

Business Strategy on MSME Performance: The Role of Innovation and Accounting Information System as Mediating Variables

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ABSTRACT

Introduction/Main Objectives: This study examines the effects of business strategy, innovation, and AIS on MSME performance and investigates the mediating roles of innovation and AIS in the relationship between business strategy and performance. **Background Problems:** Micro, Small, and Medium Enterprises (MSMEs) play a vital role in economic growth, employment creation, and income distribution. However, MSMEs in Pati Regency, Indonesia, continue to face challenges related to strategic planning, innovation capability, and the utilization of accounting information systems (AIS). **Novelty:** While previous studies predominantly focus on large corporations or macro-urban centers, this study provides distinct empirical insights into how formal business strategies are applied to operational technology and innovative outcomes in a developing regional context (Pati Regency). **Research Methods:** A quantitative survey approach was employed using data collected from 100 MSME owners selected through purposive sampling. The data were analyzed using multiple linear regression and mediation analysis with the Sobel test. **Finding/Results:** The findings reveal that business strategy has a positive but insignificant effect on MSME performance. In contrast, innovation and AIS have positive and significant effects on performance. Furthermore, the mediation analysis indicates that neither innovation nor AIS significantly mediates the relationship between business strategy and MSME performance. **Conclusion:** This study highlights the importance of strengthening innovation capabilities and expanding the adoption of digital-based accounting information systems to improve business performance. MSME owners are encouraged to enhance product,

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process, and marketing innovation while utilizing AIS more effectively to support managerial decision-making and operational efficiency.

Keywords: MSME performance, Business Strategy, Innovation, Accounting Information System

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the Indonesian economy by absorbing labor and driving regional economic growth. However, MSMEs still face various challenges, particularly amid increasingly fierce business competition. One strategy that MSMEs can implement to improve performance is to adopt an appropriate business strategy. Business strategy is crucial because it helps MSMEs determine their direction, position themselves, and create a competitive advantage in the market (Sjarifudin, et al. 2024).

Pati Regency is one of the regions with significant potential for MSME development in Central Java, Indonesia. MSMEs in Pati Regency operate in various business sectors, including culinary, handicrafts, trade, and home industries. Based on data from the Cooperatives and MSMEs Office in 2024, the number of MSMEs in Pati Regency has increased, especially in the micro-enterprise category, which increased by 627 units from 2023 to 2024. This increase in numbers indicates a growing public interest in running their own businesses. However, MSME development in Pati Regency still faces various obstacles, including limited capital, low human resource competency, limited use of technology, and weak managerial and marketing capabilities. These conditions have hampered some MSMEs from achieving optimal productivity and business competitiveness (Polnaya & Darwanto, 2015).

Another problem still encountered by MSMEs in Pati Regency relates to business management and financial record-keeping. This phenomenon can be seen in coffee MSMEs in Pati Regency, as reported by the Central Java Tribune in 2019. During a training session conducted by lecturers in the Accounting Study Program at Muria Kudus University, it was found that most MSMEs still rely on "estimates" to determine product selling prices. Business owners do not fully understand financial recording procedures, have not optimally utilized technology, and have not implemented accounting information systems in their operations. Product selling prices tend to follow competitors' prices without properly accounting for production costs. This situation indicates that most MSMEs still face limitations in business management, which impacts their low performance (Febrianti, 2025). In addition, financial literacy is another important factor influencing MSME performance. MSME owners with higher financial literacy are better able to manage financial resources, make sound business decisions, and sustain their businesses (Ida & Setiawan, 2022).

One factor suspected of influencing MSME performance is business strategy. Business strategy is a series of steps or approaches used by businesses to achieve organizational goals and increase business competitiveness. Business strategy can be implemented through product differentiation, low-cost strategies, focus on specific

market segments, or digitally based market development. The right strategy will help MSMEs manage resources effectively and adapt to changes in the business environment. Research by Nurrohmah and Alfanur (2015) shows that business strategy positively affects MSME performance. However, Susanti et al (2023) found different results, stating that business strategy has no significant effect on MSME performance. These results indicate a persistent research gap, and further investigation is needed (Hindarwati et al., 2025).

Another factor influencing MSME performance is the implementation of an accounting information system (AIS). An AIS helps businesses manage financial and operational data more effectively and in a structured manner. By implementing an AIS, MSMEs can obtain accurate information to support business decision-making. Research by Trisnawati and Anugrahani (2023); Singgih and Iskak (2023) shows that implementing an accounting information system positively affects MSME performance. Furthermore, Rosari et al. (2024) found that AIS implementation can strengthen the relationship between business strategy and MSME performance (Fitriani & Hwihanus, 2023).

