Providing Innovation Opportunities Can Increase Employee Satisfaction and Performance on Small and Medium Shoes Industry

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Article Info

Article history:
Received Dec, 2023
Revised Dec, 2023
Accepted Dec, 2023

Keywords:
Employee performance
Job satisfaction
Strategic innovation

ABSTRACT

To be able to survive the global economic, every business organization is forced to continue to innovate and small and medium industry (SMEs) are deemed capable of winning the competition in the industry [1]. SMEs have the freedom to move and innovate because they are still small in scope, so innovation are needed in order to have a competitive advantage. This study investigates the direct and indirect effects of strategic innovation on employee performance by analysing its influence on work satisfaction. The research sample consists of 120 employees from the small and medium shoe business in East Java. The cluster random sampling approach was used to choose the participants. The data analysis model employs the PLS (Partial Least Squares regression) analysis approach with the Smart PLS version 3.0 software. The findings of hypothesis testing indicate that there is no significant direct impact of strategic innovation on employee performance. Employee performance is directly influenced by job happiness. However, strategic innovation has an indirect impact on employee performance by influencing work happiness. This suggests that work happiness might establish a link between the impact of strategic innovation and employee performance.

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1. INTRODUCTION

The global economic has hit almost every aspect of life. In various parts of the world, almost all economic sectors have been hit, including in Indonesia, not a few sectors have been badly hit due to the absence of turnover, especially for SMEs, many of which have experienced a decline in turnover which has forced them to go out of business.

To be able to survive the current global economic, every business organization is forced to continue to innovate and SMEs are deemed capable of winning the competition in the industry [1].

Innovation is the systematic transformation of information and ideas into novel products and services that hold value for customers, marketplaces, and yield advantages or additional worth for the organization [2]–[6]. In today's fiercely competitive business world, both scholars and business practitioners have expressed a significant interest in innovation [7], as

Journal homepage: https://esj.eastasouth-institute.com/index.php/see
innovation plays a crucial role in driving global economic expansion [8], [9] and firm growth [10].

In such circumstances, academics and businesses endeavour to devise methods and allocate resources to foster innovation, therefore ensuring long-term competitiveness [11] and enhance revenue and promote long-term growth [12]. The proliferation of specialists and experts’ focus on development has implications for the increase in variability of innovation.

In this study, innovation strategy is defined as the process of transforming information and ideas into tangible products, procedures, enhancing existing techniques, products, and services to meet customer needs and provide advantages for the firm. This indicator was developed from [13].

2. LITERATURE REVIEW

Small and medium-sized enterprises (SMEs) must prioritize innovation due to their limited size, since it is necessary to gain a competitive advantage in a fiercely competitive market. Currently, innovation is not just necessary for giant corporations, but it is equally imperative for the micro, small, and medium-sized company sector to foster an innovative culture and engage in innovative endeavors. Therefore, it is crucial to have a comprehensive understanding of human resource management in associations in order to attain organizational advancement [14].

2.1 Strategic innovation

Research elucidates that the utilization of an innovation strategy is one of the key approaches employed by organizations to establish and maintain a competitive edge in a fiercely competitive business environment [15]. Research conducted by [16], [17] found evidence that innovation significantly affect employee performance. While the worker performance indicators were developed from [18]–[20] which consisted of knowledge, attitudes, skills and emotional maturity.

2.2 Job satisfaction

Apart from innovate, what influences performance is job satisfaction. According to [21]–[23], job satisfaction is a pleasant inclination that employees develop over time regarding their work. This attitude stems from the employee's perception over time about the facet of his job. Job satisfaction stems from different parts of work like wages, advancement opportunities and collaborators. Every individual who works hopes to get fulfilment from his work environment. Basically, job satisfaction is something singular on the grounds that every individual will have an alternate degree of fulfilment as indicated by the qualities that apply to every person.

2.3 Employee performance

Communicate Organizational growth may be attained via the effective performance of human resources [24]–[26]. Nevertheless, if the efficacy of human resources is subpar, it will adversely affect the attainment of corporate objectives [27]. Every business organization must have different strategies and policies to deal with uncertainty and changing environment. In this context, the innovation strategy is deemed capable of adapting to these conditions [28]. Businesses seek to develop strategies and resources to innovate to maintain sustainable competitiveness [11] and increase revenue and profit growth in the long term [29].

