



TRANSFORMATION OF MSME'S COFFEE SHOPS IN MEDAN CITY: THE ROLE OF SUPPLY CHAINS AND BUSINESS INNOVATION IN IMPROVING COMPETITIVENESS THROUGH ENTREPRENEURIAL COMPETENCE AS A CATALYST

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Abstract

The coffee shop business is growing rapidly, with many entrepreneurs facing problems in maintaining the sustainability of their businesses. Some of the main problems that often arise include limitations in financial management, a lack of innovation in products and services, and problems in the supply chain for quality coffee beans. The purpose of this study is to determine the direct and indirect effects of supply chains and business innovation on competitiveness through entrepreneurial competence. This type of research is associative research. The types of data used are primary data and secondary data obtained from interview questionnaires and documentation studies. The population in this study is all coffee shop MSMEs in Medan City, the number of which cannot be determined with certainty. Accidental sampling was used. Based on the Lameshow formula, the sample size is 100 respondents, but the researcher added 50 respondents so that the total sample became 150 respondents in order to make the results more representative and avoid data bias. Data analysis was carried out using structural equation modeling (SEM) techniques with Smart-PLS analysis tools to test the direct and indirect relationships between these variables. The results explain that supply chains directly do not have a significant effect on entrepreneurial competence, business innovation directly has a significant effect on entrepreneurial competence, supply chains directly have a significant effect on competitiveness, business innovation directly has a significant effect on competitiveness, and business innovation directly has a significant effect on competitiveness. Supply chains and business innovation indirectly have a significant effect on competitiveness through entrepreneurial competence.

Keywords: *Supply Chains, Business Innovation, Competitiveness, Entrepreneurial Competence, MSME's Coffee Shops.*

INTRODUCTION

The coffee shop business in Indonesia has grown rapidly in recent years, in line with the increasing public interest in coffee, especially among the younger generation. The increasingly popular trend of coffee consumption has created promising business opportunities. Not only large coffee shops have emerged, but also local coffee shops that utilize unique flavors and experiences as their selling points. This growth is driven by factors such as an ingrained coffee culture, rapid urbanization, and a shift in consumption patterns that value quality over quantity. As a result, coffee shops in Indonesia serve not only as places to drink coffee, but also as social spaces that offer visitors a different kind of experience. This makes the sector highly competitive, with many new players continuing to emerge.

In North Sumatra, especially in the city of Medan, the development of coffee shops has also shown a significant trend. As the largest city in Sumatra, Medan has a large market potential with a growing population, including young people who are very fond of coffee. Many coffee shops in Medan strive to offer a different atmosphere, both in terms of coffee flavor, interior design, and a comfortable atmosphere for various activities. This phenomenon creates opportunities for coffee shop MSMEs to grow, but also increases the level of competition in the market. Local coffee shops in Medan, despite their great potential, often face challenges in terms of efficient business management, product innovation, and effective supply chain management to maintain their competitiveness.

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Although the coffee shop business is growing rapidly, many entrepreneurs face problems in maintaining the sustainability of their businesses. Some of the main problems that often arise include limitations in financial management, lack of innovation in products and services, and problems in the supply chain of quality coffee raw materials. In addition, many coffee shop MSMEs do not yet have a good management system, both in terms of operations and marketing, which makes it difficult to retain loyal customers. The high level of competition in the coffee shop market is also a challenge in itself, where old and new players compete to attract customers. Limited innovation and a lack of understanding of the importance of entrepreneurial competence are factors that cause many coffee shops to struggle to compete.

Competitiveness is the ability of a business to survive and thrive in a competitive market (Hurdawaty & Tukiran; 2024; Prasetyo, 2023). In the context of MSME coffee shops, competitiveness is greatly influenced by various factors, such as product quality, customer service, price, and innovation. To increase competitiveness, it is important for coffee shop owners to understand market trends, recognize customer needs, and adapt quickly to changes (Tomala & Olives, 2022; Baktiono & Handini, 2023). This can be done by improving product and service quality, introducing innovations in the menu, and utilizing technology in operations (Sutrisno & Susanti, 2024; Bhat et al., 2021). Competitiveness can also be achieved by creating a unique experience for customers, such as attractive interior design and a comfortable atmosphere, so that customers feel at home and loyal to the coffee shop.

