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Strategic Orientation as Booster of Small Business Innovation: is it Possible?

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Abstract

This study investigates the role of market orientation, entrepreneurial orientation, and learning orientation as boosters of the impact of knowledge management on innovation. This study filling the gap of inconsistent relation among knowledge management on business innovation in small business context. This research analyzed a quantitative design using a survey method and SEM-PLS modeling. Questionnaires were distributed to 160 respondents, who were small business owners, using the inverse root square sample size method with purposive sampling. The data were analyzed using the SEM-Warp PLS method. The research results indicate that market orientation, entrepreneurial orientation, and learning orientation significantly mediate the relationship between knowledge management and business innovation. These findings suggest that small entrepreneurs need to allocate time to enhance these three orientations through activities such as knowledge exploration, creation, and dissemination through entrepreneurial associations or business seminars or workshops, by doing so, they can promote increased innovation and improve their competitive advantage in the market.

Orientasi Strategik sebagai Booster Inovasi Bisnis Kecil : Mungkinkah?

Abstrak

Penelitian ini menginvestigasi peran dari orientasi pemasaran, orientasi kewirausahaan dan orientasi belajar sebagai booster dampak dari manajemen pengetahuan terhadap inovasi mereka. Desain kuantitatif dengan metode survei melalui permodelan SEM-PLS digunakan untuk menganalisis riset ini. Kuesinoer disebar pada 160 responden pemilik bisnis kecil, menggunakan metode ukuran sampel inverse root square melalui metode purposive sampling. Data dianalisis dengan metode SEM-Warp PLS. Hasil penelitian menunjukkan bahwa orientasi pemasaran, orientasi kewirausahaan, dan orientasi pembelajaran signifikan dalam memediasi hubungan manajemen pengetahuan terhadap inovasi bisnis. Temuan ini mengindikasikan bahwa pengusaha kecil perlu meluangkan waktu untuk meningkatkan ketiga orientasi tersebut melalui kegiatan menggali pengetahuan, penciptaan pengetahuan, penyebaran pengetahuan baik melalui asosisasi pengusaha ataupun seminar bisnis atau lokakarya bisnis, dengan melakukan hal tersebut, mereka dapat mendorong peningkatan inovasi dan meningkatkan keunggulan kompetitif mereka di pasar.

JEL Classification: M21, H25, H32

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INTRODUCTION

The shift from an industrial-based economy to a knowledge-based economy demands that every entrepreneur possesses the ability to explore and exploit market and business knowledge (Aparicio et al., 2021). This phenomenon requires entrepreneurs to enhance their knowledge and business or market ideas to ensure the sustainability of their businesses (Romer, 2019). Knowledge resources and business ideas can be continuously enriched to foster innovation through knowledge management activities (Karagouni, 2019; Chaithanapat et al., 2022). Good knowledge management will encourage companies to generate new knowledge, which is expected to increase innovation (Zia, 2020). Therefore, entrepreneurs must manage knowledge to transform ideas into innovative products, systems, or marketing strategies (Rao et al., 2022).

Entrepreneurs with good innovation capabilities will be able to manage the company's key resources and turn them into strategic advantages compared to their competitors (Chandio & Rizwan, 2021). However, increasing innovation through knowledge management is not accessible. Valdez et al. (2016) show that entrepreneurs must relinquish personal egos to promote information sharing, necessitating collaboration and communication beyond the traditional rules within their business organizations. Knowledge management among members of business associations is also often suboptimal in supporting innovation (Karagouni, 2019). Davenport (2015) and O'Leary (2016) indicate that knowledge management is not always practical, is usually suboptimal, and does not drive innovation development. Knowledge management can also fail to encourage innovation in small companies because the input of knowledge resources is not sufficiently updated and dynamic to cope with the ever-changing business environment (Akhavan & Pezeshkan, 2014; Khazieva et al., 2019).

