneurial if it changed its technology or product line simply by directly imitating competitors while refusing to take any risks. Some proactiveness would be essential as well. By the same tokens, risk-taking firms that are highly leveraged financially are not necessarily entrepreneurial. They must also engage in the product market or technological innovation." Thus, the entrepreneurial orientation shows a tendency towards the creation of new products and ventures and proactivity and competitive aggressiveness with risk tolerance in entering new markets. Wales (2016) added that entrepreneurial orientation as part of an important company strategic orientation. Understanding the impact of entrepreneurship in all fields goes hand in hand with the development of the depth and breadth of research on entrepreneurial orientation (Wales, 2016).

### **Innovation**

There has been a drastic change in the environment due to the spread of Covid-19 affecting many sectors including coffee business activities shop. Besides trying to survive, coffee business people shop also needs to excel in competition, therefore in handling it requires innovation. The emergence of research and development (R&D), manufacturing, and marketing practices from business innovations leading to the commercialization of those innovations. This understanding explains innovation as an action to apply science and technology, resulting in research and Development in the development of customer-oriented production processes for the benefit of achieving company goals. Increasing productivity by developing and creating new, valuable products and services is the result of innovation (Mitussis, 2010). Hult et al. (2004) says that new products and services, new production processes, new management structures and systems are forms of innovation. Rademakers (2005) classifies innovation into several segments, namely, product innovation, process, organization, and business innovation. Marketing innovations are innovations that are more aimed at properly accessing markets (Aziz & Omar, 2013; Gupta et al., 2016; Sok et al., 2016). Production and operational procedures, customer services included, are considered as a part of the innovation process (Hervas-Oliver et al., 2014; Varis & Littunen, 2010). Companies including SMEs such as coffee shop in the face of external environmental turmoil as a result of the Covid-19 virus outbreak which affects business continuity strategically can apply product innovation and process innovation. In the case of restaurants, process innovation is defined as an attempt to modify, enhance, or upgrade service systems and processes to be more productive (Rodgers, 2007). In order to reserve current customer

and attract new ones, both marketing innovation and process innovation are necessary (Najib et al., 2020).

### **Business Continuity**

Changes and developments in the company's external environment occur normally, everything can be described properly and can be responded to with strategies and actions according to the company's capabilities. On the other hand, external environmental conditions can occur when unexpected circumstances occur, such as the emergence of the Covid-19 virus in early 2020, and in a short time spread throughout the world. The Covid-19 pandemic has an impact on business continuity. Disruption experienced by the company will expose the organization to a high level of strategic uncertainty which may impact not only the business but also the survival of the organization (Sullivan-Taylor & Wilson, 2009). These extreme events are called environments turbulence (Meyer, 1982) which can be in the form of bad weather, infrastructure failure, fuel crisis, global credit crunch, flu pandemic and terrorism.

According to the view of the concept of Organization Theory (Sullivan Taylor & Wilson, 2009), that sustainable business continuity can be achieved through an organizational-institutional perspective that takes a systemic view of production and crisis management, where normal failures or accidents that occur in organizational systems are formed due to high complexity. Survival is a minimum measure and a prerequisite for business success with business endurance (survival), sustainability (going concern), and current business conditions (empirical facts) (Kieso et al., 2020). According to Mas-Verdú et al. (2015), business continuity is defined as a form of steadiness in the conditions of the company, meanwhile sustainability is a continuous high-quality business process that can be seen through these aspects: growth, development, and strategies in order to maintain business continuity and business development, since all of them lead to sustainability and whole life of the company.

## **RESEARCH METHOD**

Research on the effect of entrepreneurial orientation and innovation on the sustainability of Small and Medium Enterprises (UKM) in Malang City was carried out using a quantitative approach. Data collected by survey. This type of research is explanatory research because the research aims to examine and explain the impact of the influence of entrepreneurial orientation and innovation on the sustainability of UKM (Coffee Shop) in Malang City. The primary data in this study is in the form of data related to entrepreneurial orientation, innovation and sustainability of coffee SME businesses shops in Malang City. Secondary data types are data obtained from other parties, in this case coffee data shops and coffee shops in Malang City published on [umkm.depkop.go.id](http://umkm.depkop.go.id).

