

The Dynamics of Competition and Employee Satisfaction in Influencing Company Performance with Sustainable Innovation as an Intervening Variable at PT Solusi Bangun Indonesia

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Article Info

Business
Competition
Dynamics,
Employee
Satisfaction,
Sustainable
Innovation,
Company
Performance, PT
Solusi Bangun
Indonesia.

Abstract

The increasingly dynamic business competition demands companies to continuously improve performance to maintain market competitiveness. Employee satisfaction and sustainable innovation are key factors in addressing these challenges, especially in the cement industry, which is characterized by intense competition and the need for sustainability. PT Solusi Bangun Indonesia faces significant pressure to adapt to market changes while maintaining optimal performance. However, there remains a research gap regarding how business competition dynamics and customer satisfaction directly and indirectly influence company performance through sustainable innovation. This study aims to analyze the impact of business competition dynamics and employee satisfaction on company performance, with sustainable innovation as an intervening variable. A quantitative approach was employed in this research, with data collected through surveys of Managers within PT Solusi Bangun Indonesia. Data analysis was conducted using Structural Equation Modeling (SEM) to identify relationships between variables.

1. Introduction

In the era of globalization, rapid technological advancement, and increasingly dynamic business competition, companies are required to continuously innovate in order to maintain competitiveness and achieve optimal performance. PT Solusi Bangun Indonesia, as a prominent company in the construction and building materials industry, is confronted with the challenge of maintaining employee satisfaction while responding to intense market competition. These two factors—competitive dynamics and employee satisfaction—are suspected to significantly influence company performance. However, this relationship may not be direct but rather mediated by the company's ability to implement sustainable innovation as an intervening variable.

High competitive dynamics demand companies to constantly adapt through innovative strategies (Porter, 1985). According to the Resource-Based View (Barney et al., 2001), sustainable innovation serves as a source of competitive advantage that can enhance company performance. Furthermore,

employee satisfaction (Herzberg, 2015) is closely related to productivity and commitment, which can encourage the generation of innovative ideas (Hennessey & Amabile, 1998). Hence, sustainable innovation is driven not only by external pressures (competition) but also by internal factors (employee satisfaction).

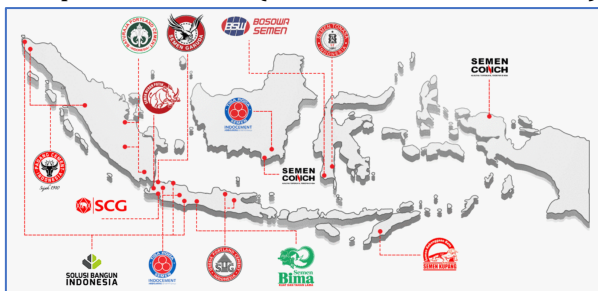
Previous studies have shown that companies managing both aspects effectively tend to perform better in the long term (Dess & Davis, 1984). However, research gaps remain regarding how sustainable innovation mediates the effect of competitive dynamics and employee satisfaction on company performance, especially in the construction industry. Therefore, this study aims to analyze the role of sustainable innovation as an intervening variable in the relationship between competitive dynamics, employee satisfaction, and company performance at PT Solusi Bangun Indonesia.

As a leading player in the manufacturing and construction sectors, PT Solusi Bangun Indonesia faces complex competitive dynamics. In this context, employee satisfaction emerges

as a key determinant of corporate success. Company performance is not only dependent on employee satisfaction (Suryani, 2022) but also on the ability to innovate sustainably (Ekawati & Soleha, 2017). Sustainable innovation is considered an effective strategy to maintain competitiveness and adapt to market changes. Therefore, it is essential to understand how competitive dynamics and employee satisfaction influence company performance (Anjeli et al., 2024), with sustainable innovation serving as the mediating variable.

According to the annual report of PT Solusi Bangun Indonesia, employee turnover has increased by 15% over the past three years, indicating potential issues with employee satisfaction. A 2024 internal survey revealed that 60% of employees felt underappreciated, potentially affecting motivation (Manoppo, 2015). Industry data shows that companies with high levels of innovation tend to experience revenue growth 20% higher than those with lower innovation levels.

