



Achieving Competitive Advantage (CA) Through the Role of Training and Compensations Practices on Innovative Work Behavior (IWB): A Study in Jordan Islamic Banks

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Abstract

Effective training and compensation system are important for modern industries that aim to gain Competitive Advantage (CA) which is one of the key factors for companies' survival. A skilled workforce that reflects innovative work behavior (IWB) are an important element for companies to remain competition. This study aims to determine the relationship between training, direct compensation, and IWB, and then analyze the effect of IWB on CA with the moderating effect of indirect compensation. This study had been analyzed using quantitative approach and SEM technique to test the hypothesis through a data collected from 219 respondents working at 3 Islamic banks in Jordan using an adopted questionnaire. The results showed that training had a positive and significant impact on IWB, direct compensation had an insignificant impact on IWB, and IWB positively affected CA. In contrast, the moderating effect of indirect compensation on the relationship between IWB and CA was also confirmed. However, this effect has negatively influenced the positive effect of IWB on CA. Further research may proposed another HRM practices, and may do a comparative study between Islamic and conventional banks.

Keywords: Competitive Advantage, Innovative Work Behavior, Training, Compensation, Islamic Banks.

Introduction

Organizations facing stiff competition and a rapid change in the business environment; hence, competitive advantage (CA) has become one of the most important management concepts (Al-Rousan & Qawasmeh, 2009). According to Resource-Based Theory (RBT), firms may achieve sustainable CA by developing resources. Traditionally, resources such as production capacities, research laboratories, financial resources, distribution channels, and economies of scale are considered key factors for sustainable CA. However, these factors are still relevant but not sufficient for success in today's turbulent business environment. HR

development has recently surpassed other factors as a source of CA (Lubit, 2001; Abu Elsamen & Alshurideh, 2012).

Organizations that operate in the present fast-changing competitive world face an increasing demand to engage in innovative behaviors to create and deliver new products to remain competitive (Ramamoorthy et al., 2005). Innovative behavior is a dynamic capability that can integrate, build, and reconfigure internal and external competencies to address rapidly changing environments (Mnjala, 2014; Teece et al., 1997). IWB is an act of exploring, generating, championing, and applying innovative thinking in the organization, enabling employees to use innovative ways of thinking and quickly and accurately responding to customer demand changes (Woodman et al., 1993; Scott & Bruce, 1994). The innovation behavior of employees should be motivated (Nieves & DíaznMeneses, 2018). Therefore, individual employees need to possess the necessary skills to demonstrate innovative work behavior (IWB). To manage an innovative workforce effectively, traditional HRM practices, such as training and compensation, have to be renewed to be in line with the innovative strategy of the organization (Bal et al., 2013; Papa et al., 2018).

Jordan has seen significant changes over the past few decades at institutional and legislative levels and monetary policy. As a result, competition has increased significantly in all sectors, especially in the banking sector (Al-Majali & Sunna'a, 2013). Therefore, it is important for Jordanian banks to recruit and retain the right human capital, train them, and equip them with the necessary skills to build a solid knowledge base that yields greater revenue and market share and better performance to accomplish stakeholders' objectives (Al-Zoubi, 2013). According to the Global Competitiveness Report (2014), the nature of CA in Jordan ranks 32, representing a value of 4.3, where [1 = low-cost labour or natural resources; 7 = unique products and processes]. The dimensions of CA in this study were derived from the Clark, Hayes, and Wheelwright model. As suggested, firms compete in the marketplace by one or more of the following competitive priorities (Clark et al., 1988); time, quality, cost, and flexibility (Abou-Moghli et al., 2012). Namada (2018) stated that resources should be managed effectively to enhance CA (product quality, delivery time, cost, etc.), as suggested by resource-based theory. Effective training is important for modern industries that aim to gain CA by employing high-quality services (Masa'deh & Obeidat, 2014; Kulkarni, 2013). The compensation system, as another practice of HRM, contributes to CA by enabling the organization to attract more and better candidates and retain essential employees for longer periods (Saif & Sartawi, 2013). The use of IWB in banks improves the lead time to develop new ideas or modify the services, improve the quality of services specifications, and reduce the cost of operations (Tangen, 2004). In terms of flexibility, adopting innovative methods in products and processes allows banks to customise products and services based on customer requirements. It also allows banks to offer products and services in response to competition (Bahloq, 2011; Nwokocha & Iheriohanma, 2012).

The banking sector contributes significantly to the economy (Din et al., 2020). Din et al (2021) reported few studies that examined the economic impact of the Islamic financial sector. The model of Islamic banking is governed under Shari'ah law, and its fundamental principles are based on "fairness" and "interest-free" (Suleiman, 2001). As interest-based lending is prohibited under Shari'ah, Islamic banking was welcomed by Jordanian and other Muslim countries, and soon gained substantive marketshare and profitability (Alghusin & Irshaid,

2014; Srouji et al., 2015). At the same time, it poses challenges for the management to sustain their CA and promote IWB to gain and sustain new market shares. To the best of the author's knowledge, none of the studies investigated the impact of CA on the innovative work behavior of banking sector employees with the moderation of training and compensation in the context of Islamic Jordanian banks.

Literature Review

The Resource-Based View (RBV) theory underpins this research, as it advocates that organizations might gain competitive advantage through efficient and effective utilisation of organizational resources. Barney (1991); Grant (1996) classified a firm's resources as physical and human capital resources. They further argued that human capital is the only non-imitable resource and could provide a sustainable competitive advantage. According to Liebowitz (2000); Helm-Stevens et al (2011), most managers believe that the most important factor separating themselves from their competitors is employees' knowledge. However, HR practices, especially training and compensation, directly and indirectly, might significantly influence employees' knowledge sharing, a vital source of CA (Miller & Shamsie, 1996; Marr et al., 2004). Organizations with innovative knowledge will introduce innovative products or services, potentially helping them become market leaders (Makadok, 2001; Kozlenkova et al., 2014). Innovative work behavior can be defined as the norms and attitudes toward the intentional creation, introduction, and application of new ideas within a work role, group, or organization (Lee et al., 2001).

