An investigation of corporate governance, motivation, innovative behavior, and competitiveness on MSMEs performance: An empirical study in Indonesia

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ABSTRACT

The purpose of this study is to obtain a model to improve the performance of MSMEs through the application of competitiveness to enhance their corporate governance, motivation, and innovative behavior. A descriptive verification analysis was applied using 5 main variables which include corporate governance, motivation, innovative behavior, competitiveness, and performance of MSMEs. The population includes 106,038 MSMEs owners or employees in the Riau Islands Province while a total of 398 were selected as the subjects. Data were analyzed using Structural Equation Modeling (SEM) based on the variance which involves the Partial Least Square (PLS) data processing in SmartPLS Ver.3.0 software. The results showed that the level of governance, motivation, innovative behavior, and competitiveness in MSMEs can affect their level of performance. It was also discovered that competitiveness has a mediation role concerning the influence of corporate governance, motivation, and innovative behavior on performance. The novelty of this study is for it to serve as a strategic model to enhance the performance of MSMEs through their competitiveness by improving the corporate governance, motivation, and innovative behavior.

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Introduction

Micro, Small, and Medium Enterprises (MSMEs) have a very important role in the economic development of a country and also play a significant part in distributing wealth (Park, 2017). The sector is the highest contributor to GDP and labor absorption in some developing countries due to the absorption of a high number of workers which usually leads to the reduction of unemployed people and poverty. This has a direct effect on the improvement of people’s welfare (Schwab, L., Reiner, G., Gold, S., 2018), local economic activities, community empowerment, creation of new markets (Xerri and Brunetto, 2011), sources of innovation (Firdaus et al., 2021), and the country’s economy.

MSMEs, as business organizations, need to improve their performance and this can be influenced by both external and internal factors (Gronum et al., 2012). This is due to the fact that positive external factors have the ability to assist a company in achieving its goals by analyzing those with the highest influence through the examination of the opportunities in the external environment and making adjustments in line with the circumstances and core competencies of the company (Zimmerer et. al., 2016). Meanwhile, internal factors are associated with the functional areas of the business such as the management, marketing, HR, finance or accounting, production, operations, and management information systems. They serve as the foundation to build the goals and strategies needed to create strengths and overcome organizational weaknesses. The dimensions of internal factors include the aspects of (1) human resources, (2) finances, (3) technicality and operations, as well as (4) market and marketing (Demirbag and Tatoglu, 2008).

The major problem of MSMEs is competition (Chatzoglou and Chatzoudes, 2018) and it has been reported that low competitiveness normally affects their long-term existence (Huang et al. 2015) and subsequently the national economy. Competitiveness is defined...
as the ability of a company to win consistently in the long term during competitive situations (Huang et al. 2015). This concept significantly determines business development because the ability to compete effectively is important to achieving overall business prosperity (Ahmedova, 2015).

Previous studies showed that the competitiveness of MSMEs can be influenced by institutional factors, infrastructures, macroeconomic conditions, health and basic education, higher education and training, goods market efficiency, labor market efficiency, financial markets, technological readiness, market size, business experience, and innovation capability (Schwab et al., 2018). Some others reported by Hofer et al. (2015) include domestic economic factors, internationalization, finance, infrastructure, management, science and technology, as well as human resources. OECD (2001) also reported that competitiveness is influenced by innovation and innovative behavior of human resources. Meanwhile, Kim and Park (2017) showed that innovation is related to individual behavior in an organization. This is the reason innovative individual behavior is observed to be important to the success and survival of an organization. Innovative work behavior is described by Firdaus et al. (2021) as the process of creating and implementing new ideas by individuals working in an organization. This concept has the ability to provide high performance for the individuals as well as groups and teams involved.

Ahmedova (2015) showed that another factor related to the performance of human resources is individual motivation, thereby the higher motivation in an employee was found to produce a higher performance due to the increase in the effort expended to achieve organizational goals. Meanwhile, Kmecová, I., Tlustý, M. (2020) and Bhagat and Bolton (2008) also proved that good business corporate governance factors can improve the performance and competitiveness of a company.

