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The Effect of Owner's Characteristics through Innovation on the MSMEs Performance

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ABSTRACT

This study aims to analyze the influence of the characteristics of MSME owners on their performance through innovation in Indonesia and Malaysia. Structural Equation Modeling (SEM) was used to analyze the data, with the Smart-PLS program. The population in this study was Micro, Small, and Medium Enterprises from various types of businesses. The number of respondents was 225 from Indonesia and Malaysia. The sampling technique used was stratified judgment sampling. Questionnaire in the form of Google Forms and distributed via WhatsApp, Facebook, and Instagram. The study results show that innovation affects the performance of MSMEs in Indonesia and Malaysia. In Indonesia, owner characteristics influence innovation but do not affect performance. With the characteristics they have, MSME owners can improve their performance through the creation of innovations. However, this is not the case in Malaysia.

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SARI PATI

Penelitian ini bertujuan untuk menganalisis pengaruh karakteristik pemilik UMKM terhadap kinerja mereka melalui inovasi di Indonesia dan Malaysia. Structural Equation Modeling (SEM) digunakan untuk menganalisis data, dengan program Smart-PLS. Populasi dalam penelitian ini adalah Usaha Mikro, Kecil, dan Menengah dari berbagai jenis usaha. Jumlah responden adalah 225 dari Indonesia dan Malaysia. Teknik sampling yang digunakan adalah stratified judgement sampling. Kuesioner dalam Google Forms disebarkan melalui WhatsApp, Facebook, dan Instagram. Hasil studi menunjukkan bahwa inovasi berpengaruh terhadap kinerja UMKM di Indonesia dan Malaysia. Di Indonesia, karakteristik pemilik mempengaruhi inovasi tetapi tidak mempengaruhi kinerja. Dengan karakteristik yang dimilikinya, pemilik UMKM dapat meningkatkan kinerjanya melalui penciptaan inovasi. Namun, tidak demikian halnya di Malaysia.

INTRODUCTION

The Covid 19 pandemic hit Indonesia and other countries in the world. The pandemic affects the economies of the World, including Indonesia and Malaysia. Some countries are starting to experience a recession, besides experiencing drastic economic growth. In the first quarter of 2020, Indonesia's economic growth fell to 2.97, from 4.97 in the previous quarter, where Malaysia fell to 0.7, from the previous 3.6. In Indonesia, the second quarter is minus 5.35, the third quarter is minus 3.49 (Mulyani, 2020). In Malaysia, the second quarter is minus 17.1, and the third quarter is minus 2.7 (Tradingeconomic, 2020). Likewise, what was conveyed by Cowling et al. (2020) that the recession due to Covid 19 caused 61% of businesses to experience cash difficulties.

This decline in growth has shaken companies or business actors, especially in Indonesia where 99.98% or 62,922,617 business units are Micro, Small, and Medium Enterprises or MSMEs. Of this number, 98,704% or 62,106,900 business units are Micro Enterprises (Economic Indicator_2019). Micro and MSMEs as a whole were most affected by the Covid pandemic 19. From the results of a survey conducted by the Asian Development Bank, 50% of MSMEs closed their businesses, 88% of micro-businesses did not have savings, 88% of micro and small businesses reduced their workforce. 51% of MSMEs are still optimistic that their business will continue under the conditions of the Covid 19 pandemic (Kemenko, 2020). In Malaysia, the number of Small and Medium Enterprises constitutes 98.5% of total businesses, of which 36.6% contributes to Gross Domestic Product (GDP), and 65.3% contributes to employment (Omar et al., 2020). Unlike in Indonesia, MSMEs contribute 60.4% of GDP, and 97% are contributors to employment (Economic Indicator_2019).

