

THE EFFECT OF THE APPLICATION OF BUSINESS MODEL RESOURCES AND DIGITAL INNOVATION ON BUSINESS MODELS AND INNOVATION CAPACITY ON THE PERFORMANCE OF MICRO, SMALL, AND MEDIUM ENTERPRISES OF JEWELRY SHOPS IN BLORA AND GROBOGAN REGENCIES DURING THE COVID-19 PANDEMIC

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ABSTRACT

This study analyzes the effect of implementing business model resources, digital innovation activities, business models, and innovation capacity on low-middle enterprise performance. The background of the research is due to the COVID-19 pandemic, which has caused a decrease in the number of low-middle enterprises accompanied by the digital disruption that makes people habitually move online. A pandemic and digital disruption have forced low-middle enterprise business owners in jewelry shops, especially Blora Regency and Grobogan Regency, to implement digital innovation into their business models to improve company performance. However, many business owners have not implemented digitalization because they are not fully willing to allocate funds for business model resources and innovation practices—the quantitative method with data collection tools in the form of a Likert scale questionnaire. The sample used was a jewelry shop located in Blora Regency and Grobogan Regency, and it met several criteria. The Hair formula calculated the number of samples. The variables used in this research are Business Model Resources (X1), Digital Innovation Activities (X2), Business Model (X3), Innovation Capacity (X4), and Company Performance (X5). The study results show a significant relationship between variables except for the Digital Innovation Activity (X2) and Business Model (X3) variables because digital innovation activities lack a competitive advantage against market needs.

Keywords: Business Model, Business Model Resources, Low-middle Enterprise, Jewelry shop

INTRODUCTION

Business activities are growing, especially in Indonesia, along with the increasing number of productive ages, causing competition in the business world to become more intense. Because of their rapid development, Micro, Small, and Medium Enterprises (MSMEs) are included in one of the economic supports in Indonesia. According to Elu (2017), quoting from the remarks by the Governor of Bank Indonesia, Agus D.W. emphasized that MSMEs have high resilience to unpredictable economic developments and can support the equilibrium of the Indonesian financial system and economy. The development of the MSME industry is reflected in the growth in the number of MSMEs, which has been increasing every year since 2017 by 60.4 million units, in 2018 62.6 million units, and 2019 64.7 million units (Menengah, 2020; Rachmayati, 2021). However, there was a decrease in the number of MSMEs in 2020 due to the Covid-19 pandemic.

On the other hand, during the COVID-19 pandemic, three disruptions significantly influenced the industry today: digital, millennial, and leisure. However, digital disruption is the first of the three that has the highest influence across global industries. Indonesians have almost all been exposed to technology, as evidenced by the country's increasing number of internet users. Indonesia's population numbers 266,911,900, and among internet users in Indonesia, 73.7% have used internet access. Therefore, it proves that there is digital disruption.

Due to the COVID-19 Pandemic, the number of MSMEs decreased in 2020. In addition to impacting MSMEs, the COVID-19 pandemic has also impacted the jewelry industry. The COVID-19 outbreak hurt the jewelry industry business, especially in areas that became gold centers and stings, such as East Java, West Java, and several

other regions. The decline in the turnover of jewelry stores is not only the main problem that must be faced, but the recovery of the business must also be prioritized. Today's problem is how jewelry stores can leverage existing resources to change their business models and create innovations. According to Djunarko (2017), changes in business models and innovations can provide creative ideas that can be processed, and then these ideas become informative innovations that can be implemented in business. The problem facing today's companies is the need for more resource allocation and innovation to advance the company. As reported on the Business Coil's online page, 87% of the total MSMEs still need to be digitized. The statement could be based on the fact that jewelry stores still need to allocate business model resources and innovation fully.

Large jewelry stores widely carry out the innovation of the jewelry industry's business model, as PT has done. Untung Bersama Sejahtera (UBS) collaborates with the Tokopedia and Shopee platforms to market its products and cut distribution costs—innovation practices carried out by PT. Untung Bersama Sejahtera has a significant impact on the company's performance. As a result, the company recorded an increase in net profit in Q2 and Q3 of 2020. Unfortunately, large companies' business models and innovation practices are not accompanied by the growth of innovations by small and medium-sized jewelry stores. Currently, the obstacle faced by jewelry stores to technology is the absence of equitable distribution of technology, so it is expected that many jewelry stores still apply the manual system as a fundamental business model.

