Knowledge Management, Business Environment, and Entrepreneurial Orientation OnThe Performance of Small-Scale Restaurant Enterprises.

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ARTICLE INFO	ABSTRACT
Research Paper **Article history:** Received: 14 August 2025 Revised: 10 September 2025 Accepted: 10 October 2025 **Keywords:** Knowledge Management, Business Environment, Entrepreneurial Orientation, SME	The issues surrounding the performance of small-scale restaurant businesses in Pariaman City prompted this research, which aims to examine Operational Management (OM) problems integrated with the influence of Knowledge Management (KM), Business Environment (BE), and Entrepreneurial Orientation (EO) on small business performance. This study employs a mixed-method approach, combining quantitative and qualitative research. Data was collected through Likert-scale questionnaires (91 respondents) and interviews with relevant informants. The results indicate that: (KM) has a positive and significant effect on Performance. (BE) has a positive and significant effect on Performance. (EO) has a positive and significant effect on Performance. The R^2 value of 0.795 for the Performance, the "good" category, indicating that approximately 79.5% of the variance in the dependent variable can be explained by the independent variables in the model. The low knowledge creation indicator in (KM) correlates with the need for supervision in business performance, reflecting that poor knowledge-sharing habits create information gaps among employees, leading to weak compliance with operational procedures. The low competition level indicator in (BE) relates to supervision needs in performance, suggesting that restaurants lack creative initiatives, neglect quality control, and fail to evaluate or innovate, increasing the risk of failure. The low innovation indicator in (EO) ties to supervision needs, indicating that a lack of innovative spirit affects fundamental aspects like hygiene and product quality.

INTRODUCTION

As a primary driver of economic development, the Micro, Small, and Medium Enterprises (MSMEs) sector plays a crucial role in the national economy. MSMEs not only generate employment and added value but also significantly contribute to strengthening community economic resilience, particularly during crises. In practice, MSMEs demonstrate remarkable resilience and serve as an integral part of economic development solutions through direct community participation across various economic sectors. The substantial number of MSMEs makes them a strategic sector in regional economic development. Beyond fostering economic growth and labor absorption, MSMEs also promote equitable distribution of development outcomes. However, MSMEs continue to face multiple challenges, including limited access to financial institutions, low human resource quality, conventional business management practices, restricted technological adoption, and difficulties in adapting products to

shifting consumer preferences—particularly in export markets. Despite these constraints, the entrepreneurial spirit among MSME actors remains strong, consistently showcasing their resilience. The Indonesian government actively encourages public engagement in the MSME sector. This support is reinforced by Government Regulation No. 7 of 2021, which stipulates opportunities for MSME business development.

Small-Scale Restaurants as an Economic Catalyst
Small-scale restaurants play a vital role in advancing community economic growth. Typically managed with simple operations and relatively low capital, these businesses serve as a strategic alternative for generating economic value. Consequently, their existence is inseparable from societal life, as they not only fulfill consumption needs but also hold potential as pillars of people's economy. According to Indonesia's Central Statistics Agency (BPS) 2023 data, West Sumatra Province recorded 4,144 small-scale enterprises, ranking second in Sumatra after North Sumatra. This figure reflects a significant year-on-year growth trend. Notably, all 19 districts/cities in West Sumatra possess substantial small business potential, contributing markedly to regional economic growth. Among the dominant small business sectors in this region are restaurants, which have demonstrated consistent expansion over the past three years based on BPS West Sumatra data. The growth of Small-Scale Restaurants in West Sumatra's districts/cities from 2020–2023 is presented in the following table:

Table 1. Number of Restaurants in West Sumatera Province (2020-2023)

