

ABSTRACT

The purpose of this research is to test the influences market characteristic, product characteristic and company strategic orientation toward product innovation and the effect to increase of company performance. Using these variables, caused by result of the research before Cooper dan Kleindschmidt (1987), Kotabe (1990), Narver dan Slater (1990), Jaworski dan Kohli (1993), Gatignon dan Xuareb (1997), Voss dan voss (2000), Lukas dan Ferrell (2000) dan Merry Haryanto dan Yoestini (2003), discovered the direct influences of market characteristic, product characteristic and company strategic orientation toward product innovation and the effect to increase of company performance. The usage of these variables are able to solve the arising problem within pharmaceutical company in the hole Java Island.

The samples of this research are 100 manager of company in the hole Java Island. Structural Equation Modeling (SEM) was run by an AMOS software for data analysis. The result of the analysis showed that market characteristic, product characteristic and company strategic orientation has positive influence which is significant toward product innovation, product innovation has positive influence which is significant toward company performance.

This empirical result indicated that in order to increase company performance by pharmaceutical company in the hole Java Island should focus on factors such as: market characteristic, product characteristic, company strategic orientation and product innovation, because its factors proven has influence toward degree of company performance. Theoretical implications and suggestions for future research have been elaborated at the end of this study.

Keywords: *market characteristic, product characteristic, company strategic orientation, product innovation and company performance*