
Strategic Innovation on Job Satisfaction and Employee performance in the Covid-19 Pandemic: Study on Small and medium shoes Industry in East Java Province

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Abstract

To be able to survive the current Covid-19 pandemic, 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. SMEs have the freedom to move and innovate because they are still small in scope, so flexibility and innovation are needed in order to have a competitive advantage. 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. The results of hypothesis testing find that Strategic innovation has no critical direct effect on employee performance. Job satisfaction has a direct effect on employee performance. But indirectly the strategic innovation affects employee performance through job satisfaction. This implies that job satisfaction can connect the influence of strategic innovation on employee performance.

Keywords: strategic innovation, job satisfaction, employee performance.

1. Introduction

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 Covid-19 pandemic, every business organization is forced to continue to innovate and SMEs are deemed capable of winning the competition in the industry (Herrera, 2015). SMEs have the flexibility to move and innovate because they are still small in scope, so flexibility and innovation are needed to enjoy a cutthroat benefit. At present, innovation is not only needed by large-scale companies, but the micro, small and medium business sector is also required to

continue to develop a culture of innovation and carry out innovation activities. For this reason, the administration of human resources in associations is something important thing to know in order to achieve organizational progress (Brewster et al., 2016). The problem of human resources today is still the center of attention for an organization to survive in an era of uncertainty and environmental change accompanied by an increasingly fierce level of competition (Sumiati, 2018). Organizational progress will also be achieved if human resources have good performance (Manurung&Riani, 2017; Mondiani, 2012). However, if the performance of human resources is not good, it will have an impact on the achievement of organizational goals (Manzoor et al., 2011). 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 (Thomas, 2014). Businesses seek to develop strategies and resources to innovate to maintain sustainable competitiveness (Bernardo, 2014) and increase revenue and profit growth in the long term (Bergman et al., 2015). In developing an organization for strategic innovation, every entrepreneur must train innovation authority, fabricate dynamic skills, concentrate and foster human resources, utilize new assembling and data innovations, and have an innovative culture (Bock et al., 2012; Zhou and Wu, 2010). Based on the description, the authors suspect that the factors that can affect employee performance are strategic innovation and job satisfaction.

2. Literature reviews

2.1. Strategic innovation affects job satisfaction and employee performance

Innovation is a process of changing knowledge and ideas in to new items and administrations that are of value to clients, markets and provide benefits or added value for the company (Feeny and Rogers, 2003; Jaskyte, 2011; Acar et al., 2019; Al-Hakim and Hassan,2016;Prajogo,2016).

Innovation has become a concern for researchers and business practitioners in today's competitive business environment (Berghman et al., 2013; Alshammari et al., 2014) because innovation is a key factor in world economic growth (Boultetal., 2018; Babkinetal.,2015)and firm growth (Back et al., 2014). Under these conditions, researchers and businesses seek todevelop strategies and resources to innovate in order to maintain sustainable competitiveness (Bernardo, 2014) and increment income and benefit development in the long term (Berghman etal., 2013). The large number of specialists and experts' attention regarding development has suggestions for the rise of innovation changeability.

Innovation strategy is an attempt to change information and thoughts into new items, measures, administrations, systems in order to provide benefits to companies and stakeholders(Perdomo-Ortizetal.,2006; Jaskyte,2011) or to turn knowledge in to money (Boultetal.,2018). In this review, innovation strategy is characterized as converting information and thoughts in to items, measures, improving existing methods, items and administrations to address client issues and give benefits to the company. This indicator was developed from Damanpour (1991) research which consists of; Administrative Innovation, Technical Innovation, Service Innovation, Product Innovation.

Cot tam's (2001) research explains that the innovation strategy is one of the strategies for companies in creating competitive advantages so that they can survive in a competitive business environment. Research conducted by Kusuma and Utama (2021) and Marin and Marin (2019) found evidence that innovation significantly affect employee performance. While the worker performance indicators were developed from Purnama (2021), Purnama (2014) and Bash or and Purnama (2017) which consisted of; knowledge, attitudes, skills and emotional maturity. In light of this depiction, the hypothesis in this review can be formulated as

H1: Strategic innovation significantly affects employee performance.H2: Strategic innovation significantly affects job satisfaction.

2.2. Job satisfaction affects employee performance

According to Gibson et al (1997), Hasibuan (2016) and (Robbins and Judge, 2013), job satisfaction is a pleasant inclination that employees develop over time regarding their work. Thisattitudestemsfromtheemployee'sperceptionovertimeaboutthefacetofhisjob. Job satisfaction stems from different parts of work like wages, advancement opportunities and collaborators. Every individual who works hopes to get fulfillment from his work environment. Basically, job satisfaction is something singular on the grounds that every individual will have an alternate degree of fulfillment as indicated by the qualities that apply to every person. The more parts of the job that match the individual's desires, the higher the degree of saw fulfillment. Mean while, according to Luthansetal.(2007)jobsatisfactionistheconsequenceofrepresentatives' impression of how well the work gives things that are considered significant. According to Widodo (2014), job satisfaction is appositve enthusiastic express that is the consequence of assessing one's work insight. Job dissatisfy action emerges when one's assumptions are not met. Robbins and Judge (2013) Job satisfaction is a good inclination around one's work which is the aftereffect of an assessment of its attributes. This view can be improved on that work fulfillment is a demeanor of the individual and is input on his work. Meanwhile, as indicated by Luthan (2006) and Purnama (2017) job satisfaction consists of four dimensions, namely: work, opportunities and partners. These indicators are used as a proportion of job satisfaction

