



## Innovative Behavior as a Mediating Impact of Work Ethic in Improving the Performance of Business Actors in South Minahasa Regency in the Era of Global Economic Recession

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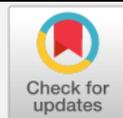
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### ABSTRACT

Human resources are an essential and vital asset in an organization. An organization cannot function without human resources. Facing the continuous development of the times and the increasingly evident technological disruption, business competition and competition for human resources are becoming more intense, including for business actors. They are required to have a high work ethic, be adaptable, responsive to innovation, exhibit innovative behavior, and be open to technological changes. Business actors must also be aware of fundamental changes in generating new ideas and value. To achieve this, business actors need a high work ethic through innovative behavior to improve their performance in maintaining and developing their businesses. This phenomenon is relevant in the current era of global economic recession, where many business actors are experiencing bankruptcy, closure, or insolvency, including in various regions. This study aims to analyze and develop variables and instruments that can identify indicators influencing the performance improvement of business actors in the current global recession era. The research method includes observation, population identification, sample determination (business actor respondents), surveys, questionnaire distribution, and data collection through closed and open-ended questions to obtain accurate results. The data obtained are then processed and evaluated for seminars and publication. The results of the study indicate that a high work ethic has a positive and significant direct effect on the innovative behavior of business actors, a high work ethic positively and significantly affects business performance, innovative behavior positively and significantly affects business performance, and a high work

*ethic affects business performance mediated by innovative behavior. This research is expected to contribute positively to all stakeholders (academics, businesspeople, government) in enhancing competitiveness and business sustainability amid the challenges of the global economic recession.*

**Keywords:** *Business Performance; Global Economic Recession; Innovative Behavior; Work Ethic*

## 1. Introduction

Human resources are the fundamental cornerstone of any organization. They perform routine tasks and support the organization's advancement and growth (Armstrong, M., & Taylor, 2017). In a business world filled with dynamics and challenges, the role of human resources becomes increasingly crucial. They are not merely ordinary employees but the main drivers behind a company's success.

The presence of qualified and skilled human resources provides an organization with a competitive advantage (Barney, 1991). They create breakthroughs, lead changes, and enhance operational efficiency. In an era where innovation is key to survival and growth, organizations that can leverage their human resources' creative potential and innovative ideas will dominate the market (Tushman & O'Reilly, 1996).

There is no denying that human resources significantly impact an organization's success, especially in the face of increasingly tight business competition. Every organization needs to recognize the strategic value of managing and developing human resources as a long-term investment that will ensure its sustainability and growth in the future (Ulrich, 1996).

The rapid growth of technology and changing times have drastically transformed the business landscape, creating new challenges and unexpected opportunities for organizations across various sectors (Brynjolfsson & McAfee, 2014). Technological innovations such as artificial intelligence, automation, and data analytics have changed how organizations operate and interact with the market. As a result, business competition has become more complex and intensive.

In this context, human resources are crucial in helping organizations adapt and compete in the digital era. Traditional skills are no longer sufficient; employees must be able to adapt quickly, engage in continuous learning, and face changes with flexibility and creativity. On the other hand, organizations must be able to attract, develop, and retain the talents needed to respond to these new challenges.

Understanding the implications of evolving times and technological disruptions is key to effectively managing human resources in increasingly intense business competition (Cascio & Boudreau, 2017). Organizations that can integrate technological changes with smart human resource management strategies will have a significant competitive advantage.

In the current situation, economic challenges have become more pronounced, especially with the global economic recession affecting various countries worldwide. This recession has broad macroeconomic impacts and influences unemployment rates, consumer purchasing power, and overall market stability. The effects of the economic recession are felt at the global and local levels, where business players in various regions face similar challenges.

These conditions lead to significant changes in how organizations operate and adapt. Amid economic uncertainty, organizations must find ways to remain relevant and sustainable. This requires a deep understanding of the global economic situation and managing human resources efficiently and effectively in a changing context (Dessler, 2020).

Organizations must understand the current situation in both global and local contexts, particularly concerning the global economic recession, and design appropriate strategies to face these challenges. In human resource management, a good understanding of the current economic conditions can help organizations make the right decisions in recruiting, developing, and retaining the talents needed to navigate an uncertain future.

The impact of the global economic recession is felt globally and locally, including in South Minahasa Regency. For example, the agriculture, fisheries, and tourism sectors, which are the leading sectors in the region, have been significantly affected by declining demand and reduced consumer purchasing power. Business actors in these sectors face major challenges in maintaining their business continuity, including difficulties in maintaining productivity, managing operational costs, and retaining market share amid increasingly fierce competition.

Furthermore, the industrial and trade sectors also feel similar impacts, with many companies being forced to reduce production, cut costs, or even permanently close their businesses (International Monetary Fund, 2020). This has increased unemployment rates and decreased household incomes, exacerbating local economic conditions.

Amidst intensifying competition and rising economic challenges due to the global economic recession, certain phenomena among business actors are becoming increasingly prominent. One major phenomenon is the decline in morale, a lack of work ethic, and minimal innovative behavior among business actors (Davenport & Kirby, 2016).

The decline in morale and lack of motivation can be attributed to economic uncertainty and the continuous pressure to survive in difficult conditions (Pinder, 2014). Business actors may feel hopeless or directionless when facing the challenges they encounter.

Additionally, the lack of a strong work ethic can hinder the ability of business actors to meet challenges and maintain productivity (Luthans, 2002). When work enthusiasm wanes, the performance of individuals and the organization can be negatively affected.

Furthermore, the lack of innovative behavior is a serious issue that is facing increasingly fierce business competition (Tidd & Bessant, 2020). Innovation is crucial for survival and growth in a rapidly changing business environment, and a lack of creativity and innovation can leave business actors behind in the competition.

Organizations and business actors must identify these phenomena and take appropriate steps to address their challenges. Effective human resource management is key to enhancing morale, work ethic, and innovative behavior during the global economic recession (Alzyoud, 2018; Dooley & Gubbins, 2019). Human resource management becomes critical in dealing with these uncertain economic conditions (Cardon & Stevens, 2004).