In Indonesia and Malaysia, the most affected by the economic crisis are MSMEs, considering that the Covid 19 pandemic is not like the 1998 and 2008 financial crises, but rather a crisis caused by changes in the social fabric, decreased purchasing power, thus affecting transaction behavior. According to the Ministry of Cooperatives for Micro, Small and Medium Enterprises (2020), there are 4 problems for MSMEs in the Covid 19 condition, namely 18.83% due to hampered production, 22.9% due to decreased demand, 18.87% due to difficulties in obtaining raw materials, and 20.01% due to hampered distribution. The threat of the resilience of MSMEs threatens a threat to the economy because MSMEs high contribute to GDP which makes them the backbone or pillar of the economy in Indonesia and Malaysia (Ibrahim et al., 2016). For this reason, it is necessary to look for factors that can help MSMEs survive and continue their business. Economic chaos and changes in social order have an impact on two sides of the currency, namely strengthening the resilience or weakening the resilience of MSMEs. Innovation is strengthening the resilience of MSMEs, as stated by Ivanus & Repanovici (2016) that only MSMEs have a clear innovation strategy, adjust to market demand, make changes in production costs continuously, and show product quality conditions and make continuous cost changes, then increasing the performance.

According to Martinez-Vergara and Vall-Pasola (2020), there are business actors who do not want to innovate because according to them innovation is an inferior activity, so they only focus on existing consumers, without developing segmentation and without paying attention to the new needs and desires of their consumers. Business actors who think so, have difficulty maintaining the performance of their business. On the other hand, there are also business actors who respond to changing conditions by making innovations that are focused on meeting consumer needs (Martinez-Vergara and Vall-Pasola, 2020; Christensen et al., 2018). According to the results of research conducted by (Martinez-Vergara and Vall-Pasola, 2020; Christensen et al., 2018) and the decline of MSME performance during the Pandemic Covid 19 is the basis for testing MSMEs in Indonesia and Malaysia. The decisions of different UMKM actors become material for study by making the character of the actors the basis for these decisions.

The reason for conducting research in Indonesia and in Malaysia is because, although the contribution of MSMEs to GDP in Indonesia and Malaysia is different, which is 60.4% for Indonesian MSMEs and 36.6% for Malaysian MSMEs, the percentage of the number of MSMEs compared to the total number of businesses in Indonesia and Malaysia are not much different, namely 99.98% (Economic Indicators, 2019) and 98.5% (Omar et al., 2020). Thus, the solution so that MSMEs do not collapse will have a significant effect on the economic growth of the two countries. On the other hand, Indonesia and Malaysia are culturally similar, so the characteristic of MSMEs is almost the same. Is it true that almost the same characteristic also influenced his decision to innovate in the conditions of Covid 19?. The study aims to analyze the effect of owner characteristic on innovation and the performance of MSMEs during The Covid 19 pandemic, in Indonesia and Malaysia. The results of this study can be used to develop strategies to improve performance for MSMEs in conditions of economic uncertainty, due to the COVID-19 pandemic in Indonesia and Malaysia.

The basic theory used in this study is Focused Disruptive Innovation. Innovation arises because of chaos and unfair market dominance (Tencer & Cadoso, 2014). According to Christensen (2018) who initiated the theory, initially to apply the theory with technology innovation, then developed not only technological innovation, more than that, a business model. With the innovation of the business model, it is hoped that it can enter markets that are currently uncertain, by targeting new market segments that have not been entered by previous business actors. This theory is in accordance with the conditions of the Covid 19 pandemic which caused market upheaval, so producers and sellers lost consumers, due to changes in consumer demand. The Focused Distributive Innovation concept is used to break through and provide the innovation that consumers need. This theory according to Martines-Vergara and Valls-Pasola (2020) is focused on understanding consumer needs and creating the value provided, completely changing the business model, using low capital investment. This is suitable to be applied by MSMEs, changing the market target to the middle up social class. As well as, from low-performance to upper-middle performance. Another basic theory is the Chocolate Method. The Chocolate Method (Dormant, 2012) is about the requirements for innovation adopters, including users who must have characters that meet the requirements, including knowing and being aware, having a great desire, and wanting to carry out the learning process. Thus, this theory emphasizes the requirements for innovation, one of which is the character of a business actor that must be suitable and support innovation efforts. This theory underlies the selection of the owner's characteristic variable of the UMKM which is being tested to influence innovation efforts.