Many jewelry stores are still at the MSME level, especially in the Blora Regency and Grobogan Regency. They have yet to digitize because they have yet to fully dare to allocate their resources for business model experiments and innovation practices. Digitalization carried out includes the use of online sales, marketing with online media, and online distribution. Meanwhile, the resources of the jewelry store business model, in terms of innovation efforts in the jewelry store business model, increase the potential for revenue streams and cost reduction. Of course, exploring this is interesting to improve jewelry store companies' performance. However, the poor paradigm toward digitalization is also an obstacle to the business development of some jewelry stores.

This study analyzes how implementing business model resources, digital innovation activities, business models, and innovation capacity affects low-middle enterprise performance.

LITERATURE REVIEW

A resource-based strategy is a theory that says a company's performance will run optimally if it has a competitive advantage. A competitive advantage is an ability that every company possesses but cannot be followed by competitors. A competitive advantage is obtained by utilizing and managing each company's resources well. Resources are assets owned and used by the company. The assets owned by the company can be material forms, worker capabilities, technological sciences, organizational, valuable information, and all forms that can improve the company's quality.

The explanation obtained from Suwena et al. (2015) is that any company strategy that uses internal resources as strategy in its company to achieve success in the product work process must continue to be developed as a whole in all business sectors by using a strategy that refers to the development of the company's internal resources superiorly (resource-based strategy) on 5 (five) resources that each company may own, with some characteristics as follows financial, physical, human, technological resources and organizational reputation. The business model has several definitions based on the opinions of some academics and practitioners. First, it describes the stakeholders, roles, and value proposition (Timmers, 1998). Business models also describe value creation, exchange, and capture logic from the views of focal actors and views of the business ecosystem. In addition, business models define business architectures in the context of building blocks (e.g., value propositions) that enable value creation, exchange, and logic capture (Dsouza et al., 2015).

Traditionally, business model research has been carried out in three areas, namely (a) internet, mobile, and information technology, because it impacts business at the infrastructure level from applications that redefine the role of actors in the domain of unified telecommunications and information systems; (b) strategic issues related to company performance and value creation; and (c) technology management innovation. Business model research is

primarily based on case studies, particularly in the internet, mobile communications, the internet of things, cloud computing, and information technology (Bouwman et al., 2019).

Innovation is a tool, a new thing, or a thought that has never existed. The existence of these new things or thoughts is expected to provide something exciting and valuable. Seddon et al. (2004) define innovation as a company's efforts in the industry through technology and information. According to Salindeho & Mandey (2018), innovation is not only focused on developing a new product or service. However, it must also innovate, starting from business thinking and new processes. To Putra & Gede Bayu (2017), innovation is to make new ideas or thoughts in terms of service to satisfy customers. According to Ernawati (2018), product innovation creates a broad concept of an idea that can be applied to a new process and product. According to Taan (2017), the types of innovations are divided into 4: Product, Process, Marketing, and Organizational.

A business model is defined as all forms of activity in which a company's strategy is expressed in its business model (Bouwman et al., 2019). It is any means involving the corporate strategy stated in its business model and how it is implemented or how the business model is realized as what is done and sequenced (Bouwman et al., 2018; Bouwman et al., 2019). Innovation Capacity is an activity that increases a company's capacity to innovate. The capacity for innovation encourages companies to continue to develop and produce better business performance (Bouwman et al., 2019).

Performance is a general term that refers to part or all of an organization's activities over time. Mulyadi (2001) in Hanuma & Kiswara (2010). According to Mulyadi (2007) in Nugrahayu & Retnani (2015), the company's performance is the company's overall success in achieving strategic targets determined through strategic initiatives. Company performance is defined as the company's ability to achieve its goals through the efficient and effective use of resources and explains the extent to which a company can achieve results after comparison with the past performance of previous performance and the performance of other benchmarking organizations, as well as how far it has achieved the goals and targets that have been set (Muhammad & Toruan (2008) in (Nugrahayu & Retnani, 2015). Performance describes the level of success in implementing an activity/wisdom program in achieving the organization's goals, objectives, mission, and vision as defined in formulating a strategic scheme (strategic planning) for an organization (Wibowo, 2016).

