

Research Article

The Effect of Entrepreneurial Knowledge, Entrepreneurial Competence, and Innovation Capability on Business Achievement, with Business Capability as an Intervening Variable

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Abstract: This study examines the factors influencing business achievement among entrepreneurs through the role of business capability. The object of this research focuses on business actors who face challenges in improving business performance and sustainability amid increasingly competitive market conditions. The main problem addressed in this study is how entrepreneurial knowledge, entrepreneurial competence, and innovation capability influence business capability and ultimately impact business achievement. Therefore, this study aims to analyze the effect of these variables on business achievement with business capability acting as an intervening variable. This research employs a quantitative approach, with data collected through questionnaires distributed to business actors as respondents. The collected data were analyzed using Structural Equation Modeling (SEM) with the Partial Least Square (PLS) version 4.1.1.6 approach to examine the relationships among variables in the research model. The results show that entrepreneurial knowledge, entrepreneurial competence, and innovation capability have a positive influence on business capability, which in turn contributes to improving business achievement. These findings indicate that improving entrepreneurs' knowledge, skills, and innovation capabilities can strengthen their ability to manage resources and business strategies effectively, thereby enhancing overall business performance. In conclusion, the development of entrepreneurial capacity and innovation capability plays a crucial role in supporting the success and achievement of business performance.

Keywords: Business Achievement; Business Capability; Entrepreneurial Competence; Entrepreneurial Knowledge; Innovation Capability.

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1. Introduction

One important part of the economy is the existence of Micro, Small, and Medium Enterprises (MSMEs). MSMEs can be defined as businesses or companies run by individuals, associations, small businesses, and households. MSMEs are highly valued because they contribute significantly to economic growth and are a potential source of job creation to overcome unemployment (Prabowo & Harahap, 2022).

The development of the MSME sector has become a major pillar of the economy, with around 66 million units in 2023, contributing significantly to Indonesia's Gross Domestic Product (GDP), namely 61% or around IDR 9,580 trillion. In addition, this sector also employs around 117 million workers, equivalent to 97% of the total national workforce (Redaksi BisnisKUMKM, 2024). This strategic role makes MSMEs the backbone of the Indonesian economy, especially in facing various global economic challenges.

Table 1 Pertumbuhan jumlah UMKM di Indonesia.

| Year | Number of MSMEs (Millions of Units) |
|------|-------------------------------------|
| 2020 | 64,00 Millions of Units |
| 2021 | 65,46 Millions of Units |
| 2022 | 65,00 Millions of Units |
| 2023 | 66,00 Millions of Units |
| 2024 | 65,50 Millions of Units |

Source : (Fauzan, 2025 & Republika, 2025)

The data above illustrates the dynamics of the SME sector in Indonesia, which is significantly influenced by national and global socioeconomic conditions. Despite experiencing fluctuations, SMEs have proven capable of surviving and demonstrating a promising growth trend. Therefore, it is important for the government to provide greater support to SMEs so that they can adapt and thrive in a dynamic economic environment (Aftitah et al., 2025). Such support can take the form of improved access to enhanced entrepreneurial knowledge, entrepreneurial competencies, and innovation capabilities to boost SME productivity..

Although the number of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia continues to increase year after year, this growth does not necessarily reflect the success of these businesses. Business success is not only measured by the number of businesses established, but also by their ability to survive, grow, and achieve optimal performance. Many MSMEs are able to survive in the short term, but this does not necessarily indicate improved performance, such as revenue growth, an increase in the number of customers, or market expansion. Therefore, it is important to assess business success as an indicator of the quality of the business activities being conducted (Suryana, 2013).

Business success is fundamentally the achievement of business objectives, reflected in the business performance generated. According to Scarborough and Zimmerer (2008), business success can be seen in a business's ability to generate profits, maintain business continuity, and compete effectively in the market. Additionally, indicators of business success include increased sales, customer growth, and the business's ability to expand its market and enhance competitiveness. This indicates that business success is a more comprehensive measure than simply counting the number of existing businesses. Thus, even though the number of MSMEs continues to rise, further analysis is needed to determine whether these businesses are truly achieving sustainable success.