Therefore, this study was conducted to determine the influence of corporate governance, motivation, and innovative behavior on the performance of MSMEs through the use of competitiveness as a mediating variable. The findings are expected to contribute to the existing literature concerning the performance of MSMEs.

**Literature Review**

**Conceptual and Theoretical Background**

**Corporate Governance**

The development of corporate governance originated from the agency theory developed by Jensen and Meckling in 1976. This theory is based on the contractual relationship between the principal and the agent where the principal is the party mandating an agent to act on its behalf while the agent is the party mandated by the principal to perform its duties. This shows that the owner of a company as the principal delegates certain decision-making roles to the management or managers as agents to improve the welfare of the business. This theory serves as the theoretical model considered to be very influential in discussing the concept of corporate governance in different companies around the world.

The Organization for Economic Cooperation and Development (OECD) defines corporate governance as the system of directing and controlling business enterprises. It involves the distribution of rights and responsibilities among the different participants in the company including the board, managers, shareholders, and other stakeholders. It also states the rules and procedures to make corporate decisions and affairs.

Lubis and Yacob (2021) showed that there are five principles associated with corporate governance in Indonesia. The first is transparency which is related to openness in business entities such as conducting business activities, decision-making, and disclosing material and relevant information. The second is accountability which involves ensuring correct and measurable business management activity in accordance with the interests of the stakeholders. The third is responsibility which is related to being accountable to consumers and complying with established regulations. The fourth is independence which is a condition of professional business management required to limit the interference from any party and the fifth is fairness and equality which is an attitude associated with being fair to interested parties in accordance with the criteria and proportion of their needs.

**Motivation**

Luthans (2012) defined motivation as a process initiated by the physiological or psychological deficiency driving a behavior directed at certain goals or incentives. This implies the key to understanding the motivational process is associated with the relationship between needs, drives, and incentives. Robbin and Judge (2015) also explained the concept as the process that explains the strength, direction, and persistence of a person towards achieving certain goals. This shows that motivation is generally concerned with working toward any goal and this is the reason the focus was narrowed to the effect of work-related behavior on organizational goals. Moreover, motivation was also defined by Rivai (2013) as a series of attitudes and values influencing individuals to achieve specific things according to their respective goals. These attitudes and values are invisible but provide strength and encouragement for individuals to achieve their goals.

The two-factor theory developed by Herzberg showed that motivation can be basically measured through two factors which include the intrinsic and extrinsic factors (Robbin and Judge, 2015). The intrinsic ones are associated with job satisfaction while extrinsic ones are related to dissatisfaction. This indicates the urge to do something arises because there are intrinsic factors while the fulfillment of self-satisfaction is due to extrinsic factors.
Legault (2016) argued that intrinsic motivation is the desire to act based on internal driving factors. This indicates individuals driven by intrinsic motivation can only be satisfied when the activities conducted produce results. Singgh D. Gunarsa (2008) also stated that intrinsic motivation is a strong drive or will from within a person and a stronger intrinsic motivation is expected to produce a strong behavior towards achieving goals. Meanwhile, Permana (2009) quoted in Nawawi explained extrinsic motivation as the drive from outside an individual which is in the form of a condition ensuring that work duties are performed to the fullest. Manullang (2001) showed that a company with bad working conditions, small wages, benefits or safety will have difficulty attracting good employees and is also expected to experience increased workers turnover and absenteeism.

Innovative Behavior

West and Farr, (1989) explained innovative work behavior as the intentional creation and implementation of new ideas or new things by individuals in their work roles in order to improve the performance of the group or organization. Messmann (2012) defined the concept as the sum of individual physical and cognitive activities in performing a set of work required to develop innovation, either individually or in groups. Meanwhile, Scott and Bruce (1994) explained innovation as a process conducted systematically and gradually based on different activities and behaviors at each stage.