RESEARCH METHODS

This quantitative research applied numbers in analysis and conclusion-making with an explanatory research design. This research was conducted in Blora Regency and Grobogan Regency in the period September-December 2021. The population in this study was all jewelry stores in Blora Regency and Grobogan Regency, which total about 90 stores that have turned their business model into digitization since 24 months ago. The number of indicators is 17 pieces multiplied by 5-10 (30 x 5-10); based on these calculations, the number of samples used in this study was 85. Each MSME was represented by two personalities, namely, the owner and top management. This study's questionnaire comprised closed statements related to the research variables. The questionnaire response used a range of five Likert scales.

RESULT AND DISCUSSION

Respondents in this study were 90. Researchers divided the characteristics of respondents based on position, number of employees, location, year of establishment, digital media used, and length of use of social media.

Table 1. Position of Respondents

Position	Amount	Percentage
Store Manager	50 %	56 %
Owner	40 %	44 %
Total	90 %	100 %

Source: Processed data (2021)

Table 1 shows that 50 respondents in this study were store managers (56%), and 40 (44%) were shop owners. The gold shop businesses in Blora and Grobogan regencies are mainly classified as micro and small businesses with a simple organizational structure.

Table 2. Description of Respondents Based on Business Location

Location	Number	Percentage
Blora	49	54%
Grobogan	41	46%
Total	90	100%

Source: Processed data (2021)

Table 2 shows that 49 or 54% of respondents have a business location in Blora, while 41 or 46% have a business location in Grobogan.

Table 3. Description of Respondents by Number of Employees

Number of Employees	Number	Percentage
<5 Employees	53	59%
5-19 Employees	37	41%
Total	90	100%

Source: Processed data (2021)

Table 3 shows that the number of employees is less than five people, as much as 53 or 59%, while shops with 5-19 employees are 41% or 37 stores.

Table 4. Description of Respondents by Year of Establishment

Company Founding Year	Number	Percentage
1980-1990	24	27 %
1991-2000	28	31 %
2001-2010	38	42 %
Total	90	100 %

Source: Processed data (2021)

Based on Table 4. shows that the description of respondents based on the year of establishment of the company shows that the stores that were established between 1980-1990 are as many as 24 stores or 27%, stores that were established in 1991-2000 show as many as 28 or 31%, stores that have been established since 2001-2010 as much as 38 or 42%.

Table 5. description of respondents Media used

Media Used	Number	Percentage
Market Place	5	6%
Social Media (Facebook/Instagram/Whatsapp)	83	92%
Website	2	2%
Total	90	100%

Source: Processed data (2021)

Based on Table 5. shows that the descriptions of respondents based on the media used are as follows: stores that use the media marketplace are five stores or 6%, stores that use social media are 83 or 92%, while shops that use websites are two stores or 2%.

Table 6. Description of Respondents based on the length of time using digital media

The Length of Using Digital Media	Number	Percentage
>2 years	90	100 %
Total	90	100 %

Source: Processed data (2021)

Table 6 shows that the description of respondents based on the duration of using digital media is 100 percent less than 2 years.

Table 7. Descriptive Business Model Resource Variables

Variable	Mean	Standard Deviasi
(X1.1) The company conducted a trial on applying the gold shop MSME business model.	4,211	0,5901
(X1.2) The company has a specific team to manage gold shop MSME business model changes.	4,0778	0,8377
(X1.3) The company allocates a budget to try the gold shop MSME business model	4,2333	0,8080
Total Average	4,1740	0,7452

Source: Processed data (2021)

Table 7 shows that the lowest mean value in the Business Model Resources variable is 4.0778, with an indicator of X1.2. This shows that respondents entirely agree with the question. Students must figure out how to innovate; the highest mean value is 4.233 with indicator X1.3, which shows that respondents agree with the statement. In the Business Model Resources variable, the lowest standard deviation is 0.5901 with the X1.1 indicator, which means that the statement is the most consistent compared to other statements in the Business Model Resources variable, and the highest standard deviation is 0.8377 with the X1.2 indicator. This means the statement has more variations than other statements in the Business Model Resource variable.

