

The Impact of Entrepreneurial Knowledge on Business Success: An Empirical Investigation

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Keywords: Entrepreneurial Knowledge; Business Success; Human Capital Theory; Resource-Based View; SME Performance

Abstract

Purpose: This study empirically examines the extent to which entrepreneurial knowledge influences business success among small and medium-sized enterprise (SME) owner-managers. At the moment, Entrepreneurial knowledge (EK) has emerged as a critical cognitive asset distinguishing successful ventures from those that falter in their formative years. Grounded in Human Capital Theory (Becker, 1964) and the Resource-Based View (Barney, 1991), domain specific entrepreneurial knowledge is theorised to enhance founders' capacity to recognise opportunities, acquire resources, and govern promising operations, thus improving the possibility of venture survival and profitability.

Methods: A quantitative, cross-sectional research design was employed. Data were collected from a purposive sample of 132 SME owner-managers using a structured questionnaire comprising ten items measuring EK and six items measuring business success, all rated on a five-point Likert scale. Following instrument validation through a pilot study confirming construct reliability, data were analysed in IBM SPSS Statistics using Pearson correlation and simple linear regression.

Results: Consequently, entrepreneurial knowledge was significantly and positively correlated with business success ($r = 0.456, p < 0.001$). The regression model was statistically significant ($F(1, 130) = 34.164, p < 0.001$), with EK explaining 20.81 percent of the variance in BS ($R^2 = 0.208$). The unstandardised coefficient indicated that each one-unit increase in EK corresponds to a 0.318-unit increase in BS ($B = 0.318, SE = 0.054, \beta = 0.456, t = 5.845, p < 0.001$). The hypothesis H_1 that EK positively influences BS was therefore supported.

Implications: The findings validate Human Capital Theory and Resource-Based View propositions, offering actionable guidance for entrepreneurship mentors, SME support agencies, and policy makers seeking to design knowledge-intensive founder-development interventions. The findings further suggest that SME development programmes should strengthen entrepreneurial knowledge in areas such as opportunity recognition, resource acquisition, management knowledge, and self-development. Future research is recommended to examine additional factors that may influence business success, including financial capital, network embeddedness, market structure, and macroeconomic conditions, as well as to employ longitudinal designs to strengthen causal inference.

Keywords: entrepreneurial knowledge; business success; human capital theory; resource-based view; SME performance

INTRODUCTION

The survival and growth of small and medium-sized enterprises (SMEs) remain central concerns for policy makers, development agencies, and entrepreneurship scholars worldwide. Although aggregate start-up activity has expanded substantially over the past two decades,

evidence from multiple jurisdictions indicates that a considerable share of new ventures discontinue operations within their first five years of trading. Among the multiple factors implicated in this high attrition rate, the cognitive resources that founders bring to the venturing process particularly their domain-specific entrepreneurial knowledge have emerged as a recurring and theoretically meaningful antecedent of differential venture performance.

Entrepreneurial knowledge is largely understood as the body of acquired information, procedural skill, and judgement-based heuristics that enable an individual to identify viable opportunities, mobilise the resources required to exploit them, and govern the resulting organisation through its formative stages. Unlike general educational attainment, which is largely undifferentiated with respect to the entrepreneurial task, entrepreneurial knowledge is task-specific and accumulated through deliberate learning, prior business exposure, and reflective practice. From a practical standpoint, owner-managers equipped with stronger entrepreneurial knowledge are more likely to anticipate regulatory requirements, calibrate their financial commitments, and adjust their business models in response to environmental turbulence all of which materially shape business success.