City/District	Year			
	2020	**2021**	**2022**	**2023**
Kepulauan Mentawai	28	34	103	93
Pesisir Selatan	137	146	146	146
Solok	89	89	67	67
Padang	318	203	204	335
Sijunjung	48	133	133	134
Tanah Datar	41	41	51	51
Padang Pariaman	54	59	63	60
Agam	54	56	210	210
Lima Puluh Kota	57	42	42	43
Pasaman	47	47	48	50
Solok Selatan	48	64	64	64
Dharmasraya	62	23	30	63
Pasaman Barat	80	86	106	106
Kota Sawahlunto	46	68	68	66
Padang Panjang	76	81	71	71
Bukittinggi	61	50	48	75
Payakumbuh	30	188	189	190
Pariaman	91	91	91	91
West Sumatera Province	1.367	1.501	1.734	1.915

Source: Central Statistics Agency (BPS) of West Sumatra Province, 2020-2023

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Base on Table 1 Distribution of Micro and Small Enterprises in West Sumatra In general, the distribution of micro and small enterprises in West Sumatra shows consistent growth in Pariaman City compared to other regions. Three areas—Padang, Pesisir Selatan, and Pariaman City—are recognized as coastal tourist destinations, necessitating the development of culinary businesses, particularly restaurants. However, Pariaman City remains relatively underdeveloped, with the lowest number of restaurants among these regions. The distribution of small-scale restaurants in Pariaman City by sub-district (2020–2023) is presented in the following table:

Table 2. Number of Restaurants in Pariaman City (2020-2023)

Sub-District	Small-Scale Restaurants			
	2020	2021	2022	2023
South Pariaman	19	19	19	19
Central Pariaman	54	54	54	54
East Pariaman	11	11	11	11
Nort Pariaman	7	7	7	7
Pariaman City	91	91	91	91

Source: Central Statistics Agency (BPS) of Pariaman City, 2020-2023*

As shown in Table 2, the number of small-scale restaurants has remained stagnant year after year, with the highest concentration consistently found in Central Pariaman. This stagnation contrasts with Pariaman City's vision to become a religious and cultural hub for tourism, trade, and services. Such a clear vision should ideally create opportunities to develop a supportive business ecosystem that fosters sustainable new ventures.

Interview results with several restaurant owners in Pariaman City reveal that poor business performance stems from multiple factors. The primary issue lies in operational management (including planning, organizing, and overseeing daily business operations), which remains largely traditional and passed down through generations without updates in managerial knowledge or skills. Limited understanding of business management - particularly in financial, marketing, and production aspects - directly impacts operational performance.

Furthermore, complex regulations and bureaucratic inefficiencies present additional barriers to business development. Cumbersome licensing processes and limited access to formal financing options hinder many small businesses from sustainable growth. These challenges are compounded by a lack of product innovation and differentiation, leaving most small restaurants unable to create added value or maximize their market appeal.

Table 3. Interview Results with Owners/Managers of Small-Scale Restaurants in Pariaman City

No	Business Performance Improvement Aspects	
A.	**Business Performance Enhancement**	**Achievement Level**
1	Government Support	30%
2	Technology/Internet Implementation	40%
3	Training Participation	30%
B.	**Business Performance Enhancement**	**Implemented by Food SMEs**
1	Product Planning	Based on business intuition
2	Product Type/Development	Based on business intuition
3	Quality Control	Based on business intuition
4	Organizational Structure	Family/relatives-based
5	Workforce Recruitment	Family/relatives-based

Source: Processed from researcher's informal interviews, 2025

Table 3 reveals that government support (in the form of regulations, financial assistance, etc.) accounts for only 30%, indicating that 70% of business sustainability relies on restaurant owners' initiatives. Technology/internet adoption stands at 40%, while training participation remains at 30%, both dependent on owner willingness. Regarding product development aspects - including product quantity expansion, product diversification, and quality control - decisions are primarily made based on "business intuition." Meanwhile, organizational structure and workforce recruitment predominantly involve immediate family members.

