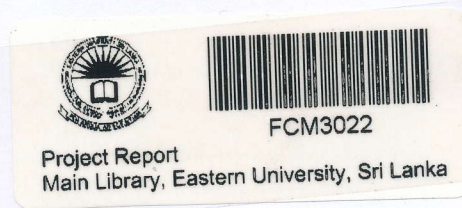


**THE IMPACT OF STRATEGIC INNOVATION ON
EMPLOYEE PERFORMANCE WITH THE MEDIATING
ROLE OF JOB SATISFACTION: SPECIAL REFERENCE
TO CLOTHING INDUSTRY IN NUWARA - ELIYA
DISTRICT, SRI LANKA**



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EU/IS/2019/MS/09

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2025

ABSTRACT

This study investigates the impact of strategic innovation on employee performance, emphasizing the mediating role of job satisfaction within the clothing industry in the Nuwara Eliya District of Sri Lanka. Strategic innovation has increasingly become a critical element for sustaining competitiveness, particularly in labor-intensive industries such as apparel manufacturing. Despite its importance, limited empirical evidence exists on how strategic innovation practices influence employee outcomes in developing economies. Addressing this gap, the current study adopts a quantitative research design using a structured questionnaire administered to 346 employees across selected clothing companies.

Descriptive analysis revealed high levels of strategic innovation, job satisfaction, and employee performance. Pearson correlation results indicated a strong, positive, and statistically significant relationship between strategic innovation and employee performance ($r = .591, p < 0.01$). Multiple regression analysis confirmed that strategic innovation significantly predicts employee performance ($\beta = .591, p < 0.001$). Furthermore, job satisfaction was found to mediate the relationship between strategic innovation and employee performance, as validated through a series of regression models based on Baron and Kenny's (1986) framework.

The findings support the notion that fostering innovation not only improves operational processes but also enhances employee morale, engagement, and productivity. The study contributes to both academic literature and managerial practice by highlighting the importance of integrating employee-centered innovation strategies. Practical recommendations are provided for enhancing employee performance through sustained innovation efforts and satisfaction-driven management policies.

This research extends the understanding of innovation's role in human resource outcomes and provides a foundation for further studies in different organizational contexts and sectors. The study also suggests avenues for future research to explore longitudinal effects and additional mediating or moderating variables.

Keywords: Strategic Innovation, Employee Performance, Job Satisfaction, Clothing Industry, Mediation, Sri Lanka

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