This research is motivated by a research gap: inconsistent findings on the direct relationship between business strategy and MSME performance. Some studies report a significant positive effect, while others find an insignificant effect. This inconsistency indicates the presence of mediating variables that strengthen the relationship. Therefore, this study aims to analyze the influence of business strategy on MSME performance by including innovation and accounting information systems (AIS) as mediating variables. The motivation for this research is to provide empirical evidence regarding the indirect mechanisms by which business strategy improves MSME performance through increased innovation and AIS utilization.

The urgency of this research lies in the need to identify effective business strategy patterns that can encourage innovation and ultimately improve MSME performance. Although previous studies have examined the direct relationship between business strategy and MSME performance, the mechanisms by which business strategy stimulates innovation and contributes to superior business outcomes remain underexplored, particularly in developing regions. In Pati Regency, many MSMEs continue to face challenges in managerial capabilities, technology adoption, and product development, limiting their competitiveness and growth potential. Therefore, Nurlinda (2019) understands how business strategies can be formulated to drive innovation, which is crucial for creating a sustainable development model for MSMEs. The findings of this study are expected to provide practical guidance for MSMEs, policymakers, and supporting institutions in designing strategic business approaches that encourage sustainable innovation, strengthen competitive advantage, and improve long-term business performance. (Pratama et al., 2025).

This study uses a quantitative approach, employing a comparative causal design, to analyze the causal relationships among business strategy, innovation, accounting information systems, and MSME performance (Rizky et al., 2025). The data used consisted of primary and secondary data. Primary data were collected by distributing questionnaires to MSMEs registered with the Cooperative and MSME Office in Pati Regency. Secondary data were obtained from books, journals, and other supporting documents. The study population comprised all MSMEs in Pati Regency, with a sample of 99 respondents selected using the Slovin formula and purposive sampling based on specific criteria. Data collection was conducted using a questionnaire with a five-point Likert scale (Leon et al., 2023).

Data analysis was conducted using SPSS version 25 through several stages: editing, scoring, and tabulating. Furthermore, data quality was assessed using

validity and reliability tests, as well as tests for classical normality, multicollinearity, and heteroscedasticity. The primary analysis in this study employed multiple linear regression to examine the influence of business strategy, innovation, and accounting information systems on MSME performance, in both partial and simultaneous models. Furthermore, this study used the coefficient of determination (R^2), F-test, and t-test to assess the model's fit and statistical significance (Sulianta, 2025).

THEORETICAL REVIEW

This study uses the Resource-Based View (RBV) as its overarching theory. The RBV was proposed by Barney (1991), who stated that competitive advantage and firm performance stem from valuable, rare, difficult-to-imitate, and non-substitutable internal resources (VRIN). In the context of MSMEs, business strategy is a strategic resource, while innovation and accounting information systems (AIS) are organizational capabilities that can create added value. Thus, the RBV provides the basis for explaining how business strategy can improve MSME performance through the mediating mechanisms of innovation and AIS. (Barney, 1991).

In the context of MSMEs, the RBV is particularly relevant because most actors have limited access to external resources, such as capital, technology, and market networks. Therefore, the success of MSMEs largely depends on their ability to optimize internal resources. This perspective is supported Khalique, et al. (2018) who argued that intellectual capital represents a strategic internal resource that significantly enhances organizational performance by strengthening firms' knowledge, capabilities, and competitive advantage.

The primary focus of the RBV is to help organizations identify their internal strengths and leverage them to create value that differentiates them from competitors. In this study, RBV theory is used to explain how business strategy, innovation, and accounting information systems, as internal resources and capabilities, can influence MSME performance.

Business strategy is viewed as a form of managerial capability that reflects a business actor's ability to plan and direct the use of resources. Appropriate strategies enable MSMEs to adapt to market conditions and improve operational efficiency (Aliyah & Wahyuni, 2024).

Furthermore, from an RBV perspective, innovation is a dynamic capability that enables organizations to renew and develop their resources. MSMEs capable of innovating will more easily adapt to environmental changes and create added value, thereby enhancing competitiveness. Meanwhile, an accounting information system (AIS) is an intangible resource that plays a crucial role in providing information for decision-making. A well-managed AIS can improve the accuracy of financial information, thereby helping business actors plan and control activities more effectively.

