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THE AGILITY OF SME ENTREPRENEURS AND ITS IMPACT ON INNOVATION AND ENTREPRENEURIAL RESILIENCE[5]

This research examines the role of entrepreneurial agility on the innovation and resilience of SME entrepreneurs in facing the dynamics of the business environment. Based on the concept of dynamic capabilities, this research offers the development of the concept of resilience of SME entrepreneurs in facing the dynamics of the business environment in the SME sector by considering the dynamic capabilities needed to overcome the research problem. This research was conducted on weaving SME entrepreneurs, which is a tourism support sector that depends on tourist visits and is very vulnerable to changes in the external environment. A total of 333 weaving SME entrepreneurs in Bali were used as the research sample and data were collected through questionnaire distribution. The research data was obtained using SEM PLS to see the relationship between the research variables. The results showed that entrepreneur agility is a dynamic ability that affects the innovation and resilience of SME entrepreneurs. Agile entrepreneurs find it easier to see opportunities and adjust their business to easily adapt to the dynamics of the business environment so that it is easier to survive when meeting challenging situations. Entrepreneurs who are quick to innovate will also increase their competitive advantage which affects their resilience.
Keywords: entrepreneur agility; innovation; entrepreneur resilience; small-medium enterprise
JEL: D22; J24; L25; L26

1. Introduction

The issue of sustainability is one of the strategic issues that is quite in the spotlight today because companies are faced with a very dynamic industrial environment, so companies must be able to quickly adapt and adjust their resources and strategies to survive sustainably.

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Market dynamics and changes in the business environment are a challenge for companies. Changes that are sometimes extreme and radical can threaten the business survival of the company, so companies need the ability to be able to adjust and adapt to survive the threats and changes faced by the company (Hayward et al., 2010). Such drastic and radical changes will result in the company being in a condition of high strategic uncertainty that can have an impact on business performance and business continuity in the future (Emueje et al., 2020).

Changes in the business environment have an impact on all industrial sectors, where one of the most obvious impacts is the small and medium enterprise (SME) sector. Companies cannot only focus on increasing speed in gaining market share but must also have the ability to increase agility, resilience, and the ability to adapt to environmental changes and challenges that are unexpected (Shin et al., 2015). Environmental changes can be managed by companies by building dynamic capabilities, namely agility, and resilience (Branicki et al., 2018), because companies that have high levels of agility and resilience will be more profitable even when companies are faced with high environmental turbulence.

A review of the literature shows that the concept of resilience in the business field is one of the dynamic capabilities needed by companies when faced with difficult and uncertain situations to be able to survive and return to stability after facing shocks (Vargas, Rivera, 2019). Resilience is considered to represent the ability to anticipate, anticipate, take action adapt to disruptive changes, and return to the desired state after the disruption process by reorganizing the company's capabilities or performance (Ramezani, Camarinha-Matos, 2020). Resilience is a certain skill possessed by the company to manage the impact of risks that may be faced by the company during events or changes experienced by the company (Ibora et al., 2020).

The synthesis of empirical studies shows that the concept of resilience as a dynamic capability is the ability to survive and bounce back in difficult situations (Branicki, 2018). To survive in a very dynamic change in the external environment, companies must have the ability to quickly identify opportunities and capture various opportunities that exist. The concept of agility is considered to represent the company's ability to quickly, and accurately anticipate environmental changes and seek new opportunities from these changes (Camarinha-Matos et al., 2009). Agility includes the ability to adjust the organization's systems and operations to adapt the way it works to the current situation (Woljer et al., 2011). Rapid changes experienced by companies that can still be managed by companies can be predicted through the business cycle and companies can build the ability to manage these changes (McCann, 2009), but for disruptive changes that are drastic, radical, and unexpected such as natural disasters and crises in the form of economic crises, terrorist attacks or pandemics, require special abilities to respond (Chistensen, Overdoff, 2000). Strategic agility in organizations requires not only adaptability but also flexibility achieved through a creative and proactive attitude and adjusting the configuration of resources and strategies in response to change (Papula, Volná, 2013)

In the context of small and medium enterprises (SMEs), agility does not only focus on organizational agility, but entrepreneurial agility also needs attention because of the neutral role of entrepreneurs in all managerial and operational decision activities of SMEs. Entrepreneurial agility will allow SMEs to adjust the configuration of their resources, systems and strategies in response to market changes (Bullough et al., 2014). Entrepreneurial

agility is highly dependent on the figure of the SME entrepreneur himself (Grand, Bartl, 2019). Cognitive abilities possessed by entrepreneurs can lead entrepreneurs to identify, anticipate and take advantage of existing entrepreneurial opportunities to adjust to environmental changes and carry out strategic adjustment activities through the creation of new business models (Karimi, Walter, 2021)**.** Agile entrepreneurs will quickly respond to changes in their environment and make decisions quickly and accurately when dealing with complex situations, do not panic easily when meeting unfavourable situations and understand the conditions of the business they are running (Grand, Bartl, 2019).