Although many MSME coffee shops in Medan City have great potential, their competitiveness is often still limited. Several local coffee shops still struggle to maintain consistent product quality and lack understanding of efficient operational management. This often causes them to lose out to larger, more organized brands. In addition, many have yet to fully utilize technology in business management, both in terms of marketing and supply chain management. Gaps in entrepreneurial competencies, such as financial management, marketing, and product innovation, also affect the competitiveness of coffee shop MSMEs in Medan. Therefore, serious efforts are needed from business actors to improve their capacity and competencies in order to compete better.

Entrepreneurial competence encompasses an entrepreneur's ability to recognize opportunities, manage a business, make the right decisions, and innovate to improve business performance (Ly et al., 2021; Pratikto et al., 2023; Prabowo et al., 2025). These competencies are very important in running a business, especially for coffee shop MSMEs that have to face fierce competition (González-López et al., 2021; Mico & Cungu, 2023). Business owners need to have competencies in business planning, marketing, resource management, and the ability to face emerging challenges. Entrepreneurial competence also plays an important role in product and service innovation, which can be the difference between a successful business and one that is not (Aulia et al., 2021; Singh et al., 2024). Entrepreneurs with good entrepreneurial competence will be better able to adapt to market changes and create new profitable opportunities.

In Medan City, many coffee shop entrepreneurs still lack entrepreneurial skills, particularly in terms of business planning and management. Some entrepreneurs do not fully understand the importance of efficient business management, so their businesses often get stuck in ineffective operational problems. In addition, a lack of knowledge about marketing and financial management is also a major obstacle to developing their businesses. This gap has resulted in many coffee shops in Medan being unable to compete with larger, more professional players in the industry. Therefore, entrepreneurship training and competency development for MSME entrepreneurs are crucial in order for them to optimize their business potential.

The supply chain is a system that regulates the flow of goods and services from suppliers to end consumers (Hartati et al., 2021; Wube & Atwal, 2024). In the coffee shop business, the supply chain plays an important role in maintaining the quality of raw materials, such as coffee and other supporting products. Effective supply chain management can reduce operating costs and improve business efficiency (Donyavi et al., 2024; Batubara & Aisyah, 2022). In addition, by maintaining good relationships with suppliers and distributors, coffee shops can obtain quality raw materials at competitive prices. Good supply chain management also allows business owners to maintain product quality consistency and avoid raw material shortages that can disrupt operations (Gates, 2024; Nuraisyah et al., 2025).

MSMEs coffee shops in Medan often face problems in terms of supply chain management. Many coffee shops depend on local suppliers with varying quality, which causes inconsistency in products. In addition, there are still problems related to poor inventory management, resulting in raw materials not being managed properly. This often leads to waste and increased operating costs. This gap in supply chain management makes it difficult for many coffee shops to maintain consistent product quality, which ultimately affects their competitiveness. More professional and organized supply chain management is needed to improve efficiency and product quality.

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Business innovation is the process of creating new ideas and implementing them to improve a company's performance and competitiveness (Wang et al., 2022; Andreini et al., 2022). In the context of coffee shops, innovation can take the form of new product development, service improvements, or the application of technology to increase efficiency. Innovation can also come from attractive interior design, new concept development, or the use of higher quality raw materials (Sedera et al., 2022; Brueggemann & Matthews, 2024). Coffee shops that are able to innovate will find it easier to attract customers and maintain their loyalty. Innovation is also a key factor in creating a unique experience for customers, which in turn increases business competitiveness (Sutrisno et al., 2023; Ferlito & Faraci, 2022).