3. METHODS

The research is planned as an explanatory study that tries to clarify the relationship between strategic innovation, work satisfaction, and employee performance through hypothesis testing. The goal is to acquire suitable evidence to draw conclusions about causation [30].

All individuals participating in this review were delegates from small and
medium-sized enterprises (SMEs) in the East Java Province that specialize in the shoe industry. The determination of the sample size is based on statistical procedures that are used to determine the sampling error. According to [31] an optimal sample size for conducting a Partial Least Squares (PLS) analysis is often between 100 and 200 respondents. Additionally, it is advisable to have a sample size that is at least 5 to several times larger than the number of indicators in the latent variable. The sample size for this review consisted of 120 respondents, obtained by multiplying 12 indicators by 10. The sample size was determined using the stratified random sampling method.

Approach The Principal Component Analysis (PLS) approach employed in this study was conducted in two distinct periods. The primary step involves evaluating the estimating model or outer model. The outer model may be assessed based on four criteria: dimensional reliability, internal consistency reliability, convergent validity, and discriminant validity. The second phase involves assessing the structural model, also known as the inner model. This step aims to examine the relationship between the construct, the significance value, and the R-square and Q-square of the research model. Examining the empirical models of PLS-based research using the SmartPLS program [32].

4. RESULTS AND DISCUSSION
4.1 Results
This research examines the immediate and indirect impacts of strategic innovation on employee performance through job satisfaction. The sample of this research is 120 employees of the small and medium industry of shoes in East Java by utilizing cluster random sampling technique. The data analysis model uses the analysis technique PLS (Partial Least Squares regression) with the Smart PLS version 3.0 program.

Based on [30] this research is designed as an explanatory research that expects to provide a clarification of the connection between strategic innovation, job satisfaction and employee performance through hypothesis testing and aims to obtain appropriate testing in drawing conclusions that are causality.

a. Results Validity Test Results
An instrument is considered valid if it can accurately measure the variable of interest as determined by the questionnaire [32]. The validity test is conducted by establishing a correlation between the scores of the questions and the overall scores of the variables. Every variable in this research has an outside loading value greater than 0.7 (outer loading > 0.7).

The outcomes of the instrument's validity assessment Table 1 indicates that the correlation coefficient for the statement items related to strategic innovation, work happiness, and employee performance factors is more than 0.4. The presence of explanation items with values over 0.4 indicates the validity of the assertion items.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Loading Factor</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic innovation</td>
<td>Administrative</td>
<td>0.975</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Technical</td>
<td>0.708</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>0.862</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Product</td>
<td>0.969</td>
<td>Valid</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>Jobs</td>
<td>0.850</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Opportunities</td>
<td>0.909</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Partners</td>
<td>0.890</td>
<td>Valid</td>
</tr>
<tr>
<td>Employee performance</td>
<td>Knowledge</td>
<td>0.907</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Table 1. Validity Test Results

Vol. 2, No. 02, December, pp. 106 - 116
Based on the information provided in Table 1, the loading factor has a value greater than 0.40. It might be stated that the variables measured in the survey meet the criteria to be considered legitimate.

b. Reliability Test Results

An instrument can be considered reliable if it consistently yields the same measurement result or displays consistent results when used to assess a symptom at different times. If the alpha coefficient value is 0.6, it may be inferred that the instrument is solid [33].

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average Variance Extracted</th>
<th>Composite Reliability</th>
<th>Cronbach's Alpha</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic innovation</td>
<td>0.784</td>
<td>0.879</td>
<td>0.935</td>
<td>Reliable</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>0.780</td>
<td>0.888</td>
<td>0.914</td>
<td>Reliable</td>
</tr>
<tr>
<td>Employee performance</td>
<td>0.724</td>
<td>0.804</td>
<td>0.913</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: data processing results

In view of Table 2 above, it very well may be seen that all variables have a composite reliability value of more than 0.7 and Cronbach's alpha value of more than 0.6. Thus, it very well may be concluded that all variables have met the reliability requirements in a study.