Respondents tend to disagree with the statement that the company has a specific team to manage changes in its business model because the scale of the company is still at the micro or trim level. Since micro and small-scale companies have a maximum net worth of 500 million in one year, incurring additional costs in providing salaries to their employees tends to be avoided, especially during the COVID-19 pandemic, which requires every business owner to suppress their operations. On the other hand, most of the respondents relatively agree with the statement that the company allocates a budget to try the gold shop MSME business model because, in this case, it is influenced by the authority of the company owner, where company owners think that small capital gives significant results. According to Fitriani & Sultan (2019), Hutamy et al. (2021), and Sitio (2017), the Business Model Canvas method can be an alternative to make changes in gold shop SMEs, especially when facing the Covid-19 pandemic.

Table 8. Descriptive Variables of Digital Innovation

Variable	Mean	Standard Deviasi
(X2.1) The company develops new marketing methods or social communication media for digital	4,4	0,5149
(X2.2) The company conducts innovation and R&D activities in a digital direction.	4,088	0,7738
(X2.3) Companies advertise products and services in new ways digitally.	4,4556	0,6388
Total Average	4,3145	0,6425

Source: Processed data (2021)

Table 8. shows that in the digital innovation variable, the lowest mean value is at 4.088, with the indicator X2.2 and the indicator X2.3, with the highest mean at 4.4556. In the digital innovation variable, the lowest standard deviation is at 0.5149 in X2.1, which means that the statement is the most consistent compared to other statements in the digital innovation variable, and the highest standard deviation is at 0.7738, which means that the statement has more variety than other statements. in digital innovation variables.

Based on Table 8, respondents relatively agree that companies advertise products and services in new ways digitally. This is in line with the current conditions where the COVID-19 pandemic has caused changes in people's behavior and those who have become accustomed to digital media, so changes in advertising products and services must be made in new ways. This also agrees with Alfin (2021) and Ni'mah (2021) in their research, which states that one strategy to survive during the Covid-19 pandemic is to do digital marketing. On the other hand, respondents entirely agree with the company's statement to innovate and engage in R&D activities towards digital. This is

because the scale of the company is still classified as micro and small, so it does not yet have an R&D division or activities that lead to R&D. In addition, according to Darwanto (2013), one of the characteristics of MSMEs in Indonesia is the lack of capital, a simple organizational structure, limited and low-quality human resources, and the low quality of technology.

Table 9. Descriptive Business Model Variables

Variable	Mean	Standard Deviation
(X3.1) For companies, the gold shop MSME business model is used to gain a competitive advantage	4,2778	0,5411
(X3.2) For companies, the MSME gold shop business model is designed as a response to market conditions or consumer demand	4,3556	0,5377
X3.3) For companies, the MSME business model for gold shops is changed to respond to product/service offers from the principal (gold jewelry company)	4,2333	0,6712
Total Average	4,2889	0,5833

Source: Processed data (2021)

Table 9 shows that the lowest mean value in the business model variable is at 4.2333, with the indicator X3.3, and the highest mean is at 4.3556. In the business model variable, the lowest standard deviation is at 0.5377 on the X3.2 indicator, which means that the statement is the most consistent compared to other statements in the business model variable, and the highest standard deviation is at 0.6712, which means the statement has more variety than the statement. Others in the business model variables.

According to Teece (2010), a business model can explain what customers want, how they want it, what they will pay, and how a company can meet customer needs. According to Mitchell and Coles (2004), business models are helpful as a company's primary source of competitive advantage. This definition is based on Table 9, where most respondents agree that the business model is used in response to market or consumer demand and to seek competitive advantage. According to Fitriani (2021), gold shop SMEs must consider quality, product, and price in meeting consumer demand. These three factors can influence consumer purchasing decisions. There are three essential reasons why a business model needs to be implemented. First, from the economic side, it aims to gain profit through variables such as a source of income and cost structure. Second, from the operational side, it is more directed at the operational architecture configuration to create value through business infrastructure design. Third, Strategic direction is more directed to the company's position, namely as a determinant of the company, such as determining market position and seeing the growth potential (Morris et al., 2005).