Recent evidence further demonstrates that knowledge-related capabilities are important determinants of SME performance, particularly when knowledge is translated into strategic action and organisational adaptation. For example, strategic knowledge management practices have been found to strengthen SMEs' ability to adjust to changes in the business environment and improve entrepreneurial performance (Shaik et al., 2024). Research in Indonesia likewise shows that human capital is significantly associated with SME performance, highlighting the importance of owner-level knowledge and capabilities in achieving stronger business outcomes (Indrawati & Triaryati, 2024). In addition, evidence from Indonesian MSMEs indicates that human capital contributes to entrepreneurial performance partly through entrepreneurial innovation, suggesting that knowledge creates greater value when it is converted into innovative action (Kadiyono & Susanto, 2025). Research on entrepreneurial orientation and knowledge management further demonstrates that knowledge management can contribute to firm competitiveness, growth, and financial performance among SMEs (Kusa et al., 2024). More recent evidence also shows that human capital can enhance firm performance through its interaction with digital transformation, reinforcing the argument that knowledge becomes strategically valuable when it enables firms to develop and deploy capabilities in changing environments (Kampoowale et al., 2026).

Despite a growing literature, a persistent uncertainty surrounds the empirical extent of the relationship between entrepreneurial knowledge and business success. Existing studies describe effect sizes ranging from insignificant to moderate, with much of the variance attributable to differences in theory operationalisation, sample composition, and analytical strategy. In particular, several previous investigations have conflated general human capital typically measured in years of schooling with domain specific entrepreneurial knowledge, thereby decreasing the estimated effect and obscuring implications for entrepreneurship education and SME support programmes.

A second concern is methodological. A substantial proportion of published work relies on small purposive samples without rigorous reliability testing, or alternatively employs composite indices that bundle conceptually heterogeneous predictors. The result is a body of evidence in which the marginal contribution of entrepreneurial knowledge, holding other cognitive and resource inputs constant, remains imprecisely estimated. The present study addresses these gaps by isolating entrepreneurial knowledge as a single explanatory variable, validating the measurement instrument

through a pilot study, and applying simple linear regression to a purposive sample of 132 SME owner-managers.

The study is guided by two research questions. First, to what extent does entrepreneurial knowledge relate to business success among SME owner-managers? Second, does entrepreneurial knowledge exert a statistically significant positive effect on business success, as predicted by Human Capital Theory and the Resource-Based View?

The corresponding research objective is to empirically estimate the magnitude and statistical significance of the effect of entrepreneurial knowledge on business success using simple linear regression, and to evaluate the resulting evidence against the hypothesised positive relationship. The findings are intended to inform the design of entrepreneurship curricula, the targeting of SME support interventions, and the allocation of public resources toward knowledge-intensive forms of founder development. By isolating a single predictor and reporting a transparent statistical model, the study also seeks to provide a replicable benchmark against which subsequent multi-variable investigations may be calibrated.

Literature Review and Theoretical Framework

Two complementary theoretical lenses inform this study. Human Capital Theory, as formulated by (Teixeira, 2014), (Becker, 1964), posits that individuals' stock of knowledge, skills, and competencies constitutes a productive asset that yields returns in the labour and product markets. Within the entrepreneurial context, human capital investments are argued to enhance founders' ability to recognise profitable opportunities, secure scarce resources, and execute the operational routines required for venture emergence. (Unger et al., 2011), in a meta-analytic synthesis of human capital and entrepreneurial success, confirmed a positive but heterogeneous association and called for finer-grained investigations that distinguish general from specific human capital components. The Resource-Based View (RBV) of the firm, articulated by (Barney, 1991), complements the human capital perspective by framing resources as sources of sustained competitive advantage when they are valuable, rare, inimitable, and non-substitutable. Entrepreneurial knowledge, particularly the tacit and experiential components accumulated through prior venturing, satisfies several of these criteria and therefore may be expected to translate into differential venture performance. (Teece, 2007) extended the RBV by elaborating the notion of dynamic capabilities the organisational and managerial capacity to sense, seize, and reconfigure resources in response to environmental change and argued that such capabilities are themselves rooted in the cognitive and knowledge endowments of the firm's leadership. Together, Human Capital Theory and the Resource-Based View provide convergent theoretical grounds for expecting entrepreneurial knowledge to influence business success positively.