Various opportunities that exist must be maximally utilized by entrepreneurs to be able to generate competitive benefits for the company. Empirical reviews show that to survive and rise in various situations faced by the company, entrepreneurs must continue to innovate so that the company's strategy can quickly adjust and adapt to the changes that occur. According to Drucker (2012), innovation is a specific tool for companies, to explore or utilize changes in an opportunity to run a different business, which is presented as a discipline, learning and practice. Ellitian and Anatan (2009) briefly define innovation as a change made in an organization that includes creativity in creating new products, services, ideas, or processes that either already exist in the organization or develop from outside the organization.

A culture of innovation is very important, especially for MSMEs. The pandemic encourages organizations to continue to innovate by maintaining good relationships with customers, optimizing available resources, and focusing on developing their products (Arsawan et al., 2020). Innovation is seen as important during a crisis, as business organizations need resistance capabilities by imposing various scenarios in an uncertain context. MSMEs are generally companies that have reactive, flexible, and risky organizational structures, but MSMEs tend to be more innovative than large companies.

Based on the phenomena described earlier, this research offers the development of the concept of entrepreneur resilience in SMEs. As a business unit that is most vulnerable to changes in the external environment and is often faced with unexpected changes in the situation, this research considers the need for a more in-depth discussion of the formation of entrepreneur resilience capabilities in SMEs. Entrepreneurs as central figures who have a vital influence on access to and ownership of capital and resources in SMEs, this research emphasizes the need for further discussion on how entrepreneurial agility and innovation can shape the resilience of SME entrepreneurs.

2. Theoretical Background

2.1 Entrepreneurial Resilience

Theoretically, resilience is based on the theory of resilience first coined by Holling, 1973 in the field of ecology which states that resilience is the ability to absorb environmental changes that occur. Entrepreneur resilience is one of the developments of the concept of resilience that is used to measure the extent to which entrepreneurs can survive in the face of changes in their business environment and business challenges.

High environmental uncertainty and limited resources are the most significant obstacles experienced by business actors. The difficulties and uncertainties experienced by entrepreneurs can be overcome by developing resilience (Bullough et al., 2014). The construct of resilience is considered relevant to the field of entrepreneurship research because resilience is considered to be able to explain why some entrepreneurs perform better than others who are not resilient. In addition, the resilience of entrepreneurs encourages the ability of entrepreneurs to adjust to new circumstances and contribute to long-term sustainability through innovation (Korber, McNaughton, 2018). Resilience is considered one of the abilities to cope with the turbulence of the business environment (Ansoff, 1957; Vargas, Rivera, 2019) because resilience is considered as one of the business capabilities to be flexible and adaptive by reconfiguring the resources owned to adjust to the changes that occur (Wildavsky, 2017). Other researchers also revealed that resilience is a basic quality needed by companies to respond to changes that occur productively and significantly and also recover from circumstances that are detrimental to the company (Vogus, Sutcliffe, 2007).

This study wants to develop the concept of entrepreneur resilience, especially in the SME sector because this sector is the most vulnerable sector to changes in the dynamic external environment. On the other hand, in the SME sector, the role of entrepreneurs is very central because SME entrepreneurs play an important role in managing their resources and strategies to be able to deal with various situations faced by their businesses (Firkin, 2016). The concept of entrepreneur resilience emphasizes that SME entrepreneurs immediately manage their resources to adjust to the opportunities that have been identified so that companies adapt to changes faster than their competitors. Entrepreneurs as central figures in SMEs play an important role in managing resilience capabilities in SMEs because resilient entrepreneurs tend to have a positive mindset and are not easily stressed when dealing with unexpected situations which will have an impact on their ability to manage their business during difficult situations (Branicki et al., 2018)

This research considers that the development of the concept of entrepreneurial resilience needs to be based on the concept of dynamic capabilities. The concept of resilience as a dynamic capability emphasizes how the entrepreneur's ability to identify opportunities that exist during difficult situations when competitors are unable to see these opportunities (Branicki, 2018). Environmental changes require the ability to survive in various situations, so it requires the ability to quickly identify, manage and also adjust its capabilities and strategies to deal with various unexpected environmental changes and be able to adjust quickly (Duchek, 2020)

This study wants to discuss more deeply how the formation of the concept of entrepreneur resilience is seen from the factors that affect the resilience of SME entrepreneurs described in the discussion of the hypothesis as follows:

2.2 The Effect of Entrepreneurial Agility on the Resilience of SME Entrepreneurs

In the face of environmental dynamics, agility is the ability to quickly move and adjust flexibly in identifying, anticipating, taking advantage of any opportunities that exist and avoiding negative consequences that may occur (McCann, 2009). High change can be an

opportunity and innovation for companies and high growth if companies have agility in dealing with these changes (Christiansen, Overdoff**,** 2000)**.** Skills related to agility are related to the creation of openness and the implementation of fast and appropriate strategies in response to change (Dyer, Singh, 1998). One approach in the context of dynamic capabilities is entrepreneurial agility (Ismail et al., 2011) Entrepreneurial agility is the cognitive ability of entrepreneurs to anticipate, identify and take advantage of entrepreneurial opportunities to anticipate environmental changes and carry out strategic adjustment activities by creating new business models or innovating to respond to changing market dynamics (Karimi, Walter, 2021)**.**

