

ABSTRACT

Indonesia economics crisis in the last 1997 forced the small and middle industries (UKM) to manage the difficult factors in global competition, such as not having capabilities, market power and the resources which all of them owned by multinational industry. It is caused by either UKM has a production process based on the workers (it can make the job vacancy being wider) or UKM becomes the basis economic in Indonesia. Therefore, it is needed to search what variables supporting the success of UKM in global area.

The analysis is focused in the furniture & handicraft fields of UKM industry. Propinsi Daerah Istimewa Jogjakarta becomes the area where the analysis is taken place. The effect of variables supporting the superior and continuous competition can increase the industry's activity. Finally, it can be seen how much effect from all variables toward the increase of industry's activity.

The criteria of the respondent are : the owners, the executive who have responsibility to manage furniture & handicraft industry at last one year, mastering every product and having 20-99 workers.

The data are collected through questionnaire and interview given to 136 respondent. The result of computation indicates that the full SEM with software AMOS 6.0 has fulfilled the reasonable prerequisite model, which has chi square value 331.104 with probability .053. The other test of goodness of fit indicates good category except. GFI and AGFI which are accepted marginally. The result of reliability indicates the reliableness because each variable has reliability which is more than 0.7

It can be concluded that there is a significant effect between entrepreneurship orientation and Sustainable Competitive Advantage in increasing the UKM's activity especially for the furniture and handicraft industry.

Key Words : Orientation Knowledge, Strategy differentiation, Market Orientation, Innovation, Sustainable Competitive Advantage, Entrepreneurial Orientation, Firms Performance