Figure 1.1: Map of Domestic Cement Competitors (Plant Manufacture)



Source: Processed Research Data (2025)

Key issues at PT SBI include low employee satisfaction, which can lead to decreased productivity and increased recruitment costs due to high turnover (Rijasawitri & Suana, 2020). Competition in the construction sector is intensifying.

2. Literature Review

2.1 Theoretical Framework

2.1.1 Strategic Management

Strategic management is a managerial approach focused on the formulation and

execution of long-term objectives to achieve the organization's vision and mission. Arifah (2023) defines strategic management as the selection and application of distinctive actions by organizations to create sustainable competitive positions. Novianto (2019) views it as a process that includes analysis, formulation, and implementation of organizational policies to attain long-term goals. Similarly, Surjani (2002) describes strategic management as setting long-term objectives and developing action plans that consider both internal and external organizational conditions.

Drucker (2012) emphasizes identifying key success factors to achieve organizational goals, while Hamel and Prahalad in Khurram et al. (2020) define it as the development and execution of innovations and new values to ensure sustained competitive advantage. Thus, strategic management involves a comprehensive process including analysis, planning, implementation, and control of decisions aimed at achieving organizational goals by considering dynamic internal and external factors. Strategic Management Functions Porter (1985), through his concepts of Competitive Advantage and Five Forces, outlines that company strategy must be based on the creation of competitive advantage through three main strategies: cost leadership, differentiation, and focus. He also introduces the Five Forces Model for industry analysis: rivalry among existing competitors, threat of new entrants, threat of substitutes, bargaining power of suppliers, and bargaining power of buyers.

2.1.2 Firm Performance

According to Ramanujam et al. (1986), firm performance includes both economic results—such as profitability and growth—and operational aspects like process efficiency and product/service quality. Kaplan and Norton (2001), through the Balanced Scorecard, propose that firm performance should be measured through financial, customer, internal process, and learning and growth perspectives.

Richard et al. (2009) argue that firm performance encompasses financial (e.g., ROI), market (e.g., customer loyalty), and social dimensions (e.g., CSR). Meanwhile, Neely et al. (2005) highlight efficiency and effectiveness in resource use as fundamental to performance.

2.1.3 Sustainable Innovation

Innovation is generally defined as a process of renewal and transformation. Urabe (1988) describes it as a long, cumulative process from idea discovery to market implementation. Van de Ven et al. (2000) emphasize the role of new ideas in organizational routines, and Rogers & Williams (1983) define innovation as an idea or practice perceived as new.

Robbins and Judge (2015) explain innovation as the application of novel ideas to enhance products or services. Hurley & Hult (1998) link innovation with a firm's adaptability, while Edquist (2001) views it as the creation of economically valuable ideas. Drucker (2020) sees innovation as essential for entrepreneurship and value creation.

In the Indonesian legal context, Law No. 18/2002 defines innovation as research and development activities that produce practical applications of knowledge and technology. The Indonesian dictionary (KBBI) echoes this, viewing innovation as something new or renewed.

Innovation can be categorized (Kuratko, 2017) into four types: invention, development, duplication (with creative improvements), and synthesis (combining existing ideas into new ones). Key characteristics include novelty, intentional design, systematic planning, and clear objectives. Rogers & Williams (1983) further identify five attributes influencing adoption speed: relative advantage, compatibility, complexity, trialability, and observability.

Damanpour (1991) classifies innovation into administrative, technical, product, process, radical, and incremental. Radical innovations are non-routine and foundational, while

incremental ones involve continuous improvements.

2.1.4 Competitive Dynamics

According to Porter (1991), competitive dynamics refer to industry interactions where firms compete directly or indirectly for market share. His Five Forces framework explains the sources of such dynamics. Ferrier et al. (1999) describe competitive dynamics as a series of actions and reactions among firms, where speed and complexity affect performance. Hagemann (2009) interprets it through the lens of creative destruction, where innovation reshapes market structures. **Dimensions and Indicators:**

1. **Intensity of Competition:** Includes number of competitors, market growth rate, and product differentiation (Porter, 1991).
2. **Speed of Competitive Actions:** Includes response time, frequency of product launches, and pricing strategies (Ferrier, 2001).
3. **Structural Industry Changes:** Includes innovation rate, technology use, and market leadership shifts (Schumpeter, 1976).
4. **External Environmental Pressures:** Includes globalization, regulation, and market volatility (Spreitzer et al., 2005).