Agility in SMEs is strongly influenced by the role of the entrepreneur, where agile entrepreneurs will make quick and precise decisions when dealing with changing conditions and be proactive and creative to see opportunities that may arise from changing situations (Srivardhana, Pawlowski, 2007). Empirical findings state that the ability or agility of entrepreneurs can facilitate the process of exploration and exploitation of new strategies and also the adoption process of new configurations in the organization according to the changing context of the company's external context quickly and precisely in a way that allows new companies to exploit new markets and generate better competitive advantages (Grand, Bartl, 2019).

When dealing with situations that are disruptive and can threaten business continuity, forming resilience requires agility to produce a faster and more appropriate response to these changes (McCann, 2009). Entrepreneurial agility is the ability of company managerial parties to make possible new strategic steps proactively by introducing new ways in potential new strategic steps, focusing on the future and making decisions quickly in the face of new opportunities that are sometimes radical (Grand, Bartl, 2019). Based on empirical studies, the following hypothesis is prepared:

H1: Entrepreneurial agility plays an important role in increasing the resilience of SME entrepreneurs.

2.3 The Effect of Entrepreneurial Agility on SME Innovation

Many companies innovate to survive amid increasingly strong competition. The success of the product is largely determined by the innovations made by the company (Drucker, 2012). The findings of empirical studies show that innovation is a specific tool for companies, to explore or take advantage of changes into an opportunity to run a different business, which is presented as a discipline, learning, and practiced (Makmur, thahier, 2015). Research shows that open innovation is one of the ways that MSMEs can overcome their challenges and increase their profitability (Gassmann et al., 2010). Some other researchers argue that MSMEs can benefit more from open innovation than large firms because of their less bureaucracy, greater willingness to take risks, and faster ability to react to a changing environment (Parida et al., 2012).

To innovate, entrepreneurs must be able to identify various opportunities that exist in the market. Agile entrepreneurs will more easily identify opportunities that exist when others do not see them as opportunities (Ismail, 2014). Every opportunity that exists must be utilized

and managed through adjustments to the company's strategic and operational activities to generate optimal profits for the company (Karimi, Walter, 2021). So that the next hypothesis is structured as follows:

H2: Entrepreneur agility plays an important role in increasing SME innovation

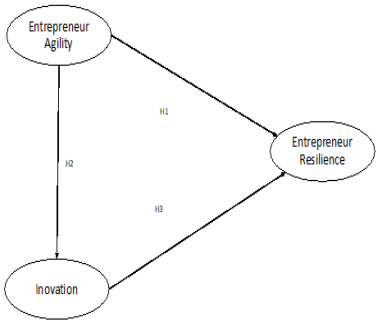
2.3 The Effect of Innovation on the Resilience of SME Entrepreneurs

The literature review found empirical evidence that MSMEs that survive are MSMEs that quickly adjust and implement good crisis management. MSMEs that are unable to learn, manage knowledge according to changing situations and innovate cannot survive (Wichitsathian, Nakruang, 2019). Optimizing knowledge sharing is expected to create and strengthen problem-solving strategies, which in turn encourages a culture of innovation. Analysis of empirical research on RBV notes that organizational capabilities or organizational resources as well as factors related to innovation are important for small business success and key drivers to explain MSME business performance. Based on Barney's (1991) RBV theory and Campbell and Park's (2016) research, organizational capabilities can lead to positive performance through value creation, as well as through innovation and strong network ties (Santarelli, Tran, 2013).

A culture of innovation is very important, especially for MSMEs. The pandemic encourages organizations to continue to innovate by maintaining good relationships with customers, optimizing available resources, and focusing on developing their products (Arsawan et al., 2020). Innovation is seen as important during a crisis, as business organizations need resistance capabilities by imposing various scenarios in an uncertain context. MSMEs are generally companies that have reactive, flexible, and risky organizational structures, but MSMEs tend to be more innovative than large companies. So the next hypothesis can be formulated as follows:

H3: Innovation plays an important role in increasing the resilience of SME entrepreneurs.

