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Internal Factors of Entrepreneurial and Business Performance of MSMEs in East Java, Indonesia

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Abstract

Objective: This empirical study aims to analyze the direct and indirect impacts of internal entrepreneurial factors that can affect the business performance (B.P.) of MSME owners, identified from previous research studies from various countries, including entrepreneurial self-efficacy (ESE), entrepreneurial motivation (E.M.), entrepreneurial leadership (E.L), and innovative work behavior (IWB) by taking the research objects of MSME owners in East Java.

Design/Methods/Approach: The research method is a quantitative method using descriptive statistical analysis and structural equation model. Samples are taken with uncontrolled quota sampling techniques. The research data was collected by distributing questionnaires online with the G.F. application and offline. The total respondents were 575 MSME owners.

Findings: The results of testing the influence of internal entrepreneurial factors on B.P. showed that: ESE, E.M., and E.L. positively affected significantly on B.P., while IWB had no significant effect on B.P. Other test results showed that: 1) ESE positively affects E.M.; 2) E.L. positively affects IWB; 3) E.M. partially mediates the influence of ESE on B.S.; 4) IWB does not mediate the influence of E.L. on BP.

Originality: This paper contributes to the development of research on internal entrepreneurial factors that affect the level of resilience and performance of MSMEs in East Java during the Covid-19 pandemic, such as ESE, E.M., and E.L. This study also shows the positive and significant influence of E.L. on IWB in MSME owners in East Java.

Practical/Policy implication: The condition of a very dynamic and competitive business environment in the new society 5.0, E.L and IWB in MSME owners needs to be improved, because these two variables have a strategic role for business sustainability, business success, and business growth. ESE acts as the dominant predictor for B.P. in MSMEs and has a significant positive impact on E.M., so the need for strong emphasis on MSME actors in this ESE, because with a high ESE in MSME owners, it is expected to increase the sense of ESE and motivation of work in their employees in helping to achieve B.P.

Keywords: Business Performance, Entrepreneurial Leadership, Innovative Work Behavior

JEL Classification: L26

1. Introduction

One of the pillars of the economy in Indonesia that plays a role in economic growth is small and medium-sized micro enterprises (MSMEs). SMEs are highly heterogeneous economic units with varying levels of complexity (International Labour Organization (ILO), 2021). MSMEs empowerment is related to efforts to improve community welfare and regional development by exploring the potential of MSMEs in related areas. MSMEs help the Indonesian economy because they are able to form new jobs and increase the country's foreign exchange through business entity taxes. The advantages of MSMEs are that the owner is free to act and make decisions, the owner generally has a direct role in running the business and every business that is run is tailored to the needs of the local community.

The development of MSMEs in various countries has made a lot of progress, including in Indonesia. The existence of the Covid-19 outbreak not only causes the negative side, there is also a positive side, for example, someone can think creatively to keep balancing income so that the economy is maintained (Masitoh, 2020). The sales turnover of MSMEs during the Covid-19 pandemic has decreased significantly, but the existence of online sales facilities or the use of digital technology helps MSME owners to get consumers; so that the business keeps going. Covid-19 pandemic implies the test of industrial digitization.

Before the Covid-19 pandemic, the number of MSMEs had a faster development over the years than the number of large companies. There are many factors that affect the success of a business, such as internal and external factors of entrepreneurs. For example, the stability of economic growth and supportive social conditions are external factors, while family support, self-confidence and entrepreneurial persistence in managing business units (self-efficacy), entrepreneurial personality, entrepreneurial courage in taking risks, and entrepreneurial motivation to achieve business goals (Santoso et al., 2018). But from these two factors, the problems often faced by MSMEs are difficult to develop more influenced by internal factors (Fitri et al., 2020). The results of empirical studies on MSMEs in East Java show that sales, profit, asset and employment growth contribute significantly to the performance of MSMEs (Subagyo et al., 2020). The results of empirical studies on MSMEs in the city of Padang (Fitri et al., 2020) showed that business knowledge, business skills, and innovation had a significant positive effect on business performance. The results of the study on the food and beverage business in Bangkok, there are several important variables that have an influence on the success of the business, namely Human Resources Management, innovation, technology, management strategy, product quality, leadership, team potential and branding (Uasanguankul et al., 2022).

Internal factors determinants of entrepreneurial persistence are the individual characteristics of entrepreneurs in the form of human capital and personality traits (Caliendo et al., 2010). Pioneers of a business generally have higher self-efficacy so that they have better abilities in their roles and duties to become entrepreneurs, such as: innovation in product marketing, business management, courage to take risks, and the ability to manage finances than individuals who manage businesses who are not business pioneers (Shaheen & AL-Haddad, 2018). Entrepreneurship Self-efficacy (ESE) can significantly increase entrepreneurial motivation (E.M.) and business success of MSEs (Srimulyani & Hermanto, 2022). In several other studies, it shows that ESE can improve significantly on entrepreneurial behavior (Shaheen & AL-Haddad, 2018); ESE also influences the improvement of the success of a business by improving the performance of individuals in various fields including the field of entrepreneurship. ESE also influences the improvement of the success of a business by improving the performance of individuals in various fields including the field of entrepreneurship (Oyeku et al., 2014); (Dinesh Ojo et al., 2017); (Dessyana & Dwi Riyanti, 2017); including the performance of entrepreneurial business among women (Yusuff et al., 2019); ESE also influences E.M. (Santoso et al., 2018); (Nuryanto et al., 2019).

Other studies have shown that business performance is positively influenced significantly by entrepreneurial leadership (Agbim, 2013); (Rahim et al., 2015); and innovative work behavior (IWB) of company employees (Jankelová et al., 2021). In another study (NEO, 2019); (Sarwoko, 2020) it was shown that entrepreneurial leadership (E.L.) has an impact on IWB. During the Covid-19 pandemic, creativity in innovating is needed by all sectors of the economy, especially MSMEs, and to innovate also requires motivation and creativity in a person in order to help the open mind of MSME actors in making a change in order to continue to survive and succeed in business (Munthe & Rahadi, 2021). In another study on the financial performance of MSMEs in Surabaya (Sutejo & Silalahi, 2021) showed that innovative, risk taking, and proactiveness affect financial performance, because during the Covid-19 pandemic, MSMEs are required to be more innovative in promoting and selling online and sensitive to the needs of the community that has just arisen due to Covid-19.

This research study focuses on internal entrepreneurial factors, with the aim of analyzing the direct and indirect influence of internal factors that can determine the business performance of MSME owners during the Covid-19 pandemic identified from previous studies, namely ESE, E.M., E.L, and IWB, by taking MSME objects from various districts and cities located in the province of East Java.