In this study, the performance of MSMEs is linked to their ability to manage and utilize internal resources effectively. The better the management of business strategy, innovation, and accounting information systems, the higher the resulting business performance. Thus, the RBV theory provides a strong foundation for this research because it explains that the competitive advantage and performance of MSMEs are determined not only by external factors but also by their internal capabilities to manage resources effectively, efficiently, and sustainably.

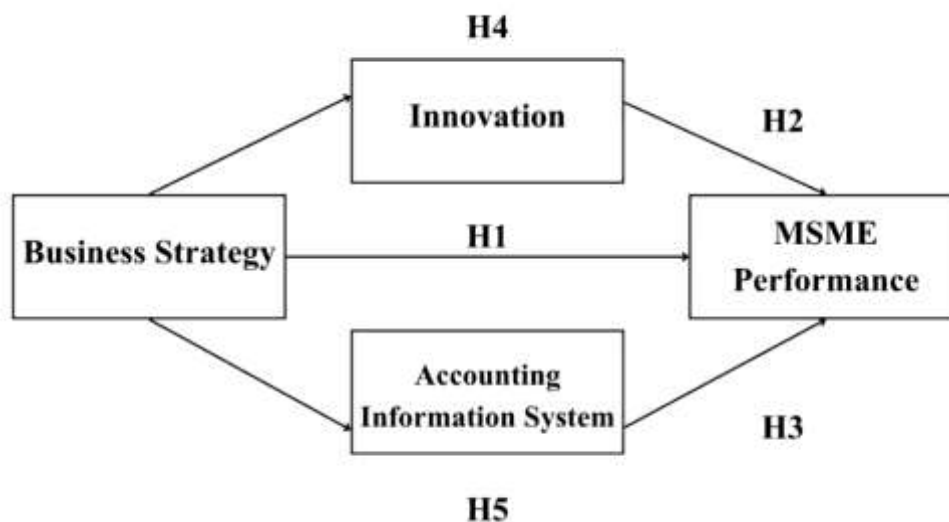
Business strategy is an integrated pattern of decisions that determines the long-term direction and scope of a company to achieve competitive advantage. Porter (2008) divided generic strategies into cost leadership, differentiation, and focus. The assumption is that MSMEs that implement a clear business strategy will be better

able to allocate resources and respond to environmental changes (Sudiantini & Hadita, 2022).

Innovation is defined as a company's ability to develop new ideas, products, processes, or business models that provide value to customers. Innovation in MSMEs is incremental and adaptive to local market needs. The assumption is that innovation acts as a dynamic capability that transforms strategy into performance results (Hermawan, 2026). AIS is a computer-based system that collects, stores, processes, and reports financial data for decision-making. Khalique et al (2018) stated that the accuracy, timeliness, and relevance of the information determine AIS quality. The assumption is that AIS provides reliable financial information so that business strategies can be evaluated and adjusted (Nuswantara et al., 2023). MSME performance is the achievement of business results measured through financial indicators such as sales growth, profitability, and asset growth, BPS 2023.

The RBV explains that a long-term strategy encourages companies to develop innovation capabilities. Strategic orientation positively affects innovation capability in SMEs. Business strategy demands accurate financial information. Companies with well-formulated strategies tend to adopt AIS more optimally. Innovation enables SMEs to create superior products and improve process efficiency. Findings show a significant positive effect on SME performance in Indonesia. AIS improves the quality of information for decision-making. Effective AIS reduces uncertainty and increases profitability. The direct relationship between strategy and performance is often inconsistent. This study positions innovation and AIS as mechanisms that transfer the effects of strategy to performance.

This study examines the conceptual framework, summarizes the research problem, and explains how the independent and dependent variables relate. Accounting Information Systems (AIS), business strategy, and innovation are the independent variables in this study. Meanwhile, SME performance is used as the dependent variable.



The Influence of Business Strategy on MSME Performance

Business strategy is a crucial factor influencing MSME performance. An effective strategy helps MSMEs determine their business direction, optimize resources, and increase market competitiveness. Research by Singgih and Iskak (2023) shows that MSMEs that implement innovative and flexible strategies have higher growth rates than those without a clear strategy. Furthermore, Barney (1991) states that cost-efficiency strategies can increase profit margins and help MSMEs

adapt to market changes. Alqahtani et al. (2024) also emphasize the importance of technology-driven business strategies, such as online marketing and e-commerce, in expanding market reach and improving business performance. Therefore, appropriately implemented business strategies can increase MSME revenue, operational efficiency, and competitiveness.

