

HOW ARE MSMES PERFORMING FOLLOWING THE COVID-19 PANDEMIC? THE ROLE OF MSME ACTORS' CREATIVE SELF-EFFICACY, DYNAMIC CAPABILITY, AND INNOVATIVE WORK BEHAVIOR

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ABSTRACT

This research aims to analyze the effect of Micro, Small, and Medium Enterprise (MSME) actors' creative self-efficacy, dynamic capability, and innovative work behavior on the MSME performance. The data was collected through questionnaires distributed to 100 MSMEs spread across several regencies and cities in West Kalimantan Province. Referring to the results of statistical tests, it can be concluded that the MSME actors' creative self-efficacy has a positive and significant effect on both their innovative work behavior and MSME performance. However, the MSME actors' dynamic capability only has a positive and significant effect on their innovative work behavior, and not on the MSME performance. In addition, the MSME actors' innovative work behavior also has a positive and significant effect on the MSME performance. Furthermore, the MSME actors' innovative behavior is proven to mediate the effect of their creative self-efficacy and dynamic capability on the MSME performance. These findings indicate that the higher the MSME actors' creative self-efficacy, dynamic capability and innovative work behavior, the higher the MSME performance.

JEL: L26, M12, O30.

Keywords: *creative self-efficacy, dynamic capability, innovative work behavior, MSME performance.*

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy. According to the Ministry of Cooperatives and Small and Medium Enterprises (SMEs) of the Republic of Indonesia, the number of MSMEs has reached 64.19 million, contributing 61.97% of the Indonesian gross domestic product (GDP). This contribution is equivalent to IDR 8,573.9 trillion. They contribute to the Indonesian economy by employing 97% of the current workforce and attracting up to 60.4% of total investment (DPMPT, 2021). In addition, the Planning Bureau of the Coordinating Ministry for the Economy acknowledges the significance of MSMEs, referring to them the pillars of the Indonesian economy, considering that they account for 99% of all enterprises in Indonesia (Ichsan & Yusuf, 2021).

In Indonesia, particularly West Kalimantan, there has been 195,022 registered MSMEs spread across regencies / cities. Pontianak City has the most MSMEs among 14 regencies / cities at 39,697 MSMEs. The following Table 1 presents the latest data for West Kalimantan MSMEs as of January 31, 2023. The data was obtained from the Cooperative and SME Office of West Kalimantan Province.

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Table 1. Total MSMEs in West Kalimantan as of January 31, 2023

No.	Regency/City	Micro Enterprise	Small Enterprise	Medium Enterprise	Total
1.	Sambas Regency	14,248	3,880	158	18.286
2.	Bengkayang Regency	4,756	992	19	5.767
3.	Landak Regency	32,030	2,173	330	34.533
4.	Mempawah Regency	15,632	1,459	108	17.199
5.	Sanggau Regency	2,644	1,266	61	3.971
6.	Ketapang Regency	7,277	1,673	157	9.107
7.	Sintang Regency	14,854	2,121	106	17.081
8.	Kapuas Hulu Regency	6,706	3,156	65	9.927
9.	Sekadau Regency	4,348	1,813	222	6.383
10.	Melawi Regency	3,540	747	39	4.326
11.	Kayong Utara Regency	7,027	671	-	7.698
12.	Kubu Raya Regency	7,586	2,340	18	9.944
13.	Pontianak City	39,697	1,943	217	41.857
14.	Singkawang City	7,494	2,094	205	9.793
	Total	168.989	26,328	1,705	195,022

Source: The Cooperative and SME Office of West Kalimantan Province (2023)

In 2023, the Statistics Indonesia had conducted a survey on the Micro and Small Enterprises (MSEs). According to the survey, there were 4.20 million MSEs in Indonesia. The “micro enterprise” is defined as a manufactured industry with 1 to 4 employees. Meanwhile, the “small enterprise” refers to those with 6-19 employees. Although West Kalimantan Province has only 0.93% of the total MSEs nationwide (39.168 MSEs), interestingly, this province has the second highest number of MSEs regionally on Kalimantan Island (26.57%), just behind South Kalimantan which has 55,568 MSEs (BPS, 2023).

Pontianak City, particularly, has the most MSEs among the regencies / cities in West Kalimantan Province with 41,857 enterprises. Landak Regency ranks second with 34,533 enterprises. In contrast, the lowest numbers of MSEs are reported in Sanggau Regency and Melawi Regency, with 3,971 and 4,326 enterprises, respectively (BPS, 2023).

When it comes to business categories, the MSEs in West Kalimantan are dominated by the food industry by 25,258 enterprises, which accounts for 58.71%. It is followed by the wood industry, goods made from wood and cork (excluding furniture), and woven goods from bamboo, rattan, and other materials, with a total of 4,683 enterprises, which equals 10.88%. Meanwhile, the automotive industry (trailer and semi-trailer) and computer industry (electronic and optical goods) have the fewest MSE categories in West Kalimantan Province, each with less than ten enterprises.

However, the large number of MSMEs is not in line with their quality to compete in the market. While several MSMEs manage to success, others struggle to survive. Ichsan & Yusuf (2021) explained that the Indonesia MSMEs face recurring problems, such as a lack of innovation and technological integration, poor financial reports and collateral requirements that prevent them from obtaining bank loans, and low human resource productivity. Other issues may include product branding, marketing strategies, complex licensing procedures, product quality, and poor digital literacy. As the pandemic hit Indonesia in 2020, the government had implemented Community Activities Restrictions Enforcement (*Pemberlakuan Pembatasan Kegiatan Masyarakat, PPKM*), which had a severe impact on the MSMEs in Indonesia.

The COVID-19 pandemic has had an impacted on every aspect of the global economy, including the business sector. Zimmermann & Köhler-Geib (2023) examined how the MSMEs in

Germany were affected by the COVID-19 and recovered. At the beginning of the COVID-19 pandemic, losses were suffered not only by the MSMEs, but also by major, high-performing businesses. However, the MSMEs recovered more quickly from the COVID-19 pandemic impact than other businesses. They developed the ability to successfully respond to changes in the business environment and capitalize on existing opportunities. They had demonstrated resilience to the crisis as a result of their adaptation efforts and the government support.