The knowledge spillover theory of entrepreneurship indicates that the ineffectiveness of knowledge management in fostering innovation is due to the high costs associated with it, such as research and development, and limited or asymmetric dissemination of important information (Hall et al., 2013; Balland et al., 2014; Audretsch et al., 2020). However, one aspect that previous scholars or researchers have often overlooked is the role of strategic orientation in mediating the impact of knowledge management on innovation (Ferraresi et al., 2012; Igbonaju et al., 2024), which has rarely been further explored. As stated in the Knowledge-Based Theory, strategic orientation factors such as entrepreneurial orientation, customer orientation, and competitor orientation are critical determinants of innovation (Kim et al., 2018; Naqshbandi & Jasimuddin, 2022; Ramírez-Solis et al., 2022). When an organization enhances its strategic orientation by emphasizing key factors such as customer orientation, competitor orientation, and entrepreneurial orientation, it creates a more favorable environment for innovation. Customer orientation drives the development of products and services that better meet market needs, while competitor orientation encourages adaptability and continuous improvement to stay ahead in the market. Entrepreneurial orientation fosters a culture of creativity, risk-taking, and proactive problem-solving. Together, these strategic orientations significantly elevate the organization's ability to innovate, leading to more dynamic and competitive offerings in the marketplace (Al Mamun et al., 2022).

In line with this, the better entrepreneurs manage knowledge related to resources, experience, and technology, the more they will enhance their strategic orientati-

on, allowing them to leverage knowledge (including resources, experience, market, and technology) to support the creation of superior business innovations (Tuominen et al., 2022; Handoyo et al., 2023). To address this gap, this research aims to elaborate on the role of strategic orientation factors, namely entrepreneurial orientation, market orientation, customer orientation, learning orientation, and technology orientation, in mediating the impact of knowledge management on business innovation. This study provides new insights into the poor knowledge spillover due to suboptimal knowledge management in creating business innovation (Pawlowsky & Schmid, 2012). It offers a comprehensive understanding that the constraints of knowledge spillover, as explained by the knowledge spillover theory of entrepreneurship (Hall et al., 2013; Balland et al., 2014; Audretsch et al., 2020), can be anticipated by strategic orientation factors (entrepreneurial orientation, market orientation, customer orientation, learning orientation, and technology orientation) in the creation of business innovation, as stated in the Resource-Based Theory (Naqshbandi & Jasimuddin, 2022; Ramírez-Solis et al., 2022).

Knowledge Management (KM), Market Orientation (MO), Entrepreneurial Orientation (EO), Learning Orientation (LO), and Business Innovation (INN)

Currently, knowledge resources are crucial for entrepreneurs (Vlasic, 2022). The knowledge in question should ideally have specific characteristics and impact business strategies such as market, entrepreneurship, and organizational learning, thereby enhancing business innovation (Yonglei & Xinghua, 2013; Daradkeh & Mansoor, 2023; Igbonaju et al., 2024). Although knowledge cannot be managed as a conventional asset, it is possible to manage intellectual assets, organizational capabilities, and processes with a focus on knowledge development and learning (Pawlowsky & Schmid, 2012). An adequate level of knowledge is essential to help entrepreneurs consider all risks involved in making decisions to innovate in entrepreneurial activities (Akgül & Tunca, 2019; Kaur, 2019). Recognizing that internal and external information resources are crucial for entrepreneurial decision-making, Vlasic (2022) notes that when entrepreneur discover strategic knowledge related to the market or other business information, it is expected to drive an increase in strategic orientation, thereby impacting business growth. Knowledge related to the market and entrepreneurship will continue to be a learning commitment for entrepreneurs if positioned as part of both short-term and long-term goals. This, of course, is supported by adequate knowledge resources. In line with the knowledge spillover theory of entrepreneurship, the knowledge management enabler process is available. However, the adoption of technology alone will not ensure an organization's success unless it meets the VRIN (Valuable, Rare, Inimitable, Non-substitutable) criteria, which small entrepreneurs must anticipate effectively (Ramírez-Solis et al., 2022).

Small entrepreneurs must effectively manage the knowledge resources of a company to achieve strategic advantages. In line with the resource-based theory, superior knowledge can drive the development of superior strategic orientation (Naqshbandi & Jasimuddin, 2022). With good knowledge, innovation in businesses can operate more efficiently and boost profits (Yonglei & Xinghua, 2013). Therefore, entrepreneurs need to overcome obstacles in developing strategic orientation through knowledge management activities to achieve company goals and make better business decisions to enhance innovation (Rao et al., 2022). The dimension of strategic orientations, like market orientation,

entrepreneurial orientation, or learning orientation, is closely tied to how entrepreneurs manage their existing knowledge resources (Al Mamun et al., 2022). It will have a strategic impact on the company and promote the creation of better business innovations. Thus, the proposed hypothesis is as follows:

H1: Knowledge Management positively impacts Business Innovation.
H2: Knowledge Management positively impacts Market Orientation.
H3: Knowledge Management positively impacts learning orientation.
H4: Knowledge Management positively impacts Entrepreneurial Orientation.