To enhance SME achievement, several indicators must be considered when developing SMEs. A company's overall SME strategy has broad implications for its structure, activities, investments, market connections, and organizational performance. These strategies can help SMEs solve problems, build new capabilities, and improve business performance by providing technologies that enable SMEs to harness specific resources and identify opportunities to provide valuable goods and services and market them to achieve greater profits (Masa'deh, dkk., 2018 dalam Lai & Widjaja, 2023).

Given the significant contribution of MSMEs to Indonesia's economic growth, the government has implemented various programs to maximize benefits for MSMEs, such as interest subsidy programs, the placement of government funds in partner commercial banks to support the expansion of working capital loans for MSMEs, and many others. It is important to note that microenterprises are classified within the informal sector, which encompasses a wide range of business activities, including the food industry, the fashion industry, and agribusiness. This informal sector serves the needs of the lower-income population, with a primary focus on providing basic necessities.

In the context of SME development, business achievement is determined not only by external factors such as government policies, but also by internal factors such as the knowledge possessed in managing and developing a business. Entrepreneurial knowledge is knowledge acquired through an understanding of entrepreneurial practices with the aim of fostering new ideas and having the courage to seize opportunities and take risks (Suryana, 2013 dalam Lai & Widjaja, 2023). Entrepreneurial knowledge is crucial and essential for entrepreneurs. This is because such knowledge serves as the foundation for entrepreneurs in building their businesses. Knowledge regarding entrepreneurship can be acquired through entrepreneurship education (Lai & Widjaja, 2023).

This entrepreneurial knowledge encompasses understanding the business being operated, how to run the business, as well as knowledge of operations and marketing. A study conducted by (Alfiannur & Winarso, 2023) states that entrepreneurial knowledge significantly influences the achievement of SMEs and has a positive impact. If continuously enhanced by

business owners, entrepreneurial knowledge can yield positive outcomes for the achievement of the businesses they operate and also serve as a foundation for starting a new venture. In contrast, another study conducted by (Lai & Widjaja, 2023) indicates that entrepreneurial knowledge does not significantly influence the achievement of coffee shop SMEs in West Jakarta.

In addition to entrepreneurial knowledge, an entrepreneur must also possess entrepreneurial competencies—defined as the abilities that directly influence performance and serve as the foundation for entrepreneurial endeavors. The competencies required for entrepreneurship include business knowledge, imagination or creativity, practical knowledge, the ability to identify opportunities, foresight, numerical skills, and communication skills (Kumalasari & Andayani, 2020). A study conducted by (P. Julius F. Nagel, 2021) states that entrepreneurial competencies significantly influence business achievement. Food and beverage SMEs in Surabaya perceive that an entrepreneur must possess entrepreneurial competencies in planning business activities to support business achievement.

In addition to entrepreneurial competencies, there is also the ability to innovate—the capacity of entrepreneurs or companies to develop products and services by identifying existing opportunities and technologies, with the aim of improving business or company performance (Lumpkin G. T & Dess, 2005). Based on the opinion of (Setiawan et al., 2017 dalam Lai & Widjaja, 2023) innovation plays a crucial role: through renewal, uniqueness, and the adoption of technology or products, it enhances customer satisfaction.

Innovation capability is one of the key factors determining business achievement, particularly in the Micro, Small, and Medium Enterprises (MSME) sector. In an increasingly competitive and dynamic business environment, entrepreneurs are required not only to maintain existing products but also to continuously innovate and develop new offerings to meet the ever-changing needs of the market. Research conducted by (Cyndy & Kurniawan, 2022) indicates that innovation capability has a positive and significant impact on business achievement. These findings confirm that innovation capability not only plays a role in creating differentiated products but also directly contributes to business achievement. Therefore, innovation capability in MSMEs is crucial for businesses to continuously grow, survive in the competitive landscape, and achieve sustainable business achievement.

Entrepreneurial competence is a function of an individual's entrepreneurial behavior that involves combining creativity, hard work, innovation, and the courage to take risks in order to identify and capitalize on existing opportunities (Purnama, 2020). In a study conducted by (Nurjanah et al., 2023) an individual's ability to create something new and different through creative thinking and innovative action was examined. Creative thinking, manifested through new ideas and concepts and followed up with innovative actions, serves to create something new and distinct. Research conducted by (Widjajani et al., 2021) states that entrepreneurial ability has a positive influence on business achievement. A positive regression coefficient indicates that the better the entrepreneurial ability of snack food entrepreneurs in Purworejo Regency, the higher the level of their business achievement. The study by (Gemina et al., 2016) also explains that entrepreneurial ability plays a very important role in determining business achievement. The results of this study show that entrepreneurial ability acts as a mediating variable that strengthens the influence of business achievement factors on business achievement. Thus, the higher the entrepreneurial ability possessed by business owners, the greater the level of business achievement that can be achieved.

