

ABSTRACT

This research was conducted as SMEs in Indonesia under pressure and competition is high and the need for product development both in terms of creativity innovation, price, service, quality, etc.. To achieve competitive advantage these products have the entrepreneurial orientation in SMEs which include innovation, risk taking, and proactive. The purpose of this study was to analyze the influence of innovation, proactive, and willing to take risks to improve the performance of competitive advantage for business. Formulation of the problem is how to create competitive advantage through innovation, proactive, and willing to take risks to improve business performance

Selected population in this study is the timber industry and small and medium-scale pottery in District Bayat, Jogonalan, and Wedi, Klaten, amounting to 501 industries. And the number of samples in this study were 120 industries. Data collection using questionnaires with answers value of 1 (strongly disagree) to 7 (strongly agree). Data analysis tools are used Structural Equation Modeling (SEM) through AMOS program.

In general, the conclusions from the results of testing the model is applied to the timber industry and small and medium-scale pottery in District Bayat, Jogonalan, and Wedi, Klaten suggests that competitive advantage can be achieved through innovation and risk-taking, where the resulting competitive advantage companies can improve business performance. In addition to competitive advantage, innovation and risk-taking can improve business performance. This study provides some limitations of the study and future research agenda that can be done on advanced research.

Keywords: Innovation, dare to take risks, Competitive Advantage, Business Performance.