2.1.5 Employee Satisfaction

Budiarto et al. (2023) define employee satisfaction as a positive attitude resulting from the evaluation of job expectations versus reality, emphasizing transparency in rewards. Putri & Purwaningsih (2023) add that workplace relationships and leadership support significantly enhance employee satisfaction.

Robbins & Judge (2015) outline five key factors: job challenge, recognition, supervisor relationships, career development, and fair compensation. Herzberg (2015) separates motivation (achievement, recognition) and hygiene factors (salary, work conditions). Luthans (2015) highlights work environment

satisfaction, work-life balance, and organizational support.

2.2 Previous Studies

According to Sugiyono (2008), previous research provides comparison and context for current studies. Maxwell (2012) and Creswell (n.d.) assert that reviewing relevant literature helps understand existing theories, methods, and findings.

2.3 Conceptual Framework

The conceptual framework outlines the influence of exogenous variables on endogenous ones, mediated by intervening variables:

1. Competitive Dynamics → Firm Performance

Studies (Ani et al., 2024; Hanum et al., 2024; Hutama, 2024) confirm positive effects on both public and private sector performance.

2. Employee Satisfaction → Firm Performance

Empirical findings (Waskito & Rahayu, 2024; Miranda, 2023; Dharmanto et al., 2022) consistently show significant impacts on performance.

3. Competitive Dynamics → Sustainable Innovation

Research (Nurussakinah et al., 2020; Arfiansyah & Rizaldy, 2024) demonstrates that competition drives innovation.

4. Employee Satisfaction → Sustainable Innovation

Indirectly supported through studies focusing on employee engagement and creativity (Luthans, 2015).

5. Sustainable Innovation → Firm Performance

Triwijayati et al. (2023), Pangesty (2022), and Witjaksono & Amir (2022) affirm that innovation enhances firm outcomes.

6. Competitive Dynamics → Innovation → Firm Performance

Multiple studies support this mediating relationship (Nurpratama et al., 2024; Hidayati, 2022).

7. Employee Satisfaction → Innovation → Firm Performance

Implied in studies connecting employee engagement, innovation, and business success.

*Figure 2.1. Conceptual Framework
(Insert diagram here in article format)*

2.4 Hypotheses

Based on the conceptual framework:

- **H1:** Competitive dynamics significantly affect firm performance.
- **H2:** Employee satisfaction significantly affects firm performance.
- **H3:** Competitive dynamics significantly affect sustainable innovation.
- **H4:** Employee satisfaction significantly affects sustainable innovation.
- **H5:** Sustainable innovation significantly affects firm performance.
- **H6:** Competitive dynamics significantly affect firm performance through sustainable innovation.
- **H7:** Employee satisfaction significantly affects firm performance through sustainable innovation.

3. Research Methodology

3.1 Research Site and Timeline

This study was conducted at PT Solusi Bangun Indonesia (PT. SBI), Narogong Plant, located in Bogor, West Java, Indonesia. The research activities were carried out over a four-month period, from December 2024 to March 2025. The research stages include preliminary study, proposal preparation, data collection, data analysis, and final report preparation. Data collection was implemented from the second week of January until the end of March 2025.

3.2 Research Design

This study adopts a quantitative approach with a causal research design. The primary objective is to examine the cause-effect relationships between independent variables and the dependent variable. Specifically, the

research investigates the influence of competitive dynamics and employee satisfaction on corporate performance, mediated by sustainable innovation. The research model comprises two independent variables, one mediating variable, and one dependent variable, each with respective indicators:

- **Competitive Dynamics (X1):** Number of industry competitors (X1.1), market growth rate (X1.2), product differentiation (X1.3).
- **Employee Satisfaction (X2):** Work environment satisfaction (X2.1), work-life balance (X2.2), and organizational support including structured training and career development (X2.3).
- **Sustainable Innovation (Z):** Quality (Z1), cost efficiency (Z2), and timeliness (Z3).
- **Corporate Performance (Y):** Employee skill development (Y1), product and process innovation (Y2), and the use of information technology (Y3).