Many MSME coffee shops in Medan City have not maximized the potential for innovation in their businesses. Some coffee shops tend to rely on the same old menu without any interesting updates or variations (Prabowo et al., 2025). In addition, innovation in terms of service and technology is still very limited, which makes them less able to compete with large coffee shops that have implemented various innovations. This gap makes it difficult for many local coffee shops to grow and attract new customers. Therefore, it is important for SME coffee shops in Medan to be more open to innovation and apply it in every aspect of their business. The coffee shop business in Medan has great potential, but many MSMEs still face challenges in improving their competitiveness. Factors such as suboptimal supply chain management, lack of entrepreneurial skills, and limited business innovation are the main obstacles. Therefore, it is important for coffee shop owners to improve their business management skills, utilize technology, and continue to innovate in products and services. With more efficient management and the implementation of innovation, coffee shop SMEs in Medan can increase their competitiveness and face increasingly fierce competition in the market.

LITERATURE REVIEW

Competitiveness

Competitiveness is the ability of a business to survive and thrive in a competitive environment. This means that the business is able to maintain its continuity and improve its quality despite the presence of many competitors in the market, thereby retaining its appeal to customers and remaining relevant in the eyes of consumers (Maharani et al., 2024; Tomala & Olives, 2022). Competitiveness also means the ability of a business to offer products or services that are better than those of its competitors (Bhat et al., 2021; Salsabila et al., 2024). This can be in the form of more competitive prices, higher quality, or more satisfying services, making it more preferred by customers in the market. Competitiveness means the ability to adapt to changes in the market and business environment (Valaskova & Nagy, 2023; Šperková & Skýpalová, 2023).

Entrepreneurial Competence

Entrepreneurial competence is the ability of an individual to manage and run a business effectively (Ly et al., 2021; Mico & Sungu, 2023). This includes making the right decisions, planning long-term goals, and ensuring smooth operations, all of which are important for a business to grow and survive in a competitive market (Luo et al., 2022; Ismail, 2022). Entrepreneurial competence includes the ability to take calculated risks (Aulia et al., 2021; Gonzalez-Lopez et al., 2021). A competent entrepreneur is not afraid to try new things despite uncertainty, but is able to calculate and minimize risks in order to seize opportunities with maximum results.

Supply Chains

The supply chain is a network that manages the flow of goods from suppliers to consumers. It involves all stages, from raw material procurement and production to distribution to retailers or customers, ensuring that goods are available according to market demand (Wube & Atwal, 2024; Gates, 2024). Supply chain also refers to the management of resources such as raw materials, labor, and machinery to ensure that products can be manufactured and delivered on time (Rolf et al., 2023; Richey et al., 2023). Supply chain managers are responsible for organizing everything needed to produce products at the most efficient cost and with the highest quality. In the supply chain, various parties such as suppliers, manufacturers, distributors, and retailers work together to ensure that products reach consumers properly (Hendriksen, 2023; Richey et al., 2022). The supply chain also involves managing risks that may arise, such as disruptions in the delivery of raw materials or delays in production.

Business Innovation

Business innovation means creating new products or improving existing ones. This could be inventing a new coffee flavor, designing attractive packaging, or adding to the menu variety (Wang et al., 2022; Rakib, 2024). Product

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innovation helps businesses attract new customers and retain existing ones. Business model innovation means changing the way a business operates to increase profits (Andreini et al., 2022; Ferlito & Faraci, 2022). For example, changing from just selling products to offering customer experiences, such as a coffee shop concept with a comfortable and unique atmosphere. This can attract more customers and increase sales. Marketing innovation is a new way of promoting products or services to attract customers (Cristache et al., 2021; Tang et al., 2021).

