Do Adaptability and Innovation Speed Matter in Increasing Sales of MSMEs during the COVID-19 Pandemic?

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ABSTRACT
Micro, Small, and Medium-sized Enterprises (MSMEs) in Eastern Indonesia are threatened with bankruptcy during the COVID-19 pandemic. This situation occurred due to significantly decreased people’s purchasing power, and most production activities stopped. In light of this issue, this study aims to investigate how well MSMEs’ adaptability and innovation speed in Eastern Indonesia have increased their sales during the pandemic. We collected the data by distributing questionnaires on offline and online channels using Google Forms to MSME owners in Maluku and North Maluku Provinces. We eventually gathered 262 pieces of data and analyzed it through the PLS-SEM approach. The results showed that adaptability has a positive and significant effect on sales and the speed of innovation, while innovative speed has no impact on sales. In other words, the innovation speed can also not mediate adaptability to MSMEs sales. The results of this study are expected to benefit MSME owners in implementing appropriate business strategies, especially how MSME owners have the adaptability and innovation speed to manage their business in this condition of uncertainty. Additionally, this research is expected to provide an empirical contribution to the government of Indonesia in making considerations, policies, and decision-making related to the empowerment of MSMEs during the pandemic and beyond.

ABSTRAK

1. INTRODUCTION
There is something different in today’s digital era; namely, change is happening on a large scale and has never happened before (Brosseau et al., 2019). An extreme example is the current destructive situation brought about by the global COVID-19 pandemic. Consequently, many organizations, including micro,
small, and medium-sized enterprises (MSMEs), no longer enjoy the luxury of developing strategies for several years but struggle to maintain viability for the next few months or quarters (Blackburn et al., 2020). This circumstance occurs because the business environment is constantly turbulent and rapidly changing.

MSMEs cannot escape from this very rapid change in the business environment since MSMEs are business units whose owners are dominated by the majority of the population in the lower-middle-class category. On the other hand, MSMEs highly support Indonesia’s economy and play an essential role in distributing goods and services. Also, MSMEs have a strategic role in the government’s efforts to overcome poverty and unemployment because MSMEs can absorb labor. However, the COVID-19 global pandemic attack in early 2020 triggered negative sentiment toward various business lines, including the MSME business, which was also affected by a significant decline in sales turnover (Rofiaty et al., 2022).

The negative impact of the COVID–19 pandemic has hampered the growth of MSMEs, and it is indicated by the cessation of production activities and the declining purchasing power of the people (Pakpahan, 2020). Economically, Indonesia also experienced national losses. One of the national losses can be calculated using the reference gross domestic product (GDP), the total accumulation of state production within a year, which also experienced a significant decline (Hadiwardoyo, 2020). Therefore, the government has made various efforts and breakthroughs to maintain and encourage the survival of MSMEs shown in multiple ways. For example, the convenience provided, such as simplifying the licensing procedure through one single submission (OSS) platform. Then, provide relief from licensing fees for the formation of small businesses and exemption from licensing fees for micro-businesses, and affordable support for micro and small businesses.

Government efforts to help MSMEs must be supported by the ability to adapt to changes in the business environment by MSME leaders. Persistence, well-adapted people rarely feel the pressure to quit. Every challenge is considered exciting, and he remains dedicated to his work. It means they can push their business forward when things get complicated, such as the COVID-19 pandemic. Some fields have experienced losses, and some have experienced advantages during the COVID-19 pandemic. The affected MSMEs lack the resilience, adaptability, and speed of innovation in dealing with this crisis due to several things, such as the low level of digitalization, difficulties in accessing technology, and lack of understanding of strategies to maintain or increase sales turnover in the business (Wahyun & Sara, 2021; Were, 2021).

Wahdiniwaty et al. (2022) revealed that MSMEs in the digital economy era are expected to be able to survive. They can adapt and develop personal branding, digital branding, proper digital media and business process strategies, online marketing, sales promotions, and digital literacy readiness to be applied through marketing management by combining adaptability and resilience with being able to bounce back, continue to grow, and have competitiveness. In short, adaptability is expected to increase sales. If a business wants to live long and cannot adapt to advances in information technology, its business will be disrupted, especially during the COVID-19 pandemic crisis (Ausat & Suherlan, 2021). Implementing the lockdown due to the pandemic has awakened our awareness of latent technological innovations and business models to adapt to changes and promote sustainable business (George et al., 2020a; George et al., 2020b). Therefore, MSMEs must develop strategies to maintain their business after the pandemic and the COVID-19 pandemic ends. It means that MSME owners also need speed in running their businesses.