Hypotheses

The success of making innovations is affected by business actors, in this case, MSMEs. There are several types of business actors, including innovators, early adopters, or vice versa, the late majority, that is, are reluctant to innovate (Martinez-Vergara dan Valls-Pasola, 2020). The theory of innovation, namely the Chocolate Method (Dormant, 2011) states that the conditions that must be met in order for innovation to be created are the characteristic of the owner. The characteristics referred to include: 1) having an awareness of the conditions that occur, 2) always wanting to know, and 3) having the desire to learn. In addition, another characteristic that is needed in fostering innovation so that it can improve performance is the experience of the actors (Alharbi, 2008). Is it true that differences in owner's characteristics of MSMEs cause differences in making innovations or staying in business models, although under different conditions? Based on this description, hypothesis 1 is structured as follows:

H1a: Owner's characteristic of Micro, Small, and Medium Enterprises an effect on innovation significantly in the conditions of the Covid-19 pandemic in Indonesia

H1b: Owner's characteristic of Micro, Small, and Medium Enterprises an effect on innovation

significantly in the conditions of the Covid-19 pandemic in Malaysia

According to Lim et al. (2020), the condition of covid 19 changes consumer wants and needs. Thus, innovative changes are needed to change these changes. Furthermore, Ivanus and Repanovici (2016) argue that companies that have an innovation strategy by implementing business continuity management (BCM) can increase business turnover and market share. Likewise, according to Tehseen and Tajilan (2016). Baker & Sinkula (2007), Tajeddini (2006) stated that innovation affects the growth or sustainability of Micro Enterprises. Based on this, hypothesis 2 is as follows:

H2a: Innovation carried out by Micro, Small, and Medium Enterprises has an effect on the performance of their businesses significantly in the conditions of the Covid 19 pandemic in Indonesia.

H2b: Innovation carried out by Micro, Small, and Medium Enterprises has an effect on the performance of their businesses significantly in the conditions of the Covid-19 pandemic in Malaysia

According to Nastasiae & Mironeasa (2020), the character owners of SMEs has an effect on the performance of their businesses. Likewise, according to Liu and Jiang (2020) that the character of the SME owner has an effect on company performance, and according to Woldie et al. (2008) affects the growth of SME businesses. The characteristics of business actors who can realize innovation consist of awareness (Dormant, 2011), curiosity (Abdilahil et al., 2017; Dormant, 2011), upgrade knowledge (Abdilahil et al., 2017; Dormant, 2011; Alharbi, 2008; Tehseen & Sajilan, 2016; Thornhill, 2006), experience (Abdilahil et al., 2017; Alharbi, 2008). Based on this, the third hypothesis is as follows:

H3a: The owner's characteristics of the Micro and Medium Enterprises an effect on the performance of their business significantly in the conditions of the Covid-19 pandemic in Indonesia

H3b: The owner's characteristics of the Micro and Medium Enterprises an effect on the performance of their business significantly in the conditions of the Covid-19 pandemic in Malaysia

The category of business owner affects innovation (Dormant, 2013). Likewise, according to Martinez-Vergara and Valls-Pasola (2020), the success of innovation is influenced by the type of business owner. In addition, Nastasiae & Mironeasa (2020) argue that character affects performance. Furthermore, the innovations that have been found, including improved marketing, products, and production processes, can improve performance and business sustainability (Tehseen and Tajilan, 2016; Baker & Sinkula, 2007; Tajeddini, 2006). This assumption is described in the fourth hypothesis, as follows:

H4a: Innovation which is affected by the owner's characteristic of Micro, Small, and Medium Enterprises an effect on improving the performance of their business significantly in the conditions of the Covid-19 pandemic in Indonesia