Tabel 10. Descriptive Variable Capacity

Variable	Mean	Standard Deviation
(X4.1) The innovation capacity carried out seeks to create many operational innovations	4,0333	0,6262
(X4.2) The capacity for innovation to create more than one store operational innovation at the same time is a common practice in gold shops	4,1333	0,6395
(X4.3) The innovation capacity carried out introduces completely new operational innovations to the market	4,4889	0,5852
(X4.4) The capacity of the innovations carried out can identify new opportunities	4,4333	0,6542
(X4.5) The capacity for innovation that is carried out becomes a corporate culture that is focused on innovation	3,9	0,6542
Total Average	4,1977	0,6319

Source: Processed data (2021)

Table 10 shows that the Innovation capacity variable's lowest mean is at 3.9 with the indicator X4.5, and the highest is at 4.4889. In the innovation capacity variable, the lowest standard deviation is 0.5852 on the X4.3 indicator, which means that the statement is the most consistent compared to other statements in the innovation capacity variable. The highest standard deviation is 0.6542 on the X4.5 indicator, which means the statement has more diverse variation than other statements in the innovation capacity variable.

According to Moore (2004), there are forms of innovation, namely disruptive innovation, innovation in applications, product innovation, process innovation, experimental innovation, marketing innovation, innovation in business models, and structural innovation. Based on table 10, most respondents agreed with the statement of innovation capacity that introduced utterly new operational innovations to the market. Operational innovation can make a stable bidding process in the market more effective and efficient. During the Covid-19 pandemic, companies must be able to innovate, which makes all operations more effective and efficient, such as using non-cash transaction systems and applying information technology systems. On the other hand, respondents do not agree that the process is carried out in a corporate culture that focuses on innovation.

Meanwhile, according to Van der Panne et al. (2003), the success of corporate innovation is determined by the corporate culture. The higher the organizational culture, the more the company's performance. This is based on a cultural renewal, namely the movement from traditional culture to a cultural order with a new system.

Table 11. Descriptive Company Performance Variables

Variable	Mean	Standard Deviation
(X5.1) In our company, we are delighted with the sales growth in the MSME gold shop	4,4333	0,7039
(X5.2) In our company, we are delighted with the profit growth in MSME gold shops	4,5667	0,6368
(X5.3) In our company, we are delighted with the growth of inventory assets in MSME gold shops	4,622	0,6284
Total Average	4,5407	0,6564

Source: Processed data (2021)

Table 11 shows that in the Company Performance variable, the lowest mean value is at 4.4333 with the X5.1 indicator, and the highest mean is at 4.622 on the X5.3 indicator. In the Company Performance variable, the lowest standard deviation is at 0.6284 in the X5.3 indicator, which means that the statement is the most consistent compared to other statements in the Company Performance variable, and the highest standard deviation is at 0.7039, which means that the statement has more variations than the statement—other variables in the Company's Performance.

Based on Table 11, respondents relatively agree with the statement that in our company, they are delighted with the growth of inventory assets in MSME gold shops. Fluctuations influence the growth of gold shop MSME inventory assets in global gold prices. Based on figure 4 (page 5), the global gold price started in May 2019 at 1,281.97 (USD/oz) and then increased over time to the highest price in July 2020, namely 2,059.19 (USD/oz). After that, the price was relatively down and stable at 1,903.75 (USD/oz). The higher the global price of gold, the greater the value of the jewelry assets. However, respondents disagree with the statement that our company is delighted with the sales growth in the MSME gold shop. This is due to increased gold and selling prices, and people prefer to meet their needs during the COVID-19 pandemic rather than spend on jewelry. In addition, the increase in global gold prices also makes people tend to sell their jewelry to gold shops rather than buy it.