METHOD

This type of research is causal associative research. Causal associative research aims to determine the relationship or association between two or more variables (Sugiyono, 2023). The types of data used are primary and secondary data obtained from interview questionnaires and documentation studies. Data analysis was performed using the structural equation modeling (SEM) technique with the Smart-PLS analysis tool to test the direct and indirect relationships between these variables. The population in this study was all coffee shop MSMEs in the city of Medan, the number of which could not be determined with certainty. The sampling method used was accidental sampling or direct encounters adjusted to the needs of the study. To determine the sample size with an unknown population, the researcher used the Lameshow formula.

$$n = \frac{z^2 P(1-P)}{d^2}$$

Description:

n = Sample Total

z = Degree of confidence 95% = ($\alpha = 0,05$) so that we obtain ($z = 1,96$)

p = Estimated proportion 50% (0,5)

d = Sampling error = 10% (0,1)

Based on the formula above, the number of samples to be used can be calculated as follows:

$$n = \frac{1,96^2 \cdot 0,5 \cdot (1-0,5)}{0,01}$$

$$n = \frac{3,8416 \cdot 0,25}{0,01}$$

$$n = \frac{96}{0,01}$$

$$n = 96,04 = 100 \text{ respondent}$$

So, based on the formula, the sample size should be 100 respondents, but the researcher added 50 more respondents, bringing the total sample to 150 respondents, namely MSME coffee shops in Medan City, so that the results would be more representative and avoid biased data.

RESULTS AND DISCUSSION

RESULTS

Outer Model

Convergent Validity

Table 1. Test Results Loading Factor

Variable	Statement Item	Outer Loading	Description
Competitiveness (Y)	CO1	0.871	Valid
	CO2	0.813	Valid
	CO3	0.833	Valid
	CO4	0.847	Valid
	CO5	0.882	Valid
Entrepreneurial Competence (Z)	EC1	0.836	Valid
	EC2	0.837	Valid
	EC3	0.877	Valid
	EC4	0.869	Valid
	EC5	0.818	Valid
Supply Chains (X1)	SC1	0.891	Valid
	SC2	0.822	Valid
	SC3	0.854	Valid
	SC4	0.825	Valid
	SC5	0.876	Valid

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Business Innovation (X2)	BI1	0.846	Valid
	BI2	0.859	Valid
	BI3	0.892	Valid
	BI4	0.841	Valid
	BI5	0.833	Valid

Sources: Smart-PLS (2026)

Based on Table 1 above, it is known that several statement items were eliminated because they did not meet the requirements, so that after reprocessing the data, all of the above statement items had an outer loading value > 0.6.

Dicsriminant Validity

Table 2. Test Results Average Variance Extracted (AVE)

Variable	Average Variance Extracted (AVE)
Competitiveness	0.875
Enterpreneurial Competence	0.891
Supply Chains	0.735
Business Innovation	0.784

Sources: Smart-PLS (2026)

Based on Table 2 above, it can be seen that the AVE (Average Variant Extracted) value of each variable is greater than 0.7. Therefore, it can be concluded that the variables or constructs used are valid.

Composite Reliability and Cronbach's Alpha

Table 3. Test Results Cronbach's Alpha & Composite Reliability

Variabel	Cronbach's Alpha	Composite Reliability
Competitiveness	0.871	0.811
Enterpreneurial Competence	0.863	0.792
Supply Chains	0.822	0.767
Business Innovation	0.851	0.732

Sources: Smart-PLS (2026)

Based on Table 3 above, it can be seen that each research variable has a Cronbach's alpha and composite reliability value > 0.70. Based on these results, it can be stated that the variables used in the study are reliable.

Fornell-Larcker Criterion

Table 4. Test Results Fornell-Larcker Criterion

	Competitvness	Enterpreneurial Competence	Supply Chains	Business Innovation
Competitiveness	0.837			
Enterpreneurial Competence	0.751	0.820		
Supply Chains	0.722	0.752	0.815	
Business Innovation	0.742	0.773	0.771	0.802

Sources: Smart-PLS (2026)

Based on Table 4. above, it explains that all diagonal values are greater than the correlation value between other constructs, so discriminant validity is met.

Inner Model

Adjusted R-squared changes can be used to determine whether certain independent latent variables have a significant impact on the dependent latent variable (Hair et al., 2017).

