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## Article

# Employee performance of Sharia Bank in Indonesia : The mediation of organizational innovation and knowledge sharing

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## MANAGEMENT | RESEARCH ARTICLE

# Employee performance of Sharia Bank in Indonesia : The mediation of organizational innovation and knowledge sharing

Zulkifli Zulkifli<sup>1\*</sup>, Astri Ayu Purwati<sup>2</sup>, Nicholas Renaldo<sup>2</sup>, Zulfadli Hamzah<sup>1</sup> and Muhammad Luthfi Hamzah<sup>3</sup>

**Abstract:** Islamic bank is a financial institution that applies the concept of sharia management in its operational activities including human resource management. This study aimed to analyze the influence of competency and Islamic organizational culture in improving employee performance with the mediation of organizational innovation and knowledge sharing. The population of this study were 941 employees of Islamic banks in Pekanbaru, Indonesia and a total of 273 employees were obtained as samples. The data analysis technique used is the Structural Equation Model (SEM) Analysis with AMOS. The study results showed that competency and Islamic organizational culture have a significant positive effect on organizational innovation, Organizational Innovation has a significant positive effect on knowledge sharing, and competency, Islamic organizational culture and organizational innovation have a significant effect on employee performance. Meanwhile, Competency and Islamic Organizational Culture do not have a significant effect on knowledge sharing and knowledge sharing does not have a significant effect on employee performance. The indirect effect test results show that organizational innovation has a mediating role in the influence of competency and Islamic organizational culture on employee performance. Meanwhile, knowledge sharing cannot mediate the influence of competency, Islamic organizational culture and organizational innovation on employee performance.

**Subjects:** Human Resource Development; Organizational Studies;

**Keywords:** competency; Islamic organizational culture; employee performance; organizational innovation; knowledge sharing

## 1. Introduction

Islamic banks are the main financial institutions in the Islamic banking system. Like conventional banks, Islamic banks also provide a variety of financial products and services such as savings, financing, investment and other services. However, these products must comply with sharia principles. Every sharia bank has a Sharia Supervisory Board which is responsible for ensuring compliance with sharia principles in all banking activities. This council is composed of shariah experts and clerics who have in-depth knowledge of Islamic law. Islamic banking has developed

rapidly in various countries with a Muslim majority population. It provides financial options that suit their religious beliefs while participating in a modern economy (Bilal & Sulaiman, 2021).

In increasing its profitability, Athari (2022) shows that the profitability of Islamic banks operating in Arab countries is formed by bank-specific, industry-specific, and country-specific determinants and at the global level. Athari and Bahreini (2023) also emphasized that environmental characteristics have an important role in determining the capital ratio of Islamic banks. Stronger country-level governance is associated with higher capital ratios, and banks can increase capital, especially by increasing political corruption, government effectiveness, and the legal system. Study by (Athari et al., 2016) on the dividend policy behaviour of Islamic and conventional banks operating in the Arab market. These banks operate in an environment of Sharia law and low levels of investor protection. Our results support the dividend substitution agency model for Islamic banks, and Islamic banks use dividend policy as a substitute mechanism to reduce relatively more significant agency problems and higher risk of takeover by insiders.

The magnitude of the potential for development of Islamic banks in Indonesia has not been optimally achieved, in 2021 the market share of Islamic banking is only 6.52%. Disbursed financing (DF) in 2019 was 18.73% and decreased in 2020, DF growth in Riau region was only 7.86% and increased in 2021 by 22.01%, which means there are growth fluctuations in the last three years. Judging from the growth of Islamic banking third party funds (TPF), Riau Province from 2019 to 2021 has experienced an increase in growth. In 2019, the growth of Islamic banking in Riau province was 12.93%, then in 2020 there was an increase in TPF growth of 15.93% and in 2021 TPF growth reached 27.98%.

Performance becomes a means to get better results from organizations, teams and individuals by understanding and managing performance within the framework of agreed objectives, standards and attribute requirements. Every organization will try always to improve the performance of its employees in order to achieve the goals set by the organization, as well as for Islamic banking organizations (Bernanthos, 2018). Employee competency is the cornerstone to the effective performance of Islamic banking workers. In order for Sharia banking to offer services, certain criteria must be met by its workers in order for them to deliver outstanding service (Yusuf et al., 2023). However, it is regrettable that many qualifications for Islamic bank employees in Indonesia are still required to have a general educational background (bachelor in general), implying that Islamic banking still needs to provide additional reinforcement to its employees in terms of Islamic banking services and work. Human resource considerations also have an impact on the growth of Islamic banking in Indonesia.

The culture of Islamic-based Islamic banking companies is another aspect that determines the performance of Islamic banking workers. Various system and marketing difficulties arose, indicating that they were impacted by elements such as the work environment and work culture (Hamzah et al., 2015). Companies that operate under the sharia idea should develop a sharia-compliant work culture (Sopiah et al., 2021). The foundation of Islamic culture is a culture that is based on the provisions and provisions of the Al-Quran and As-Sunnah (Candra et al., 2022). Sharia principles must be observed and used in all banking activities as an Islamic bank. Employees in Islamic banking must comprehend and adhere to these principles (Asad et al., 2018). This will establish a work climate that is consistent with Islamic beliefs and will drive staff to offer the best service possible to clients.