Social exchange theory explains the importance of motivating the IWB in a workplace with extrinsic and intrinsic benefits. Lepak et al (2006) claimed that a set of HR practices could significantly impact employees' IWB, and compensation is the most effective HR practice, as proposed by the Harvard Model (Beer et al., 1984; Cabello-Medina et al., 2011). On the other hand, the theory of planned behavior supports the importance of training programs as intrinsic benefits to motivate the IWB in organizations (Ajzen, 2008; Ajzen & Manstead, 2007; Fayolle et al., 2007; Souitaris et al., 2007). Training has been defined as "the systematic development of the knowledge, skills, and attitudes required by an individual to perform a given task or job adequately" (Armstrong, 1997). According to Hashim (2008), employee training refers to programs that provide workers with information, new skills, or professional development opportunities (Dorjkhuu, 2013).

Thus, employees need to continually improve their knowledge to conduct services in innovative ways. Hence, the IWB needs to be motivated by extrinsic and intrinsic benefits, such as HRM practices (social exchange theory). Compensations such as rewards and promotions are considered extrinsic factors that motivate the IWB (Harvard model, Guest models, and reinforcement theory). On the other hand, training is considered an intrinsic factor that motivates planned behavior theory (IWB). For effective motivation of IWB, compensation and training should ideally be provided (i.e. fairness) based on the innovation efforts of the employees in the working environment (equity and expectancy theories).

Past studies have attempted to identify the determinants of innovation because of their significance (Kheng et al., 2013). The innovation determinants were classified into three broad categories: individual, organizational, and environmental (Damanpour, 1991).

According to Damanpour (1991), determinants related to individual factors are the most significant among the three categories. Individuals develop, enable, respond, and adjust

ideas, which are the fundamental requirements and critical success factors for innovation (Abstein & Spieth, 2014). Lu and Zhang (2007) defined innovative behavior as, in the work process, employees generate innovative ideas or solutions to problems, and efforts will be paid to the practice. Jong and Hartog (2008) defined IWB as the intentional generation, promotion, and realisation of new ideas within a work role, workgroup, or organization to benefit role performance, the group, or the organization (West & Farr, 1990; Scott & Bruce, 1994). Past research on innovative behavior is generally extensive because innovation plays an essential role in creating competitive advantage. Two well-known categories of service innovation are product and process innovation (Avlonitis et al., 2001). For example, Gadrey et al (1995) categorised four types of service innovation according to service context: innovations in service products and architectural innovations that bundle or unbundle existing service products. These innovations result from modifying an existing service product and innovations in processes and organization for an existing service product.

Further et al (2003) identified service process innovations as services that (1) support the administrative core (administrative process innovation), (2) support functional processes (technological processes innovation), (3) expand and support customer interfacing processes (technological service innovation), and (4) support inter-organizational processes and operations (technological integration innovation). A similar approach was taken by Hammond et al (2011); who investigated the relationships between four predictor types (individual differences, motivation, job characteristics, and contextual influences) and individual-level workplace innovation. The results indicated that individual factors, job characteristics, and environmental factors were moderately associated with phases of the innovation process.

Gidado et al (2014) used training, salary and wages, and directors' compensation as human resource development functions. They found that investment has a positive and significant relationship with bank performance in Malaysia and Nigeria. Also, Jaradat and Al Azaam (2013) examined the impact of HR practices (job analyses and design, recruitment, training and development, and employee performance appraisal) on CA for 40 industrial companies in Al-Hassan Industrial Estate Jordan. The results showed an insignificant impact of the training and development dimensions on the CA. Pahuja and Dalal (2012) reviewed how competitive advantage is developed using HR practices in the State Bank of India from the employees' perspective and identified five key factors: recruitment and reward system, training and skill development practices, organizational climate, employee participation and empowerment, and effective communication system. Suifan (2015) used a sample of 500 employees working for a public and private organization in various industries in Jordan to examine the impact of HR practices (training, person-organization fit, and rewards) on organizational commitment and found a significant positive impact of HR practices and organizational commitment.

Al-Ma'ani's (2013) study on five Jordanian commercial banks found that fair distribution of awards among employees was the most significant factor in motivating employees. According to Jehanzeb and Bashir (2013), the requirements for a technical training program for employees help understand the organization's culture, which leads to the organization's success. Employees will be more productive, and organizations will be more competitive if companies provide them with training as per their job requirements. Training has a positive impact on the skills and knowledge of employees, employee behavior, employee motivation, and employee output (Adewale & Anthonia, 2013). Training designed to enhance creativity is

positively related to the level of employees' idea generation (Scott et al., 2004). According to Sheeba and Christopher (2020), learning and development is vital among the various HRM practices, which helps employees keep them updated with the requisite knowledge, skills, and attitudes (KSAs) necessary for innovation.

Al Ziadat (2015) found that organizational policies have an impact on human capital effectiveness. The study recommends training and compensations for workers to enhance their capabilities, invest in human capital, and provide a convenient atmosphere for supporting innovation in 350 workers of commercial banks in Jordan through a study of the impact of organizational policies (incentives and promotion, relations, organizational support, goals, and performance evaluation) on the effectiveness of human capital (knowledge and skill) using descriptive and analytical methods. Osibanjo et al (2014) examined the effect of compensation packages (salary, bonus, incentives, allowances, and fringe benefits) on employees' job performance and retention for private universities in Nigeria. The results showed a strong relationship between compensation packages and employees' performance and retention.

