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# The Impact of Job Satisfaction on Financial Performance in Jordanian Industrial Companies: The Mediating Role of Innovation

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**ABSTRACT**

This study looks at the relationship between job satisfaction, innovation and financial performance in Jordanian industrial companies with innovation as a mediating variable. Based on Resource-Based Theory and Innovation Theory, the study assumes that job satisfaction leads to innovation which in turn leads to financial performance. A quantitative research methodology was used and data was collected from 159 financial professionals from 33 publicly listed companies on the Amman Stock Exchange. A structured survey was administered to economic and accounting professionals and Partial Least Squares Structural Equation Modeling (PLS-SEM) was used for data analysis. The findings show a strong positive relationship between job satisfaction and innovation, the employees are the driving force behind innovation. However, there is no direct relationship between job satisfaction and financial performance. Instead, the results show that innovation is a mediator between job satisfaction and financial performance, it's the key to translate employee satisfaction into financial success. These results highlight the need to have a work environment that prioritizes employee satisfaction and innovation to enhance organizational competitiveness and financial outcomes.

**Keywords:** Job Satisfaction, Financial Performance, Innovation, Jordan, PLS-SEM
**JEL Classifications:** J28, O31, O35, L25, H83

## 1. INTRODUCTION

Financial performance is the engine of an organisation's long-term feasibility and competitive achievement, it guides strategic choice and resource allocation (Miftah, 2020). As a firm's ability to generate revenue, manage costs and achieve profit over a given period (Harwiki and Malet, 2020), financial performance is the most significant metric for stakeholders, shareholders, board members and investors (Saleh and Al-Nimer, 2022). Traditional financial performance metrics have been focused on financial ratios and operational efficiency. Yet, current research shows that workplace culture and human capital are also becoming important drivers of corporate success (Games and Rendi, 2019; Tarigan et al., 2022; Kirwa, 2022; Lukman, 2023; Rahmatia and Nurdin, 2023).

One of the most significant human capital drivers of financial outcomes, job satisfaction has recently been taken into account. Resource-Based Theory (RBT) believes that employees represent a fundamental strategic resource that derives a firm's long-run competitive edge (Tarigan et al., 2022). Workers who are satisfied will be more motivated, devoted, and efficient, and this ultimately leads to improved organizational performance (Kirwa, 2022). Evidence suggests that cultivating job satisfaction improves employee participation, reduces turnover, and boosts work efficiency (Rajković et al., 2018). Whereas job satisfaction has widely been deemed to be among the drivers of organizational effectiveness, conclusive evidence is scarce for linking job satisfaction unconditionally to profitability outcomes, given differing empirical outcomes within and outside industrial settings (Lukman, 2023; Al Shbail et al., 2022; Al-Abdullat & Dababneh, 2018).

One of the potential explanations for this paradox is the role of innovation as a mediating variable. According to Innovation Theory, human capital is one of the significant inputs to produce innovation, which enhances the adaptability of a company to market changes and productivity (Tarigan et al., 2022). Organizations that prioritize job satisfaction are likely to develop an organizational culture that supports creativity, knowledge sharing, and innovative problem-solving, all of which culminate in improved financial performance (Saleh and Al-Nimer, 2022). This raises a very critical question: To what degree does innovation mediate the job satisfaction-financial performance relationship?

Despite the augmented emphasis on the financial performance-job satisfaction connection, very little empirical work has considered the mediating role of innovation, particularly within the context of the Jordanian industrial companies. Jordan is one of the more advanced countries with regards to the development of human capital with a Human Development Index (HDI) value of 73.6% as of 2022 and placed at 99 among 193 countries (UNDP, 2024). In addition, Jordan's Global Innovation Index ranking escalated from 78 in 2022 to 71 in 2023 as a reflection of the national push toward innovation driving (Ministry of Digital Economy and Entrepreneurship, 2024). With an eye on the emerging environment, given the mechanisms through which job satisfaction accumulates towards profitability through innovation is even more important to industrial companies within Jordan striving to maintain maximized potency on their manpower with improved economic yields.

This study seeks to fill the existing research gap by exploring how innovation impacts the link between job satisfaction and financial success in Jordanian industrial companies. By combining Resource-Based Theory (RBT) and Innovation Theory, the study provides a solid framework to understand how investments in workers lead to better financial outcomes. Practically, the results can help business leaders, policymakers, and HR experts to create workplace environments that promote job satisfaction and innovation, improving company performance. Additionally, the study highlights the societal benefits of focusing on employee happiness for long-term organizational success.

## 2. LITERATURE REVIEW AND HYPOTHESES

### 2.1. Job Satisfaction

Job satisfaction is the key to employee's well-being, motivation and organisational efficiency. It is the positive emotional and psychological state of an individual work, influenced by working conditions, job security, compensation, career development and personal relationships (Lukman, 2023; Shubita, 2019; Mali et al., 2022). Employees who are more satisfied with their job tend to show more commitment, productivity and performance which in turn give sustainable competitive advantage to the organisation (Jigjiddorj et al., 2019; Rajković et al., 2018).