Hanaysha et al. (2022) stated that product innovation and service innovation have a significant positive impact on business sustainability. The results further state that innovation is critical in improving marketing performance. Therefore, the sustainability of the MSMEs business is highly dependent on sales. Innovation speed in MSMEs synergizes with efficiency, quality, and success (Iqbal & Suzianti, 2021). The current pandemic crisis has prompted many organizations to realize the importance of innovation, such as changing goals, products, and materials. Implementing innovative solutions to address shortages of vital raw materials due to supply chain disruptions, helping people in need, and safely reopening the economy (Bello et al., 2020; Stoll, 2020; Lee & Trimi, 2021).

Based on our observations, this research is essential to analyze the adaptability and speed of innovation of MSME owners to increase their sales as previous researchers have not studied it in a new conceptual model; thus, we expect that this current research can significantly contribute to the development of MSMEs in eastern Indonesia.

2. THEORETICAL FRAMEWORK AND HYPOTHESES
Sales are activities by humans to sell goods and services in the hope of receiving rewards in the form of
money or prices determined from various transactions (Kotler et al., 2021; Abdullah, 2018). Sale is a process in which the seller satisfies all the needs and desires of the buyer to achieve benefits for both the seller and the buyer that are sustainable and profitable for both parties (Nickels et al., 2018). Purchasing and selling activities are an integral part of transferring rights and transactions. According to Swasta & Irawan (2013), the practice of sales activities is supported by several indicators: conditions and abilities of the seller, market conditions, capital, conditions of the company’s organization, and other factors (such as advertising, demonstrations, campaigns, and giving gifts).

Business owners who can increase sales in certain situations and conditions can adapt to changes, are always motivated, do not give up quickly, and are usually more creative than entrepreneurs who do not want to adapt to changing consumer wants and needs. Adaptability reflects a person’s ability to integrate various moving parts of the job and provide quality products or services on time, especially for MSMEs. An organization’s leaders and employees must be able to adapt because they greatly influence competitive advantage, success, and business profitability (Diamantidis & Chatzoglou, 2019). Types of adaptation skills as soft skills, adaptability requires some other soft skills to be applied successfully. Then one must be able to learn quickly and put that learning into practice. The process of adaptation or adjustment refers to a person’s ability to adapt to changes in his environment (Park & Park, 2019). The rapid development of technology and the abundance of diversity in society make entrepreneurs need a workforce that is open to new ideas, flexible, and able to overcome problems that arise when things do not go according to plan, including the COVID-19 pandemic.

Denison et al. (2014) explained that adaptability refers to the ability of employees to understand what customers want, learn new skills, and respond to market demands. The COVID-19 pandemic has forced business owners of MSMEs to adapt to the wave of disruption (Ausat & Suherlan, 2021). Therefore, organizational leaders must be able to invite employees to adapt to dynamic environmental changes so that employees are expected to work well in the future (Sahubari et al., 2021). Adaptability shows effectiveness in facing various challenges and responding to the various changes that MSME owners must undergo to increase sales. Based on the background description, problem formulation, and theoretical studies, this research can formulate the following hypotheses:

**H1:** Adaptability has a positive and significant effect on sales.

**Innovation Speed to Sales**

MSMEs whose business scale is not too large and do not depend on foreign debt can survive in times of crisis, including due to the COVID-19 pandemic. MSMEs are very flexible and can diversify products quickly; hence, they can switch from one product to another. Flexibility, adaptability, and speed of reacting to change are the unique characteristics of MSMEs, and it is the primary capital for MSMEs to survive in a situation of economic crisis (Yudhaputri & Daihan, 2020). In general, MSMEs have unique expertise and the ability to join other fields to produce highly competitive new products. To increase the competitiveness and capabilities of MSMEs, the strategy that needs to be developed is to encourage the development of networks between different experts, build human resource capabilities, and encourage the growth of information technology-based MSMEs.

Most MSMEs prioritize marketing innovation to maintain their business and increase company profits. Marketing is a managerial process that makes individuals or groups achieve their wants and needs (Anugrah, 2020). Effective advances in information technology in the coming years will determine the seriousness and practicality of MSMEs. The ability to connect various places of business and information, create new products, and find opportunities to increase productive potential will drive increased sales and profits. The future progress of enterprises depends on collaboration between innovations, individuals, and various associations driven by choices at the functional level, enterprise procedures, work arrangements, and general structural conditions (Shevyakova et al., 2021).