H4b: Innovation which is affected by the owner's characteristic of Micro, Small, and Medium Enterprises an effect on improving the performance of their business significantly in the conditions of the Covid-19 pandemic in Indonesia

METHODS

This research uses quantitative research methods. Quantitative research methods are research methods based on the philosophy of positivism, used to research a specific population or sample. The sampling technique uses stratified judgment sampling, and data collection uses research instruments, data analysis is quantitative/statistical in order to test the predetermined hypothesis. Structural Equation Modeling (SEM) is used to analyze data and Smart-PLS as software. The population in this research are Micro, Small, and Medium Enterprises (MSMEs) in Indonesia and

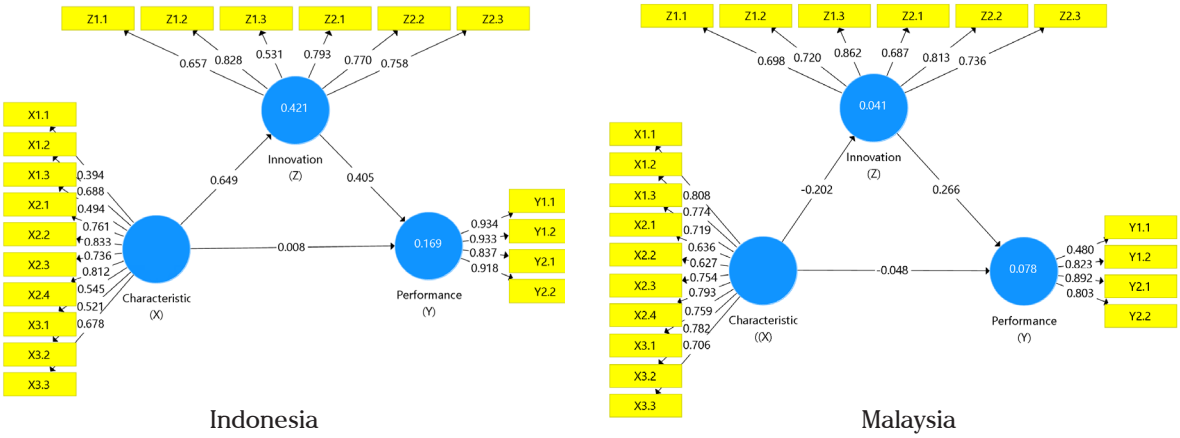

Figure 1. Measurement of Variable

Malaysia from various types of businesses. The number of samples determined based on the Hair Theory (Hair et al., 2006) is 225 respondents (Indonesia and Malaysia), with details; Indonesia: 123 respondents, Malaysia: 102 respondents.

The research variable consists of three variables, namely the Innovation Variable, the owner's characteristics of MSMEs, and the performance variable. Innovation in this research is creativity that produces innovations regarding improvement, development, or useful findings based on the needs and desires of consumers and technology development. Owner's characteristics of MSMEs in this study are based on their awareness, curiosity, and knowledge of business changes that must be anticipated. Performances of MSMEs in this study can be identified as the ability to obtain income, profit, employees, and improve customer.

RESULTS AND DISCUSSION

Profile Analysis

There are differences in the profile of respondents between Indonesia and Malaysia. Indonesian respondents were dominated by micro-enterprises at 73.2% with 4 workers or less, while Malaysian respondents were 81.4% on a small business scale with permanent workers between 5-74. There is a difference in the years of operation, in Indonesia 3-5 years as much as 40.7%, and in Malaysia 5-10 years as much as 45.1%. There are also different business entities, in Indonesia, 65% of most are private companies that are not legal entities, in Malaysia, the legal entities are Partnerships and Limited Liability Companies at 67.6%. In detail, the comparison of the profile analysis in Indonesia and Malaysia see Table 1.

Validity and Reliability Analysis

Figure 1 is an outer loading model to present a measurement of variables, in which there are valid test results of constructs that form variables.