Resource-based theory (RBT) argues that human capital is a valuable, rare and priceless resource that contributes to the long-term sustainability of the enterprise (Acar and Polin, 2015; Shubita, 2023). Since human resources are not easily replaceable or copyable, organisations need to invest in their workforce by promoting job satisfaction and optimising performance and innovation (Deseriere and Safaria, 2023). Job satisfaction is not only a psychological construct but also a strategic asset that improves the ability of the organisation to retain talent, increase efficiency and improve financial performance (Tarigan et al., 2022). Moreover, Stakeholder Theory states that companies should consider the interest of employees, as employee satisfaction has direct impact to the performance of the organisation (Freeman et al., 2021). As internal stakeholders, employees play key role in achieving the company's strategic objectives and their satisfaction increases employee engagement, innovation and overall financial performance (Saleh et al., 2022).

Research has consistently shown positive correlation between job satisfaction and performance at individual and organisational level (Shubita, 2024). Employees who are satisfied with their work tend to show higher level of loyalty and engagement which reduces turnover and promotes positive work environment (Helia et al., 2022). Moreover, job satisfaction is linked to higher productivity, creativity and efficiency which are key drivers of financial performance (Jigjiddorj et al., 2019; Mali et al., 2022). However, although many studies confirm this positive relationship, some research suggests that job satisfaction alone may not be the direct cause of the better financial performance (Lukman, 2023; Rahmati and Nurdin, 2023).

### 2.2. Financial Performance

Financial performance is the measure of a company's economic health, operational efficiency and long-term sustainability. It shows the ability of a firm to generate revenue, maximize profit and create shareholder value, it's a key metric for internal decision making and external stakeholder evaluation (Harwiki and Malet, 2020). Traditionally, the financial performance is evaluated by quantitative financial indicators (Saleh and Al-Nimer, 2022) like Return on Investment (ROI), Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin. Nevertheless, recent studies emphasize the role of non-financial drivers such as human capital, innovation, and corporate governance in determining financial results (Rajković et al., 2018; Tarigan et al., 2022).

Resource-Based Theory (RBT) explains that financial performance comes not only from tangible assets but also from intangible strategic resources such as employee satisfaction and innovation capabilities (Acar and Polin, 2015). The companies that properly manage and maximize their human capital can increase productivity, lower operating cost and create sustainable competitive advantage (Deseriere and Safaria, 2023). War and

Fisher argue that this view fails to account for the impacts of multiple stakeholders—including employees, customers, investors and community—on financial performance (Freeman et al., 2021). Employees, as core internal stakeholders, have a significant role to play in achieving financial success due to their engagement, talents, and performance (Saleh et al., 2022).

A recent literature review implies as well, indicating a positive correlation between job satisfaction and the financial performance of companies, where satisfied workers generally lead to increased workplace productivity, decreased employee turnover as well as enhanced customer service quality (Rosli & Sidek, 2013; Rajković et al., 2018; Lukman, 2023). Firms with high job satisfaction are less likely to suffer from absenteeism as well as more committed employees, which contribute to better financial performance and profitability (Tarigan et al., 2022; Rahmatia and Nurdin, 2023). However empirical findings are mixed as some studies argue that the relationship between job satisfaction and financial performance is indirect not direct (Palacios-Manzano et al., 2021). This has led scholars to explore potential mediating variables such as organizational culture, leadership and innovation to understand how job satisfaction translates into financial success (Anser et al., 2018).

## 2.3. Innovation

Innovation is key to business growth, competitiveness and long-term financial success, it includes developing new products, services, processes and business models that improve organisational efficiency and market position (Septiani et al., 2022). In an era of rapid technological advancements and global competition, companies must innovate to maintain competitive advantage and financial stability (Saleh et al., 2022). Research says that employee satisfaction contributes significantly to innovation, engaged and motivated employees are more likely to come up with creative ideas, adapt to change and drive business transformation (Lukman, 2023). Based on Innovation Theory which states that companies achieve competitive advantage by leveraging knowledge, creativity and technological advancements (Schumpeter, 1934), companies that cultivate innovative culture can respond better to market shifts, consumer demands and industry disruptions (Tarigan et al., 2022). Besides, Resource-Based Theory (RBT) says that innovation is intangible asset embedded in a company's human capital and organisational capabilities, so companies that invest in employee satisfaction create environment conducive to knowledge sharing and experimentation, leading to better innovation outcomes (Eren et al., 2013; Acar and Polin, 2015; Deseriere and Safaria, 2023).

Moreover, Innovation is widely recognized as a key driver of financial performance, companies can optimize their operations, improve product offerings and increase market share (Harwiki & Malet, 2020; Mohyi, 2021; Nguyen, 2020; Gyamera et al., 2023; Khalaf, 2020; Setia et al., 2022; Srouji et al., 2023 Cegarra-Navarro et al., 2016). It can be categorized into four main types: Product innovation (developing new or improved products to meet customer evolving needs), process innovation (improve operational procedures for efficiency and cost reduction), organisational innovation (adopting structural or cultural changes to foster agility and adaptability), and marketing innovation (implementing new branding and promotional strategies to improve customer engagement) (Atalay et al., 2013). Empirical research proves strong link between innovation and financial performance, companies that engage in R and D, technology adoption and creative problem solving get higher profitability and market resilience (Al-Shuaibi, 2016; Anser et al., 2018; Saleh et al., 2022).

