

## FOSTERING INNOVATION PERFORMANCE OF SMES IN CULINARY SECTOR

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### ABSTRACT

*The quantitative research that has been carried out aims to explore the role of absorptive capacity as a mediator and risk-taking as a moderator in the influence of entrepreneurial leadership, knowledge search, and innovation performance in Culinary SMEs in Rembang Regency. The sampling technique was carried out using purposive sampling of 82 respondents. Data analysis was carried out using the SEM-PLS method. The research results reveal that knowledge search and absorptive capacity significantly affect innovation performance. However, entrepreneurial leadership does not have a significant effect on innovation performance. Apart from that, absorptive capacity has been proven to mediate the influence of knowledge search on innovation performance. The next valuable finding is that risk-taking cannot moderate this influence. This research indicates that Rembang Regency Culinary SMEs can use research findings as a reference for increasing innovation performance by using absorptive capacity and knowledge search.*

**Keywords:** *Culinary SMEs, Entrepreneurial Leadership, Knowledge Search, Innovation Performance, Rembang Regency, Mediator, Moderator*

### A. INTRODUCTION

The number of SMEs, especially in the culinary sector, has increased. CNBC data shows that culinary is the SME sector that is most in demand by entrepreneurs, with a GDP growth of 10.52%, the second-highest GDP (Taufani, 2024). Therefore, SMEs must be prepared to compete with competitors by developing business models (Akbari et al., 2021). SMEs' competitive factors are valuable keys to building a strong competitive advantage by creating unique business models. This uniqueness causes difficulties in imitation for competitors (Lopes et al., 2019).

Rembang Culinary SMEs face tough challenges related to the innovative behavior of business owners. Business owners are reluctant to innovate when running a business. Innovation becomes less important and involves many risks (Kochetkov, 2023). Business owners must consider the benefits of innovation to achieve business sustainability (Batool & Mohsin, 2024).

The best way to survive and compete with other SMEs is to innovate continuously. SME leaders must manage and understand the business innovation process (Gupta et al., 2004). Innovation has four criteria: product, process, marketing, and organization (Romli, 2020). The number of SMEs in Rembang Regency is 454 engaged in the culinary industry (Tengah, 2023). There is a large customer opportunity considering the high demand for food and drink (Sudiyarto et al., 2020). Therefore, it is necessary to improve the innovation performance of SMEs through efforts to develop innovation by implementing improvisation in business models.

In achieving innovation, SMEs can implement entrepreneurial leadership and knowledge search. SMEs have a responsibility to provide innovation as a competitive strategy. Using entrepreneurial leadership efforts gives SME owners the strength in entrepreneurship so they can explore business opportunities through innovation (Akbari et al., 2021). Leadership is believed to be the main predictor of innovation. Implementing entrepreneurial leadership allows SME owners to develop their creativity and innovation better (Rumaji & Ilhami, 2024).

Research on leadership has produced many findings stating that leadership can determine and support performance and employee behavior (Imran & Aldaas, 2020; Majali et al., 2022). The success of SMEs is sufficient with the ability to manage the business and balanced with the quality of entrepreneurship and leadership (Felix et al., 2019). This combination presents the concept of entrepreneurial leadership. The demand for innovation requires business owners to apply entrepreneurial leadership to produce innovative products (Fuadiputra & Putri, 2023).

Entrepreneurial leadership has been proven to influence innovation performance significantly (Fuadiputra & Putri, 2023; Yu et al., 2022). On the other hand, research results show that entrepreneurial leadership does not influence innovation performance (Fontana & Musa, 2017; Karnsomdee & Phongkaew, 2023). However, very limited research is still exploring entrepreneurial leadership and innovation performance, especially in SMEs.

Previous research shows that searching for information to obtain in-depth knowledge is very important for innovation (Damayanti & Rikah, 2022). SMEs conduct knowledge searches outside the organization to complement the knowledge of SME owners; therefore, they can innovate in the quantity and quality of output produced (Nanfeng et al., 2017). Knowledge search activities are activities carried out through collecting external knowledge, which has the potential to become an innovative idea (Yu Zhang et al., 2022). The influence of knowledge search on innovation performance is little documented in literature studies. Based on learning

theory, extensive knowledge search can increase innovation (Cen et al., 2023). Research conducted by Yu Zhang et al. (2022) states that knowledge search can improve innovation performance. On the other hand, research by Ortigueira-Sánchez et al. (2020) shows that knowledge search reduces innovation.