In Indonesian data, X1.1, X1.3, X3.1, X3.2, and Z1.3 do not meet the validity standard because <0.6. In Malaysian data, Y1 does not meet the validity standard because it is <0.6. In Table 2, the Validity Analysis is presented by eliminating invalid indicators.

In the Table 3, the composite reliability of each construct is> 0.70, and Cronbach's Alpha & AVE for each construct> 0.50 means that all constructs are reliable.

Table 1. Profile Analysis

Subject	Indonesia		Malaysia	
	Frequency	Percent	Frequency	Percent
Gender				
Male	59	48.0%	50	49%
Female	64	52.0%	52	51%
Total	123	100%	102	100%
Years of Operation				
1-3 years	50	40.7%	9	8.8%
3-5 years	20	16.3%	33	32.4%
5-10 years	29	23.6%	46	45.1%
10-20 Years	14	11.4%	14	13.7%
over 20 years	10	8.1%		
Total	123	100%	102	100%
Business Entity				
CV	7	5.7%		
Partnership	4	3.3%	28	27.4%
Individual	80	65.0%	33	32.4%
Limited Liability Company (PT)	17	13.8%	41	40.2%
Others	15	12.2%		
Total	123	100%	102	100%
Number of full-time employees				
4 employess or less	90	73.2%	19	18.6%
5-74 employess	27	22.0%	83	81.4%
75-200 employess	6	4.9%		
Total	123	100%	102	100%
Type of business:				
Craft, Creative	7	5.7%		
Fashion	15	12.2%		
Services	21	17.1%	69	67.6%
Culinary	50	40.7%		
Agriculture/Fisheries	6	4.9%		
Others	24	19.5%	7	6.9%
Manufacturing			26	25.5%
Total	123	100%	102	100%

Table 2. Validity Analysis (Outer Loading)

	Indonesia Outer Loading	Malaysia Outer Loading
X1.1		0.808
X1.2	0.711	0.775
X1.3		0.720
X2.1	0.794	0.636
X2.2	0.871	0.626
X2.3	0.763	0.756
X2.4	0.835	0.794
X3.1		0.758
X3.2		0.780
X3.3	0.655	0.705
Z1.1	0.680	0.701
Z1.2	0.855	0.723
Z1.3		0.863
Z2.1	0.810	0.686
Z2.2	0.770	0.810
Z2.3	0.767	0.733
Y1.1	0.933	-
Y1.2	0.932	0.825
Y2.1	0.839	0.894
Y2.2	0.918	0.800

Table 3. Reliability Analysis

	Cronbach's Alpha	Rho_A	Composite Reliability	Average Variance Extracted (AVE)
Indonesia				
Owner's Characteristics (X)	0.865	0.866	0.899	0.600
Innovation (Z)	0.837	0.852	0.885	0.606
Performance (Y)	0.927	0.926	0.948	0.821
Malaysia				
Owner's Characteristic (Z)	0.911	0.946	0.922	0.545
Innovation (z)	0.850	0.876	0.888	0.571
Performance (Y)	0.796	0.848	0.878	0.706

Table 4. The Coefficient of Determination

	Indonesia		Malaysia	
	R Square	RSquare Adjusted	R Square	RSquare Adjusted
Innovation (Z)	0.364	0.359	0.041	0.031
Performance (Y)	0.164	0.150	0.080	0.062

The Determinant

Based on the Table 4, the R square Adjusted value of the equation Z = 0.603* X + e from the table above is 0.364 indicating that 36,4% of the Y variable can be explained by changes in variables X, while the other 63.6% were caused by other factors outside the model. The value of the R square Adjusted equation Y= -0.049* X+ 0.373*Z + e from the table above is 0.152 shows that 15 % of the variable of Y can be explained by changes in variable X and Z, while the other 85%. the R square Adjusted value of the equation Z = -0.202* X + e from the table above is 0.031 indicating that 3.1% of the X variable can be explained by changes in variables X, while the other 96.9% were caused by other factors outside the model. The value of the R square Adjusted equation Y= -0.052* X+ 0.268*Z + e from the table above is 0.062 showing that 6.2% of the variable of Y can be explained by changes in variable X and Z, while the other 93.8%.