Employee satisfaction is recognized as an enabler of innovation, motivated and engaged employees are more likely to contribute new ideas and participate in change initiatives (Palacios-Manzano et al., 2021; Al-Edenat, 2018). Employees who feel valued, supported and professionally fulfilled are more likely to take risk, experiment with new solution and collaborate on innovative projects (Lukman, 2023). Several mechanisms explains how employee satisfaction foster innovation including psychological safety (workplace culture where employees feel safe to share idea), intrinsic motivation (self-driven innovation behavior), knowledge sharing (collaborative problem solving) and reduced turnover (retaining experienced employees who contribute to continuous improvement). While research confirm the positive relationship between employee satisfaction and financial performance, scholars argue that this relationship is often indirect and mediated by innovation (Lukman, 2023; Rahmatia and Nurdin, 2023). Companies that cultivate employee satisfaction create culture of creativity and continuous improvement which in turn drive financial success through product differentiation, operational efficiency and market adaptability (Saleh et al., 2022).

While research on the link between job satisfaction and financial performance has increased, the specific role of innovation in this connection, particularly within Jordanian industrial companies, is still understudied. This study aims to delve deeper into how job satisfaction impacts financial performance by examining if innovation acts as a connecting factor between the two. Based on the above dissection, the hypotheses are:

$H_1$: There is a relationship between job satisfaction and financial performance.

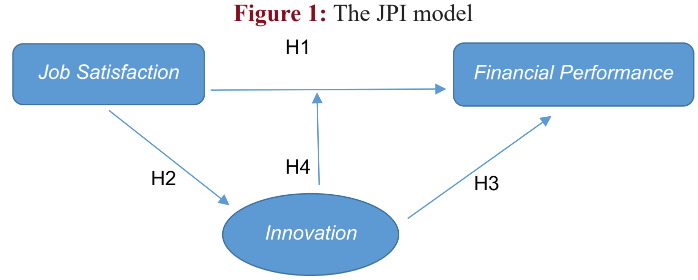
$H_2$: Job satisfaction influences innovation.

$H_3$: Innovation influences financial performance.

$H_4$: Innovation mediates the link between job satisfaction and financial performance.

Based on a review of existing research, the authors propose a conceptual Job, Performance, and Innovation (JPI) Model. This model comprises three key dimensions: job satisfaction, financial performance, and innovation (Figure 1).

**Figure 1:** The JPI model



## 3. METHODOLOGY

A quantitative study was conducted among financial and accounting professionals from 33 Jordanian industrial companies listed on the Amman Stock Exchange to investigate the effect of innovation as a mediating variable on the relationship between job satisfaction and financial performance. A 60% response rate, data was collected from 159 participants possessing in-depth knowledge of their company's operations. Research reliability was achieved by using an extensively developed questionnaire for information acquisition. The questionnaire contained well-written survey items and concrete variables alongside consistent data coding to validate its data quality. The research utilized quantitative methods to evaluate established hypotheses by investigating how employee job satisfaction affected financial performance through innovation as the intervening factor.

We developed a questionnaire through systematic adaptation of established measures present in research such as Miftah (2020), Palacios-Manzano et al. (2021), Tarigan et al. (2022), Cheng et al. (2023) and Lukman (2023). Our research instrument development used validated measures obtained from Miftah (2020), Palacios-Manzano et al. (2021), Tarigan et al. (2022), Cheng et al. (2023) and Lukman (2023) as its base to create a specialized questionnaire for Jordanian industrial requirements. The research instrument used a five-point Likert scale except for demographic inquiries to enable direct interpretation of responses.

The researchers selected methodology and analysis methods that corresponded with the fundamental study requirements. The combination of structured survey methods along with strict statistical analysis enabled the study to demonstrate support for theoretical models through empirical evidence. The research methods not only substantiated the study results but also secured conclusions that were built upon accurate data analysis. The research methods applied to this study produced dependable results that exposed significant relationships among the study variables.

Statistical analysis including regression and mediation analysis performed on survey data to check for hypotheses validity. This analysis followed sound methodological tradition as recommended by Sekaran and Bougie (2016) ensuring reliabiliti and validiti. To determine the content relevance, we used rigorous statistical methods in validating the instrument. In particular, it has been performed a Variance Inflation Factor (VIF) test, due to the Kock (2015) suggestions, to check the presence of multicollinearity among the constructs. Multicollinearity can distort the analysis from regression-analysis; therefore, it is necessary to detect and resolve problems. As can be seen from Table 1, VIF values for all constructs were less than the threshold value of 3.3, suggesting that no serious concern of multicollinearity was present in our study. This stage was crucial to guaranteeing the reliability and validity of our measures.

Our findings show reliable and generalizable results because all VIF values remain low. The analysis of low VIF values enables us to establish genuine relationships between job satisfaction and innovation and their impact on financial performance since it shows no artificial construct effects. The methodical approach to validating and developing questionnaires creates a solid base for research credibility and practical and follow-up research applications. The stringent validation process secures both reliability and general applicability of our findings for the industrial sector which delivers beneficial insights for academic research and industrial practice.