Competitive Challenges and Strategic Approaches: The increasingly competitive business landscape demands robust survival strategies. For small-scale restaurants in Pariaman City, implementing effective knowledge management presents a viable solution to enhance competitiveness and sustainability. Dini (2023) defines knowledge management as organizational processes to identify, create, articulate, and distribute knowledge for optimal reuse within the organization. The local business environment remains deeply influenced by cultural traditions, evident in culinary offerings, management practices, and community norms. As Yoval & Fikri (2023) conceptualize, the business environment encompasses all internal and external conditions affecting corporate policy direction. However, stagnant business growth in Pariaman City suggests entrepreneurial orientation challenges. Lumpkin and Dess (cited in Rianto et al., 2020) characterize entrepreneurial orientation as strategic innovation processes involving proactive risk-taking and novelty-seeking behaviors.

This study employs a mixed-methods approach: Qualitative component: Field research examining operational management practices related to knowledge, business environment, and entrepreneurial orientation Quantitative component: Measurement of knowledge management, business environment, and entrepreneurial orientation impacts on business performance. This dual approach provides comprehensive insights - capturing real-world practices while statistically analyzing variable relationships - to formulate strategic recommendations for developing small-scale restaurants in Pariaman City as a tourist destination.

LITERATURE REVIEW
Business Environment
According to Siahaan et al. (2022:11), the business environment encompasses all conditions that directly influence a company's performance and internal situation, whether originating from internal or external surroundings. This confirms that businesses do not operate in isolation but interact directly with surrounding factors. The business environment serves as a crucial reference in determining strategy and the direction of business organizational development. Meanwhile, Maruhawa (2022:4) explains that the business environment consists of all values, individual actors, institutions, and external forces beyond a company's control, yet still significantly impact business performance and sustainability.
From the definitions above, it can be concluded that the business environment comprises all internal and external factors affecting business operations. A business's ability to understand and adapt to this environment is essential for achieving efficiency, competitiveness, and sustainable growth. Thus, the business environment can enhance performance and create opportunities. Indicators, as outlined by Yoval & Fikri (2023:21), include: a. Labor availability, b. Competitor intensity, and c. Market dimensions.

Entrepreneurial Orientation

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Entrepreneurial Orientation (EO) refers to the harmonious integration of entrepreneurial behavior, strategies, and attitudes. This orientation reflects the alignment of entrepreneurial actions in creating adaptive capabilities, enabling companies to build, develop, and structure relevant competencies in response to ever-changing business dynamics. **Tutar (in Feriyansyah & Febriansyah, 2023)** explains that entrepreneurial orientation is the tendency or understanding of the importance of being proactive toward market opportunities, adaptable to market dynamics, and tolerant of risk and change. Meanwhile, **Jannah et al. (2019)** state that entrepreneurial orientation is the ability of a business or entrepreneur to effectively manage available resources through strategic change, allowing them to compete effectively in the market.

From the definitions above, it can be concluded that entrepreneurial orientation (EO) is a process, implementation, and decision-making activity—or an individual's tendency—to identify opportunities, take calculated risks, and compete aggressively to gain a competitive advantage. According to Covin and Slevin (in Rezki Indah et al., 2023:67), the key indicators of entrepreneurial orientation are:a. Proactiveness, b. Innovation, and c. Risk-taking.

Business Performance

Good performance reflects a company's ability to generate profits, manage production processes efficiently, deliver customer satisfaction, develop employee competencies, and contribute positively to society and the surrounding environment. **Asiva (2021)** explains that business performance is a measure of achievement obtained from all marketing process activities carried out by a company or organization (Alhidayatullah et al., 2022; Iskamto et al., 2022, 2024).

Furthermore, Rezki Indah et al. (2023) state that performance can be assessed based on work results evaluated in terms of both quantity and quality, whether by individuals or organizations, in carrying out their assigned responsibilities. Thus, business performance serves as a key indicator in assessing the effectiveness and efficiency of operational activities. According to Bernardin & Russell (in Ramada, 2020:12), the indicators include: a. Quality, b. Quantity, c. Timeliness, d. Cost-effectiveness, e. Need for supervision, and f. Interpersonal impact.