Highlighting the importance of these factors (lack of morale, work ethic, and innovative behavior) in maintaining and improving business actors' performance is crucial in facing today's complex economic challenges. High morale drives individuals to work harder, persevere through tough times, and stay focused on long-term goals (Locke & Latham, 2006). A strong work ethic provides a stable foundation for productivity and resilience in the face of economic pressures (Ashforth & Kreiner, 1999). Meanwhile, innovative behavior enables business actors to find creative solutions and quickly adapt to market and technological changes (West & Farr, 1989).

In this context, understanding the importance of these factors in maintaining and improving business actors' performance is a fundamental basis for designing effective human resource management strategies (Alzyoud, 2018; Dooley & Gubbins, 2019). Organizations can create a work environment that supports long-term growth and success by paying appropriate attention to morale, work ethic, and innovative behavior.

This study aims to analyze the role of innovative behavior as a mediator between work ethic and business actors' performance in South Minahasa Regency during the era of the global economic recession. Understanding the relationship between work ethic, innovative behavior, and business actors' performance is crucial in a context marked by complex economic challenges.

The selection of South Minahasa Regency as the research location holds particular relevance in exploring the local business dynamics and their impact on business actors' performance amid the global economic recession. This analysis will provide valuable insights for practitioners and policymakers in designing effective business development strategies during challenging times.

By focusing the research on the role of innovative behavior as a mediator between work ethic and business actors' performance, the findings of this study are expected to significantly contribute to our understanding of the factors influencing business success in uncertain economic conditions.

The urgency of this research is heightened by the current field conditions, where many business actors face serious challenges, even the risk of closure, due to the aftermath of the pandemic and the global economic recession. Data from the Ministry of Cooperatives and Small and Medium Enterprises indicates that the entrepreneurship ratio in Indonesia is currently only 3.47 percent. In comparison, the President of the Republic of Indonesia has set a target to increase this to 3.95 percent by 2024 (Kompas.com, 2022). In this context, a deeper understanding of the factors influencing business performance becomes crucial for formulating appropriate strategies to support economic recovery and growth in the business sector.

The uncertain economic conditions and the decline in consumer purchasing power as a direct impact of the pandemic have added pressure on business actors, especially those operating in the most affected sectors. In the context of the South Minahasa Regency, which relies on agriculture, fisheries, and tourism as its economic pillars, the impact of the global economic recession can be profoundly felt.

Therefore, this research is essential in understanding the factors influencing business actors' performance during such difficult times. With a better understanding of the relationship between work ethic, innovative behavior, and business actors' performance, there will be a stronger foundation for designing effective strategies to support local economic recovery and growth.

## **2. Literature Review**

### **2.1. Human Resources Management**

Human Resource Management (HRM) is critical to managing modern organizations. HRM is not merely about personnel administration but encompasses a range of strategic activities aimed at optimizing the contributions of individuals within an organization.

HRM involves various practices, including recruitment, selection, training, work-life balance management, and performance evaluation. The policies and practices of HRM aim to ensure that the organization has the right, skilled, and well-trained human resources to achieve its strategic goals (Dessler, 2017).

Fundamentally, HRM seeks to understand, develop, and manage the human aspects of the organization. This includes managing interpersonal relationships, empowering employees, fostering a healthy organizational culture, and designing effective incentive programs.

In a rapidly changing global context and increasingly intense business competition, the role of HRM has become more important. Organizations that effectively manage their human resources gain a significant competitive advantage in achieving their strategic objectives (Gomez-Mejia et al., 1995).

## **2.2. Work Ethic**

Work ethic refers to positive behaviors based on fundamental beliefs and a total commitment to an integral work paradigm. It includes beliefs, commitments, and attitudes toward work that influence how individuals, organizations, or communities behave in the work context (Robbins & Judge, 2019).

According to this concept, individuals, organizations, or communities that adopt and commit to a particular work paradigm will exhibit distinctive work attitudes and behaviors, reflecting their work ethic and culture. Work ethic represents a person's personality and how they express views and give meaning to their work, which drives them to act and achieve optimal results (Robbins & Judge, 2019).

In the business actors' context, a strong work ethic is crucial. It signifies a strong attitude, character, and belief in performing work optimally, which ultimately can influence their success and achievements in the business world.

### **2.2.1. Factors Influencing Work Ethics**

Work ethic results from various factors influencing an individual's attitude and behavior towards work. Some factors that significantly affect the formation of a work ethic include:

- 1) **Hard Work**  
The willingness to work hard and put forth maximum effort in job tasks.
- 2) **Commitment and Dedication**  
A high commitment and dedication to the work being performed and a willingness to devote time and energy to achieving work goals.
- 3) **Creativity**  
The ability to innovate and find creative solutions in performing job tasks.
- 4) **Cooperation and Competition**  
The ability to work in a team and manage work relationships well while being motivated to compete healthily to achieve common goals.
- 5) **Punctuality**  
Adherence to meeting deadlines set for work and consistency in completing tasks on time.
- 6) **Fairness and Generosity**  
Principles of fairness and generosity in work relationships create a balanced and harmonious work environment for all team members (Robbins & Judge, 2019).

These factors collectively form the foundation for developing a strong and positive work ethic in the workplace.

### 2.2.2. Work Ethic Indicators

Work ethic indicators are parameters or signs that describe an individual's level of work ethic in the context of employment. Some creativity indicators commonly used to assess work ethic include:

- 1) **Attitude of Business Actors**  
Refers to flexibility while working and the ability to adapt to changes occurring in the work environment.
- 2) **Feelings of a Business Actor**  
Encompasses mastery of work and a sense of pleasure in performing assigned job tasks.
- 3) **Willingness of Business Actors to Perform Tasks**  
Refers to the level of compliance in performing job tasks and the willingness to complete tasks well and on time.
- 4) **Seriousness of Business Actors While Working**  
Indicates the level of seriousness and dedication in performing job tasks responsibly (Robbins & Judge, 2019).

Using these indicators helps measure and evaluate an individual's work ethic, which can provide valuable insights into their performance and contribution in the workplace.

### 2.3. Innovative Behavior

Innovative behavior is highly significant in the current era, where innovation is the key to enhancing competitive advantage for individuals and companies (Mumford et al., 2002). Innovation not only involves the development of new ideas but also the process of introducing and implementing new concepts beneficial to the company's progress.

Innovative behavior can be defined as individual actions leading to introducing, developing, and implementing new ideas with the potential to benefit the company (Amabile, 1988). This includes the ability of business actors to identify new problems or opportunities, develop innovative concepts, and then advocate for and implement these ideas in the work process.