Innovation has been defined as adopting or creating new products, services, work processes, and management procedures to gain an organization’s competitive advantage (Drucker, 2014). In an unstable environment like the COVID-19 pandemic, rapid innovation is sometimes needed to let go of high regulatory standards that can quickly meet new demands at low cost (Harris et al., 2020). The innovation criteria can be classified into various categories: product, process, and managerial (Liao et al., 2010). Meanwhile, Wang et al. (2016) separated innovation into speed and quality. The speed of innovation is the fast of action that is an integral part of the business model, both among large technology companies and start-ups (Tromble &
McGregor, 2019; Wajcman, 2018). Speed in technological innovation often leads to competitive advantages and impacts on business networks (Griffin et al., 2019; Newlands et al., 2020). The quality of innovation reflects the company’s ability to improve management and processes and supply new products and services of better quality (Wang et al., 2016). This classification is used because the speed and quality of innovation reflect two essential characteristics of successful innovation in a complex organizational environment (Wang et al., 2016). Innovations made to products are needed to maintain consumer buying interest. Product innovation that is carried out effectively with high intensity can determine marketing performance in a company and increase sustainable competitive advantage. Continuous innovation can improve marketing performance through competitive advantage (Hussain et al., 2020).

The speed of innovation is an essential factor in maintaining the company’s survival due to the evolution of the competitive environment (Hussain et al., 2020; Hinterhuber & Liozu, 2014). However, many new innovative practices were created which were significant to adaptation. It means that innovation and adaptation are bound by time and social boundaries and are easier to understand when the sources of innovation, including dimensions, types of practices, and adaptation mechanisms, are different (Lebel et al., 2021). Production with innovation is an organizational learning mechanism that can help overcome the challenges of business strategy to identify various internal factors related to environmental adaptation and normalize adaptation planning into business models (DiBella, 2019). According to Fan et al. (2020), innovation allows companies to use existing resources, increase efficiency and potential value and bring new intangible assets into the organization. Innovation helps companies achieve a competitive advantage in several aspects, such as market performance, maintaining market share, shortening production, and accelerating new product development (Tidd & Bessant, 2009); operational efficiency, and service quality (Le & Lei, 2018) and meeting customer needs, developing new capabilities, superior performance, and profitability (Wang et al., 2018). Innovation and adaptation affect business performance (Byukusenge & Munene, 2018; George & Lin, 2017; Kurniawan et al., 2023; Nuseir, 2018; Peñarroya-Farell & Miralles, 2022; Pu et al., 2021).

Innovation success is not a one-off success in the short term but relatively sustainable growth through continuous discovery and adaptation by combining new ideas and receptive markets at the right time. Therefore, success is related to the entire innovation process and its ability to consistently contribute to business growth (Tidd & Bessant, 2009). Several researchers highlight that successful innovation strongly correlates with how a company selects and manages projects, coordinates input from various functions, and connects with customers (Kocak et al., 2017; Wang et al., 2018; George et al., 2020; Lee & Trimi, 2021). Integrated routines associated with successful innovation management can lead to competitiveness, introduce new products quickly, or use new technological processes more efficiently (Tidd & Bessant, 2009).

Kocak et al. (2017) stated that until now, entrepreneurial orientation still influences marketing performance through innovation, considering that most companies try to improve their performance by innovating, and several studies conducted in developing countries use vital entrepreneurial concepts by innovating to improve marketing performance. Product innovation, service innovation, and marketing innovation significantly impact business continuity, which means that innovation helps SME entrepreneurs improve their business, competitive strength, and sustainability (Hanaysha et al., 2022). Based on the results of the research that has been described, it can be concluded that the speed of innovation can have a direct effect and can act as a mediating variable on sales. Based on the theoretical description, this research can formulate the following hypothesis:

H2. Adaptability has a positive and significant effect on innovation speed.
H3. The innovation speed has a positive and significant effect on sales.
H4. The innovation speed mediates adaptability’s effect on SMEs’ sales positively and significantly.

Based on the background description, literature review, and hypothesis development, we visually provide a conceptual research framework, as depicted in Figure 1.
3. RESEARCH METHOD

Research approach
The Eastern region of Indonesia – particularly in Maluku and North Maluku provinces, is characteristically comprised of small islands. Consequently, this region highly relies on seaports and airports to distribute goods and services. However, since the government policy regarding imposing restrictions on community activities, this area has become closed, so MSMEs actors have difficulty providing goods and services the community needs. Therefore, we chose MSMEs’ owners as research samples.