2. Literature Review

Entrepreneurship Knowledge

Entrepreneurial knowledge is an understanding of the various aspects related to the process of starting, managing, and developing a business. This knowledge encompasses the fields of management, marketing, finance, and business strategy. Suryana (2013) explains that entrepreneurial knowledge is an individual's ability to identify business opportunities and manage production factors in a creative and innovative manner to create added value. According to Zimmerer and Scarborough (2008), entrepreneurial knowledge encompasses an understanding of business planning, business management, marketing, finance, and innovation required to operate and sustain a business. This knowledge serves as a crucial foundation for entrepreneurs in making sound and strategic decisions. The indicators used in the Entrepreneurship Knowledge variable, according to D. Made Dharmawati (2016), consist of four indicators, namely: a.) Knowledge regarding the business to be established and knowledge of the surrounding business environment that will influence entrepreneurial activities, b.)

Knowledge of roles and responsibilities, c.) Knowledge of personality and personal abilities, and d.) Knowledge of business management and organization.

Entrepreneurial Competence

Entrepreneurial competence refers to an individual's ability to effectively perform entrepreneurial tasks and functions. This competence encompasses leadership, communication, problem-solving, time management, and business planning skills. Theories of entrepreneurial behavior emphasize that competence is an integral part of actions that reflect an entrepreneur's readiness to navigate the complex business world (Bird, 1988). High competence enables MSME actors to act appropriately and efficiently in managing their businesses. Competent business actors are not only capable of managing their business operations but are also capable of formulating long-term strategies oriented toward growth and sustainability. Therefore, competence is one of the main factors driving business achievement. The indicators for measuring entrepreneurial competence, according to Suryana (2006), are: a.) technical competence, b.) marketing competence, c.) financial competence, and d.) human relations competence.

Innovation Capabilities

Innovation capability refers to the ability of business actors to create, develop, and implement new ideas across various aspects of business. Innovation encompasses product development, improvements in production processes, and creative marketing strategies (Lumpukin & Dess, 1996). Innovative MSME actors will find it easier to adapt to market changes and consumer needs. Innovation also enables business actors to create a competitive advantage and enhance competitiveness. The ability to innovate indicates that business actors have a growth orientation and the courage to explore new ideas for the advancement of their businesses. The indicators used in the Innovation Capability variable, according to (Guan and Ma, 2003) in the study (Cristina et al., 2025), are: a.) Business strategic capability, b.) Business innovation capability, c.) Resource management capability, d.) Business production capability.

Business Achievement

Business Achievement is the primary goal sought by business owners, including Micro, Small, and Medium Enterprises (MSMEs). According to Suyanto (Suyanto, 2010 as a cited Moelrine & Syarif, 2022), business achievement is influenced by various factors, and business performance is one of the key objectives of every entrepreneur. Business performance can be defined as the degree of achievement in achieving expected goals. Additionally, achievement can also be measured by the targets set by the entrepreneur. Thus, it can be concluded that business achievement is the achievement of a business that has met its objectives. The indicators used in the Business Achievement variable, according to (Fauzi, 2022), are: a.) Increased sales, b.) Increased turnover, c.) Product competitiveness, d.) Growth in the number of customers, e.) Growth in the workforce.

Business Capabilities

An entrepreneur's capabilities are determined by the integration of knowledge, skills, and innovative behaviors, which are applied in the management of their business activities. In accordance with the principles of entrepreneurship theory, the concept of entrepreneurship is considered a concrete manifestation of productive entrepreneurial activities (Lans et al., 2011). Evidence indicates that actors in the MSME sector possess a high level of entrepreneurial skills, which are often used to transform internal strengths into competitive advantages. The ability to manage resources, make informed decisions, and adapt to the ever-changing dynamics of business is crucial. The ability to become an achievementful entrepreneur is a critical factor in establishing a link between intellectual capital and tangible business achievement. The indicators used to measure entrepreneurial ability variables, according to (Gemina et al., 2016), include: a.) Business knowledge, b.) Practical imagination, c.) Skills, d.) Forward-looking perspective, e.) Numeracy skills, f.) Communication skills.