c. Results of Testing the Measurement Model (Outer Model)

Testing the outer model or commonly known as the loading factor test is used to show the heaviness of each dimension as a measure of each variable. Dimensions with loading factors indicate that these dimensions are the strongest (dominant) variable measuring and vice versa. The outer model or estimation model is a model with computation results dependent on the estimation of the Smart PLS version 3.0 program. The method utilized is confirmatory factor analysis, by utilizing this tool it will be known that the dimensions that exist can really explain a construct. In the Partial Least Square (PLS) model, the loading factor for the reflective dimension is the outer loading. Each variable in this study has a valid outer loading value of more than 0.5 (outer loading > 0.5).

Based on Table 2, the entire value of the loading factor shows that it is more than 0.50. In this manner it tends to be expressed that the dimensions of the variables observed
in the review have met the requirements to be said to be valid. Assessment of the legitimacy of the estimation model should also be possible by taking a gander at the average variance extracted value, namely with a standard 0.50 all dimensions on the variable can be said to be valid if the average variance extracted is more than 0.50 [34], can be found in the table underneath:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average Variance Extracted</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic innovation</td>
<td>0,783</td>
<td>Valid</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>0,664</td>
<td>Valid</td>
</tr>
<tr>
<td>Employee performance</td>
<td>0,676</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: data processing results

In light of Table 3 above, it very well may be seen that the variables of strategic innovation, job satisfaction, and employee performance produce average variance extracted values above > 0.50 so that they meet the necessities of convergent validity and reliability.

d. Results of Testing the Structural Model (Inner Model)

Structural models revolve around postulated connections or pathways between unobservable factors. Figure 1 displays the outcomes of the inner model test.

![Figure 1. research result model](image)

Evaluation of the structural model (inner model) is a measurement to assess the degree of precision of the model in the examination overall by being framed through several variables and their dimensions. Model fit (goodness of fit models) which means an index and a proportion of the goodness of the connection between latent variables that are constructed within a research concept framework. Goodness of fit models in PLS analysis performed using the R-square and Q-square prescient importance. The results of the goodness of fit models which have been summarized in the accompanying table:

<table>
<thead>
<tr>
<th>Variabel</th>
<th>R-Square</th>
<th>Q-Square Predictive Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee performance</td>
<td>0,094</td>
<td>0,000</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>0,066</td>
<td>0,049</td>
</tr>
</tbody>
</table>

Source: data processing results
In view of Table 4, the R-square value of employee performance is 0.571 or 57.1%. These results indicate that the diversity of employee performance variables can be clarified by strategic innovation and job satisfaction of 57.1%. As such, contributions, strategic innovation, and employee job satisfaction performance of 57.1%, while the leftover 22.9% is the contribution of other variables that are not addressed in this review. The R-square value on the job satisfaction variable is 0.274 or 27.4%. These results indicate that the diversity of job satisfaction variables can be explained by strategic innovation by 27.4%. In other words, the contribution of strategic innovation, 27.4% while the excess 72.6% is the contribution of other variables that are not talked about in this review.

In the value of Q-square predictive relevance, the employee performance variable has a value of 0.409. This shows that strategic innovation and job satisfaction have a fairly strong predictive power on employee performance. The job satisfaction variable has a Q-square predictive relevance of 0.246. This shows that strategic innovation has a fairly strong predictive power on job satisfaction. Goodness of Fit (GoF) is used to test the validity of structural models thoroughly. The standards used in the assessment of Goodness of Fit (GoF) are as follows: 0.1 (low GoF), 0.25 (moderate GoF) and 0.26 (GoF tinggi). The F-square (F2) Effect Size test is useful to determine how much influence between variables is based on changes in R2 values on endogenous variables. And here's Employee performance 0.094 and Job satisfaction 0.066.

e. Hypothesis Testing Results

The results of hypothesis testing in full are in the following description:

1. Direct Effect Hypothesis Testing

Results of hypothesis testing and path coefficients of direct influence between strategic innovation, job satisfaction, and employee performance variables are as presented in Table 5 underneath:

<table>
<thead>
<tr>
<th>Variable Independent</th>
<th>Variable Dependent</th>
<th>Path Coefficients</th>
<th>T- Statistic</th>
<th>P-Value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Innovation</td>
<td>Employee Performance</td>
<td>0.096</td>
<td>0.886</td>
<td>0.376</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Strategic Innovation</td>
<td>Job Satisfaction</td>
<td>0.258</td>
<td>3.065</td>
<td>0.002</td>
<td>Significant</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>Employee Performance</td>
<td>0.268</td>
<td>3.229</td>
<td>0.001</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: data processing results

2. Indirect Effect Testing

The indirect effect test is carried out with the aim of testing whether there is an aberrant impact of the independent variable on the dependent variable through its mediating variable. The test measures express that if the p-values level of significance (α=5%), it is stated that there is a critical impact of exogenous variables on endogenous variables through their mediating variables. The indirect effect test results can be seen in the accompanying table:
Table 6. Indirect Effect Test Results

<table>
<thead>
<tr>
<th>Variable Independent</th>
<th>Variable Mediation</th>
<th>Variable Dependent</th>
<th>Indirect Coefficient</th>
<th>T Statistik</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic innovation</td>
<td>Job satisfaction</td>
<td>Employee performance</td>
<td>0.069</td>
<td>2.018</td>
<td>0.044</td>
</tr>
</tbody>
</table>

Source: data processing results

6.1 Discussion

In light of Table 5 it tends to be clarified that the consequences of testing the direct influence of each variable are as follows:

The aftereffects of the research on the impact of strategic innovation on employee performance have a path coefficient value of 0.014 with a significance level (p-value) of 0.420. Considering the p-value of 0.420 is more than the level of significance (α=0.05), then at that point that empirically rejects the impact of strategic innovation on employee performance. That is, the better strategic innovation has not had an impact on increasing employee performance. Thus, it tends to be reasoned that strategic innovation negatively affects employee performance.

Empirically, aftereffects of this review demonstrate that the existence of strategic innovation in shoe SMEs in East Java Province had the option to encourage employees work on their exhibition. Empirical evidence shows that strategic innovation to prepare to contribute to employee performance which includes service innovation and product innovation has not been able to motivate or encourage employees to carry out activities such as increasing knowledge, attitudes, skills and emotional maturity. Employees of shoe SMEs in East Java do not feel that strategic innovation can work on their exhibition. This study is in accordance with the examination of [35], the results of his research show that strategic innovation does not significantly affect employee performance.

Theoretically, the aftereffects of this review are not in line with [15] research which found that innovation strategy is one of the strategies for companies to create competitive advantage so that they can survive in a competitive business environment. Research conducted by [16], [17] found evidence that innovation significantly influence employee performance.

The consequences of testing the effect of strategic innovation on job satisfaction have a path coefficient value of 0.249 with a significant level (p-value) of 0.000. Considering that the p-value of 0.000 is more modest than the level of significance (α=0.05), then, at that point, evidence that empirically accepts the influence of strategic innovation on job satisfaction. The path coefficient has a positive sign, this indicates that the direct influence between strategic innovation and job satisfaction is unidirectional. That is, the better the strategic innovation, the better the job satisfaction. Then again, the worse the strategic innovation, the worse job satisfaction will be. Along these lines it very well may be reasoned that strategic innovation positively affects job satisfaction.

Empirically, the aftereffects of this review demonstrate that strategic innovation in shoe SMEs in East Java Province is able to increase job satisfaction because strategic innovation in shoe SMEs in East Java
Province prioritizes service innovation and product innovation consistently for employees. In addition, strategic innovation that wishes to increase job satisfaction is a state of organization that prioritizes being more advanced and developing. That is, the shoe SMEs in East Java Province make service innovation and product innovation for employees in order to have a good impact on job satisfaction. So, strategic innovation as above can encourage an employee to increase the spirit of job satisfaction in shoe SMEs in East Java Province.

