

## ABSTRACT

The purpose of this study is to find out the relationship between entrepreneurial orientation and innovation and the role of knowledge management in this relationship in small and medium hotels in Sri Lanka.

This study focuses on revealing the effect of entrepreneurial orientation on innovation and the moderating role of knowledge management in the relationship between entrepreneurial orientation and innovation. Innovativeness, proactiveness and risk taking dimensions of entrepreneurial orientation and socialization, externalization, combination and internalization modes of knowledge management were studied.

Research was carried out in the hotel sector and data was collected through interviews with entrepreneurs. An interview guide was used to cover all the important areas of the study. 14 interviews were conducted by selecting 7 small hotels and 7 medium hotels.

Responses from the interviews were analyzed to find the effect of entrepreneurial orientation on innovation and it was found that entrepreneurial orientation positively influences innovation. In addition knowledge management was found to have an important role in the relationship between entrepreneurial orientation and innovation. As a result, P1 and P2 were accepted.

In conclusion, entrepreneurial orientation and knowledge management positively affect innovation which is in line with the past studies. In addition, other factors such as financial constraints, unavoidable change, government policies, experience and leadership skills also affect innovation in hotels. These are the emergent factors which was a surprising finding in this study.