2. Literature Review and Hypotheses Development

2.1. Business Performance (B.P.)

In the business rivalry, the business performance (B.P.) is most important for business success. B.P. is an important aspect for organizations to be managed properly, for that B.P. is an integral part of all activities and operations carried out by entrepreneurs to strengthen their business. B.P. can be interpreted broadly and generally, and has a complex construction. Various studies measure B.P. in financial measures, and several other studies consider business success in non-financial performance indicators. A measure of business performance from the financial aspect describes the achievement of an entrepreneurial business measured by the value of money and financial operations, while performance from a non-financial aspect describes business achievements that cannot be measured in value with money, such as brand reputation, customer satisfaction, organizational performance, and innovation activities (Nguyen et al., 2021). Entrepreneurial orientation, entrepreneurial self-efficacy and environmental uncertainty affect entrepreneurial success as seen from the aspects of financial and non-financial performance (Oyeku et al., 2014).

The performance of MSMEs will depend on the business segments that have been successfully achieved. The success and sustainability of MSMEs cannot be separated from the internal factors of business owners. The existence of self-confidence in the abilities possessed, called ESE can increase self-motivation in achieving business performance targets. The strong desire of business owners in developing a business can give rise to a strong motivation to successfully run a business is an ideal that is expected by business owners. Entrepreneurs who have strong self-motivation in running a business, will cause a desire to achieve business success. ESE and motivation to excel are the main components in entrepreneurial values in improving performance, both employee performance and business owner performance. The motivation of entrepreneurs has an important contribution and role for the progress of MSMEs.

2.2. Entrepreneurial Self-Efficacy (ESE)

Self-efficacy is the belief in a person's ability to succeed and achieve a certain level of performance (Bandura, 1977 in Yeo & Neal, 2013). Self-efficacy is the belief in the ability to organize and give rise to the behaviors needed to produce certain skills. ESE can be interpreted as a person's trust and confidence in one's ability to achieve various entrepreneurial tasks. ESE turns the confidence of entrepreneurs into efforts, which in turn, improves the performance of the company (Miao et al., 2017). The results of previous empirical studies showed that ESE positively affected business performance significantly (Dessyana & Dwi Riyanti, 2017); business success (Srimulyani & Hermanto, 2022). With good confidence and ability, entrepreneurs will do good planning in running a business and have an impact on business performance. ESE can influence business performance through attitudes and behaviors through entrepreneurial actions that are oriented towards achieving achievement or performance by utilizing their abilities. With a strong ESE, MSME owners will not be afraid to face challenges and overcome obstacles, and be able to make better business decisions. Based on these findings, we stated our first research hypothesis:

Hypothesis I (H1) Entrepreneurial self-efficacy positively affects business performance

2.3. Entrepreneurial Motivational (E.M.)

Entrepreneurial motivation includes motivations directed toward achieving entrepreneurial goals. In narrower terms, expectancy theory reveals that specific and periodic information regarding entrepreneurial opportunities can increase an individual's expectations that entrepreneurial efforts will deliver results, thereby increasing entrepreneurial motivation. Global Entrepreneurship Monitor (GEM) distinguishes entrepreneurial motivation into two different types, namely motivation which is interpreted into entrepreneurial needs and opportunities (Bourlès & Cozarenco, 2018).

ESE can keep entrepreneurial motivation going for a long time, because only if the entrepreneur has a strong belief for entrepreneurial success and confidence in entrepreneurial success, then the entrepreneur will have a strong motivation to run the business. The existence of confidence about the ability possessed, can increase self-motivation in achieving targeted business success. Some empirical studies show that the stronger the ESE owned by entrepreneurs, the stronger the E.M. owned by entrepreneurs (Nuryanto et al., 2019); (Alessa, 2021); (Srimulyani & Hermanto, 2022). Based on these findings, we stated our second research hypothesis:

Hypothesis 2 (H2) Entrepreneurial self-efficacy positively affects Entrepreneurial motivation.

Motivation refers to the inner drive that ignites and maintains behavior to make ends meet. Entrepreneurial motivation is the driving motive in a person's heart to do or achieve a particular business goal. Entrepreneurial motivation can be defined as a set of motives such as a high need for achievement, a moderate need for power, and a low affiliate motive, which encourages people to set up and run their own companies. The results of a study on SMEs in Bandung (Machmud & Sidharta, 2016) showed that entrepreneurial motivation measured by achievement, risk propensity, self-efficacy positively affected significantly on company performance. Business success depends on the entrepreneur's level of motivation (Hutahayan, 2019); (Srimulyani & Hermanto, 2022). Entrepreneurial motivation has an impact on increasing business segments that can be assessed from increasing business scale, income, competitive advantage, work planning, communication and cooperation (Cepriadi et al., 2020). Another study (Kisker, 2016) showed that four motivational factors of entrepreneurship (independence, need for achievement, social recognition, and financial reward) positively and significantly influence the survival success of a business. Based on these findings, we state our third research hypothesis:

Hypothesis 3 (H3) Entrepreneurial motivation positively affects business performance.

2.4. Entrepreneurial Leadership (E.L)

Successful entrepreneurs run their businesses with a strong leadership commitment, which helps entrepreneurs maintain future business success (Hussain & Li, 2022). Entrepreneurial leadership (E.L) is not a position, but a process (Sandybayev, 2019). E.L. arises at the crossing between entrepreneurship and leadership (Cogliser & Brigham, 2004 in Nguyen et al., 2021). Based on a separate literature study on entrepreneurial leadership, a number of similar characteristics are common to leaders and entrepreneurs: vision problem-solving, decision-making, risk-taking, and strategic initiatives (Roomi & Harrison, 2011). Entrepreneurial leadership is identified by several components, namely: innovativeness, proactiveness, risk-taking, organizing and conducting (Yu, 2014 in Akbari et al., 2014). According to Ireland & Hitt (1999) E.L. related how to build long-term mutual relationships along the organization's value chain where effectiveness is determined by the leader's ability to influence others, set direction, communicate, motivate, develop change, handle resources strategically, and encourage others to act in a profitable way and seek opportunities competitively (Karmarkar et al., 2014). E.L. style positively influences organizational performance (Sandybayev, 2019); entrepreneurial success (Hussain & Li, 2022). In another empirical study (Lubem & Adudu, 2020) it was proved that the entrepreneurial leadership behavior of SME managers / owners as measured from four constructs (miner behavior, explorer behavior, accelerator behavior and integrator behavior) significantly affected the performance of these SMEs. Entrepreneurs who have a leadership spirit can have high business performance. Entrepreneurs who are able to be innovative and persistent are able to create better business performance. This is evidenced in an empirical study on 137 entrepreneurs, which showed that E.L. had a significant positive influence on B.P. in the creative economy sector in Malang Raya (Armanu et al., 2021). Based on these findings, we state our fourth research hypothesis:

Hypothesis 4 (H4) Entrepreneurial leadership positively affects business performance

Innovation is the company's key factor to achieve long-term sustainability success and competitive advantage, indirectly influenced by entrepreneurship leadership with innovative work behavior (Efawati et al., 2021). Entrepreneurial leadership can help companies to create useful innovations by engaging people as resources knowledge and ideas. Entrepreneurial leadership can help companies to create useful innovations by engaging people as a resource of knowledge and ideas. Innovative work behavior (IWB) is defined as individual behavior directed at the intentional initiation and recognition (in a work role, group or organization) of a new and beneficial idea, process, product or procedure (Jong & Hartog, 2008). Innovation behavior is the tendency of innovation to be innovative or adaptive (Dessyana & Dwi Riyanti, 2017). Innovative behavior is involvement in the innovation process as the beginning of part of an innovative result (Sarwoko, 2020).