Theoretically, innovation is a key factor in world economic growth [8], [9] and corporate growth [10]. The aftereffects of testing the impact of job satisfaction on employee performance have a path coefficient value of 0.269 with a significant level (p-value) of 0.002. Considering the p-value of 0.002 is more modest than the level of significance (α=0.05), then there is evidence that empirically accepts the effect of job satisfaction on employee performance. The path coefficient has a positive sign, this shows that the direct influence between job satisfaction and employee performance is unidirectional. That is, the better the job satisfaction, the better the employee’s performance. On the other hand, the worse the job satisfaction, the worse the employee performance. Consequently, it tends to be reasoned that job satisfaction positively affects employee performance.

Empirically, the results of this study indicate that the job satisfaction of teachers in shoe SMEs in East Java Province can further develop their representative exhibition. This is because job satisfaction in shoe SMEs in East Java Province prioritizes jobs, opportunities and partners for employees. This will be the reason that job satisfaction in shoe SMEs in East Java Province can improve the ability of employees to carry out their activities such as increasing knowledge, attitudes, skills and maturity for employees.

Theoretically, the aftereffects of this review are not in accordance with the research of [36] which shows that job satisfaction is highly correlated with performance. Research [37] shows that there is reasonable connection between employee job satisfaction and performance.

In light of Table 6, it tends to be clarified that the results of testing the indirect effect of each variable are as follows:

Analysis of mediating variables can be done through the approach of coefficient difference and coefficient multiplication; the coefficient difference approach utilizes the assessment strategy by dissecting with and without including intervening variables.

The test aims to see the mediating role of job satisfaction on the impact of strategic innovation on employee performance. In light of Table 1. The direct effect of strategic innovation on employee performance = 0.014 and the indirect impact of strategic innovation on employee performance through job satisfaction = 0.230. The consequences of testing the impact of strategic innovation on employee performance with a mediator show that the job satisfaction coefficient of strategic innovation on job satisfaction is significant and job satisfaction on employee performance is significant, but the coefficient of strategic innovation on employee performance is not significant. Hence it very well may be presumed that job satisfaction is able to mediate the relationship between strategic innovation and
employee performance. The consequences of the mediation test also show that job satisfaction provides a full mediating role. The results of the indirect relationship test show that job satisfaction as a mediation has a significant influence on the impact of strategic innovation on employee performance. The full mediation results illustrate that job satisfaction is a bridge between the variables of strategic innovation and employee performance. This finding is in accordance with an empirical study that discusses the relationship between strategic innovation variables and employee performance through job satisfaction.

Job satisfaction on the effect of strategic innovation on employee performance acts as a perfect mediation, which means that strategic innovation can affect employee performance through job satisfaction mediation, while strategic innovation cannot directly affect employee performance. Regarding the empirical situation, the results of this analysis prove that job satisfaction is an intervening variable that goes as a mediation in the connection between strategic innovation and employee performance perfectly. So Strategic innovation, namely service innovation and product innovation that can affect the increase in knowledge, attitudes, skills and emotional maturity in it with job satisfaction, such as jobs, opportunities and partners can improve employee performance of shoe SMEs in East Java Province. On the other hand, strategic innovation in shoe SMEs in East Java Province has had the option to further develop worker performance in shoe SMEs in East Java Province.

5. CONCLUSION

Based on the outcomes of data analysis and discussions about innovation, work happiness, and employee performance in the Small and Medium Industry of Shoes in East Java Province, the following conclusions can be inferred.

Strategic innovation does not have a substantial impact on employee performance. This indicates that increased strategic innovation does not have the ability to enhance the performance of employees in the Small and Medium Shoe Industry in the East Java Province.

Strategic innovation has a direct and substantial impact on job satisfaction. This demonstrates that more strategic innovation can enhance work satisfaction in the Small and Medium Industry of Shoes in the East Java Province.

Strategic innovation has an indirect impact on staff performance by influencing work satisfaction. This demonstrates that strategic innovation can have a significant effect on employee performance when employees also experience job pleasure. Shoe manufacturing sector in East Java Province, focusing on small and medium-sized enterprises. Recommendations for research based on the limitations of this research. It is hoped that future research will use more company, so that it can be used as a basis for generalization and it is hoped that these factors will be included external to the company.

ACKNOWLEDGEMENTS

Authors would like to acknowledge and thanks for all support from Universitas Negeri Malang in supporting this research program.
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