This research was conducted in Malang City, because Malang City is the second largest city in East Java because based on information from the Deputy Governor of East Java, that economic growth in Malang City is dominated by the culinary industry by 60% (Agus, 2020). Malang City as a center for economic, educational and other activities encourages SMEs, especially coffee shop grows and develops as part of the growth of the culinary industry. According to data collected from [umkm.depkop.go.id](http://umkm.depkop.go.id) with the keyword coffee shop amounted to 94, while with the keyword coffee shop numbered 55 with a total of 149 coffee shop. The population of this research is coffee shop in Malang City that started a business for at least two years and survived during the Covid-19 pandemic, namely from 2019 to 2021, so that 132 coffees were obtained shop. The sampling technique used was a saturated sample, which consisted of 132 members of the entire

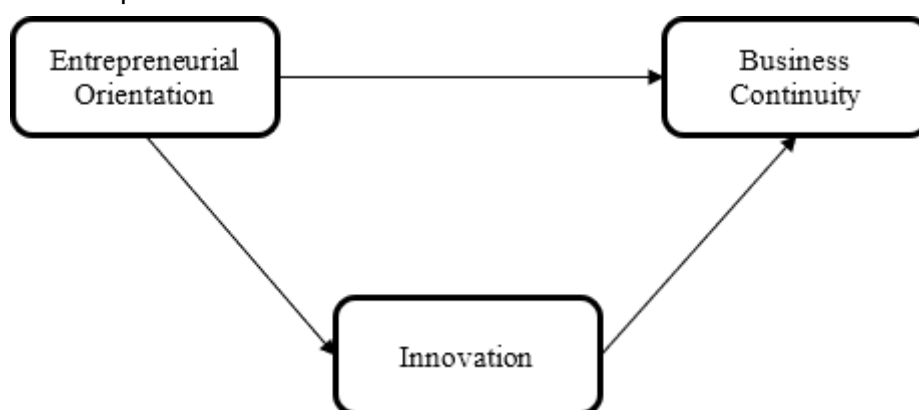
population as samples.

Measuring respondents' answers regarding entrepreneurial orientation, innovation, and business continuity in this study used a 5- point Likert scale. This study adapted measurements from previous research studies and adapted them to fit the context of this research. Measurement of the entrepreneurial orientation variable is measured by three indicators namely proactive; aggressive; risk taking. The innovation variable is measured by two indicators, namely, process innovation; and product innovation. The variable of business continuity in this study is measured using three indicators, including business resilience, continuity, and business conditions.

The research instrument was tested by validity test with the criterion  $g$  said to be valid if the value of  $r \geq 0.30$  and the significance value of the correlation  $\geq 95\%$  or  $\alpha \leq 0.05$  (Sugiyono, 2010). As well as the reliability test was also carried out with Cronbach's criteria  $\alpha > 0.6$ . Path analysis (Path Analysis) was carried out in this study as a method to study the direct and indirect effects (effects) of the independent variables on the dependent variable.

### Research Hypothesis

Figure 1. Conceptual Framework



### *The Effect of Entrepreneurial Orientation on Business Sustainability*

Entrepreneurial orientation is an indispensable variable for growth-oriented SMEs as it is a significant contributor to business success. SME owners who adopt an entrepreneurial orientation can increase the formation and activation of personal strategies, thus influencing business growth and performance (Omisakin et al., 2016). The continuity of the SME business is a form of anticipation and the ability of entrepreneurial-oriented business actors who are active and aggressive with the risks they face in deciding the strategies and actions taken in the process of managing the company's resources. According to Lan and Wu (2010), entrepreneurial orientation is a person's proactive attitude to try to achieve, so when an organization emphasizes proactiveness in its business activities (entrepreneurship activity), the company will automatically have competitiveness.

Empirically it is proven that entrepreneurship contributes significantly to business continuity (Nwankwo & Kanyangale, 2020). These are the results of research conducted by Aigboje (2022), Nwankwo and Kanyangale (2020), and Etim et al. (2017) which were conducted on SMEs in Port Harcourt and in Nigeria, showed a positive influence between entrepreneurial orientation and business continuity of SMEs. Supporting this, research by Putra et al. (2020) found that entrepreneurial orientation has a significant influence on business sustainability. Several previous studies have also tried to measure indicators

of entrepreneurial orientation specifically such as innovativeness; proactiveness; risk-taking (Gabriel & Arboló, 2015), and self-efficacy (Wibisono & Weihua, 2022) shows that these indicators have an important role in the sustainability of a business. All of these things prove and strengthen that entrepreneurial orientation has a significant effect on business continuity. On the basis of theoretical, phenomena and empirical studies on the effect of entrepreneurial orientation on business continuity, the hypothesis is formulated as follows.