**Table 1: Construct reliability and validity**

| Construct | Code | Load | VIF | CA (α) | CR | AVE |
|---|---|---|---|---|---|---|
| Financial performance | FP. 1 | 0.917 | 2.339 | **0.935** | **0.944** | **0.757** |
| | FP. 2 | 0.738 | 1.880 | | | |
| | FP. 3 | 0.900 | 2.673 | | | |
| | FP. 4 | 0.892 | 2.383 | | | |
| | FP. 5 | 0.881 | 3.066 | | | |
| | FP. 6 | 0.880 | 3.301 | | | |
| Innovation | IN.1 | 0.783 | 2.973 | **0.968** | **0.969** | **0.621** |
| | IN.10 | 0.797 | 3.014 | | | |
| | IN.11 | 0.731 | 2.634 | | | |
| | IN.12 | 0.786 | 2.991 | | | |
| | IN.13 | 0.855 | 3.096 | | | |
| | IN.14 | 0.720 | 2.724 | | | |
| | IN.15 | 0.810 | 2.646 | | | |
| | IN.16 | 0.848 | 3.204 | | | |
| | IN.17 | 0.802 | 2.805 | | | |
| | IN.18 | 0.803 | 2.767 | | | |
| | IN.19 | 0.685 | 2.262 | | | |
| | IN.2 | 0.722 | 2.498 | | | |
| | IN.20 | 0.736 | 2.581 | | | |
| | IN.3 | 0.845 | 3.147 | | | |
| | IN.4 | 0.724 | 2.570 | | | |
| | IN.5 | 0.804 | 2.651 | | | |
| | IN.6 | 0.862 | 2.532 | | | |
| | IN.7 | 0.776 | 3.226 | | | |
| | IN.8 | 0.825 | 3.136 | | | |
| | IN.9 | 0.817 | 2.838 | | | |
| | IN.1 | 0.783 | 2.973 | | | |
| | IN.10 | 0.797 | 3.014 | | | |
| Job Satisfaction | JS.1 | 0.819 | 2.496 | **0.929** | **0.930** | **0.563** |
| | JS.10 | 0.659 | 1.970 | | | |
| | JS.11 | 0.764 | 2.765 | | | |
| | JS.12 | 0.808 | 3.027 | | | |
| | JS.2 | 0.762 | 3.071 | | | |
| | JS.3 | 0.815 | 2.288 | | | |
| | JS.4 | 0.669 | 1.959 | | | |
| | JS.5 | 0.702 | 2.391 | | | |
| | JS.6 | 0.736 | 2.253 | | | |
| | JS.7 | 0.790 | 3.056 | | | |
| | JS.8 | 0.689 | 2.819 | | | |
| | JS.9 | 0.764 | 3.262 | | | |

## 4. RESULTS

### 4.1. Descriptive Statistics

Using SmartPLS 4.0 Partial Least Squares Structural Equation Modeling (PLS-SEM) this study investigated the connections between job satisfaction of employees and innovation and their effects on financial performance in industrial organizations. Use of this method proved effective because it processed small data amounts while simultaneously evaluating complex models' measurement components along with their structure components. According to Hair et al. (2019) this research employs SmartPLS because of its proven advantageous qualities.

According to Sarstedt et al. (2020) PLS-SEM delivers an adaptable analytical instrument with exceptional abilities for modeling latent variables. The method handles numerous dependent and independent variables and error measurement allowing detailed exploration into complex research construct relationships. The analysis performed by Smart PLS 4.0 produced thorough results about employee job satisfaction and innovation dynamics which impact financial performance of the Jordanian industrial sector. The PLS-SEM analysis allowed us to confirm the accurate measurement of our constructs through multiple fit indices and diagnostic tests for reliable and valid output. The structural model analysis gave us details about the straight and indirect worker job satisfaction relationships with financial performance through innovation as a mediating factor. PLS-SEM enables researchers to validate their hypotheses while performing rigorous mediating analysis of innovation because it combines structural and measurement model evaluation.

Beside, the application of SmartPLS 4.0 software was also enabled advanced model diagnostics and bootstrapping, which made our estimates more reliable and precises. These tools are important for being able to check the stability and robustness of the paths in our model. The capacity to carry out such thorough analyses not only validates our results but they also make them more generalisable to similar situations in the industrial sector. Therefore, the utilisation of PLS-SEM in this study enabled an advanced, efficient solution to identify the intricate interrelation between job satisfaction, innovation and financial performance. By employing this methodological approach, it was possible to ensure that our analyses were both extensive and accurate and provided valuable, but practical, contributions to the profession and meaningful suggestions that industry practitioners may use to improve organizational performance through the satisfaction and innovation of employees.

### 4.2. Evaluating the Measurement Model

To check the reliability and validity of the measurement model, we performed a SmartPLS analysis using procedure evidences (Hair et al., 2019). The assessment included internal consistency, item loadings, convergent and discriminant validity. Table 1 and Figure 2 presents construct validity and reliability findings. Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE) values in bold represent each construct. CA values are all greater than the 0.70 threshold level, which is evidence of acceptable internal consistency. Similarly, CR values are also higher than 0.70, which supports composite reliability, and AVE values are above 0.50, which ensures convergent validity. Therefore, constructs used in this study provide satisfactory reliability and validity.

Cronbaugh's alpha and composite reliability both were in excess of the suggested cutoff of 0.70 suggesting good internal consistency amongst the 38 items. This implies that the items do a good job of measuring those constructs. Convergent validity was confirmed by average variance extracted (AVEs) >0.50 for all constructs. Discriminant validity, tested through Fornell-Larcker criterion, reaffirmed the dissimilarity among the constructs. In general, these results furnish solid evidence for the reproducibility of and the validity of the measurement model.

### 4.3. Ensuring Discriminant Validity

To confirm the construct validity of our measurement model, we explored discriminator validity using multiple method. Following Henseler et al. (2015), we applied the Heterotrait-Monotrait Ratio (HTMT), Fornell-Larcker criterion, and cross-loadings. On the grounds of the results from the HTMT test, the differentiality of every construct included in the nexus can be strongly supposed, the overall validity of our measuring instrument can be confirmed.