Previous research shows that there are inconsistencies in research results that create gaps. To overcome these gaps, the solution from this research is to synthesize absorptive capacity and risk-taking as a novelty in this research. Entrepreneurial leadership significantly influences absorptive capacity (Rehman et al., 2021). Knowledge search significantly influences the absorptive capacity (Flor et al., 2017). Apart from that, there are research results that show that absorptive capacity has a significant influence on innovation performance (Vinding, 2006).

Business owners with a risk-taking attitude can strengthen the relationship between entrepreneurial leadership and knowledge search on innovation performance. There is comprehensive integration between SMEs and technology; therefore, they can carry out optimal transformation so that innovation performance will be easier (Zhu, 2023). There is a close relationship between risk-taking and innovation performance (Llopis et al., 2013)—risks in achieving innovation results. Achieving innovation is based on much uncertainty, but risk-taking is necessary (Giaccone & Magnusson, 2022). The synthesis between absorptive capacity and risk-taking will be more optimal in increasing the innovation performance of SMEs.

Based on the research problems and previous research results, this research aims to analyze the influence of entrepreneurial leadership and knowledge search on innovation performance. It also analyzes the role of absorptive capacity as a mediating variable and risk-taking as a moderator in this influence.

## **B. LITERATURE REVIEW**

### ***Entrepreneurial Leadership***

Entrepreneurial leadership combines two concepts, namely entrepreneurship and leadership. Entrepreneurial leadership is implementing a leadership style applied by entrepreneurs with an entrepreneurial mindset (Soomro et al., 2018). Leaders who implement the concept of entrepreneurial leadership have an open mind regarding new opportunities. Entrepreneurial leadership makes it easy for businesses to respond to existing opportunities by creating unique innovations (Fontana & Musa, 2017). Organizations will be more innovative by adapting and

applying new ideas; therefore, innovation can continue to be carried out. Entrepreneurial leadership can exploit business opportunities around it and utilize them in the form of innovation. Therefore, absorptive capacity is needed for the knowledge that entrepreneurial leadership must possess (Rehman et al., 2021). One of the characteristics of entrepreneurial leadership is the ability to obtain and integrate the knowledge gained (Hussain & Li, 2022). Entrepreneurial leadership is reflected by identifying opportunities. This identification can be done by analyzing the existing environment. The results of the analysis process are realized in absorption; therefore, the results can be used optimally.

**H1:** Entrepreneurial Leadership Has a Significant Influence on Innovation Performance

**H3:** Entrepreneurial Leadership Has a Significant Influence on Absorptive Capacity

### ***Knowledge Search***

Knowledge is an important asset for a company. Companies do not only rely on themselves to obtain information, but leaders need to seek knowledge from outside (Cen et al., 2023). Knowledge search is the main driver for creating innovative ideas and discovering the latest breakthrough solutions (Ehls et al., 2020). Through knowledge search, expanding and optimizing original knowledge leads SME owners to learn widely and develop new skills (Chaochotechuang et al., 2020). Knowledge search enriches the knowledge available to SMEs by adding new, distinctive variations to the knowledge base and providing new options for solving problems. Therefore, SMEs can try to conduct knowledge searches in the external environment to pursue knowledge diversity across organizational boundaries and industry segments (Yu Zhang et al., 2022)The knowledge search process will produce a database that can be used to develop product innovations and improve business innovation performance.

**H2:** Knowledge Search Has a Significant Influence on Innovation Performance

**H4:** Knowledge Search Has a Significant Influence on Absorptive Capacity

### ***Absorptive Capacity***

Absorptive capacity is believed to be the ability of business owners to acquire, combine, change, and exploit existing knowledge resources (Wu et al., 2021). Absorptive capacity can produce important organizational results (Yildiz et al., 2024). Internal innovation is insufficient to create a competitive advantage, requiring SMEs to acquire external knowledge, assimilation,

and exploitation. Previous research supports the idea that absorptive capacity is related to innovation capability and performance.