There are four main indicators of innovative behavior, namely:

- 1) **Idea Exploration**  
The ability to discover new opportunities or problems requiring innovative solutions. The innovation process begins when business actors start identifying new opportunities.
- 2) **Idea Generation**  
Generating new ideas and innovative concepts can enhance the company's performance and efficiency. This involves developing new ideas to improve existing work processes.
- 3) **Idea Championing**  
A proactive attitude in advocating innovative ideas and a change agent commitment. Business actors will strive hard to realize their creative ideas, often requiring support and coalition from colleagues.
- 4) **Idea Implementation**  
The ability to implement innovative ideas into everyday work practices. This involves developing, testing, and implementing new ideas to enhance the efficiency and productivity of the company (Amabile, 1988).

Innovative behavior is not just about generating new ideas but also about the ability to translate these ideas into concrete actions that can bring positive change to the company.

## 2.4. Business Actor Performance

The performance of business actors is a fundamental aspect in evaluating an individual's contribution to the success of an organization. This performance reflects the outcomes or outputs of a process, indicating the extent to which someone is responsible for tasks and assignments given (Robbins & Coulter, 2016). In this context, the performance of business actors is measured based on the quality and quantity of work achieved in carrying out the responsibilities assigned to them.

Business actor performance also refers to the individual's success in fulfilling their responsibilities to obtain results according to the standards set by the organization (Armstrong & Baron, 2004). This includes achievements in meeting job requirements and being accountable for the authority held to achieve established goals in line with applicable norms, laws, and ethics.

More specifically, indicators of business actor performance can be measured based on three standard criteria:

- 1) Quantity  
This represents a business actor's output or work results within a certain period. Quantity reflects how many units of performance output are successfully achieved within a specific timeframe (Spector, 2012).
- 2) Quality  
Indicates the extent to which business actors' processes or work results approach or meet the expected goals. Evaluation of quality measures determines how well and completely the results are achieved and to what extent they meet the established standards (Armstrong & Baron, 2004).
- 3) Timeliness  
Measures the extent to which an activity or task is completed on time according to the schedule set beforehand (Spector, 2012). Timeliness is an important indicator in assessing the efficiency and productivity of a business actor.

Assessing business actor performance through these indicators helps organizations identify individual strengths and weaknesses and take appropriate steps to enhance productivity and overall performance.

## 2.5. Economic Recession

An economic recession is a condition that occurs when a country's economy experiences a significant decline, characterized by various deteriorating economic indicators. This can be reflected in a significant decrease in Gross Domestic Product (GDP), increased unemployment rates, and negative real economic growth for two consecutive quarters. Economic recession indicates a condition where overall economic activities contract, often negatively impacting various aspects of people's lives.

More specifically, a global economic recession is a phenomenon where all sectors of the world market economy experience shocks or collapses, and its impact can be felt worldwide. In this context, several impacts may arise as consequences of a global economic recession:

- 1) Economic Slowdown  
Recessions lead to a slowdown in economic activities, causing the real sector to reduce its production capacity. This often leads to mass layoffs, and some companies may even have to shut down operations due to economic downturns (Blanchard, 2013).

- 2) **Decline in Investment Performance**  
Investments in various financial instruments tend to decline during recessions, as investors tend to shift to safer or more stable investments. This can trigger a decline in asset value and disrupt the financial markets (Shiller, 2015).
- 3) **Weakening of Purchasing Power**  
Economic uncertainty during recessions causes consumers to become more cautious and selective in spending. The purchasing power of the population declines as they prioritize basic needs and reduce spending on discretionary consumption (Mankiw & Taylor, 2014).

Mentioning these impacts provides a deeper understanding of how economic recessions affect people's lives and overall economic activities.

### **3. Research Methodology**

This research utilizes a survey method employing a research instrument consisting of structured and open-ended questionnaires (Hair Jr et al., 2019). The research location is in South Minahasa Regency, North Sulawesi Province, Indonesia. The selection of the research location is based on the need to identify entrepreneurs (agriculture, fisheries, marine, tourism) that have not been fully identified. The population in this study is all entrepreneurs in South Minahasa Regency. The estimated population size is 23,994 entrepreneurs. The research sample was taken using the Random Sampling technique, where respondents were randomly selected based on specific criteria. Based on the Slovin formula, the determined number of respondents is 250 from all villages and sub-districts in South Minahasa Regency.

The instrument used in this research is a specific instrument to measure the cognitive level of individuals based on the Theory of Planned Behavior (TPB) by Ajzen (Ajzen, 1991). A 5-point Likert scale is used to gather respondent responses, with scores ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Operational definitions in this research are as follows:

- 1) **Work Ethic**  
The totality of an individual's personality and attitude towards work, including attitudes, feelings, and seriousness when working.
- 2) **Innovative Behavior**  
Individuals are willing to apply new ideas, products, processes, and strategies.
- 3) **Business Performance**  
The results of individuals' work in achieving work goals, including quantitative, qualitative, and timeliness aspects.

The data analysis method used is Path Analysis, which is used to analyze the relationships between independent variables and dependent variables. Path diagrams visualize the relationships between variables in this research, including the direct and indirect effects of Work Ethic on Business Performance mediated by Innovative Behavior.

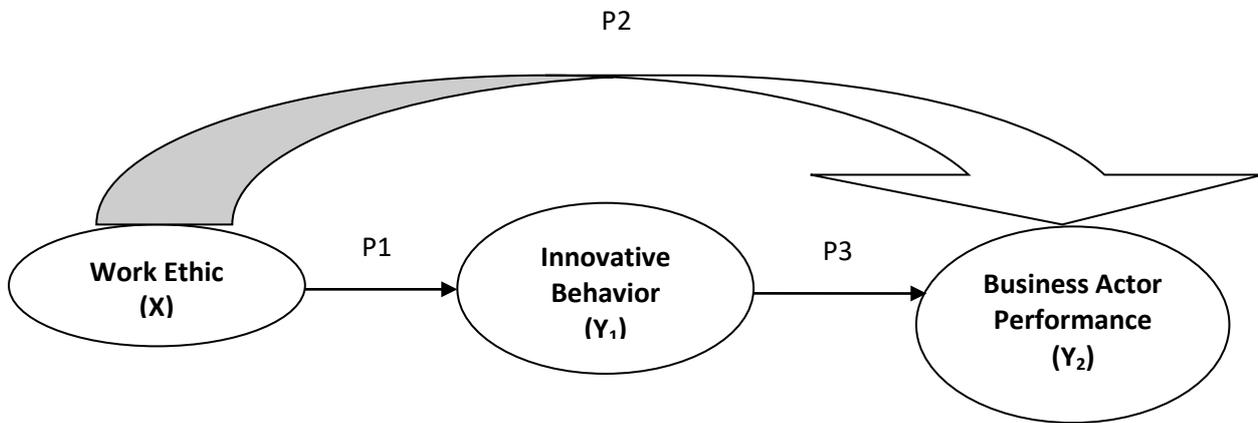
In this study, the direct effects of Work Ethic on Innovative Behavior and Business Performance are observed as follows:

- 1) **Direct effects:**
  - Work Ethic (X) directly affects Innovative Behavior (Y1).
  - Work Ethic (X) also directly affects Business Performance (Y2).
  - Innovative Behavior (Y1) directly affects Business Performance (Y2).

2) Indirect effects:

- Work Ethic (X) has an indirect effect on Business Performance (Y2) through mediating Innovative Behavior (Y1).

The path diagram illustrating the relationships between variables in this research is as follows:



**Figure 1. Research Path Diagram**

Source: Primary Data (2023)

Description:

X: Work Ethic

Y1: Innovative Behavior

Y2: Business Performance

P: Path Coefficient

In this study, variable X represents Work Ethic, variable Y1 represents Innovative Behavior, and variable Y2 represents Business Actor Performance. The path coefficient (P) measures the strength and direction of the relationship between variables.

## 4. Results and Discussion

### 4.1. Results

#### 4.1.1. Research Object Description

South Minahasa Regency is located in North Sulawesi Province, Indonesia, with its capital in Amurang. Geographically, South Minahasa lies between 0°47'-1°24' North Latitude and 124°18'-124°45' East Longitude. Administratively, South Minahasa borders Minahasa Regency (North), Southeast Minahasa Regency (East), Bolaang Mongondow Regency and Bolaang Mongondow East Regency (South), and the Sulawesi Sea (West).

From a regional perspective, South Minahasa is strategically positioned on the Trans Sulawesi land route connecting roadways on Sulawesi Island. The region of South Minahasa is mostly characterized by hills/mountains, coastlines, and undulating lowlands, with elevations ranging from 0 to 1,500 meters above sea level.

The aspiration for the expansion of South Minahasa's territory into a new autonomous region was approved by the South Minahasa Regency Regional House of Representatives through various studies and legislative processes. On January 27, 2003, South Minahasa

officially became a new autonomous region in Indonesia through Law Number 10 of 2003. The Acting Regent, Drs. Ramoy Markus Luntungan was then inaugurated on August 4, 2003, marking the commencement of governance, development, and public services in South Minahasa.

Based on data from BPS – Statistics Indonesia of South Minahasa Regency, the population of South Minahasa Regency in the 2020 Population Census was 236,463 people. Tenga Sub-district has the highest population, with 21,552 people, while Kumelembuai Sub-district has the lowest population, with 7,847 people ([Badan Pusat Statistik Kabupaten Minahasa Selatan, 2020](#)).

The population pyramid by age group shows that most of the population in South Minahasa falls within the productive age range of 15-64 years. This condition indicates that the region has abundant human resources, which is a significant advantage for development. The productive-age population has great potential to contribute to economic development as they are more likely to work and generate income than other age groups.

#### 4.1.2. Respondent Characteristics

Below are the characteristics of the respondents based on gender, age, education, and occupation:

**Table 1. Respondents Based on Gender**

No	Gender	Number	Percentage
1	Male	141	56.4
2	Female	109	43.6
<b>Total</b>		250	100%

Source: Primary Data (2023)

The table above shows that the number of male respondents is 141, accounting for 56.4%, while the number of female respondents is 109, accounting for 43.6%. This indicates that the majority of respondents are male.

**Table 2. Respondents Based on Age**

No	Age	Number	Percentage
1	< 20 years old	82	32.8
2	20-25 years old	107	42.8
3	25-30 years old	37	14.8
4	> 30 years old	24	9.6
<b>Total</b>		250	100%

Source: Primary Data (2023)

From the table above, the highest number of respondents are in the age range of 20-25 years old, with 107 people (42.8%), while the lowest number of respondents are in the age range of >30 years old, with 24 people (9.6%).

**Table 3. Respondents Based on Education Level**

No	Education	Number	Percentage
1	Elementary to Junior High School	30	12
2	High School/Vocational School	145	58
3	Diploma/Bachelor's Degree	70	28
4	Others	5	2
<b>Total</b>		<b>250</b>	<b>100%</b>

Source: Primary Data (2023)

From the table above, the majority of respondents have a High School/Vocational School education, with 145 people (58%), followed by respondents with a Diploma/Bachelor's Degree education totaling 70 people (28%), and respondents with an Elementary to Junior High School education totaling 30 people (12%).

**Table 4. Respondents Based on Occupation**

No	Occupation	Number	Percentage
1	Civil Servant	56	22.4
2	Private Employee	24	9.6
3	Business Owner	61	24.4
4	Farmer/Livestock Worker	30	12
5	Professional	5	2
6	Student	42	16.8
7	Others	32	12.8
<b>Total</b>		<b>250</b>	<b>100%</b>

Source: Primary Data (2023)

From the table above, the most common occupation is as a Business Owner, with 61 respondents or 24.4%, while the lowest is Professional, with five respondents or 2%.