Prieto and Pérez-Santana (2014) examined the role of high-involvement HR practices in the IWB of employees, with the mediation of supportive work environment conditions using a regression analysis in 198 Spanish firms. The results indicate that ability-enhancing and opportunity-enhancing HR practices are positively related to IWB by mediating two work environment variables: management support and co-worker support. Labrenz (2014) explained the effect of HR practices on innovative behavior and examined how line-manager behavior moderates this relationship through a review that reveals that HR practices (teamwork, performance management, rewards, training and development, and delegation of responsibilities) can improve employees' innovative behavior when designed properly. Moreover, line managers can increase the effect of HR practices on innovative behavior by maintaining high-quality relationships with their subordinates. However, line manager behavior expressed in a low-quality relationship impedes the effect of HR practices on innovative behavior. This means that the effect of HR practices on innovative behavior is dependent on line manager behavior. Therefore, companies can optimise the effectiveness of their HR practices, ultimately leading to IWB.

After identifying HR practices, HR policies, and HR systems, it can be concluded that compatible HR systems are the most influential and can provide the most effective results on IWB. Becker and Matthews (2008) stated that "the recognition that HR practices cannot be simply viewed in isolation is growing". Laursen and Foss (2003) argued that adopting a package of complementary HRM practices and policies could be expected to affect innovative behavior much more strongly than only individual HRM practices or policies.

Sanders et al (2010) studied satisfaction with primary rewards on innovative behavior and the relationship between HR practices and general job satisfaction. They found a negative effect of satisfaction with primary rewards on innovative behavior: the more employees are satisfied with their salary, the less innovative their behavior. Innovative behaviors do formally rarely belong to the work of most employees. Therefore, employees are rarely directly or explicitly rewarded for innovative behaviors (George & Brief, 1992). However, stimulating individual innovation can benefit employees. Employees may gain intrinsic rewards for their

behavior, such as recognition or the possibility of expanding their skills, and is intended to generate some benefit and has a clearer applied component (Jong & Hartog, 2007). As idea generation is predominantly dependent on intrinsic motivation rather than extrinsic motivation (Amabile et al., 1996), it is difficult for HR professionals to design reward structures that stimulate innovation by default. It is argued that rewards inhibit innovative behavior as they reduce risk-taking and intrinsic motivation (Kohn, 1993).

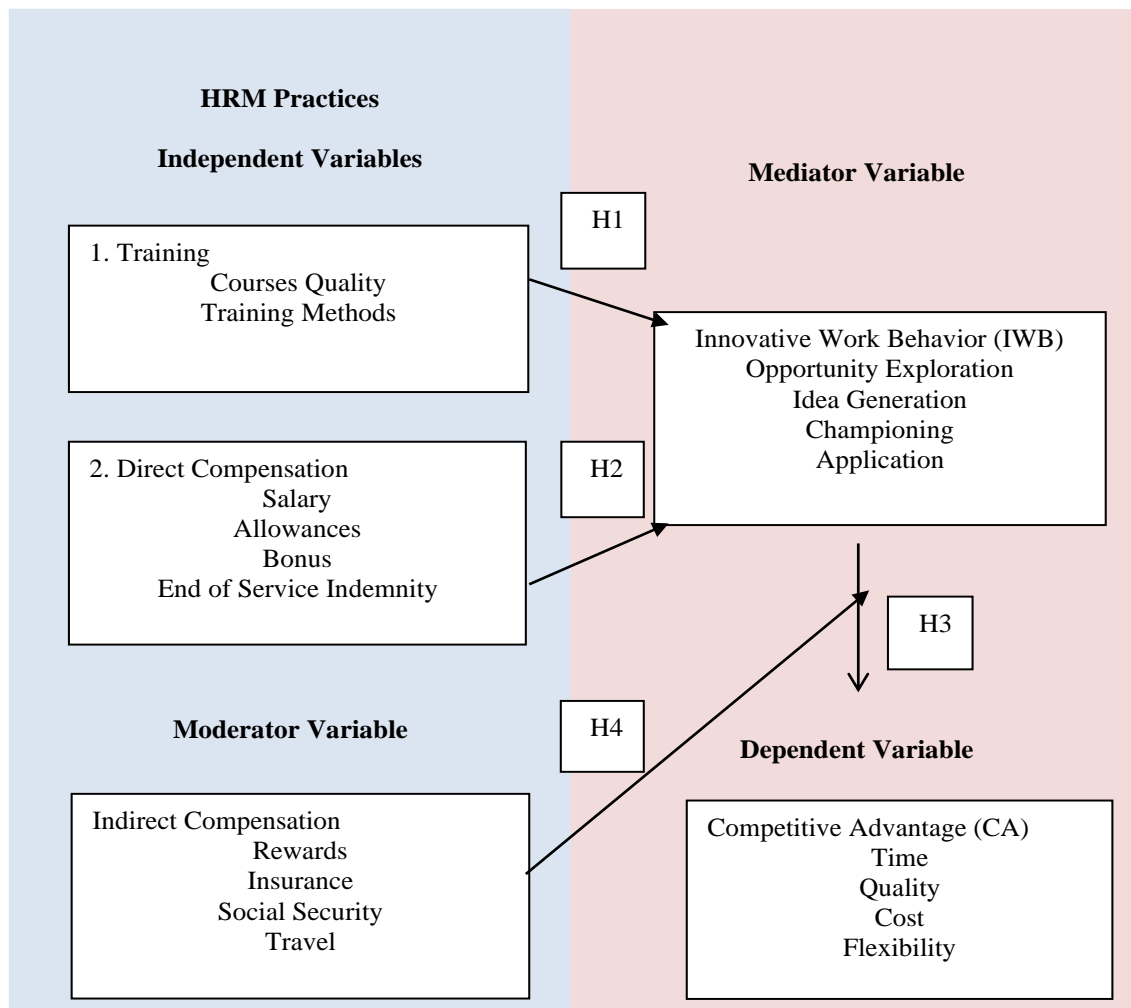
Markova and Ford (2011) revealed that non-monetary rewards are a stronger predictor of intrinsic motivation than monetary rewards. Further, they highlight that “intrinsic motivation was found to fully mediate the relationships between received non-monetary rewards and performance and innovation” (p.813). It follows that non-monetary rewards through an increase in intrinsic motivation can stimulate innovative behavior. Additionally, non-monetary rewards can be used more flexibly and faster than line managers’ monetary rewards. They can immediately reward innovative behavior with non-monetary incentives as innovative behavior occurs. This allows employees to appreciate the success of innovative ideas during the implementation phase.