On the other hand, Bangladesh MSMEs had also been affected by the COVID-19 pandemic. They were attempting to recover by growing e-commerce and implementing more favorable government policies, such as enabling the bank loans and establishing new training institutions to address existing weaknesses in the MSME sector (Hossain, Rahman, Dey, & Mia, 2023). The ability of MSMEs to leverage network resources and knowledge is the key to strengthening their resilience during times of crisis. Creating opportunities enables the SMEs to innovate and develop in an environment full of challenges and uncertainties. Survival, adaptation and innovation are strategies that can build the resilience of MSMEs, making them less dependent and vulnerable (Erdiaw-Kwasie, Abunyewah, Yusuf, & Arhin, 2023).

In order to recover from the COVID-19 pandemic impact, the MSMEs must adopt new innovative work behavior to sustainably develop their businesses. This innovative work behavior refers to the introduction and implementation of new ideas that will benefit all parties in the organization. It is demonstrated by the development of new technology, the recommendation of new strategies for achieving goals, and the acquisition of support and resources to execute those new ideas (Kheng, June, & Mahmood, 2013). It does not only require new ideas, desires, and actions to execute, but also the willingness to adopt these ideas (Pradana & Suhariadi, 2020). Individuals who continue to generate new ideas are more likely to be more innovative, which eventually affect the business development.

Individuals' levels of innovative ability may vary. Not all individuals have the capability to innovate. Their understanding about products, manufacturing procedures, marketing strategies, and other supporting knowledge contributes to their innovative ability. To this extent, knowledge-sharing behavior has an important role in the innovative work behavior (Lin, 2014). This behavior allows information to be shared, implemented, and developed. On the other hand, it can stimulate individuals to think more critically and creatively, resulting in new knowledge that might be valuable for their business development.

Another critical aspect of developing the innovative work behavior is the individual's self-efficacy – a belief in their ability to complete their task successfully. This concept is directly related to self-evaluation of one's ability to complete the tasks or adapt to numerous conditions. Individuals with a strong self-efficacy tend to have a high self-confidence. They understand how to do their tasks with top performance. A previous study had suggested that the self-efficacy influences desired work accomplishment (Bandura, 2012). The researcher also explained that the self-efficacy is thought to affect task selection, efforts, persistence, happiness, and achievement. Recently, scholars had reported a positive relationship between the self-efficacy and innovative work behavior (Ejiroghene, Iwighrevero, & President, 2023).

In the context of MSMEs, the self-efficacy drives the innovative work behavior of MSME actors. They can learn this behavior through knowledge-sharing processes, believing that the knowledge would help them innovate. This is intended to stimulate the innovative work behavior

in product development, administrative processes, marketing strategies, and other activities that can increase the MSMEs' sales.

To improve the innovative work behavior and the outputs, an organization must be supported by human resources who exhibit the innovative work behavior. In the workplace context, the innovative work behavior can be demonstrated in carrying out tasks or individual work that is effective and beneficial to the workplace environment. Many scholars explained that fostering this behavior would boost the human resource performance. In addition, the work performance has also been found to be positively and significantly affected by the innovative work behavior (Al Wali, Muthuveloo & Teoh, 2022; Al Wali, Muthuveloo, Teoh & Al Wali, 2023; Kim & Koo, 2017; Nasir, Halimatussakdiah, Suryani, Zuhra, Armia, & Mahdani, 2019; Santoso, Elidjen, Abdinagoro, & Arief, 2019; Tang, Wang, Zheng, Luo, & Wu, 2020; Vuong, Tushar, & Hossain, 2022).

Several determinants of innovative work behavior are levels of creative self-efficacy (Abdullah, Wahab, & Shamsuddin, 2019; Akbari, Bagheri, Imani, & Asadnezhad, 2021; Al Wali *et al.*, 2022; Bagheri, Akbari, & Artang, 2022; Javed, Fatima, Khan, & Bashir, 2021; Liu, Gao, Xing, Xu, Wang, & Yu, 2022; Namono, Obanda, Ayebale, Isiagi, & Wofuma, 2022; Oppi, Bagheri, & Vagnoni, 2020; Santoso *et al.*, 2019) and dynamic capabilities of human resources (Al Wali *et al.*, 2023). The creative self-efficacy refers to individuals' belief in their competence to create something creative (Alvarez-huerta, Muela, & Larrea, 2022). On the other hand, the human resources' dynamic capability can be defined as individual sensitivity and adaptability to environmental changes, problem-solving ability in the workplace, and continuous personal development potential (Bieńkowska & Tworek, 2020).

Further, the creative self-efficacy has a direct and significant relationship with human resource performance (Abdullah *et al.*, 2019; Santoso *et al.*, 2019). Similarly, the dynamic capability also provides a one-way effect in improving the human resource performance (Al Wali *et al.*, 2023; Bieńkowska & Tworek, 2020). Empirical evidences from earlier researches show that the innovative work behavior is a mediating variable on the indirect influence of creative self-efficacy on the human resource performance (Al Wali *et al.*, 2022; Santoso *et al.*, 2019) and dynamic capabilities on human resource performance (Al Wali *et al.*, 2023).

Although West Kalimantan Province has a considerable number of MSMEs, not all of them perform well.. The survey found that there were several complaints from MSME actors, especially regarding the difficulty of developing their businesses following the COVID-19 pandemic. In today's highly competitive business environment, innovation must continue. If the MSME actors exhibit the innovative work behavior in running their business, the innovation will follow. The MSME players feel less confident in their ability to be creative, and they believe that they are slow to respond to the changes in the business environment. The changes in the business environment during the COVID-19 pandemic could not be addressed immediately as it took time to adapt. Likewise, when the COVID-19 pandemic ended, many MSME players would be concerned about how to develop their businesses in the face of fierce business competition due to the volatile economic situation.