The Mediating Role of Strategic Orientation

Knowledge is the primary resource for a company to support the creation of innovation within an organization. A company will be able to innovate in an uncertain business environment, which certainly requires strong marketing and entrepreneurship capabilities and a commitment to continuous learning to adapt to the ever-changing business environment (Alani et al., 2019). The achievement of business innovation effectiveness and performance is driven by knowledge management activities and mechanisms that foster the creation of strategic orientation. Therefore, knowledge plays a vital role in creating strategic orientation. Knowledge requires quick and easy storage and retrieval of information to align organizational orientation with market changes, thereby ultimately facilitating decision-making to enhance business efficiency (Eklund, 2022).

Strategic orientation is a company's specific approach to creating superior and sustainable innovation behavior. It reflects the entrepreneur's perception of the competitive environment and their reaction to environmental conditions. Strategic orientation outlines broad strategies, which will be complemented by detailed content and strategy implementation. The proper alignment between a company's strategic orientation and its physical, human, and organizational resources will determine its ability to achieve superior innovation performance (Miles & Snow, 1984). Several aspects of strategic orientation, such as market orientation, entrepreneurial orientation, and learning orientation, positively impact enhancing innovation (Grawe et al., 2009). In line with the resource-based theory, superior knowledge can drive the development of entrepreneurs' market orientation, entrepreneurial orientation, and learning orientation, thereby continuously encouraging them to innovate in terms of products, processes, promotions, or business systems.

Strategic orientation implies a market-oriented view towards customers, competitors, and the market environment to support flexible strategies responsive to rapid changes in customer behavior instead of the rigidity of long-term planning. This approach aligns with strong arguments and evidence that market-oriented companies possess inherent characteristics that drive innovation excellence and provide superior competitive capabilities (Wang et al., 2021). Strategic orientation provides a strong 'positional advantage' in building innovation. Innovative capabilities are driven by the energy that grows from strategic orientation towards activities in knowledge management, especially in generating and exploring new radical ideas (Ullah et al., 2014). Entrepreneurs who dare to experiment with solutions for potential opportunity patterns detected in the market's white spaces and develop them into marketable and effective business innovations leverage both internal and external resources and competencies (Maria & Shah, 2022). To fully capitalize on innovative

capabilities, there must be synergy among the company's functional areas to explore potential opportunities in the external environment. Thus, the proposed hypothesis is as follows:

H5: Market Orientation positively impacts on Innovation.
H6: Entrepreneurial Orientation positively impacts Innovation.
H7: Learning Orientation positively impacts on Innovation.
H8: Market Orientation significantly mediates the impacts of Knowledge Management on Innovation.
H9: Entrepreneurial Orientation significantly mediates the impacts of Knowledge Management on Innovation.
H10: Learning Orientation significantly mediates the impacts of Knowledge Management on Innovation.

METHOD

This research attempts to elaborate in depth on the determinants of business innovation formation from the unit of analysis: small business owners. A quantitative approach is used to address the issue of business innovation among small business owners, with a sample size of 160, determined based on the inverse root square method by Kock & Hadaya (2018), which indicates the optimal sample size for SEM-Partial Least Square analysis is 160 respondents. The sampling technique used is proportionate cluster random sampling, divided based on 5 former residencies in Central Java Province and Yogyakarta Province, and the data is collected through questionnaires distributed to small business owners in the provinces of Central Java and Yogyakarta because both locations were chosen because both provinces have numerous small business associations or groups (Indonesian Chamber of Commerce and Industry, 2023). The questionnaire is developed using a Likert scale with an agree-disagree interval scale, where each item is provided with a 1-7 multi-scaling range, with the extremes being SS (strongly agree) and STS (strongly disagree) (Malhotra & Birks, 2020).

The measurements of each variable are as follows: (1) Business innovation measurement is adapted from (Clauss, 2016; Bashir et al., 2022), which developed into three dimensions: Value creation innovation, value proposition innovation and value capture innovation; (2) Knowledge management measurement with dimensions of knowledge acquisition, knowledge creation, and knowledge dissemination, measured using the scale by Lee & Choi (2003); (3) Market orientation measurement with indicators of customer orientation, competitor orientation, and inter-functional coordination (Baker & Sinkula, 2009; Zhou et al., 2007); (4) Learning orientation measurement based on the adaptation from Sinkula et al. (1997) with indicators of the ability to create, disseminate, and utilize knowledge, commitment to learning, shared vision, and open-mindedness; (5) Entrepreneurial orientation adapted from the scale by Gorostiaga et al. (2019) with dimensions of processing, practice, and decision-making actions on strategies for new conditions and situations to be used to gain a competitive advantage.