There are four dimensions of innovative behavior as follows: a) Opportunity exploration, the process of innovation is determined by the opportunity by which this opportunity will trigger individuals to find ways to improve services, delivery processes, or to try to think of a new alternative to the work process, product or service; b) Idea generation is the re-management of existing information and concepts to improve performance; c) Championing, involves behaviors to seek support and build coalitions, such as engaging and influencing

employees or management, and negotiating on a solution; d) Application, individuals not only think about creative ideas on something but also evaluate and apply the idea to real action (Jong & Hartog, 2008).

In the results of previous empirical studies, IWB was significantly positively influenced by entrepreneurial leadership (NEO, 2019);(Sarwoko, 2020);(Efawati et al., 2021). Another opinion (Al-Omari et al., 2019) states that transformational leaders improve the supporting actors of innovative work behavior and stimulate the work behavior of employees to commit to their efforts for the betterment of the organization. In another study (Yusnita & Wahyudin, 2017) showed that the influence of entrepreneurial leadership affects the capacity of innovation and entrepreneurial leadership and the capacity of innovation affects the competitive advantage of micro-enterprises in Bangka Regency. This means that entrepreneurial leadership (EL) is an important aspect in creating creative self-efficacy that can improve innovative work behavior because EL provides greater opportunities for employees to develop employee creativity. Based on these findings, we state our fifth research hypothesis:

Hypothesis 5 (H5) Entrepreneurial leadership positively affects innovative work behavior

A person who has adopted and integrated the IWB philosophy automatically improves aspects of his work environment whenever it seems there is an opportunity to do so and is generally willing to adopt a fix filed by colleagues or other persons outside the organization. IWB can define innovative capabilities, including in technological innovation capabilities that can ultimately have a positive impact on business performance (Nguyen et al., 2021). Another study (Jankelová et al., 2021) showed a significant positive influence of IWB on business performance. This indicates that the increase in innovative behavior in managers and employees in a company can make work more efficient and effective so that business performance can improve. Based on these findings, we state our sixth research hypothesis:

Hypothesis 6 (H6) innovative work behavior positively affects business performance

2.5. The Role of E.M. Mediation on the influence of ESE on B.P.

Entrepreneurial Self-Efficacy (ESE) is defined as a strong belief in an individual's ability to successfully perform roles and jobs as an entrepreneur. ESE is needed so that entrepreneurial motivation grows strongly, because entrepreneurial motivation factors can influence a person's behavior in carrying out their entrepreneurial role. The stronger the entrepreneurial motivation (E.M.), the more business performance will increase. The results of previous empirical studies (Srimulyani & Hermanto, 2022) show that business success in culinary MSMEs in East Java is indirectly influenced by ESE through E.M. as a mediator. Based on these findings, we state our seventh research hypothesis:

Hypothesis 7 (H7) Entrepreneurial Self-Efficacy affects business performance through entrepreneurial motivation as a mediator.

2.6. The Role of IWB Mediation on the influence of E.L. on B.P.

Entrepreneurial Leadership (E.L.) is seen as effectively able to increase competitiveness in overcoming uncertain environments and achieving sustainable organizational development, so this leadership model is seen as being able to foster innovative work behaviors. The involvement of individuals in entrepreneurship is closely related to the behavior of innovation. With the Covid-19 pandemic, business owners are expected to be able to find innovative ways to maintain the business that has been run so that it does not experience bankruptcy. To face the current situation, IT encourages MSME owners to give a greater role to creativity and innovative behavior through various things such as information technology, transportation facilities, and others. Previous empirical studies (Li et al., 2020) showed the influence of innovative environmental mediation on the relationship between E.L. and employee innovative work behavior (EIWB), as well as the role of ESE moderation in the relationship between E.L. and EIWB in technology-based SMEs.

Hypothesis 8 (H8) Innovative work behavior affects business performance through entrepreneurial leadership as a mediator.

3. Method

This study took respondents of MSME owners in the madiun city, Madiun regency, Magetan regency, Ponorogo regency, Nganjuk regency, Blitar city, Sidoarjo regency, Bondowoso regency, Malang regency, Surabaya city, Jember city, East Java. Sampling technique using quota sampling. Data collection is carried out in two ways, namely online using google forms by involving students of the Management Study Program, and offline, which is distributed directly by involving research team partners located in the Madiun City, Madiun Regency, Magetan Regency, Sidoarjo Regency, and Malang Regency. The research method uses descriptive statistical analysis and Structural Equation Model (SEM) and path analysis with the Sobel test.

4. Result and Discussion

The distribution of questionnaires and filling out questionnaires are carried out from November 2021 to January 2022 (3 months). The total questionnaires were distributed directly were 475 questionnaires (100% returned and can be used as research data), and questionnaires distributed online 150 times (66.67% or 100 respondents filled out the GF completely and sent it back), so the total respondents were 575 MSME owners spread from these various regions.

4.1. Description of Research Respondents

Based on the results of distributing questionnaires to respondents, it can be known the characteristics of respondents grouped by gender, age, regional origin, type of business, and length of business, which are presented in the following tables:

Table 1. Characteristics of Respondents By Gender

Gender	Frequency	Percent (%)
Man	160	27.82
Woman	415	72.18
Total	575	100.00

Source: author's calculation (2022)

In table 1, it is shown that the characteristics of respondents based on gender can be known to respondents with male sex, namely 160 people (27.82 percent) and the number of respondents who are female as many as 415 people (72.18 percent).

Table 2. Characteristics of Respondents by Age

Age	Total	Percent (%)
20-25 years old	100	17.39
26-35 years old	149	25.91
35-45 years old	154	26.78
45-55 years old	125	21.75
>55 years old	47	8.17
Total	575	100.00

Source: author's calculation (2022)

Table 2 illustrates that the characteristics of respondents by age can be seen that the most respondents are in the age range of 35-45 years, namely 154 entrepreneurs or 26.78 percent; and at least at the age of over 55 years, namely 47 entrepreneurs or 8.17 percent.