This present study aims to examine the effect of creative self-efficacy and dynamic capability on the innovative work behavior of MSME players, as well as examining the influence of creative self-efficacy, dynamic capability and innovative behavior of MSME players on the performance of MSMEs in West Kalimantan Province.

Previous researches had been conducted to analyze the influence of creative self-efficacy on innovative behavior. These researches had also been investigated in different contexts, such as on lecturers and researchers (Namono *et al.*, 2022; Liu *et al.*, 2022), business leaders and managers of information and communication technology SMEs (Akbari *et al.*, 2021), health industry (Al Wali *et al.*, 2022; Oppi *et al.*, 2020), Pakistan SMEs (Javed *et al.*, 2021), Indonesian telecommunication companies' top management (Santoso *et al.*, 2019), and Malaysian manufacturing companies (Abdullah *et al.*, 2019). Most of them agreed that the creative self-efficacy has a positive and significant effect on the innovative work behavior.

In the context of the influence of dynamic capabilities on the innovative work behavior, a previous study by Al Wali *et al.* (2023) examined 173 doctors working in public hospitals in Baghdad, Iraq. They found that the dynamic capabilities of human resources have a positive and significant effect on the innovative work behavior.

Furthermore, on the influence of creative self-efficacy on the MSME performance, most of the previous studies had also found a positive and significant effect in different research settings. For example, Oppi *et al.* (2020) and Al Wali *et al.* (2022) conducted a research in the health clinic and hospital industry, Bagheri *et al.* (2022) investigated knowledge-based company human resources, Santoso *et al.* (2019) explored the managerial level employees from telecommunications companies in Indonesia, and Abdullah *et al.* (2019) studied the employees of manufacturing companies in Malaysia. In addition, Abdullah *et al.* (2019) and Santoso *et al.* (2019) found that apart from having a positive and significant effect on the innovative work behavior, the self-efficacy also has a positive and significant effect on the human resource performance.

In addition, the dynamic capability of human resources has also been found to have a significant effect on their performance. Bieńkowska & Tworek (2020) investigated company managers in Italy and found similar finding.

Similarly, the innovative work behavior is found to have a positive and significant effect on the human resource performance. Comparably, several researchers had previously examined it in different contexts. The researches had been conducted by Tang *et al.* (2020) on construction project employees in China, Al Wali *et al.* (2023) on doctors working in public hospitals in Baghdad, Nasir *et al.* (2019) on teaching staff, and Kim & Koo (2017) on customer service human resources (customer-contact employees) and assistant managers of five-star hotels in South Korea.

The relationships between creative self-efficacy, dynamic capabilities and innovative work behavior have been widely explored with different research objects, including teaching staff, researchers, manufacturing company employees, doctors and hospital employees, as well as employees in small businesses. This present study attempts to analyze the variables on the actors of MSMEs in West Kalimantan Province. Specifically, this study also assesses the MSME performance based on several indicators including sales growth, profit growth, asset growth and customer growth – which are in contrast to previous studies which measured human resource / individual performance (Amage, Rinthaisong, & Songsom, 2014; Khan, Khalique, & Nor, 2014).

2. THEORETICAL FRAMEWORK AND EMPIRICAL STUDIES

The creative self-efficacy is an extension of self-efficacy concept. The self-efficacy refers to the individuals' belief in their ability plan and carry out necessary actions to achieve their goals

(Bandura, 2012). Alvarez-huerta, Muela, & Larrea (2022) described it as the individuals' belief in their ability to make something creative. The creative self-efficacy can improve creativity through providing internal support that helps individuals in the organization stay on track in the face of developing creative challenges. Namono *et al.* (2022) proposed the creative self-efficacy as the belief in one's ability to generate and develop new ideas, have confidence in solving issues and finding answers, work effectively, and seek for new ideas. This aspect is determined by several factors, such as shared leadership (Liu *et al.*, 2022), entrepreneurial leadership (Akbari *et al.*, 2021; Bagheri *et al.*, 2022), inclusive leadership (Javed *et al.*, 2021) and knowledge obtained through experiences and emotional activities (Dampérat, Jeannot, Jongmans, & Jolibert, 2016).

The concept of dynamic capability is one of an organization's dynamic capabilities. It is essential for all employees, not only leaders (Bieńkowska & Tworek, 2020). Bieńkowska & Tworek (2020) identified four dimensions of the human resource dynamic capability: (1) the ability to be responsive to environmental changes - encompasses the skills to see changes and identify risks and opportunities that might affect their performance at the workplace; (2) the ability to adapt to changes – the skills required to prevent problems from happening; (3) the ability to solve problems in the workplace – explained that being proactive during work can also be considered as innovation; and (4) the ability to develop and learn sustainably.

According to Oppi *et al.* (2020), the innovative work behavior refers to an employee's ability to adopt and implement new ideas for the firm's products or work practices. Additionally, it can be used to adapt to the current situation, identify opportunities inside and outside of the organization, and then adopt them within the organization. Tang, Shao, & Chen (2019) argued that the employee's innovative behavior contributes to the organization as it helps them develop ideas and find solutions. It is applicable to relevant products, services, and procedures. In their research, this behavior is typically defined as the employee overall performance in the creative search process, which includes the creation, application, and success in implementing new technologies, processes, techniques, or products. Therefore, they must produce useful products or services.

The innovative work behavior can also be explained as the creation, identification, and implementation of new ideas at work, in a group, or organization to improve individual performance (Abun, Macaspact, Valdez, & Julian, 2023). This definition limits the innovative work behavior solely to the deliberate efforts to produce a beneficial novel result. The innovation has a positive impact on the organizations and provides social and psychological benefits to the individuals or groups within the organization, such as increasing the work demand-human resource match, job satisfaction, and interpersonal communication.

Furthermore, the innovation is such a gradual process. Individual behavior and activities often differ between stages. However, because the activities' characteristics are not necessarily sequential, the individuals can exhibit a variety of these behaviors at the same time. De Jong & Den Hartog (2010) expressed that the innovative work behavior has four dimensions: idea exploration, idea generation, idea championing, and idea implementation.