3.3 Operationalization of Variables

The research variables were operationalized using a five-point Likert scale. Each indicator was derived from established theoretical frameworks and measured through structured closed-ended questionnaires. The operational definitions, indicators, and measurement scales are detailed in the Operationalization Table (Appendix Table 3.3).

3.4 Population, Sample, and Sampling Technique

The population of this study consists of all employees of PT. SBI Narogong Plant, totaling 2,130 individuals. The sample includes 93 managers, selected using saturated sampling (also known as census sampling), where the entire population meeting the criteria is included due to its relevance and strategic role in corporate decision-making.

3.5 Data Collection Methods

Data were collected using the following methods:

1. **Observation:** Direct observation of operational and managerial activities within the company.
2. **Documentation:** Collection of secondary data from company archives, annual reports, internal policy documents, and employee training records.
3. **Questionnaire:** A structured, close-ended questionnaire distributed online via Google Forms and WhatsApp. Responses were rated on a five-point Likert scale, ranging from "strongly disagree" to "strongly agree."

3.6 Data Analysis and Hypothesis Testing

3.6.1 Instrument Testing

Instrument validity and reliability were tested to ensure clarity and consistency. Construct validity was assessed through convergent and discriminant validity:

- **Convergent Validity:** Measured by factor loadings (> 0.70) and Average Variance Extracted (AVE > 0.50).
- **Discriminant Validity:** Evaluated through cross-loadings and Fornell-Larcker criterion, ensuring indicator loadings on their respective constructs exceed those on others.

Reliability was tested using Composite Reliability (CR > 0.70) and Cronbach's Alpha ($\alpha > 0.60$).

3.6.2 Descriptive Analysis

Descriptive analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM). PLS-SEM is effective for complex models and particularly suited for moderation analysis (Ghozali, 2020).

3.6.3 Model Evaluation

The structural model (inner model) was assessed using the following criteria:

- **R Square (R^2):** 0.19 (weak), 0.33 (moderate), 0.67 (strong).

- **Path Coefficients:** Statistical significance determined by t-statistics and p-values ($t > 1.96, p < 0.05$).
- **Model Fit (NFI):** 0.19 (weak), 0.33 (moderate), 0.67 (strong).
- **Predictive Relevance (Q^2):** $Q^2 > 0$ indicates good predictive relevance.

3.6.4 Hypothesis Testing

Hypothesis testing was performed at a 5% significance level. Path relationships were evaluated using p-values, with the following decision criteria:

Hypothesis	Path	Decision Rule
H1	Competitive Dynamics Corporate Performance	$p \leq 0.05$, → H1 accepted
H2	Employee Satisfaction Corporate Performance	$p \leq 0.05$, → H2 accepted
H3	Competitive Dynamics Sustainable Innovation	$p \leq 0.05$, → H3 accepted
H4	Employee Satisfaction Sustainable Innovation	$p \leq 0.05$, → H4 accepted
H5	Sustainable Innovation Corporate Performance	$p \leq 0.05$, → H5 accepted
H6	Competitive Dynamics Sustainable Innovation Corporate Performance	$p \leq 0.05$, → H6 accepted →

This methodology ensures rigorous testing of the proposed model and offers empirical insights into the causal relationships among the studied variables.

4. Results and Discussion

4.1 Results

This study examined the influence of business competition dynamics (X1) and employee satisfaction (X2) on company performance (Y), with sustainable innovation (Z) as an intervening variable, at PT Solusi Bangun Indonesia. A quantitative approach using Structural Equation Modeling (SEM) with SmartPLS 3.0 was employed to analyze data collected from manager-level respondents. The results are presented based on the outer and inner model evaluations, followed by hypothesis testing.

