

ABSTRACT

The purpose of this study is to understand and analyze the effect of business strategy and innovation ability on business performance in cafe businesses in Semarang City, with competitive advantage as a mediating variable. The type of research is quantitative with the research population consists of all small and medium enterprises in the cafe sector in Semarang City, Central Java, with a total of 221 cafes registered in the Semarang City Cafe Association (ASOKAS). The research was conducted by census, involving all members of the population. Data analysis was conducted using Structural Equation Modeling (SEM) through AMOS 26 software. SEM helps analyze the relationship between variables in the theoretical model and consists of two stages, namely measurement model and structural model. The results of this study state that competitive advantage has a positive and significant effect on business performance, business strategy has a positive and significant effect on business performance, business strategy has a positive and significant effect on competitive advantage, innovation capability has a positive and significant effect on business performance, and innovation capability has a positive and significant effect on competitive advantage. The conclusion of this study is that competitive advantage, business strategy, and innovation ability have a positive influence on the business performance of cafes in Semarang City.

Keyword: Business strategy, innovation capability, competitive advantage, business performance.