On the other hand, business performance is the overall work result achieved compared to the predetermined work results, targets, and criteria in a business entity based on the predetermined legal assets and turnover criteria (Yulina, Mandiangan, & Azizah, 2021). In the context of MSME, the MSME performance is related to cost, finance, quality, time, flexibility, reliability of delivery, security, customer satisfaction, employee satisfaction, social responsibility and growth and

development. Employee performance Labor diversity, freedom of association, child labour, turnover rate, absenteeism, compensation & benefits; performance/community involvement, skills transfer, technology transfer, complaints, community reinvestment, philanthropy, taxes (Sampe, 2022). Previous researches by Dhamayantie (2017) and Khan *et al.* (2014) measured the MSME performance based on sales growth, profit growth, asset growth and customer growth.

Creative Self-efficacy and Innovative Work Behavior

Multiple studies examining the relationship between creative self-efficacy and innovative work behavior have shown a noticeable effect between these two constructs. For instance, Namono *et al.* (2022) discovered that the creative self-efficacy positively and significantly affects the innovative work behavior. Besides serving as a mediator between shared leadership and innovative work behavior, Liu *et al.* (2022) argued that the creative self-efficacy provides a positive and significant effect on such behavior. Similar findings were also reported by Al Wali *et al.* (2022) and Bagheri *et al.* (2022), indicating that the creative self-efficacy has a positive and significant effect on the innovative work behavior. In their research, they found that the critical self-efficacy variable can serve as a predictor for the value of innovative work behavior. Bagheri *et al.* (2022) also published their research with similar findings. They confirmed the hypothesis that the creative efficacy, both self and collective efficacy, can provide positive and significant influences for the innovative work behavior.

Besides having a mediating role between entrepreneur leadership and innovative work behavior, Akbari *et al.* (2021) found that the creative self-efficacy directly provides a positive and significant influence on the innovative work behavior. A research by Oppi *et al.* (2020) showed that the creative self-efficacy affects the innovative work behavior by creating and implementing new ideas related to the individual's responsibilities at work. Finally, other scholars, such as Abdullah *et al.* (2019) and Santoso *et al.* (2019), also recorded the creative self-efficacy's positive, significant effect on the innovative work behavior. Therefore, the first hypothesis that can be proposed is as follows:

H1: Creative self-efficacy has a positive and significant effect on the innovative work behavior.

Creative Self-efficacy and MSME Performance

Previous researches have confirmed that the creative self-efficacy and business performance are closely related. Santoso *et al.* (2019) mentioned that the creative self-efficacy positively and significantly affects the performance of employees at the organizations. This finding is identical to that of Abdullah *et al.* (2019) who recommended the creative self-efficacy as one of the aspects that must be taken into consideration by the organization leaders before the employee recruitment process. Current employees must be encouraged to maintain and improve this skill. As a result, the second hypothesis that can be proposed is as follows:

H2: Creative self-efficacy has a positive and significant effect on the MSME performance.

Dynamic Capability and Innovative Work Behavior

Al Wali *et al.* (2023) showed an empirical evidence regarding the relationship between the dynamic capability of human resources and innovative work behavior. Statistically, these two variables have a positive and significant relationship. In other words, the creative self-efficacy can

predict the innovative work behavior at the workplace. Thus, the third hypothesis that can be proposed is as follows:

H3: Dynamic capability has a positive and significant effect on the innovative work behavior.

Dynamic Capability and MSME Performance

Al Wali *et al.* (2023) and Bieńkowska & Tworek (2020) have confirmed the role of dynamic capability in determining the performance of human resources. It is specially relevant to the employees at the organizations when they are dealing with a dynamic work environment. This fast-changing environment insists them to carry out their tasks more efficiently. Similarly, other researchers agreed that the dynamic capability of human resources can positively and significantly affect their performance. For this reason, the fourth hypothesis that can be proposed is as follows:

H4: Dynamic capability has a positive and significant effect on the MSME performance.

Innovative Work Behavior and MSME Performance

Like other variables, scholars have extensively investigated how the innovative work behavior affects the MSME performance. Vuong *et al.* (2022) found a positive and significant effect between the two. Al Wali *et al.* (2022) also explained that behavior mediates the relationship between the two and between modest leadership and the human resources' performance. This finding is similar to previous researches (Kim & Koo, 2017; Santoso *et al.*, 2019; Tang *et al.*, 2020) which found a similar relationship between these two variables.

It is believed that the more positive the innovative work behavior is better, the higher the business performance (Sumail & Abdullah, 2019). Ramdani, Belaid, & Goutte (2023) studied the contribution of innovation to the export volume of small businesses. They expressed the relationship between the degree of novelty of innovation (gradual vs extreme innovation) and the product exports. They also concluded that the more innovative the employees / organizations, the stronger the existing entrepreneurial strategy. The smaller businesses have exported more than non-innovative ones, and the more radical the innovation, the more products are exported. Further, de Guinea & Raymond (2020) emphasized the role of innovative development in SMEs in order to increase their competitiveness. Small, medium, and large firms can achieve high levels of innovation activities by synchronizing the stages of innovation processes to keep the business running. Furthermore, the quality of human resources in a business can serve as a principle to increase the business performance and to maintain its business continuity (Anwar & Abdullah, 2021). Hence, the fifth hypothesis that can be proposed is as follows:

H5: Innovative work behavior has a positive and significant effect on the MSME performance.

Creative Self-Efficacy, Innovative Work Behavior, and MSME Performance

Empirical evidence indicates a relationship between the creative self-efficacy and the performance of human resources through the innovative work behavior. In their current research, Al Wali *et al.* (2022) found that it affects the human resource performance, with the innovative work behavior serving as an intervening variable.

In addition, Santoso *et al.* (2019) revealed that the creative self-efficacy indirectly influences the human resource performance through the innovative work behavior. This mediated influence was found more significant than the direct influence of creative self-efficacy on the human resource performance. Accordingly, the sixth hypothesis that can be proposed is as follows:

H6: Creative self-efficacy has an indirect effect on the MSME performance through the innovative work behavior.