Four variables were tested to determine the validity of the loading factor outer model in this study. According to Abdillah and Hartono (2016) in Effendy (2021), each indicator on the variable must have a value above 0.70. The loading factor value > 0.70 was selected because this research is confirmatory, while if it is exploratory, it can use a loading factor value > 0.60 (Abdillah & Hartono, 2016). Table 11 shows the loading factor value of each

indicator. From Table 11, it can be concluded that all indicators are acceptable because they have a loading factor value of more than 0.70 (Abdillah & Hartono, 2016).

Average Variance Extracted Validity Test

According to Abdillah & Hartono (2016) in Effendy (2021), the minimum value for the average variance extracted validity test is above 0.50 in both confirmatory and exploratory research. Variable 17 shows that all variables have values above 0.50, so it can be concluded that all variables in this study are valid (Abdillah & Hartono, 2016).

Cross Loading Validity Test

According to Ghazali (2014), the validity test is declared valid if the cross-loading values loading-tors with the most extensive loading are grouped in each construct. Based on Table 13, it can be seen that all responding variables have the highest value compared to the indicator values of other variables, which indicates a construct variable indicator; therefore, this study is said to be valid.

Cronbach Alpha. Reliability Test

According to Hartono (2011), a good Cronbach Alpha value for the Cronbach alpha reliability test is above 0.6. Based on Table 19, all variables have values above 0.6. Thus, the variables in this study can be said to be reliable. According to Ghazali (2014), the Cronbach Alpha value produced by PLS is slightly underestimated, so it is more advisable to use composite reliability.

Composite Reliability Test

According to Hartono (2011), the recommended value for the composite reliability test is above 0.70. Based on Table 20, it can be seen that the variables have a value of more than 0.70, so the study can be said to be reliable.

R Square (Coefficient of Determination)

According to Ghazali (2014), R Square values of 0.67, 0.33, and 0.19 indicate a strong, moderate, and weak model. The R Square Adjusted value provides a stronger picture in assessing exogenous constructs and explaining endogenous constructs. Based on Table 16, the value of R Square Adjusted is 0.244 or 24.4%, 0.086 or 8.6%, and 0.114 or 11.4%, which means that the Business Model Resources and Digital Innovation variables simultaneously affect the business model by 24.4%.

The R Square Adjusted value of 0.086 or 8.6% means that the Business Model Resources, Digital Innovation, and Business Model variables simultaneously affect the Innovation Capacity by 8.6%. Meanwhile, the R Square Adjusted value is 0.114 or 11.4%, which means that all variables simultaneously have an effect on the Company's performance of 11.4%. This research model can illustrate that the diversity of research data explained by the structural model is 24.4%, 8.6%, and 11.4%. In comparison, 75.6%, 91.4%, and 88.6% are explained by factors outside this study's structural model.

Path Coefficient

According to Ghazali (2014), R Square values of 0.67, 0.33, and 0.19 indicate a strong, moderate, and weak model. The R Square Adjusted value provides a stronger picture in assessing exogenous constructs and explaining endogenous constructs. Based on Table 21, the value of R Square Adjusted is 0.244 or 24.4%, 0.086 or 8.6%, and 0.114 or 11.4%, which means that the Business Model Resources and Digital Innovation variables simultaneously affect the business model by 24.4%.

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Path Coefficient

Tabel 18. Path Coefficient

Original Sample	Description
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(X1) SD Business Model -> (X3) Business Model	0.474	Positive
(X2) Digital Innovation Activities -> (X3) Business Model	0.007	Rejected
(X3) Business Model -> (X4) Innovation Capacity	0.31	Accepted
(X4) Innovation Capacity -> (X5) Company Performance	0.352	Accepted

Source: Data processed by researchers (2021)

According to Ghozali (2014), the path coefficient describes the direction of the relationship of a variable, whether the relationship is positive or negative. Positive relationship if it has a value of more than 0. Based on Table 18, all path coefficient values are above 0, so it can be interpreted that there is a positive relationship between variables.

Bootstrapping Hypothesis Test

Hypothesis testing is done by looking at the value of T-statistics after performing the bootstrap method. According to Abdillah and Hartono (2016) in Effendy (2021), the hypothesis is accepted if the variable has a value above 1.96 and a p-value less than 0.05. p-value23 shows the T-statistic value of eaT-statistic.

