

ABSTRACT

This study aims to analyze the effect of innovation strategy, market orientation, and competitive advantage on the business performance of laundry businesses in Semarang. The main focus of this study is how performance improvement can be achieved through innovation strategy and market orientation, either directly or through the role of intervening variables in the form of competitive advantage. This study involved a population of owners or managers of laundry SMEs in Semarang City who have been operating for at least six months and have more than three employees. The nonprobability sampling technique with the purposive sampling method was used to determine the sample. Data were collected through questionnaires distributed to respondents. A total of 200 questionnaire data points were analyzed using the structural equation model (SEM) with AMOS. Several conclusions were obtained from testing the hypothesis of this study. The first is that there is a significant positive influence between competitive advantage and laundry business performance; the second is that there is a significant positive influence between innovation strategy variables and laundry business performance; the third is that innovation strategy has a positive effect on competitive advantage; the fourth is that there is a positive influence between market orientation and competitive advantage; and the fifth is that market orientation does not affect on laundry business performance.

Keywords: *Innovation Strategy, Market Orientation, Competitive Advantage, Business Performance*