In conclusion, monetary rewards can mainly increase innovative behavior in conjunction with practices that stimulate intrinsic motivation. However, non-monetary rewards seem to have a direct effect on intrinsic motivation and, consequently, on innovative behavior.

Jiang et al (2012) argued that employees’ rewards affect their “motivation to be creative, offer new ideas, and be willing to experiment with new behaviors”. Although this system results in employees experiencing financial incentives to behave according to the system’s criteria, such systems also produce perverse effects. By considering whether employees feel fairly compensated, instead of looking at the type of compensation system that an organization has, we bypass these perverse effects, innovative work behavior is promoted when employees feel freedom rather than when they feel pressured to undertake incentivised tasks, their behaviors are controlled. Further, compensation is what organizations pay employees in exchange for their labour, in which regular task-specific behaviors are demonstrated (Folger & Konovsky, 1989).

Al_Qudah et al (2014) examined the effect of HRM practices (recruitment, selection, and compensation) on employee performance in the Malaysian Skills Institute (MSI) using a questionnaire. The overall analysis was performed using descriptive statistics and correlation analysis. The results indicated that recruitment, selection, and compensation were significantly correlated with employee performance in MSI.

Aldaibat and Irtaimeh (2012) revealed a significant correlation between strategic human resources (selection, training, evaluation, and compensation) and total quality management in the Jordanian banking sector using a descriptive-analytical method.



H1: There is a significant positive relationship between training programs and innovative work behavior (IWB) for Jordanian Islamic banks.

H2: There is a significant positive relationship between direct compensation programs and innovative work behavior (IWB) for Jordanian Islamic banks.

H3: Innovative work behavior (IWB) mediates the relationship between HR practices (training and direct compensation) and competitive advantage (CA) for Jordanian Islamic banks.

H4: Indirect compensation moderates the relationship between Innovative Work Behavior (IWB) and Competitive Advantage (CA) for Jordanian Islamic Banks.

Methodology

The objective of this study is to investigate the relationship between HR practices (specifically training and direct compensation) on competitive advantage with the mediating role of IWB and moderation of indirect compensation for Jordanian Islamic banks. This study used a quantitative research approach to address the study's objectives. The data for this study were collected through an adoptive questionnaire on a five-point Likert scale. The items for the questionnaire were adapted from literature, i.e. training (Demo et al., 2012; Dechawatanapaisal, 2005), direct compensation (Nurul-Absar et al., 2010), indirect

compensation (Demo et al., 2012), IWB (Kleysen & Street, 2001; Jong & Hartog, 2007), and competitive advantage Invalid source specified.

The population of the study was composed of employees of three Islamic banks operating in Jordan. A total of 3203 employees were working at three targeted Islamic banks, and according to Yount (2006), the sampling percentage should be at least 5% for the size of the population between 1001-5000. Thus, the minimum sample collected in this research is about 219 employees from the research population, 36 from Jordan Dubai International Bank, 103 from Jordan Islamic Bank, and 80 from Islamic International Arab Bank.

The principle outlined by Baron and Kenny (1986) was used to justify the mediating role of IWB. As per Baron and Kenny (1986), a prior relationship between variables (i.e. independent, dependent, and mediating) must exist. Structural equation modelling (SEM) was used to test this hypothesis. The SEM technique is superior to other statistical methods in many ways. For example, it has no sample size restriction, is effective for statistical model building along with forecasting, is precise and accurate in estimation, has soft modelling assumptions, does not require normality of data, and is suitable, especially in the case of mediation (Iacobucci et al., 2007; Osborne, 2011; Hair et al., 2014, 2017; Ramli and Nartea, 2016). Moreover, SEM combines two powerful statistical approaches, exploratory factor analysis and structural path analysis, which enable the simultaneous assessment of the measurement model and the structural model (Hair et al., 2017; Din et al., 2021).

Results & Discussion

This study is based on three banks: Jordan Dubai International, Jordan Islamic, and Islamic International Arab Bank. The employees from each of these banks were chosen based on the proportion of total employees in a bank. First, 36 (16.4%) employees or respondents were included from Jordan Dubai International Bank (see Table 4.1). Meanwhile, Jordan Islamic Bank has the highest number of employees; therefore, the researcher chose 103 (47%) respondents from this bank. Finally, 80 (36.5%) respondents belonged to the Islamic International Arab Bank, thus counting 219 samples. Table 4.1 further presents the demographic profile of respondents.