Entrepreneurial knowledge (EK) is operationalised in this study through a ten-item reflective scale capturing four interrelated dimensions. The first dimension, opportunity recognition, captures the founder's perceived capacity to identify marketable goods and services in the host market and to generate new venture ideas. The second dimension, resource acquisition, taps the founder's understanding of legal and regulatory requirements for business establishment and the means of securing financial and operational resources. The third dimension, management knowledge, measures the founder's perceived competence in organising, controlling, and solving business problems. The fourth dimension, self-development, indexes the founder's reflective and innovative orientation, including the propensity to generate new ideas and confidence in deriving income from entrepreneurial activity.

Business success (BS) is operationalised through a six-item reflective scale reflecting two conceptually distinct but correlated dimensions. The first dimension, financial performance, captures return on investment and the sufficiency of monthly profit to cover living costs and fund business development. The second dimension, adaptability and resilience, captures the founder's capacity to recognise environmental shifts including regulatory, currency, and competitive changes and to reconfigure the venture's offerings, suppliers, and customer channels when initial strategies underperform. The two-dimensional specification follows (Shofiany et al., 2026), who argued that SME performance is best understood as a composite of financial viability and adaptive capability rather than profitability alone.

Drawing on Human Capital Theory and the Resource-Based View, entrepreneurial knowledge may be expected to influence business success through at least three mechanisms. First, knowledge-rich founders are more accurate in opportunity evaluation, which improves the quality of strategic decisions and reduces the probability of pursuing non-viable offerings. Second, such founders possess superior heuristics for resource acquisition and deployment, which attenuates capital constraints during the formative stages. Third, knowledge accumulated through reflective practice enhances the founder's dynamic capability to reconfigure operations in response to environmental change. On the basis of these convergent theoretical arguments, the following hypothesis is advanced:

H₁: *Entrepreneurial knowledge has a statistically significant positive effect on business success.*

The hypothesised structural model is depicted in Figure 1. The diagram specifies the directional effect of EK on BS, with the empirical coefficients reported in Section 4 of the paper.

Figure 1. Hypothesised Structural Model (EK → BS)

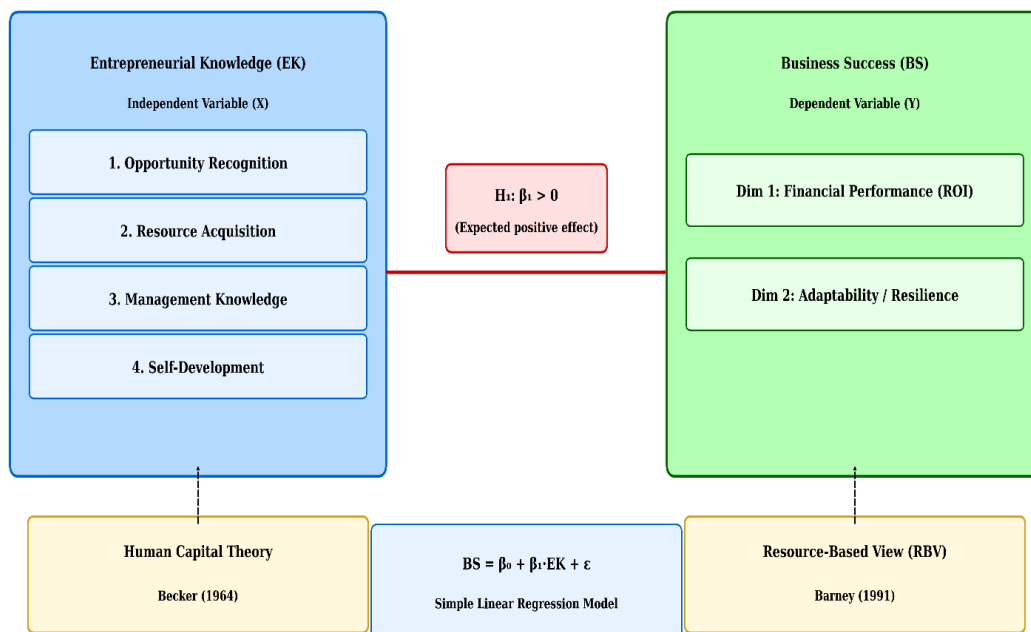


Figure 1 : Hypothesised Structural Model (Entrepreneurial Knowledge – Business Success
Note : Entrepreneurial Knowledge (IV); BS = Business Success (DV); H1 = Hypothesis Positive relationship