Conceptual Framework

The Relationship Between Operational Management and Quantitative Findings of Knowledge Management, Business Environment, and Entrepreneurial Orientation on Business Performance

Operational Management refers to the process of planning, organizing, and overseeing day-to-day business operations to enhance efficiency and effectiveness. Through systematic processes of identifying, storing, and disseminating knowledge within an organization to improve performance and innovation (Knowledge Management), supported by a Business Environment that influences business operations, and an attitude reflecting innovation, proactiveness, and risk-taking in business operations (Entrepreneurial Orientation), integrated with proper inventory management and quality control, these become key differentiating factors in achieving performance.

The Influence of Knowledge Management on Business Performance

Knowledge management plays a crucial role in business performance as it aids in planning, organizing, directing, and controlling human resources. According to Byukusenge and Muene (2017), effective Knowledge Management through knowledge acquisition, knowledge sharing, and application is essential as it supports managerial decision-making to enhance business performance and boost capacity for creativity and innovation (Dini, 2023).

The Influence of Business Environment on Business Performance

The business environment plays a vital role in improving business performance by creating opportunities and challenges that can be leveraged. Pono (2010) emphasizes the importance of the business environment as a significant factor in operational strategies related to business performance.

This indicates that the environment should be considered a key element when integrated with effective operational strategies for organizational performance.

The Influence of Entrepreneurial Orientation on Business Performance

In running a business, it is essential to align and commit to entrepreneurial behavior in developing actions that create capabilities enabling business growth. According to Hamel & Wijaya (2020:864), a strong entrepreneurial orientation is closely linked to key profit drivers, allowing entrepreneurs to capitalize on opportunities, ultimately positively impacting business performance.

The Combined Influence of Knowledge Management, Business Environment, and Entrepreneurial Orientation on Business Performance (Adriani et al., 2025; Prayitno et al., 2022).

Every business aims to improve its performance, but achieving good performance requires attention to knowledge management, the business environment, and entrepreneurial orientation. Alvianto et al. (2022) state that entrepreneurial orientation and knowledge management simultaneously exert a significant, strong, and positive influence on marketing performance variables. For clarity, please refer to the following diagram:
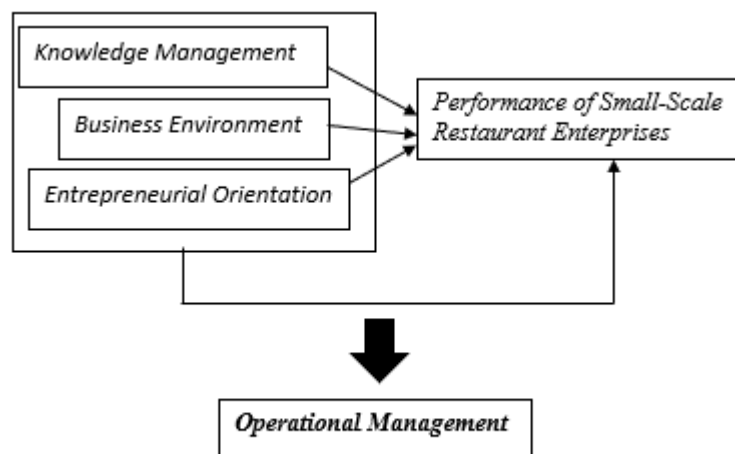

Figure 1. **Conceptual Framework**

METHOD

Based on the problem analysis and research objectives, the method deemed reliable by the researcher is the Mixed Methods Sequential Explanatory approach: an integrated combination of quantitative and qualitative methods. The quantitative method employs Regression equations to examine the causal relationship of influence dimensions (X1), (X2), and (X3) on (Y). According to Hardani et al. (2020:254), quantitative research emphasizes measurement and analysis of cause-effect relationships between various variables. The qualitative phase uses phenomenology with interview and observation guidelines, followed by linking/integrating the quantitative results with qualitative findings. As stated by Sugiyono (2018:80), a population is a generalization area consisting of objects or subjects with specific quantities and characteristics determined by researchers for study and subsequent conclusion drawing. The population in this study comprises all small restaurant businesses in Pariaman City, totaling 91 restaurants.