There has been a lot of research done on the role of job competency in determining performance. However, some research in the banking context has yielded inconclusive results, such as research (Hamzah, 2021; Suhadi et al., 2019) that found competency has significant positive influence in improving employee performance, but research by (Hassan & Aliyu, 2018; Tarigan et al., 2020) that found competency has no significant in influencing the performance of banking employees. Several studies have shown a beneficial link between Islamic organizational culture

and Islamic banking personnel performance (Candra et al., 2022; Hamzah & Basri, 2021; Ibrahim & Kamri, 2017; Robbie & Novianti, 2020). Other research, however, have significant discrepancies. Other study indicates that Islamic organizational culture has no effect on the performance of Islamic banking staff (Wulandari, 2021). Furthermore, there are discrepancies in other research, such as the sorts of Islamic banking investigated, such as conventional Islamic banking vs pure Islamic banking (Amiri et al., 2017; Candra et al., 2022; Sopiah et al., 2021). This may have an impact on the findings of study.

Based on empirical studies of previous research which resulted in gaps from inconsistencies in research results related to the influence of competency and organizational culture on employee performance. As well as the lack of research that focuses on examining the Islamic aspects of Islamic organizational culture in Islamic banking. This study uses a mediating factor as a bridge as well as originality in explaining the differences in research. Organizational Innovation and Knowledge Sharing are the mediating factors in this research. Islamic banking business practices can take advantage of organizational innovation. Employees can increase their working time and productivity by introducing new technologies and more efficient work procedures (Büschgens et al., 2013). Islamic banking workers must evaluate the Islamic rules, regulations, and laws governing Islamic banking operations while adopting organizational innovations. Employees with excellent competency can drive an organization's potential to innovate and produce new goods or services that improve overall organizational performance in an inventive environment. Furthermore, an organizational culture that encourages innovation fosters an atmosphere that encourages healthy risk-taking and generates incentives to innovate, which increases the potential of the organization to achieve higher performance (Wang & Wang, 2012; Zhao et al., 2021). Strong employee capabilities that might influence knowledge sharing, namely the capacity of workers to share information with their colleagues, is recognized to play a mediating role in knowledge sharing. Employees with high competency are more likely to share their expertise (Lee & Hidayat, 2018).

General research questions that will be answered through this study are : Do organisational innovation and knowledge sharing mediate the influence of competence and organisational culture on the performance of Islamic banking employees in Pekanbaru, Indonesia? For this reason, this research was aimed to analysed the strategi in improving the performance of Islamic banking employee through the study of mediation effect of organizational innovation and knowledge sharing in relationship between competency and organizational culture on the employee performance. Furthermore, this research contributes to the development of management policies and practices in Islamic banks in Indonesia. The linkages between competencies, organisational culture, innovation, and knowledge sharing can help organisations optimise their strategies to improve employee performance and, overall, organisational performance.

## **2. Literature review and hypothesis development**

### **2.1. Employee performance of Sharia Bank**

Islamic banking is a financial organization that conducts its operations in accordance with Sharia principles. Sharia principles are founded on Islamic law, which forbids usury (interest), gharar (speculation), maysir (gambling), and commercial actions that are harmful to society or the environment. Instead, Islamic banking operates on the principles of profit sharing (profit and loss sharing), contract (agreement), and prudence (Yusuf et al., 2023). Islamic banking offers a wide range of financial goods and services that are similar to those offered by traditional banks, such as savings, deposits, lending, credit cards, and so on (Lestari & Guritno, 2021). Sharia banking goods and services, on the other hand, are built in accordance with sharia principles, with a higher focus on justice, prudence, and community empowerment. Islamic banking goods and services are also more open to the creation of new technological and innovative products (Wusqo et al., 2022). Sharia banking is presently expanding and in high demand among Indonesians because the goods and services supplied are founded on principles that are more fair,

transparent, and consistent with Islamic ideals. Furthermore, government assistance and improved rules have made Islamic banking more visible and major contributor to the national economy.

Employee performance refers to how workers meet the aims and objectives established by the firm or organization for which they work (Bernanthos, 2018). Several factors for measuring employee performance are listed below (Bernanthos, 2018; Lestari & Guritno, 2021) including: (1) Work quality; (2) quantity; (3) punctuality; (4) effectiveness; and (5) independence.

Previous research has conducted a lot of research on the performance of Islamic banking employees including research by Kolibáčová (2014) using the balance scorecard approach to analyse competency and performance measurement in Islamic banking employees. Research by Shaikh et al. (2017) and Sarmad et al. (2018) with a mixed method approach analysing Stress Psychology, Stress Organization and Communication Spirituality in the workplace has a real impact on improving the performance of Islamic banking employees. Research by Shaikh et al. (2017) and Afif et al. (2023) with the linear regression analysis method found motivation to be a factor that affects the performance of Islamic Banking employees. Research by (Hamzah & Basri, 2021) using the Structural Equation Model (SEM) analysis method found important factors that play a role in improving the performance of Islamic banking employees. Other factors such as organisational culture also have an impact on improving the performance of Sharia banking employees as researched by Wulandari (2021) and Wibowo et al. (2021) with a Multiple Linear regression analysis approach on 100 employees. Research on innovation has an influence on the performance and work productivity of Islamic banking employees conducted by Wibowo et al. (2021). Research by Mawad et al. (2022) with an associative analysis approach found that financial self-control and demographic determinants play an important role in improving employee performance. Research development using indirect effect analysis using moderation or mediation with the Structural Equation model method has also been developed by previous researchers including: performance model for Islamic banking employees using the mediation of Islamic work ethics (Sarmad et al., 2018). Mediation role of internal control systems in the relationship between employee motivation on employee performance (Chang et al., 2019; Jarah et al., 2023). From various existing previous studies, this study formulated a model using 2 mediation approaches, namely organizational innovation and knowledge sharing, which were different from previous studies.

## 2.2. Competency

Competency is a trait that underpins a person and is connected to the efficacy of individual performance in his job or the fundamental qualities of persons who have a causal connection or are related to the criteria used as a reference (Suhadi et al., 2019). Competency is described as the abilities, knowledge, and attitudes necessary to do certain activities successfully. Technical, managerial, and Islamic competencies may be necessary in the setting of Islamic organizations (Hamzah, 2021).