Hypothesis 1: Entrepreneurial orientation has a positive effect on business continuity.

### ***The Effect of Entrepreneurial Orientation on Innovation***

Entrepreneurial orientation consists of two elements, namely proactivity and risk taking on the basis of research on the relationship between entrepreneurial orientation and innovation (Hult et al., 2004), so that there will be rapid adjustments in responding to environmental conditions that may be full of disturbances, either by actions to renewal of products, processes and with other updates. Companies with an entrepreneurial orientation will tend to support new ideas, make changes with calculated risks and find ways to deal with risks, compete competitively against competitors, introduce new products before competitors (Parkman et al., 2012). The prevailing entrepreneurial philosophy encourages businesses to constantly experiment with new ideas and implement innovations that increase results (Thoumrungroje & Racela, 2013). According to Rhee et al. (2010), the role of entrepreneurial orientation as an antecedent of innovation and outlines innovation not as a contract of entrepreneurial orientation. This shows that the position of innovation can support the influence of entrepreneurial orientation on the performance of business actors/companies (Hult et al., 2004). Based on the entrepreneurship perspective, it could be stated that entrepreneurship is an attitude regarding a specific type of behavior, while innovation leads to result-oriented behaviors. Entrepreneurial orientation can be seen as an antecedent of innovation and representing two distinct constructs, based on this point of view.

Empirically, many studies have confirmed that entrepreneurial-oriented companies have higher innovation rates (Oktavio et al., 2019). In this vein, research by Al-Hakimi and Borade (2020) shows that entrepreneurial orientation has a significant positive effect on innovation in manufacturing SMEs in Yemen. Yu et al. (2016) explain how advanced companies that adopt an entrepreneurial orientation have seen a positive effect on their innovation. In addition, Genc et al. (2019) showed that entrepreneurial orientation has a significant positive effect on innovation performance. Specifically, several studies show that entrepreneurial orientation has an impact on SME innovation (Genc et al., 2019; Shaher & Ali, 2020), SME technology innovation (Aljanabi, 2018; Musawa & Ahmad, 2018; Rypestøl & Aarstad, 2018); radical innovation (Sarsah et al., 2020), incremental innovation (Kocak et al., 2017); product and process innovation (Kyrgidou & Spyropoulou, 2013), organizational innovation (Lita et al., 2020), service innovation (Ndubisi & Agarwal, 2014; Liu & Lee, 2019) and business model innovation (Ferrerias-Méndez et al., 2021; Koçoğlu et al., 2015; Ciampi et al., 2021; Asemokha et al., 2019). The results of semi-structured personal interviews with CEOs of furniture companies from Italy, Finland, and Spain, Otero-Neira et al. (2013) found that company innovation is influenced by entrepreneurial orientation. Based on theoretical, phenomenon and empirical studies, the effect of entrepreneurial orientation on innovation is formulated as follows.

Hypothesis 2: Entrepreneurial orientation has a positive effect on innovation.

### ***The Effect of Innovation on Business Sustainability***

The outbreak of the Covid-19 pandemic has put heavy pressure on SMEs to maintain how SME companies and/or businesses maintain the continuity of their business. For this reason, the strategic step to maintain business continuity is to innovate, both in the form of products/services produced or in the form of processes. Therefore, SMEs must adapt to a changing environment by offering innovation (Rowan & Galanakis, 2020).