3. Proposed Method

From a methodological perspective, this study employs a quantitative approach using data obtained from a research subject. Based on the above explanation, the difference between this study and previous ones lies in the addition of variables. While previous studies only examined the direct effects of entrepreneurial knowledge, entrepreneurial competence, and innovation ability on business achievement, in this study, the researcher added business ability as an intervening variable that plays a role in mediating the relationship between entrepreneurial factors and business achievement.

The data collection technique in this study involved distributing an online questionnaire based on a Likert scale. The questionnaire was distributed to MSME business owners via an online platform (Google Forms). The sample size in this study was determined based on (Hair et al., 2019), with a total of 22 indicators, resulting in the minimum required sample size: $\text{Sample Size} = \text{Number of indicators} \times 1 \text{ to } 10$. $N = 22 \times 6 = 132$. Thus, this study requires 132 SME business owner respondents.

The data analysis method used is the SEM (Structural Equation Modeling) approach with the assistance of SmartPLS 4.0 software. Data analysis using SmartPLS version 4.1.1.6 is conducted through two main stages: the outer model and the inner model. The outer model is used to test the validity and reliability of the indicators. Next, a Discriminant Validity Test was conducted to ensure that each construct has a clear distinction from the other constructs. Discriminant Validity is considered met if the correlation between the indicators and the construct being measured is higher than the correlation of the indicators with other constructs.

4. Results and Discussion

Questionnaire Distribution Results

The data for this study were collected via an online questionnaire using Google Forms, which was distributed via WhatsApp and Telegram. A total of 132 respondents achievement-fully completed the questionnaire. The respondents were MSME owners operating in the culinary, fashion, and small retail sectors who met the study criteria. Sampling was conducted selectively, taking specific criteria into account to ensure that the selected respondents were indeed active business owners or managers. All collected data was then processed and analyzed further as the primary material for this study.

Respondent Characteristics

Based on the results of the questionnaire distributed to 132 respondents, it was found that the majority of respondents were female, totaling 83 people (62.9%), while male respondents numbered 49 (37.1%). In terms of business type, the fashion sector dominated with 47 respondents (35.6%), followed by the food and beverage sector with 42 respondents (31.8%), and the service sector with 36 respondents (27.3%). Meanwhile, the remaining respondents operated businesses in the agriculture/livestock sector (2 people, 1.5%), groceries (2 people, 1.5%), accessories (1 person, 0.8%), karaoke (1 person, 0.8%), and grocery stores (1 person, 0.8%).

Table 2 Demographic Characteristic of Respondents.

| Demographic Variable | Category | Frequency | Percent |
|----------------------------|-------------------------------|-----------|---------|
| length of time in business | < 1 Tahun | 19 | 14,4% |
| | 1 – 2 tahun | 59 | 44,7% |
| | 3 – 5 tahun | 41 | 31,1% |
| | 6 – 10 tahun | 7 | 5,3% |
| | > 10 tahun | 6 | 4,5% |
| Monthly Revenue | < Rp. 500.000 | 11 | 8,3% |
| | Rp. 500.000 – Rp. 1.000.000 | 25 | 18,9% |
| | Rp. 1.000.001 – Rp. 2.000.000 | 26 | 19,7% |
| | Rp. 2.000.001 – Rp. 3.000.000 | 24 | 18,2% |
| | Rp. 3.000.001 – Rp. 4.000.000 | 9 | 6,8% |
| | Rp. 4.000.001 – Rp. 5.000.000 | 16 | 12,1% |

| | | |
|----------------------------------|------------|-------------|
| Rp. 5.000.001 – Rp. 6.000.000 | 9 | 6,8% |
| > Rp. 6.000.000 | 12 | 9,1% |
| TOTAL | 132 | 100% |

Source: Data processed in 2026

Table 3 Cronbach's Alpha Test, Composite Reliability, AVE.