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RESULT AND DISCUSSION

The validity test is used to measure the validity or validity of a questionnaire, the validity test is carried out by comparing the value of r count with r arithmetic table at a significant level of 5% for 2- sided test, if r count r table then the measuring instrument used is declared valid or viceversa, if r count r table then the measuring instrument used is not valid. In this study, the critical correlation table for the value of r is r (N-2) where N is the number of respondents with a significance level of 5%.

Table 2. Validity Test of *Knowledge Management, Business Environment, Entrepreneurial Orientation and Performance of Small-Scale*

Item Pernreality	Person Correlation Knowledge Management	Person Correlation Business Envieoment	Person Correlation Entrepreneurial Orinetation	Person Correlation Performance Of Small- scale
1.	0.513	0.411	0.374	0.416
2.	0.457	0.404	0.421	0.437
3.	0.365	0.407	0.372	0.394
4.	0.408	0.407	0.428	0.400
5.	0,418	0,411	0,469	0,373
6.	0,410	0,456	0,372	0,369
7.				0.391
8.				0.460
9.				0.364
10.				0.411
11.				0.378
12.				0.385

Source: Data Processing Results Appendix, 2025

The results Base on **Table 2** of the Validity Test on the variables can besee that all statement items of the variables *Knowledge Management, Business Environment, Entrepreneurial Orientation and Performance of Small-Scale* found values of correlated item total correlation > 0.361.

Reliability test using Cronbach's Alpha, where the r table value (0.60) means that all the instrument items are reliable. The following are the results of the reliability test of each research variable:

Table 3: Reliability Test

No	Vvariable	Cronbach's Alpha	Information
1	*Knowledge Management* (KM)	0.698	Reliable
2	*Business Environment* (BE)	0.686	Reliable
3	*Entrepreneurial Orientation* (EO)	0.677	Reliable
5	*Performance of Small-Scale* (P)	0.762	Reliable

Source; Data Process, 2025

Based on the table 3 above, it can be concluded that all question items are reliable. All variables are reliable because the results of the Cornbach Alpha are large from 0.6 (for n = 30 r table = 0.60

Construction Results Diagram

The results of the research model can be seen in the following image:
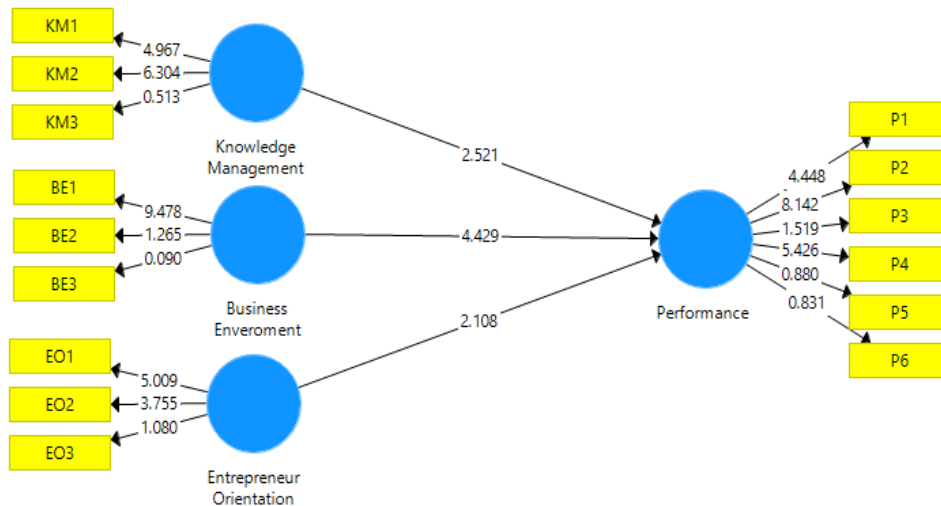
Figure 2. Research Path Diagram

From Figure 1, hypothesis testing was conducted using t-statistics values. The parameters for determining the presence of partial influence can be identified based on the obtained t-statistics values. If the value is greater than 1.96, there is an influence of the exogenous variable on the endogenous variable or between endogenous variables. Conversely, if the t-statistics value is less than 1.96, there is no influence of the exogenous variable on the endogenous variable or between endogenous variables. The influence of Knowledge Management on performance is positive and significant, with a calculated t-value (2.521) > 1.96. The influence of Business Environment on performance is positive and significant, with a calculated t-value (4.429) > 1.96. The influence of Entrepreneurial Orientation on performance is positive and significant, with a calculated t-value (2.108) > 1.96.

