

ABSTRACT

Based on the analysis of the turnover of several burjo in Semarang, fluctuations were found to be influenced by factors such as student holidays, lack of business strategy, service quality, and lack of product innovation and competitive advantage. The significant decline in turnover in several burjo reflects problems in business management, where many burjo have not been able to improve business performance optimally. This study focuses on the development of business strategies and innovations to improve business productivity by using competitive advantage as a mediating variable. This study highlights several problems that have been raised in previous studies regarding the relationship between business strategy, innovation, and business work practices.

The population in this study were managers of Burjo MSMEs that had been established for two years and were located in the Semarang area. This study used 100 samples of Burjo MSMEs that had been established for two years and were located in the Semarang area (South Semarang, East Semarang, West Semarang, Central Semarang). Primary data for this study were collected by distributing questionnaires directly to Burjo MSME managers in Semarang City. Secondary data in this study came from sales and receipts of Burjo MSMEs in Semarang. The data analysis methods used in this study include the Determination Coefficient (R^2), Predictive Relevance Test (Q^2), Goodness of Fit Model (GoF), Path Coefficient, and Instrument Test (validity and reliability). Data analysis using PLS-SEM was carried out with the SmartPLS Professional 3.0 device..

The results show that effective business strategies, based on strong managerial skills and optimal resource management, successfully capitalize on market opportunities and maintain a competitive position. Product innovation, such as product line expansion and the development of new products, increases consumer appeal and expands market share, leading to higher sales and profits. Competitive advantage gained from efficiency, product quality, and competitive pricing strengthens Burjo's position in the market and drives better business performance. Overall, both business strategy and product innovation are crucial in supporting the growth and development of Burjo SMEs. The study concludes that business strategy and product innovation have a positive impact on business performance through competitive advantage.

Keywords: *product innovation, competitive advantage, business performance, business strategy*