Table 3. Characteristics of Respondents by Domicile

Domicile	Total	Percent (%)
Magetan District	212	36.87
Madiun City	179	31.13
Sidoarjo Regency	85	14.78
Madiun Regency	62	10.78
Malang Regency	27	4.70
Ponorogo Regency	3	0.53
Nganjuk Regency	2	0.35
Jember City	2	0.35
Surabaya City	1	0.17
Blitar City	1	0.17
Bondowoso Regency	1	0.17
Total	575	100.00

Source: author's calculation (2022)

In table 3, it is described about the domicile of entrepreneurs who were respondents in this study. Entrepreneurs who were the respondents with the highest number of domiciled in Magetan Regency as many as 212 people or 36.87 percent; the second order domiciled in Madiun City as many as 179 people or 31.13 percent; the third place domiciled in Sidoarjo as many as 85 people or 14.78 percent; the order

of domiciled in Malang Regency as many as 27 people or 10.78 percent; the fifth place is domiciled in Ponorogo as many as 3 people or 0.53 percent, the sixth place is domiciled in Nganjuk and Jember City as many as 2 people or 0.35 percent each; and there are domiciled from the City of Surabaya, Blitar City, and Bondowoso as many as 1 person each or 0.17 percent.

Table 4. Characteristics of Respondents Based on Business Type

Business Type	Total	Percent (%)
Food and Beverage	277	48.17
Retailer (convenience goods)	151	26.27
Furniture and building materials	50	8.70
Fashion	38	6.60
Others (online shop, electronics, webbing, crop cultivation, farm)	59	10.26
Total	575	100

Source: author's calculation (2022)

Table 4 illustrates the group of business types of entrepreneurs who are respondents to the study. The largest group of business types were food and beverage businesses as many as 277 respondents or 48.17 percent; in the business group of daily product trade (convenience goods) as many as 151 respondents or 26.27 percent; in the furniture and building materials business group as many as 50 respondents or 8.70 percent; in the fashion group as many as 38 respondents or 6.60 percent, and in other groups including online shops, electronics, webbing, plant cultivation, farm) as many as 59 respondents or 10.26 percent.

Table 5. Characteristics of Respondents Based on Length of Business

Length of Business	Total	Percent (%)
< 1 year	5	0.87
1-5 years	172	29.91
>5-10 years	183	31.83
>10-15 years	69	12.00
> 15-20 years	40	6.96
>20 years	106	18.43
Total	575	100.00

Source: author's calculation (2022)

Table 5 illustrates the length of business of the entrepreneurs who were respondents to the study. The highest length of business in the range of >5-10 years was 183 people or 31.83 percent; in the business duration of 1-5 years as many as 172 people or 29.91 percent; in the long range of business >10-15 years as much as 12 percent; in the long range of > 15-20 years of business as much as 6.96 percent; and entrepreneurs with a business length of 20 years > 18.43 percent.

The average value of research variables including entrepreneurial self-efficacy, entrepreneurial leadership, entrepreneurial motivational, innovative work behavior, and business performance is presented in the following tables.

Table 6. Description of Variable Entrepreneurial Self-Efficacy

Dimension	Mean	Category
Individual Beliefs (I.B.)	4.04	High
Action (A)	4.03	High
Cognitive Resources (C.R.)	4.03	High
ESE	4.03	High

Source: author's calculation (2022)

Table 6 illustrates the responses of MSME entrepreneurs who were respondents to the overall ESE showing high with an average value of 4.03, this indicates that the self-efficacy of these entrepreneurs is generally high. When viewed from each dimension, it can be seen that the individual dimension has the highest average value (4.04) and the other two dimensions (action and cognitive resources) have the same average value (4.03).

Table 7. Description of Variable Entrepreneurial Leadership

Dimension	Mean	Category
Able to motivate (A.M.)	3.80	High
Achievement Oriented (A.O.)	3.91	High
Creative (C)	3.94	High
Flexible (F)	3.89	High

Persistent (P)	3.85	High
Risk Taking (R.T.)	3.77	High
Visionary (V)	3.86	High
E.L.	3.86	High

Source: author's calculation (2022)

Table 7 illustrates the responses of MSME entrepreneurs who were respondents to entrepreneurial leadership (E.L.) as a whole showing high with an average score of 3.86; this indicates that the entrepreneurial leadership of these entrepreneurs is generally high. When viewed from each dimension, it can be seen that the creative dimension has the highest average value (3.94); second place on the achievement oriented dimension (3.91); third order on flexible dimensions (3.89); fourth place on the visionary dimension (3.86); fifth order on persistent dimension (3.85); sixth order on the able to motive dimension (3.80); and seventh in the risk-taking dimension (3.77).

Table 8. Description of Variable Entrepreneurial Motivation

Dimension	Mean	Category
Financial Reason (F.R.)	4.15	High
Social Reason (SCR)	3.97	High
Service Reason (S.R.)	4.07	High
Self-fulfillment Reason (SFR)	4.17	High
E.M.	4.09	High

Source: author's calculation (2022)

The responses of MSME entrepreneurs who are respondents to entrepreneurial motivation (E.M.) can be seen in table 8; where overall it shows that the average value of entrepreneurial motivation is high (4.09), this indicates that the motivation of these entrepreneurs is generally high. When viewed from each dimension, it can be seen that the dimension of self-fulfillment reason has the highest average value (4.17); second place on the financial reason dimension (4.15); third place on the service reason dimension (4.07); and fourth place on the social reason dimension (3.97).

Table 9. Description of Variable Innovative Work Behavior

Dimension	Mean	Category
Opportunity exploration (O.P.)	3.90	High
Ide Generation (I.D.)	3.78	High
Championing (C.H.)	3.81	High
Application (A.P.)	3.90	High
IWB	3.85	High

Source: author's calculation (2022)

Table 9 illustrates the responses of MSME entrepreneurs who were respondents to innovative work behavior (IWB) as a whole showing high with an average value of 3.85; this indicates that the innovative work behavior of these employers is generally high. When viewed from each dimension, it can be seen that the opportunity exploration and application dimensions have the highest average value (3.90); second place on the championing dimension (3.81); and the dimension that gets the lowest value is the idea generation dimension (3.78).

Table 10. Description of Variable Business Performance

Dimension	Mean	Category
Sales volume (S.V.)	4.00	High
Production result (P.R.)	3.94	High
Operating profit (O.P.)	3.98	High
Business growth (B.G.)	3.93	High
Business development (B.D.)	3.56	High
B.P.	3.88	High

Source: author's calculation (2022)

Table 10 illustrates the responses of MSME entrepreneurs who were respondents to the overall B.P. showing high with an average value of 3.88, this indicates that the business performance felt by these entrepreneurs is generally high. When viewed from each dimension, it can be seen that the sales volume dimension has the highest average value (4.00); the second order is the operating profit dimension (3.98); the third order is the production result dimension (3.94); the fourth order is the business growth dimension (3.93); and the fifth order is the business development dimension (3.56).

4.2. Validity Test of Measurement Dimensions of Research Variables

Validity tests using Confirmatory Factor Analysis (CFA) on each of the latent variables (Table 11). To perform the convergent validity test, the value of each indicator's loading factors against its latent variables will be viewed; if these values are greater than 0.5 then the indicators are considered valid.

