

ABSTRACT

Company must establish and achieve its position in competitive advantage with strategy for facing business competition. Innovation strategy is one of policy strategy that many companies use to face business competition. Product and Process Innovation used in this study because it were based on company's internal resource. Good management of innovation will ultimately have an impact on performance of company. Profitability is one of indicators in assessing the performance of the company.

The aim of this study is study the influence of product and process innovation towards performance of company. Process and product innovation was measured using TSNEW and CEXSAL ratio.

The type of this research is quantitative descriptive with associative research method . The population of this research were manufacturing companies which registered in Indonesia Stock Exchange from 2013 to 2015 with the number of 420 companies as the samples data. The samples selected using purposive sampling method. The data used in this research were analyzed using multiple linear regression analysis. Multiple linear regression analysis was done with the help of a software named SPSS 20.0.

The result of the study showed that there are 52 sample banking companies data that met the the criteria of purposive sampling which assigned in the research. The result of the study proved that product innovation has positive influence towards performance of company and process innovation had insignificant influence towards performance of company.

Keywords: *Financial Performance, Product Innovation , Process Innovation*