Table 19. T-Statistic Value of Variable

95% significance	T-Stats	P value	Description
(X1) SD Business Model -> (X3) Business Model	5.196	0.00	Accepted
(X2) Digital Innovation Activities -> (X3) Business Model	0.755	0.451	Rejected
(X3) Business Model -> (X4) Innovation Capacity	3.118	0.002	Accepted
(X4) Innovation Capacity -> (X5) Company Performance	4.404	0.00	Accepted

Source: Data processed by researchers (2021)

Based on Table 19, the variables in this study have a T-Statistics value above 1.96. The P-value value is less than 0.05, meaning that the research hypothesis, namely Business Model Resources (X1), has a significant effect on (X3) Business model, Business Model Business (X3) has a significant effect on Innovation Capacity (X4), Innovation Capacity (X4) has a significant effect on Company Performance (X5). While Digital Innovation (X2) has no significant effect on the Business Model (X3).

DISCUSSION

In this study, respondents tend to agree that the company is conducting trials to implement its business model. This is evidenced by the promotion of products through digital media. In addition, the company has also dared to use expedition services to deliver its products due to promotions through digital media. Respondents tend to disagree with the existence of a specific team to manage their business model because the scale of the company still needs to be classified as micro and small. According to Darwanto (2013), MSMEs need help with capital, mastery of technology, and the quality of human resources. Therefore, respondents who incidentally are store owners and managers prefer to manage their business models independently rather than in a team, especially during the COVID-19 pandemic, so budget use is made more efficient and effective. Respondents also agreed to allocate a budget to try the gold shop MSME business model. In practice, this is evidenced by using computer information systems for recording purposes, the internet to access digital media, and marketing services available on social media, such as Instagram and Facebook ads. All business model practices carried out by respondents started when the COVID-19 pandemic began to hit, and some started in the middle of the pandemic period. Respondents made all these changes with limited resources.

MSME companies can apply several business model preparation methods during the Covid-19 pandemic; a manager or company owner can assess the business model being run using Lean Canvas, Fluidminds Business Model Canvas, IBM's Component Business Modeling, The Value Model Canvas and Business Model Canvas (Sanjaya,

2015). Each of these methods has advantages and disadvantages. For example, Lean Canvas is one method that can be used to view business models. This method is adapted from the Business Model Canvas due to some building blocks that are too common. Lean Canvas emphasizes product or market fit, so there will be less wastage of resources and more focus on suitable products. In addition, the advantages of Lean Canvas are usually applied to small companies, even to companies just starting (Coes, 2014). The Business Model Canvas is another method often used to develop a business model. This method is usually used to assess business models in MSME companies, such as research from Sitio (2017), Herawati et al. (2019), Hutamy et al. (2021), and Fitriani & Sultan (2019).

Most respondents will allocate part of their budget to try the gold shop MSME business model. Although respondents tend to disagree with the existence of a specific team to manage changes to the company's business model, several methods exist to develop the company's business model, so respondents can create their own business model independently without the need for a team. Lean Canvas and Business Model Canvas are appropriate methods for developing business models for MSME-level companies because they do not require significant resources.

Seddon et al. (2004) consider innovation as an effort by companies through the use of technology and information to develop, produce, and market products that are new to the industry. Digital innovation can also be defined as all the activities a company undertakes to add value to its products and services, so using technologies such as social media and big data can influence business model experiments. However, the research hypothesis, namely Digital Innovation, has no significant effect on the business model, while based on the path coefficient, the Digital Innovation variable has a positive relationship with the business model. This result is in line with the opinion of Bouwman et al. (2019), who state that digitalization innovation positively influences the performance of MSMEs.

The researcher's findings that digital innovation does not have a significant effect on the business model can be caused by the absence of a use of big data in the practice of the gold shop MSME business model. According to Głód & Głód (2017), Lorenzo-Gómez (2020), and Lorenzo et al. (2022), family businesses have a barrier that prevents them from developing, such as the difficulty of accepting change or innovation. The existence of a culture that makes it difficult to accept innovation in family businesses also affects the gold shop business, which incidentally is a family business that accepts innovation, especially digital innovation.