Table 4. 1
Demographic Characteristics

		Frequency	Percent	Valid Percent	Cumulative Percent
Bank	Jordan Dubai International Bank	36	16.4	16.4	16.4
	Jordan Islamic Bank	103	47.0	47.0	63.5
	Islamic International Arab Bank	80	36.5	36.5	100.0
	Total	219	100.0	100.0	
Gender	Male	144	65.8	65.8	65.8
	Female	75	34.2	34.2	100.0
	Total	219	100.0	100.0	
Age	20-30 Years	97	44.3	44.3	44.3
	30-40 years	87	39.7	39.7	84.0
	40-50 years	19	8.7	8.7	92.7
	50-60 years	16	7.3	7.3	100.0
	Total	219	100.0	100.0	
Qualification	Bachelor	101	46.1	46.1	46.1
	Master	86	39.3	39.3	85.4
	PhD	26	11.9	11.9	97.3
	Other	6	2.7	2.7	100.0
	Total	219	100.0	100.0	
Experience	<5 years	97	44.3	44.3	44.3
	5-10 years	68	31.1	31.1	75.3
	10-15 years	43	19.6	19.6	95.0
	>15 years	11	5.0	5.0	100.0
	Total	219	100.0	100.0	

Out of 219 total employees, 144 (65.8%) were males, while 75 (34.2%) were females, 97 (44.3%) belongs to the 20-30 age-group, 87 (39.7%) from to 30-40, 19 (8.7%), and 16 (7.3%) respondents fall in the age groups 40-50 and 50-60 respectively. Among the 219 participants, 101 (46.1%) held a bachelor's degree, 86 (39.3%) held a master's degree, and 26 (11.9%) held a PhD, while others (2.7%) held other degrees. Table 4.1 further reported that 97 (44.3%) employees had less than five years of experience, 68 (31.1%) had 5 to 10 years of experience, 43 (19.6%) had 10-15 years of experience, and 11 (5%) had more than 15 years of experience in the banking or related industry.

It is important to assess measurement authenticity while conducting a quantitative survey-based study. Roberts and Priest (2006) asserted that good measurements always provide reproducible results. In other words, a good measurement provides consistent and similar results when tested multiple times. Thus, reliability and validity are important for enhancing the authenticity of the study. Fink and Litwin (1995) defined reliability as a measure and process to evaluate scale or measurement consistency. Similarly, Hammersley (1987) asserted that reliability could be termed the extent to which the methods or precedes generate unstable and stable results.

Table 4.2
Loadings, Reliability, and Validity

Variables & Items	Factor Loadings	Cronbach's Alpha	CR	AVE
Training		.920	.919	.792
T1	.88			
T2	.88			
T3	.91			
Direct Compensation		.882	.876	.588
DC1	.72			
DC2	.67			
DC3	.76			
DC4	.88			
DC5	.79			
Innovative Work Behavior		.908	.906	.587
IWB1	.57			
IWB2	.83			
IWB3	1.01			
IWB4	.75			
IWB5	.73			
IWB6	.72			
IWB7	.68			
Indirect Compensation		.810	.822	.613
IC1	.94			
IC2	.65			
IC3	.73			
Competitive Advantage		.944	.944	.568
CA1	.73			
CA2	.80			
CA3	.70			
CA4	.85			
CA5	.88			
CA6	.69			
CA7	.58			
CA8	.72			
CA9	.80			
CA10	.80			
CA11	.68			
CA12	.72			
CA13	.80			

Primarily, there are two methods to measure the reliability of a scale comprising Cronbach's alpha (α) and composite reliability (CR). Although some researchers have asserted that CR is more preferable to Cronbach's alpha (Peterson & Kim, 2013; Raykov, 1997), the majority of researchers either use alpha or both methods (Padilla & Divers, 2016; Raykov, 1998; Şimşek & Noyan, 2013). Thus, this study measured reliability through both methods to provide more accurate reliability results (see Table 4.2). Although Hair, Black, Babin, and Anderson (2010)

proposed that the minimum threshold for alpha and CR is 0.6; however, the majority of researchers preferred 0.7 as the minimum value for both reliability measures (Bernardi, 1994; Moonen-van Loon et al., 2013; Pinto et al., 2014; Taber, 2018). Table 4.2 shows that all the alpha and CR values are greater than 0.7, thus proving the reliability of the scales.

Apart from the above, Table 4.2 also shows information regarding the validity of the scales. Most researchers mention two prominent forms of validity, convergent and discriminant. The above table shows only convergent validity, calculated through a well-known measure named average variance extracted (AVE). Russell (1978) defined convergent validity as a technique to evaluate how much a relationship of a new scale's constructs with the items of another scale and the items within the same scale. Similarly, Carlson and Herdman (2012) explained it in simple terms as a technique to examine how closely the items within and outside a variable are related. To fulfil the requirements of convergent validity of a scale, the minimum values of AVE should be 0.5 (Alarcon et al., 2015; Lin, 2008; Liu, 2003). In this study, among all variables, the minimum AVE value is 0.5686, while other constructs have higher AVE values; thus, these values confirm the existence of convergent validity. The second necessary type of validity is discriminant, which is used to test whether the constructs/measures or items under a variable should not be associated and are unrelated (Farrell, 2010; Henseler et al., 2015). However, Fornell and Larcker (1981) asserted this concept from a different point of view. They noted that discriminant validity provides evidence that the items developed to measure a variable should have a high correlation compared to their correlation with the items of another variable.

For this purpose, the researcher employed a method proposed by Fornell and Larcker (1981), which suggests that the square root of AVE should be higher than the correlation of a variable with other constructs. In simple terms, the diagonal highlighted values should be greater than their corresponding cross values in rows and columns (see Table 4.3). In Table 4.3, the diagonal values are the square root of AVE, while the other values are correlations among variables. As suggested by Fornell and Larcker (1981), these diagonal values are higher than their related values in rows and columns, thus proving the existence of discriminant validity. This method demonstrates that the items of a variable only measure the variables for which they are developed for measurement.

To examine the strength of the relationship between the two constructs' movement, the correlation coefficient was suggested by previous authors (Benesty et al., 2009; Taylor, 1990). Table 4.3 presents this valuable information along with information regarding discriminant validity.