H₁: Business strategy has a positive and significant impact on MSME performance.

The Influence of Innovation on MSME Performance

Innovation plays a crucial role in improving the performance of Micro, Small, and Medium Enterprises (MSMEs) amidst increasingly competitive business conditions and rapid market changes. Innovation can take the form of product, process, marketing, or business model innovations aimed at creating added value, improving operational efficiency, and expanding markets. Innovation is a key driver of economic growth and business competitiveness; therefore, MSMEs that can innovate are more likely to survive and thrive.

Research by Rosari et al (2024) shows that innovation positively impacts MSME growth, particularly by increasing revenue and expanding markets. Furthermore, states that digitalization and technological innovation can increase business productivity and profitability. Innovation is crucial for MSMEs to adapt to market changes and enhance their competitiveness. Therefore, the government and various parties need to support MSME innovation through training, technology, and access to funding for sustainability.

H₂: Innovation has a positive and significant impact on MSME performance.

The Influence of Accounting Information Systems (AIS) on MSME Performance

According to Nababan et al. (2025), an accounting information system can produce reliable, relevant, timely, easy-to-understand, and verifiable information to assist businesses in making cost-effective decisions. Effectively implementing AIS to improve productivity and performance is one way to help businesses and MSMEs operate more effectively. According to Maisur et al. (2019), MSME performance is a measure of how effectively and efficiently MSMEs achieve their goals. The outcome of using an accounting information system is information. Relevant and timely information significantly impacts management efficiency and can improve company performance. According to Nababan et al. (2025), the greater the use of AIS, the higher the level of business success.

AIS is one resource that meets these criteria because it provides accurate, relevant, and timely financial information, thus supporting more effective decision-making. With optimal AIS implementation, MSMEs can improve operational efficiency, strengthen managerial skills, and identify business opportunities more accurately (Latifah et al, 2021). Therefore, MSME owners' focus on AIS implementation will strengthen the company's internal capabilities and directly and sustainably improve MSME performance. Based on this explanation, the following hypothesis is formulated:

H₃: AIS has a positive and significant influence on MSME performance.

The Role of Innovation in Mediating Business Strategy and MSME Performance

From a Resource-Based View (RBV) perspective, a company's internal resources are the primary determinants of its competitive advantage and performance (Barney, 1991). An appropriate business strategy plays a crucial role in managing and utilizing internal resources. Business strategy is not only a company's direction of action but also a mechanism for developing an organization's capacity for innovation. Therefore, an effectively designed business strategy will generate innovative processes that ultimately improve business performance (Young & Sudharthio, 2025).

A sound business strategy encourages MSMEs to create new value through product development, improved service quality, and process efficiency. Several empirical studies support this relationship. Rosari et al (2024) found that a customer-oriented business strategy and operational efficiency drive product and process innovation in MSMEs in Indonesia. Furthermore, research by Annissa and Wardani (2024) shows that innovation has a positive and significant impact on the financial performance of culinary MSMEs. In other words, a strong business strategy will encourage increased innovation, and successful innovation will improve overall business performance.

This finding aligns with Young & Sudharthio (2025), which showed that innovation mediates the relationship between business strategy and firm performance in Vietnam's small- and medium-sized manufacturing sector. Similar results were also reported by Altaweel & Al-hawary (2021) and Gede & Huluka (2023), who explained that innovation capability is a key factor in bridging the gap between organizational strategy and business performance (Agyapong et al., 2023), as it enables firms to create advantages that competitors find difficult to imitate.

H₄: Innovation mediates the relationship between business strategy and MSME performance.

The Role of Accounting Information Systems in Mediating Business Strategy and MSME Performance

According to the Resource-Based View (RBV), a company's competitive advantage stems from its ability to manage valuable, rare, difficult-to-replicate, and non-substitutable internal resources (Barney, 1991). In the context of MSMEs, an Accounting Information System (AIS) is a business service that guides the use of these resources to improve business performance. AIS helps MSMEs record, manage, and analyze financial transactions in a structured manner, producing relevant and timely information to support business decision-making. By effectively implementing AIS, MSMEs can improve operational efficiency, control costs, and strengthen business competitiveness (Annissa & Wardani, 2024).