Entrepreneurial Leadership involves identifying existing opportunities, and the results are processed into a unique form of innovation (Fontana & Musa, 2017). Therefore, in creating innovation performance, business owners need entrepreneurial leadership skills (Fuadiputra & Putri, 2023). The process of identifying opportunities requires the ability to absorb knowledge that comes from outside to produce ideas and insights (Kastelli et al., 2023). The ability to absorb existing knowledge makes it easier for the business to find unique innovations; therefore, innovation performance will increase. Empirical studies show that knowledge search significantly influences innovation performance (Liao & Li, 2023). Knowledge searches carried out by SME owners will make it easier for owners to innovate (Ehls et al., 2020). Therefore, in this study, absorptive capacity can also be a mediator in improving innovation performance.

**H5:** Absorptive Capacity Has a Significant Influence on Innovation Performance

**H6:** Absorptive Capacity Mediates the Influence of Entrepreneurial Leadership on Innovation Performance

**H7:** Absorptive Capacity Mediates the Influence of Knowledge Search on Innovation Performance

### ***Risk Taking***

Risk-taking is a situation where an individual makes a decision involving a choice of different desired alternatives; due to the uncertain choice, there is a possibility of an error. Risk-taking behavior encourages leaders to look at external conditions in the business (Al-Mamary & Alshallaqi, 2022). Conditions will cause the emergence of innovative ideas and thoughts from business people. This idea is realized in implementing business innovations to increase business performance (Robertson et al., 2023). Risk-taking can increase accuracy in identifying opportunities and creating innovation. This risk can strengthen innovative performance behavior carried out by business owners (Widianingsih et al., 2023). Risk-taking is important because the resources invested in innovation activities are ultimately well-managed. Risk-taking involves investing significant resources in activities with a significant probability of failure, including incurring large debts or making large resource commitments to reap high potential benefits (Liu et al., 2023). Therefore, in this study, risk-taking can also be a moderator in improving innovation performance.

**H<sub>8</sub>:** Risk-Taking Moderates the Influence of Entrepreneurial Leadership on Innovation Performance

**H<sub>9</sub>:** Risk Taking Moderates the Influence of Knowledge Search on Innovation Performance.

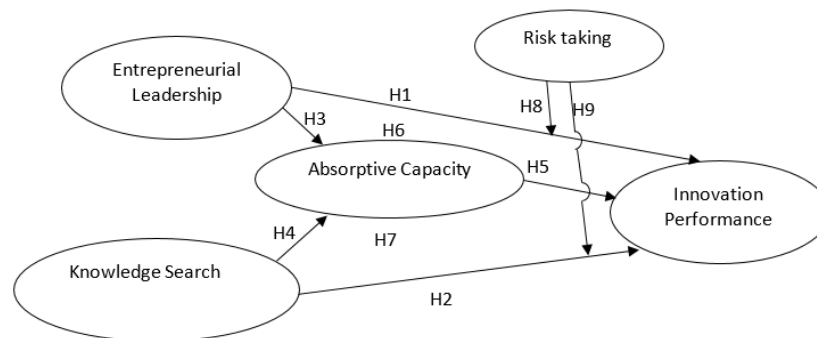


Figure 1. Conceptual Framework  
Source: Data Processed by Researchers, 2024

### C. RESEARCH METHOD

The research that has been carried out implements a quantitative approach. A quantitative approach is defined as an approach with a positivist paradigm based on the reality of the conditions observed (Sekaran & Bougie, 2016). This research uses a type of research included in the explanatory research category because the research aims to explain a causal relationship of research variables carried out through hypothesis testing (Sugiyono, 2013). The primary data was collected through questionnaires.

The population in this research is all 454 Culinary SME owners in Rembang Regency. This research uses purposive sampling as the sampling method. The choice of this method was due to the criteria (specificity) used by the research, which refers to the research objective (Sekaran & Bougie, 2016). The sample size calculation used was based on the Slovin formula. The number of respondents was 81,95, rounded to 82.