Table 4.3

Correlations and Discriminant Validity

	1	2	3	4	5
Training	.890				
Direct Compensation	.315**	.767			
Innovative Work Behavior	.642**	.208**	.766		
Indirect Compensation	.149*	.152*	.187**	.783	
Competitive Advantage	.288**	.447**	.254**	.360**	.754
	219	219	219	219	219

*** and * Correlation is significant at the 0.01 and 0.05, respectively*

Based on the information in Table 4.3, training had a 31.5% positive and significant association with direct compensation at $p < 0.01$. Similarly, training was positively associated with other constructs, such as innovative work behavior ($r = 64.2\%$, $p < 0.01$), indirect compensation ($r = 14.9\%$, $p < 0.05$), and competitive advantage ($r = 28.8\%$, $p < 0.01$). Training has the strongest positive relationship with innovative work behavior; however, it has a weak positive relationship with indirect compensation. Table 4.4 shows that direct compensation has a positive relationship with all the constructs, such as innovative work behavior ($r = 20.8\%$, $p < 0.01$), indirect compensation ($r = 15.2\%$, $p < 0.05$), and competitive advantage ($r = 44.7\%$, $p < 0.01$). Similar to training, direct compensation has a weak positive relationship with indirect compensation. However, direct compensation has a strong positive relationship with competitive advantage.

Furthermore, innovative work behavior had a positive and significant relationship with both indirect compensation ($r = 18.7\%$, $p < 0.01$) and competitive advantage ($r = 25.4\%$, $p < 0.01$). However, the strengths of both relationships were weak. It is also crucial to note that similar to other constructs, innovative work behavior has a lower construct with indirect compensation than its relationship with a competitive advantage. Finally, indirect compensation had a 36% positive association with competitive advantage at $p < 0.01$. In addition, it is significant to note that a positive symbol refers to the same direction of the two variables. Conversely, a negative symbol refers to the opposite direction of both the related variables.

CFA is a parametric test commonly used in social sciences to evaluate how well the measures under a variable represent the variable and model fitness (Brown & Moore, 2012; Hoyle, 2000; Koran, 2020). First, each item's contribution to measuring the variable was evaluated through factor loadings (see Table 4.2). Previous researchers have proposed three levels of loadings, including small (0.3 or less), medium (up to 0.5), and large (greater than 0.5) (Sharma et al., 2005; Shevlin & Miles, 1998). Most researchers remove items with factor loadings of 0.3 or less. In this study, the factor loadings of different items, including DC6, IWB8, IWB9, IWB10, IWB11, CA14, CA15, and CA16, were below 0.3; therefore, they were removed. Shevlin and Miles (1998) asserted that factor loadings higher than 0.3 are accepted, while factor loadings greater than 0.5, are preferred. Table 4.2 presents all the factor loadings, which are greater than 0.5, which means these loadings provide enough contribution to measuring the variables for which they are developed.

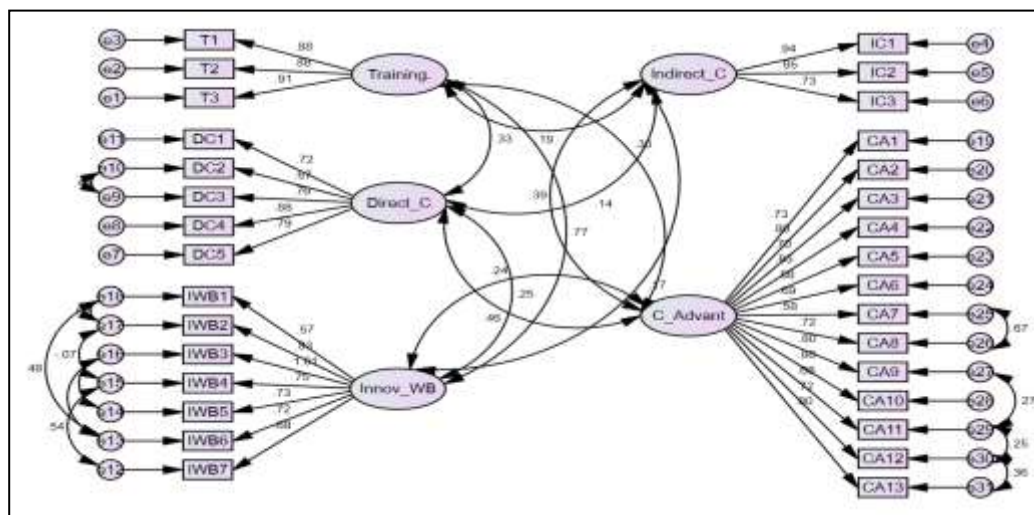


Figure 4. 1: Factor Analysis Model

In addition, factor loadings are presented in figure 4.1. In addition, the model fitness is proved through commonly utilised indexes such as CMIN/DF (Chi-square), CFI (Comparative Fit Index), GFI (Goodness of Fit), IFI (), normedfitindex (NFI), and root mean square error of approximation (RMSEA). These indices were presented along with their accepted standards. For instance, CFI, GFI, IFI, and NFI should be greater than 0.9, while RMSEA should be lower than 0.08 (Byrne, 1994; Rigdon, 1996). Similarly, the P-value of Chi-square should be lower than 0.05 (Kline, 1998). Figure 4.1 shows that all the model fit standards are met, which means that the model fits the structural equation modelling technique.

To examine the influence or effect of one variable on another variable, the researcher either uses regression analysis or structural equation modelling (SEM). In this study, the researcher employed SEM using AMOS software. The SEM technique combines factor analysis (as explained above) and multiple regression analysis (Hoyle, 1995; Ullman & Bentler, 2003).