After data collection from the field, the data is first processed (editing and data conversion) to make the questionnaire's widely spread items more concise and straightforward using Warp PLS. The steps include (1) Validity and reliability analysis: An instrument is considered valid if the convergent validity value of the loading factor is above 0.6 and discriminant validity (Average Variance Extracted, AVE) is above 0.5. For reliability testing, a composite reliability value above 0.7 is used (Henseler et al., 2014); (2) Inferential statistical analysis using the WARP Partial

Least Square Structural Equation Modelling technique, which includes (1) conceptualizing the model; (2) determining the algorithm analysis method; (3) determining the resampling method; (4) evaluating and estimating the inner model or outer model using Warp PLS mode A basic algorithm, to obtain the t statistic value (Kock, 2020).

RESULT AND DISCUSSION

The demographic breakdown of the sample, including employees' gender, age, education level, and position within the organization, is shown in Table 1. The majority of respondents in the sample are male entrepreneurs (55%), with the largest age group being 21-40 years old (36%). Additionally, the most common type of business is service-oriented (36%), while the predominant education level is bachelor's degree holders (38%).

In the measurement model analysis, construct validity testing is conducted using convergent validity analysis through Average Variance Extracted (AVE) analysis, and discriminant validity analysis through correlations among latent variables and errors analysis. Construct reliability is assessed using composite reliability values. The results of the analysis can be shown in the following table.

Table 1 shows that out of the five variables studied, the knowledge management variable does not have an AVE value below the cut-off value of 0.5 (Henseler et al., 2014). Therefore, the elimination of items in that variable is carried out. After eliminating indicators with small values, the AVE value becomes above 0.5, thus meeting the convergent validity criteria for that variable. Meanwhile, for other variables, knowledge management, marketing orientation, technology orientation, lear-

Table 1. Respondent Description

Characteristics	Information	Frequency	%
Gender	Female	72	45%
	Male	88	55%
Age	<20 years old	47	29%
	21-40 years old	58	36%
	41-60 years old	30	19%
	>60 years old	25	16%
Type of business	Service (salon, barbershop, technic maintenance, photo studio, graphic design, laundry)	58	36%
	Traditional Culinary	38	24%
	Bakery and Cake	24	15%
	Grocery	12	8%
	Drinks and Beverage	28	18%
Level Education	Elementary school	12	8%
	Secondary school	26	16%
	High School	34	21%
	Diploma School	28	18%
	University	60	38%

Source: Data Processed (2023)

Table 2. Analysis of Convergent Validity and Construct Reliability

Variable (Indicator)	Source	Loading factor	AVE	Composite Reliability
KM (17 item)	Lee & Choi (2003)	0.075 - 0.817	0.504 (3 item dropped)	0.927
MO (5 item)	Baker & Sinkula, (2009), Zhou et al.(2007)	0.661 - 0.821	0.57	0.929
LO (4 item)	Sinkula et al. (1997)	0.437 - 0.898	0.617	0.874
EO (14 item)	Gorostiaga et al. (2019)	0.579 - 0.878	0.562	0.938
INN (14 item)	Clauss (2016), Bashir et al. (2022)	0.559 - 0.675	0.76	0.978

Source: Data Processed (2023)

Table 3. Correlations among Latent .vs. with Square Roots. of AVEs

	KM	MO	TO	LO	EO	INN
KM	0.789	0.584	0.605	0.507	0.64	0.671
MO	0.584	0.872	0.353	0.548	0.694	0.656
LO	0.507	0.548	0.538	0.763	0.568	0.761
EO	0.689	0.686	0.402	0.568	0.794	0.594
INN	0.671	0.656	0.649	0.661	0.594	0.792

Source: Data Processed (2023)

ning orientation, entrepreneurial orientation, and innovation capability have already met the convergent validity criteria because their AVE values are above 0.5. The composite reliability values are above the cut-off value, which is above 0.7 (Henseler et al., 2014) for all five variables, thus meeting the construct reliability criteria. Discriminant validity analysis can be seen in the following Table 2.