Population and sample
The population of this study were MSMEs owners spread across two provinces in Eastern Indonesia; then, we took samples with a non-probability method, namely selecting some respondents from the population, so that we could understand their nature or characteristics to generalize the characteristics, including the elements of the population (Sekaran & Bougie, 2016). However, this research is survey research by contacting certain people or groups as MSME owners who have been operating for more than one year as respondents. We sent an online questionnaire through Google Forms outside Ternate and delivered it directly to MSMEs owners in Ternate City, North Maluku. We believed that those who responded to the questionnaire were MSMEs players who understand business conditions when the COVID-19 pandemic has not ended. The number of samples taken in this study using the Lameshow formula (Yu et al., 2017) is presented in Formula (1):

\[
n = \frac{z^2 \times p(1-p)}{d^2}
\]

\[n = \frac{1.96^2 \times 0.2(1-0.2)}{0.05^2} = \frac{0.8416(0.08)}{0.0025} = 246\]

Data collecting and measurement
The design for data collection used a survey approach, a form of research conducted to obtain facts about the phenomena experienced by MSMEs entrepreneurs to seek more factual and systematic information by examining the relationship between research variables. The survey was conducted using an instrument in a questionnaire given to the target MSMEs owners. Data collection was carried out from May to November.
2021. Then, the data is analyzed using descriptive statistical analysis and the partial least squares structural equation modeling (PLS-SEM) model test. This study used a Likert scale in determining the scoring, starting with one strongly disagreeing to five strongly agreeing.

The indicators used to measure the sales variable are the seller’s conditions and abilities, market condition, business capital, and company organizational condition (Swasta & Irawan, 2013; Wijayanto & Sanaji, 2021). Indicators that can be measured in the speed of innovation are generating new ideas, launching new products, developing new products, processing new products, adopting new technology, and solving problems (Le & Lei, 2018; Kurniawati et al., 2021). The indicators used to measure adaptability are work flexibility, information disclosure, responsiveness, creativity, and marketing innovation (Sabuhari et al., 2021; Wijayanto & Sanaji, 2021).

4. DATA ANALYSIS AND DISCUSSION
Description of Respondents’ Characteristics
Maluku and North Maluku provinces are provinces in eastern Indonesia with archipelagic characteristics, so MSMEs owners face expensive inter-island logistics costs because the distribution channels for goods and services are extended. Therefore, researchers believe that research on MSMEs owners in these two provinces is essential when facing the COVID-19 pandemic crisis and the policy of imposing restrictions on community activities. The questionnaire was sent using Google Forms via online media and distributed directly. The number of respondents can be processed in this study is 262 business owners. The sample obtained is more than planned, namely 246. The results of responses from business owners who fill out the questionnaire directly are 273, and there are 11 incomplete questionnaires, so they cannot be analyzed. The respondent’s characteristics in question describe how the respondent’s condition is conscientious, including; Type of business, owner’s education level, and operating time. The results of primary data analysis indicate that the type of business in this study, most of the respondents have a business as small traders (54.6%), restaurants (40.5%), and the rest are regional souvenir providers (4.9%). Then, the education level showed that those who graduated from high school or equivalent (61.8%), diploma (3.1%), and undergraduate (35.1%). It shows that the education of MSME business owners studied is dominated mainly by those with high school education or the equivalent of 162 respondents. The period of business operation is 6-10 years (39.7%), 10-15 years (20.6%), more than 15 years (26.7%), and the remaining 1-5 years (13%); it reflects that most MSMEs’ owners studied have been operating for over five years.

Validity and Reliability Analysis
Table 1 below presents the results of the construct validity test based on the loading factor in the first testing stage. The construct validity test determines the indicators of valid and invalid statements. Invalid indicators will be removed from the data to use valid indicators in the subsequent analysis stage. It is intended to ensure that the measuring instrument used is the statement in the questionnaire following the object being measured.

Convergent validity is intended to determine whether or not an indicator is valid in measuring dimensions in terms of the value of the loading factor. Convergent validity occurs if the scores obtained from two instruments measuring the same construct are highly correlated (Jogiyanto & Abdillah, 2016). An indicator is valid if the loading factor is positive and higher than 0.60 (Ghozali & Latan, 2015). There are two indicators with loading factors less than 0.60: the market condition dimension of the sales variable, which has a value of 0.579 (Sales 5), and the business capital dimension on Sales 10 (0.445). These two indicators are removed from the instrument used for further analysis.