Empirically it is known that in order to deal with the influence of the external environment on business continuity and or sales growth, an innovation strategy can be implemented. The results of research conducted by Adam and Alarifi (2021); Soininen et al. (2012) showed that innovation practices and innovation technologies (Rahman et al., 2016) in SMEs will have a positive impact on business continuity (Baldwin & Gu, 2004). The results of the study show three conclusions regarding how Canadian factories have responded to the reduction of tariff barriers between Canada and the rest of the world over the past two decades. First, as trade barriers decrease, more Canadian producers enter the export market, increasing the proportion of supply sold abroad by existing exporters. This suggests that trade liberalization has been a key factor behind the strong growth of Canadian industrial exports. Second, increasing factory productivity is related to the export market share. Then, export learning, exposure to international competition, and increased product specialization to take advantage of economies of scale are the three main mechanisms through which export market participation stimulates productivity growth among factories. Research also shows that to build their capacity to absorb foreign technology and national best practices, factories are turning to export markets and increasing their investment in research and development (R&D). The increasing novelty of the inventions being introduced is also related to the entry of export markets which will increase the amount of advanced technology used, an increase in the number of sources of advanced technology from abroad, and an expansion of the information available to companies about advanced technology. Process innovation is associated with higher survival, whereas product innovation is associated with lower survival in the Canadian manufacturing sector. In this case, marketing innovation has a significant influence on business continuity to support this (Najib et al., 2021) and organizational license receipt (Aulia & Soetjipto, 2021).

The results of research conducted by Ortiz-Villajos and Sotoca (2018) show that innovation has a positive effect on business resilience in the long term. Research by Cefis and Marsili (2019) in the Netherlands found that technological innovation makes companies resilient to financial crises. Utomo's research (2020) shows that the ability to innovate has a significant positive effect on the survival of the company. Specifically, Zhang and Mohnen's research (2022) shows that product innovation, both in terms of incidence or intensity, increases the chances of a company's survival. Based on the discussion and study of such theories, phenomena and empirical, the following hypotheses can be determined.

Hypothesis 3: Innovation has a positive effect on business continuity.

### ***The Effect of Entrepreneurial Orientation on Innovation-Mediated Business Sustainability***

Based on the research results of Hult et al. (2004) regarding the relationship between entrepreneurial orientation and innovation, it proves that entrepreneurial orientation is an attitude towards a specific type of behavior, while innovation is building results-based behavior. Covin and Slevin (1991) states that companies that have an entrepreneurial orientation will continue to strive in terms of innovation, are proactive in seizing opportunities, are more aggressive in dealing with competitors, and are willing to take

risks. Hernández-Espallardo and Delgado-Ballester (2009) in his research proved that there is a reciprocal relationship between the integrative elements of market orientation, entrepreneurial orientation, and their effect on innovation, as well as the subsequent effect of innovation on business performance. A business that has a stronger entrepreneurial orientation will encourage innovation which in turn will have an impact on business resilience (Worthington, 2018). Therefore, Shah and Ahmad (2019) stated that an entrepreneurial orientation is capable of producing innovation for the creation of a sustainable competitive advantage. In line with this, Worthington's research (2018) shows a business that has a stronger entrepreneurial orientation will encourage innovation which will in turn have an impact on business resilience. Based on this understanding, SMEs, in this case the Coffee Shop business, to maintain business continuity from the effects of the Covid-19 pandemic, can be made proactively and dare to make decisions to adjust their products/services and production processes. On the basis of theory, the phenomena that occur and the results of several studies as stated above, the following hypotheses can be formulated.

Hypothesis 4: Entrepreneurial orientation has a positive effect on innovation through mediation of innovation

## RESULTS

In this study, there were 132 Coffee Shops spread across 5 (five) sub-districts in Malang City. The number of respondents found in each of these consisted of coffee shop consisted of 108 men and 24 women. Most of the managers and/or those responsible for running the Coffee e Shop business are men (64%). Judging from their age, most of them are between the ages of 25-30 years (35%), then between the ages of 20-24 years (32%) and others over the age of 30 years (23%). It seems they manage the coffee shop most of the young children who are still very productive . Then seen from the level of education most of them are undergraduate 71.21%, then SMA and equivalent 28.79%. Hypothesis testing is done to determine the effect of the entire hypothesis proposed. Hypothesis testing is done by partial test and mediation test for indirect effects (through mediating variables).

