

## ABSTRACT

*The purpose of this study is to look at how innovation ability and competitive advantage affect start-up performance in Semarang City. The primary issue in this study is how performance can be improved through innovation capabilities, either directly or through the intervening variable of competitive advantage. In this study, the population consists of the owners or managers of start-ups that have been in operation for at least three years, employ more than 15 people, and are based in Semarang. This study uses nonprobability sampling approaches. The sample method utilized is purposive sampling. The study's data collection strategy was to issue a questionnaire to respondents. A Structural Equation Model (SEM) with AMOS 26 was utilized to evaluate 240 questionnaire responses. Several findings were reached after testing the study's hypothesis. The first is that competitive advantage has a significant positive influence on start-up performance; the second is that innovation capability variables have a significant positive influence on start-up performance; and the third is that innovation capability has a positive impact on competitive advantage.*

***Keywords: Innovation Capability, Competitive Advantage, Business Performance, Start-ups***