### 4.1.3. Research Instrument Validation Results

#### 4.1.3.1. Validity Test

Based on the data analysis using SPSS software version 20, the validity test results are as follows:

**Table 5. Validity Test Results**

Variable	Statement	Pearson Correlation	Sig	Alpha	Status
<b>Work Ethic (X)</b>	X1	0.694	0.000	0.05	Valid
	X2	0.539	0.000	0.05	Valid
	X3	0.616	0.000	0.05	Valid
	X4	0.634	0.000	0.05	Valid

Variable	Statement	Pearson Correlation	Sig	Alpha	Status	
	X5	0.608	0.000	0.05	Valid	
	X6	0.714	0.000	0.05	Valid	
	X7	0.626	0.000	0.05	Valid	
	X8	0.727	0.000	0.05	Valid	
	X9	0.634	0.000	0.05	Valid	
	X10	0.585	0.000	0.05	Valid	
	X11	0.680	0.000	0.05	Valid	
	X12	0.657	0.000	0.05	Valid	
	<b>Innovative Behavior (Y1)</b>	Y.1.1	0.580	0.000	0.05	Valid
		Y.1.2	0.388	0.000	0.05	Valid
		Y.1.3	0.538	0.000	0.05	Valid
		Y.1.4	0.691	0.000	0.05	Valid
Y.1.5		0.599	0.000	0.05	Valid	
Y.1.6		0.691	0.000	0.05	Valid	
Y.1.7		0.561	0.000	0.05	Valid	
Y.1.8		0.735	0.000	0.05	Valid	
Y.1.9		0.617	0.000	0.05	Valid	
Y.1.10		0.631	0.000	0.05	Valid	
Y.1.11		0.664	0.000	0.05	Valid	
Y.1.12		0.538	0.000	0.05	Valid	
<b>Business Actor Performance (Y2)</b>	Y.2.1	0.648	0.000	0.05	Valid	
	Y.2.2	0.596	0.000	0.05	Valid	
	Y.2.3	0.652	0.000	0.05	Valid	
	Y.2.4	0.733	0.000	0.05	Valid	
	Y.2.5	0.617	0.000	0.05	Valid	
	Y.2.6	0.716	0.000	0.05	Valid	
	Y.2.7	0.567	0.000	0.05	Valid	
	Y.2.8	0.655	0.000	0.05	Valid	
	Y.2.9	0.553	0.000	0.05	Valid	
	Y.2.10	0.648	0.000	0.05	Valid	

Source: Primary Data (2023)

Based on Table 5, the validity test results of the questionnaire on 250 respondents can be explained as follows:

- 1) The Work Ethic variable (X) out of 12 statement items (X1 - X12) has the lowest correlation value on item X2 = 0.539 with a significance value = 0.000.
- 2) The Innovative Behavior variable (Y1) out of 12 statement items (Y1.1 - Y1.12) has the lowest correlation value on item Y.1.2 = 0.388 with a significance value = 0.000.
- 3) The Entrepreneurial Performance variable (Y2) out of 10 statement items (Y.2.1 - Y.2.10) has the lowest correlation value on item Y.2.9 = 0.553 with a significance value = 0.000.

It can be concluded that all statement items in the questionnaire are valid because they have significance values of less than 0.05. Thus, all of the questionnaire statements can be used for the research.

**4.1.3.2. Reliability Test**

Based on the data analysis using SPSS software version 20, the reliability test results are as follows:

**Table 6. Reliability Test Results**

Variable	Cronbach's Alpha	Status
Work Ethic (X)	0.758	Reliable
Innovative Behavior (Y1)	0.750	Reliable
Business Actor Performance (Y2)	0.757	Reliable

Source: Primary Data (2023)

The reliability test results indicate Cronbach's Alpha values for the Work Ethic (X), Innovative Behavior (Y1), and Entrepreneurial Performance (Y2) variables are above 0.6. It can be concluded that the variables in this study are reliable. Thus, all of the questionnaire statements can be used for research purposes.

**4.1.3.3. Work Ethic Variable (X1)**

The Work Ethic variable consists of four indicators and twelve statement items. The frequency distribution of respondent answers is displayed in Table 7.

**Table 7. Frequency Distribution of Work Ethic Variable (X)**

Indicator	Statement	Response Alternatives										Total Score
		SD		D		N		A		SA		
		F	S	F	S	F	S	F	S	F	S	
Business Attitude	X1	-	-	-	-	-	-	17	68	25	125	193
	X2	-	-	-	-	-	-	19	76	23	115	191
	X3	-	-	-	-	1	3	18	72	23	115	190
	X4	-	-	-	-	1	3	17	68	24	120	191
Business Feeling	X5	-	-	-	-	1	3	18	72	23	115	190
	X6	-	-	-	-	-	-	19	76	23	115	191
	X7	-	-	-	-	-	-	17	68	25	125	193
	X8	-	-	-	-	-	-	20	80	22	110	190
Business Commitment	X9	-	-	-	-	-	-	18	72	24	120	192
	X10	-	-	-	-	-	-	14	56	28	140	196
	X11	-	-	-	-	-	-	16	96	26	130	226
	X12	-	-	-	-	-	-	18	72	24	120	192
<b>Mean</b>											<b>194.58</b>	

Source: Primary Data (2023)

Table 7 shows the mean total score of 194.58, indicating that respondents provide very high (positive) responses to the Work Ethic variable. According to the respondents, this suggests that the Work Ethic variable plays a high or important role in their work activities.

**4.1.3.4. Innovative Behavior Variable**

The Innovative Behavior variable consists of four indicators and twelve statement items. The frequency distribution of respondent answers is displayed in Table 8.

**Table 8. Frequency Distribution of Innovative Behavior Variable (Y1)**

Indicator	Statement	Response Alternatives										Total Score
		SD		D		N		A		SA		
		F	S	F	S	F	S	F	S	F	S	
Idea Exploration	Y.1.1	-	-	-	-	-	-	16	64	26	130	194
	Y.1.2	-	-	-	-	-	-	20	80	22	110	190
	Y.1.3	-	-	-	-	-	-	19	76	23	115	191
Idea Generation	Y.1.4	-	-	-	-	-	-	18	72	24	120	192
	Y.1.5	-	-	-	-	-	-	13	52	29	145	197
	Y.1.6	-	-	-	-	-	-	18	72	24	120	192
Idea Championing	Y.1.7	-	-	-	-	-	-	18	72	24	120	192
	Y.1.8	-	-	-	-	-	-	20	80	22	110	190
	Y.1.9	-	-	-	-	-	-	19	76	23	115	191
Idea Implementation	Y.1.10	-	-	-	-	-	-	17	68	25	125	193
	Y.1.11	-	-	-	-	-	-	23	92	19	95	187
	Y.1.12	-	-	-	-	-	-	21	84	21	105	189
<b>Mean</b>											191.5	

Source: Primary Data (2023)

Table 8 shows that the average value of the total score is 191.5, indicating that respondents gave a very high (positive) response to the Innovative Behavior variable. According to respondents, this shows that the Innovative Behavior variable has a high or important role in their work activities.