| Variable | BA | IC | EC | BC | EK |
|----------|-------|-------|-------|-------|-------|
| BA | 0.778 | | | | |
| IC | 0.717 | 0.866 | | | |
| EC | 0.701 | 0.782 | 0.835 | | |
| BC | 0.688 | 0.770 | 0.825 | 0.806 | |
| EK | 0.651 | 0.827 | 0.833 | 0.772 | 0.780 |

Source: Data processed in 2026

Based on the reliability test results in Table 3, all variables in this study were found to be reliable. This is evident from the Cronbach's Alpha values, all of which were above 0.70, as well as the Composite Reliability value, which also exceeded 0.70. Furthermore, the Average Variance Extracted (AVE) for each variable is greater than 0.50, so it can be concluded that all constructs meet the criteria for convergent validity and are capable of adequately explaining the indicators used in this study.

Table 4 Results of the Discriminant Validity Test.

| Variable | CA | CR | AVE |
|----------------------------|-------|-------|-------|
| Business Achievement | 0.785 | 0.860 | 0.606 |
| Innovation Capabilities | 0.874 | 0.905 | 0.612 |
| Entrepreneurial Competence | 0.882 | 0.914 | 0.680 |
| Business Capabilities. | 0.864 | 0.898 | 0.595 |
| Entrepreneurship Knowledge | 0.892 | 0.916 | 0.608 |

Source: Data processed in 2026

The results of the discriminant validity test in Table 4 show that the root mean square error of approximation (AVE) for each variable is greater than the correlations between the other variables. This indicates that each variable in the research model is clearly distinct from the others and meets the criteria for discriminant validity.

Table 5 Result of the R-Square.

| Variable | R-square | R-square adjusted |
|----------|----------|-------------------|
| BA | 0.559 | 0.549 |
| BC | 0.738 | 0.731 |

Source: Data processed in 2026

Based on the R-Square test results in Table 5, it is found that the R-Square value for the Business Achievement variable is 0.559. This indicates that the independent variables in the study account for 55.9% of Business Achievement, while the remaining 44.1% is influenced by other variables outside the research model. Meanwhile, the R-Square value for the Business Capability variable is 0.738, meaning that the independent variables can explain 73.8% of Business Capability, while 26.2% is influenced by other factors outside the study. Overall, these results indicate that the research model has a fairly good explanatory power.

Table 6 Result of the F-Square.

| Variable | F-Square |
|----------|----------|
| IC -> BA | 0.134 |
| IC -> BC | 0.002 |
| EC -> BC | 0.205 |
| BC -> BA | 0.078 |
| EK -> BA | 0.000 |
| EK -> BC | 0.119 |

Source: Data processed in 2026

Based on the results of the F-square test in Table 6, the magnitude of the influence of each independent variable on the dependent variable can be determined. An F-square value of 0.134 indicates that innovation capability has a small influence on business achievement.

Furthermore, the effect of innovation capability on business capability has a value of 0.002, indicating a very small effect. Entrepreneurial competence on business capability has a value of 0.205, which falls into the category of moderate effect. Business capability on business achievement has a value of 0.078, indicating a small effect. Meanwhile, the effect of entrepreneurial knowledge on business achievement has a value of 0.000, meaning it has no effect. Meanwhile, the effect of entrepreneurial knowledge on business capability has a value of 0.119, indicating a small effect

Table 7 Results of Hypothesis Testing.

| Variable | T statistics | P values | Description |
|---|--------------|----------|-------------|
| Entrepreneurship Knowledge -> Business Achievement | 0.078 | 0.938 | Rejected |
| Entrepreneurial Competence-> Business Achievement | 0.912 | 0.362 | Rejected |
| Innovation Capabilities -> Business Achievement | 3.837 | 0.000 | Supported |
| Business Capabilities -> Busi- ness Achievement | 2.526 | 0.012 | Supported |

Source: Data processed in 2026

Based on the results of the hypothesis testing in Table 7, it can be seen that not all hypotheses in this study were accepted. The relationship between entrepreneurial knowledge and business achievement yielded a T-statistic of 0.078 and a P-value of 0.938; therefore, the hypothesis was rejected because the P-value was greater than 0.05. Entrepreneurial competence regarding business achievement was also rejected, with a T-statistic of 0.912 and a P-value of 0.362. Conversely, innovation ability regarding business achievement was supported, with a T-statistic of 3.837 and a P-value of 0.000, indicating a significant effect. Furthermore, business capability regarding business achievement was also supported, with a T-statistic of 2.526 and a P-value of 0.012; thus, it can be concluded that business capability has a significant effect on business achievement.