Dynamic Capability, Innovative Work Behavior, and MSME Performance

Based on empirical reviews, there is a relationship between the dynamic capability and MSME performance through the innovative work behavior. Al Wali *et al.* (2023) identified that the innovative work behavior has a positive mediating effect on the dynamic capability through the innovative work behavior. The higher the dynamic capability and innovative work behavior, the higher the overall MSME performance. Finally, the last hypothesis that can be proposed is as follows:

H7: The MSME actors' dynamic capability has an indirect effect on the MSME performance through the innovative work behavior.

3. RESEARCH METHODS

This study was done quantitatively. The total population included 195,022 MSMEs in West Kalimantan Province, Indonesia. In this study, the population was divided into strata to ensure that the sample was representative of the population and to avoid bias. There was a total of 100 respondents involved and selected using a stratified random sampling method. The sample size was determined using of the criteria proposed by Wong (2013), who stated the partial least square (PLS) method required at least 30-100 samples. The following Table 2 presents the total samples taken in each regency / city in West Kalimantan Province.

Table 2. Total Samples in Each Regency/City

No.	Regency/City	Total Population	Sample
1.	Sambas Regency	18.286	3
2.	Bengkayang Regency	5.767	5
3.	Landak Regency	34.533	4
4.	Mempawah Regency	17.199	5
5.	Sanggau Regency	3.971	5
6.	Ketapang Regency	9.107	17
7.	Sintang Regency	17.081	2
8.	Kapuas Hulu Regency	9.927	9
9.	Sekadau Regency	6.383	9
10.	Melawi Regency	4.326	2
11.	Kayong Utara Regency	7.698	3
12.	Kubu Raya Regency	9.944	9
13.	Pontianak City	41.857	22
14.	Singkawang City	9.793	5
	Total	195.022	100

Source: Processed data (2023)

The data was collected through questionnaires which elaborated on 4 variables, including the creative self-efficacy, dynamic capability, innovative work behavior, and MSME performance. These variables were measured using a variety of indicators. The creative self-efficacy indicators included the belief to produce and develop new ideas, the confidence in problem-solving and discovering new solutions, the ability to carry out tasks well, and the ability to generate new ideas (Namono *et al.*, 2022). Meanwhile, the dynamic capability was measured based on the sensitivity to changes, the ability to adapt to changes, the skills in problem-solving and innovative approaches, and the ability to self-development (Bieñkowska & Tworek, 2020). The innovative work behavior

was measured by the ability to explore, generate, champion, and impleement ideas (De Jong & Den Hartog, 2010). Finally, the MSME performance was measured by sales growth, profit growth, asset growth and customer growth (Khan *et al.*, 2014). Overall, the questionnaire was measured using a five-point Likert Scale, with 1 being 'highly disagree' and 5 being 'highly agree'. Then, the data was analyzed using the partial least square – structural equation modeling (PLS-SEM) method based on components or variance to confirm a theory and explain whether there was a relationship between latent variables. The following Figure 1 illustrates the conceptual framework.

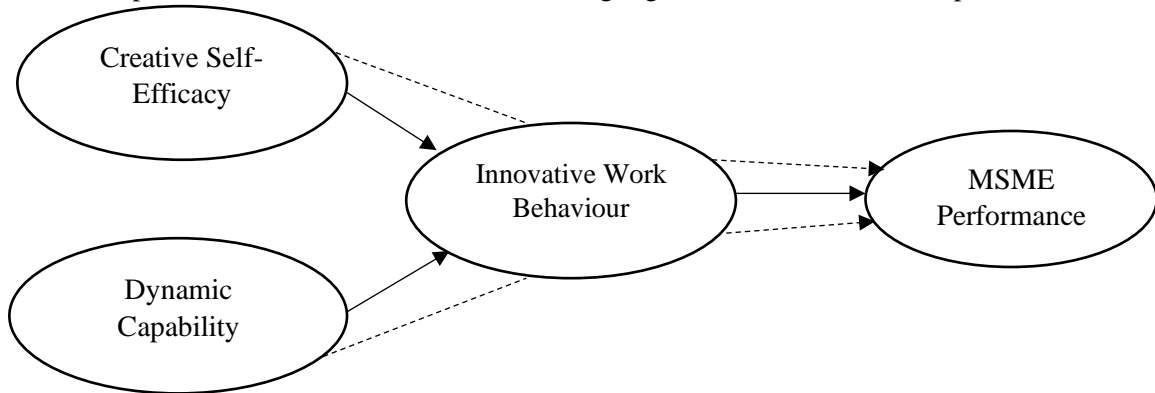


Figure 1. Conceptual Framework

4. DATA ANALYSIS AND DISCUSSIONS

This study investigated 100 MSMEs spread across 14 regencies / cities in West Kalimantan Province. The selected MSMEs were chosen only if they had operated for at least five years. The following Table 3 presents the respondent (MSME actors) profile based on their gender, age, business category, and latest education.

Table 3. Respondent Profile

Characteristic		Total	Percentage (%)
Gender	Male	56	50
	Female	44	50
Age	< 25 years old	12	12
	25-35 years old	30	30
	36-45 years old	43	43
	46-55 years old	15	15
Business Category	Culinary	35	35
	Laundry	21	21
	Grocery store	15	15
	Fashion/ Tailoring	7	7
	After-school Tutoring	2	2
Latest Education	Beauty	20	20
	Junior high school	5	5
	Senior high school	64	64
	Bachelor	31	31

Source: Processed data (2023)

In order to measure the outer model with reflective indicators, this research conducted several tests, such as outer loadings, discriminant validity, composite reliability (CR), average variance extracted (AVE), and Cronbach's Alpha. Table 4 below presents the results of the outer loading analysis.