Competency is defined as the capacity to do or carry out a job or task based on skills and knowledge, as well as the work attitude needed for the job (Younas & Bari, 2020). Thus, competency demonstrates the abilities and knowledge indicated by expertise in a certain industry as something significant or better. Because competency in general refers to a person's fundamental capacity to do work (Kolibáčová, 2014). Employees with strong job competency will be able to favorably affect their performance in the setting of Islamic banking (Hamzah, 2021). Islamic banking workers must be well-versed in Islamic banking products and services in order to deliver accurate information and service to consumers (Swanson et al., 2020). Several previous studies have also conducted research which shows the role of competency in improving employee performance (Anshori et al., 2022; Hamzah, 2021; Kolibáčová, 2014; Suhadi et al., 2019) and this has proven that good employee competency can assist these employees in providing the right

solutions and in accordance with customer expectations and lead to increased performance. As a result, the initial hypothesis of this investigation is as follows:

**H1. Competency has a significant positive effect on employee performance**

Individuals with high competencies have the knowledge, abilities, and experience needed to recognize challenges and provide new solutions (Blázquez Puerta et al., 2022; Wibowo et al., 2021). Individuals with significant capabilities can tackle complicated challenges. This capacity is critical in producing innovation since these challenges often need creative and novel solutions (Chang et al., 2019; Wibowo et al., 2021). Previous studies have discussed the effect of competency on organizational innovation and several studies have obtained results where competency has a significant positive effect on innovation in the workplace (Tipu, 2014). As a result, the following research hypothesis is proposed:

**H2. Competency has a significant positive effect on Organizational Innovation**

Competency may also have a beneficial impact on information sharing since someone with competency in a profession would often have considerable knowledge and expertise in that area (Anshori et al., 2022). This makes it a helpful resource for those seeking to learn about or improve their grasp of the topic. Furthermore, competent people have the capacity to communicate and connect successfully with others. This makes it simpler for them to successfully share their expertise and experiences with others. Individuals with gowithtence, in other words, will tend to be leaders or role models in sharing (Swanson et al., 2020). There is not much previous research that explains how competency influences knowledge sharing, but study by Nurdin & Yusuf (2020) have shown that employee competency plays an important role in the management process and knowledge sharing within the organization of Islamic bank, and it is proven that these have a significant influence on each other. Based on this reasoning, the following study hypothesis is developed:

**H3. Competency has a significant positive effect on knowledge sharing**

**2.3. Islamic organizational culture**

The overall values, norms, principles, and attitudes that are reflected in organizational activities that are influenced by culture include principles derived from Islamic teachings such as honesty, fairness, social responsibility, mutual respect, and balance between worldly and hereafter activities (Sopiah et al., 2021). The goal of Islamic work culture is to establish a productive work environment that adheres to Islamic religious beliefs.

Several measures of assessing Islamic organizational culture that may be used to analyze the degree to which the company has incorporated Islamic principles into its culture are as follows (Wulandari, 2021): 1) Compliance with laws and regulations: This indicator encompasses both internal and external compliance with relevant legal rules and regulations. 2) Equality and fairness: This indicator measures equality and fairness in the treatment of workers, customers, and other business partners. 3) Social responsibility: This indicator encompasses the organization's philanthropic and social initiatives that benefit society and the environment. 4) Mutual respect and cooperation: This indicator assesses the amount of harmony and mutual respect among workers as well as between employees and leaders. 5) The balance between this world and the next: This indicator assesses the degree to which a company incorporates religious values into its commercial operations, such as prayer, zakat, and good actions (Wulandari, 2021). This Islamic work culture may be implemented in any firm and has been shown to improve economic performance and success. Previous research found that organizational culture in an Islamic bank has a positive



and significant impact on improving employee performance (Ekawati et al., 2019; Rofifah et al., 2019). As a result, the research hypothesis is:

**H4. Islamic Organizational Culture has a significant positive effect on employee performance**

Organizational innovation may benefit significantly from Islamic organizational culture. This is because ideals in an Islamic corporate culture promote creativity, innovation, and self-development, such as risk-taking, freedom of thinking, and initiative (Hamzah, 2021). Islamic organizational culture also places a premium on long-term and sustainable thinking, which may inspire firms to develop more inventive and sustainable solutions (Amiri et al., 2017). Furthermore, Islamic organizational culture encourages excellent cooperation and teamwork, which may assist firms in more successfully creating and developing ideas. The research hypothesis is based on this:

**H5. Islamic Organizational Culture has a significant positive effect on Organizational Innovation**

In an Islamic organizational culture, employees are also allowed to improve their abilities and competencies through continuous training and learning to perform their jobs more effectively and efficiently (Amiri et al., 2017). This can strengthen the willingness and ability of employees to share knowledge and experience with their colleagues, thereby bringing benefits to the organization as a whole (Büschgens et al., 2013). For this reason, the hypothesis is formulated:

**H6. Islamic Organizational Culture has a significant positive effect on Knowledge Sharing**

Organizational innovation includes changes or development of new processes, products and business practices that can improve organizational efficiency, productivity and competitiveness (Hussain et al., 2016). These innovations can also encourage creativity and collaboration between team members, increasing communication and trust between them. When an organization encourages innovation, team members are encouraged to share their knowledge openly and learn from one another. They will be involved in exchanging ideas and experiences, and looking for new solutions to overcome their problems (Kuzu & Özilhan, 2014). In this context, Knowledge Sharing can be seen as a form of organizational innovation. Thus, then:

**H7. Organizational Innovation has a significant positive effect on Knowledge Sharing**

**2.4. Organizational innovation**

(Büschgens et al., 2013) Organizational innovation is the process or consequence of developing and implementing new ideas that benefit the organization. This entails creating or putting into action new ideas, concepts, goods, services, or processes that may enhance organizational performance or efficiency while also increasing client or consumer happiness (Wang & Wang, 2012). Organizational innovation may take place in a variety of sectors, including operations, information technology, marketing, human resource management, and many more. Changes in an organization's operations, such as adopting a new technology, developing a new product or service, or refining an existing business process, may all be examples of innovation. Organizational innovation can benefit the organization by increasing competitiveness, expanding market share, increasing efficiency, increasing customer or consumer satisfaction, increasing productivity, and improving the organization's reputation among society and customers (Blázquez Puerta et al., 2022; Mustika et al., 2020). Some indices for gauging organizational innovation are as follows (Büschgens et al., 2013; Heksarini, 2018): 1. The quantity and kind of invention created, 2. The extent to which new technology is used, 3. Employee involvement in innovation 4. Innovation success rate 5. A culture of innovation. Organizational performance is significantly influenced by organizational innovation. Organizations may benefit from innovation by developing better goods or services, developing more efficient processes, and improving



the customer experience. When a company has sufficient expertise and a strong organizational culture, it may stimulate internal innovation (Wibowo et al., 2021). The ensuing innovations may assist businesses in improving their performance by increasing efficiency, productivity, and competitiveness (Asad et al., 2021). Furthermore, organizational innovation may assist firms in adapting to changing circumstances and market demands. Organizational innovation may help firms sustain a competitive edge and enhance long-term performance in this environment. As a result, the research hypothesis is:

**H8.** Organizational Innovation has a significant positive effect on employee performance

In this situation, organizational innovation also serves as a bridge between competency, organizational culture, and organizational performance (Abbas et al., 2019). Competency and a strong organizational culture may foster innovation inside a company, allowing it to perform better. To increase organizational performance, firms must build and strengthen organizational competency and culture that fosters innovation (Blázquez Puerta et al., 2022; Wibowo et al., 2021). Based on this rationale, the following research hypothesis is proposed:

**H9.** Organizational Innovation mediates the influence of competency on employee performance

**H10.** Organizational Innovation mediates the influence of Islamic organizational culture on employee performance

### **2.5. Knowledge sharing**

The act or practice of sharing information, expertise, or abilities with others is known as knowledge sharing (Wang & Wang, 2012). In this scenario, someone with specific information or skills communicates such knowledge to others in order to assist them in understanding and developing their talents. Some broad markers for measuring knowledge sharing within an organization include (Swanson et al., 2020): 1. The frequency and amount of knowledge shared; 2. The quality of knowledge shared; 3. Participation in knowledge sharing activities; 4. Level of social interaction; and 5. Employee involvement. Knowledge sharing is critical in the development of a knowledge-based society.

Sharing information at work may assist enhance productivity, efficiency, and improve company processes. Furthermore, sharing information may aid in closing the knowledge gap between those who know and those who do not know can also aid in a person's personal knowledge strengthening. Sharing information leads to a better understanding of specific topics as well as the development of communication skills and the capacity to educate others (Kuzu & Özilhan, 2014). Knowledge sharing may have a substantial impact on an individual's or an organization's overall performance (Sumbal et al., 2021). Individuals or teams that share information may leverage their diverse experiences and skills to boost efficiency and production (Abbas et al., 2019; Lee & Hidayat, 2018). This may aid in completing chores more quickly and effectively. As a result, the following hypothesis is developed:

**H11.** Knowledge Sharing has a significant positive effect on employee performance.

Knowledge sharing has the potential to moderate the impact of competency and Islamic organizational culture on organizational performance. Knowledge sharing may aid in the development of individual capabilities within an organization, hence improving overall organizational performance (Anshori et al., 2022). Organizational members may build new skills and expertise through sharing information, which can improve their capacity to execute duties more successfully (Asif et al., 2021). Sharing knowledge may also assist to develop a collaborative Islamic corporate culture. Organizational members might sense the necessity of aiding and strengthening each other to attain organizational objectives through sharing information (Blázquez Puerta et al., 2022; This,). Based on this rationale, the following research hypothesis is proposed:

**H12.** Knowledge Sharing mediates the effect of competency on employee performance

**H13.** Knowledge Sharing mediates the influence of Islamic organizational culture on employee performance

Knowledge sharing can mediate organizational innovation's effect on employee performance. By sharing knowledge, employees can learn new ideas and technologies that can open up new job possibilities (Abbas et al., 2019; Lee & Hidayat, 2018). This can encourage employees to be more creative and innovative in their work, and enhance their ability to develop new solutions to existing problems. Therefore, the hypothesis is formulated:

**H14.** Knowledge Sharing mediates the effect of organizational innovation on employee performance

## 2.6. Research framework

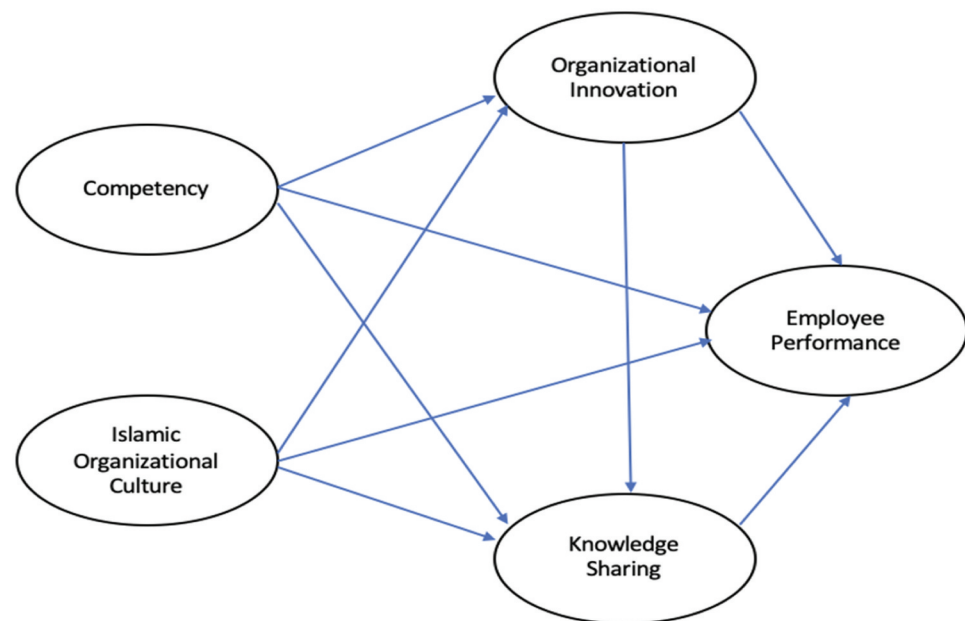
Figure 1 explains this research model to address the issue on the performance of Islamic banking employees through the approach of competency variables, Islamic organizational culture, organizational innovation, and knowledge sharing.

## 3. Methodology

### 3.1. Population and sampling

As for the population in this study, all employees of Islamic banks in Pekanbaru City were as many as 941 people. As for the number of samples that can be determined based on the Krejcie-Morgan formula with an inaccuracy value of 0.05, the sample size obtained is 273 employees. Considering the statement above, because the population is more than 100 people, the examination in this study used proportionate stratified random sampling.

Figure 1. Research Framework.



### **3.2. Research instrument**

This study used a primary data collection approach using questionnaires that were distributed to as many as 273 employees. The questionnaire was designed using a Likert scale of 1–5. The research instrument was designed using measurement indicators for each variable described in the table 1:

### **3.3. Validity and reliability test**

Before being sent to 273 respondents, the research instrument produced in this study was validated for the validity and appropriateness of each statement item provided in the instrument. As a result, pilot test questionnaires were delivered to 30 respondents, in this instance, Small and Medium Enterprises, at this stage (SMEs). The validity and reliability tests of the research instruments in this study revealed that the full set of statement items was valid and reliable enough to be employed in the following test.

### **3.4. Analysis of structural equation model with AMOS**

The theoretical analysis is utilized to build a model that will serve as the foundation for the subsequent processes. The theoretical model's principles and dimensions have been produced via theoretical investigations and hypothesis development. The multivariate Structural Equation Model (SEM) method was utilized in this research because, unlike other multivariate approaches, SEM can incorporate measurement models and structural models at the same time. Furthermore, SEM methods may investigate both direct and indirect impacts. AMOS 4 was employed in this work for data processing utilizing SEM.

## **4. Results and discussion**

### **4.1. Respondent demography**

Based on the above data it can be seen the distribution of respondents based on gender, age, marital status and length of service. Regarding gender, the majority of respondents to Islamic banking employees in Pekanbaru, Riau are female with a percentage of 60.1%. Banking is a business engaged in the service sector, so female employees are very suitable where women have better service capabilities. Furthermore, in terms of age, the majority of respondents are aged 25–35 years, which are employees with permanent status. Meanwhile, in terms of marital status, the majority of respondents were still unmarried, these respondents were frontliner banking employees. In terms of recent education, the majority of employees have Bachelors Degree education, namely as much as 79.8% and lastly for years of service, the majority of respondents have worked within 2–5 years.

### **4.2. Convergent validity**

Concerning the assessment of the measurement model, correct steps were taken to show the validity and reliability of the measurement model.

Table 3 shows that each indicator for a research variable already has an outer loading value of more than 0.7. The validity of the statement or questionnaire is also shown by the Average Variance Extracted (AVE) value, which is greater than 0.50 overall (AVE >0.50) (Fornell & Larcker, 1981). In this study, reliability is shown by a Cronbach Alpha value of more than 0.70 (CA >0.70). Then, if the Composite Reliability value is greater than 0.70 (CR >0.70) (Fornell & Larcker 1981), this shows that the reliability is good. Table 2 shows that the Cronbach Alpha and CR values for all variables are higher than 0.70. In other words, all of the variables in this study are valid.

### **4.3. Discriminant validity**

Table 4 shows the results of Heterotrait-Monotrait Ratio (HTMT) achieved values smaller than the proposed threshold values of 0.9 and below for all constructs which means the measurement model used in this study is valid and reliable (Henseler et al., 2015).

Table 1. Research Instrument		
Variable	Indicator	Source
Employee Performance (EP)	<p><b>Quality of Work</b></p> <p>(1) I feel that my work always meets or exceeds the set standards.</p> <p>(2) I always ensure that my work is done well and precisely.</p> <p><b>Quantity</b></p> <p>(3) I am able to complete many tasks in a short period of time.</p> <p>(4) The volume of work I do every day is in line with the company's expectations.</p> <p><b>Punctuality</b></p> <p>(5) I am always on time in completing my tasks.</p> <p>(6) Deadlines have never been a problem for me.</p> <p><b>Effectiveness</b></p> <p>(7) The work I do regularly contributes significantly to team or organizational goals.</p> <p>(8) I feel effective in achieving set work targets and goals.</p> <p><b>Independence</b></p> <p>(9) I am able to work independently without excessive help from others.</p> <p>(10) I feel comfortable and confident when given the responsibility to complete tasks on my own.</p>	(Bernanthal, 2018; Lestari & Guritno, 2021).

