

## **ABSTRACT**

*This study examines the effect of innovative capability, knowledge management, intellectual capital on competitive advantage and firm performance (studies on budget accommodation in Semarang). The increasing number of hotels in Semarang is an interesting phenomenon considering the background of Semarang itself is actually not a tourist city, but it does not cause investors to be afraid to keep opening their business in the area of accommodation services. The results of the interview from the pilot study said that the increasing number of hotels make occupancy levels did not meet the expectation.*

*This study processes 50 research samples which are 1 to 3 star hotels, budget hotels (non-star), guest houses. The data collection was done by distribute the questionnaires form to respondents. Then the data is processed using Partial Least Square (PLS) analysis tools. This study concludes that the innovative capability, knowledge management, and intellectual capital which are part of the intangible assets of the company have a positive effect on competitive advantage. Furthermore, a competitive advantage also has a positive influence on company performance. This study provides managerial implications that budget accommodation service entrepreneurs can improve their competitive advantage and company performance through understanding and managing their intangible assets.*

*Keywords: firm performance, competitive advantage, innovative capability, knowledge management, intellectual capital*