The concept was further explained by Scott and Bruce (1994) to be a complex behavior in the workplace with a set of three different behavioral tasks including idea generation, idea promotion, and idea realization. This implies individual innovation usually starts with idea creation which is the production of new and useful ideas in any domain (Kanter, 1988). Moreover, innovative behavior can generally be interpreted as creativity but the two concepts are different due to the fact that innovative behavior is explicitly intended to provide some kind of benefit. Innovative behavior has elements that can be better understood and applied with the expectation of being useful in producing innovative products. Meanwhile, creativity is considered one of the important elements associated with behaving innovatively. This is because ideas are generated by individuals as a response to the innovation needs of the company when problems or gaps are found in performance (West, 2002).

Bryd & Bryman (2003) also noted two dimensions underlying innovative behavior which include creativity and risk-taking. Amabile in de Jong & Kamp (2003) stated that all innovations usually start with creative ideas. Meanwhile, creativity is defined as the ability to develop new ideas through skills, flexible and imaginative thinking, and internal motivation (Bryd & Bryman, 2003).

Competitiveness

Competitiveness is associated with the competitive advantage of a company and is highly dependent on the level of relative resources possessed. It is also one of the criteria normally used to determine the success and achievement of a country in increasing income and economic growth. Moreover, competitiveness is related to productivity problems and this is the reason it is normally applied to assess the level of output produced by each input used. An increase in productivity is due to an increment in the number of physical inputs of capital and labor, quality of the input, and technology (Porter, 1990 in Abdullah, 2002).

Competitiveness is often measured based on certain indicators such as comparative advantage and competitive advantage as well as absolute advantage. According to Tarigan (2005:75), comparative advantage is defined as an economic activity considered to be more profitable for regional development based on the comparison. The term was first put forward by David Ricardo (1917) during the process of discussing trade between two countries (Tarigan, 2005 in Sitorus, 2013). However, this study used the indicators applied by Saiman (2009) which include the uniqueness of the product, product quality, and competitive prices.

Performance

Performance can be generally interpreted as the results of the entire work process performed by an individual in order to determine its status in achieving the defined goal (Zainur, 2010:41). It is also explained as the result of the work done by employees and normally applied as the basis to evaluate both the employees and the organizations.

According to Edison et al. (2016:195), the dimensions of performance include: 1) target which is normally used to determine the fulfillment of a certain the number of goods, jobs, or the amount of money generated, 2) quality which is an important element due to its ability to influence customer loyalty, 3) completion time to ensure proper distribution and delivery of work and also serves as the basis to create customer trust, and 4) adherence to principles. This infers performance does not only focus on achieving targets, maintaining quality, and ensuring timely completion but also ensuring activities are conducted in a correct, transparent, and accountable manner.

Conceptual Background

The framework of thought proposed in this study is presented in the following figure:
Figure 1: Conceptual Framework

**Hypothesis**

H$_{1a}$: Corporate governance has a positive effect on the competitiveness of MSMEs

H$_{1b}$: Motivation has a positive effect on the competitiveness of MSMEs

H$_{1c}$: Innovative behavior has a positive effect on the competitiveness of MSMEs

H$_{2a}$: Good corporate governance has a positive effect on the performance of MSMEs

H$_{2b}$: Motivation has a positive effect on the performance of MSMEs

H$_{2c}$: Innovative behavior has a positive effect on MSMEs performance

H$_3$: Competitiveness has a positive effect on the performance of SMEs

H$_{4a}$: Corporate governance has a positive effect on the performance of MSMEs through the application of competitiveness as a mediating variable

H$_{4b}$: Motivation has a positive effect on the performance of MSMEs through the application of competitiveness as a mediating variable

H$_{4c}$: Innovative behavior has a positive effect on MSMEs performance through the use of competitiveness as a mediating variable

**Research and Methodology**

This research was conducted quantitatively using a survey method. Data were collected by distributing closed questionnaires containing alternative answers designed using a Likert scale. Moreover, a total of 398 respondents were selected as samples using a proportionate stratified random sampling method. Statistical analysis was used to examine the relationship between the variables and this involved the application of the structural equation model (SEM) as well as Partial Least Square (PLS).