METHODS

Research Design and Sampling

This study adopts a quantitative, cross-sectional research design, consistent with the confirmatory intent of the investigation. A cross-sectional design is appropriate because the hypothesised relationship between entrepreneurial knowledge and business success is conceptualised at a single point in time, and because the research questions concern the magnitude and significance of an association rather than its longitudinal evolution. Data were collected from SME owner-managers through a structured, self-administered questionnaire distributed both online and in person.

The sampling strategy was purposive, with respondents selected on the basis of two criteria: ownership or co-ownership of a registered SME in operation for at least six months, and personal involvement in the firm's strategic and operational decisions. A total of 132 valid responses were obtained following data screening and the removal of incomplete or invalid cases. Sample composition reflected considerable diversity in host country, with respondents drawn from Egypt, Saudi Arabia, Sudan, Oman, the United Arab Emirates, Indonesia, and several other jurisdictions. The sample also exhibited diversity in business type (commercial, services, manufacturing, and other), business size (64.4 percent small and 35.6 percent medium), and venture age, with 12.1 percent of firms operating for less than six months, 21.2 percent for six to twelve months, 37.1 percent for one to two years, and 29.5 percent for two to three years. Approximately 55.3 percent of respondents held a bachelor's degree and a further 29.5 per cent held a postgraduate qualification, while 71.2 percent of respondents were female.

Measurement Scales and Instruments

Both constructs were measured using five-point Likert-type scales anchored from 1 (Strongly Disagree) to 5 (Strongly Agree). The entrepreneurial knowledge scale comprised ten items, and the business success scale comprised six items. Construct scores were computed as the unweighted sum of the component items, yielding a theoretical range of 10–50 for EK and 6–30 for BS. The five class intervals adopted for interpreting the mean scores were: 1.00–1.80 (Strongly Disagree), 1.81–2.60 (Disagree), 2.61–3.40 (Quite Agree), 3.41–4.20 (Agree), and 4.21–5.00 (Strongly Agree).

Instrument validation was conducted through a pilot study comprising 23 valid responses from an initial 30 distributed. Item-total correlations and Cronbach's alpha coefficients were examined following the procedures recommended by (Nunnally & Bernstein, 1994) and (Hair et al., 2010). As reported in Section 4.1, both focal scales demonstrated satisfactory reliability ($\alpha_{EK} = 0.926$ and $\alpha_{BS} = 0.795$), comfortably exceeding the conventional threshold of 0.70 and confirming that the items measure their intended constructs consistently. Following (Sudjana &

Ibrahim, 1989), the instrument was therefore retained without modification for the main data collection.

Statistical Model

The hypothesised relationship was tested using simple linear regression, specified as:

$$BS = \beta_0 + \beta_1 \cdot EK + \varepsilon$$

where BS denotes the dependent variable (business success), EK denotes the independent variable (entrepreneurial knowledge), β_0 is the intercept, β_1 is the slope coefficient representing the marginal effect of EK on BS, and ε is the stochastic disturbance term. Estimation was performed in IBM SPSS Statistics using ordinary least squares (OLS), which yields Best Linear Unbiased Estimators under the Gauss–Markov assumptions.

The regression was complemented by a Pearson product-moment correlation coefficient to characterise the bivariate association, an Analysis of Variance F-test for overall model significance, and t-tests for the significance of individual coefficients. Classical assumption tests including the Kolmogorov–Smirnov test with Lilliefors correction for normality, and inspection of skewness and kurtosis were conducted prior to estimation, following the procedural recommendations of (Ghozali & Latan, 2020). The decision rule for the hypothesis test was to reject the null hypothesis ($H_0: \beta_1 = 0$) if the computed t-statistic exceeded the critical value $t(0.05, 130) = 1.978$, or equivalently if the associated p-value fell below 0.05. The corresponding critical value for the overall F-test was $F(0.05, 1, 130) = 3.914$.