Results of Variable Influence

Testing Furthermore, hypothesis testing results can be measured from p-values. If the p-value is less than or equal to 0.05, it is considered significant, whereas if the p-value is greater than 0.05, it is considered non-significant:

Table 4. Results of Variable Influence Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Knowledge Management -> Performance	0,336	0,362	0,133	2,521	**0,012**
Business Environment -> Performance	0,516	0,476	0,116	4,429	**0,000**
Entrepreneurial Orientation -> Performance	0,270	0,271	0,128	2,108	**0,036**

Base on Table 4 The analysis reveals that Knowledge Management has a significant positive effect on the performance of small restaurants in Pariaman City, with a coefficient of 0.336. This is supported by a t-statistic of 2.521 (exceeding the critical value of 1.96) and a p-value of 0.012 (below

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the 0.05 threshold). These results indicate that enhancing Knowledge Management practices would lead to improved performance for small restaurants in Pariaman City.

Similarly, Business Environment demonstrates a substantial positive impact on restaurant performance, showing a coefficient of 0.516. The statistical significance of this relationship is confirmed by a t-statistic of 4.429 and a p-value of 0.000. This finding suggests that favorable business environmental conditions contribute significantly to enhancing the operational performance of small restaurants in the area. Furthermore, Entrepreneurial Orientation exhibits a positive and statistically significant influence on performance, with a coefficient of 0.270. The supporting statistics include a t-value of 2.108 and a p-value of 0.036. This indicates that strengthening entrepreneurial orientation among restaurant owners would result in measurable performance improvements.

Structural Model Evaluation Results

The R^2 values of 0.67, 0.33, and 0.19 for the endogenous variables in the structural model indicate that the model demonstrates "good", "moderate", and "weak" explanatory power, respectively (Ghozali & Latan, 2015, p. 139). Based on data processing using Partial Least Squares (PLS) analysis, the coefficient of determination (R-Square) values obtained are presented in the following table:

Table 5. R-Square Values

Variabel	*R-Square*
Knowledge Management	0,795
Business Environment	
Entrepreneurial Orientation	
Performance	

The calculation results of the R^2 value for the Performance variable of small restaurants in Pariaman City show a value of 0.795, which falls into the "good" category. This indicates that approximately 79.5% of the variance in the dependent variable can be explained by the independent variables in the model. The obtained value is relatively high, suggesting that the model demonstrates good accuracy in explaining the relationships between variables. The remaining 0.205 (or 20.5%) represents other variables not examined in this study that may influence Performance.

The Influence of Knowledge Management on Performance of Small-Scale Restaurant Enterprises in Relation to Operational Management in Pariaman City.

Knowledge Management has a positive influence of 0.336 and is significant on the performance variable of small restaurant businesses in Pariaman City. This means that the broader the management knowledge applied, the more the business performance improves.

These research findings are reinforced by the TCR results of the knowledge management variable, where the knowledge implementing indicator obtained an average score of 4.46 and TCR of 89.12, with the first statement being the highest in this indicator: "My restaurant has implemented new knowledge to improve operational efficiency," indicating that respondents agree with this statement under the "very good" criteria. This shows that most restaurants in Pariaman City implement new knowledge to improve work efficiency.