**Table 1.** Hypothesis Test Results [Regression and Sobel Test ]

Hypothesis	t count	t table	Sig	Conclusion	Test Results Hypothesis
H1: Entrepreneurial Orientation of → Business Continuity	2,664	1960	0.009	H1 is accepted; 2,664 > 1,960; 0.009 < 0.05	Significant Influence
Innovation Entrepreneurial Orientation →	4,435		0.000	H2 is accepted; 4,435 > 1,960; 0.000 < 0.05	Significant Influence
H3 : → Business Continuity Innovation	5,944		0.000	H3 is accepted; 5,944 > 1,960; 0.009 < 0.05	Significant Influence
H4 : Entrepreneurial Orientation → Business Continuity Innovation →	2,640		0.000	H1 is accepted; 2,664 > 1,960; 0.000 < 0.05	Significant Influence

Source: Data processed in 2021

Table 1 shows the results of the Partial Test and the Mediation Test for the influence between variables in this study. The criteria for testing the direct effect, namely if the t-count or t-statistic value is greater than t-table (1.96) or the probability value is less than

0.05 (5% significance level). Table 1 shows that testing hypothesis 1 obtained a path coefficient value of 0.178 and a t-count value of 2,664 which is greater than the t-table value of 1,960 with a significance of  $0.009 < 0.05$ . The results of this test indicate that Entrepreneurial Orientation has a significant effect on Business Continuity or in other words Hypothesis 1 is accepted. Hypothesis 2 testing shows that the path correlation value is 0.235 and the t-count value is 4.435 greater than the t-table value of 1.960 with a significance of  $0.009 < 0.05$ . The results of this test indicate that Entrepreneurial Orientation has a significant effect on Innovation, or in other words Hypothesis 2 is accepted. Hypothesis 3 testing shows that the path coefficient value is 0.613 and the t-count value is 5,944 which is greater than the t-table value of 1,960, with a significance of  $0,000 < 0.05$ . The results of this test indicate that Innovation has a significant effect on Business Sustainability, or in other words, Hypothesis 3 is accepted. Test hypothesis 4 regarding the mediating role of innovation variables using the Sobel test test obtained the value of  $t = 2.640317 > 1.960$ , so it can be concluded that the Innovation variable is significant as a mediation between Entrepreneurial Orientation to Business Continuity, or in other words Hypothesis 4 is accepted.

## **DISCUSSION**

### **The Effect of Entrepreneurial Orientation on Business Sustainability**

As is known, the test results show that entrepreneurial orientation significantly influences business continuity in the coffee business shop during the Covid-19 pandemic. Business continuity will occur if the business being carried out has the ability to adapt to environmental changes, especially with uncertain environmental conditions. The company's ability to adapt to the environment if the business manager has an entrepreneurial spirit (entrepreneur). In large companies, a larger number of members can reduce the influence of individual cognitive factors on organizational decisions. But in small businesses that only have a few active core members, it really depends on the competence of the entrepreneur, experience, skills, and psychological traits in the entrepreneurial process (Gartner et al., 2016). This opinion confirms that an entrepreneur actively developing new ideas to take advantage of opportunities from a dynamic environment by making bold decisions about strategies and actions to develop their business.

Entrepreneurial orientation that forms a proactive, aggressive, and risk-taking attitude in a dynamic environment is very important in determining strategies and actions to achieve company performance. Entrepreneurial orientation in a turbulence environment as faced by SMEs (coffee shop) the Covid-19 pandemic has a strategic role in maintaining business continuity. The significant relationship between entrepreneurial orientation and company performance will weaken if the organization is unable to interpret the environmental conditions it faces. Therefore, the ever-changing environment must be addressed by determining the right strategy through an entrepreneurial orientation so that the company's cash flow remains fulfilled, and customers can be well looked after. A proactive attitude in making strategic decisions in accordance with environmental changes, and always trying to take advantage of opportunities through courage in making decisions by always positioning the company against competitors is very important for SME business actors (coffee shop), these strategic steps and actions have a significant effect on business sustainability and resilience in maintaining business continuity.

The results of this study support the results of previous studies such as Lee and Lan (2011); Aigboje (2022); Nwankwo and Kanyangale (2020); Etim et al. (2017); Putra et al. (2020); Gabriel and Arbolo (2015); Wibisono and Weihua (2022) which generally shows

that there is a positive influence between entrepreneurial orientation and business continuity. Theoretically and empirically proves that entrepreneurial orientation which includes a proactive attitude, courage to take risks and aggressiveness in managing SMEs has a significant effect on business continuity, existence of conditions and business resilience. In other words, an entrepreneurial orientation in managing SMEs in a dynamic external environment and turbulence as strategic steps and actions to maintain business continuity.