For the discriminant validity of our constructs, Fornell-Larcker criteria were employed. This technique determines whether our constructs are distinct by examining how less the square root of each construct's Average Variance Extracted (AVE) is than its correlations achievements. Our findings reveal that the square root of the AVE for each construct was larger than any other construct's correlation. This this clearly and distinctively our constructs and well evidence to the validity and reliability of our legal constructs in legal constructs of our legal constructs (Table 2). Finally, cross-loadings were calculated to check discriminant validity. As presented in Table 2, each indicator has a higher loading on its proposed construct than it does on other constructs. The

**Table 2: Discriminant validity based on the cross-loadings criterion**

| Item | Financial performance | Innovation | Job satisfaction |
|---|---|---|---|
| FP1 | **0.917** | 0.626 | 0.582 |
| FP2 | **0.738** | 0.457 | 0.400 |
| FP3 | **0.900** | 0.690 | 0.537 |
| FP4 | **0.892** | 0.669 | 0.565 |
| FP5 | **0.881** | 0.665 | 0.554 |
| FP6 | **0.880** | 0.592 | 0.503 |
| IN1 | 0.606 | **0.783** | 0.690 |
| IN10 | 0.519 | **0.797** | 0.557 |
| IN11 | 0.487 | **0.731** | 0.451 |
| IN12 | 0.467 | **0.786** | 0.642 |
| IN13 | 0.619 | **0.855** | 0.648 |
| IN14 | 0.577 | **0.720** | 0.549 |
| IN15 | 0.469 | **0.810** | 0.707 |
| IN16 | 0.581 | **0.848** | 0.670 |
| IN17 | 0.635 | **0.802** | 0.600 |
| IN18 | 0.572 | **0.803** | 0.687 |
| IN19 | 0.531 | **0.685** | 0.444 |
| IN2 | 0.521 | **0.722** | 0.566 |
| IN20 | 0.422 | **0.736** | 0.666 |
| IN3 | 0.631 | **0.845** | 0.652 |
| IN4 | 0.549 | **0.724** | 0.496 |
| IN5 | 0.577 | **0.804** | 0.624 |
| IN6 | 0.637 | **0.862** | 0.655 |
| IN7 | 0.642 | **0.776** | 0.613 |
| IN8 | 0.642 | **0.825** | 0.678 |
| IN9 | 0.547 | **0.817** | 0.658 |
| JS1 | 0.468 | 0.609 | **0.819** |
| JS10 | 0.529 | 0.541 | **0.659** |
| JS11 | 0.384 | 0.529 | **0.764** |
| JS12 | 0.417 | 0.639 | **0.808** |
| JS2 | 0.399 | 0.525 | **0.762** |
| JS3 | 0.464 | 0.644 | **0.815** |
| JS4 | 0.304 | 0.564 | **0.669** |
| JS5 | 0.485 | 0.555 | **0.702** |
| JS6 | 0.473 | 0.597 | **0.736** |
| JS7 | 0.441 | 0.564 | **0.790** |
| JS8 | 0.580 | 0.600 | **0.689** |
| JS9 | 0.449 | 0.638 | **0.764** |

results cited here confirm the discriminant validity of the study's constructs.

In the Table 2, bold values represent the highest loading for each item on its respective theoretical construct. For example, item FP1 loads higher on Financial Performance (0.711) than on Innovation (0.406) or Job Satisfaction (0.432), therefore this item is most highly related to its intended factor. On all of the items, the strongest loadings show that on each item, the strongest association is with the matched construct, revealing the presence of discriminant validity among the three constructs in the model.

The Fornell-Larcker criterion served to evaluate the distinctiveness of our constructs (Fornell & Larcker, 1981). The mentioned method works by measuring construct Average Variance Extracted (AVE) against shared variances through correlation coefficient examinations. Discriminant validity becomes confirmed through assessing construct AVE values against the shared variance with all other constructs in the analysis. We used Henseler et al.'s (2009) guidelines to create a matrix which compared correlation coefficients with the square root of each AVE. The square root values of Average Variance Extracted (AVEs) exceeded off-diagonal correlation values to demonstrate different constructs in Table 3.

Discriminant validity was tested using the Fornell-Larcker criterion, as seen in Table 3. The bold values of the diagonal represent the square root of the Average Variance Extracted (AVE) of each construct. These are compared with the construct-to-construct correlations (off-diagonal values) such that each construct is correlated more highly with its indicators than with other constructs. As can be observed, all of the diagonal values are higher than their respective inter-construct correlations, and hence, discriminant validity is established.

The measurement model analysis determines to what extent it effectively segments different concepts. The HTMT ratio uses construct correlation comparisons between different measurements to calculate its numerical discriminant validity assessment. Strong discriminant validity appears when the HTMT ratio remains at a low level since the model proves successful in segregating measured concepts. The study used the HTMT ratio to determine discriminant validity in our measurement model assessment. The assessment results showed the HTMT ratios to be lower than the suggested maximum values thus confirming that our model properly distinguishes between the investigated constructs as reported in Table 4. The measurement model demonstrates effective capability to identify distinct unique construct variances since it lacks excessive variance overlap or confusion between measures. Our measurement model demonstrates robustness because the HTMT ratio application successfully implements tests of validity for our research findings. Good discriminant validity confirms that the research constructs remain unique and accurately measured throughout the study. The reliability and trustworthiness of our research outcomes improve because the genuine relationships between job satisfaction and innovation as well as their impact on financial performance become apparent through our measurement approach.