Table 4. Results of Outer Loading Analysis

Indicator	Loading factor	Conclusion
Creative Self-Efficacy		
ED1	0.778	Valid
ED2	0.836	Valid
ED3	0.881	Valid
ED4	0.812	Valid
ED5	0.766	Valid
ED6	0.733	Valid
Dynamic Capability		
KD1	0.799	Valid
KD2	0.834	Valid
KD3	0.809	Valid
KD4	0.836	Valid
KD5	0.835	Valid
KD6	0.881	Valid
Innovative Work Behavior		
PI1	0.826	Valid
PI2	0.852	Valid
PI3	0.851	Valid
PI4	0.758	Valid
PI5	0.827	Valid
PI6	0.766	Valid
PI7	0.856	Valid
PI8	0.859	Valid
PI9	0.894	Valid
PI10	0.898	Valid
MSME Performance		
KU1	0.951	Valid
KU2	0.939	Valid
KU3	0.921	Valid
KU4	0.937	Valid

Source: Processed data (2023)

The results demonstrate that the variables studied are developed based on a combination of prominent indicators. For example, indicator ED1 is the most prominent indicator of creative self-efficacy with a loading factor of 0.881. Indicator KD6 is the most dominant indicator of dynamic capability with a loading factor of 0.881. PI10 is the most dominant indicator of innovative work behavior with a loading factor of 0.898. Meanwhile, KU1 is the most dominant indicator of MSME performance with a loading factor of 0.951. Further, the Cronbach's alpha, CR and AVE values can be seen in the following Table 5:

Table 5. Cronbach's Alpha, CR and AVE Values

	Cronbach's Alpha	Rho_A	CR	AVE
Creative Self-Efficacy	0.889	0.897	0.915	0.644
Dynamic Capability	0.911	0.912	0.931	0.693
MSME Performance	0.954	0.954	0.966	0.878
Innovative Work Behavior	0.953	0.956	0.960	0.705

Source: Processed data (2023)

Table 5 shows that the Cronbach's Alpha values for all variables are higher than 0.7, suggesting that they are reliable. Similarly, the CR values for all variables are also higher than 0.7, categorizing them into a high-reliability level. In addition, the AVE values for all variables are also higher than 0.5, indicating that they are valid by comparing the correlation of one item with another. The results of Fornell-Larcker criterion and cross loading factor analysis can be seen in the following Table 6 and Table 7, respectively:

Table 6. Fornel-Lacker Criterion

	Creative Self-Efficacy	Dynamic Capability	MSME Performance	Innovative Work Behavior
Creative Self-Efficacy	0.833			
Dynamic Capability	0.750	0.873		
MSME Performance	0.823	0.757	0.937	
Innovative Work Behavior	0.802	0.865	0.907	0.840

Source: Processed data (2023)

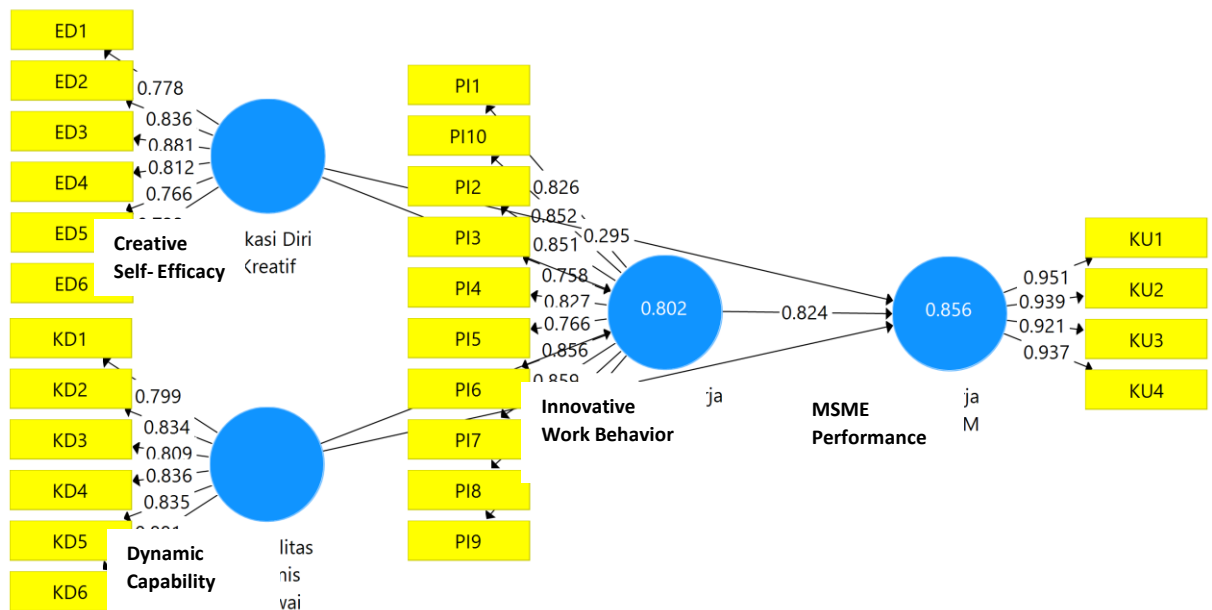
Table 7. Cross Loading Factor

	Creative Self-Efficacy	Dynamic Capability	MSME Performance	Innovative Work Behavior
ED1	0.778	0.556	0.669	0.666
ED2	0.836	0.644	0.634	0.627
ED3	0.881	0.673	0.800	0.764
ED4	0.812	0.550	0.633	0.607
ED5	0.766	0.578	0.624	0.606
ED6	0.733	0.607	0.573	0.567
KD1	0.765	0.799	0.659	0.699
KD2	0.694	0.834	0.625	0.678
KD3	0.682	0.809	0.636	0.701
KD4	0.506	0.836	0.585	0.691
KD5	0.556	0.835	0.636	0.756
KD6	0.549	0.881	0.639	0.791
KU1	0.785	0.717	0.951	0.846
KU2	0.769	0.718	0.939	0.870
KU3	0.759	0.719	0.921	0.839
KU4	0.771	0.684	0.937	0.844
PI1	0.570	0.783	0.656	0.826
PI10	0.685	0.720	0.818	0.852
PI2	0.588	0.778	0.676	0.851
PI3	0.558	0.658	0.639	0.758
PI4	0.569	0.812	0.646	0.827
PI5	0.749	0.654	0.784	0.766
PI6	0.759	0.692	0.832	0.856
PI7	0.710	0.753	0.755	0.859
PI8	0.758	0.730	0.877	0.894
PI9	0.744	0.707	0.883	0.898