Table 5. Test Results R-Square (R²)

Variabel	Adjusted R Square (R ²)
Competitiveness	0.783
Enterpreneurial Competence	0.527

Sources: Smart-PLS (2026)

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Based on Table 5. above, the adjusted R Square value for the entrepreneurial competence variable is 0.527, this means that the percentage of the influence of supply chains and business innovation on entrepreneurial competence is 52.7%, while the remaining 47.3% is explained by other variables not examined in this study. Furthermore, the adjusted R Square value for the business sustainability variable is 0.783, this means that the percentage of the influence of supply chains, business innovation and entrepreneurial competence on competitiveness is 78,3 %, while the remaining 21.7% can be explained by other variables not examined in this study.

Hypothesis Test Direct Effect

Table 6. Test Results Direct Effect

	Original Sample (O)	Sample Mean (M)	Deviation Standard (STDEV)	T Statistic (O/STDEV)	P Values	Decision
Supply Chains -> Entrepreneurial Competence	0.211	0.251	0.125	1.057	0.121	Not Supported
Business Innovation - > Entrepreneurial Competence	0.367	0.352	0.191	3.215	0.002	Supported
Supply Chains -> Competitiveness	0.312	0.322	0.146	2.431	0.003	Supported
Business Innovation - > Competitiveness	0.381	0.343	0.163	3.401	0.001	Supported
Entrepreneurial Competence -> Competitiveness	0.357	0.362	0.145	2.122	0.002	Supported

Sources: Smart-PLS (2026)

Based on Table 6. above the test results can be used to answer the hypothesis in this study. Hypothesis testing in this study by looking at the coefficient path (original sample), t-statistic value or p-value. With a significance of 5%, the hypothesis can be accepted if the t-statistic > t-table 1.65 (n-k = 150-4 = 146 at 0.5/5%) or the p-value < 0.05. Direct effect can be explained as follows:

- X1 to Z: the T-Statistic value ($|O/STDEV|$) = 1.057 and P-Values = 0.121 > 0.05, meaning that supply chains directly has not a significant effect on entrepreneurial competence.
- X2 to Z: the T-Statistic value ($|O/STDEV|$) = 3.215 and P-Values = 0.002 < 0.05, meaning that business innovation directly has a significant effect on entrepreneurial competence.
- X1 to Y: the T-Statistic value ($|O/STDEV|$) = 2.431 and P-Values = 0.003 < 0.05, meaning that supply chains directly has a significant effect on competitiveness.
- X2 to Y: the T-Statistic value ($|O/STDEV|$) = 3.401 and P-Values = 0.001 < 0.05, meaning that business innovation directly has a significant effect on competitiveness.
- Z to Y: the T-Statistic value ($|O/STDEV|$) = 2.122 and P-Values = 0.002 < 0.05, meaning that business innovation directly has a significant effect on competitiveness.

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Indirect Effect

Table 7. Test Results Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Decision
Supply Chains -> Entrepreneurial Competence -> Competitiveness	0.321	0.238	0.145	2.363	0.051	Supported
Business Innovation -> Entrepreneurial Competence -> Competitiveness	0.477	0.326	0.177	3.317	0.002	Supported

Sources: Smart-PLS (2026)

Based on Table 7. above, it is known that supply chains indirectly has a significant effect on competitiveness through entrepreneurial competence with a p-value of $0.051 < 0.05$. Furthermore, it is known that business innovation indirectly has a significant effect on competitiveness through entrepreneurial competence with a p-value of $0.002 < 0.05$.