Outer Model Evaluation

The outer model was assessed to ensure the validity and reliability of the constructs. **Convergent validity** was confirmed through factor loadings, with all indicators exceeding the threshold of 0.70 (Table 4.2.7). **Discriminant validity** was established using cross-loadings, where each indicator loaded higher on its respective construct than on others (Table 4.2.7). Additionally, the Heterotrait-Monotrait Ratio (HTMT) values were around 1, indicating no significant cross-construct correlations (Table 4.2.8). **Collinearity** was assessed using Variance Inflation Factor (VIF) values, all of which were below 5, confirming no multicollinearity issues (Table 4.2.9). **Reliability** was supported by Cronbach's Alpha and Composite Reliability values above 0.70 for all constructs.

Inner Model Evaluation

The inner model evaluation focused on the structural relationships and explanatory power of the model. The **R-square** values indicate the proportion of variance explained by the model (Table 4.2.10). The adjusted R-square for company performance (Y) was 0.888, suggesting that 88.8% of the variance in company performance is explained by business competition dynamics, employee satisfaction, and sustainable innovation. For sustainable innovation (Z), the adjusted R-square was

0.746, indicating that 74.6% of its variance is explained by business competition dynamics and employee satisfaction. The remaining variance is attributable to factors outside the model.

Inner VIF values (Table 4.2.11) further confirmed the absence of multicollinearity, with all values below 5, ensuring robust regression estimates.

Hypothesis Testing

The hypotheses were tested using path coefficients, T-statistics, and P-values at a 95% confidence level ($T > 1.65$, $P < 0.05$). The results are summarized below:

Direct Effects

1. **H1: Business Competition Dynamics (X1) → Company Performance (Y)**
 - Path Coefficient: 0.462
 - T-statistic: 5.918
 - P-value: 0.000
 - **Result:** Accepted. Business competition dynamics have a significant positive effect on company performance.
2. **H2: Employee Satisfaction (X2) → Company Performance (Y)**
 - Path Coefficient: 0.167
 - T-statistic: 2.531
 - P-value: 0.012
 - **Result:** Accepted. Employee satisfaction positively influences company performance.
3. **H3: Business Competition Dynamics (X1) → Sustainable Innovation (Z)**
 - Path Coefficient: 0.627
 - T-statistic: 5.643
 - P-value: 0.000
 - **Result:** Accepted. Business competition dynamics significantly affect sustainable innovation.
4. **H4: Employee Satisfaction (X2) → Sustainable Innovation (Z)**
 - Path Coefficient: 0.268
 - T-statistic: 2.210
 - P-value: 0.028

- **Result:** Accepted. Employee satisfaction has a significant positive effect on sustainable innovation.

5. **H5: Sustainable Innovation (Z) → Company Performance (Y)**

- Path Coefficient: 0.365
- T-statistic: 4.611
- P-value: 0.000
- **Result:** Accepted. Sustainable innovation significantly influences company performance.

Indirect Effects

6. **H6: Business Competition Dynamics (X1) → Sustainable Innovation (Z) → Company Performance (Y)**

- Path Coefficient: 0.229
- T-statistic: 3.362
- P-value: 0.001
- **Result:** Accepted. Business competition dynamics indirectly affect company performance through sustainable innovation.

7. **H7: Employee Satisfaction (X2) → Sustainable Innovation (Z) → Company Performance (Y)**

- Path Coefficient: 0.098
- T-statistic: 2.020
- P-value: 0.044
- **Result:** Accepted. Employee satisfaction indirectly affects company performance through sustainable innovation.

Structural Model Visualization

The inner model (Figure 4.2.2) illustrates the relationships between constructs, with path coefficients indicating the strength and direction of influence. The model confirms that both direct and indirect effects are statistically significant, supporting the mediating role of sustainable innovation.

4.2 Discussion

The findings validate the theoretical framework, aligning with prior studies and contributing to the literature on strategic

management and organizational performance in the Indonesian cement industry.