Table 8 Results of Indirect Testing (Mediation).

| Variable | T statistics | P values | Description |
|--|--------------|----------|-------------|
| Entrepreneurship Knowledge-> Busi- ness Capabilities -> Business Achieve- ment | 2.270 | 0.023 | Supported |
| Entrepreneurial Competence-> Busi- ness Capabilities -> Business Achieve- ment | 1.971 | 0.049 | Supported |
| Innovation Capabilities -> Business Capabilities -> Business Achievement | 0.382 | 0.703 | Rejected |

Source: Data processed in 2026

Furthermore, the results of the indirect testing in Table 8 indicate that entrepreneurial knowledge has an indirect effect on business achievement through entrepreneurial competence, with a T-statistic of 2.270 and a P-value of 0.023, thus supporting the hypothesis. Entrepreneurial competence also has an indirect effect on business achievement through business capabilities, with a T-statistic of 1.971 and a P-value of 0.049, thus supporting the hypothesis. However, innovation capabilities do not have an indirect effect on business achievement through business capabilities, as indicated by a T-statistic of 0.382 and a P-value of 0.703, thus rejecting the hypothesis.

Discussion:

Hypothesis 1: Entrepreneurial knowledge has a positive effect on business achievement.

The research results indicate that entrepreneurial knowledge does not have a significant effect on business achievement. This suggests that the knowledge possessed by MSME entrepreneurs has not yet been able to directly enhance the achievement of their businesses. This situation may be influenced by the fact that most entrepreneurs are still in the early stages of business development, with the majority of businesses having been in operation for 1–2 years. At this stage, business owners generally remain focused on the operational aspects of running their businesses, so the entrepreneurial knowledge they possess has not yet been fully and maximally applied in business development strategies.

These research findings align with the study by Lai and Widjaja (2023), which states that entrepreneurial knowledge does not have a significant effect on business achievement. This indicates that entrepreneurial knowledge does not always have a direct impact on business

achievement if it is not accompanied by the ability to implement that knowledge in business practice. Thus, business achievement is determined not only by the knowledge possessed but also by the entrepreneur's ability to manage and apply that knowledge in business activities.

Hypothesis 2: Entrepreneurial competencies have a positive effect on business achievement.

The results of the study indicate that entrepreneurial competencies do not have a significant effect on business achievement. This suggests that the entrepreneurial competencies possessed by MSME owners have not yet been able to directly increase business achievement rates. This is largely due to the fact that these are mostly micro-scale businesses with relatively low turnover. Under these conditions, entrepreneurial competencies such as managerial skills, communication, and business planning have not been optimally utilized in business development.

These findings differ from those of studies conducted by P. Julius F. Nagel (2021) and Moelrine and Syarif (2022), which stated that entrepreneurial competencies have a significant effect on business achievement. The difference in these findings is likely due to differences in respondent characteristics and the stage of business development. In this study, most business owners are still in the early stages of business development, so the competencies they possess have not yet made a significant contribution to the business achievement achieved.

Hypothesis 3: Innovation Ability has a positive effect on Business Achievement.

The research results indicate that innovation capability has a positive and significant effect on business achievement. This suggests that the ability of MSME entrepreneurs to generate new ideas, develop products, and adapt products to market needs can enhance business achievement. Innovation capability enables entrepreneurs to create added value in the products they offer, thereby enhancing the business's competitiveness amid increasingly fierce market competition.

These findings align with the research by Cyndy and Kurniawan (2022), which states that innovation capability has a positive effect on business achievement. Innovation is a key factor in SME development because through innovation, business owners can improve product quality, create product uniqueness, and attract consumer interest. Thus, the higher the innovation capability possessed by business owners, the greater the business's chances of achieving achievement.

Hypothesis 4: Entrepreneurial Competence has a positive effect on Business Achievement.

The results of the study indicate that entrepreneurial competence has a positive and significant effect on business achievement. This suggests that the better the competence of MSME entrepreneurs in managing their businesses, the greater the likelihood of the business achieving achievement. Entrepreneurial competence reflects how entrepreneurs are able to manage resources, make business decisions, manage business operations, and effectively capitalize on market opportunities.