RESULTS AND DISCUSSION

Reliability and Validity

Instrument reliability was assessed using Cronbach's alpha coefficient, computed on the pilot sample ($N = 23$) prior to main data collection. The results, summarised in Table 1, indicate that both focal scales exceeded the conventional threshold of 0.70 recommended by (Nunnally & Bernstein, 1994), and that the entrepreneurial knowledge scale approached the more stringent 0.90 threshold indicative of high internal consistency. The overall instrument alpha, computed across all 28 items of the questionnaire, was 0.925. Item-level analyses indicated that no single item would, if deleted, raise the scale alpha beyond its current value, supporting the retention of all items in the main study.

Table 1. Cronbach's Alpha Reliability Statistics (Pilot Study, $N = 23$)

Construct	Code	Items	Cronbach's α	Benchmark	Result
Entrepreneurial Knowledge	X	10	0.926	0.70	Reliable
Business Success	Y	6	0.795	0.70	Reliable
Overall Instrument	—	16	0.925	0.70	Reliable

Note. The Entrepreneurial Knowledge and Business Success subscales were retained without modification for the main study.

4.2 Descriptive Statistics and Correlation Matrix

Descriptive statistics for the two constructs are summarised in Table 2. The mean entrepreneurial knowledge score was 41.58 (SD = 5.37) on a theoretical range of 10–50, suggesting that, on average, respondents reported substantial agreement with the knowledge-related statements. The mean business success score was 21.89 (SD = 3.75) on a theoretical range of 6–30, indicating moderate agreement with the success-related statements. The comparatively lower mean for BS, alongside its narrower dispersion, is consistent with the observation that respondents generally reported higher self-assessed knowledge than realised performance.

Table 2. Descriptive Statistics of Focal Constructs (N = 132)

Variable	Code	N	Mean	SD	Theoretical Range
Entrepreneurial Knowledge	EK	132	41.58	5.37	10 – 50
Business Success	BS	132	21.89	3.75	6 – 30

Note. SD = Standard Deviation. Construct scores computed as the unweighted sum of constituent Likert items.

The Pearson product-moment correlation between entrepreneurial knowledge and business success was $r = 0.456$ ($p < 0.001$), indicating a moderate positive linear association. The coefficient of determination, computed as $r^2 = 0.208$, indicates that approximately 20.81 per cent of the variance in BS is linearly associated with EK. The full correlation matrix is presented in Table 3.

Table 3. Pearson Correlation Matrix (N = 132)

Variable	EK	BS
Entrepreneurial Knowledge (EK)	1	—
Business Success (BS)	0.456***	1

*** $p < .001$ (2-tailed). EK = Entrepreneurial Knowledge; BS = Business Success.

4.3 Classical Assumption Tests

The normality of the regression residuals was assessed using the Kolmogorov–Smirnov test with Lilliefors correction, applied to the standardised residuals of the regression model. The K-S statistic was $Z = 0.869$ with a Lilliefors significance of $p = 0.063$, which exceeds the conventional $\alpha = 0.05$ threshold; the null hypothesis of normality cannot therefore be rejected, and the normality assumption is satisfied. Supplementary inspection of the skewness (+0.071) and kurtosis (-0.060) coefficients confirmed that the residual distribution was approximately symmetric and mesokurtic, with both values falling well within the ± 1.96 range suggested by (Hair et al., 2010) for the assumption of normality.

Linearity was inspected through a scatter plot of standardised residuals against the predicted values, which revealed no systematic curvature and no evidence of heteroscedastic fan-shape patterns. The independence of observations was guaranteed by the cross-sectional sampling design, in which each respondent contributed a single observation. Together, these results supported the application of ordinary least squares estimation without transformation of the variables. The full normality diagnostics are summarised in Table 4.