**Findings and Discussions**

Corporate governance was measured using five main dimensions which include Transparency, Accountability, Responsibility, Independence, and Fairness with 9 indicators. Motivation was measured using two main dimensions which include intrinsic motivation and extrinsic motivation with 8 indicators. Innovative behavior was assessed through four main dimensions which include idea exploration, idea generation, idea championing, and idea implementation with 8 indicators. Moreover, competitiveness was evaluated using three main dimensions which are product uniqueness, product quality, and competitive price with 6 indicators. The performance was determined using four main dimensions of Target, Quality, Completion Time, and Adherence to Principles also with 8 indicators. Furthermore, the descriptive statistics of these variables are presented in the following figure:

Figure 2: Descriptive Analysis Total Score
The figure shows that the level of corporate governance of MSMEs in Riau Islands Province is good. This suggests information to make decisions are easily available to the leaders, the companies comply with laws and regulations, respond efficiently to the surrounding community, and protect the rights of their leaders and all employees. It is important to note that the indicator with the highest score is "there are standards in measuring MSMEs performance" while the lowest score was recorded with "MSMEs is not bound or affiliated with any party."

Good corporate governance is, however, an important factor in maintaining the trust and confidence of stakeholders in MSMEs. This is due to the fact that the main goal of governance is to create an appropriate balance of power-sharing among all participants. Some of the benefits of having good corporate governance include improvement in organizational performance through the creation of better decision-making processes, increase in organizational operational efficiency, and further enhancement of services to interested parties or stakeholders (Awotundun et al., 2011). The findings showed that the SMEs in Riau Islands Province have implemented the principles of governance effectively, especially in relation to accountability. This is observed from the fact that all the policies and regulations issued concerning management and utilization of resources are presented to the public for assessment and evaluation. Moreover, this principle allows proper monitoring, assessment, and criticism of the decision-making process and performance. It was also discovered that having good corporate governance allows the MSMEs to have more easy access to capital assistance provided by local and central governments.

The findings also showed that the level of motivation is sufficient based on the scale range and this shows that the intrinsic and extrinsic motivation of the MSMEs studied has not been fully maximized. This signifies these business firms need to develop employee capabilities, provide salaries or compensation according to workload, strive to improve harmonious working relationships, and provide a supportive work environment. The improvement of these factors is expected to increase the motivation of the employees.

The indicator of motivation observed to have the highest score was "awards given to employees" which are discovered to be mostly monetary such as bonuses and incentives apart from salary or basic wages. This was further confirmed by Chatzoglou and Chatzoudes (2018) that the awards provided by the company have the ability to significantly increase individual motivation and performance while rewards can be a stimulus to enhance employee performance. Moreover, Cherai et al. (2014) also explained that one of the indicators in measuring the level of good governance of a company is through the reward system implemented. This infers the MSMEs need to be able to guarantee the satisfaction of all their employees in order to increase their motivation.

The results also revealed that the level of innovative behavior is relatively low as indicated by the scale range. This shows MSMEs employees in Riau Islands Province have not been able to fully explore opportunities or face problems that require formulating new ideas, and testing new procedures, processes, and services. This indicates the existence of low innovation in relation to both products and services produced by the MSMEs. It is, however, important to note that low innovation in a competitive business environment can be fatal to the survival of the firm due to the inability to keep up with the changes in both the internal and external environment.

The factors influencing innovative behavior are divided into two levels by Li and Zheng (2014). The first is the individual level which is related to organizational commitment which involves the provision of different resources to employees in order to ensure they are committed to the organization and produce based on available resources. It also refers to the mental state of employees which indicates they are willing to maintain their membership in the organization. According to Janssen (2000), the psychological effect experienced by employees has the ability to determine their level of commitment to the organization as well as involvement in innovative activities. The second is the organizational level which is related to organizational climate and leadership. This suggests MSMEs need to be able to build these factors in order to continually enhance individual innovative behavior. They also should create organizational values that lead to a climate of innovation within the organization. Meanwhile, an innovative climate is defined as the level of support for creativity and innovation perceived by employees in their work environment. It is also a reflection of individuals' perceptions of an organization's ability to provide a conducive environment for innovation. Moreover, the innovative climate in an organization has a direct influence on the innovative behavior of employees as well as the abilities and organizational performance through the attitudes, beliefs, motivation, and values of the members in the organization.

