

ABSTRACT

Innovation strategy is the most important factor in small, medium or big industry, especially to raise productivity and company operational reliability. One of factor which able to improve innovation strategy is company leadership orientation, until it can improve company investment level in supporting innovation which the implication will increase company performance.

The purpose of this research is to analyze the influence between variables in order to answer the question about how innovation strategy in small medium enterprise (SME) in Semarang can improve company performance

The population which is used in this research are all of small medium enterprise in Semarang. Only 119 SME are used in this research out of 200 questionnaire. It is because 31 SME did not come when the research was doing and the other 50 did not return the questionnaire. The result shows that five hypothesis was accepted. It is believed that leader orientation has positive influence to investment strategy, and has direct influence to both the degree of investment and company's performance. And it was also believed that innovation strategy and the investment level has positive influence to company's performance.

Key word : Productivity, Operational Reliability, Orientation Leadership, Innovation strategy, the investment level, and Company's performance.