Figure 1. Theoretical Framework



3. Methodology

3.1 Population and Sample

This research was conducted in the SME sector in Bali Province. Bali Province was chosen as the research location with the consideration that Bali Province until now relies heavily on its regional income from the tourism sector. The development of the tourism sector in Bali is accompanied by the growth of other sectors as a supporting sector to meet the needs of the tourism sector, one of which is the handicraft sector. The handicraft industry in Bali is dominated by small and medium enterprises (SMEs) that provide handicrafts as a tourism commodity. The high dependency of handicraft SMEs on the tourism sector creates a phenomenon of its own, because the tourism sector is one of the most vulnerable sectors to changes in its external environment. Changes in the external environment such as rapid technological developments can quickly change market demand and consumer behavior. On the other hand, sudden changes such as natural disasters, economic crises, terrorist threats as well as political issues and changes in government policy will greatly impact tourist visits to Bali. A decrease in the number of tourist visits will greatly impact the sustainability of SMEs supporting the tourism sector, one of which is handicraft SMEs.

This research model is tested on handicraft SMEs in Bali, where the target population in this study is handicraft SME entrepreneurs. The survey was conducted randomly at the centre of the handicraft industry spread across all districts in Bali to obtain empirical data. A sample of 400 companies was selected with a 95.5% confidence level with a maximum error of 5% in the case of dichotomous questions. We randomly selected 20 firms in each cluster and the rest of the sample was randomly selected in proportion to the size structure and number of organizations. SMEs received a copy of the survey and project with a brief explanation of how to complete the questionnaire. The interviewer withdrew the survey two weeks later. The interviewers assisted the entrepreneurs in covering the survey if needed. The response rate was 90%, resulting in 333 valid responses that were used to conduct the research. It was found that the final structure of the sample was consistent with the study population through the Homogeneity test (Newbold, Carlson, Thorne, 2002).

The results of respondent data collection show that of the 333 research respondents dominated by female SME entrepreneur respondents as much as 65%. This can be understood because the SME handicraft industry sector is identical to the production process that requires a lot of creativity and is also related to the fashion industry so many are controlled by women. The data collected also shows that most SME entrepreneurs are at a mature age of 40-49 years. In terms of education, SME entrepreneurs in the handicraft industry sector are dominated by entrepreneurs who have a low level of education, with more than 50% not reaching the university level, but most have considerable experience in running their previous businesses or working in other companies. However, when viewed based on the age of the business, craft industry SMEs have a fairly long business life, where 78% of respondents have a business age of > 5 years (Table 1).

Table 1. Demographic Profile

Demographic variable	Categories	%
Gender	Male	35
	Female	65
Age	18-29	10
	30-39	23
	40-49	38
	>50	29
Education level	Elementary school	4
	Junior high school	5
	Senior high school	48
	Diploma III/Diploma IV	9
	Bachelor's degree	32
	Master's degree	2
Experience	Experience working for other companies	48
	Experience running personal companies	33
	No experience	19
Business lifespan	<1 year	5
	1-5 years	17
	>5 years	78

Source: Author's survey and computation, 2023.

3.2 Measurement & Liability

This research focuses on the concept of entrepreneur resilience by looking at what factors shape the resilience of SME entrepreneurs and the effect of entrepreneur resilience on achieving sustainable competitive advantage in SMEs. The consideration that underlies entrepreneurs as the main object of research is the opinion of (Penrose, 1959) which states that entrepreneurs play an important role in company performance. This idea is supported by the results of empirical studies which state that when SMEs are seen as a unit of analysis, the entrepreneur plays a key role as a decision-maker and in spreading the culture of his company so that the resilience of the entrepreneur will have an impact on the competitiveness and resilience of his organization (Ayala, Manzano; Bullogh, Renko).

The questionnaire used for data collection is closed. Questionnaires help to collect information about opinions, attitudes, behaviours, facts and other information. Researchers used a 5-point rating scale to rank items from 1 (very low) to 5 (very high).

Table 2. Source of measures

Construct	Indicator	Item	Reference/s
Entrepreneurial Resilience	Hardiness	2	Ayala, Manzano, 2014
	Resourcefulness	2	
	Optimism	3	
Agility	Sensing Capability	2	Zitzkiene, Deksnys, 2018; Ferdous, 2010
	Responding Capability	2	
	Adapting capability	2	
Innovation	Product Innovation	2	Drucker, 2012
	Process Innovation	2	
	Market Innovation		

3.3 Data analysis

This study uses multivariate statistical methods to test a series of influences between variables that are estimated simultaneously with the aim of prediction, exploration or structural model development studies (Hair, 2021). SEM-PLS was chosen as the testing method with the consideration that this study aims to investigate variables that can simultaneously explain sustainable competitive advantage in MSMEs, where SEM_PLS is an analysis tool that works best for predictive purposes (Zeng et al., 2021). In addition, this study uses measurement scales that are still in the development stage, where the measurement scales used are adapted from various fields of study (business studies and psychology) (Reinarzt et al., 2009). This study involves measurements for hypothesis testing, namely *direct* effects and *indirect* effects, namely mediation and moderation relationships. SEM-PLS can be used for more complex models simultaneously (Sarstedt et al., 2019). Finally, this study uses a reflective measurement model also called a *principal factor model* where the *covariance of* indicator measurements is influenced by latent constructs or reflects variations in latent constructs. SEM-PLS can be used to measure indicators that are reflective or formative.