Table 2 shows that the correlation between latent variables, with the square root of the average variance extracted on the diagonal, demonstrates that the instruments meet the discriminant validity criteria. Thus, the values on the diagonal, which represent the square root of the average variance extracted for each latent variable, should be higher than the values above or below it in the same column. After elimination, all variables meet these criteria. Causality analysis does not use classical assumptions as prerequisites, as this study is based on the Warp Partial Least Square Regression method, testing the structural model using resampling with a stable technique. This analysis consists of two stages: the goodness of fit/model fit test (inner model) and the second stage is the significance test along with hypothesis testing, with the following results of the model fit test. The results of the model fit test above indicate that out of all ten fit criteria, the PLS regression model is simulta-

Table 4. Model Fit and Quality Indices

Criteria	Cut off Value	Output	Remark
Average path coefficient (APC)	P>0.05	0.538, P<0.001	Fit
Average R-squared (ARS)	P>0.05	0.701, P<0.001	Fit
Average adjusted R-squared (AARS)	P>0.05	0.700, P<0.001	Fit
Average block VIF (AVIF)	acceptable if <= 5, ideally <= 3.3	3.782	Acceptable
Average full collinearity VIF (AFVIF)	acceptable if <= 5, ideally <= 3.3	4.273	Acceptable
Tenenhaus GoF (GoF)	small >= 0.1, medium >= 0.25, large >= 0.36	0.647	Large
Sympson's paradox ratio (SPR)	acceptable if >= 0.7, ideally = 1	1.000	Acceptable
R-squared contribution ratio (RSCR)	acceptable if >= 0.9, ideally = 1	1.000	Acceptable
Statistical suppression ratio (SSR)	acceptable if >= 0.7	1.000	Acceptable
Nonlinear bivariate causality direction ratio (NLBCDR)	acceptable if >= 0.7	0.889	Acceptable

Source: Data Processed (2023)

Table 5. Hypothesis Testing Results

Hypothesis / Direct Effect		Path Coefficient			P-Value	Cut off Value	P-Value
H_1	KM → INN	0.013			0.431	0.05	Rejected
H_2	KM → MO	0.746			<0.001	0.05	Accepted
H_3	KM → EO	0.876			<0.001	0.05	Accepted
H_4	KM → LO	0.785			<0.001	0.05	Accepted
H_5	MO → INN	0.425			<0.001	0.05	Accepted
H_6	EO → INN	0.59			<0.001	0.05	Accepted
H_7	LO → INN	0.733			<0.001	0.05	Accepted
Hypothesis / Mediation Analysis		**Direct Effect**	**Indirect Effect**	**Total Effect**	**P-Value**	**Cut off Value**	**P-Value**
H_8	KM → MO → INN	0.013	0.317	0.33	<0.001	0.05	Accepted
H_9	KM → EO → INN	0.013	0.575	0.588	<0.001	0.05	Accepted
H_{10}	KM → LO → INN	0.013	0.516	0.529	<0.001	0.05	Accepted

Source: Data Processed (2023)

neously significant or fits. This means that the empirical model proposed in this study is suitable for interpreting the estimation results of hypothesis testing. As for the results of hypothesis testing, they can be tested as follows.

The hypothesis testing results above indicate that hypothesis 1 is rejected because its p-value is above the cut-off value 0.05, precisely 0.431. Thus, empirically, knowledge management does not significantly impact business innovation improvement. This is particularly interesting for further investigation.

The phenomenon observed in the world of small business owners empirically contradicts some previous research findings, such as those from (Akgül & Tunca, 2019; Daradkeh & Mansoor, 2023; Igbonaju et al., 2024), which support the idea that knowledge management has a positive effect on business innovation.

However, this is intriguing and warrants further exploration because, based on the respondents' statements on knowledge creation indicators, knowledge creation within business associations appears not yet mature. Therefore, knowledge management practiced by small business owners may be limited to mere knowledge management techniques. This is suspected to be the reason why the knowledge management process does not significantly influence business innovation. This finding is corroborated by Kaur (2019), who suggests that knowledge management activities are often not balanced with maturity in managing that knowledge, thus frequently hindering innovation. It is reasonable that small business owners' knowledge management is not yet mature because they are still in the learning process. Consistent with the knowledge spillover theory of entrepreneurship, information or knowledge obtained in knowledge activities is often normative, and thus not suitable for application in a specific small business (Audretsch et al., 2020). Echoing the sentiments of Vlasic (2022), whose research reflects small business owners' reflections on the application of entrepreneurship and business knowledge in the learning process, entrepreneur must support the creation of effective knowledge management by small business entrepreneurs. In line with this, findings from Ramírez-Solis (2022) suggest that robust small business owner associations should provide real benefits for the internalization process of entrepreneurship, not solely based on personal basis, but through the proven business implementations by small business owners.