Path Analysis

Path analysis is used to answer the hypothesis and determine the effect of the independent variable on the dependent variable. The results of the T statistic and P-value, Sample Mean, and Original Sample are presented in Table 5.

Table 5 as a basis for determining the analysis of the hypothesis test, is presented in Table 6. The basis for decision-making is if the probability (prob value)> 0.05 or - t table <t count <t table then H0 is not rejected. If the probability (prob value) <0.05 or t count <- t table or t count> t table then H0 is rejected (t table for alpha = 0.05 is 1.96).

The results of hypothesis testing and the magnitude of the influence of each variable are clarified by the following models (Figure 2).

Table 5. Path Analysis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Indonesia					
Owner' Characteristics (X) ⟶ Innovation (Z)	0.603	0.614	0.053	11.376	0.000
Owner's Characteristics (X) ⟶ Performance (Y)	-0.049	0.051	0.113	0.433	0.665
Innovation (Y) ⟶ Performance (Y)	0.373	0.374	0.106	3.505	0.000
Malaysia					
Owner's Characteristics (X) ⟶ Innovation (Z)	-0.202	-0.216	0.159	1.269	0.205
Owner's Characteristics (X) ⟶ Performance (Y)	-0.052	-0.061	0.135	0.387	0.699
Innovation (Z) ⟶ Performance (Y)	0.268	0.283	0.092	2.911	0.004

Table 6. Hypothesis Test Results

	Indonesia	Malaysia
H1: Owner's characteristic of Micro, Small, Medium Enterprise an effect on innovation significantly and positively in the conditions of the Covid 19 pandemic	Accepted (t statistic= 11.376> t table=1.96, Level Sig =0.05, P=0.00< 0.05)	Rejected (t statistic= 1.269< t table=1.96, Level Sig =0.05, P=0.205>0.005)
H2: Innovation carried out by Micro, Small, and Medium Enterprises an effect on the performance of their businesses significantly and positively in the conditions of the Covid pandemic 19	Accepted (t statistic= 3.505 > t table=1.96, Level Sig =0.05, P=0.00< 0.05)	Accepted (t statistic= 2.911> t table=1.96, Level Sig =0.05, P=0.004< 0.05)
H3: The owner's characteristic of the Micro and Medium Enterprises an effect on the performance of their business significantly and positively in the conditions of the Covid 19 epidemic	Rejected (t statistic= 0.433< t table=1.96, Level Sig=0.05), P=0.665> 0.005	Rejected (t statistic= 0.387< t table=1.96, Level Sig=0.05), P=0.699> 0.005
H4: Innovation which is influenced by the owner's characteristic of MSMEs have an effect on improving the performance of MSMEs	Accepted 0.225	Rejected -0.054