Empirical findings also indicate that AIS plays a crucial role in improving MSME performance. Research by Rosari et al (2024) found that AIS implementation significantly improved the performance of MSMEs in Indonesia. Furthermore, research by Altaweel and Al-Hawary (2021) revealed that integrated information systems can mediate the relationship between business strategy and organizational performance by improving information quality and decision-making effectiveness. Therefore, based on RBV theory and previous research, it can be concluded that Accounting Information Systems serve as a mediating variable, explaining how business strategies can be implemented optimally to improve MSME performance.

H₅: Accounting information systems act as a positive and significant mediator between business strategy and MSME performance.

RESEARCH METHODS

This study uses a quantitative approach, employing a causal-comparative design, to analyze the causal relationship between business strategy, innovation, accounting information systems, and MSME performance. The data used comprises primary and secondary data. Primary data were collected by distributing questionnaires to MSMEs registered with the Cooperative and MSME Office in Pati Regency. Secondary data were obtained from books, journals, and other supporting documents. The study population comprised all MSMEs in Pati Regency, with a sample of 99 respondents selected using the Slovin formula and purposive sampling based on specific criteria. Data collection was conducted using a questionnaire with a five-point Likert scale (Sugiyono, 2013).

Data analysis was conducted using SPSS version 25 through several stages: editing, scoring, and tabulating. Furthermore, data quality was assessed, including validity and reliability tests, as well as tests for classical normality, multicollinearity, and heteroscedasticity. The main analysis in this study employed multiple linear regression to examine the effects of business strategy, innovation, and accounting information systems on MSME performance, in both partial and simultaneous models. In addition, this study uses the coefficient of determination (R^2), the F-test, and the t-test to assess the model's explanatory power and statistical significance.

RESULTS AND DISCUSSION

Table 1. Validity Test Results

Variable	Item	r Count	r Table	Results
Business Strategy	X1.1	0.542	0.196	Valid
	X1.2	0.601	0.196	Valid
	X1.3	0.588	0.196	Valid
Innovation	X2.1	0.563	0.196	Valid
	X2.2	0.610	0.196	Valid
	X2.3	0.577	0.196	Valid
Accounting Information System	X3.1	0.521	0.196	Valid
	X3.2	0.549	0.196	Valid
	X3.3	0.535	0.196	Valid
MSME Performance	Y1	0.612	0.196	Valid
	Y2	0.598	0.196	Valid
	Y3	0.620	0.196	Valid

Source: Primary Data Results (2026)

Based on the table above, all statement items in each variable have a calculated r value greater than the r of the table (0.196) and have a positive value. This shows that all questionnaire items in this study are valid and measure the constructs of the variables. In greater depth, a relatively high calculated r-value (above 0.5) indicates that each item is strongly related to the variable it represents. Thus, this research instrument has a good level of accuracy in measuring the variables of business strategy, innovation, accounting information system, and MSME performance.

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Results
Business Strategy	0.812	Reliable
Innovation	0.798	Reliable
Accounting Information System	0.775	Reliable
MSME Performance	0.820	Reliable

Source: Primary Data Results (2026)

Based on the table above, all variables have Cronbach's Alpha values above 0.70, indicating reliability.

Classic Assumption Test
Normality Test

Table 3. Normality Test Results

Variable	Sig. (2-tailed)	Results
Residual	0.200	Normal

Source: Primary Data Results (2026)

Based on the table above, a p-value of 0.200 (> 0.05) was obtained, indicating that the residual data in this study are normally distributed. This value indicates that the data are normally distributed, so the regression model satisfies one of the important assumptions in statistical analysis. Interpretively, this condition indicates that the regression model used is well-suited to represent the relationships among variables without being distorted by abnormal data distribution.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Variable	Tolerance	VIF	Results
Business Strategy	0.752	1.330	Multicollinearity does not occur.
Innovation	0.710	1.408	Multicollinearity does not occur.
Accounting Information System	0.689	1.452	Multicollinearity does not occur.

Source: Primary Data Results (2026)

Based on the table above, all independent variables have Tolerance values above 0.10 and VIF values below 10, indicating that the regression model does not exhibit multicollinearity. More in depth, the relatively low VIF value (close to 1) indicates that each independent variable makes a unique contribution to explaining the dependent variable. Thus, there is no redundancy in the information between the independent variables, allowing the regression model to be used optimally.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Variable	Sig.	Results
Business Strategy	0.312	Heteroscedasticity does not occur
Innovation	0.278	Heteroscedasticity does not occur
Accounting Information System	0.341	Heteroscedasticity does not occur

Source: Primary Data Results (2026)

The heteroscedasticity test was performed using the Glejser method. The decision rule states that a regression model is free from heteroscedasticity if the p-value for each independent variable is greater than 0.05. The test results indicate that the significance values for Business Strategy, Innovation, and Accounting Information Systems are 0.312, 0.278, and 0.341, respectively. As all significance values exceed the 0.05 threshold, the regression model is free from heteroscedasticity.