Data analysis testing is carried out through several stages, namely: measurement model testing, structural model testing and model fit and goodness testing (Hair, 2021).

4. Result

4.1 Measurement Model Testing

The measurement model test is carried out to measure and describe the relationship between latent variables and the indicators that measure them (Hair et al., 2021). In assessing and evaluating this research model, researchers consider internal consistency reliability, convergent validity and discriminant validity. Internal consistency reliability is tested through *composite reliability* (CR) which shows whether the items used in the study are reliable (McNeish, 2018), where the CR value of 0.70-0.90 is considered satisfactory. To test the reliability and validity of the research instrument, it is indicated by the Cronbach *alpha* value, where the recommended Cronbach *alpha* value is greater than 0.7 (Hair et al., 2021). The Cronbach *alpha* value indicates that the measurement item is able to measure the research variable and is consistent when similar repeated tests are carried out. This technique uses average variance extracted (AVE) and Cronbach alpha (CA) as criteria for validating the model. AVE measures the variance captured by latent constructs. Generally, this number must be greater than 0.5, but it is considered valid if it is greater than 0.3 (Hair et al., 2021). The model measurement test is carried out through several criteria as in Table 3.

Table 3 shows the results of the model measurement test which shows that all measurement items have met the recommended requirements. To get an idea of the level of item validity by looking at the outer loading value of each measurement item. Where the recommended outer loading value is above 0.7 (Hair et al., 2021). Based on the test results, it can be seen that all measurement items have met the recommended requirements, which indicates that

the measurement items of each variable have a strong correlation value in explaining the research variables.

Table 3. Outer Loading, Composite Reliability and Average Variance Extracted

Variable	Outer Loading	Cronbachs Alpha	Composite Reliability	AVE
Agility				
1.1 ability to identify opportunities	0,791	0,851	0,891	0,580
1.2 ability to identify resources	0,820			
2.1 ability to capture opportunities in the marketplace	0,879			
2.2 ability to cultivate resources to seize opportunities	0,755			
3.1 ability to adjust company resources to adapt	0,689			
3.2 ability to adjust the company's strategy quickly	0,601			
Innovation				
1.1 production process efficiency	0,763	0,885	0,912	0,634
1.2 increase in work productivity	0,790			
2.1 New product development	0,847			
2.2 improvement of product life cycle	0,818			
3.1. market development	0,786			
3.2 improved customer satisfaction	0,770			
Entrepreneur Resilience				
1.1 Belief in the ability to control oneself when encountering difficult situations	0,823	0,933	0,945	0,683
1.2 Believe in one's ability to bounce back from failure	0,779			
2.1 Have a positive mindset	0,808			
2.2 High tolerance for change	0,819			
2.3 Not easily stressed	0,876			
3.1 Consistent in achieving goals	0,815			
3.2 Always try to give the best results	0,818			
3.3 Have the ability to adapt to change	0,867			

Source: Primary data processed, 2023.

Furthermore, the level of reliability of the research model is seen from the value of cronbatch alpha, composite reliability and convergent validity. The recommended cronbatch alpha value is above 0.7. The test results show that all research constructs have met the recommended requirement of 0.70, so these results indicate that all measurement items are reliable or consistent in measuring research variables. Convergent validity also shows a positive correlation with alternative measures of the same construct (Hair et al, 2014), this can be seen by considering the average value of the variance extracted (AVE), where the recommended AVE value is above 0.5. The results showed that all research constructs had AVE scores above 0.5.

Furthermore, this study also reports the results of discriminant validity based on the Fornell Lacker criteria to ensure that each construct of each variable is different from other variables both theoretically and statistically tested. The Farnell-Lacker test is used to see the relationship between latent variables and their indicators, where a variable is considered to meet the criteria if a latent variable shares more variance with the underlying indicator than with other latent variables (Hair et al., 2021). The AVE value of each variable Fornell Lacker

testing on the constructs of this study shows that all constructs have met the Fornell Lacker criteria.

Table 4. Fornell Lacker

Variables	Agility	Innovation	Resilience
Agility	0,761		
Innovation	0,603	0,196	
Resilience	0,816	0,637	0,826

Source: Primary data processed, 2023.

Table 4 shows that based on the test results it can be seen that all research variables have met the specified discriminant validity (attachment 2.3.4). All research variables used have passed the Fornell-Lacker test because the square root of each variable's AVE is greater than its highest correlation with other variables, so it can be said that the research variables have a higher variance with the underlying indicators than with the latent variables.