Table 4. Normality Test Diagnostics

Statistic	Value	Reference	Decision
Kolmogorov–Smirnov Z	0.869	—	—
Lilliefors Significance	0.063	$\alpha = 0.05$	$p > .05$: normality assumed

Skewness	+0.071	s < 1.96	Within tolerance
Kurtosis	-0.060	k < 1.96	Within tolerance
Overall Decision	—	—	Normality satisfied

Note. Critical thresholds follow (Hair et al., 2010) and (Ghozali & Latan, 2020).

4.4 Regression Analysis

The simple linear regression of BS on EK produced a statistically significant model. As reported in Table 5, the coefficient of multiple correlation was $R = 0.456$, the coefficient of determination was $R^2 = 0.208$, and the adjusted coefficient of determination was $R^2_{adj} = 0.202$. The standard error of the estimate was 3.346, indicating that, on average, the regression predictions deviated from observed BS scores by approximately 3.35 units.

Table 5. Regression Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	0.456	0.208	0.202	3.346

Note. Predictors: (Constant), Entrepreneurial Knowledge (EK). Dependent variable: Business Success (BS).

The overall significance of the model was evaluated through an F-test (Table 6). The regression sum of squares was 382.514 with one degree of freedom, the residual sum of squares was 1455.534 with 130 degrees of freedom, and the total sum of squares was 1838.048 with 131 degrees of freedom. The corresponding F-statistic was $F(1, 130) = 34.164$, $p < 0.001$, which substantially exceeds the critical value $F(0.05, 1, 130) = 3.914$. The null hypothesis of no linear relationship is therefore rejected, and the model is judged statistically significant.

Table 6. Analysis of Variance (ANOVA)

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	382.514	1	382.514	34.164	< .001
Residual	1455.534	130	11.196	—	—
Total	1838.048	131	—	—	—

Note. Dependent variable: Business Success (BS). Predictors: (Constant), Entrepreneurial Knowledge (EK).

The regression coefficients are reported in Table 7. The unstandardised intercept was $\beta_0 = 8.654$ ($SE = 2.283$, $t = 3.790$, $p < 0.001$), and the unstandardised slope was $\beta_1 = 0.318$ ($SE = 0.0545$, $t = 5.845$, $p < 0.001$). The standardised coefficient was $\beta = 0.456$, identical in magnitude to the Pearson correlation, as expected for a simple regression. The slope coefficient indicates that each one-unit increase in entrepreneurial knowledge is associated with an expected increase of 0.318 units in business success, holding all other factors constant.

Table 7. Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	8.654	2.283	—	3.790	< .001
Entrepreneurial Knowledge (EK)	0.318	0.0545	0.456	5.845	< .001

Note. Dependent variable: Business Success (BS). Beta = standardised coefficient.

4.5 Hypothesis Result

Hypothesis H_1 stated that entrepreneurial knowledge has a statistically significant positive effect on business success. The computed t-statistic for the grade coefficient ($t = 5.845$) exceeds the critical value $t(0.05, 130) = 1.978$, and the associated p-value ($p < 0.001$) is well below the conventional 0.05 threshold. The sign of the coefficient is positive, consistent with the

hypothesised direction. The hypothesis is therefore supported. The full result is summarised in Table 8.

Table 8. Hypothesis Test Summary

Hypothesis	Path	B	t (computed)	t (critical)	Sig.	Verdict
H ₁	EK → BS	0.318	5.845	1.978	< .001	Supported

Note. Critical t-value at $\alpha = 0.05$, $df = 130$. Decision rule: reject H_0 if $|t_{computed}| > t_{critical}$ and $p < .05$.

DISCUSSION

The empirical findings provide clear support for the hypothesised positive effect of entrepreneurial knowledge on business success. The magnitude of the effect, expressed as an unstandardised coefficient of $B = 0.318$ ($SE = 0.0545$, $\beta = 0.456$, $t = 5.845$, $p < 0.001$), indicates that each one-unit increment in entrepreneurial knowledge is associated with an expected increase of approximately 0.32 units in business success. The coefficient of determination ($R^2 = 0.208$) indicates that roughly one-fifth of the variance in BS is accounted for by EK alone, a non-trivial proportion given the multitude of factors known to influence venture performance.