**4.1.3.5. Business Actor Performance Variables**

The Business Actor Performance variable consists of three indicators and ten items. The frequency distribution of respondents' answers is shown in Table 9.

**Table 9. Frequency Distribution of Business Actor Performance Variable (Y2)**

Indicator	Statement	Response Alternatives										Total Score
		SD		D		N		A		SA		
		F	S	F	S	F	S	F	S	F	S	
Quantity	Y.2.1	-	-	-	-	1	3	17	68	24	120	191
	Y.2.2	-	-	-	-	1	3	22	88	19	95	186
Quality	Y.2.3	-	-	-	-	1	3	18	72	23	115	190
	Y.2.4	-	-	-	-	-	-	17	68	25	125	193

Indicator	Statement	Response Alternatives										Total Score
		SD		D		N		A		SA		
		F	S	F	S	F	S	F	S	F	S	
	Y.2.5	-	-	-	-	-	-	14	56	28	140	196
	Y.2.6	-	-	-	-	-	-	19	76	23	115	191
Timeliness	Y.2.7	-	-	-	-	-	-	19	76	23	115	191
	Y.2.8	-	-	-	-	-	-	22	88	20	100	188
	Y.2.9	-	-	-	-	-	-	19	76	23	115	191
	Y.2.10	-	-	-	-	-	-	17	68	25	125	193
<b>Mean</b>												191

Source: Primary Data (2023)

Table 9 shows that the average total score is 191, indicating that respondents have a very high (positive) response towards the Business Performance variable. According to the respondents, this suggests that the Business Performance variable plays a significant role in their work activities.

#### 4.1.4. Path Analysis

**Table 10. Substructural Path Equation 1**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	8.085	3.320		2.435	.020
Work Ethic	.842	.104	.909	8.107	.000

<sup>a</sup> Dependent Variable: Innovative Behavior

Source: Primary Data (2023)

Based on the results in Table 10, the path analysis for the first sub-structural model shows that the Work Ethic variable is 0.909 with a significance value of  $0.000 \leq 0.05$ . It can be concluded that the Work Ethic variable has a positive and significant effect on Innovative Behavior.

**Table 11. Model Summary for the First Sub-Structural Model**

**Model Summary**

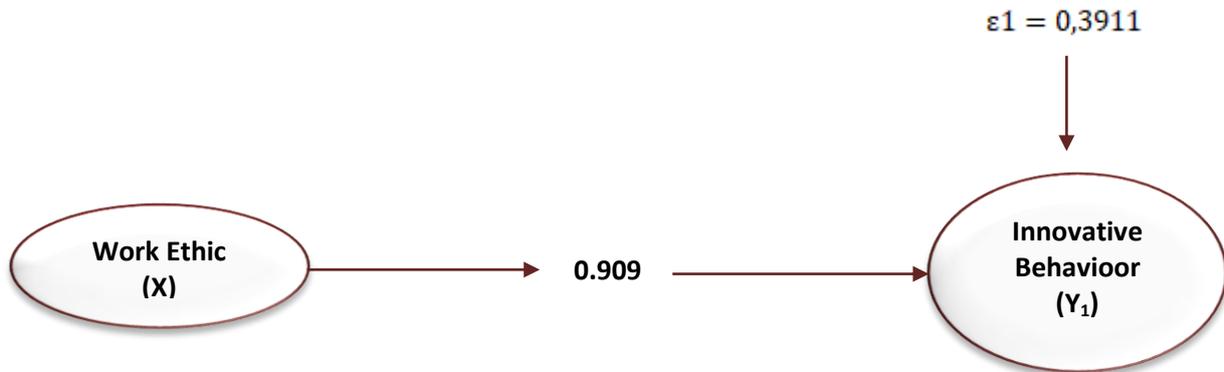
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.921 <sup>a</sup>	.847	.840	1.51488

<sup>a</sup> Predictors: (Constant), Work Ethic

Source: Primary Data (2023)

The R square value of 0.847 indicates that the influence of the Work Ethic variable on the Innovative Behavior variable is 84.7%. The value can be calculated using the formula:

$$\sqrt{(1 - 0.847)} = 0.3911 \tag{1}$$



**Figure 2. Path Diagram of the Relationship between X and Y1**  
Source: Primary Data (2023)

**Table 12. Path Equation for the Second Sub-Structural Model**

Model		Coefficients <sup>a</sup>		t	Sig.	
		Unstandardized Coefficients	Standardized Coefficients			
		B	Std. Error	Beta		
<b>1</b>	(Constant)	.016	2.668		.006	.995
	Work Ethic	.278	.127	.324	2.185	.035
	Innovative Behavior	.436	.120	.470	3.634	.001

<sup>a</sup> Dependent Variable: Business Actor Performance  
Source: Primary Data (2023)

Based on the results in Table 12, the path analysis for the second sub-structural model shows:

- 1) The Work Ethic variable has a value of 0.324 with a significance value of  $0.035 \leq 0.05$ . It can be concluded that the Work Ethic variable has a positive and significant effect on Business Performance.
- 2) The Innovative Behavior variable is 0.470, with a significance value of  $0.001 \leq 0.05$ . It can be concluded that the Innovative Behavior variable has a positive and significant effect on Business Performance.

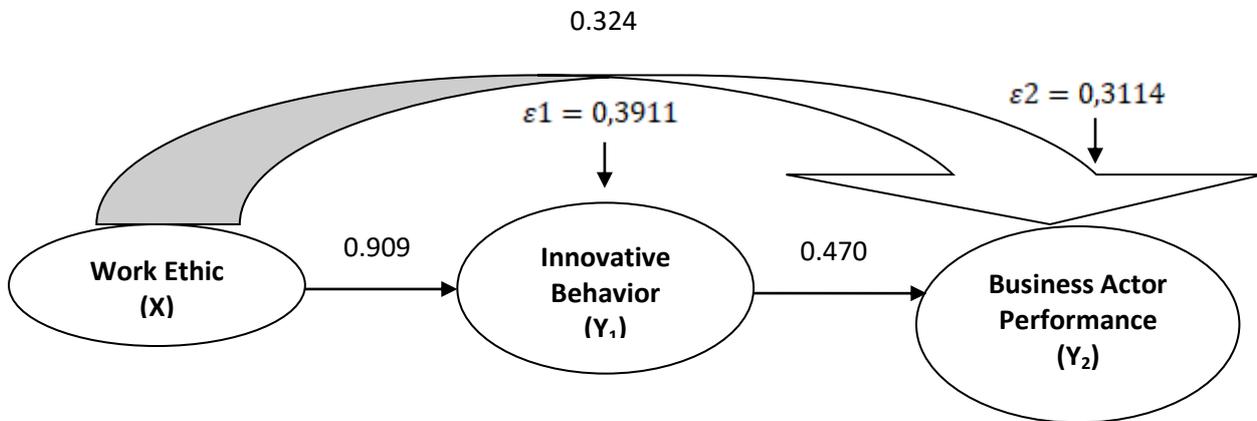
**Table 13. Model Summary for the Second Sub-Structural Model**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
<b>1</b>	.950 <sup>a</sup>	.903	.895	1.13402

