

## **ABSTRACT**

*This study examines the effect of innovation ability, human resource capability, and competitive advantage on coffee shop performance in Semarang City. The main problem in this study is how performance improvement can be obtained through innovation and human resource capabilities both directly and through competitive advantage intervening variables.*

*In this study, the population is Coffee Shop SMEs' owners or managers who have been operating for at least six months, have more than five employees and are located in the Semarang area. The use of non-random or non-probability techniques is used as a sampling technique in this study. In contrast, the sampling method used is purposive sampling. The data collection method used in this research is a questionnaire distributed to the respondents. Structural Equation Model (SEM) with AMOS 26 was used to analyze 200 questionnaire data.*

*From testing the hypothesis of this study, several conclusions were obtained. First, there is a significant positive effect between competitive advantage on coffeeshop performance; second, there is a significant positive effect between the variable of the ability of innovation on coffeeshop performance; third is that the power of creation has a positive impact on competitive advantage, the fourth is that there is a positive influence between human resource capabilities on coffeeshop performance; The fifth is that human resource capability has a positive effect on competitive advantage.*

**Keywords : Innovation Capability, Human resource Capability, Competitive Advantage, Business Performance, Coffee Shop**