The criteria for selecting respondents were that they had been operating for at least 1 year and had a minimum of 3 employees. The analysis technique applied is SEM PLS analysis (SEM with a variance-based SEM or PLS approach), Which was processed with Smartpls 4.0 software. For measuring entrepreneurial leadership, we used 5 indicators, namely risk-taking, ability to motivate, visionary, achievement-oriented, and persistent, as Rumaji & Ilhami (2024) proposed. There were 2 indicators for knowledge search: exploratory knowledge search and

exploitative knowledge search (Yu Zhang et al., 2022). Absorptive capacity was measured using 4 indicators (acquisition, assimilation, transformation, and exploitation) proposed by Flor et al. (2017). Risk-taking uses 3 indicators: ethical, financial, and safety (Llopis et al., 2013). Innovation performance was used in 3 indicators (product, process, and marketing innovation) (Yu et al., 2022).

## D. RESULTS AND DISCUSSION

The description of respondent characteristics can be explained in Table 1.

Table 1. Characteristics of Respondents

Characteristics of Research Respondents	Description	Percentage
Number of employees	3 to 6 persons	73%
	7 to 10 persons	12%
	11 to 14 persons	10%
	More than 15 persons	5%
Length of Business	1 to 5 years	63%
	6 to 10 years	21%
	More than 11 years	16%
Gender	Male	46%
	Female	54%
Last education	Elementary School	34%
	Junior High School	17%
	Senior High School	34%
	Associate Degree	1%
	Bachelor Degree	12%
	Master Degree	1%

Source: Processed Questionnaire Data, 2024

### *Convergent Validity*

A construct that shows high validity if it has an Average Variance Extraction (AVE) value that has a value greater than 0.5 (Hair et al., 2019). Based on the results of data processing carried out by researchers, it can be seen that the overall research constructs have values for the constructs of innovation performance, entrepreneurial leadership, knowledge search, absorptive capacity, and risk-taking, which have values of 0.51, 0.50, 0.52, 0.52, and 0.54. This shows that the larger value equals 0.5 if the value is valid according to the validity criteria using the AVE value.

Apart from using the AVE value, a construct can be valid if it has a loading factor value of more than 0.6 (Hair et al., 2019). Several items had to be deleted in this study because they

did not meet the previous criteria. In the entrepreneurial leadership construct, there is 1 indicator missing, namely visionary, because business people do not have a specific vision or hope to achieve but instead use a business concept like running water. Then, 1 indicator was deleted from the acquisition indicator for the absorptive capacity construct. Rembang Regency Culinary SME owners consider the acquisition process complicated and require a long time, especially when gathering knowledge. The loading factor value is in the range of 0.620 – 0.810.