(Continued)

Table 1. (Continued)			
Variable	Indicator	Source	Scale
Competency (COM)	<p><b>Technical Competence</b></p> <p>(1) I have the technical knowledge and skills required for my job.</p> <p>(2) I always update my technical knowledge according to the latest developments.</p> <p><b>Managerial Competence</b></p> <p>(3) I am able to make effective and timely managerial decisions.</p> <p>(4) I have the ability to lead and coordinate a team well.</p> <p><b>Islamic Competence</b></p> <p>(5) Islamic values guide me in my daily work.</p> <p>(6) I apply Islamic ethical principles in my professional interactions.</p> <p><b>Attitude</b></p> <p>(7) I always maintain a positive attitude at work, even in stressful or challenging situations.</p> <p>(8) My professional attitude supports collaboration and good working relationships with teammates.</p>	(Hamzah, 2021)	Likert

(Continued)

Table 1. (Continued)		
Variable	Indicator	Source
Islamic Organizational Culture (IOC)	<p><b>Compliance with Laws and Regulations</b></p> <p>(1) I always comply with applicable laws and regulations in carrying out my work.</p> <p>(2) I feel that an understanding of laws and regulations is very important in my work.</p> <p><b>Fairness and Equality</b></p> <p>(3) I believe that everyone in the workplace should be treated fairly and equally.</p> <p>(4) Equality is an important value in my professional relationships.</p> <p><b>Social Responsibility</b></p> <p>(5) I understand the importance of social responsibility in my work.</p> <p>(6) In my work, I always consider the impact of my actions on society at large.</p> <p><b>Respect and Mutual Cooperation</b></p> <p>(7) Respect for my coworkers is an integral part of my work ethic.</p> <p>(8) Professional relationships should be based on mutual respect.</p> <p><b>Balance of World and Hereafter</b></p> <p>(9) In performing professional duties, there is always a balance between worldly and afterlife goals.</p> <p>(10) Spiritual values have an important place in my way of working, without neglecting practical professional goals.</p>	(Wulandari, 2021)
		Likert

(Continued)



Table 1. (Continued)		
Variable	Indicator	Source
Organizational Innovation (OI)	<p><b>Number and Type of Innovations Produced</b></p> <p>(1) My organization regularly produces new innovations in products, services or processes.</p> <p>(2) I feel that the types of innovations produced by my organization are relevant and useful.</p> <p><b>Rate of Use of New Technology</b></p> <p>(3) My organization is quick to adopt and use new technologies.</p> <p>(4) I feel comfortable with the use of new technologies in my work.</p> <p><b>Employee Participation in Innovation</b></p> <p>(5) I am given the opportunity to contribute to the innovative process in the organization.</p> <p>(6) Creative ideas from employees are accepted and encouraged by management.</p> <p><b>Innovative Success Rate</b></p> <p>(7) Most innovative ideas or projects in this company successfully achieve their goals.</p> <p>(8) Failure does not prevent our company from further innovative efforts.</p> <p><b>Innovative Culture</b></p> <p>(9) Our organizational culture supports and encourages creative thinking and experimentation.</p> <p>(10) Collaborativity, positive risk and learning are an integral part of our culture.</p>	(Büschgens et al., 2013; Heksarini, 2018)
		Likert

(Continued)

Table 1. (Continued)			
Variable	Indicator	Source	Scale
Knowledge Sharing (KS)	<p><b>Frequency and Amount of Knowledge Shared</b></p> <p>(1) I regularly share knowledge and information with my colleagues.</p> <p>(2) The amount of knowledge or information I share is substantial and useful.</p> <p><b>Quality of Knowledge Shared</b></p> <p>(3) The information or knowledge I share is always accurate and up-to-date.</p> <p>(4) The knowledge I share helps colleagues in their work.</p> <p><b>Participation in Knowledge Sharing Activities</b></p> <p>(5) I actively participate in knowledge sharing activities at work.</p> <p>(6) I often attend workshops, seminars or group discussions where knowledge is shared.</p> <p><b>Level of Social Interaction</b></p> <p>(7) Social interaction in the workplace supports the knowledge sharing process.</p> <p>(8) Good relationships between colleagues encourage the effective exchange of ideas and information.</p> <p><b>Employee Engagement</b></p> <p>(9) Active engagement at work encourages me to share more knowledge with others.</p> <p>(10) When employees feel engaged, they are more likely to learn from each other.</p>	(Swanson et al., 2020)	Likert

Source : (Bemanthos, 2018; Blüschgens et al., 2013; Hamzah, 2021; Heksarini, 2018; Lestari & Guritno, 2021; Swanson et al., 2020; Wulandari, 2021).

**Table 2. Analysis of respondent demography**

Demography	Category	Freq	Percentage
Gender	Male	109	39,9 %
	Female	164	60,1 %
Age	<25 Year	94	34,4 %
	25–35 Year	118	43,2 %
	36–45 Year	38	13,9 %
	>45 Year	23	8,4 %
Status	Single	163	59,7 %
	Married	110	40,3 %
Education	Bachelor's Degree	218	79,8%
	Master/PhD	55	20,2%
Working Period	<2 Years	47	17,2 %
	2–8 Years	158	57,9 %
	9–15 Years	51	18,7 %
	>15 Years	17	6,2 %

Source : Data Processed Microsoft Excel (2023).

#### 4.4. Goodness of fit (GoF)

If empirical evidence conceptually and logically supported the model, the model is considered to be excellent (fit). The whole AMOS model for this research can be seen in figure 2:

The results of the GoF Indices test are shown in Table 5. Significant probability, TLI, CFI, NFI, IFI, and RSMEA achieved model-fit findings, although GFI and AGFI produced marginal fit values, which were acceptable in this circumstance.