In obtaining a valid and reliable measurement model, it must be calculated in the second stage by removing indicators with an outer loading score of less than 0.60 because this indicator is not included in the construct that represents it. The results of the second stage of the calculation show that all indicators have an outer loading score of more than 0.60; each variable has an AVE value above 0.5, which indicates that the model has met the requirements of convergent validity and is included in the larger construct category, which is above 50% (Jogiyanto & Abdillah, 2016).

Table 1. Results of the first stage of construct validity testing
<table>
<thead>
<tr>
<th>Variable</th>
<th>Dimension</th>
<th>Items</th>
<th>Indicator Statement</th>
<th>Loading Factor</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Seller’s Conditions and Abilities</td>
<td>Sales 1</td>
<td>Have a product that suits customer needs</td>
<td>0.840</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 2</td>
<td>The price can be reached by the customer</td>
<td>0.844</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 3</td>
<td>Serving delivery of goods</td>
<td>0.859</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 4</td>
<td>Customers buy according to their wishes</td>
<td>0.852</td>
<td>Valid</td>
</tr>
<tr>
<td>Market Condition</td>
<td></td>
<td>Sales 5</td>
<td>Consumers buy according to their needs</td>
<td>0.579</td>
<td>Not valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 6</td>
<td>Customer purchasing power</td>
<td>0.876</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 7</td>
<td>Customers always come back</td>
<td>0.659</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 8</td>
<td>Have adequate means of transportation</td>
<td>0.764</td>
<td>Valid</td>
</tr>
<tr>
<td>Business Capital</td>
<td></td>
<td>Sales 9</td>
<td>Strategic place of business and easy to reach</td>
<td>0.654</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 10</td>
<td>Doing promotions on social media to introduce goods</td>
<td>0.445</td>
<td>Not Valid</td>
</tr>
<tr>
<td>Company Organizational Condition</td>
<td></td>
<td>Sales 11</td>
<td>Keeping up with the changing conditions of competitors</td>
<td>0.825</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 12</td>
<td>Can solve the obstacles encountered</td>
<td>0.784</td>
<td>Valid</td>
</tr>
<tr>
<td>Adaptability</td>
<td></td>
<td>Ad 1</td>
<td>Flexible work culture</td>
<td>0.710</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ad 2</td>
<td>Interact to understand the needs</td>
<td>0.869</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ad 3</td>
<td>Giving correct information</td>
<td>0.926</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ad 4</td>
<td>Be open to criticism and suggestions</td>
<td>0.861</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ad 5</td>
<td>Ability to adapt to changes in a system</td>
<td>0.773</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ad 6</td>
<td>Respond to changes in work patterns</td>
<td>0.891</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ad 7</td>
<td>Increased creativity</td>
<td>0.778</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ad 8</td>
<td>Skill upgrade</td>
<td>0.768</td>
<td>Valid</td>
</tr>
<tr>
<td>Innovation Speed</td>
<td></td>
<td>IS 1</td>
<td>Finding new ideas to provide product characteristics that are different from competitors</td>
<td>0.704</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IS 2</td>
<td>Create new products to sell</td>
<td>0.765</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IS 3</td>
<td>Develop existing products to have an appeal</td>
<td>0.879</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IS 4</td>
<td>Using the adoption of the right new technology</td>
<td>0.851</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IS 5</td>
<td>Able to solve problems encountered to keep customers from being disappointed</td>
<td>0.912</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed (2022)

Construct reliability testing was conducted to prove the instrument’s accuracy, consistency, and exactness in measuring the construct. To measure the reliability of a construct with a reflective dimension, we used Cronbach’s alpha and composite reliability as references. The measurement model can be categorized as reliable if the composite reliability value is then 0.70 or the Cronbach’s alpha value is more significant than 0.60, and the AVE value is more than 0.50 (Ghozali & Latan, 2015; Hair et al., 2014). The results of reliability testing can be seen in Table 2.