### **The Effect of Entrepreneurial Orientation on Innovation**

Statistical test results show that Entrepreneurial Orientation significantly influences innovation in SME businesses (coffee shop) during the Covid-19 pandemic season. When the entrepreneurial orientation is strong/high in managing SMEs, especially when facing a dynamic external environment, the ability to innovate is also getting stronger/higher. Entrepreneurial orientation is a form of behavior that is always proactive, aggressive and willing to take risks, while innovation is a behavior related to the introduction of new processes, products or ideas in the organization. Entrepreneurial orientation attached to a proactive attitude always raises ideas to develop business, improve capabilities and skills to produce superior products, and develop various methods to produce various product variations. In a situation of dynamic and even uncertain external environmental conditions such as the Covid-19 pandemic, the courage of business actors to make decisions is very important. Innovation is an action plan established by employee-oriented companies in order to create an adaptive organization towards environmental changes, including preventive measure to affect the internal or external environment.

The results of this study support the results of previous research conducted by Al-Hakimi and Borade (2020); Yu et al., (2016); Genc et al. (2019) which generally shows that entrepreneurial orientation has an influence on innovation. The results of this study also support the results of other studies which prove that entrepreneurial orientation influences SME technological innovation (Aljanabi, 2018; Musawa & Ahmad, 2018; Rypestøl & Aarstad, 2018), radical innovation (Sarsah et al., 2020), incremental innovation (Kocak et al., 2017); product and process innovation (Kyrgidou & Spyropoulou, 2013), organizational innovation (Lita et al., 2020), service innovation (Ndubisi & Agarwal, 2014; Liu & Lee, 2019), and business model innovation (Ferrerias-Méndez et al., 2021; Koçoğlu et al., 2015; Ciampi et al., 2021; Asemokha et al., 2019). Paying attention to the theories and concepts developed in this study regarding entrepreneurial orientation, innovation, and theories about the interrelationships of the two and supported by the phenomena and results of previous research can confirm that entrepreneurial orientation has a significant effect on innovation. Entrepreneurial orientation that forms a proactive attitude, courage in taking risks and being aggressive in competition is an important part of embracing process innovation and innovation, especially for SMEs that are facing external environmental conditions. But on the other hand, the results of this study do not support the results of previous research conducted by (Iza & Dentoni, 2020) which found that entrepreneurial intention itself does not play an important role in farmer innovation.

### **The Effect of Innovation on Business Sustainability**

The statistical test results show that innovation has a significant effect on business continuity in SMEs (coffee shop) during the Covid-19 pandemic season. In an organizational context, business continuity is a process that identifies the condition of the organization against external environmental threats and maximizes the use of resources for effective prevention and recovery. Organizations that can recover quickly from the crisis they face will maintain their competitive position in the industry. The

company's ability or company capacity to innovate is a necessary step to be able to maintain business continuity. Innovation is related to the company's capacity in developing products/services, processes, and organization as a consequence of the company in dealing with environmental dynamics. Innovation guides an industry leader to provide solutions to business problems and challenges that could be considered as fundamental to the company's survival and success in the upcoming times. Therefore, it is necessary that SMEs required to adapt to the fluctuating environment through offering new products (Omar et al., 2020; Rowan & Galanakis, 2020). Empirically it is known that the positive effect of innovation on company performance has been proven that company innovation is a solution to facing changes in the company's environment (Han et al., 1998).

The results of this study support the results of previous research conducted by Adam and Alarifi (2021); Ortiz-Villajos and Sotoca (2018) which shows that innovation; innovation technology (Rahman et al., 2016; Cefis & Marsili, 2019), process innovation (Baldwin & Gu, 2004); product innovation (Zhang & Mohnen, 2022) marketing innovation (Najib et al., 2021), and innovation capabilities (Utomo, 2020) have an influence on company survival; and organizational resilience (Aulia & Soetjipto, 2021). Besides, however, the outcomes of this study are found to be contrary to a research conducted by Cefis and Marsili (2019) where non-technological innovations were found to result in a negative impact on survival in the Netherlands.