#### 4.5. Coefficient of determination

The coefficient of determination value in table 6 indicates how effectively the model is constructed in terms of demonstrating the degree to which exogenous factors explain/influence endogenous variables. The value of the coefficient of determination may be observed in the AMOS SEM from the estimated value of each endogenous variable, and the following findings are obtained:

The organizational innovation variable has a value of 0.361, which means that in this research model, as much as 36.1% of organizational innovation is explained by competency and Islamic organizational culture, while the remaining 63.9% is influenced by other variables. Knowledge sharing shows an estimated value of 0.640 which means that as much as 64% of knowledge sharing is explained by competency variables, Islamic organizational culture, and organizational innovation. For employee performance variables, an estimated value of 0.598 explains that 59.8% of employee performance variables are explained by competency, Islamic organizational culture, organizational innovation and knowledge sharing. In comparison, the remaining 40.2% is explained by other variables.

#### 4.6. Hypothesis test for direct effect

To test hypotheses with a significance level of 0.05, the t-value was utilized. In the AMOS 21 program, the critical ratio (c.r.) value for regression weights was the t-value. The hypothesis results of the investigation are summarized in the table below:

The results of the hypothesis test in Table 7 show that Hypothesis 1, Hypothesis 2, Hypothesis 4, Hypothesis 5, Hypothesis 6, Hypothesis 7 and Hypothesis 8 show a *P* Value < 0.05 and a CR value > 1.96, which means these hypotheses can be accepted, it means that competency, and Islamic organizational culture have a significant positive effect on organizational innovation, Organizational Innovation has a significant positive effect on knowledge sharing, and competency,

**Table 3. Result for convergent validity**

Variable	Indicators	Loading Factor	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
Competency	COM1	0,854	0,888	0,888	0,750
	COM2	0,908			
	COM3	0,917			
	COM4	0,780			
Employee Performance	EP1	0,819	0,853	0,856	0,632
	EP2	0,784			
	EP3	0,826			
	EP4	0,826			
	EP5	0,715			
Islamic Organizational Culture	IOC1	0,972	0,952	0,956	0,842
	IOC2	0,813			
	IOC3	0,958			
	IOC4	0,959			
	IOC5	0,877			
Knowledge Sharing	KS1	0,761	0,868	0,871	0,655
	KS2	0,859			
	KS3	0,856			
	KS4	0,760			
	KS5	0,805			
Organizational Innovation	OI1	0,801	0,881	0,890	0,678
	OI2	0,749			
	OI3	0,844			
	OI4	0,855			
	OI5	0,862			

Source : Data Processed SEM PLS (2023).

Islamic Organizational Culture and Organizational innovation have a significant effect on employee performance. Whereas in hypothesis 3 and hypothesis 11 the  $P$  Value  $> 0.05$  and the CR value  $> 1.96$  which means Hypothesis 3 and Hypothesis 11 in this study are rejected or Competency and Islamic Organizational Culture do not have a significant effect on knowledge sharing and knowledge sharing does not have significant influence on employee performance.

#### 4.7. Hypothesis test for indirect effect

The results of testing the indirect effect in this study used the Sobel test and the following results were obtained in table 8:

The results of the Sobel Test for hypothesis 9 and hypothesis 10, namely testing the mediating role of organizational innovation, show a  $T$  statistic  $> 1.96$  and a  $P$ -Value  $< 0.05$ , which means that hypothesis 9 and hypothesis 10 are accepted, or there is a mediating role of organizational innovation in the influence of competency and Islamic organizational culture on employee performance. Meanwhile, the knowledge-sharing mediation variable in hypotheses 12, 13 and 14 shows a statistical  $T$  value  $< 1.96$  and a  $P$ -value  $> 0.05$ , which means that hypotheses 12, 13 and 14 are rejected, meaning that knowledge sharing cannot act as a mediation of the influence of competency, Islamic organizational culture and organizational innovation on employee performance.

**Table 4. Result for discriminant validity**

	Competency	Employee Performance	Islamic Organizational Culture	Knowledge Sharing	Organizational Innovation
Competency					
Employee Performance	0,623				
Islamic Organizational Culture	0,496	0,595			
Knowledge Sharing	0,538	0,600	0,515		
Organizational Innovation	0,719	0,731	0,518	0,807	

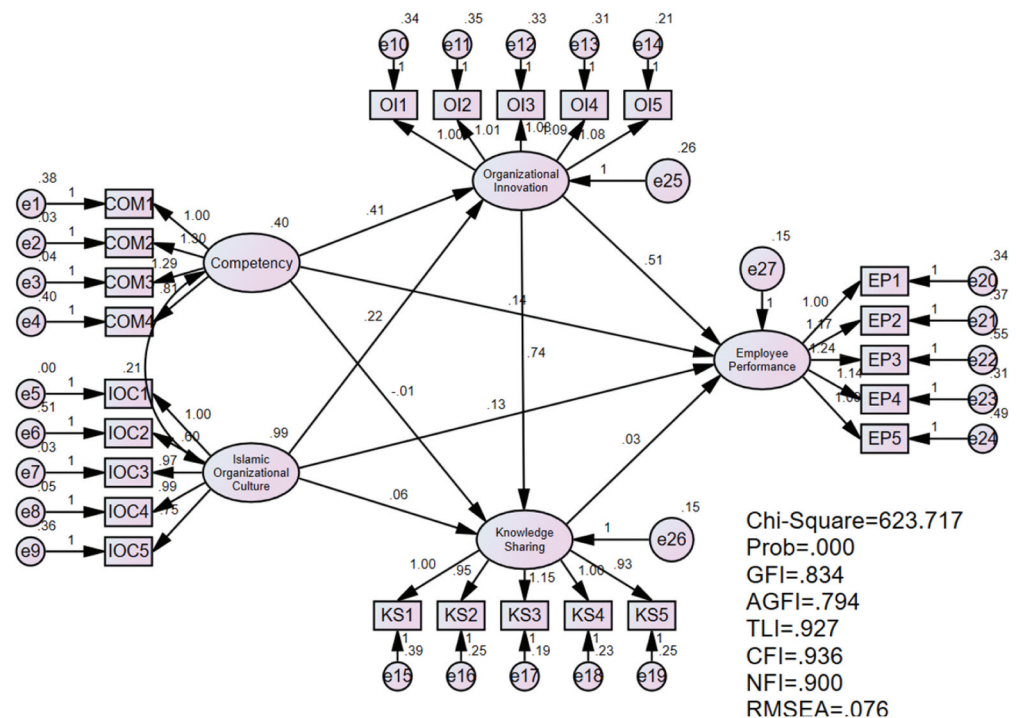
Source : Data Processed SEM PLS (2023).