Table 2. Construct reliability and validity

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptability</td>
<td>0.932</td>
<td>0.944</td>
<td>0.681</td>
</tr>
<tr>
<td>Sales</td>
<td>0.939</td>
<td>0.948</td>
<td>0.647</td>
</tr>
<tr>
<td>Innovation Speed</td>
<td>0.881</td>
<td>0.914</td>
<td>0.682</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed (2022)

The analysis results in Table 2 show that all variables have composite reliability and Cronbach’s alpha values of more than 0.7. All indicators measuring these variables are declared reliable to explain the variables studied. In the f-squared assessment, 0.35 is categorized as having a significant effect, 0.15 as moderate, and 0.02 as small. The value < 0.02 can be ignored or considered to have no effect (Sarstedt et al., 2021). In the R-squared assessment, R² values of 0.75, 0.50, or 0.25 for endogenous variables in the structural model can be defined as intense, moderate, or weak, respectively (Hair Jr et al., 2022; Sarstedt et al., 2021).
**Hypothesis Test**

To test the hypothesis that emphasizes theory, concepts, and measurement of variables, the researcher seeks to analyze and explain in a systematic, factual, and accurate manner the object that is the subject of the problem, namely the direct effect of adaptability and the speed of innovation on increasing MSMEs sales and the indirect effect of adaptability towards increasing sales through innovation speed. The nature of this research is creative, flexible, and open, and all sources are considered important sources of information.

To be able to analyze causal relationships or a series of interdependent relationships between variables like this, a multivariate analysis technique is needed that can explain and predict the relationship between variables simultaneously as well as test the structural model, namely PLS using Smart-PLS 3.0 software which runs with computer media to analyze the data that has been collected from the research object.

Hypothesis testing aims to answer whether the proposed hypothesis is accepted or rejected. The test is carried out with a critical point; p-value ≤ 0.05 (α = 0.05), which means the significance level of hypothesis testing (limit level of significance) is set at α = 0.05. Therefore, if the p-value (actual level of significant) > α (limit level of significance) or p-value > α, then the hypothesis is accepted, and otherwise p-value < α, the hypothesis is rejected. Testing the role of mediating variables can be done using Variance Accounted For (VAF). The VAF method is considered more suitable because it does not require any assumptions about the distribution of variables to be applied to small sample sizes (Hair Jr et al., 2022; Sarstedt et al., 2021). Calculating formula VAF is an indirect effect / total effect, where the total effect is direct effect + indirect effect. A full mediation exists when VAF is higher than 80%. If 20% ≤ VAF ≤ 80%, partial mediation exists, while if VAF < 20%, there is no mediating effect. This study tested the hypothesis using PLS-SEM to determine the significance of the path coefficient on the prediction model or the significance of the hypothesis support (Ghozali & Latan, 2015). Using a bootstrapping technique, we assessed the hypothesis to confirm the path coefficients’ significance. The hypothesis proposed in this study is that there is one mediating variable, namely innovation speed, so there is one interaction variable in the model. Hypothesis testing is carried out to test whether there is a direct effect of exogenous variables on endogenous variables and indirect effects of exogenous variables on endogenous variables with mediating variables. If the t-statistic > 1.98 and the p-value < level of significant 0.05 (alpha = 5%), then it is stated that there is a significant effect. Hair Jr et al. (2022) put forward criteria regarding the strength of the relationship between variables in order to facilitate interpretation, namely: there is no effect (0), feeble (> 0 – 0.25), passable (> 0.25 – 0.50), firmly (> 0.50 – 0.75), very strongly (> 0.75 – 0.99), and perfect (1).

**Direct Effect Testing**

Testing the direct effect hypothesis is intended to test whether exogenous variables directly affect endogenous variables. Based on Table 3, it can be seen that not all exogenous variables have a significant direct influence on endogenous variables.

<table>
<thead>
<tr>
<th>No.</th>
<th>Exogenous</th>
<th>Mediating</th>
<th>Endogenous</th>
<th>Path Coefficient</th>
<th>T-stat</th>
<th>P-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adaptability</td>
<td>Sales</td>
<td>Innovation</td>
<td>0.556</td>
<td>5.367</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>2</td>
<td>Adaptability</td>
<td>Innovation Speed</td>
<td>Sales</td>
<td>0.897</td>
<td>56.019</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>3</td>
<td>Innovation Speed</td>
<td>Sales</td>
<td>Innovation Speed</td>
<td>0.103</td>
<td>1.012</td>
<td>0.312</td>
<td>Rejected</td>
</tr>
<tr>
<td>4</td>
<td>Adaptability</td>
<td>Innovation Speed</td>
<td>Sales</td>
<td>0.092</td>
<td>1.002</td>
<td>0.317</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed (2022)