<sup>a</sup> Predictors: (Constant), Innovative Behavior, Work Ethic  
Source: Primary Data (2023)

The R square value of 0.903 indicates that the influence of the Work Ethic and Innovative Behavior variables on the Business Performance variable is 90.3%. The value can be calculated using the formula:

$$\sqrt{(1 - 0.903)} = 0.3114 \tag{2}$$



**Figure 3. Path Diagram of the Relationship between X, Y1 and Y2**

Source: Primary Data (2023)

After testing the direct effects, the next step is to test the indirect effects between the independent variable Work Ethic (X) and the dependent variable Business Performance (Y2) through the mediating variable Innovative Behavior (Y1). The indirect effect test will use the Sobel Test. The Sobel Test is used to determine whether a mediating variable significantly acts as a mediator in the relationship. The formula for the Sobel Test is as follows:

- **a:** Regression coefficient of the independent variable on the mediating variable.
- **b:** Regression coefficient of the mediating variable on the dependent variable.
- **SEa:** Standard error of estimation from the effect of the independent variable on the mediating variable.
- **SEb:** Standard error of estimation from the effect of the mediating variable on the dependent variable.

From the regression results shown in Table 10 and Table 12, it is evident that the regression coefficient of Work Ethic on Business Performance is 0.278 with a standard error of 0.127 and a significance value of 0.035. Meanwhile, for Innovative Behavior on Business Performance, the regression coefficient is 0.436 with a standard error of 0.120 and a significance value of 0.001. From this, it can be concluded that both Work Ethic and Innovative Behavior have a significant direct effect on Business Performance.

Next, we need to determine the z-value or the Sobel test statistic.

$$z = \frac{ab}{\sqrt{(b^2 SE_a^2) + (a^2 SE_b^2)}}$$

$$z = \frac{0.842 \times 0.436}{\sqrt{(0.436^2 \times 0.104^2) + (0.842^2 \times 0.120^2)}}$$

$$z = \frac{0.3671}{\sqrt{(0.190096 \times 0.010816) + (0.708964 \times 0.0144)}}$$

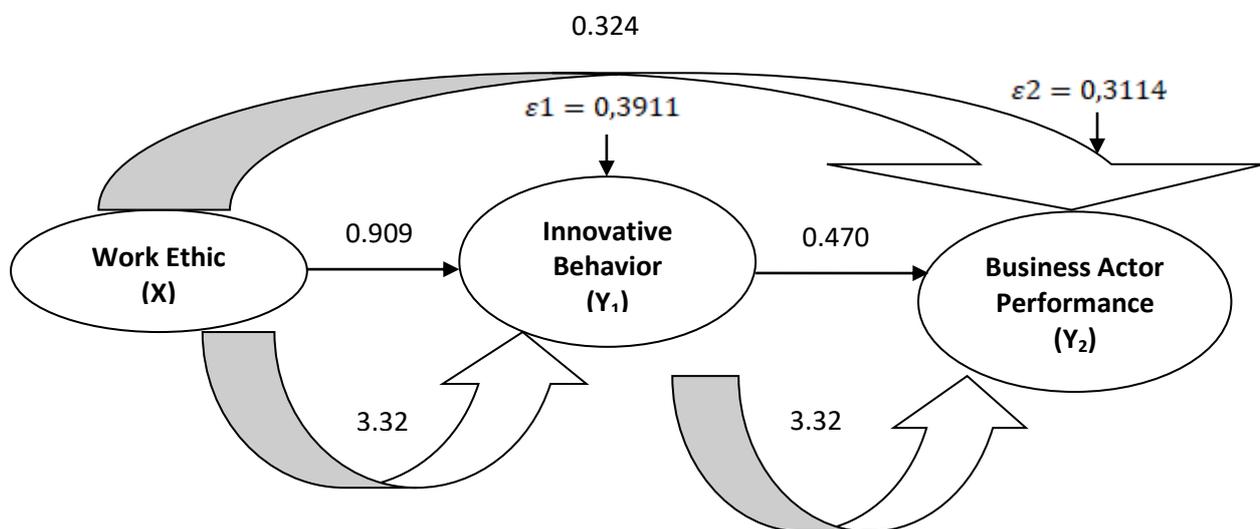
$$z = \frac{0.3671}{\sqrt{(0.002 \times 0.0102)}}$$

$$z = \frac{0.3671}{\sqrt{0.0122}}$$

$$z = \frac{0.3671}{0.1104}$$

$$z = 3,32$$

Based on the results of the Sobel Test, the obtained Sobel Test statistic value is 3.32. From this value, we can conclude that the Innovative Behavior variable (Y1) has the ability to mediate the relationship between the Work Ethic variable (X) and Business Performance (Y2). This test result indicates that there is an indirect effect of Work Ethic on Business Performance through Innovative Behavior.



**Figure 4. Path Diagram of Direct and Indirect Influence**  
Source: Primary Data (2023)

After considering both the direct and indirect effects using the Sobel Test, the total influence of the Work Ethic and Innovative Behavior variables on Business Performance can be seen in Table 14 below:

**Table 14. Direct, Indirect, and Total Effects**

Variable	Direct Effect	Indirect Effect Through Y1 (Sobel Test)	Total Effect
<b>Work Ethic (X)</b>	0.324	3.32	3.644

Source: Primary Data (2023)

This table shows that the direct effect of Work Ethic (X) on Business Performance (Y) is 0.324. Additionally, there is an indirect effect of Work Ethic (X) on Business Performance (Y) through Innovative Behavior (Y1) with a Sobel Test value of 3.32. Thus, the total effect of the Work Ethic and Innovative Behavior variables on Business Performance is 3.644.