4.2 Structural Model Test

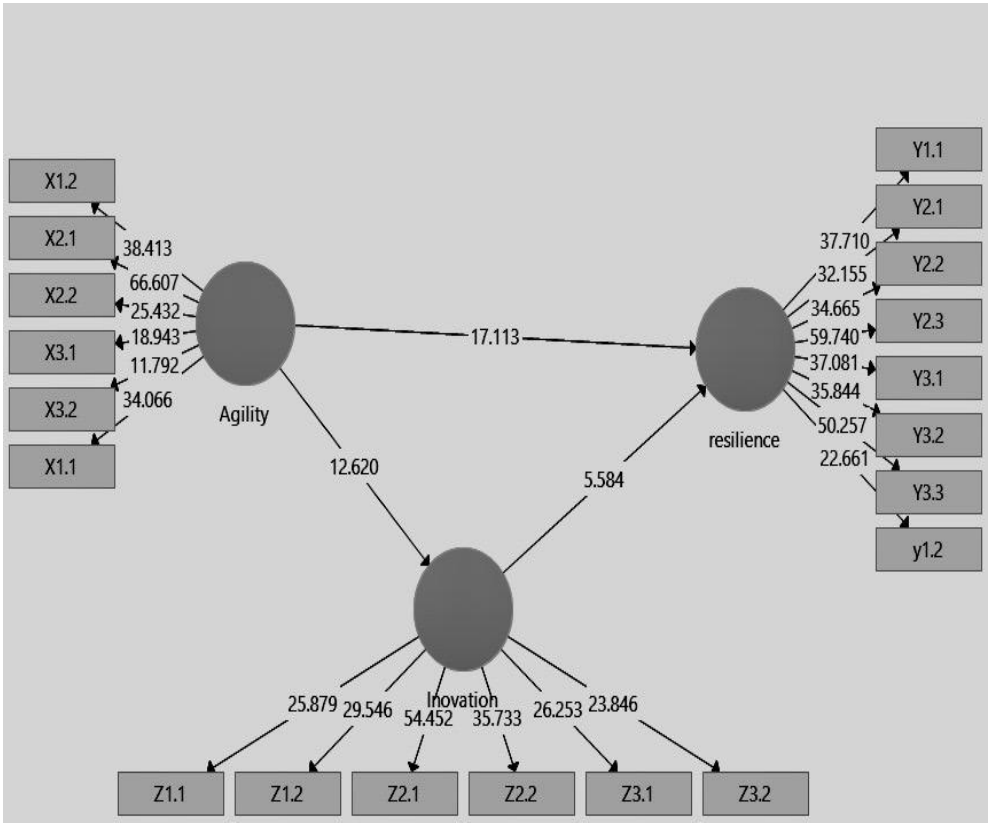
After ensuring the measurement model, structural model testing is then carried out to test the research conceptual model which consists of 5 different hypotheses. Hypothesis testing is carried out with a one-sided bootstrapping routine at a 5% significance level with 5000 subsamples (Hair et al, 2021). The path coefficient significance test recommends a t-statistic value above 1.96 or a p-value below 0.05, which indicates a significant effect between variables (Hair et al, 2021). Table 5 shows the results of the hypothesis testing

Table 5. Hypothesis Testing Result

Hypothesis	Path Coefficient	P-Value	t-Statistik	Sig Supported
H1: Agility →Resilience	0,679	0,000	17,175	Yes
H2: Agility → Innovation	0,603	0,000	12,810	Yes
H3 Innovation → Resilience	0,227	0,000	5,790	Yes

Source: Primary data processed, 2023.

Table 5 shows that all hypothesized direct and moderating effects are statistically significant and also consistent with theory. Although all direct effects between latent variables are significant and practically relevant in the theoretical model, the test results show that (a) the effect of agility on entrepreneur resilience has the strongest effect (path coefficient = 0.679); (b) while the effect of innovation on entrepreneur resilience is the weakest effect (path coefficient = 0.227).



Source: Result of analysis by author.

4.3 Model Fit Test

Testing using variant-based SEM analysis is an exploratory study that aims to test and develop a model theory that focuses on prediction studies, so it requires appropriate statistical measures to state that the proposed model is acceptable (Hair et al, 2021). Table 6 shows the results of testing the fit and goodness of the model in this study:

Table 6. Standardize Root Mean Square Residual (SRMR)

	Saturated model	Estimated model
SRMR	0,053	0,053
d_ULS	0,598	0,598
d_G	0,270	0,270
Chi-square	525,386	525,386
NFI	0,884	0,884

Source: Primary data processed, 2023.

SRMR testing is used for model fit by looking at the difference between the data correlation matrix and the estimated model correlation matrix. (Hair et al., 2021) state that the SRMR

value below 0.08 states that the model fits or has a match. Based on the test results, the model in this study is declared to have a fit or fit model because it has an SRMR value of 0.053 below the established standard of 0.08, which means that empirical data can explain the influence between variables in the model.