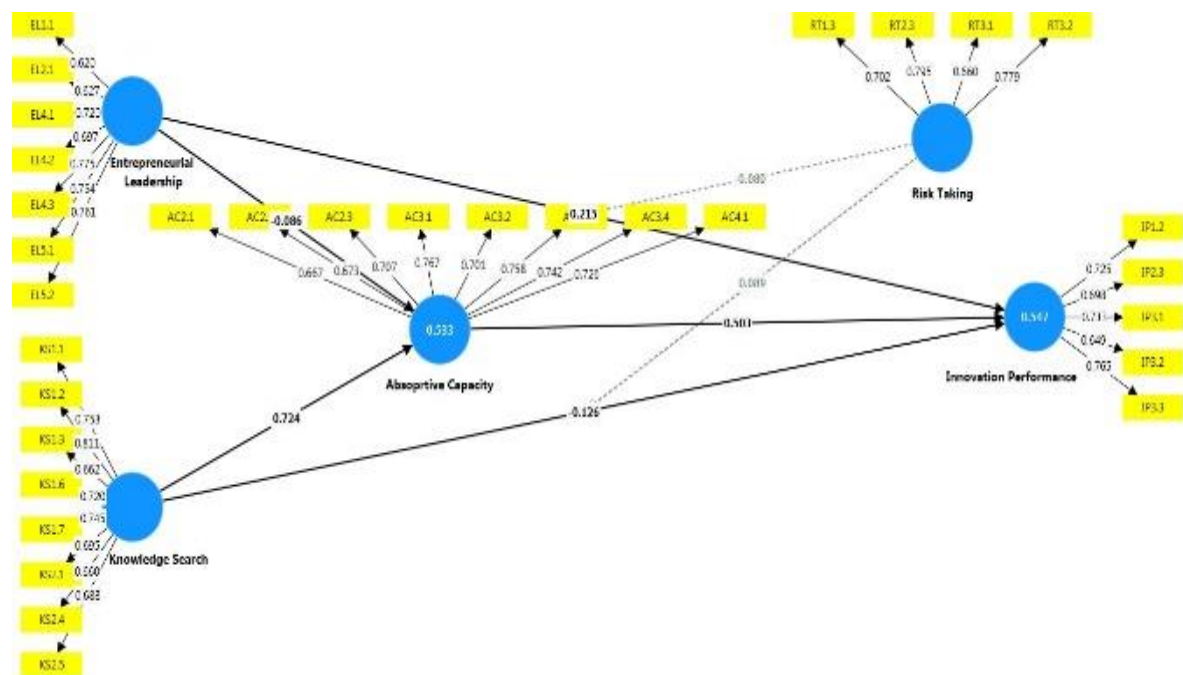


Figure 2. Loading Factor Value

Source: Data Processed by Researchers, 2024

### Reliability

In this study, the level of reliability was measured using the Cronbach alpha and composite reliability values. A construct can be declared reliable if it has a Cronbach alpha value greater than 0.7 and a composite reliability value greater than 0.7 (Sekaran & Bougie, 2016).

Table 2. Construct Reliability

Variable	Cronbach Alpha	Composite Reliability
Entrepreneurial Leadership	0.837	0.839
Knowledge Search	0.865	0.870
Innovation Performance	0.763	0.771
Absorptive Capacity	0.866	0.867
Risk Taking	0.716	0.721

Sourced: Data Processed by Researchers, 2024



Table 2 shows that all constructs have met the Cronbach alpha and composite reliability criteria, so it can be concluded that all constructs in the research model are reliable.

### *Coefficient of determination and Goodness of Fit (GoF)*

The coefficient of determination in this research is used to see to what extent the exogenous constructs in the model can explain the endogenous variable constructs (Hair et al., 2019). Table 4 shows the adjusted R-Square value of 0.52 or 52% for Absorptive Capacity and 0.51 or 51% for Innovation Performance. This shows that the Absorptive capacity construct can be explained by the entrepreneurial leadership and knowledge search constructs by 52%, while other constructs outside the model explain the remaining 48%. The innovation performance can be explained by the constructs of entrepreneurial leadership, knowledge search, and absorptive capacity at 51%.

Table 3. Coefficient of Determination

Variable	Adjusted R-Square
Absorptive Capacity	0.522
Innovation Performance	0.511

Sourced: Data Processed by Researchers, 2024

In calculating Goodness of Fit (GoF) in this research, the following formula is used:

$$\begin{aligned}
 \text{GoF} &= 1 - (1 - R_1^2) \times (1 - R_2^2) \\
 &= 1 - (1 - 0.522^2) \times (1 - 0.511^2) \\
 &= 1 - (1 - 0.272) \times (1 - 0.261) \\
 &= 1 - 0.538 = 0.462
 \end{aligned}$$

Based on the calculations above, the research model shows a positive value, so it can be concluded that it is suitable for the data obtained.