Table 4.4
Path Coefficients

				Estimate	S.E.	C.R.	P
Training	→	Innovative work behavior		.635	.054	11.708	***
Direct compensation	→	Innovative work behavior		.006	.051	.114	.909
Innovative work behavior	→	Competitive advantage		.229	.059	3.872	***

Firstly, the 4.4Table presents the path coefficients, which in other words, shows only the direct effects of predictors on outcome variables. According to this Table, training has a 63.5% positive impact on innovative work behavior with a p-value less than 0.01. This effect has supported the first hypothesis of this study. While direct compensation has no significant influence on innovative work behavior, as a significance value $0.909 > 0.05$. Thus, the second hypothesis of this study is rejected. Conversely, innovative work behavior has a 22.9% positive influence on competitive advantage with a p-value less than 0.01. Therefore, the third hypothesis of this study is accepted.

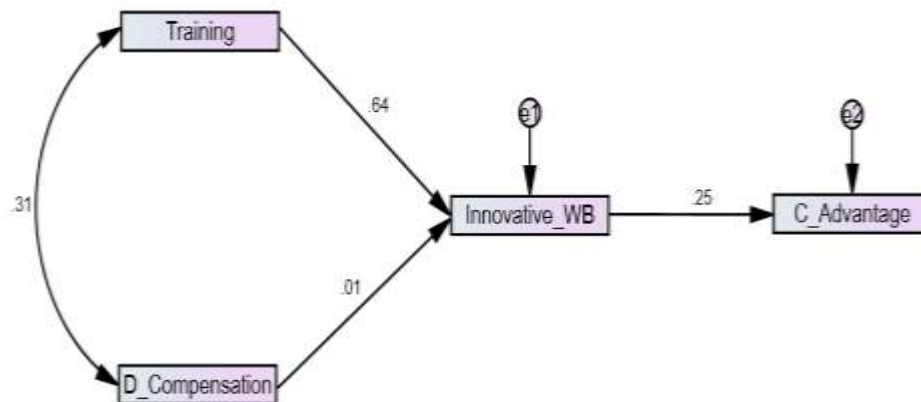


Figure 4. 2:Path Coefficients Model

Similar to Table 4.4, following Figure 4.2 also shows similar results. However, this figure shows the standardised results, while Table 4.4 shows the unstandardized results.

The first hypothesis suggests a relationship between training and innovative work behavior. This hypothesis is approved, and the findings are consistent with previous studies such as (Azevedo and Shane, 2019; Phan, 2019; Prieto and Pérez-Santana, 2014; Bos-Nehles and Veenendaal, 2019; Aris et al., 2019). These studies also found a positive association between ability-enhancing HRM practices and innovative work behavior. The ability-enhancing activities include training and job rotation, which increase the knowledge, skills, and understanding of employees regarding their job, enhancing their ability to think out of the box, and creating a competitive advantage for the organization. Similarly, this study has also found that motivation-enhancing HRM practices and opportunities enhance HRM practices and are positively related to innovative work behavior.

The second hypothesis of this study proposed a positive relationship between direct compensation and innovative work behavior; however, this hypothesis is not supported. The findings of this study are consistent with (Bos-Nehles & Veenendaal, 2019; Dorenbosch et al., 2005; Karin et al., 2010). Karin et al (2010) utilised leader-member exchange theory to explain the relationship between satisfaction with HR practices and innovative work behavior. They found that both leaders and employees were expected to fulfil their duties without bias. However, when leaders compensate employees in an unfair manner, other employees do not engage in innovative work behavior, and some of this compensation may negatively influence innovative work behavior. Furthermore, they asserted that employees who are intrinsically motivated do not give importance to rewards and compensation; thus, compensation for innovative work behavior will not be significant. In addition, some employees also consider rewards and compensation to be a source of stress because they take stress to get rewards, which may decrease the motivation level of employees, especially when they are not rewarded according to their efforts.

Similarly, Bos-Nehles and Veenendaal (2019) conducted a study in the context of Dutch manufacturing companies. They found that employees' perceptions regarding the fairness of HR practices decide whether they would be involved in innovative work behavior, or it will negatively affect those who are already involved in innovative work behavior. Scholars have

noted that employees’ perceptions of unfair treatment and rewards generate double edge loss for the organization. One loss is due to giving rewards, while the other loss is due to the negative impact of rewards on innovative work behavior because rewards are not distributed fairly among those employees who put their efforts to achieve organizational goals through innovative means. Apart from the above, Dorenbosch et al (2005) confirmed the negative scenario of unfair compensation on employees’ innovative work behavior. They highlighted that only employees interested in rewards, which are not intrinsically motivated, need extrinsic motivation to encourage innovative work behavior.

The third hypothesis suggests a positive relationship between innovative work behaviour and competitive advantage. This hypothesis is also supported; therefore, findings are consistent with previous studies (Anning-Dorson, 2018; Liu, 2017; McGrath et al., 1996; Elidemir et al., 2020). These studies also concluded that innovative behaviors positively impact the overall competitive advantage of an organization.

Similar to path coefficients, moderation analysis was also performed through SEM; however, this process comprised two models. In the first model, innovative work behavior and indirect compensation were used as predictors, while competitive advantage was utilised as the outcome variable. The figures show the standardised results, while tables show the unstandardized results (as significance values are only presented in unstandardized regression tables).