Table 11. Value Loading Factor Dimensions Measurement Research Variables

Variables (Constructs)	Measurement Dimensions	Value
Entrepreneurial Self-Efficacy (ESE)	Individual Beliefs (I.B.)	0.74
	Action (A)	0.73
	Cognitive Resources (C.R.)	0.69
	Able to motivate (A.M.)	0.52
	Achievement Oriented (A.O.)	0.81
Entrepreneurial Leadership (EL)	Creative (C)	0.76
	Flexible (F)	0.86
	Persistent (P)	0.89
	Risk Taking (R.T.)	0.69
	Visionary (V)	0.66
Entrepreneurial Motivation (EM)	Financial Reason (F.R.)	0.59
	Social Reason (SCR)	0.58
	Service Reason (S.R.)	0.65
	Self-fulfillment reason (SFR)	0.55
	Opportunity exploration (O.E.)	0.66
Innovative Work Behavior (IWB)	Ide Generation (I.G.)	0.75
	Championing (C.H.)	0.78
	Application (A.P.)	0.79
	Sales volume (S.V.)	0.59
	Production result (P.R.)	0.68
Business Performance (BP)	Operating profit (O.P.)	0.70
	Business growth (B.G.)	0.76
	Business development (B.D.)	0.72

Source: author's calculation (2022)

4.3. Research Variable Reliability Test

The validity test with the SPSS program was used in this study using one shot, namely the Cronbach Alpha statistical test with criteria (Sekaran & Bougie, 2017b:115) as follows:

- 1) The value of the coefficient between 0.8-1 indicates good reliability;
- 2) The value of the coefficient between 0.6-0.79 or reliability in the range of 0.7 indicates acceptable reliability;
- 3) The coefficient value between <0.6 indicates poor reliability.

The results of data processing for reliability tests with the SPSS program are presented in the following table 12:

Table 12. Summary of Reliability Test Results

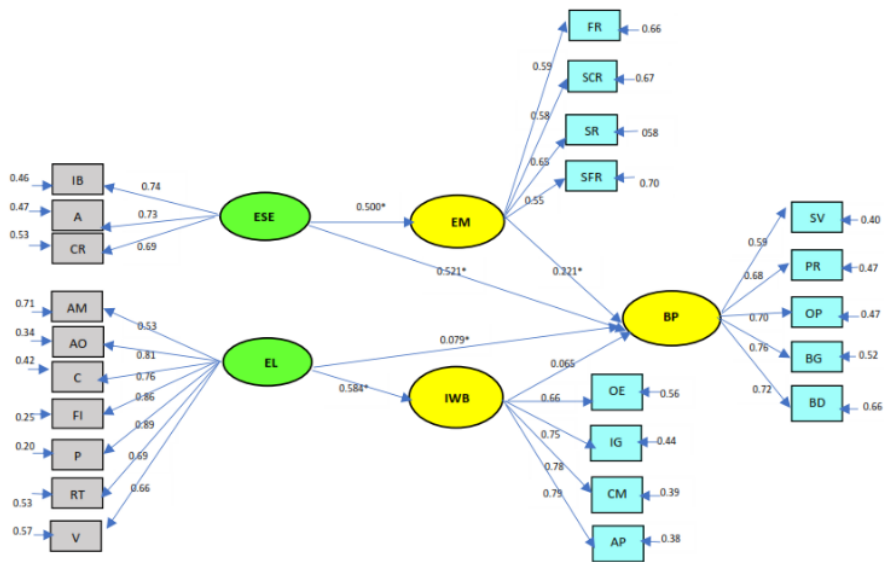
No	Variable Research	Alpha Count	Cronbach Alpha	Category
1	Entrepreneurial Self-efficacy (ESE)	0.869	0.8-1.0	Good reliability
2	Entrepreneurial Leadership (E.L.)	0.954	0.8-1.0	Good reliability
3	Entrepreneurial Motivation (E.M.)	0.821	0.8-1.0	Good reliability
4	Innovative Work Behavior (IWB)	0.921	0.8-1.0	Good reliability
5	Business Performance (B.P.)	0.879	0.8-1.0	Good reliability

Source: author's calculation (2022)

4.4. Structural Equation Analysis of MSME Business Performance

- 1) Conformity Test of MSME Business Performance Structural Equation Model

After validity and reliability tests were carried out on all latent variables whose results were valid and reliable, a structural model conformity test was carried out on business performance in MSMEs in East Java. The complete business performance model is presented in the form of a diagram as follows.



*p-value < 0.05 (Significant)

Figure 1. Relationship of Exogenous Variables to Endogenous Variables

The test results of testing the relationship between exogenous variables with endogenous variables (figure 1) can be seen that there is one insignificant relationship in $\alpha = 0.05$, namely the relationship between innovative work behavior and business performance. Another test by looking at the R^2 value describing the GOF of a model, and the recommended R^2 value is > 0 . The results of this study data processing provide R-square values as shown in Table 13 below:

Table 13. GOF from R-Square

Model	R^2
ESE → B.P.	0.272
E.L. → B.P.	0.079
ESE → E.M.	0.250
E.L. → IWB	0.341
ESE → E.M. → B.P.	0.309
E.L. → IWB → B.P.	0.007

Source: author's calculation (2022)

The value of R^2 in table 13 indicates that all values of $R^2 > 0$. This shows that this research model already meets the criteria for Goodness of Fit. The result of calculating the value of Q squared based on table 13 obtained the following results:

$$Q^2 = 1 - (1 - 0.272) \times (1 - 0.079) \times (1 - 0.250) \times (1 - 0.341) \times (1 - 0.309) \times (1 - 0.007) = 0.773$$

It can be interpreted that the model is able to explain the overall business performance of 77.3 percent and by 22.7 percent is explained by other variables that are not studied. The results of the overall model match test can be seen in table 14 below:

Table 14. Goodness of fit Absolute Fit Measures (GOF)

GOF size	Index	Value	Note
GFI	GFI > 0.90 good fit;	0.89	Marginal fit

RMR	0.80 ≤ GFI ≤ 0.90 marginal fit ≤0.05	0.023	4 Good fit
RMSEA	≤ 0.08	0.066	Good fit
ECVI	Values that are small and close to ECVI 1 saturated = 0.68	0.96	Marginal fit
NNFI	NNFI > 0.90 good fit; 80 ≤ NNFI ≤ 0.90 marginal fit	0.94	Good fit
NFI	NFI > 0.90 good fit; 0.80 ≤ NFI ≤ 0.90 marginal fit	0.93	Good fit
AGFI	AGFI > 0.90 good fit; 0.80 ≤ AGFI ≤ 0.90 marginal fit	0.87	Marginal fit
RFI	RFI > 0.90 good fit; 0.80 ≤ RFI ≤ 0.90 marginal fit	0.92	Good fit
IFI	IFI > .90 good fit; 0.80 ≤ IFI ≤ 0.90 marginal fit	0.95	Good fit
CFI	CFI > .90 good fit; 0.80 ≤ CFI ≤ 0.90 marginal fit	0.95	Good fit
PGFI	0.60-0.90	0.72	Good fit
PNFI	0.60-0.90	0.87	Good fit
CN	CN ≥ 200 good fit	201.18	Good fit

Source: author's calculation (2022)

According to Hooper et al. (2008), assess the size of the model fit by looking at RMS⁵, CFI and RMR values. In table 13, it can be seen that RMSEA, CFI and RMR show good fit, this means that it can be concluded that the model used in this study can be used as the basis for analysis of research problems.