H1: Business Competition Dynamics and Company Performance

The significant positive effect of business competition dynamics on company performance ($\beta = 0.462$, $p = 0.000$) supports Porter's (1985) Five Forces model, which posits that competitive pressures drive firms to enhance performance through strategic positioning. This finding is consistent with Kurniawan and Takaya (2024) and Hanum et al. (2024), who emphasize that competitive dynamics compel firms to optimize resources and improve operational efficiency. At PT Solusi Bangun Indonesia, intense competition from domestic players (e.g., Semen Tiga Roda, Semen Garuda) and overcapacity issues (64% utilization rate) necessitate adaptive strategies to maintain market share and profitability.

H2: Employee Satisfaction and Company Performance

Employee satisfaction significantly influences company performance ($\beta = 0.167$, $p = 0.012$), corroborating Herzberg's (2015) Motivation-Hygiene Theory, which links job satisfaction to productivity and organizational outcomes. This aligns with Dewi et al. (2023) and Waskito and Rahayu (2024), who found that satisfied employees contribute to enhanced performance through increased commitment and productivity. The 15% turnover rate and 60% of employees feeling unappreciated at PT Solusi Bangun Indonesia highlight the need for improved internal policies to boost satisfaction and performance.

H3: Business Competition Dynamics and Sustainable Innovation

The strong effect of business competition dynamics on sustainable innovation ($\beta = 0.627$, $p = 0.000$) supports Porter's (1985) view that competition drives innovation as a source of competitive advantage. Studies by Dharmanto et al. (2022)

and Ardianti and Waluyo (2021) confirm that competitive pressures encourage firms to adopt innovative practices. In the context of PT Solusi Bangun Indonesia, the need to address overcapacity and compete with technologically advanced multinational firms underscores the importance of sustainable innovation.

H4: Employee Satisfaction and Sustainable Innovation

Employee satisfaction positively affects sustainable innovation ($\beta = 0.268$, $p = 0.028$), consistent with Hennessey and Amabile's (1998) findings that motivated employees drive creative and innovative outcomes. Rahayu (n.d.) and Wahyuningsih and Iqbal (2024) further support this, noting that satisfied employees contribute to innovation through idea generation and engagement. At PT Solusi Bangun Indonesia, fostering employee satisfaction can enhance innovation, addressing internal barriers such as unsupportive organizational culture.

H5: Sustainable Innovation and Company Performance

Sustainable innovation significantly impacts company performance ($\beta = 0.365$, $p = 0.000$), aligning with Prahalad and Hamel's (1994) Resource-Based View, which emphasizes innovation as a core competency for sustained performance. Margiono (2024) and Djamaris et al. (2024) highlight that sustainable innovation enables firms to adapt to market changes and improve efficiency. For PT Solusi Bangun Indonesia, innovation in eco-friendly products and processes can address market demands and regulatory pressures, enhancing performance.

H6: Mediating Role of Sustainable Innovation (Business Competition Dynamics → Company Performance)

The indirect effect of business competition dynamics on company performance through sustainable innovation ($\beta = 0.229$, $p = 0.001$) confirms the mediating role

of innovation. This supports Sidqi et al. (2024) and Dwi Pangesty (2022), who found that innovation mediates the relationship between competition and performance by enabling firms to differentiate and adapt. PT Solusi Bangun Indonesia can leverage innovation to mitigate competitive pressures and sustain market relevance.

H7: Mediating Role of Sustainable Innovation (Employee Satisfaction → Company Performance)

The indirect effect of employee satisfaction on company performance through sustainable innovation ($\beta = 0.098$, $p = 0.044$) underscores the mediating role of innovation. Nurussakinah et al. (2020) and Mohungo (2024) suggest that satisfied employees foster innovation, which in turn enhances performance. At PT Solusi Bangun Indonesia, improving employee satisfaction can drive innovative initiatives, indirectly boosting organizational outcomes.

4.3 Managerial Implications

- 1. Business Competition Dynamics:** Managers should implement robust market monitoring systems to track competitor strategies and industry trends, enabling proactive innovation to maintain competitive advantage.
- 2. Employee Satisfaction:** Enhancing employee satisfaction through fair rewards, clear career paths, and open communication can boost productivity and innovation, directly and indirectly improving performance.
- 3. Sustainable Innovation:** Investing in R&D, employee training, and knowledge management systems can foster a culture of continuous innovation, addressing both competitive and regulatory challenges.
- 4. Holistic Strategy:** A balanced approach integrating external competitive responses with internal resource development (human capital and innovation) is critical for sustained performance.