Total Effect

Table 8. Test Results Total Effect

	Original Sample (O)	Sample Mean (M)	Deviation Standard (STDEV)	T Statistic (O/STDEV)	P Values
Supply Chains -> Entrepreneurial Competence -> Competitiveness	0.291	0.257	0.185	2.315	0.020
Business Innovation -> Entrepreneurial Competence -> Competitiveness	0.477	0.426	0.261	3.233	0.001

Sources: Smart-PLS (2026)

Based on Table 8. above, it can be synthesized that the total effect value is as follows:

- The total effect of supply chains directly and indirectly has a significant effect on competitiveness through entrepreneurial competence with the value of T-statistics ($|O/STDEV|$) is 2.315 with p-values $0.020 < 0.05$.
- The total effect of business innovation directly and indirectly has a significant effect on competitiveness through entrepreneurial competence with the value of T-statistics ($|O/STDEV|$) is 3.233 with p-values $0.001 < 0.05$.

DISCUSSION

The Effect of Supply Chains on Entrepreneurial Competence (H1)

The analysis of the research results explains that supply chains do not have a significant effect on entrepreneurial competence with a value ($p\text{-value } 0.121 > 0.05$). This indicates that in the context of coffee shop MSMEs in Medan, supply chains may not have a direct effect on entrepreneurial competence due to several factors. Although an efficient supply chain can support smooth operations, entrepreneurial competence is more influenced by individual skills, such as managerial skills, innovation, and decision-making. Coffee shop entrepreneurs often focus more on product creativity, marketing, and customer service rather than relying solely on supply systems. Therefore, although supply chains are important, non-technical factors such as managerial expertise and business networks are more dominant in shaping their entrepreneurial competence (Richet et al., 2023; Hendriksen, 2023). Other research on SMEs in the manufacturing sector shows that supply chain competencies do influence supply chain strategies, but the direct effect on company performance or entrepreneurial competencies is not significant. However, not everyone agrees. There is research on the culinary business in Bandung that shows that supply chain integration together with entrepreneurial ability can provide a competitive advantage, meaning that the supply chain can play a role, but as a complement, not as the main foundation (Kurniawan & Yun, 2021).

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The Effect of Business Innovation on Entrepreneurial Competence (H2)

The research results show that supply chains do not have a significant effect on entrepreneurial competence (p-value $0.121 > 0.05$). This indicates that business innovation plays an important role in improving entrepreneurial competence, especially in the MSME sector, such as coffee shops in Medan. Effective business innovation enables business owners to identify new opportunities, create unique products or services, and adapt to market changes. This strengthens entrepreneurial competence by improving decision-making, managerial skills, and problem-solving (Wang et al., 2022; Sutrisno et al., 2023). For example, by adopting new technologies or creative marketing strategies, coffee shop owners can increase their competitiveness, expand their networks, and improve service quality. All of this shapes more resilient and adaptive entrepreneurial competencies.

The Effect of Supply Chains on Competitiveness (H3)

The research results show that supply chains do not have a significant effect on entrepreneurial competence (p-value $0.121 > 0.05$). This indicates that supply chains play an important role in the competitiveness of coffee shop MSMEs in Medan. This is because the availability of quality raw materials, efficient distribution management, and the ability to meet customer demand in a timely manner are highly dependent on an effective supply chain system. With a good supply chain, MSMEs can reduce operational costs, improve product quality, and provide faster and more satisfying services (Batubara & Aisyah, 2022; Rolf et al., 2023). This directly impacts customer satisfaction, brand loyalty, and higher competitiveness in a competitive market. Therefore, optimal supply chain management is the key to maintaining the sustainability and growth of coffee shop SMEs in Medan.

The Effect of Business Innovation on Competitiveness (H4)

The research results show that supply chains do not have a significant effect on entrepreneurial competence (p-value $0.121 > 0.05$). This indicates that business innovation plays an important role in increasing the competitiveness of coffee shop MSMEs in Medan City. This innovation includes the application of new ideas, products, or processes that can differentiate a business from its competitors (Ferlito & Faraci, 2022; Maharani et al., 2024). In the context of coffee shops, innovation can take the form of menu variations, unique services, the use of technology for efficiency, or more creative marketing strategies. By implementing innovation, coffee shop MSMEs can attract more customers, improve service quality, and adapt to the ever-changing market needs. This ultimately strengthens their position in the face of increasingly fierce competition in the local market.

