

## ABSTRACT

The increasingly competitive business environment conditions in the regional context requires small businesses to utilize resources in an innovative and proactive in order to win the competition. In particular, the reality of the existence of the development of SMEs white stone milling and mining in the region Pati and Jepara, an actual picture of small business activity in the process of achieving competitive advantage is relatively very complex. Empirical phenomena found in the research showed that the Sustainable Competitive Advantage of SMEs white stone milling and mining in the region Pati and Jepara still low. This is reflected in an increasing number of SMEs white stone milling and mining in the region Pati and Jepara bankrupt during the period 2010-2012.

To answer the problems above, is necessary to analyze "How to improve the Sustainable Competitive Advantage of SMEs white stone milling and mining in the region Pati and Jepara?". The model was developed to address these problems involve five variables, namely the study of knowledge, experience, business environment, competitive strategy, and firm performance. The data needed in this study were obtained through interviews of SMEs white stone mill in Pati and Jepara are then analyzed using analysis techniques Structural Equation Modeling (SEM).

The results of SEM analysis showed that knowledge proved positive significant effect on the quality of competitive strategy, the experience proved to be a significant positive effect on the quality of competitive strategy, adaptability of the business environment proved to be a significant positive effect on the quality of competitive strategy. Its mean that the quality of competitive strategy can be reached by knowledge, experience, adaptability of the business environment and the quality of competitive strategy proved to be a significant positive effect on company performance.

**Keywords: knowledge, experience, business environment adaptability, quality of competitive strategy, corporate performance**