Table 4. Obtained T-Statistics and P-Value

Relationship	Coefficient	T-Statistic	P-Value	Decision
Entrepreneurial Leadership → Innovation Performance (H1)	0.172	1.440	0.149	Rejected
Knowledge Search → Innovation Performance (H2)	0.238	2.089	0.037	Supported
Entrepreneurial Leadership → Absorptive Capacity (H3)	-0.086	0.701	0.483	Rejected
Knowledge Search → Absorptive Capacity (H4)	0.724	14.703	0.000	Supported
Absorptive Capacity → Innovation Performance (H5)	0.503	3.611	0.000	Supported

Relationship	Coefficient	T-Statistic	P-Value	Decision
Risk Taking x Entrepreneurial Leadership → Innovation Performance (H8)	-0.080	0.927	0.354	Rejected
Risk Taking x Knowledge Search → Innovation Performance (H9)	0.089	1.026	0.305	Rejected

Sourced: Data Processed by Researchers, 2024

Table 5. The result of the Path Analysis Model

Path Analysis	Coefficient	T-Statistic	P-Value	Decision
Entrepreneurial Leadership → Absorptive Capacity → Innovation Performance (H6)	-0.043	0.672	0.502	Rejected
Knowledge Search → Absorptive Capacity → Innovation Performance (H6)	0.364	3.414	0.001	Supported

Source: Data Processed by Researchers, 2024

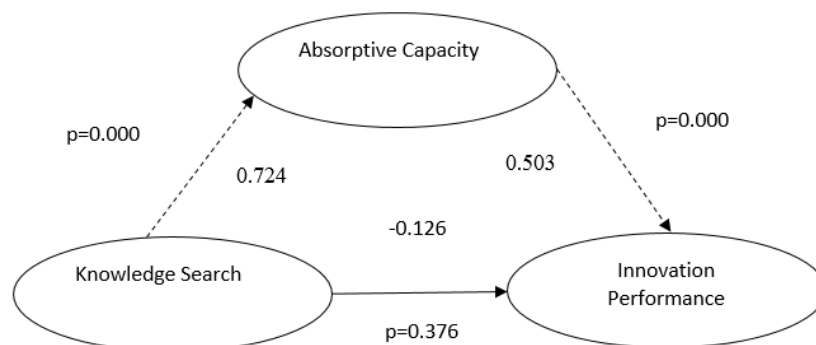


Figure 3. Testing Mediation Properties

Source: Data Processed by Researchers, 2024

### *Hypothesis test*

In this research, 7 hypotheses have been tested previously. These tests are direct, mediation, and moderation tests guided by the t-statistic value and the resulting p-value. The hypothesis can be accepted if the statistical t-value is  $>1.96$  and the p-value is  $<0.05$ . Table 4 and Table 5 show the results of hypothesis testing.

Based on the acceptance criteria of the previous hypothesis, entrepreneurial leadership has an insignificant influence on innovation performance. This indicates that the entrepreneur-

ial leadership attitude carried out by Culinary SME entrepreneurs cannot increase the innovation performance of the built businesses. On the other hand, a knowledge search on innovation performance shows significant results. The knowledge search behavior only influences the creation of innovations in the business being built. Business owners determine other strategies in formulating ideas to increase innovation.

Entrepreneurial leadership does not have a significant influence on absorptive capacity. If a Culinary SME entrepreneur applies the concept of entrepreneurial leadership, it will only have a very small influence on the absorptive capacity carried out. Apart from that, a knowledge search on absorptive capacity obtained significant results, so it can be concluded that the fourth hypothesis is accepted. The knowledge search behavior will encourage absorptive capacity; therefore, the knowledge management carried out can be optimally utilized by the organization. Apart from that, absorptive capacity significantly influences innovation performance, so the fifth hypothesis has been declared accepted. Culinary business owners implementing absorptive capacity when they have obtained optimal knowledge will facilitate increased innovation performance.

Table 5 describes the path coefficient analysis. In the sixth hypothesis, it is stated that absorptive capacity mediates the influence of entrepreneurial leadership on absorptive capacity. Therefore, it can be stated that the hypothesis is rejected. This indicates that absorptive capacity cannot act as a mediating variable on the influence of entrepreneurial leadership on innovation performance.

On the other hand, the seventh hypothesis on the role of absorptive capacity in mediating the influence of knowledge search on innovation performance is accepted. In Figure 3, the nature of mediation in the research is partial mediation. The knowledge search that has been carried out can improve innovation performance with or without using absorptive capacity. The moderation test indicates that risk-taking cannot moderate either the influence of entrepreneurial leadership or knowledge search on the influence of innovation performance. This means that the risk-taking attitude can neither strengthen nor weaken the existing influence.