This pattern of results aligns closely with the predictions of Human Capital Theory (Becker, 1964). Becker's framework treats knowledge as a productive asset that yields returns in the marketplace; the present evidence suggests that this proposition extends to the entrepreneurial context, where founder knowledge functions as a direct input into opportunity evaluation, resource mobilisation, and operational governance. The magnitude of the observed effect is consistent with the meta-analytic estimate reported by (Unger et al., 2011), who found that the human capital–entrepreneurial success association, although positive on average, exhibits considerable heterogeneity across studies. The present study's effect size ($\beta = 0.456$) falls within the moderate range identified in their synthesis and is consistent with the proposition that domain-specific knowledge components as opposed to general schooling are the more proximate drivers of venture outcomes.

From the perspective of the Resource-Based View (Barney, 1991), the finding that entrepreneurial knowledge accounts for approximately one-fifth of the variance in business success is interpretable as evidence that founder knowledge satisfies the valuable, rare, and inimitable criteria of a strategic resource. Entrepreneurial knowledge, particularly its tacit and experiential dimensions, is unevenly distributed across the founder population, costly to imitate, and difficult to substitute; its translation into differential performance is therefore theoretically expected. (Teece, 2007) extended the RBV by emphasising dynamic capabilities the capacity to sense, seize, and reconfigure resources in response to environmental change. The present BS scale captured such adaptive behaviour explicitly, and the magnitude of the EK–BS association suggests that knowledge endowments materially enhance the founder's capacity to reconfigure the venture in turbulent environments (Chen, 2024).

Recent evidence further supports this interpretation by showing that human capital significantly contributes to SME performance, particularly when managerial skills and formal education are translated into innovation practices (Dinku et al., 2024). Similarly, evidence from Indonesian SMEs indicates that human capital has a significant positive relationship with SME performance, reinforcing the argument that founder-level knowledge and capabilities constitute

important resources for achieving superior business outcomes (Indrawati & Triaryati, 2024). More recent research also indicates that entrepreneurial knowledge can contribute to sustainable SME performance through strategic opportunity recognition, suggesting that knowledge becomes particularly valuable when it enables entrepreneurs to identify and respond to changing business opportunities (Chen, 2024).

The findings also resonate with the broader entrepreneurship literature. Shane and Venkataraman (2000) framed entrepreneurship as the discovery, evaluation, and exploitation of opportunities, and emphasised that prior knowledge is a necessary condition for opportunity recognition. The present evidence indirectly substantiates this proposition: where founders reported higher entrepreneurial knowledge, they also reported higher business success a pattern consistent with the channel through which opportunity recognition translates into venture performance (Shane & Venkataraman, 2000). The result is also broadly aligned with (Shofiany et al., 2026), who reported a positive association between entrepreneurial knowledge and SME performance in a comparable emerging-market sample.

Recent empirical evidence further reinforces the knowledge–performance relationship, showing that entrepreneurial knowledge plays a critical role in enhancing SME performance alongside financial literacy and organisational commitment (Soleman & Jayasundera, 2023). This relationship is also consistent with evidence that entrepreneurial knowledge, skills, and competencies are important factors associated with MSME performance in developing-country contexts (Mozammel & Jayasundera, 2023). The strategic value of entrepreneurial knowledge is further supported by recent research linking it to sustainable SME performance through strategic opportunity recognition, suggesting that knowledge can facilitate the identification and pursuit of valuable opportunities (Soomro et al., 2025). Similarly, longitudinal evidence from emerging markets indicates that entrepreneurial knowledge contributes to firm performance by supporting continuous learning, strategic adaptation, and entrepreneurs' ability to respond to changing environmental conditions (Chen, 2024).

Taken together, these findings strengthen the interpretation that entrepreneurial knowledge is not merely an informational asset but a practical capability through which SME owner-managers can recognise opportunities, adapt strategically, and improve business performance.