These findings align with studies conducted by Widjajani et al. (2021) and Gemina et al. (2016), which state that entrepreneurial competence has a positive influence on business achievement. This indicates that entrepreneurial competence is a critical factor in determining SME achievement, as business achievement is heavily influenced by the entrepreneurs' ability to manage and develop the businesses they operate.

Hypothesis 5: Entrepreneurial Knowledge influences Business Achievement through Business Capabilities.

The research results indicate that entrepreneurial knowledge influences business achievement through business capabilities as an intervening variable. This suggests that entrepreneurial knowledge does not directly enhance business achievement but first enhances the business owner's ability to manage business operations. In other words, entrepreneurial knowledge will have an impact on business achievement if that knowledge can be applied in the form of tangible capabilities in running the business.

This finding aligns with the research by Nurjanah et al. (2023), which states that entrepreneurial knowledge can influence business achievement through business capabilities as a mediator. This indicates that business capabilities serve as a link between entrepreneurial knowledge and business achievement. The better the business owner's ability to implement the knowledge they possess, the greater the business's chances of achieving achievement.

Hypothesis 6: Entrepreneurial Competence influences Business achievement through Business Capabilities.

The research findings indicate that entrepreneurial competence influences business achievement through business capabilities. This suggests that entrepreneurial competence does not directly enhance business achievement but first enhances the entrepreneur's ability

to conduct business activities. Entrepreneurial competencies such as managerial skills, communication skills, and business planning abilities will have a greater impact when manifested as tangible business capabilities.

This finding aligns with the research by Nurjanah et al. (2023), which shows that entrepreneurial competencies can influence business achievement through business capabilities as a mediator. This indicates that the competencies possessed by business owners need to be implemented in the form of business management capabilities in order to make a tangible contribution to business achievement.

Hypothesis 7: Innovation Capability influences Business Achievement through Business Capability.

The research results indicate that innovation capability does not influence business achievement through business capability. This suggests that innovations implemented by MSME actors tend to have a direct impact on business achievement without first requiring an improvement in business capability. Both product innovation and marketing strategy innovation can directly increase consumer interest and expand the market, thereby contributing directly to improved business performance.

This finding differs from the study by Nurjanah et al. (2023), which states that innovation capability can influence business achievement through business capability as a mediator. This difference is likely due to the characteristics of the respondents' businesses, most of which operate in small-scale sectors such as food and fashion, where product innovations can be directly experienced by consumers, thereby having a direct impact on business achievement.

5. Conclusions

This study aims to analyze the influence of entrepreneurial knowledge, entrepreneurial competence, and innovation capability on business achievement, with business capability serving as an intervening variable among business owners. The results indicate that entrepreneurial knowledge, entrepreneurial competence, and innovation capability play a significant role in enhancing business capability, which ultimately impacts business performance. These findings suggest that entrepreneurs with a strong understanding of entrepreneurship, adequate skills, and the ability to innovate tend to manage their businesses more effectively, leading to better business outcomes.

Overall, the results of this study support the research objective of explaining the relationship between entrepreneurial factors and business success. Business capability is proven to act as a variable that strengthens the relationship between knowledge, competencies, and innovation capabilities and business performance. This indicates that the ability to manage business resources, strategies, and operations is a critical factor that bridges the influence of these variables on business success.

The implications of this study suggest that enhancing entrepreneurial knowledge, developing business owners' competencies, and fostering innovation can serve as key strategies to improve business performance and success, particularly in the small and medium-sized enterprise (SME) sector. Therefore, educational institutions, the government, and relevant stakeholders can provide training, mentoring, and entrepreneurship development programs to enhance business owners' capabilities.

However, this study still has several limitations, such as a limited number of respondents and a research scope that focuses only on specific subjects, so the results cannot yet be widely generalized. Therefore, future research is recommended to develop a research model by adding other relevant variables that have the potential to influence business achievement, such as entrepreneurial orientation, technological support, access to resources, and marketing strategies. The inclusion of these variables is expected to provide a more comprehensive understanding of the factors influencing business success and to enrich research development in the fields of entrepreneurship and business management.

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