2) Test the Hypothesis of Direct Influence and Indirect Influence

The results of the regression analysis to be used in the direct influence hypothesis test are presented in the following table 15:

Table 15. Summary of Path Analysis Results

Path	Coefficient of Influence	Standard Error	t-value	p-value	Conclusion
B.P.1 = γ_1ESE + ζ_1 = 0.521ESE					
ESE → B.P. (path c)	0.521	0.039	14.625	0.000	Significant H1 accepted
E.M. = γ_1ESE + ζ_3 = 0.500ESE					
ESE → E.M. (path a)	0.500	0.029	13.821	0.000	Significant H2 accepted
B.P.3 = γ_1ESE + β_1E.M. + ζ_5 = 0.411ESE + 0.221E.M.					
ESE → B.P. (path c')	0.411	0.044	10.230	0.000	Significant
E.M. → B.P. (path b)	0.221	0.055	5.511	0.000	Significant H3 accepted
B.P.2 = γ_2E.L. + ζ_2 = 0.079E.L.					
EL → BP (path c)	0.079	0.045	1.908	0.028	Significant H4 accepted
IWB = γ_2E.L. + ζ_4 = 0.584E.L.					
E.L. → IWB (path a)	0.584	0.033	17.201	0.000	Significant H5 accepted
B.P.4 = γ_2E.L. + β_2IWB + ζ_6 = 0.064E.L. + 0.065IWB					
E.L. → B.P. (path c')	0.064	0.055	1.248	0.212	Insignificant
IWB → B.P. (path b)	0.065	0.057	1.567	0.118	Insignificant H6 rejected

Source: author's calculation (2022)

Table 15 illustrates that there are five hypotheses of direct influence accepted, and one hypothesis (H6) not accepted. H1 which states that entrepreneurial self-efficacy (ESE) positively affects business performance

(B.P.) in MSMEs in East Java, was accepted; this is indicated from the calculated t-value of $14.625 < t$ of the table of 1.645 (one-sided test) with a p-value of $0.000 < 0.05$. H2 which states that entrepreneurial self-efficacy (ESE) affects significantly positively on entrepreneurial motivational (E.M.) in MSME owners in East Java, is accepted; this is seen from t count $13.821 > 1.645$ with a p-value of $0.000 < 0.05$. H3 which states that entrepreneurial motivational (E.M.) affects significantly the business performance (B.P.) of MSMEs in East Java, was accepted; this is indicated from t count $5.511 < 1.645$ with a p-value of $0.000 < 0.05$. H4 which states that entrepreneurial leadership (E.L.) affects significantly positively the business performance (B.P.) of MSMEs in East Java, was accepted; this is evidenced by t count $1.908 > 1.645$ with a p-value of $0.028 < 0.05$. H5 which states that entrepreneurial leadership (E.L.) positively affects innovative work behavior (IWB) in MSME owners in East Java; this is indicated by t counting $17.201 > 1.645$ with a p-value of $0.000 < 0.05$. H6 which states that innovative work behavior (IWB) affects positively significantly business performance (BP) in MSMEs in East Java, is not accepted; this is indicated by a calculated t-value of $1.567 < 1.645$ with a p-value of $0.106 > 0.05$.

H7 testing is the influence of E.M. as a mediating of ESE relationship with B.P., and H8 testing, namely the influence of E.L. as a mediating of the relationship between IWB and B.P. using the Sobel test. The results of the mediation role test are presented succinctly in table 16 below.

Table 16. Mediation Variable Influence Test Results

Path	Test statistic	Std. Error	p-value	Conclusion
ESE → E.M. → B.P.	3.913	0.282	0.000	H7 accepted
E.L. → IWB → B.P.	1.137	0.033	0.255	H8 rejected

Source: author's calculation (2022)

Table 16 illustrates that H7 which states that entrepreneurial self-efficacy (ESE) affects business performance (B.P.) through entrepreneurial motivational (E.M.) as mediating, is accepted. This is shown in the results of the Sobel test showing that t count $3.913 > 1.645$ with a p-value of $0.000 < 0.05$. When referring to Preacher & Hayes (2004) the role of E.M. mediating on the effect of ESE on B.P. is partial mediating, because the effect of ESE on B.P. before and after the presence of E.M. in the regression equation decreases but remains significant (table 14).

In the 8th hypothesis test, which states that entrepreneurial leadership (E.L.) affects business performance (B.P.) through innovative work behavior (IWB) as mediating, it was not proven. This is shown in the results of the Sobel test showing that t count $1.137 < 1.645$ with a p-value of $0.255 > 0.05$. Referring to Baron & Kenny, (1986) about the requirements for mediation variables, it can be seen that one of the conditions for the mediating variables in the IWB is not met, namely the effect of IWB on B.P. is insignificant (Table 14) so it can be concluded that IWB does not mediate the effect of E.L. on B.P. in MSMEs in East Java.

4.5. Discussion

1) The Impact of Entrepreneurial Self-Efficacy (ESE) on Business Performance (B.P.)

Entrepreneurial Self-efficacy (ESE) is an entrepreneur's belief in self-competence in facing tasks and difficulties and uncertainties in running his business under certain conditions, for example during the Covid-19 pandemic. Successful individuals have higher self-efficacy than individuals who fail in their efforts. ESE can be seen as a predictor factor over the high performance that a person must show in the entrepreneurial process. The results of empirical testing on 575 MSME owners spread across various regions in East Java, show that ESE affects positively and significantly the business performance (B.P.) that has been carried out so far, and ESE is the dominant predictor compared to other exogenous variables included in the model. The results of previous empirical studies also prove that when the entrepreneur's self-efficacy is high, it can improve his business performance (Dessyana & Dwi Riyanti, 2017). ESE as a component of individual personality that contributes significantly positively to the performance of early-stage startup companies (Klongthong et al., 2020).

These results support the Social Cognitive Theory (SCT) which states that the level of confidence of the individual in the individual's self-abilities will determine the actions and results that the individual desires. Likewise, in the theory of planned behavior, self-efficacy (S.E.) states that the level of control of the individual's behavior is the main determinant of a person's intention to engage in a certain number of behaviors (Krueger et al., 2000), such as being persistent in learning new things and daring to take risks. With the learning process of managing a business, making an entrepreneur able to develop knowledge, skills and positive behaviors, as well as the power of innovating in business processes, effectively and efficiently, so that entrepreneurs can improve business performance and independence. The ESE of business actors is the main driver for achieving sustainable business performance.