Source: Processed data (2023)

Table 6 and Table 7 show similar results that the variables' correlation value to itself is greater than the correlation with other variables. Therefore, it could be concluded that the variables'

indicators are valid. Further, the results of PLS-SEM analysis using SmartPLS 3.0 can be seen in the following Figure 2:



Source: SmartPLS Output (2023)

Figure 2. Structural Model

After analyzing, the coefficient value between exogenous and endogenous variables was identified. Figure 2 shows structural model equations as follow:

$$\text{Innovative Work Behavior} = 0.349 \text{ Creative Self-eficacy} + 0.603 \text{ Dynamic Capability}; R^2 = 0.802$$

$$\text{MSME Performance} = 0.295 \text{ Creative Self-eficacy} + 0.178 \text{ Dynamic Capability} + 0.824 \text{ Innovative Work Behavior}; R^2 = 0.856$$

In order to assess the inner model, this research employed the coefficient of determination (R-squared), predictive relevance (Q-squared), and goodness of fit index (GoF). The coefficient of determination values can be seen in Table 8 below.

Table 8. Determination Coefficient

Relationship	R-Squared
Creative Self-Efficacy, Dynamic Capability → Innovative Work Behavior	0.802
Creative Self-Efficacy, Dynamic Capability, Innovative Work Behavior → MSME Performance	0.856

Source: Processed data (2023)

According to Table 8, the first model's coefficient of determination (R-squared) indicates that the creative self-eficacy and dynamic capability have an effect on the innovative work behavior for 0.802. This suggested that the innovative work behavior is influenced by the creative self-eficacy and dynamic capability by 80.2%. Meanwhile, the rest 19.8% was influenced by other variables not included in the research. In the second model, the coefficient of determination (R-squared) value is 0.856, indicating that the MSME performance is influenced by the creative self-eficacy, dynamic capability, and innovative work behavior by 85.6%. Meanwhile, the rest 14.4% was influenced by other variables not included in the research.

Table 9. Effect Size

Exogenous Variable	Endogenous Variable	F-Squared	Conclusion
Creative Self-Efficacy	Innovative Work Behavior	0.270	Large effect
Dynamic Capability	Innovative Work Behavior	0.806	Large effect
Creative Self-Efficacy	MSME Performance	0.209	Large effect
Dynamic Capability	MSME Performance	0.053	Small effect
Innovative Work Behavior	MSME Performance	0.932	Large effect

Source: Processed data (2023)

Table 9 shows the effect size of the data. The F-squared values indicated the effect size or the proportion of exogenous to endogenous variable diversity. The value was classified as small, medium, and large if the F-squared value is between 0.02 – 0.15, 0.15 – 0.30, and ≥ 0.30 , respectively. The following Table 10 presents the evaluation of goodness of fit.

Table 10. Goodness of Fit Evaluation

Goodness of Fit Criteria	Estimated Model	Conclusion
SRMR	0.081	Fit

Source: Processed data (2023)

According to Wong (2013), the Standardized Root Mean Squared Residual (SRMR) value was critical to assess the outer model fit. The model would be considered fit if the SRMR value is < 0.15 . In this research, the value of SRMR is 0.081, suggesting that the equation and structural model had met the standard and were feasible to use for further analysis. The following Table 11 presents the predictive relevance analysis.

Table 11. Predictive Relevance Analysis

	SSO	SSE	Q ² (=1-SSE/SSO)
Creative Self-Efficacy	600,000	600,000	
Dynamic Capability	600,000	600,000	
MSME Performance	400,000	103,534	0.741
Innovative Work Behavior	1000,000	453,137	0.547

Source: Processed data (2023)

The result of the Q-squared calculation indicates the data variance that could be explained by the first model (0.547) and the second model (0.741). For that reason, the effect of both models could be categorized as large (≥ 0.35).

After performing these tests, the hypotheses proposed were tested. The hypothesis testing explained the effect of one latent variable on the other latent variables. An effect would be considered significant when the p-value is smaller than 0.05, and vice versa. The results of hypothesis testing, especially the direct effect, can be seen in the following Table 12.

Table 12. Results of Hypothesis Testing (Direct Effect)

	Original Sample (O)	Standard Deviation (STDEV)	T-Statistics (O/STDEV)	P-Value
Creative Self-Efficacy -> MSME Performance	0.295	0.079	3.756	0.000
Creative Self-Efficacy -> Innovative Work Behavior	0.349	0.073	4.811	0.000
Dynamic Capability -> MSME Performance	0.178	0.111	1.599	0.111
Dynamic Capability -> Innovative Work Behavior	0.603	0.066	9.092	0.000
Innovative Work Behavior -> MSME Performance	0.824	0.103	8.022	0.000

Source: Processed data (2023)

The results show that the creative self-efficacy has a positive and significant effect on the innovative work behavior, represented by a bigger value of T-statistics than the critical value ($4.811 > 1.960$) and a smaller p-value than α ($0.000 < 0.05$), supporting H1. The individuals with high creative self-efficacy would believe in themselves to manage their motivation and abilities when carrying out a series of tasks, or when confronted with certain challenges in order to achieve their goals. The MSME actors who were confident in their creativity would continue to think and strive to create something unique. A study by Oppi *et al.* (2020) had also found similar findings. This was closely related to the ability to create and implement new ideas - the determinants of innovative work behavior. In addition, earlier researches (Al Wali *et al.*, 2022; Bagheri *et al.*, 2022; Liu *et al.*, 2022; Namono *et al.*, 2022) had also confirmed that the creative efficacy, both self and collective, positively and significantly affected the innovative work behavior.