Results of Determination Coefficient Analysis (R²)

Table 6. Determination Coefficient Test Results (R²)

Model	R	R Square	Adjusted R-Square	Std. Error of Estimate
1	.785*	.616	.595	.42871

Source: Primary Data Results (2026)

Based on the SPSS analysis results, the R Square and Adjusted R Square values were 0.616 and 0.595, respectively. The Adjusted R-Square value of 0.595 indicates that Business Strategy, Innovation, and Accounting Information Systems jointly account for 59.5% of the variance in MSME performance. In comparison, the remaining 40.5% is attributable to factors not included in the research model. Therefore, the regression model demonstrates reasonably strong explanatory power in accounting for variation in MSME performance.

Statistical Test F (Simultaneous Test)

Table 7. Statistical Test Results F

Model	Sum of Squares	Df	Mean Square	F	Sig.
1	35.241	3	11.747	54.171	.000
Residual	25.275	101	.217		

Source: Primary Data Results (2026)

Based on the SPSS test results, the significance value (Sig.) was smaller than the set significance level ($\alpha = 0.05$ or 0.10). This shows that simultaneously the variables of business strategy, innovation, and accounting information system have a significant effect on MSME performance.

In addition, the calculated F value exceeded the F table value, further supporting the regression model's feasibility and its ability to explain the relationships among variables. These results show that the combination of these three independent variables plays an important role in improving MSME performance. Conceptually, the F test results indicate that adopting the right business strategy, supported by continuous innovation and an effective accounting information system, can significantly improve MSME performance.

Thus, it can be concluded that the hypothesis of a simultaneous influence of business strategies, innovations, and accounting information systems on MSME performance is accepted.

Statistical Test Results t (t-test)

Table 8. Statistical Test Results t (t-test)

Model	Variabel	B	Std. Error	Beta	t	Sig.	Sig.
1	(Constant)	.201	.284		1.829	.070	.070
	Strategi Bisnis (X1)	.281	.075	.254			
	Inovasi (Z1)	.085	.065	.307	3.799	3.799	.000
	Sistem Informasi Akuntansi (Z2)	.062	.062	.309	5.125	5.123	.000
				.309	4.468	4.468	.000

Source: Primary Data Results (2026)

Based on the results of the SPSS output, the following results were obtained:
 The Influence of Business Strategy on MSME Performance (H₁)

The business strategy variable has a significance value of 0.070, which is greater than 0.05 (0.070 > 0.05). This indicates that business strategy does not have a significant effect on MSME performance. Therefore, the hypothesis stating that business strategy influences MSME performance is rejected.

The Influence of Innovation on MSME Performance (H₂)

The innovation variable has a significance value of 0.000, which is smaller than 0.05 (0.000 < 0.05). This shows that innovation has a positive, significant effect on MSME performance. The regression coefficient of 0.085 indicates that each additional unit of innovation improves MSME performance. Thus, the hypothesis that innovation affects MSME performance is accepted.

The Effect of Accounting Information Systems on MSME Performance (H₃)

The accounting information system variable has a significance value of 0.000, which is smaller than 0.05 (0.000 < 0.05). This indicates that the accounting information system has a positive and significant effect on MSME performance. The regression coefficient of 0.062 indicates that improving the quality of the accounting information system will be followed by improved MSME performance. Thus, the hypothesis proposed is acceptable.

The Role of Innovation in Mediating Business Strategy and MSME Performance (H₄)

The results of the Sobel Test showed that innovation did not mediate the relationship between business strategy and MSME performance, as Sobel's Z value was below 1.96, indicating an insignificant indirect effect. Theoretically, innovation within the Resource-Based View (RBV) perspective should be a strategic capability that links business strategy to performance improvement. However, empirically, innovation in MSMEs remains limited and unsustainable, and it has not been integrated into business strategies, so it has not served as an effective liaison mechanism. In addition, the weak relationship between the lines and the limited resources available to MSMEs prevent the mediation effect from being significantly formed.