The indirect effect of the adaptability variable on sales through speed innovation produces a T-statistic not more than 1.96 with a P-value of 0.317. It can be interpreted that there is no significant effect of speed innovation as a mediating variable or that the variable speed of innovation cannot mediate the effect of adaptability on sales (Table 3). Mediation was tested using the variance accounted for (VAF) method. The VAF test requires that the indirect effect of exogenous variables on endogenous variables through mediating variables becomes significant. The results of hypothesis testing revealed that the effect of adaptability on sales through the speed of innovation was not significant. Therefore, testing using the VAF method cannot be carried out.
The testing result of hypothesis 1 shows sufficient empirical evidence to accept it. It means that better adaptability can drive a positive and significant increase in sales. Hypothesis 2 states that adaptability significantly affects the speed of innovation, and there is significant evidence to support this hypothesis. It means that the adaptability of MSMEs’ owners increases innovation speed and MSMEs sales. However, there is not enough evidence to accept the third hypothesis. The adaptability of several indicators described above could not significantly increase sales. Furthermore, hypothesis 4 states that the speed of innovation mediates the adaptability of sales. The results reveal that there is not enough empirical evidence to accept the fourth hypothesis.

**R-Squared, F-Squared, and Common Method Bias**

Based on the output of the R-squared (Table 4), adaptability explains 80.50 % variation of speed innovation at 80.5 %, and therefore the model is categorized as substantial. Furthermore, adaptability and innovation speed explain a 42.2 % variation in sales; therefore, the model is categorized as substantial (Hair et al., 2022). The f-squared test results show that adaptability and speed innovation adaptability have an insignificant contribution to speed innovation. Meanwhile, adaptability significantly affects speed innovation as it has an f-squared higher than 0.35 (Hair et al., 2022). Common method bias in the context of PLS-SEM is a phenomenon caused by the method of measurement used in the SEM study and not by the causal network in the model being studied. If the VIFs are more significant than 3.3, there is an indication of pathological collinearity and a possibility that the model is contaminated by common method bias. Therefore, if all VIFs in the inner model resulting from the full collinearity test are equal to or lower than 3.3, then the model can be considered free from common method bias (Kock, 2015). The analysis results show that the research model is free from common method bias.

**Table 4. Evaluation of structural model**

<table>
<thead>
<tr>
<th>Variable</th>
<th>R-Square</th>
<th>F-Square</th>
<th>Inner VIF Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R Square</td>
<td>Sales</td>
<td>Speed Innovation</td>
</tr>
<tr>
<td>Adaptability</td>
<td>0.422</td>
<td>0.104</td>
<td>3.121</td>
</tr>
<tr>
<td>Sales</td>
<td>0.418</td>
<td>0.412</td>
<td>1.000</td>
</tr>
<tr>
<td>Speed Innovation</td>
<td>0.804</td>
<td>0.004</td>
<td>3.121</td>
</tr>
</tbody>
</table>

Source: Output Smart-PLS 3.0 (2022)

**Discussion**

Based on the model test results, adaptability positively and significantly affects sales. The result implies that the application of adaptability perceived by MSMEs has been going well and can positively increase sales. The purpose of implementing adaptability is to maximize the adjustment process to various changes in the external environment and customer service so that entrepreneurs in a business can maintain their business continuity in various uncertain and complex predicted situations and conditions.

Respondents’ perceptions of the adaptability variable based on the results of the measurement model test showed that the indicators used were a flexible work culture, the ability to interact with customers, providing correct information, being open to criticism and suggestions, responsive and able to adapt to change, having creativity and skills. It is the most dominant indicator that contributes to measuring the adaptability variable. The finding reflects that MSMEs have carried out the ability to adapt to being domiciled in Eastern Indonesia, and this proves that MSMEs can carry out any changes and busy work needed to increase sales.

For the sales variable, the results of the measurement model test show that the dimensions of the condition and ability of the seller, market conditions, capital, and company organizational conditions are dimensions that can play a role in measuring sales. They have an average value perceived by respondents above 4.00, only on indicators carry out promotions on social media that have an average respondent’s answer value of less than 4.0. Therefore, MSMEs are expected to pay attention to this indicator because it is crucial in the current COVID-19 pandemic and digital transformation era.