Marketing orientation significantly influences business innovation and effectively mediates knowledge management's influence on business innovation. This indicates that the better the marketing orientation, the more it can enhance business innovation and serve as a key factor in the effectiveness of knowledge management's influence on innovation. Empirical results show that small business entrepreneurs are committed to satisfying customers, gathering information about customer needs, constantly being creative in finding ways to satisfy customers, and always responding to customer complaints. However, they are also less optimal in coordinating functions within the industry to respond to the needs or desires of customers and respond to competitors' business strategies, which underlies the ability of knowledge management to enhance innovation. These findings are consistent with previous research, such as the findings of Chandio & Rizwan (2021), which show that knowledge management influences marketing orientation. This is because in dynamic business environments, employees must have sufficient knowledge about marketing orientation, including dimensions such as target customers, competitors, and how to coordinate functions (Davenport,

2015). The influence of knowledge management on the development of marketing orientation depends on capturing, disseminating, and applying knowledge to clients and in the market in developing countries (Eklund, 2022). Thus, it can play a crucial role in guiding managerial decisions and as a company's effort to enhance the collection and use of market information and the application of market-oriented strategies to allocate resources to develop new strategies, thereby enhancing innovation.

Entrepreneurial orientation significantly impacts business innovation, and entrepreneurial orientation significantly mediates the influence of knowledge management on innovation. The hypothesis testing results support Audretsch et al.'s (2020) study, which states that entrepreneurial orientation significantly influences innovation. Entrepreneurial orientation is believed to have a direct relationship with innovation. The better the entrepreneurial orientation, the more it correlates positively and significantly with openness and shared vision and innovation of small businesses. Openness and shared vision are components of innovation. Thus, entrepreneurial orientation positively impacts innovation (Daradkeh & Mansoor, 2023).

Entrepreneurial orientation capabilities such as being proactive, customer value, entrepreneurial behavior, dynamic environment, entrepreneurial intention, sustainability orientation, and local resources positively impact innovation (Ramírez-Solis, 2022). Furthermore, the findings indicate that learning orientation significantly influences business innovation, and learning orientation significantly mediates the influence of knowledge management on innovation. These hypothesis testing results are consistent with the findings of Akgül & Tunca (2019), which demonstrate that learning orientation affects innovation. This suggests that learning orientation can influence innovation to enhance customer satisfaction. The results of these hypothesis tests also align with the research of Alani et al. (2019) and Al Mamun et al. (2022), which state that a commitment to learning enables entrepreneurs to develop knowledge about markets, competitors, and customers. Consistent with the Resource Based Theory, which posits that knowledge is a strategic asset, there is a need for a commitment to learning as an essential investment required for organizational maintenance and to play a vital role in renewing organizational assets and capabilities related to developing a learning orientation (Ramírez-Solis et al., 2022). Furthermore, these hypothesis testing results are consistent with the findings of Handoyo et al. (2023), which state that openness of mind and existing knowledge can act as fundamental barriers preventing small businesses from adapting to environmental changes, reducing their ability to predict markets, and causing damage to long-term relationships between companies and customers, distribution channels, and suppliers. Openness of mind and knowledge are elements of learning (Pawlowsky & Schmid, 2012; Maria & Shah, 2022).

CONCLUSION AND RECOMMENDATION

This study confirms that among all strategic orientation capabilities, including marketing orientation, entrepreneurial orientation, and learning orientation, are highly effective in enhancing business innovation and mediating the influence of knowledge management on business innovation, while knowledge management does not affect business innovation. The results of this study confirm the Knowledge Spillover Theory of Entrepreneurship, suggesting that knowledge can be effectively utilized if entrepreneurs have optimal strategic orientations in marketing, entrepreneurship, and learning. Thus, their kno-

wledge can drive the creation of business innovations that boost the performance of small business innovation. This study also confirms the Resource-Based Theory, indicating that knowledge, as a strategic asset, needs to be managed by entrepreneurs with strategic orientations, thereby making the managed knowledge a competitive advantage for their small businesses. Therefore, to ensure optimal enhancement of business innovation for small businesses, small business entrepreneurs need to be discerning in selecting and being selective about knowledge management resources and partners, such as workshops, seminars, or workshops, thus fostering superior business innovation. The limitations in this study are due to the fact that many small business owners involved in the research face data limitations, business variability, language and communication barriers, and resistance to the study. Therefore, future research should ensure effective communication with the leaders of small business associations or groups in both provinces and avoid using Google Forms or WhatsApp for data collection, as it is possible that individuals other than the intended respondents might fill out the questionnaires.

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