The Effect of Entrepreneurial Competence on Competitiveness (H5)

The research results show that supply chains do not have a significant effect on entrepreneurial competence (p-value $0.121 > 0.05$). This indicates that entrepreneurial competence plays an important role in improving the competitiveness of MSMEs, including in the coffee shop sector in Medan. This competence includes the skills, knowledge, and attitudes needed to manage a business effectively (Singh et al., 2024; Donyavi et al., 2024; Luo et al., 2022). With good entrepreneurial competence, coffee shop entrepreneurs can manage business operations efficiently, identify market opportunities, and adapt product or service innovations according to consumer needs. This will strengthen their position in an increasingly competitive market. Coffee shop MSMEs with high entrepreneurial competencies tend to be able to survive and thrive despite facing economic challenges and intense competition. Therefore, entrepreneurial competencies have a direct impact on the competitiveness of coffee shop MSMEs in Medan City.

The Effect of Supply Chains on Competitiveness Through Entrepreneurial Competence (H6)

The research results show that supply chains directly and indirectly have a significant effect on competitiveness through entrepreneurial competence. This indicates that supply chains play an important role in increasing the competitiveness of coffee shop MSMEs in Medan. Successful management of an efficient supply chain can help MSMEs optimize costs, time, and the quality of products offered. This is closely related to entrepreneurial competence, which includes the ability to make strategic decisions in resource management and understand market needs. By possessing this competence, coffee shop owners can respond more quickly to changes in demand and market competition. Therefore, good supply chain management supports the achievement of sustainable competitive advantage, which in turn increases the competitiveness of coffee shops in an increasingly competitive market.

The Effect of Business Innovation on Competitiveness Through Entrepreneurial Competence (H7)

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The research results show that business innovation directly and indirectly has a significant effect on competitiveness through entrepreneurial competence. This indicates that business innovation plays an important role in increasing competitiveness, especially in MSMEs, such as coffee shops in Medan. Business innovations carried out by business owners can cover various aspects, such as products, services, or more efficient business models. This innovation serves to differentiate their business from competitors and attract more customers. However, this innovation will be more effective if it is driven by entrepreneurial competence, which includes skills in identifying opportunities, decision making, and adapting to market changes. By improving entrepreneurial competence, SMEs can better manage innovation, thereby strengthening their competitiveness in the face of an increasingly competitive market.

CONCLUSION AND SUGGESTION

Based on the results of the research discussion above, it can be concluded that supply chains has not a significant effect on entrepreneurial competence, business innovation directly has a significant effect on entrepreneurial competence. supply chains has a significant effect on competitiveness, business innovation directly has a significant effect on on competitiveness. And then supply chains indirectly has a significant effect on competitiveness through entrepreneurial competence. Furthermore, it is known that business innovation indirectly has a significant effect on competitiveness through entrepreneurial competence. Based on the above conclusions, the following suggestions can be made To improve supply chain performance in MSME coffee shops in Medan, it is important to focus on closer relationships with local suppliers. Optimizing stock management, ensuring the quality of raw materials, and establishing an effective monitoring system can reduce waste and improve operational efficiency. MSMEs coffee shops in Medan City can increase business innovation by utilizing digital technology, such as online ordering and social media for promotion. In addition, offering a unique menu variety and collaborating with local products can attract more customers. These innovations help MSMEs remain relevant and competitive in a growing market.

To improve entrepreneurial competence in coffee shop MSMEs in Medan, owners and managers can focus on improving managerial skills, such as effective financial management, product innovation, and customer relationship development. In addition, training in digital marketing and understanding the local market will strengthen their business competitiveness. To improve the competitiveness of coffee shop MSMEs in Medan, owners need to pay attention to the comfort of the place and a unique atmosphere so that customers feel comfortable staying longer. Furthermore, training to improve barista skills and financial management understanding is also crucial to maintain the quality and operational efficiency of the business.

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