Furthermore, the lowest indicator is knowledge creation with the lowest value obtained averaging 4.03 and TCR 80.55. The first statement that scored lowest in this indicator is: "Employees in my restaurant openly share knowledge and experiences to improve team performance." This indicates that restaurants have not yet openly shared knowledge and experiences in improving team performance. Meanwhile, for the business performance variable, the highest-scoring indicator is interpersonal impact with an

average of 4.51 and TCR 90.22, where the first statement scored highest in this indicator: "I frequently contribute to creating a positive work atmosphere in my team," indicating that respondents strongly agree with this statement under the "very good" criteria. This shows that contributing to creating a positive and comfortable work atmosphere improves restaurant performance. Next, the lowest-scoring indicator is the need for supervision, averaging 3.45 with TCR 68.57, where the second statement scored lowest in this indicator: "I always conduct routine checks to ensure quality and cleanliness standards are maintained," indicating that respondents disagree with this statement under the "fairly good" criteria. This shows that restaurants in Pariaman City still require more supervision and need to conduct routine checks to prevent future problems.

The correlation between the low score of the knowledge creation indicator in the knowledge management variable and the low score of the supervision need indicator in the business performance variable reflects that the lack of knowledge-sharing habits creates information gaps and understanding among employees, resulting in low compliance with operational procedures such as quality and cleanliness checks. By improving the knowledge-sharing culture, quality and cleanliness awareness behaviors also tend to increase. This aligns with Nonaka's (1994) opinion that organizational employees possess valuable information, but sharing this information throughout the organization is challenging. Organizational employees need to share problems, experiences, insights, templates, tools, and best practices. When comparing regression results with TCR results, they show consistent tendencies. The relatively high TCR indicates that restaurants have implemented some management knowledge, and the regression results show that restaurants' perception of this management knowledge contributes to improving performance.

These research findings are supported by previous research conducted by Said, A., et al. (2024) on "Knowledge Management on Micro, Small, and Medium Enterprise Performance in Karawang Regency," with results showing that knowledge management significantly influences the performance of SMEs in Karawang Regency.

The Influence of Business Environment on Performance of Small-Scale Restaurant Enterprises in Relation to Operational Management in Pariaman City.

The Business Environment demonstrates a positive (β=0.516, p<0.05) and significant effect on the performance variable of small restaurants in Pariaman City. This indicates that better understanding of the business environment and development of clear strategies leads to improved business performance. Analysis of the business environment variable reveals: The market dimension indicator shows the highest score (mean=4.62, TCR=92.92), particularly for the statement "I adjust menus and prices to match local market purchasing power and tastes," indicating strong respondent agreement under "excellent" criteria. This suggests restaurants effectively provide menu pricing information to facilitate customer decision-making. The competitor intensity indicator shows the lowest score (mean=3.55, TCR=70.87) for the statement "I consistently seek ways to differentiate my offerings from competitors," indicating only "good" level agreement. This reveals restaurants' limited capability in developing effective competitive strategies and creating distinctive value propositions, potentially leading to competitive disadvantage.

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The positive correlation between high market dimension scores and interpersonal impact scores in performance variables suggests that business operators effectively leverage market potential for future planning while maintaining customer retention, thereby enhancing performance and fostering restaurant development in Pariaman City. This aligns with Maat Pono's (2010) assertion about the business environment's critical role in operational strategies affecting business performance, emphasizing its importance when combined with effective operational strategies for organizational performance. Conversely, the negative correlation between low competitor intensity scores and supervision needs in performance variables indicates that restaurants lacking creative differentiation strategies tend to be less meticulous in quality control. Without proper evaluation mechanisms, even innovative ideas risk failure. This supports Cantele & Zardini's (2020) findings that structured sustainability practices, including quality control measures, enhance competitiveness and customer satisfaction, ultimately strengthening business resilience - suggesting that business creativity (e.g., sustainability programs or service innovations) requires quality evaluation systems to positively impact performance. These findings are corroborated by Solihin and Faza (2024), who found that both business environment variables and entrepreneurial skills significantly influence business performance outcomes.

The Influence of Entrepreneurial Orientation on Performance of Small-Scale Restaurant Enterprises in Relation to Operational Management in Pariaman City.