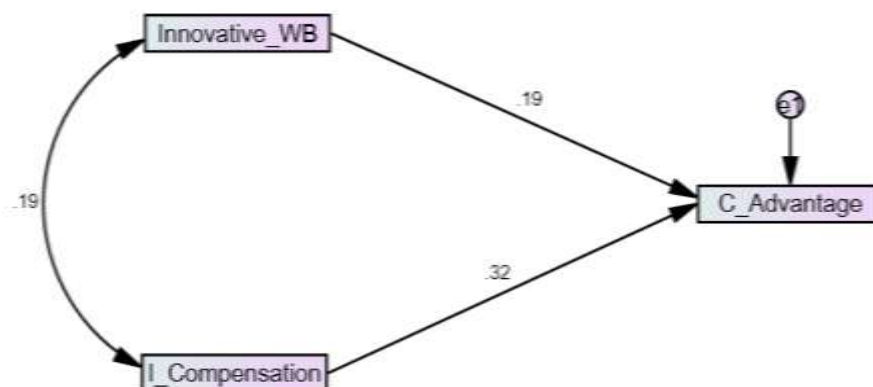


Figure 4. 3: Moderation Model 1

Based on model-1, Table 4.5 shows that innovative work behavior has a 17.4% positive impact on competitive advantage with $p=0.002$, while indirect compensation has a 30.8% positive impact on competitive advantage at $p<0.01$.

Table 4.5
Regression Weights: (Model 1)

			Estimate	S.E.	C.R.	P
Innovative work behavior	→	Competitive advantage	.174	.057	3.068	.002
Indirect compensation	→	Competitive advantage	.308	.060	5.151	***

In the second model, along with innovative work behavior and indirect compensation, the interaction term of both predictors is also included in the model as a predictor to differentiate

between the effects of innovative work behavior on competitive advantage before and after the inclusion of the interaction term.

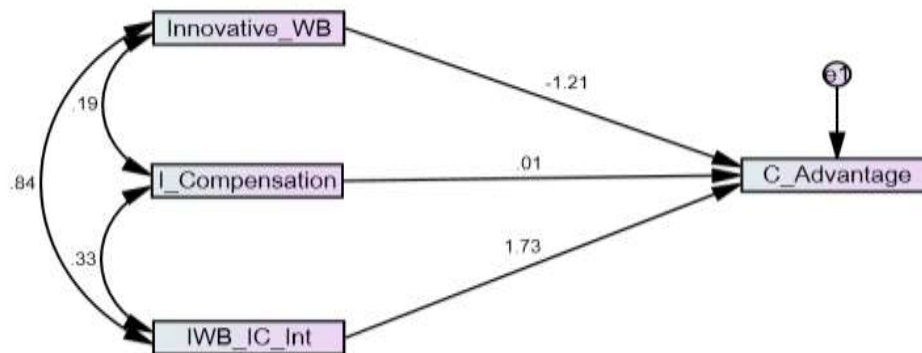


Figure 4.4 Moderation Model 2

Figure 4.3 shows the standardised regression results, which are converted to greater than one after the inclusion of the interaction term. Many scholars misunderstand the legitimacy of a regression coefficient greater than one; however, Deegan Jr (1978) and Joreskog (1999) proved that the standardised coefficient can be legitimately greater than one. Primarily, this is because the interaction term has been calculated through the multiplication of innovative work behavior and indirect compensation, which resulted in higher mean values, thus over-affecting the relationship. In addition, the interaction term includes the same items as already available in two constructs, thus increasing the multicollinearity among constructs, which resulted in a regression coefficient higher than one, as supported by Deegan Jr (1978).

Table 4.6
Regression Weights: (Model 2)

Predictors	Outcome	Estimate	S.E.	C.R.	P
Innovative work behavior →	Competitive advantage	-1.090	.030	-36.849	***
Indirect compensation →	Competitive advantage	.010	.018	.581	.561
IWB and IC_Int →	Competitive advantage	.285	.006	50.650	***

The unstandardized results are presented in Table 4.6, which shows that innovative work behavior’s effect on competitive advantage has decreased from positive 0.174 (see Table 4.5) to -1.090. Similarly, the effect of indirect compensation not only decreased from 0.308 to 0.010, but also turned insignificant. This means that the interaction term has a highly negative influence on the relationship between innovative work behavior and competitive advantage. However, the influence of interaction on competitive advantage is 28.5% (p < 0.01), thus proving the moderation effect on innovative work behavior and competitive advantage.

The fourth hypothesis proposes the moderating effect of indirect compensation on the relationship between innovative work behavior and competitive advantage. The results of this study support this hypothesis. Previous scholars have not investigated the exact moderating effect of indirect compensation on IWB and CA; however, the individual effects of IC on IWB and CA can be found in previous studies. It is significant to note here that the

moderating effects of IC have decreased the positive effect of IWB on CA and convert it into negative. Thus, this relationship is significant. As in previous hypotheses, it is mentioned that fair compensation is one of the leading components to enhance innovative work behavior; however, unfair rewards and compensation decrease employees' innovative behavior, but sometimes have a negative impact on their innovative behaviors as unfair treatment violates the leader-member exchange process.

Conclusion

Nowadays, a competitive business environment ensures a competitive advantage (CA) through many factors. Based on current world challenges, organizations are looking for a competitive advantage to survive, sustain, and grow. The research tasks are to determine the relationship between training, direct compensation, and IWB, and then analyse the effect of IWB on CA moderated by indirect compensation. Data were collected from 219 banking employees working at three Islamic banks operating in Jordan by employing a structured questionnaire with a deductive approach.

Respondents' profiles revealed that most of the respondents were males and held a bachelor's degree. Similarly, most participants fell in the age range of 20-30 years, while most respondents had less than five years of experience. The reliability and validity of the scales were proved, and confirmatory factor analysis proved the model's fitness. SEM was used to test the developed hypotheses. The results showed that training had a positive and significant impact on innovative work behavior, direct compensation had an insignificant impact on innovative work behavior, and innovative work behavior positively affected competitive advantage. In contrast, the moderating effect of indirect compensation on the relationship between innovative work behavior and competitive advantage was also confirmed. However, this effect has negatively influenced the positive effect of innovative work behavior on competitive advantage.

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