4.5 Discussion

This study aims to provide a causal explanation or relationship between the variables that make up the resilience of entrepreneurs, namely agility and innovation. Changes in the external environment are one of the biggest challenges faced by SMEs. Changes that occur often occur suddenly, are sudden and sometimes extreme in nature so that they can threaten the sustainability of the SME business. The SME sector is one of the industry sectors that is vulnerable to change because it does not have structured crisis management and also the limited resources it has to respond to changes that occur. The highly competitive market has increased the importance of organizational agility in achieving competitiveness through strengthening leadership. SMEs must be responsive to changes and opportunities that exist and also continue to innovate in order to maintain the continuity of their business performance (Calvo, García, 2010). When there are changes in the business environment, companies must adjust and try to capture the opportunities that exist before competitors can grab them. In SMEs, the role of entrepreneurs is vital, because entrepreneurs are involved in all learning activities, business, resource distribution activities and strategic decision-making in SMEs.

The results of this study indicate that in order for businesses to be responsive and agile to existing changes through a flexible attitude and also adaptive in adjusting to changes requires special abilities. SME entrepreneurs must have a leadership spirit in order to coordinate every element of their business in order to adapt quickly. In SMEs, existing organizational structures tend to be flatter and have fewer management teams compared to large companies (Castrogiovanni, 2002). Leaders with an entrepreneurial spirit will be able to make quick and effective strategic decisions that can direct the performance of their team in adjusting to a dynamic industrial environment. Leaders who have an entrepreneurial spirit will find it easier to influence and guide the performance of employees and their organizations to be flexible and adaptive in response to change (Renko et al., 2015)**.** Leadership agility means agility in influencing others and making desired changes. Leaders must be able to recognize opportunities that others do not see and be able to exploit these opportunities to create value for their company (Renko et al., 2015)**.** Entrepreneurs who are able to obtain high commitment and are able to direct their organization in achieving opportunities and innovation performance will be able to create higher company value even when the company is faced with changes in its business environment (Karimi, Walter, 2021)**.**

Furthermore, the results also show that agility also has a positive effect on resilience. Changes that are sometimes extreme and radical can threaten the business survival of the company, so companies need the ability to be able to adjust and adapt in order to survive the threats and changes faced by the company (Hayward et al., 2010; Karimi, Walter, 2021). *Agility* is the ability to recognize unexpected changes that occur in its environment and respond quickly and efficiently by adjusting and reconfiguring its resources to adapt to changes and achieve

competitive advantage. Agile entrepreneurs will quickly respond to changes in their environment and make decisions quickly and accurately when dealing with complex situations, do not panic easily when meeting unfavourable situations and understand the business conditions they are running (Grand, Bartl, 2019)**.** The ability or agility possessed by entrepreneurs who can facilitate the process of exploring and exploiting new strategies and also the process of adopting new configurations in the organization according to the context of changes in the external context of the company quickly and precisely in a way that allows new companies to exploit new apsar and produce better competitive advantages.

The results of this study are in line with research conducted (Nururly, 2021) that agility supports the resilience of SMEs in the era of digital transformation. Currently, competition in the global business world is changing very rapidly, there is high uncertainty in all fields, such as information overload, and uncertainty is sweeping. Competition will get stronger. The current situation is also known as the VUCA situation which is an acronym for volatility, uncertainty, complexity and ambiguity. So agile entrepreneurs will be quicker to see opportunities so that they tend to increase their resilience. Agile entrepreneurs will be more optimistic about the future because they are always adaptive and see changes that occur as opportunities rather than threats. On the other hand, agile entrepreneurs tend to be easier in adjusting their resources and business strategies so that they are more flexible in changing the external environment. This is in line with the results of research conducted by Branicki, 2018 which states that entrepreneurs with a high level of resilience are determined by how their ability to be flexible when faced with unpredictable changes and able to quickly make adjustments to strategic adaptations in order to rise from unfavourable conditions.

The results of this study also show that agility has a significant influence on the innovation process. Agile entrepreneurs will more easily identify and capture opportunities that exist in their industrial environment than other entrepreneurs (Iftikar, 2021). Agile entrepreneurs will also adapt more quickly to changes in the environment, this will have an impact on the efficiency of the production process because entrepreneurs who quickly adapt will quickly adjust their resources and strategies so as to increase company efficiency (Drucker, 2012). On the other hand, agile entrepreneurs will quickly identify opportunities in the market when competitors do not see them so that it will make it easier for companies to innovate both products and marketing strategies in order to meet market demand. Entrepreneurs who are able to read changes in the market situation quickly will more quickly capture the various opportunities that exist and implement them in the company's strategy in order to be able to adjust to very dynamic consumer demand. Companies that are able to meet consumer demand quickly will increase customer satisfaction and also increase loyalty so that in the long run it can increase the company's product life cycle.

The results of this study support the findings of research conducted by Karimi & Walter (2021) which states that agile entrepreneurs are able to utilize and manage existing opportunities through adjustments to the strategic and operational activities of the company so that the company can increase business innovation to achieve optimal profits for the company.

