

## **ABSTRACT**

*This study aims to analyze the influence of service quality, innovation strategy, and competitive advantage on business performance in non-starred hotels in Semarang Regency. This research is motivated by the phenomenon of increasing competition in the hotel industry, particularly in the non-starred hotel segment, which demands business actors to increase competitiveness through improved service quality and innovation to achieve optimal business performance.*

*This research uses a quantitative approach with a survey method. The population in this study are the owners and managers of non-star hotels in Semarang Regency. The sampling technique used purposive sampling with a total of 100 respondents. The data analysis technique used AMOS-based Structural Equation Modeling (SEM).*

*The results of the study indicate that service quality has a positive and significant impact on business performance. Innovation strategy has also been shown to have a positive and significant impact on business performance. Furthermore, competitive advantage has a positive and significant impact on business performance. Simultaneously, service quality and innovation strategy can increase competitive advantage, which in turn strengthens the business performance of non-star hotels in Semarang Regency. This research model is declared to meet the criteria. goodness of fit so it is suitable for use to explain the relationship between variables.*

*The implications of this research indicate that consistent service quality improvement, adaptive innovation strategies, and the creation of sustainable competitive advantage are key factors in improving the business performance of non-starred hotels. This research provides theoretical contributions to the development of strategic management and service marketing literature, as well as practical contributions for hoteliers in formulating strategies to improve business performance.*

**Keywords:** *service quality, innovation strategy, competitive advantage, business performance, non-star hotels, SEM AMOS*

**FEB UNDIP**