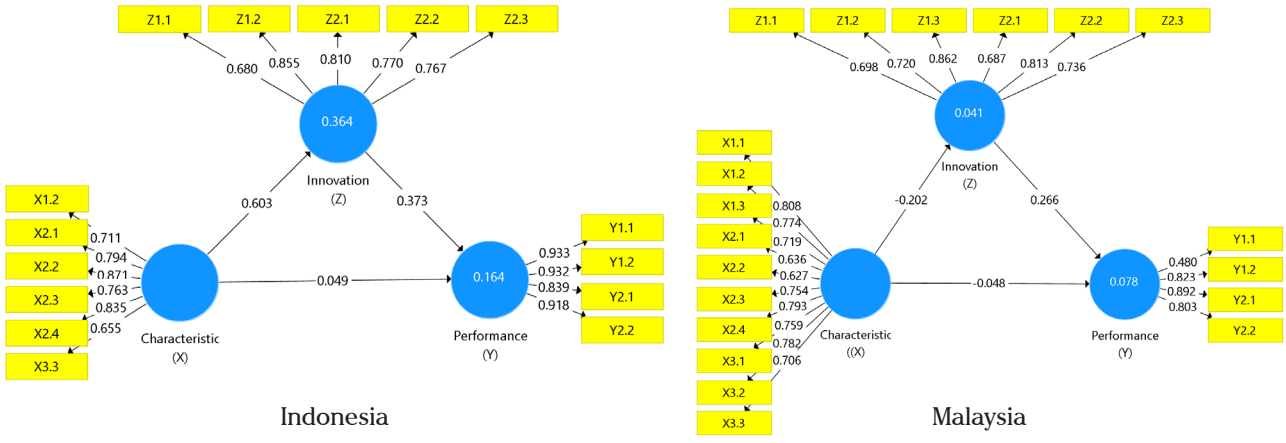

Figure 2. Model of Variable

Table 7 shows the coefficient path which shows the magnitude of the effect of exogenous variables on endogenous variables, either directly or indirectly

Discussion

In Indonesia, H1 is accepted, meaning that the owner's characteristic variables have a significant and positive effect on the innovation variable. The

Table7. Path Coefficient

	Indonesia		Malaysia	
	Direct Effect	Specific Indirect Effect	Direct Effect	Specific Indirect Effect
Owner's Characteristic ⟶ Innovation	0.603		-0.202	
Innovation ⟶ Performance	0.373		0.268	
Owner's Characteristic ⟶ Performance	0.049		-0.052	
Owner's Characteristic ⟶ Innovation ⟶ Performance		0.225		-0.054

variable of owner's characteristic has an effect on the innovation variable by 60.3%, meaning that the addition of 1 unit of owner's characteristic has an effect of 60.3% on the creation/addition of innovation. This is in accordance with the opinion (Martinez-Vergara and Valls-Pasola 2020) and (Dormant, 2011). However, in Malaysia H1 is rejected, meaning that the owner's characteristic variable does not have a significant effect on the innovation variable.

In Indonesia, H2 is accepted, meaning that the innovation variable has a significant and positive effect on the MSME performance variable. The innovation variable has an effect on the performance of MSMEs by 37.3%, namely the addition of 1 unit of innovation and has an effect on the improvement of the performance of MSMEs by 37.3%. In Malaysia, H2 is also accepted. The innovation variable has an effect on the performance of MSMEs by 26.8%, namely the addition of 1 unit of innovation and has an effect on the improvement of the performance of MSMEs by 26.8%. This is in accordance with the opinion of Tehseen and Tajilan (2016), Terziovski (2010), Baker & Sinkula (2007) Tajeddini (2006).

In Indonesia, H3 is rejected, meaning that the owner's characteristic variable of MSMEs does not have a significant effect on the performance of MSMEs. The effect is only 4.9%. In Malaysia, H3 is also rejected, meaning that the owner's character variable of MSMEs does not have a significant effect on the performance of MSMEs. The effect is only 5.2% and negative. The results of this study contradict the results of previous studies, namely Nastasiae & Mironeasa, 2020; Liu and Jiang, 2020; Woldie et al., 2008 stated that the owner's character of MSMEs has an effect on company performance. One of the factors that led to the conduct of the research was the conditions underlying the implementation of the research. Previous researchers in conducting research were not in a state of recession due to the Covid 19 pandemic. The owner's character of MSMEs has no effect on the performance of MSMEs because, in current conditions, real decisions and actions are needed to overcome the problem of performance decline including making innovations. The character of good owners, if not accompanied by concrete actions in the form of innovative actions, will not affect the performance of MSMEs.