## ***Discussion***

### **The Influence of Entrepreneurial Leadership on Innovation Performance**

The findings that have been produced from this research indicate that entrepreneurial leadership behavior implemented by business owners cannot encourage work innovation in

SMEs. The results of this research align with research conducted by Norena-Chavez & Thalassinos (2023), which explains that there is no influence between entrepreneurial leadership and innovation results in business. This can be explained by the fact that when people implement entrepreneurial leadership, it will not encourage the creation of innovation. SME owners do not apply the concept of entrepreneurial leadership well, such as identifying opportunities; they only follow what exists without any desire to develop (Ataei et al., 2024). Ideas will emerge from scanning the surrounding environment to create new creations for the products/services offered. Also, culinary SMEs lack employee involvement in idea creation; therefore, they cannot produce a complete entrepreneurial concept.

### **The Influence of Knowledge Search on Innovation Performance**

The research results show that knowledge search significantly influences innovation performance. These findings are suitable to Yanli Zhang et al. (2021) who indicated that knowledge search has value for creating innovation. These findings indicate that knowledge search behavior influences innovation performance. By searching for knowledge, SME owners can enrich their knowledge. Therefore, the creation of innovation can increase (Chaochotechuang et al., 2020). The knowledge that has been obtained makes it easier to find out what innovations are needed by the customers; therefore, it is easier to achieve customer satisfaction (Suwignjo et al., 2022).

### **The Influence of Entrepreneurial Leadership on Absorptive Capacity**

Research findings show that entrepreneurial leadership has no significant influence on absorptive capacity. The results of this research contradict Rehman et al. (2021), who state that entrepreneurial leadership can encourage absorptive capacity. This indicates that entrepreneurial leadership has little influence on absorptive capacity. The results of previous research explain that applying the entrepreneurial leadership concept encourages the emergence of absorptive capacity before an idea can be realized (Lewandowska, 2015). However, existing facts reveal that after finding a business opportunity, business owners immediately implement it as an idea without any longer absorption process, such as assimilation and knowledge acquisition; therefore, the idea can be realized immediately. Business owners implement ideas more quickly, remembering that innovation and creation must be done immediately. Therefore, business continuity can be maintained (Rehman et al., 2021).

### **The Influence of Knowledge Search on Absorptive Capacity**

The findings of this research show that knowledge search has a significant influence on

absorptive capacity. This finding aligns with research conducted by Flor et al. (2017), which indicated that knowledge search behavior encourages absorptive capacity. This confirms that the knowledge search behavior will encourage absorptive capacity—existing knowledge is a basis for making strategies (Sancho-zamora et al., 2022). Business owners must intensively carry out knowledge so that the information and knowledge they obtain becomes more diverse (Tibau et al., 2018). Next, this knowledge and information is processed, transformed, developed, and applied (Kim et al., 2019). Therefore, good absorptive abilities are needed so that knowledge search results can be used optimally.

### **The Influence of Absorptive Capacity on Innovation Performance**

The research results show that absorptive capacity significantly influences innovation performance. This finding aligns with research conducted by Sancho-zamora et al. (2022), which shows that absorptive capacity significantly influences innovation performance. This explains that the better the skill for absorptive capacity, the more the business will easily achieve innovative results. Business owners strive to transform, develop, and apply the knowledge and information obtained (Müller et al., 2020). Increasing absorptive capacity efforts must also be supported by increasing the value of existing knowledge and information. Therefore, the exploitation process can be more effective. These efforts are realized in the implementation of innovation strategies in business. The influence of the strategy implementation process will make it easier to increase innovation performance.

### **Absorptive Capacity Mediates the Influence of Entrepreneurial Leadership on Innovation Performance**

Research findings show that absorptive capacity does not play a role as a mediating variable on the influence of entrepreneurial leadership on innovation performance. This explains that entrepreneurial leadership influences innovation performance directly without going through absorptive capacity. Another result that causes the absorptive capacity not to play a role is that business owners who have implemented the concept of entrepreneurial leadership, after finding a business opportunity, immediately implement it in the form of an idea without a longer absorption process (Rehman et al., 2021).