It is important to note that the indicator of innovative behavior with the highest score is "able to build and test new procedures, processes, services" which indicates the ability of the MSMEs employees to implement an idea as an innovation. Meanwhile, the lowest score was recorded with "able to bring out new ideas at work".

The level of competitiveness was found to be quite adequate in terms of product uniqueness, product quality, and price competition. The ability to compete is one of the keys to success for these firms and high competitiveness indicates they are able to keep up with the changes in the dynamic business environment. This implies MSMEs need to continue creating unique products with distinct characteristics not possessed by competitors. They also ought to produce high-quality products and their prices have to be adjusted based on this quality in order to compete effectively in the market. The development of these attributes is expected to increase the competitiveness of these firms. Cheraghalizadeh (2021) stated that competitiveness is closely related to the strategies implemented by MSMEs. This denotes the implementation of the right strategies can project these firms into the global market and ensure their survival. However, MSMEs have certain limitations such as limited access to market information, limited market reach, limited network, and limited access to strategic business locations (Tambunan, 2012). Therefore, there is a need for increased effort to enhance their access to all these factors, especially for MSMEs in Riau Islands Province, in order to improve their productivity and
The level of performance of the MSMEs studied was found to be quite adequate and this shows that these firms averagely encounter certain obstacles impeding their performance. This is indicated by not meeting the target set for the volume of work, the inability of employees to improve the work quality or discipline, and low obedience or compliance to the rules and regulations for these companies.

**Measurement Model**

**Outer Model**

The measurement model indicates the ability of the manifest or observed variables to represent the latent variables to be measured. It is important to note that the loading factor value is ascertained to have high validity when it is greater than 0.5. Chin (1998) in Ghozali and Latan (2015). The results from the outer measurement model using the PLS analysis tool for each indicator are presented in the following table.

| Variable               | Indicator | Outer Loading | Cronbach's Alpha | Composite Reliability | Average Variance Extracted (AVE) |
|------------------------|-----------|---------------|------------------|-----------------------|----------------------------------|
| Corporate Governance   | CG1       | 0.760         | 0.935            | 0.949                 | 0.756                            |
|                        | CG2       | 0.759         |                  |                       |                                  |
|                        | CG3       | 0.722         |                  |                       |                                  |
|                        | CG4       | 0.797         |                  |                       |                                  |
|                        | CG5       | 0.808         |                  |                       |                                  |
|                        | CG6       | 0.781         |                  |                       |                                  |
|                        | CG7       | 0.706         |                  |                       |                                  |
|                        | CG8       | 0.716         |                  |                       |                                  |
|                        | CG9       | 0.720         |                  |                       |                                  |
| Motivation             | MT1       | 0.890         | 0.893            | 0.915                 | 0.573                            |
|                        | MT2       | 0.870         |                  |                       |                                  |
|                        | MT3       | 0.883         |                  |                       |                                  |
|                        | MT4       | 0.880         |                  |                       |                                  |
|                        | MT5       | 0.883         |                  |                       |                                  |
|                        | MT6       | 0.864         |                  |                       |                                  |
|                        | MT7       | 0.870         |                  |                       |                                  |
|                        | MT8       | 0.825         |                  |                       |                                  |
| Innovative Behavior    | IB1       | 0.880         | 0.954            | 0.962                 | 0.758                            |
|                        | IB2       | 0.878         |                  |                       |                                  |
|                        | IB3       | 0.857         |                  |                       |                                  |
|                        | IB4       | 0.868         |                  |                       |                                  |
|                        | IB5       | 0.870         |                  |                       |                                  |
|                        | IB6       | 0.866         |                  |                       |                                  |
|                        | IB7       | 0.901         |                  |                       |                                  |
|                        | IB8       | 0.865         |                  |                       |                                  |
| Competitiveness        | CT1       | 0.888         | 0.955            | 0.962                 | 0.762                            |
|                        | CT2       | 0.918         |                  |                       |                                  |
|                        | CT3       | 0.883         |                  |                       |                                  |
|                        | CT4       | 0.859         |                  |                       |                                  |
|                        | CT5       | 0.854         |                  |                       |                                  |
|                        | CT6       | 0.814         |                  |                       |                                  |
| Performance            | PF1       | 0.740         | 0.905            | 0.922                 | 0.567                            |
|                        | PF2       | 0.706         |                  |                       |                                  |
|                        | PF3       | 0.791         |                  |                       |                                  |
|                        | PF4       | 0.745         |                  |                       |                                  |
|                        | PF5       | 0.787         |                  |                       |                                  |
|                        | PF6       | 0.770         |                  |                       |                                  |
|                        | PF7       | 0.788         |                  |                       |                                  |
|                        | PF8       | 0.721         |                  |                       |                                  |