Research by Yuen, et al. (2018), Bakotic (2016) and Purnama (2017) shows that job satisfaction. This study also want stoknow whether job satisfaction scan intercede the impact of strategic innovation on employee performance. In view of this, the hypothesis developed in this study can be planned as follows:

H3: Job satisfaction significantly affects employee performance.

H4: Job satisfaction can intervene the impact of strategic innovation on employee performance

3. Research Methods

3.1. Research Design

Based on Sugiyono (2017) 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.

3.2. Population and Sample

The populace in this review were all representatives of shoe SMEs in East Java Province. Determination of the number of sample respondents as in the statistical methods used to estimate the sampling error. According to Ferdinand (2014) the appropriate sample size of respondents in the PLS analysis is around 100 - 200, furthermore, it is recommended that the sample size of respondents be at least 5 to multiple times the quantity of indicators in the latent variable. While the sample of respondents in this review was 12 indicators multiplied by 10 totaling 120 respondents. The quantity of samples was taken by utilizing stratified random sampling method.

3.3. Method of Data Collection

The measurement used in this study is the scale likert. The use of the scale is likert because of the accompanying cont emplations: (1) it has numerous accommodations;(2) has high dependability in arranging objects dependent on discernment; (3) adaptable contrasted with different methods; and (4) applicable in different circumstances. Likert scale information handling is remembered for the interval scale. The distribution of questionnaires to a various of respondents contains indicators of the dimensions of the statement on the research variables inorder to obtain answers in accordance with the perceptions of the respondents. To answer all the statements that exist, namely by using five categories of scale likert. As for the scale procedure likert, a number of questions are arranged with respondents' answers on a continuum. The weights given are in accordance with the indicators. In this study the weights given were 1 to 5. Examples of alternative answers used in this research questionnaire were: strongly agree was given a score of 5, agreed was given a score of 4, disagreed/neutral was given a score of 3, disagreeis given a score of 2, strongly disagree is given as core of 1(Sugiyono, 2017).

3.4. Data Analysis

Method the PLS analysis method in this study was carried out in two phases. The main stage is to assess the estimation model or outer model. There are four criteria to assess the outer model, namely dimensional reliability, internal consistency reliability, convergent validity, and discriminant validity. The second stage is to evaluate the structural model or inner model which is done to see the connection between the construct, the significance value, and the R-square and Q-square of the research model. testing empirical models of PLS-based research with SmartPLS software (Ghozali, 2021)

4. Results

4.1. Results Validity Test Results

An instrument is supposed to be legitimate on the can uncover something that will be estimated by the questionnaire (Hair in Ghozali, 2021). Validity test is finished by correlating the score of the questions with the complete score of the variables. Each variable in this study is valid for the outer loading value of more than 0.4 (outer loading > 0.4).

The results of the instrument validity test Table 1 shows that the statement items for the strategic innovation, job satisfaction, and employee performance variables have a correlation coefficient more than 0.4. The quantity of explanation items that are more noteworthy than 0.4 show that the assertion items are valid.

Table 1. Validity Test Results

Variable	Indicator	Loading Factor	Information
Strategic innovation	Administrative	0.975	Valid
	Technical	0.708	Valid
	Service	0.862	Valid
	Product	0.969	Valid
Jobsatisfaction	Jobs	0.850	Valid
	Opportunities	0.909	Valid
	Partners	0.890	Valid
Employeeperformance	Knowledge	0.907	Valid
	Attitudes	0.907	Valid
	Skills	0.793	Valid
	Emotional	0.789	Valid

Source: data processing results

In view of Table 1 above, the entire value of the loading factor shows that it is more than 0.40. Along these line sit tends to be expressed that the dimensions of the variables observed in there view have met the requirements to be said to be valid.

4.2. Reliability Test Results

An instrument can be supposed to be dependable, in the event that it very well may beutilized to quantify a side effect at various occasions, it generally shows similar outcomes or reliably gives a similar measurement results. The instrument can be supposed to be solid if the alpha coefficient value is 0.6 (Malhotra, 2004).

Assessment of the reliability of the PLS measurement model can use composite reliability with a value of more than 0.7 and Cronbach's alpha with a value of more than 0.6. The results of this evaluation of reliability are used to see the dimensions have consistency when used to measure a construct. The results of the composite reliability and Cronbach alpha values can befound in Table 2 below.