In addition, this study also confirms the positive and significant effect of creative self-efficacy on MSME performance, supporting H2. Its T-statistics is bigger than the critical value ($3.756 > 1.960$), while the p-value is smaller than α ($0.000 < 0.05$). This finding suggests that the individuals with high self-efficacy were quite confident in their ability to complete the tasks. In other words, they were capable of dealing with the workplace challenges. In the context of MSME actors, those with high creative self-efficacy were also more confident in expanding their businesses. They could relatively overcome the challenges that might hamper their businesses. They were more confident in the knowledge and skills they had in running their business, handle the problems, and achieve a high performance despite of the problems. Similar findings had been reported by earlier scholars (Abdullah *et al.*, 2019; Santoso *et al.*, 2019).

Further, the third hypothesis can also be supported empirically. This study confirms that the dynamic capability has a positive and significant effect on the innovative work behavior. Its T-statistics is higher than the critical value ($9.902 > 1.960$), and the p-value is smaller than α ($0.000 < 0.05$). The MSME actors' sensitivity to environmental changes, as well as their ability to adapt and solve problems in their business could help them in seeking the opportunities inside or outside of the organization. Additionally, it also influenced their decision to adopt the new ideas to their current situations. In the dynamic business world, the MSME actors must have the dynamic capability to generate new ideas to respond to the changes. This finding aligns with a study by Al Wali *et al.* (2023).

However, this study fails to find the positive and significant effect of dynamic capability on the MSME performance, thus rejecting H4. It is because the T-statistic value is smaller than the critical value ($1.599 < 1.960$), with a bigger p-value than α ($0.111 > 0.05$). Increasing the MSME performance was not dependent on the MSME actors' dynamic capability, but rather on the management of resources within the MSMEs. A high level of MSME actors' dynamic capability would not guarantee a positive MSME performance when the resources were not well-maintained. This finding contrasts the earlier researches (Al Wali *et al.*, 2023; Bienkowska & Tworek, 2020).

Furthermore, the results of this study are able to confirm the positive and significant effect of innovative work behavior on the MSME performance. It has a bigger T-statistics than the critical value ($8.022 > 1.960$), and the p-value is smaller than α ($0.000 < 0.05$). The higher the MSME actors' innovative work behavior demonstrated by finding the new opportunities in the market, new ideas for solving problems, new ways of working, and new ways of improving product quality, the higher the MSME performance would be. de Guinea & Raymond (2020) emphasized that the

innovation was vital to the MSMEs to win the market competition. Innovative products could increase the customers' willingness to purchase the products. Therefore, the MSME actors must keep innovating to increase their MSME performance. This finding is in line with researches by Ramdani *et al.* (2023) and Sumail & Abdullah (2019). The following Table 13 presents the results of H6 and H7:

Table 13. Results of Hypothesis Testing (Indirect Effect)

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Creative Self-efficacy -> Innovative Work Behavior -> MSME Performance	0.288	0.071	4.078	0.000
Dynamic Capability -> Innovative Work Behavior -> MSME Performance	0.497	0.080	6.205	0.000

Source: Processed data (2023)

Based on Table 13, the effect of creative self-efficacy on the MSME performance through the innovative work behavior has a larger T-statistics than the critical value ($4.078 > 1.960$). At the same time, the p-value is smaller than α ($0.000 < 0.05$). For that reason, H6 can be supported empirically, suggesting that the creative self-efficacy has a positive and significant effect on increasing the MSME performance through the innovative work behavior. Al Wali *et al.* (2022) and Santoso *et al.* (2019) revealed that the creative self-efficacy affected the human resource performance, with the innovative work behavior serving as the mediating variable.

Similarly, this study supports the last hypothesis empirically by proving that the effect of dynamic capability on the MSME performance through the innovative work behavior has a higher T-statistics than the critical value ($6.205 > 1.960$) and the p-value is smaller than α ($0.000 < 0.05$). Al Wali *et al.* (2023) had also proven that the innovative work behavior had a positive mediating effect on the impact of human resource dynamic capability on the business performance. The higher the dynamic capability and innovative work behavior, the higher the business performance would be.

In the context of this study, it could be noted that the MSME actors' innovative work behavior was highly crucial to recover their businesses from the decline caused by the COVID-19 pandemic. The MSME actors must be confident in their ability to develop the innovative work behavior. Following the COVID-19 pandemic, there were numerous changes in the MSMEs. The MSME actors must be able to adapt to these changes in order to foster the innovative work behavior and create new products for the customers. The government could support the MSME actors' efforts to develop their business not only in the form of capital and infrastructure, but also in building their creative self-efficacy and innovative work behavior through entrepreneurship trainings. The government could also intervene as a policy maker in the interest of MSMEs by implementing certain policies that benefit them.

5. CONCLUSIONS, SUGGESTIONS, AND LIMITATIONS

Based on the results of this study, it can be concluded that the creative self-efficacy has a positive and significant effect on both the innovative work behavior and MSME performance. However, the dynamic capability only has a positive and significant effect on the innovative work behavior. Further, the innovative work behavior also has a positive and significant effect on the

MSME performance. In addition, the innovative work behavior is able to mediate the effect of both creative self-efficacy and dynamic capability on the MSME performance. These findings suggest that the innovative work behavior is crucial to increase the MSME performance. The MSMEs are urged to stimulate their own innovative work behavior through relevant trainings and knowledge-sharing from fellow MSME actors engaging in the same or different sectors. Future researches are suggested to explore other independent variables that can enhance the innovative work behavior among the MSME actors and the influence of knowledge sharing in increasing the innovative work behavior. In addition, future researchers are also suggested to increase the population size to obtain more generalizable results.

This article proposes and empirically validates the innovative work behaviour as a strategy for influencing the business performance through the creative self-efficacy and dynamic capability. The dynamic capability have an indirect effect on the business performance, as the innovative work behavior changes the management of resources required to develop the business performance. However, this study has several limitations, mainly because this study only specifically investigated the MSMEs in West Kalimantan Province. In addition, considering that the MSME actors lived in remote regencies / cities, not all questionnaires were completed and interviews were not feasible.

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