*Source: Output CFA Amos Ver.22*
The table shows that all the variables used in this study have ideal validity and reliability as indicated by the Cronbach Alpha and Composite Reliability coefficient values which are higher than 0.7 (>0.7) and AVE coefficient values which are greater than 0.5 (>0.5). This indicates they were all feasible to be used.

**Inner Model**

The Inner Model is an overall model which determines the causal relationship between the dimensions or variables studied. The results in relation to the variables in this study are presented in the following figure and tables:

![Path Analysis Diagram](image)

**Figure 2: Path Analysis**

**Table 2: Direct Effects Between Variables**

|                                | Original Sample | Sample Mean | Standard Deviation | t Statistics | P Values |
|--------------------------------|-----------------|-------------|--------------------|--------------|----------|
| Competitiveness -> Performance | 0.326           | 0.326       | 0.058              | 5.662        | 0.000    |
| Motivation -> Competitiveness  | 0.266           | 0.265       | 0.044              | 6.023        | 0.000    |
| Motivation -> Performance      | 0.232           | 0.235       | 0.054              | 4.261        | 0.000    |
| Innovative Behavior -> Competitiveness | 0.611   | 0.612       | 0.052              | 11.781       | 0.000    |
| Innovative Behavior -> Performance | 0.099   | 0.099       | 0.047              | 2.131        | 0.034    |
| Corporate Governance -> Competitiveness | 0.101  | 0.101       | 0.029              | 3.591        | 0.000    |
| Corporate Governance -> Performance | 0.207  | 0.205       | 0.058              | 3.574        | 0.000    |

Source: Output Full Model Structural, Amos Ver.22

**Table 3: Indirect Effects Between Variables**

|                                | Original Sample | Sample Mean | Standard Deviation | t Statistics | P Values |
|--------------------------------|-----------------|-------------|--------------------|--------------|----------|
| Motivation -> Competitiveness -> Performance | 0.087 | 0.086       | 0.022              | 4.028        | 0.000    |
| Innovative Behavior -> Competitiveness -> Performance | 0.199 | 0.199       | 0.039              | 5.134        | 0.000    |
| Corporate Governance -> Competitiveness -> Performance | 0.033 | 0.033       | 0.011              | 3.004        | 0.003    |

Source: Output Full Model Structural, Amos Ver.22
Corporate governance, motivation, and innovative behavior have a positive and significant effect on the competitiveness and performance of MSMEs which is also in line with the findings of several previous studies (Jermias, 2008; Zamel, A.S., 2015; Narwal & Jindal, 2015) that good corporate governance has the ability to enhance the competitiveness of a company by increasing the market confidence.

The results also showed that motivation has a positive effect on the competitiveness of MSMEs and this implies an increment in motivation is expected to directly enhance their ability to compete in the market. This is supported by the explanation of Robbin and Judge (2015) that motivation drives the strength, direction, and perseverance of an individual and this reveals employees with high motivation tend to continue working hard towards ensuring the goals of an organization are achieved. This shows that employees with high motivation are a valuable asset for MSMEs.

A similar observation was made regarding the influence of innovative behavior on the competitiveness of MSMEs which is also in line with the findings of Ferreira et al. (2018) that innovative behavior has a positive effect on the competitiveness of MSMEs. This implies individuals with innovative behavior can change the information obtained into an idea or opportunity to innovate with subsequent effects on the competitiveness of the firm. This is also supported by the findings of Li, Y. (2018) and Fazil (2016).