### **Absorptive Capacity Mediates the Influence of Knowledge Searched on Innovation Performance**

The research results show that absorptive capacity can act as a mediating variable on the influence of knowledge search on innovation performance. In this research, absorptive capacity

is partial mediation. This indicates that knowledge search can influence innovation performance without or with absorptive capacity. Business owners implementing knowledge search for information and knowledge must carry out an absorptive capacity process. The absorptive process aims to make the results of information and knowledge processing more valuable through transformation, assimilation, development, and application activities (Tibau et al., 2018). Furthermore, this process will create unique, innovative creations from culinary business owners. The collection of innovation results can create good innovation performance.

### **Risk-Taking Moderates the Influence of Entrepreneurial Leadership on Innovation Performance**

The research results show that risk-taking cannot moderate the influence of entrepreneurial leadership on innovation performance. This means that business owners' risk-taking has little influence. Many business owners fear taking risks in running a business (Dvorsky et al., 2021). This attitude is related to failure in running a business. Low risk-taking is also because most business owners are just starting, so the business owners have little experience (Lattacher & Wdowiak, 2020). Business owners tend to think of other strategies for creating innovation, such as creating innovation based on opportunities, which is the concept of entrepreneurial leadership.

### **Risk-Taking Moderates the Influence of Knowledge Search on Innovation Performance**

Research findings reveal that risk-taking cannot moderate the influence of knowledge search on innovation performance. This explains that the risk-taking carried out had a small impact. Limited knowledge sources and a long knowledge search process cause reluctance to carry out these activities (H. Zhang, 2022). Many new business owners do not dare to take risks in creating innovation (Dvorsky et al., 2021). This stance is taken as an anticipation of failure in business. Low risk-taking is also because most business owners are just starting, so they have little experience (Lattacher & Wdowiak, 2020). In addition, this research shows that risk-taking can play a direct role in creating innovative business results.

## **E. CONCLUSION**

Innovation performance can be influenced by knowledge search and absorptive capacity. Knowledge search can also influence innovation with or without absorptive capacity. However, in this research, risk-taking could not strengthen the influence of entrepreneurial leadership and knowledge search on innovation performance.

This research contributes to achieving business performance regarding entrepreneurial leadership and knowledge search. Although previous research examined the influence of entrepreneurial leadership and knowledge search in various contexts, it specifically focused on culinary businesses. This context provides unique value by adding valuable knowledge to businesses to achieve better innovation. Future research can utilize the findings obtained from this research by developing and exploring factors that can encourage the creation of innovative performance, such as organizational agility, creativity, and digital competitiveness. In addition, future research will consider how long a business has been built to obtain better information.

Several limitations in this research require follow-up for improvement. Firstly, the SMEs studied were only small in scope, namely the Rembang district, so the research results cannot be generalized. Then, respondents were only limited to 1 year of business time, so the experience gained was not optimal.

Innovation performance can be influenced by knowledge search and absorptive capacity. Knowledge search can also influence innovation with or without absorptive capacity. However, in this research, risk-taking could not strengthen the influence of entrepreneurial leadership and knowledge search on innovation performance.

The findings of this research yield several implications for practice and future research. First, this research highlights the importance of innovation performance, especially for culinary business owners. The research results emphasize that the concept of implementing knowledge search can be used to produce innovations for businesses. The knowledge search process will be useful for the business.

Second, this research highlights the mediating role of absorptive capacity on the influence of knowledge search on innovation performance. This implies that increasing absorptive capacity must be a top priority for culinary business owners in Rembang Regency to improve innovation performance. SME owners must consider strategies that must be implemented, such as providing intellectual stimulation. Increasing absorptive capabilities will encourage the creation of innovations for business owners.

Overall, the implications of this research explain that culinary business owners must prioritize optimal absorptive capacity to improve innovation performance. By paying attention to strategies for innovation performance strategies and their mediating role in the influence of entrepreneurial leadership and knowledge search, we can formulate appropriate strategies to encourage optimal business performance.

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