### 4.4. Model Fit Assessment

Researchers evaluated their estimated model fit using assorted measures to determine its adequacy. Two Standardized Root Mean Square Residual (SRMR) evaluations were conducted to measure overall fit for the complete and the simplified models. The analysis using SRMR demonstrated successful results for both models because they achieved values of 0.078 which met or exceeded the 0.10 standard according to Henseler et al. (2015). While the saturated model displayed slightly better fit according to SRMR it was still confirmed that both models satisfied the fitness criteria. Further tests were implemented to evaluate overall model fit in addition to SRMR. The model fit evaluation through bootstrap analysis established a "good fit" for the complete model in addition to the estimated model specifications. The extensive analytical method strengthens the model's predictive capabilities because it demonstrates that observed measurements do not stem from random sampling effects.

Both models received computation of Normed Fit Index (NFI) values. A value near 1 in NFI shows better model fit when compared to its null model version. The NFI value of 0.644 seems modest but still indicates acceptable fit levels based on criteria from Schuberth et al. (2023). Although the Normed Fit Index operates among other fit indices it introduces supplementary information about model fit assessment beyond common perspectives. This research summary includes results from the fit measures presented through Table 5. A comprehensive reference overview table simplifies the model fit assessment by presenting both complete model and estimated model results in a clear manner. Multiple fit measures used together deliver an excellent method to evaluate model adequacy which strengthens confidence in demonstrated research validity and reliability.

### 4.5. Evaluation of the Structural Model

The model performance analysis utilized equation modeling through PLS-SEM along with the inner SmartPLS algorithm. The

**Table 3: Discriminant validity assessment**

| Construct | Financial performance | Innovation | Job satisfaction |
|---|---|---|---|
| Financial performance | **0.870** | | |
| Innovation | 0.716 | **0.788** | |
| Job satisfaction | 0.606 | 0.783 | **0.750** |

**Table 4: The HTMT criterion**

| Construct | Financial performance | Innovation | Job satisfaction |
|---|---|---|---|
| Financial performance | - | | |
| Innovation | 0.744 | - | |
| Job satisfaction | 0.641 | 0.819 | - |

**Table 5: Model fit evaluation**

| Fit measures | Saturated model | Estimated model |
|---|---|---|
| SRMR | 0.078 | 0.078 |
| d_ULS | 4.554 | 4.554 |
| d_G | 4.298 | 4.298 |
| NFI | 0.644 | 0.644 |

**Table 6: Examining the structural model's**

| Construct | $R^2$ | Adj. $R^2$ | $f^2$ | $Q^2$ |
|---|---|---|---|---|
| Job satisfaction | - | - | 1.582 | - |
| Innovation | 0.613 | 0.610 | 0.312 | 0.605 |
| Financial performance | 0.518 | 0.512 | - | 0.357 |

assessment technique enabled us to determine both the predictive capacity ($Q^2$) and the strength of construct interrelationships ($f^2$) and measure the variance explained ($R^2$). These metrics serve as per Hair et al.'s (2019) guidelines to establish the model fit assessment and identify the significance of theoretical

**Table 7: Examination of assumptions**

| Hypotheses | (β) and (T statistics) | P-value | Bias-corrected 95% CI | | Result |
|---|---|---|---|---|---|
| | | | Lower | Upper | |
| $H_1$: Job satisfaction→Financial performance | 0.119 (1.316) | 0.188 | −0.066 | 0.289 | Not supported |
| $H_2$: Job satisfaction→Innovation | 0.783 (6.224) | 0.000 | 0.743 | 0.827 | Supported |
| $H_3$: Innovation→Financial performance | 0.623 (7.584) | 0.000 | 0.466 | 0.784 | Supported |
| $H_4$: Job satisfaction→Innovation→Financial performance | 0.487 (7.184) | 0.000 | 0.363 | 0.624 | Supported |