Based on the second hypothesis, the analysis showed that there is a positive and significant effect of corporate governance, motivation, and innovative behavior on the performance of MSMEs and this indicates that H2a, H2b, and H2c are accepted. This proves that having these attributes can improve the performance of MSMEs. This is in line with the findings of previous research that there is a positive influence of governance (Buallay et al., 2017; Vo, DH., Nguyen, MT., 2014; Narwal, K. P., & Jindal, S, 2015), positive and significant effect of innovative behavior (Kim, W. and Park, J, 2017; Firdaus et al., 2021; Ratnaningsih et al., 2016; Hilmi et al., 2012); Nasir et al., 2018), and a higher level of innovative behavior on the performance of MSMEs.

The analysis of the third hypothesis also showed a positive and significant effect of competitiveness on the performance of MSMEs, thereby, indicating the acceptance of H3. This shows a higher level of competitiveness is expected to provide a higher level of performance and this is also in agreement with the findings of several previous studies (Rua et al., 2018; Mesut et al., 2014; Pardi et al., 2014; Majeed, S, 2011).

The findings from testing the fourth hypothesis showed that there is a positive and significant influence of governance, motivation, and innovative behavior on the performance of MSMEs using competitiveness as mediating variable and this indicates that H4a, H4b, and H4c are accepted. This simply signifies an increase in the competitiveness of these firms is expected to enhance their corporate governance, motivation, and innovative behavior which further have the ability to increase their performance.

### Conclusions

The theoretical perspective, analysis of data, and results in this study led to the following conclusions:

Corporate governance, motivation, and innovative behavior have a positive and significant effect on the competitiveness and performance of MSMEs and this implies the improvement of these factors can lead to an increment in the competitiveness and performance of MSMEs in the Riau Islands Province.

Competitiveness has a positive and significant impact on the performance of MSMEs and this denotes an increase in the ability of the firms to compete can enhance their performance. Moreover, corporate governance, motivation, and innovative behavior were discovered to have a positive and significant indirect influence on the performance of MSMEs through the use of competitiveness as a mediating variable. This shows that an increase in their competitiveness is expected to enhance the effect of corporate governance, motivation, and innovative behavior on performance.

### Table 4: Total Effects Between Variables

|                          | Original Sample | Sample Mean | Standard Deviation | t Statistics | P Values |
|--------------------------|-----------------|-------------|--------------------|--------------|----------|
| Competitiveness -> Performance | 0.326           | 0.326       | 0.058              | 5.662        | 0.000    |
| Motivation -> Competitiveness | 0.266           | 0.265       | 0.044              | 6.023        | 0.000    |
| Motivation -> Performance | 0.319           | 0.321       | 0.049              | 6.552        | 0.000    |
| Innovative Behavior -> Competitiveness | 0.611     | 0.612       | 0.052              | 11.781       | 0.000    |
| Innovative Behavior -> Performance | 0.299        | 0.299       | 0.051              | 5.814        | 0.000    |
| Corporate Governance -> Competitiveness | 0.101       | 0.101       | 0.029              | 3.519        | 0.000    |
| Corporate Governance -> Performance | 0.240       | 0.238       | 0.056              | 4.286        | 0.000    |

Source: Output Full Model Structural, Amos Ver.22

Table 4 shows there is a positive and significant effect of corporate governance, motivation, and innovative behavior on the competitiveness of MSMEs and this shows that H1a, H1b, and H1c are all accepted. This indicates an increase in the level of corporate governance, motivation, and innovative behavior is expected to enhance the competitiveness of the MSMEs in the study area. This is in line with the findings of previous studies (Desmice et al., 2014; Majeed, S, 2011).
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**Institutional Review Board Statement:** Ethical review and approval were waived for this study, due to that the research does not deal with vulnerable groups or sensitive issues.

**Data Availability Statement:** The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy.

**Conflicts of Interest:** The authors declare no conflict of interest.

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