The Role of Accounting Information Systems in Mediating Business Strategy and MSME Performance (H₅)

The study found that the accounting information system failed to mediate the relationship between business strategy and MSME performance, as evidenced by a

very weak, insignificant regression coefficient ($\text{sig} > 0.05$). From the perspective of RBV, AIS is an intangible asset with the potential to improve performance by providing quality information; however, in practice, its use in MSMEs remains suboptimal. This is due to low levels of technology adoption, limited accounting and digital literacy, and the lack of AIS integration in strategic decision-making. As a result, AIS has not been able to become an effective intervening variable in strengthening the relationship between business strategy and MSME performance.

Based on the t-test results, it can be concluded that, to some extent, innovation and accounting information systems have a significant effect on MSME performance, whereas business strategies do not. However, all variables show a positive relationship with MSME performance.

Mediation Test

Table 9. Innovation Mediation Test Result

Mediation Test	Value
Coefficient a (X1 → X2)	0,002
Coefficient b (X2 → Y)	0,002
Standard Error A (Sa)	0,014
Standard Error b (Sb)	0,008
Z Sobel Value	0,12

Source: Primary Data Results (2026)

Based on the calculation results, the Sobel Z value was 0.12, which is smaller than the critical value of 1.96. This shows that the indirect influence of business strategies on MSME performance through innovation is not significant.

Empirically, although the direction of the relationship between business strategy towards innovation and innovation towards performance shows a positive trend, the power of influence is very weak. This prevents innovation from serving as an effective mediating variable in improving MSME performance.

Table 10. Accounting Information System Mediation Test Result

Mediation Test	Value
Coefficient a (X1 → X3)	-0,002
Coefficient b (X3 → Y)	-0,001
Standard Error A (Sa)	0,014
Standard Error b (Sb)	0,000
Z Sobel Value	0,14

Source: Primary Data Results (2026)

The calculation results show that Sobel's Z value is 0.14, which is also smaller than the critical value of 1.96, indicating that the indirect influence is insignificant. The negative coefficient and very small values indicate that the accounting information system has not meaningfully bridged the gap between business strategy and MSME performance. In other words, AIS has not served as an intervening variable in this research model.

Discussion

The Influence of Business Strategy on MSME Performance (H₁)

The results of this study indicate that business strategy has a positive but statistically insignificant effect on MSME performance. The p-value of 0.070 is greater than the 0.05 significance level, indicating that the proposed hypothesis (H₁) is not

supported. Although the regression coefficient is positive, the effect of business strategy on MSME performance is not statistically significant.

This finding suggests that the existence of a business strategy alone is not sufficient to improve MSME performance. Many MSMEs may have strategic plans; however, these strategies are often informal, not systematically implemented, and not supported by adequate managerial capabilities. Consequently, the expected impact of business strategy on business performance may not be fully realized.

From the perspective of the Resource-Based View (RBV), business strategy represents a managerial capability that should help firms utilize resources efficiently and create competitive advantages. However, MSMEs in Pati Regency may still face limitations in terms of managerial competence, access to information, technological adoption, and resource availability. These limitations reduce the effectiveness of business strategies in generating measurable performance improvements.

This finding is consistent with Susanti et al (2023), who reported that business strategy does not significantly influence MSME performance. The result implies that MSME owners should focus not only on formulating business strategies but also on strengthening managerial capabilities, enhancing innovation activities, and leveraging supporting technologies to ensure that strategic plans translate into tangible business outcomes.

The Influence of Innovation on MSME Performance (H₂)

The study's results show that innovation has a positive and significant influence on MSME performance, thereby accepting the second hypothesis (H₂). These findings show that innovation is an important driver of business performance. Theoretically, innovation is the ability to create updates to products, processes, and marketing to increase business competitiveness. Innovation also serves as an adaptation strategy to market changes and evolving consumer needs.

A significance value of 0.000 (< 0.05) indicates that innovation has a significant effect on MSME performance. MSMEs that can innovate tend to be better at adapting to market dynamics. Product innovation can create new variations that are more attractive to consumers, while process innovation can improve production efficiency and reduce operational costs. In addition, marketing innovations enabled by digital technology and social media help MSMEs expand their market reach and increase sales.

The results of this study align with previous research showing that innovation positively affects business performance. Innovation does not have to be complex; it can be simple changes that add value for consumers, such as improved product quality or more attractive packaging. Therefore, MSME actors need continued encouragement to enhance creativity and innovation through training, mentoring, and technology to compete effectively.

