

ABSTRACT

The purpose of this study is to investigate how knowledge management and an entrepreneurial mindset affect business performance through product innovation (Empirical Study on Teak Wood Handicraft UMKM in Bojonegoro, East Java). The research population is Teak Wood Craft MSMEs in Bojonegoro, East Java, and the study is quantitative in nature. Purposive sampling, or selecting the sample with specific factors, is the sampling technique employed. The example in this instance is the proprietor of a Teak Wood Handicraft MSMEs in Bojonegoro, East Java, which has been in business for at least five years, employs at least one person, and is situated in the Bojonegoro region of the province. Structural Equation Modeling (SEM) was utilized to evaluate 200 questionnaire responses using AMOS 26 software. The study's findings indicate that while entrepreneurial orientation has no effect on business performance, product innovation has a positive and significant impact on firm performance, knowledge management has a positive and significant impact on product innovation, and product innovation mediates the effect of knowledge management on firm performance. The performance of teak wood handicraft MSMEs in Bojonegoro, East Java, is positively impacted by knowledge management and innovation, according to the study's findings.

Keywords: *Entrepreneurial orientataion, knowledge management, product innovation, organizational performance*