In Indonesia, H4 is accepted, meaning that innovation based on the owner's characteristic of MSMEs has an effect on the performance of MSMEs. Owner's Characteristics that support innovation

when accompanied by concrete actions in the form of innovative actions can improve the performance of MSMEs. Innovation is a reinforcement that changes the owner's characteristic of MSME into concrete actions to face economic recession due to the Covid 19 pandemic. This is consistent with previous researchers, among others (Alharbi, 2008) that character is needed in fostering innovation so that it can improve the performance experienced by the perpetrators. Unlike in Malaysia. H4 rejected. In Malaysia, the factor that encourages innovation is not the owner's characteristic of the MSME, because the factors that influence innovation are outside the owner's character of the MSME is 96.9% (100-R2). Meanwhile, factors outside the owner's character that strengthen innovation are 93.8% (100-R2).

In Indonesia and Malaysia, in the conditions of the COVID 19 pandemic, MSMEs need to innovate because innovation can improve the performance of MSMEs. In Indonesia, the effect of innovation on the performance of MSMEs is 41.8%. The effect of innovation driven by the owner's characteristics of MSMEs on the performance of MSMEs is 24.2%. Therefore, the rest needs to be encouraged or influenced by other factors in order to increase optimal performance from 24.2% to 41.8% or more. Based on R square Adjusted Y = 0.623 * X + e from the table above is 0.383 which indicates that 38.3% of variable Y can be explained by changes in variable X, while the other 61.7% are caused by other factors outside the model. Thus, other factors referred to have a chance of 61.7%. Likewise in Malaysia. innovation is needed to improve the performance of MSMEs. However, innovation cannot be built by the owner's characteristics of the MSME, so further research is needed to identify the factors that drive innovation.

In Indonesia, the owner's characteristics of MSMEs can influence the increase in innovation, and innovation can strengthen the owner's characteristics of MSMEs so that MSMEs can improve their performance. Meanwhile, in Malaysia, it is not the case. This is because based on profile analysis differences, most of the respondents from Malaysia are well-established companies with the category of mostly not micro-companies but small companies, permanent employees between 4-74, and legal entities, and have longer entrepreneurial experience. Established companies find it difficult to get out of their comfort zone, and it is more difficult to change, even if these changes are necessary. Innovation is change. To make innovative changes, it is necessary to make changes to procedures and resource management. This is not easy, and most business owners do not want to do this, even though the owner's characteristic of the business fulfills the readiness to innovate, as stated (Martinez-Vergara and Valls-Pasola 2020) that there are companies that are reluctant to make changes in the form of innovation.

MANAGERIAL IMPLICATIONS

Managerial implications for Indonesia, MSMEs, especially Micro Enterprises, need to be encouraged to innovate so that their performance increases, by optimizing character traits including awareness, curiosity, and knowledge. Managerial implications for Malaysia, MSMEs, especially small businesses, need to be encouraged to innovate so that their performance increases, it is not enough to optimize their characteristics, including awareness, curiosity, and knowledge. More than that, it is necessary to improve other factors, bearing in mind that the characteristic indicators tested do not significantly influence the increase in innovation.
inovasi.

CONCLUSION

In Malaysia, most of the respondent's profiles with business experience, not micro-enterprises but mostly categorized as small companies, and mostly legal entities, indicate that owner's characteristic does not affect the increase in innovation. Because to innovate it is necessary to change management, wherewith the respondent's profile it is not easy to make changes quickly. In Indonesia, with the profile of respondents who are mostly micro-enterprises, relatively inexperienced, and most of them are not

legal entities, it shows that the owner's characteristic has an effect on improving MSME performance, although there are many other factors that influence innovation. In fact, micro-enterprises that are not yet legal entities, with owners who do not have much experience, can more easily innovate because they are not burdened with complex organizational structures and decision-making. Thus, the novelty is that every MSME owner with various profiles and characteristics has the same opportunity to improve their performance in order to survive the economic recession due to the COVID-19 pandemic, as long as they are willing to take action for change, to do innovation. This is the basis for formulating MSME strategies to survive and improve their performance. ■

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