## 4.2. Discussion

### 4.2.1. The Influence of Work Ethic on Innovative Behavior

The test results show that Work Ethic has a positive and significant direct effect on the Innovative Behavior of entrepreneurs in South Minahasa Regency. This finding is consistent with the results of Nile's study (Ahmed Abou al Nile, 2019), which showed that Work Ethic has a positive and significant impact on innovative behavior at Ain Shams University (Employees of ElZafran Palace-Personnel Administration). This finding is also in line with the research of Ibrahim and Al Omari, which demonstrated that Work Ethic positively and significantly affects Innovation in banks in Jordan (Ibrahim & Al Omari, 2020).

The improvement in Work Ethic among entrepreneurs directly contributes to their innovative capabilities. This is reflected in their flexibility, job mastery, seriousness, and diligence in running their businesses. The willingness of entrepreneurs to work diligently, complete tasks with determination, and perform their duties earnestly are all factors that promote the creation of innovative behavior.

Although the Work Ethic in South Minahasa Regency has been identified, there is still room for improvement. Factors such as the entrepreneurs' feelings and the level of seriousness in running their businesses need further attention. If managed well, improving the Work Ethic will significantly impact the creation of innovative behaviors, including stages such as idea exploration, idea generation, idea promotion, and idea implementation.

Thus, the results of this study contribute to the understanding of the relationship between Work Ethic and Innovative Behavior in the context of entrepreneurs in South Minahasa Regency, and reinforce previous findings that support this relationship from earlier studies.

### 4.2.2. The Influence of Work Ethic on Business Performance

The test results in this study indicate that Work Ethic has a positive and significant effect on the Business Performance of entrepreneurs in South Minahasa Regency. This finding is consistent with the research by Harmen, which found that Work Ethic has a positive and significant impact on the Business Performance of PT. Perkebunan Nusantara II (Survey at the Director's Office in Tanjung Morawa) (Harmen, 2018). Additionally, the study by Masduki and Sopiyan supports this finding by showing that Work Ethic has a positive and significant effect on the Business Performance of PT. Sinjaraga Santika Sport Majalengka (Masduki & Sopiyan, 2021).

Work Ethic plays a key role in enhancing the performance of entrepreneurs. Their attitude towards work, dedication to completing tasks well, and enjoyment and love for their

work all contribute to improved performance. The willingness of entrepreneurs to work diligently, complete tasks with determination, and manage their business seriously are major factors that influence their performance.

Although Work Ethic in South Minahasa Regency has been identified, there is still room for improvement. Factors such as the entrepreneurs' feelings and the level of seriousness in managing their business need further attention. By effectively managing these factors, it is expected that there will be significant improvements in the performance of entrepreneurs in the region, including their ability to complete tasks with discipline and timeliness.

#### **4.2.3. The Influence of Innovative Behavior on Business Performance**

The test results in this study indicate that Innovative Behavior has a positive and significant effect on the Business Performance of entrepreneurs in South Minahasa Regency. This finding is consistent with previous research which found that innovative behavior has a positive and significant impact on the Business Performance of rural entrepreneurs (Hadi et al., 2020). Higher levels of innovative behavior will significantly enhance the Business Performance of entrepreneurs in an area.

The shift in the business era from conventional to digital, as well as the global economic recession and food crisis, demand entrepreneurs to adapt and innovate to survive in the competition. This is also reflected in the entrepreneurs in South Minahasa Regency, where they need to identify problems, seek new solutions, and develop innovative ideas to improve or enhance their businesses.

The innovation process involves the ability to generate new ideas, test, and apply those ideas in work processes. The importance of collaboration in implementing new ideas is also a key factor in the success of innovation. Entrepreneurs with innovative behavior will strive to improve the quantity and quality of their work to achieve their business vision and mission.

Thus, it can be concluded that innovative behavior is an important factor contributing to the improvement of business performance. In the context of South Minahasa Regency, increased innovative behavior is expected to have a positive impact on the development and progress of businesses in the region.

#### **4.2.4. The Influence of Work Ethic on Business Performance Through Innovative Behavior**

The results of the indirect test using the Sobel test indicate that Work Ethic affects Business Performance mediated by Innovative Behavior in South Minahasa Regency. This finding is consistent with the research by Ibrahim and Alomari, which states that adequate attention to the work ethic of entrepreneurs is necessary for business innovation (Ibrahim & Al Omari, 2020).

The test results show a positive and significant influence of Work Ethic on Innovative Behavior, as well as Work Ethic on the Improvement of Business Performance in South Minahasa Regency. This indicates that having a high Work Ethic, supported by innovative behavior, will enhance the performance of entrepreneurs.

Therefore, it is crucial for all entrepreneurs in South Minahasa Regency to understand that to run their businesses effectively, they must have a high work ethic and consistently exhibit innovative behavior. This will contribute to the overall improvement of business performance and have a positive impact on national economic growth and the well-being of entrepreneurs in the region.

## 5. Conclusion

This research reveals several important conclusions regarding the relationship between Work Ethic, Innovative Behavior, and Business Performance in South Minahasa Regency. The analysis results indicate that Work Ethic has a significant direct impact on the Innovative Behavior of entrepreneurs. This underscores the importance of work attitude and commitment in fostering innovative behaviors that support business growth. Additionally, Work Ethic also proves to have a positive and significant influence on Business Performance, affirming that work quality and dedication in running a business directly impact overall business performance. Furthermore, Innovative Behavior also demonstrates a positive and significant effect on Business Performance. This indicates that the ability to innovate and adapt to changes plays a crucial role in enhancing productivity and business success. Finally, this research indicates that Work Ethic influences Business Performance through the mediation of Innovative Behavior. This emphasizes that Work Ethic not only has a direct impact but also indirectly enhances business performance through innovative behavior. However, this research has limitations, including a sample that may not fully represent the population of entrepreneurs and limitations in data collection methods. Therefore, further research is needed to deepen understanding of the relationship between the variables studied and to consider additional factors that may affect business performance.

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## 7. Declaration of Conflicting Interests

The author has declared no potential conflicts of interest concerning this article's research, authorship, and/or publication.

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