**Figure 2:** Item loadings and $R^2$ value

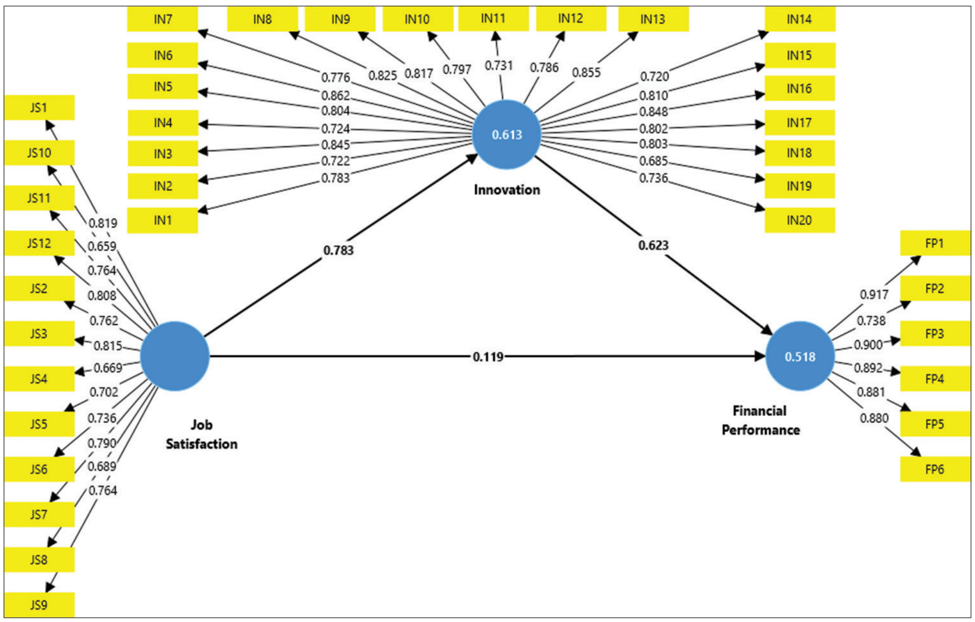
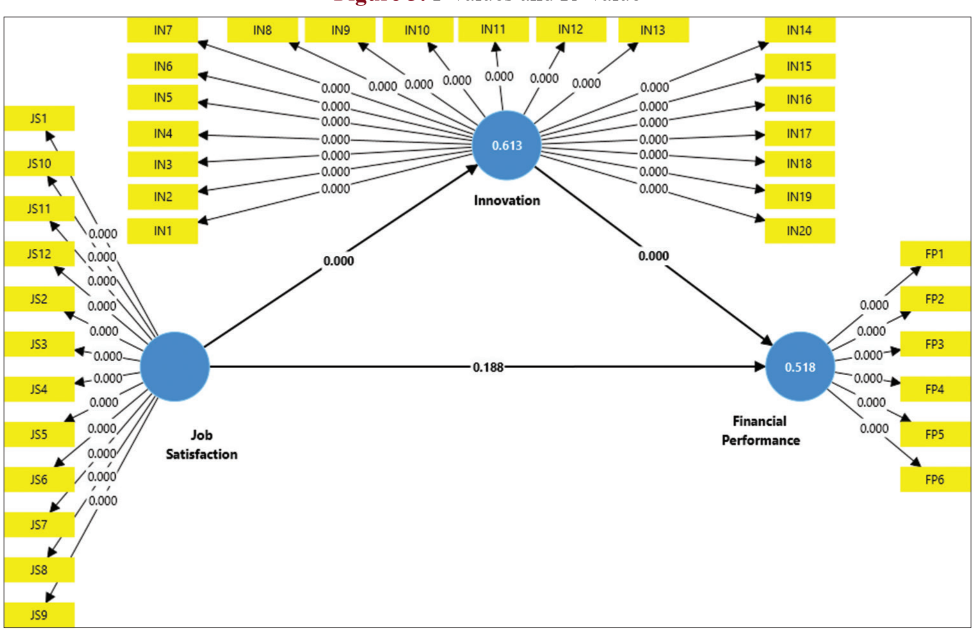



**Figure 3:** P values and $R^2$ value



relationships. Table 6 shows an excellent capacity to understand relationships between job satisfaction of employees and innovation outcomes in Jordanian industrial organizations. A total of 61% of job satisfaction change can be explained through the model variables that were analyzed. Other absent variables could affect job satisfaction alongside the substantial 61% explained by model variables.

The model succeeded in demonstrating robust interpretation of the links between employee job satisfaction and innovation and financial performance in Jordanian industrial companies. The model delivered successful variance explanation of dependent variables to over 51% as Hair et al. (2019) suggests. Each predictor variable produced substantial effects according to effect size analysis which reinforced the model's overall explanatory capability. A $Q^2$ value assessment of both 0.357 and 0.605 confirmed the model has a solid predictive capability. Our findings maintain their reliability because there is no multicollinearity present as indicated by VIF values remaining under 3.3.

A 5,000-iteration bootstrapping analysis explored how innovation functions as a mediator that links worker job satisfaction to financial results in Jordanian industrial organizations. Research discovered that job satisfaction failed to create a straightforward link to financial performance ($\beta = 0.119$; $P > 0.005$) as reported in Table 7. This suggests that while high job satisfaction may positively influence employee morale and retention, its direct translation into improved financial metrics is not evident. However, our analysis unearthed a significant positive association between job satisfaction and innovation within these companies ($\beta = 0.783$; $P < 0.005$) as shown in Table 7 and Figure 3. This underscores the notion that satisfied employees are more likely to be creatively engaged, contributing to innovative processes that ultimately enhance the company's competitive advantage. This pivotal finding accentuates innovation as a potential mediator between employee job satisfaction and financial performance, thus warranting further exploration in this direction.

Furthermore, our analysis illuminated a robust positive correlation between innovation and financial performance ($\beta = 0.623$; $P < 0.005$), firmly corroborating hypothesis 3. This compelling evidence suggests that innovation plays a pivotal role in driving financial success within organizations. Companies that prioritize innovation tend to achieve superior financial outcomes, as they possess the capability to develop novel products, services, and processes that effectively meet market demands.

Moreover, our findings unveiled a notable mediating effect of innovation on the relationship between employee job satisfaction and financial performance ($\beta = 0.487$; $P < 0.005$), providing substantial support for hypothesis 4. This mediation effect underscores the significance of innovation as a conduit through which job satisfaction indirectly influences financial performance. While job satisfaction alone may not directly translate into enhanced financial metrics, its indirect impact is realized through the fostering of innovation. In essence, satisfied employees are more inclined to contribute to innovative endeavors, thereby driving financial success.

## 5. DISCUSSION

Our findings confirmed a significant positive relationship between employee job satisfaction and innovation within Jordanian industrial companies, aligning with Hypothesis 2. This underscores the pivotal role of satisfied employees in driving innovative behaviors. Previous research by Al-edenat (2018), Palacios-Manzano et al. (2021), and Alshebami (2021) corroborates our findings, emphasizing the link between job satisfaction and increased creative contributions within the workplace. By fostering a positive and engaging work environment, organizations can unlock their employees' innovative potential, ultimately leading to a competitive edge.