It is important to interpret the magnitude of the effect with appropriate caution. Although $R^2 = 0.208$ is statistically significant and theoretically meaningful, approximately four-fifths of the variance in BS remains unexplained by EK alone. This residual variance likely reflects the influence of additional antecedents including access to financial capital, network embeddedness, market structure, and macroeconomic conditions that are beyond the scope of the simple regression specification. Following (Alwahaibi et al., 2020), the observed effect size falls within the medium range ($f^2 \approx 0.26$), which is substantively meaningful in behavioural research but modest enough to warrant the inclusion of additional predictors in future investigations. Such extensions would enable a more comprehensive test of the joint and conditional effects of human capital, social capital, and structural context on venture outcomes.

Recent evidence supports this broader perspective by showing that SME performance is shaped by the interaction of entrepreneurial, market, and dynamic capabilities rather than by a single organisational resource (Prasetyo et al., 2024). In the Indonesian SME context, dynamic capabilities have also been shown to contribute positively to business performance, reinforcing the importance of firms' ability to adapt resources and respond to changing environmental

conditions (Cahaya et al., 2024). Similarly, social capital represents another relevant source of performance variation, as collaborative networks and marketing innovation can strengthen MSME performance by enabling small firms to overcome resource limitations associated with their size (Muna et al., 2024). Recent evidence from Indonesian MSMEs further indicates that dynamic capabilities and financial behaviour jointly contribute to performance recovery and business sustainability, highlighting the importance of complementary capabilities beyond entrepreneurial knowledge alone (Supramono et al., 2025). Accordingly, future research should move beyond a single-predictor framework and examine how entrepreneurial knowledge interacts with financial resources, social capital, market orientation, and dynamic capabilities to explain differences in SME performance.

Finally, the validity of the inference is buttressed by the satisfactory psychometric properties of the scales. The Cronbach's alpha coefficients ($\alpha_{EK} = 0.926$ and $\alpha_{BS} = 0.795$) and the results of the Kolmogorov–Smirnov test ($Z = 0.869$, $p = 0.063$) indicate that the measurement model and the distributional assumptions of ordinary least squares were satisfied. The findings may therefore be regarded as a robust basis for both theoretical refinement and practical intervention.

CONCLUSION

This study concludes that entrepreneurial knowledge has a statistically significant and positive effect on business success among SME owner-managers. The empirical findings show a positive correlation between entrepreneurial knowledge and business success ($r = 0.456$, $p < 0.001$), while the simple linear regression model confirms a significant positive effect ($B = 0.318$, $\beta = 0.456$, $t = 5.845$, $p < 0.001$). Entrepreneurial knowledge explains 20.81 percent of the variance in business success ($R^2 = 0.208$), and the hypothesis that entrepreneurial knowledge positively influences business success is therefore supported. These findings provide empirical support for Human Capital Theory and the Resource-Based View by demonstrating that founder-level, domain-specific knowledge represents a meaningful cognitive and strategic resource associated with venture performance. However, the findings should be interpreted with caution because the study employed a cross-sectional design, self-reported measures, purposive sampling, and a simple regression model. These methodological characteristics limit causal inference and the generalisability of the findings and indicate that entrepreneurial knowledge should not be regarded as the sole determinant of business success.

Suggestions and Recommendations

Future research should employ longitudinal or experimental designs to provide stronger evidence regarding the causal relationship between entrepreneurial knowledge and business success. Researchers are also encouraged to complement self-reported measures with objective indicators of business performance and to use probability-based sampling across more homogeneous country contexts to improve generalisability. Further studies may employ multiple regression, structural equation modelling, or other multivariate approaches to examine the contribution of entrepreneurial knowledge alongside financial capital, network embeddedness, and industry structure. Future research could also investigate the moderating roles of environmental dynamism, institutional quality, and founder experience to provide a more comprehensive understanding of the conditions under which entrepreneurial knowledge contributes to business success.

ACKNOWLEDGMENTS

I would like to express my deepest gratitude to Ministry of Higher Education, Science, and Technology of the Republic of Indonesia for the award of Developing Countries Partnership Scholarship (KNB). This invaluable opportunity has been allowing me to pursue higher education and complete the journey my academic success in Indonesia.

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