2) The Impact of Entrepreneurial Self-Efficacy (ESE) on Entrepreneurial Motivation (EM)

S.E. is significantly positively related to motivation (Alessa, 2021). The results of this study prove the

positive and significant impact of ESE on E.M. on MSME owners in East Java. The results of the study reinforce previous empirical studies (Yushuai et al., 2014); (Srimulyani & Hermanto, 2022) which proves that the higher the ESE, the higher the E.M. The individual aspect of the ESE measurement has the highest average value (4.04) compared to two other aspects, namely action and cognitive resources (4.03), while in E.M. measurements, the self-fulfillment reason dimension has the highest average (4.17) compared to the other three dimensions (financial reason, social reason, service reason). Confidence in one's own abilities can give rise to the needs of self-fulfillment and self-progress in addition to meeting other needs such as financial, social and service to other parties. This proves that ESE as an individual factor can influence self-motivation, for example in the presence of explicit and challenging goals can maintain and improve maintain one's motivation.

3) The Impact of *Entrepreneurial Motivation* (E.M.) on *Business Performance* (B.P.)

MSMEs in Indonesia face many challenges as well as new opportunities due to technological developments and changes in economic conditions due to the Covid-19 pandemic. This is a pressure for business owners to have a strong motivation in running a business to successfully face these challenges, so that business continuity can be maintained. The results of empirical studies on MSME owners in East Java show that entrepreneurial motivation (E.M.) as measured by financial reason, social reason, service reason, and self-fulfillment reason can significantly increase business performance (B.P.). This means that the higher the E.M. makes the higher the business performance in MSMEs. This can also be seen in the high average value of E.M. MSME owners in East Java is also followed by the high average value of B.P., with the highest value in sales volume (4.0). In the results of previous empirical studies (Kisker, 2016) proved a significant positive impact of motivational factors on the survival success of a business. Likewise on the results of other studies (Muthalib & Nur, 2015); (Cepriadi et al., 2020); (Srimulyani & Hermanto, 2022) proves the significant positive influence of E.M. on B.P or business success.

4) The Impact of *Entrepreneurial Leadership* (E.L.) on *Business Performance* (B.P.)

Any leader in an organization can influence the performance of a company, the better leadership practices in a company have an impact on the performance of the company. Entrepreneurial leadership (E.L.) plays an important role in improving company performance (Nguyen et al., 2021). To run a successful business, business owners must have leadership and entrepreneurial skills. The main motivation of entrepreneurial leaders is their efforts to create and explore social, environmental and economic opportunities (Ordu, 2020). The results of this empirical study show that E.L. has a significant positive effect on the B.P. of MSME owners in East Java. This indicates that the higher entrepreneurial leadership applied by business owners in managing their business, it will improve their business performance. The results of empirical studies from this study support several previous empirical studies (Ali & Sawaeen, 2019); (James Tersoo et al., 2020); who showed a positive and significant influence of E.L. on B.P.

Entrepreneurial leaders are leaders who have an entrepreneurial spirit, which is different from leaders in general, because they have characters such as: being able to motivate themselves and others, having an orientation to high achievement, being creative, having high flexibility over environmental dynamics, being persistent, being able to recognize and read market opportunities, being able to take into account, consider, and take risks on previously recognized opportunities, and able to allocate the resources it has effectively and efficiently. These characters are predicted to improve the performance of their business.

5) The Impact of *Entrepreneurial Leadership* (E.L.) on *Innovative Work Behavior* (IWB)

E.L. is an innovative entrepreneur who experiments aggressively and skillfully practices the transformation of opportunities attractively. The best results showed that E.L. had a significant positive effect on the IWB of MSME owners in East Java. The results of this empirical study are in accordance with the results of previous empirical studies (NEO, 2019); (Sarwoko, 2020) which shows a significant positive influence of E.L. on IWB; while Li et al. (2020) who show that E.L. has a positive effect on EIWV. The results showed that entrepreneurial leaders with their innovative behaviors can deliberately influence the innovative behavior of employees as well as by providing an innovative business environment to generate creative ideas and new ideas and realize them without fear of failure or error.

Innovative entrepreneurial leaders are able to influence the innovative behavior of employees both through conscious and unconscious actions with the ownership of goals that are able to stimulate the generation of ideas and their applications. When viewed from the average value of MSME owners' responses to entrepreneurial leadership of 3.86 (high) with the creative dimension getting the highest response compared to other dimensions (3.94). Similarly, the response of MSME owners to innovative work behavior (IWB) was 3.85 (high) with two dimensions that stood out from the other dimensions, namely the opportunity exploration and application dimensions, which was 3.90. Entrepreneurial leadership creates a promising environment by supporting its subordinates to abandon traditional ways of thinking and move on to new ways, create new ideas, and provide innovative solutions to problems faced by business leaders (Li et al., 2020).

When the business environment is dynamic and competitive, leaders play a strategic role for business sustainability, business performance, and business growth through innovation processes (Jong & Hartog, 2008) and directing the process of creativity and innovation is a challenging task for business leaders because these business leaders must facilitate the generation of new ideas through the exploration of opportunities and how to apply them in everyday business behaviors and processes. Improving entrepreneurial leadership is a strategic effort for business leaders to maximize the IVB of business leaders in running their current business. In the risk-taking dimension, MSME owners in East Java have the lowest average value compared to other dimensions (3.77), so this dimension can be the top priority for business leaders to improve, especially the courage to implement new ideas in businesses that are currently entering a sharper level of competition, for example culinary business and retail business for daily needs. In this case, what is intended is risk taking propensity, namely the tendency of people to take risks in their business activities and the tendency to take risks is one of the characteristics that must be present in the entrepreneur, such as not worrying about facing an uncertain situation where the business does not necessarily make a profit.

6) The impact of *Innovative Work Behavior on Business Performance*

Innovative work behavior (IVB) is seen as a comprehensive policy in improving business competence. IVB can be interpreted as the production of a usable product, process, or service that comes from the identification of problems and the generation of ideas IVB can be interpreted also as the creation of an introduction, the application of new ideas in the work to improve the performance of the roles of individuals, groups and organizations. The results of hypothesis testing showed that IVB did not significantly affect the business performance of 575 MSME owners in East Java who were respondents to the study. Nevertheless, when viewed from the direction of the relationship, it is known that the influence is positive (table 15). This result indicates that the IVB owned by the MSME owner has not been able to significantly improve the current business performance. These results are inconsistent with some of the results of previous empirical studies (Jankelová et al., 2021) which showed a significant effect of IVB on B.P. in Slovakia.