The Influence of Accounting Information Systems on MSME Performance (H₃)

Based on the test results, the accounting information system (AIS) has a positive and significant influence on MSME performance. The third hypothesis (H₃) is accepted. These findings show that implementing a robust AIS can improve business performance in practice. Theoretically, an accounting information system collects, processes, and presents relevant and timely financial information to support effective business decision-making.

A significance value of 0.000 (< 0.05) indicates that AIS has a significant effect on MSME performance. MSMEs that implement AIS effectively tend to manage finances more systematically and in a structured manner. Orderly recording of transactions helps business actors understand financial conditions, control costs, and prepare more accountable financial statements. In addition, the use of digital-

based accounting applications also increases efficiency and reduces the risk of recording errors.

The implementation of AIS not only enhances the effectiveness of business management but also supports transparency and professionalism among MSME actors. This finding is consistent with Dewi and Suryanawa (2024), who reported that implementing digital accounting information systems improves operational efficiency, enhances the quality of financial reporting, and ultimately contributes to better MSME performance. (Dewi & Suryanawa, 2024). These findings are also supported by (Egawati, et al, 2023), who concluded that accounting knowledge and the adoption of digital business practices play an important role in improving MSME performance through more effective business management.

The Role of Innovation in Mediating Business Strategy and MSME Performance (H₄)

The Sobel test results indicated that innovation did not mediate the relationship between business strategy and MSME performance. This is indicated by Sobel's Z value, which is below the critical value of 1.96, indicating that the indirect effect is not significant. Theoretically, from the perspective of the Resource-Based View (RBV), innovation should be an internal capability that strengthens the relationship between business strategy and business performance.

However, in practice, the innovations implemented by most MSMEs remain simple, limited, and unsustainable. The implemented business strategy is also not data- or technology-driven, so it cannot effectively encourage innovation. In addition, limited resources and managerial capabilities prevent innovation from developing into a strategic capability that can significantly improve business performance.

The results of this study showed that the insignificance of the mediation effect is more influenced by the empirical conditions of MSMEs that still have limited resources and business management capabilities. These findings are consistent with previous findings indicating that mediation would not be significant if the mediator lacked sufficient empirical support. Thus, innovation has not become an effective link between business strategy and MSME performance.

The Role of Accounting Information Systems in Mediating Business Strategy and MSME Performance (H₅)

The study's results indicate that the accounting information system (AIS) does not mediate the relationship between business strategy and MSME performance. This is evident from the significance value of 0.142 (>0.05) and the negative regression coefficient of -0.001. Theoretically, from a Resource-Based View (RBV) perspective, AIS is an intangible asset that can support strategic decision-making and create a competitive advantage for businesses.

However, most MSMEs still rely on a simple recording system and have not fully utilized AIS to support their business strategies. Low levels of accounting and digital literacy lead to AIS being seen more as an administrative tool than a managerial one. In addition, the information system used has not been integrated into the business planning and decision-making process, so the strategic benefits have not been realized in practice.

The results of this study are consistent with the findings of Wahyuni et al. (2016), who found that accounting information systems have not had a significant effect on MSME performance, particularly in small businesses in the early stages of development. Thus, AIS has not become an effective mediating variable because its implementation, utilization, and integration with business strategies remain limited. Nevertheless, AIS still has significant potential to improve MSME performance if implemented and utilized more optimally.

CONCLUSION

This study aimed to examine the effects of business strategy, innovation, and accounting information systems (AIS) on MSME performance, as well as the mediating roles of innovation and AIS in the relationship between business strategy and performance. The findings demonstrate that innovation and AIS are important drivers of MSME performance, whereas business strategy alone is insufficient to improve performance directly. Furthermore, innovation and AIS were not found to function as effective mediators between business strategy and MSME performance. This study contributes to the Resource-Based View (RBV) literature by highlighting that the value of strategic planning in MSMEs depends on the organization's ability to transform strategic intentions into innovation activities and effective information management practices. The findings also provide empirical evidence from MSMEs in Pati Regency, Indonesia, thereby enriching the understanding of factors influencing MSME performance in developing economies. Practically, the results suggest that MSME owners should prioritize strengthening innovation capabilities and adopting accounting information systems to support business operations and decision-making. These findings are consistent with recent studies emphasizing the importance of integrating innovation and accounting information systems into MSME business strategies in the digital era (Carlos & Akwila, 2024). Policymakers and support institutions are encouraged to facilitate capacity-building programs, digital transformation initiatives, and innovation-oriented training to enhance MSME competitiveness and sustainable growth.

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