The COVID-19 pandemic has forced MSME companies to innovate to survive and even improve their performance. The company has tried to develop new marketing methods, advertise products digitally, and innovate towards digital. However, due to resource problems, it has not been able to implement the use of big data. Digital innovation still has to be done to make the company bigger.

A business model is defined as all forms of activity in which a company's strategy is expressed in its business model (Bouwman et al., 2019). Meanwhile, innovation capacity is defined as activities that increase the company's capacity to innovate. Business Model has a significant effect on Innovation Capacity. This is also in line with the research of Bouwman et al. (2018), which found that the business model has a significant relationship to innovation capacity. The thing that causes the business model to have a significant influence on innovation capacity is how to obtain a business model strategy in the learning process to be able to gain a competitive advantage and meet consumer needs, which can trigger companies to continue to innovate and continue to develop so that they can produce good performance.

The existence of a pandemic caused gold prices to soar, forcing gold shop SMEs to add small supplies to adjust customer budgets. In addition, the company serves customer demand for jewelry models through stores and social media. The business model can be changed to respond to product or service offerings from suppliers. Companies need suppliers to ensure the availability of their products. Usually, companies will negotiate with suppliers regarding the needs of their products. In the negotiation process, the company will try to agree with suppliers regarding the products offered, the targets given, and the promised bonuses.

The business model is a mediator because technology and economic value are mediated when building a business model. A business model can allow the owner or manager to capture the potential value of the technology and commercialize it again after finding the right value proposition, market segment, value chain, cost structure, profit potential, value network, and competitive strategy. The business model needs to be assessed because it is a process that creates opportunities and provides new value for customers (Heryjanto, 2018). The business model has

two functions: the first is as an analytical unit of the company that aims to analyze a business, and the second is as a tool to mediate between technology, ideas, and potential customers that aim to provide value to customers (Heryjanto, 2018).

Innovation Capacity is an activity that increases the company's capacity to innovate. Innovation capacity encourages companies to grow and produce better business performance (Bouwman et al., 2019). Based on the result, the research hypothesis, namely innovation capacity, has a significant effect on company performance and is accepted. This study's findings align with the opinion of Dewi and Sudiartha's research (2017), which shows that business strategy significantly affects project performance. Based on the views of the previous research, business strategy can affect project performance. On the other hand, Bouwman et al. (2019) also explain that the interrelationship of business model practices positively influences company performance. The more business model practices the company employs, the better the company's overall performance will be.

During the COVID-19 pandemic, the company has tried various operational innovation options and even created more than one operational innovation, such as innovation in transaction processing that uses a non-cash system, the use of computers for recording systems, and the use of social media for marketing. Respondents tend to agree that innovation is done to introduce something entirely new for the market because new things tend to attract consumers to find out. For example, by implementing a gift purchase service that was carried out by one of the respondents, the innovation succeeded in attracting consumers to buy jewelry products in order to get the prize. However, respondents tend to have differing views on the existence of a company culture that focuses on innovation. According to Van der Panne et al. (2003), the higher the organizational culture of innovation, the higher the performance of MSMEs. Meanwhile, according to Darwanto (2013), MSMEs need help with the quality of resources, so creating a corporate culture that focuses on innovation will be difficult.

What is expected from research is how the company can apply the results and have a positive impact. The company can, by considering several things in research, develop and continue to grow by considering several Lean Canvas and Business Model Canvas methods in compiling the company's business model. Their business model requires considerable resources. These two methods can trigger the company's flexibility in modifying its business model to bring up various innovations to improve company performance.

CONCLUSIONS AND PRACTICAL IMPLICATION

Based on the analysis's results, the researcher can conclude that the application of business model resources significantly affects the MSME business model of jewelry stores in Blora and Grobogan Regency. Digitization innovation has no significant effect on the business model of MSME jewelry stores in Blora and Grobogan Regency. The MSME business model significantly affects the Innovation Capacity of MSME jewelry stores in Blora and Grobogan Regency. Innovation Capacity significantly affects the performance of MSME jewelry stores in Blora and Grobogan Regency.

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