The results of this empirical study, which do not correspond to previous studies, it is suspected that most of the East Java MSME owners who are respondents to the study, have not been able to maximize IVB. The results of the empirical study were strengthened by the average value of respondents' responses to the four-dimensional measurement of IVB which includes the dimensions of opportunity exploration, idea acquisition, struggle, and application is the lowest average value (3.85) of the average value of other variables studied. The dimension with the lowest average value is the idea generation (3.78), where the idea generation shows a person's ability to manage existing information and concepts and provide solutions to problems faced with different ways of thinking (creative and innovative), so that performance, products or services can be improved. The non-optimal IVB is indicated by the length of business of most respondents in the range of >5-10 years (31.83 percent) and 1-5 years (29.91 percent). In line with the opinion of Nguyen et al. (2021) that innovative behavior determines innovative capabilities, which in the end can have a positive impact on B.P., then to be able to increase the influence of IVB on the performance of MSME owners in East Java, then the four dimensions of IVB need to be improved simultaneously by these entrepreneurs, so that it is evident that the innovative behavior of entrepreneurs in running the business they are currently engaged in, so that entrepreneurs are able to continue running a business in times of crisis, such as the Covid-19 pandemic, and as an effort for entrepreneurs to prepare adaptability in the era of new society 5.0 where digital transformation is experiencing very fast development, one of the positive impacts of which is economic growth.

7) The Impact of ESE on B.P. through E.M. as Mediating

In supporting the improvement and development of MSMEs, self-efficacy is needed which has an important role in increasing entrepreneurial motivation (E.M.) in achieving the success of a job, this is associated with business performance (B.P.). Entrepreneurial self-efficacy (ESE) is also a driving factor that makes a person more active and optimal in carrying out work. Self-efficacy can affect B.P. through attitudes and behaviors through actions that are oriented towards achieving achievements or performance by utilizing their abilities. Similarly, a strong entrepreneurial motivational will have an impact on business performance or in this case the performance of MSMEs.

This study uses E.M as a mediation for the influence of ESE on B.P. The test results show that E.M. acts as a partial mediating in terms of the results of the Sobel test. This shows the existence of self-efficacy in MSME entrepreneurs, namely believing in having good results, supported by strong self-motivation for entrepreneurship, so as to improve the performance of the business being run. The increasing self-efficacy and well applied by business actors, it will increase E.M. and also have a good effect on B.P. In improving the performance of MSMEs, it can be directly influenced by the internal values of entrepreneurship in this case self-efficacy, or it can also be influenced indirectly where self-efficacy will increase E.M. first to business owners, then it will have an influence on B.P. The results of this study are similar (Srimulyani & Hermanto,

2022) which shows that E.M. mediates the influence of ESE on business success in culinary MSMEs. Another similar study (Eliyana et al., 2020) also showed that motivation plays a role as a mediating for the influence of SE on entrepreneurial achievements.

8) The impact of E.L. on B.P. through IWB as Mediating

E.L. has a heavy point on concepts and ideas related to problems associated with individual behavior such as decision makers, problem solvers, risk makers, strategic initiatives, and vision determinants. E.L. is seen as effectively capable of increasing competitiveness in overcoming an uncertain environment and achieving sustainable organizational development (Lai et al., 2020), so that this leadership model is seen as being able to foster innovative work behaviors. With the Covid-19 pandemic, business owners are expected to be able to carry out innovative ways to maintain and increase the business being run so as not to experience losses and even business setbacks. To face the current situation, IT encourages MSME owners to give a greater role to creativity and innovative behavior through various things such as information technology, transportation facilities, and others.

From the results of testing the hypothesis of the role of innovative work behavior (IWB) mediation, it is shown that IWB does not mediate the influence of E.L. on B.P. on MSMEs in East Java. This can also be seen in the influence of IWB on B.P. is not significant, while the direct influence of E.L. on IWB and B.P. on MSMEs is positive and significant. The results of this study have not been able to provide empirical evidence supporting Nguyen et al. (2021) that innovative behavior determines innovative capabilities, including in technological innovation capabilities that can ultimately have a positive impact on business performance. It can be explained that innovation as a result of innovative behavior, will always be followed by a change, although in each such change it will not always be followed by the emergence of new ideas that significantly affect the development and growth of a business. The forms of innovation vary, ranging from innovations that are minor in nature to innovations that are very important in nature, for example, they are found ranging from only in the form of changes in administrative-service procedures to innovations that occur due to technological changes.

5. Conclusion and Recommendation

5.1. Conclusion

From the results of hypothesis testing, it can be concluded as follows: 1) ESE affects positively and significantly business performance (B.P); 2) ESE affects positively and significantly on entrepreneurial motivational (E.M); 3) E.M. positively and significantly affects B.P; 4) Entrepreneurial leadership (E.L) positively affects B.P.; 5) E.L. positively and significantly affects innovative work behavior (IWB); 6) IWB does not significantly affect B.P.; 7) E.M. mediates partially the influence of ESE on B.P.; 8) IWB does not mediate the influence of E.L. on B.P.

5.2. Recommendation

Innovative work behavior (IWB) in MSME owners needs to be improved again in order to grow employee IWB, so that IWB in the business environment becomes increasing in contributing to optimal business creativity and innovation, in order to produce modifications or discovery of ideas for continuous improvement and development as an effort to increase customer satisfaction. Governments need to increase interference in processes to resolve market and systemic failures, and be more proactive to support innovative business activities, thus in welcoming the new society 5.0. The performance of MSMEs in Indonesia in general can be further improved. In a very dynamic and competitive business environment in the new society 5.0, entrepreneurial leadership (E.L.) in MSME owners needs to be improved again, because entrepreneurial leaders play a strategic role in maintaining the sustainability of business life, and business growth owned. When a business has run without any new breakthroughs through creativity and innovation, it will usually experience a stagnant period in terms of sales, so that high creativity and innovation for business development need to be encouraged through entrepreneurial leadership practices. Entrepreneurial self-efficacy (ESE) is the dominant predictor for business performance in MSMEs in East Java and has a significant positive impact also on entrepreneurial motivation, so there is a need for a strong emphasis on business actors in this ESE, because with a high ESE on MSME owners, it is expected to increase the sense of self-efficacy and work motivation in their employees. The results showed that if a person has a high sense of self-efficacy, a person will have a higher entrepreneurial success. Business owners with a higher ESE are more confident in their ability to run their own business, so business performance can improve. Entrepreneurial motivation (E.M.) is the second-order predictor for business performance in MSMEs in East Java, so E.M. entrepreneurs need to continue to be improved, because with a strong motivation in running their business, it will be able to provide a strong encouragement for employees so that employees are also eager to help MSME owners achieve the business goals set (business success).

The results of this empirical study have not been able to prove the significant effect of IWB on B.P., so that for the development of further research, it can be retested using similar research objects (MSMEs) but focusing on the creative industry. Testing the influence of E.L. on B.P. can use E.M. as mediating; In the

development of further research, you can also use proactive personality as a moderating variable for the influence of E.L. on IWB. Another exploration of the determinants of MSME business performance can consider external factors of entrepreneurship, such as digital marketing, human technology, and financial technology.

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