

ABSTRACT

This research was conducted by developing a model to analyze the influence of business innovation, strategic alliances, adaptability to environmental change to competitive advantage and its implications for business performance. The research problem proposed was a decrease in the revenue of SMEs assisted by the Dinas Koperasi dan UKM Central Java Province in line with the increase in the number of UKM assisted by Dinas Koperasi dan UKM of Central Java Province. The purpose of this study is to test and analyze the influence of business innovation, strategic alliances, adaptability to environmental changes to competitive advantage and business performance. To test and analyze the effect of competitive advantage on business performance.

This research was conducted on UKM owners assisted by Dinas Koperasi dan UKM of Central Java Province, using a questionnaire survey of 115 samples. Using the Structural Equation Modeling (SEM) method in the AMOS version 23 software program.

The results of the seven hypotheses indicate business innovation, strategic alliances, and adaptability to environmental change have a positive and significant effect on competitive advantage. Strategic alliances, adaptability to environmental change and competitive advantage have a positive and significant effect on business performance. Business innovation has no effect on business performance.

Keywords : Small and Medium Enterprises, Business Innovation, Strategic Alliance, Adaptability to Environmental Change, Competitive Advantage, Business Performance