Limitations and Future Research

The study is limited to PT Solusi Bangun Indonesia, potentially restricting generalizability. Future research could include additional variables (e.g., leadership style, organizational culture) or explore other industries to enhance generalizability. Employing mixed methods could provide deeper insights into qualitative aspects of employee satisfaction and innovation.

5. Conclusion

This study investigated the relationships between business competition dynamics, employee satisfaction, sustainable innovation, and company performance at PT Solusi Bangun Indonesia, utilizing a quantitative approach with Structural Equation Modeling (SEM). The findings confirm that:

- 1. Business Competition Dynamics** exert a significant positive influence on company performance ($\beta = 0.462$, $p < 0.001$), highlighting the role of competitive pressures in driving strategic improvements.
- 2. Employee Satisfaction** positively affects company performance ($\beta = 0.167$, $p = 0.012$), underscoring the importance of internal human capital in enhancing organizational outcomes.
- 3. Business Competition Dynamics** significantly promote sustainable innovation ($\beta = 0.627$, $p < 0.001$), indicating that external market pressures stimulate innovative practices.
- 4. Employee Satisfaction** positively influences sustainable innovation ($\beta = 0.268$, $p = 0.028$), suggesting that satisfied employees contribute to innovative initiatives.
- 5. Sustainable Innovation** has a significant positive impact on company performance ($\beta = 0.365$, $p < 0.001$), affirming its role as a critical driver of organizational success.
- 6. Sustainable Innovation Mediates** the relationship between business competition dynamics and company

performance ($\beta = 0.229$, $p = 0.001$), demonstrating its role in translating competitive pressures into performance outcomes.

7. **Sustainable Innovation Mediates** the relationship between employee satisfaction and company performance ($\beta = 0.098$, $p = 0.044$), indicating that innovation channels the positive effects of employee satisfaction into improved performance.

These results contribute to the strategic management literature by validating the interplay of external (competition) and internal (employee satisfaction) factors in enhancing company performance through sustainable innovation, particularly in the Indonesian cement industry context.

Recommendations

Based on the findings, the following recommendations are proposed for managerial practice and future research:

For Managerial Practice

1. **Strengthen Market Monitoring Systems:** Managers at PT Solusi Bangun Indonesia should implement robust systems to track competitor strategies and market trends. This will enable proactive responses to competitive dynamics, fostering innovation and sustaining market relevance.
2. **Enhance Employee Satisfaction Initiatives:** To boost employee satisfaction, management should prioritize fair reward systems, clear career progression paths, and open communication channels. These efforts can enhance productivity and stimulate innovative contributions, directly and indirectly improving performance.
3. **Foster a Culture of Sustainable Innovation:** Investment in research and development (R&D), employee training, and knowledge management systems is critical to creating a culture that supports continuous innovation. This can address

both competitive pressures and regulatory demands for sustainability.

4. **Adopt a Holistic Strategic Approach:** Managers should integrate external competitive strategies with internal resource development, balancing human capital enhancement and innovation to achieve optimal and sustainable company performance.

For Future Research

1. **Expand Variable Inclusion:** Future studies could incorporate additional variables such as leadership styles, organizational culture, or digital transformation to provide a more comprehensive understanding of factors influencing company performance.
2. **Broaden Industry Scope:** Extending the research to other industries beyond cement manufacturing would enhance the generalizability of findings and provide comparative insights.
3. **Utilize Mixed Methods:** Employing mixed-methods approaches could yield deeper qualitative insights into employee perceptions and innovation processes, complementing the quantitative findings.
4. **Longitudinal Studies:** Conducting longitudinal research could capture the dynamic nature of competition and innovation, offering insights into their long-term impacts on performance.

These recommendations aim to provide actionable strategies for PT Solusi Bangun Indonesia and contribute to the academic discourse on strategic management and organizational performance.

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