Our study confirms the solid connection between innovation and financial performance in Jordanian industrial firms matching earlier findings by Anser et al. (2018), Miftah (2020), Harwiki and Malet, (2020), Kirwa (2022), Septiani et al. (2022), and Saleh et al. (2022). Financial success relies heavily on innovation since companies use it to both develop fresh products and improve operational efficiency for better market service.

The results diverged from our previous studies (Rajković et al., 2018; Tarigan et al., 2022; Lukman, 2023; Rahmatia and Nurdin, 2023) which showed no significant relationship between employee job satisfaction and financial performance of Jordanian industrial companies. The research findings deviate from previous studies due to the complicated nature of this relationship and possibly unique contextual elements in Jordanian industrial organizations. Additional research should investigate the unidentified factors which explain this contradictory finding.

Research discoveries establish innovation's central position in how worker job satisfaction influences financial results at Jordanian industrial enterprises. The verification of Hypothesis 4 demonstrates innovation functions as the essential mechanism through which satisfied employees generate better financial performance. This discovery expands our understanding of organizational performance dynamics, revealing a more complex interplay between employee morale, innovation, and financial success. Importantly, this study pioneers the exploration of innovation as a mediator in this relationship, differentiating it from previous research that primarily focused on the direct link between job satisfaction and financial performance.

The theoretical implications of our findings are significant, as they contribute to the broader understanding of the interplay between employee job satisfaction, innovation, and financial performance. By confirming the mediating role of innovation, our study provides empirical support for the idea that job satisfaction alone does not directly translate into financial success but does so through fostering innovative practices. This highlights the importance of considering multi-faceted and interconnected factors within organizational settings. The study enriches existing literature by demonstrating the importance of an integrative approach, where social and technical elements within organizations must be simultaneously managed to achieve optimal outcomes. These insights can guide future research to explore other potential mediators and moderators in different contexts, thereby expanding the theoretical framework around organizational performance and innovation.

Our practical study adds useful guidance to managers, policy makers and industry experts working in Jordanian industrial businesses. Our results help companies design effective ways to boost employee satisfaction and innovation at their business operations. Companies should place more focus on employee satisfaction elements such as supportive workplaces to receive recognition and receive training opportunities. Our research demonstrates the need to include innovation as part of strategic planning to improve company profits.

Testing the data allows organizations to create interventions that boost satisfaction along with innovation which will result in stronger financial outcomes. Both internal collaboration with external partners and knowledge sharing will lead to amplification of innovation efforts. Organizations that extend their stakeholder interactions beyond their regular boundaries gain access to broader knowledge and solve obstacles to find new paths toward innovation-derived growth. The integration of these principles in organizational plans leads to better implementation outcomes that boost operational achievement as well as sustain competitive edge across the industrial domain.

## 6. CONCLUSION

This study investigates the complex relationship between employee job satisfaction, innovation, and financial performance within Jordan's industrial sector. The analysis will help strategize growth by showing where employee job satisfaction ties to financial success and revealing if innovation serves as a bridge between them. The research has unique importance because it studies the effects on Jordan's economy while industrial sector operations need to improve their results. This research initiative emerged due to mounting understanding of employee job satisfaction together with innovation as fundamental drivers for organizational achievement. Prior scholarship validates the connection between contented employees and innovative organizational practices which results in enhanced financial accomplishment. The connection between employee job satisfaction and innovation within Jordanian industrial organizations remains insufficiently studied through empirical research. Extensive research needs to address this missing knowledge while meeting Jordanian industries' critical demand for global competitiveness improvement.

However, while a direct link between job satisfaction and financial performance was not found, there was a strong positive relationship between satisfaction and innovation. Finally, there is evidence to suggest that satisfied employees are more likely to generate creative ideas that lead to enhanced financial outcomes. This implies that for the long-term business prosperity, to think about the employee's satisfaction along with innovation would be of paramount importance. This can be useful for understanding the intricate interface between job satisfaction and financial performance with innovation. The structure of that sentence enables showing nonlinear and emergent dynamics amongst these variables and drives towards a much richer understanding of organizational success. The findings are especially valuable for managers and policymakers because they highlight the critical role of employee well-being in the creation of a workplace that fosters innovation and better finances. The importance of innovation is highlighted in this research for focusing solely on direct financial incentives to neglect it. To be successful in the long term, then, organizations should pursue a holistic view, cultivating simultaneously employee satisfaction and culture of innovation.

While this study provides useful information, it's limited. The focus on Jordanian industrial companies means the results can't be generalised to other contexts and industries. Self-reported data may also be biased. The cross-sectional design can't establish causal relationships over time. It also doesn't consider broader economic factors and industry specific challenges that might affect the relationships. To get a deeper understanding of the complex relationship between job satisfaction, innovation and financial performance, future research should take a broader view. Longitudinal studies are needed to capture the dynamic nature of these variables. Expanding the research to other industries and geographical locations will increase the generalizability of the findings. Mixing quantitative and qualitative methods will provide a more in-depth understanding of the underlying mechanisms. Investigating the impact of external factors like economic conditions and technological advancements is crucial. Finally, exploring additional variables like organisational culture and leadership styles will provide more insights into these relationships.

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