This study proves that adaptability positively and significantly affects sales as a new theory contribution to marketing because previous researchers have not studied it. It also proves that if MSMEs owners can apply
their adaptability well, they can increase their sales results. Adaptability plays a crucial role in driving competitiveness and improving marketing performance. This research supports the opinion of Diamantidis & Chatzoglou (2019) and Ausat & Suherlan (2021), stating that the adaptability of each person is always different and relatively stable, which can affect the way a person interprets and responds to an external environmental condition. Adaptability shows effectiveness in dealing with various challenges and responding to changes that need to be undertaken. It means that if MSMEs consider adaptability a strategic choice to increase sales, then everyone involved with MSME activities owned by business owners can still be relied on to achieve their goals.

Based on the model test results, adaptability significantly affects the speed of innovation, and this implies that the application of adaptability has been going well and can increase the speed of innovation in a significantly positive manner. The adaptability model emphasizes the importance of the leader’s role in motivating subordinates to carry out more responsibilities than expected. Adaptability creates self-confidence, intrinsic motivation, inspiration, and creative effort and supports employees’ innovation, personal development, and social relationship (Al Harbi et al., 2018). Choi et al. (2015) showed that adaptability is essential in innovative behavior at the individual and organizational levels. This study’s results support the previous study’s findings that adaptability has a positive and significant effect on the speed of employee innovation (Choi et al., 2015; Diana & Sudarma, 2021).

This study supports the opinion of Harris et al. (2020) that in an unstable environment, innovation requires the ability to change or adapt. The research results prove that production with rapid innovation is an organizational learning mechanism that can help overcome business strategy challenges to identify various external and internal factors related to environmental adaptation and normalize adaptation planning into business models (DiBella, 2019). Therefore, the speed of innovation has also become essential due to the rapidly changing global external environment and increasing competition (Shanker et al., 2017).

The speed of innovation does not significantly affect sales, and this implies that the implementation of the speed of innovation has not gone well and cannot increase sales significantly positively. Empirically, this study’s results differ from the previous research conducted by Nuseir (2018) and Hinterhuber & Liozu (2014), that the speed of innovation significantly affects the performance and survival of the company. The speed of innovation reflects the company’s ability to minimize the time required to create or process relatively new goods and services (Kahn, 2018). The speed of innovation is an essential factor in maintaining the company’s survival due to the evolution of the competitive environment (Hinterhuber & Liozu, 2014). Innovation helps firms adapt to the uncertainty of the external environment and is generally one of the most critical factors for long-term business success, especially in dynamic markets (Kafetzopoulos et al., 2020; Teece & Leih, 2016).

This study uses indicators of finding new ideas, making new products, developing existing products, using the right technology, and trying to solve problems quickly. It means that the results of this study cannot confirm previous research, which states that innovation helps companies achieve competitive advantage in several aspects: market performance, maintaining market share, shortening production, and accelerating new product development (Tidd & Bessant, 2009), as well as operational efficiency and service quality (Le & Lei, 2018). The speed of innovation is the speed of acting as an essential part of the business model, both among large technology companies and new companies that adopt technology that leads to competitive advantage and has an impact on expanding business networks and increasing sales (Tromble & McGregor, 2019; Wajcman, 2019; Griffin et al., 2019; Newlands et al., 2020). Suppose it is seen from the characteristics of the respondent’s education level, having a high school education, that it is late in responding to changes in consumer demand patterns. In that case, it is necessary to increase knowledge about the importance of speed of innovation so that MSME owners can survive in the era of competition and a rapidly changing business environment.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS
This study examines how the adaptability and speed of innovation of MSMEs in Eastern Indonesia during the COVID-19 pandemic impact their sales. The results show that if MSMEs’ adaptability can be maintained, it can affect sales. Adaptability has a positive and significant effect on the speed of innovation, but the speed of innovation does not affect sales. It indicates that owners of MSMEs who use their adaptability well can become agents of change in the current pandemic. However, adaptability is the most suitable choice because the speed of innovation cannot mediate the effect of adaptability on the sales of MSMEs.

Accordingly, this research can contribute to developing MSMEs’ marketing strategies and
entrepreneurship associated with the pandemic. Furthermore, we recommend that MSMEs re-identify the factors that cause the increase and decrease in the speed of innovation and try to create conditions that can keep customers loyal. As reflected in this study’s results, the speed of innovation has not been able to increase sales. Alternatively, regency or city regional governments should be able to provide assistance and guidance related to the speed of innovation due to changes in consumer tastes that are very fast along with the development of information technology. Future studies can modify a broader conceptual model and use different analytical methods to make more accurate predictions, especially on the variable speed of innovation. Also, future studies can test and analyze more specific business industries, such as the culinary business.

REFERENCES


