

ABSTRACT

This research aims to analyze the influence of transformational leadership and entrepreneurial orientation toward product innovation and innovation performance in batik SMES in Central Java Province. The samples of this research are the owner of batik Small and medium Enterprise in Central Java province with total sample is 102 respondents. The data in this research was taken using questionnaire and interview. Then, the data was analyzed using Structural Equation Modeling (SEM) with AMOS. All the hypothesis are accepted as shown by $CR \geq \pm 1.96$ and $P < 0.05$. The results show that transformational leadership has positive effect toward product innovation and innovation performance. Then, the entrepreneurial orientation has positive effect toward product innovation and innovation performance. Moreover, product innovation has positive impact toward innovation performance. From the interview with respondents, it describes the problems faced by batik SMEs, batik product innovation, the role of the governments in developing batik SMEs, and the challenge faced by batik SMEs.

Keyword: *transformational leadership, entrepreneurial orientation, product innovation, innovation performances*