Table 2. Reliability Test Results

Variable	Average Variance Extracted	Composite Reliability	Cronbach's Alpha	Information
Strategic innovation	0.784	0,879	0,935	Reliabel
Job satisfaction	0.780	0,888	0,914	Reliabel
Employee performance	0.724	0,804	0,913	Reliabel

Source: data processing results

In view of Table 3 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.

4.3. 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 as an era 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 (Ghozali, 2021). can be found in the table underneath:

Table 3. Results of Average Variance Extracted

Variable	Average Variance Extracted	Information
Strategic innovation	0,783	Valid
Job satisfaction	0,664	Valid
Employee performance	0,676	Valid

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.

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

Structural models center around hypothesized relationships or paths between latent variables. The consequences of the inner model test can be found in Figure 1

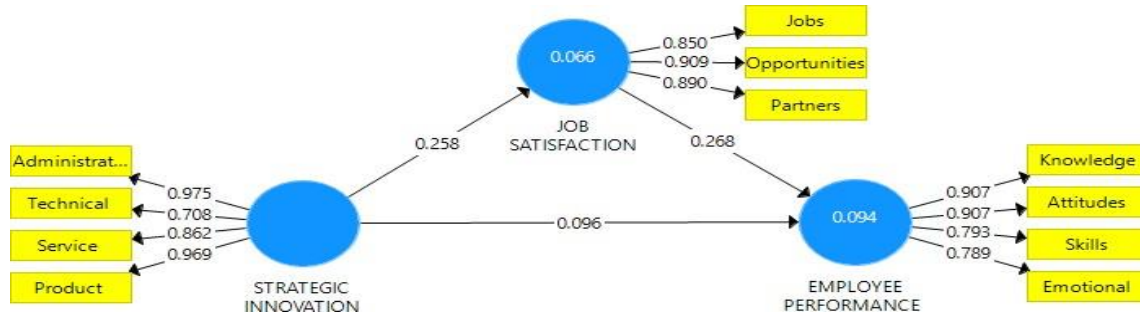


Figure 1. Structural Model

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 4. Results of R-Square and Q-Square Predictive Relevance

Variabel	R-Square	Q-Square Predictive Relevance
Employee performance	0,094	0,000
Job satisfaction	0,066	0,049

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.

4.5. Hypothesis Testing Results

The results of hypothesis testing in full are in the following description: 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 5. Direct Effect Test Results

Variable Independent	Variable Dependent	Path Coefficients	T-Statistic	P-Value	Conclusion
Strategic innovation	Employee performance	0.096	0.886	0.376	Not significant
Strategic innovation	Job satisfaction	0.258	3.065	0.002	significant
Job satisfaction	Employee performance	0.268	3.229	0.001	significant

Source: data processing results 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 ($\alpha=5\%$), 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

Variable Independent	Variable Mediation	Variable Dependent	Indirect Coefficient	T Statistik	P-Value
Strategic innovation	Job satisfaction	Employee performance	0,069	2.018	0.044

Source: data processing results

In light of the tests recorded in the table above, it tends to be seen that:

5. 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:

5.1. Strategic Innovation on Employee Performance

The after effects of there search 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 ($\alpha=0.05$), 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 (H_1 is rejected).

Empirically, after effects 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 Suwanto et al., (2019), the results of his research show that strategic innovation does not significantly affect employee performance.

Theoretically, the after effects of this review are not in line with Cottam's (2001) 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. Penelitian conducted by Kusuma and Main (2021) and Marin and Marin (2019) found evidence that innovation significantly influence employee performance

5.2. Strategic innovation on job satisfaction

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 ($\alpha=0.05$), 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 (H_2 accepted).

Empirically, the after effects 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 (Boult et al., 2009; Babkin et al., 2015) and corporate growth (Back et al., 2014)

5.3. Job satisfaction on employee performance

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 ($\alpha=0.05$), 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 (H3 is accepted).

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 Yuen, et al (2018) which shows that job satisfaction is highly correlated with performance. Research Bakotic (2016) 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.

5.4. Job satisfaction in mediating the relationship between strategic innovation and employee performance

The H4 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 (H4 is accepted).

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 partner scan 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

6. Conclusion

In view of the aftereffects of data analysis and discussion related to innovation, job satisfaction and employee performance in the Small and Medium Industry of Shoes in East Java Province, the following conclusions can be drawn:

1. Strategic innovation directly has no significant effect on employee performance. This shows that the higher strategic innovation is not able to improve employee performance Small and Medium Industry of Shoes in East Java Province
2. Strategic innovation directly has a significant effect on job satisfaction. This shows that the higher strategic innovation can increase job satisfaction Small and Medium Industry of Shoes in East Java Province
3. Mean while, strategic innovation indirectly affects employee performance through job satisfaction. This shows that job satisfaction is can bridge the influence of strategic innovation on employee performance, which implies that strategic innovation can have a perfect impact on employee performance if it is accompanied by job satisfaction owned by employees. Small and Medium Industry of Shoes in East Java Province

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