### **The Effect of Entrepreneurial Orientation on Business Sustainability Through Innovation Mediation**

Entrepreneurial orientation in any business situation has strong power and influence to maintain resilience in business continuity. This is evidenced by the results of this study which show that entrepreneurial orientation has a significant influence on business continuity. Aside from that, the results of this research revealed that it can give a significant impact not only on entrepreneurial orientation, but also on innovation. Testing the role of mediating innovation on the effect of entrepreneurial orientation on business continuity shows that innovation plays a role in mediating the effect of entrepreneurial orientation on business continuity.

The results of this study which show that innovation plays a role in mediating the influence of entrepreneurial orientation on business continuity support several opinions namely (Worthington, 2018), indicating that a business that has a stronger entrepreneurial orientation will encourage innovation which will in turn have an impact on business resilience. As well as supporting opinions (Shah & Ahmad, 2019); mentions that entrepreneurial orientation is capable of producing innovation for the sake of creating a sustainable competitive advantage. The results of this study indicate that innovation contributes and builds a reciprocal relationship between entrepreneurial orientation and innovation on business performance. All three mutually contribute to business performance. In this study the position of innovation as a mediating effect is relatively almost the same as the strength of the direct influence between entrepreneurial orientation on business continuity. Entrepreneurial orientation in less stable environmental conditions should be inherent in entrepreneurs to maintain business continuity, and innovation has become part of entrepreneurial orientation.

### **CONCLUSION**

Based on the results of research conducted by conducting statistical tests on the effect of entrepreneurial orientation on business continuity and the role of innovation as a mediating variable, it can be concluded that entrepreneurial orientation and innovation

have a significant effect on the sustainability of coffee SME businesses shop during the Covid-19 pandemic. As an effort to maintain business continuity, especially for SMEs when the external environment is not turbulent, it is necessary to strengthen entrepreneurial orientation towards business continuity, because with aggressive behavior, courage to make risky decisions, and always being proactive can increase resilience and maintain business continuity. However, a business strategy is also needed in managing a business during the Covid-19 pandemic in the form of innovation making an important contribution to business continuity. The innovations carried out, both process innovation and product innovation, make a major contribution to creating business performance, especially in maintaining business continuity, especially when facing a challenging external environment. Innovation plays a role in strengthening the influence of entrepreneurial orientation on business continuity, but its role is not too dominant. Innovation as a mediating effect value is not too far away when compared to the effect of entrepreneurial orientation on business continuity. In other words, the condition of the external environment is not conducive to maintaining business continuity, the main thing is with an entrepreneurial orientation.

### **Implications**

Capability of UKM coffee shop in the face of challenges and obstacles that are beyond their control, requires a strong entrepreneurial orientation, and innovation in both products and processes. In several research results it has been proven that entrepreneurial orientation and innovation have a positive and significant effect on competitive advantage so as to increase business resilience. This research provides a practical contribution regarding the form of entrepreneurial orientation of business people in maintaining the sustainability of SME businesses in external environmental conditions that are full of challenges and disturbances to the business world. In addition, the role of innovation as a mediating effect of entrepreneurial orientation on business continuity provides an important foothold for SME business people. The existence of innovation is an important alternative for business actors in taking strategic steps to strengthen the contribution of entrepreneurial orientation to business continuity.

### **Suggestion**

This study recommends that SME owners should explore the dynamic changes caused by entrepreneurial orientation in others to enhance entrepreneurial attitudes and behavior, a characterization that can increase the presence of SMEs in the business ecosystem. Changes in the external environment on the one hand can create opportunities but on the other hand can be a challenge that hinders and disrupts the course of business. The outbreak of the Covid-19 virus resulted in the paralysis of various business sectors, so with events like this, SMEs are sensitive and always anticipate changes and developments in the environment so that companies and or business actors can adapt.

Every SME expects to achieve its business goals in the long term. This goal can be achieved when managing a business is oriented towards entrepreneurship, namely embedding proactive behavior and attitudes, the ability to take risks and aggressiveness in actualizing a business. For this reason, the entrepreneurial orientation of business actors must be improved both in terms of knowledge and skills so that they have high fighting power in facing various challenges and problems. In addition to the entrepreneurial orientation of SMEs, they innovate to create products and their variations, improve processes that can provide added value and performance in maintaining business continuity.

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## DECLARATION OF CONFLICTING INTERESTS

The authors declared no potential conflicts of interest.

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