The literature review shows that SMEs that are able to survive are SMEs that are able to adjust to various rapid environmental changes and SMEs that are able to bounce back when they encounter difficult situations. Research hypothesis testing also shows that corporate

innovation has a significant effect on the resilience of SME entrepreneurs. The industrial environment in which SMEs operate is a highly competitive environment, so in order to survive in a highly competitive environment, companies must continue to innovate. Business innovation is related to the company's efforts to explore and take advantage of existing opportunities to create profits for the company. Existing opportunities must be able to be maximally utilized by entrepreneurs in order to generate competitive profits for the company (Drucker, 2012).

The results of this study indicate that entrepreneurs who are able to direct company innovation to win various opportunities and manage their resources and business strategies to quickly adapt to industry conditions tend to be able to survive even in the face of a very dynamic environment. Innovative entrepreneurs will be able to increase the product life cycle because innovative entrepreneurs tend to always strive to develop products, marketing strategies and production processes in order to keep up with changes in market demand. Innovative products tend to have a longer life cycle, this is in accordance with the results of empirical studies conducted by Arsawan (2020). On the other hand, innovative entrepreneurs will also be able to increase their production efficiency by quickly carrying out various adaptation processes in accordance with changes that occur, especially in difficult situations. The efficiency of the company in difficult situations will help the company to manage its financial capital so that it can help the company to survive in difficult situations.

Innovation is one of the ways that can be done by MSME players in Bali in order to survive amid the challenges of changing times that cannot be avoided, such as advances in technological and information changes. This results in business actors having to innovate continuously so that later they have a qualified competitive advantage. The following summarizes the perceptions of MSME actors in Bali regarding the sustainability of the innovation process. These innovative MSME actors seem to see everything that affects the course of their business as an opportunity that must be utilized as well as possible, which is characterized by always making small improvements or improvements to existing products or services. This is done because their goal is to continue to compete and increase their competitive advantage in the market.

Most of the MSMEs in Bali have made marketing innovations (46%), one of which is approaching new marketing methods through various social media platforms*(digital marketing*). Many Balinese MSMEs are now marketing their products through *marketplaces* or selling *online* with its various advantages. In addition, the government always provides guidance and training on innovation, be it digital/marketing innovation, products, and so on. The goal is to market their products widely and not only utilize conventional markets so that MSME products are widely known in the global market. In addition to marketing innovation, 27% of Balinese MSMEs carry out process innovation, namely creating new business processes that are more effective and efficient. Process innovations carried out by Balinese MSMEs include the creation of a more efficient inventory management system, improving the quality of product delivery, and using an easier and more efficient payment system.

5. Implication

5.1 Theoretical Implication

This paper provides implications for the development of the concept of resilience in the SME sector. Based on the results of the study shows that the resilience of SMEs is determined based on the ability of entrepreneurs to react to changes that occur in their industrial environment. Entrepreneurs play an important role in every aspect of SME activities both operational activities and strategic decision making. How entrepreneurs are able to identify opportunities that exist in every dynamic change in the industrial environment and react to capture these opportunities and immediately adjust their business strategy and business resources will be able to increase the resilience of SMEs in the turbulent industrial environment faced by SMEs. Entrepreneurs who do not give up easily and are optimistic in seeing every change as an opportunity rather than a threat tend to have high resilience.

In addition, the development of the concept of resilience is also influenced by the innovation capabilities of SME entrepreneurs. Innovation is related to the process of developing products, processes, knowledge and also business strategies in order to be able to create competitive advantages based on opportunities that exist in the industrial environment. Opportunities will be able to provide an advantage for the company if the opportunity is able to create superior value for the company. Innovative entrepreneurs will strive to create products that match market demand and also changes that occur by adjusting the resources and capabilities of the company to be able to adapt quickly. Resilience will be formed and increase the sustainability of SME businesses when entrepreneurs have the agility to identify and capture existing opportunities and have the ability to innovate to create something of value and have a competitive advantage to quickly adapt.

5.2 Managerial Implication

This research also provides implications for SME entrepreneurs to overcome the main problem of SMEs, namely a very dynamic business environment that often poses a threat to the sustainability of SMEs. This research provides an understanding of the important role of agility and innovation in increasing the resilience of SME entrepreneurs in dealing with the dynamics of the business environment. Changes in a very dynamic industrial environment can cause stress for SME entrepreneurs, so the development of resilience capabilities is needed so that entrepreneurs are able to always think positively to look for opportunities that exist and adjust their resources and business strategies to be able to adapt and survive in the face of any changes that occur and also challenging situations faced by their business.

Entrepreneurs who have the ability to be agile will find it easier to see opportunities in the market when competitors do not see them and also quickly adjust their resources and business strategies in order to adapt to changes that occur. This agility ability also helps entrepreneurs to make innovations that can generate competitive advantages for the company so as to increase the resilience of SME entrepreneurs.

5.3 Limitation

This research was only conducted at one time*(cross-sectional study)* which means that this research is not *longitudinal* and does not consider different time durations, so it cannot compare differences in perceptions of entrepreneurs at different times.

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