Entrepreneurial Orientation demonstrates a positive (β=0.270, $p<0.05$) and significant effect on the performance variable of small restaurants in Pariaman City. This indicates that greater innovation and novelty creation leads to improved business performance. These findings are reinforced by analysis of the entrepreneurial orientation variable, revealing: The highest scoring indicator was risk-taking (mean=4.57, TCR=91.31), particularly for the statement "I am prepared to make decisions and take action even without guaranteed outcomes," showing strong respondent agreement under "excellent" criteria. This suggests restaurants demonstrate calculated risk-taking behavior that benefits their operations. The lowest scoring indicator was innovation (mean=3.10, TCR=61.97) for the statement "Innovation plays a role in my restaurant's growth strategy," indicating only "fair" level agreement. This reveals restaurants' limited openness to customer-driven ideas and failure to recognize innovation as a viable growth strategy.

The positive correlation between high risk-taking scores and interpersonal impact scores in performance variables reflects entrepreneurs' ability to capitalize on opportunities despite risks, fostering positive restaurant environments that enhance performance and sustainability in Pariaman City. This aligns with Hamel & Wijaya's (2020, p. 864) findings that strong entrepreneurial orientation correlates with profit drivers, enabling entrepreneurs to seize opportunities that ultimately improve business performance. Conversely, the negative correlation between low innovation scores and supervision needs in performance variables suggests that limited innovative spirit affects fundamental aspects like hygiene and quality, due to insufficient continuous improvement initiatives. This supports Ghana's (2023) research positioning innovation as a mediator between service quality and performance, emphasizing that without basic quality control (e.g., cleanliness checks), innovation cannot yield positive business growth effects.

These results are corroborated by Rianto et al. (2024), whose study found entrepreneurial orientation positively influences the performance of tofu SMEs in Kalisari, demonstrating the broader applicability of these findings across foodservice sectors.

4.   **The Influence of Knowledge Management, Business Environment, and Entrepreneurial Orientation on Performance of Small-Scale Restaurant Enterprises in Relation to Operational Management in Pariaman City.**

The variables of knowledge management, business environment, and entrepreneurial orientation demonstrate positive and significant simultaneous effects, indicating that when restaurants possess and properly understand management knowledge, business environment, and entrepreneurial orientation, they can enhance the performance and future development of small-scale restaurants in Pariaman City. This can be achieved through: Implementing organized planning to foster a knowledge-sharing culture among employees while utilizing information technology to effectively document and disseminate knowledge. Actively monitoring and supervising changes in customer preferences, government regulations, and market trends. Technological utilization enables restaurants to acquire necessary information for business strategy adaptation. Developing entrepreneurial orientation encompassing innovation and decision-making capabilities. This involves encouraging creativity and experimentation in restaurant operations, along with undertaking calculated risks to explore new business opportunities. These findings are supported by Alvianto et al. (2022), who demonstrated that entrepreneurial orientation and knowledge management collectively exert significant, strong, and positive effects on marketing performance variables. Improved entrepreneurial orientation and knowledge management variables consequently enhance marketing performance, as evidenced in the study of Amanah Guitar Cluster in Baki District, Sukoharjo Regency. Furthermore, Yoval et al. (2023) confirmed that the business environment has a significantly positive influence on operational performance.

The study reveals that the synergistic integration of these three variables - knowledge management systems, business environment awareness, and entrepreneurial orientation - creates a robust framework for operational excellence in small-scale restaurant enterprises. This multidimensional approach enables businesses to simultaneously address internal capability development (through knowledge management), external market responsiveness (through business environment monitoring), and innovative capacity (through entrepreneurial orientation), thereby generating superior performance outcomes

CONCLUSION

This study finds that Knowledge Management, Business Environment, and Entrepreneurial Orientation have a positive and significant influence on the Performance of Small-Scale Restaurant Enterprises in Pariaman City. These findings can be further explored through qualitative insights into Operational Management (the process of planning, organizing, and overseeing daily business operations to enhance efficiency and effectiveness) to identify solutions for improved performance. As such, the research results can serve as a reference for policymakers in Pariaman City to formulate strategic steps in supporting the Small-Scale Restaurant Enterprises sector.

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