## 5. Discussion

Hypothesis 1 indicates that competency has a strong positive influence on organizational innovation, implying that the higher the job competency of Islamic banking personnel, the greater the organizational creativity. Employees with strong job competency tend to be more creative thinkers. The majority of respondents in this research are also between the ages of 25 and 35 (millennials and Generation Z), and have greater knowledge and technology, which fosters innovation in Islamic banking companies that are already technology-based. The findings of this study are consistent with previous research (Swanson et al., 2020), which found that competency has a strong beneficial influence on promoting organizational creativity.

**Figure 2. AMOS Model.**

Source : Data Processed AMOS (2023)



**Table 5. Test Goodness of Fit indices**

No	Goodness of Fit Index	Cut off Value	Result	Conclusion
1	Chi-Square	Small	623.717	Good Fit
3	G F I	$\geq 0.90$	0.834	Marginal Fit
4	A G F I	$\geq 0.90$	0.794	Marginal Fit
5	T L I	$\geq 0.90$	0.927	Good Fit
6	C F I	$\geq 0.90$	0.936	Good Fit
7	N F I	$\geq 0.90$	0.900	Good Fit
8	I F I	$\geq 0.90$	0.936	Good Fit
9	RMSEA	0.05–0.08	0.076	Good Fit

Source : Data Processed AMOS (2023).

**Table 6. Multiple square Correlation**

Variable	Estimate
Organizational_Innovation	0.361
Knowledge_Sharing	0.640
Employee_Performance	0.598

Source : Data Processed AMOS (2023).

Hypothesis 2 discovers that Islamic organizational culture has a strong beneficial impact on organizational innovation, implying that the better the Islamic organizational culture in Islamic banking, the better the organizational innovation, and vice versa. Islamic principles such as justice, simplicity, trust, and unity may help to create an organizational culture that fosters innovation in the setting of Islamic finance (Amiri et al., 2017). This is consistent with the findings of (Amiri et al., 2017; Sopiah et al., 2021) who found that Islamic organizational culture has a substantial impact on organizational creativity.

Hypothesis 3 demonstrates that competency has no significant influence on knowledge sharing, implying that competency is not a major element in the success of information sharing within Islamic banking institutions. This hypothesis is compatible with hypothesis 4, which also indicates that Islamic organizational culture has little influence on knowledge sharing. Even if individuals have basic expertise, a company culture that discourages or even prohibits information sharing might be a problem (Swanson et al., 2020). Several variables may influence organizational culture, including the presence of an overly rigid hierarchy, a lack of executive support, and a fear of losing a competitive edge (Amiri et al., 2017; Hussain et al., 2016). This is obviously opposed to research that indicates competency has a substantial impact on information sharing, as well as research (Ibrahim & Kamri, 2017) that indicates Islamic organizational culture has a big influence on knowledge sharing.

The fifth hypothesis demonstrates that organizational innovation has a major impact on knowledge sharing. When firms innovate, individuals of the team must collaborate to develop new solutions or enhance current procedures. This necessitates strong cooperation and information sharing across many departments and employees inside the business. Innovation in terms of enhancing service quality is also significant in Islamic banking (Suhandiah et al., 2023). This may be accomplished through properly educating personnel to provide better customer service. Furthermore, Islamic banking may use technology to deliver more timely and efficient services, such as 24-hour contact center services or chatbots. Such innovations undoubtedly boost current information exchange among personnel in order to provide consumers with a competent,



Table 7. Hypothesis test (direct effect)						
Hypothesis			Estimate	S.E.	C.R.	P
H1	Organizational_Innovation	<—	Competency	0.066	6.167	0.000
H2	Organizational_Innovation	<—	Islamic_Organizational_Culture	0.039	5.514	0.000
H3	Knowledge_Sharing	<—	Competency	0.055	-.114	.909
H4	Knowledge_Sharing	<—	Islamic_Organizational_Culture	0.034	1.980	0.057
H5	Knowledge_Sharing	<—	Organizational_Innovation	0.088	8.465	0.000
H6	Employee_Performance	<—	Competency	0.056	2.437	0.015
H7	Employee_Performance	<—	Islamic_Organizational_Culture	0.034	3.741	0.000
H8	Employee_Performance	<—	Organizational_Innovation	0.108	4.713	0.000
H11	Employee_Performance	<—	Knowledge_Sharing	0.095	0.303	0.762

Source : Data Processed AMOS (2023).

**Table 8. Hypothesis Test (Indirect Effect)**

Hipotesis	Test Statistic	S.E	P-Value
H9	3.747	0.055	0.000
H10	3.589	0.031	0.000
H12	-0.102	0.001	0.918
H13	0.301	0.006	0.763
H14	0.305	0.071	0.760

Source : Data Processed AMOS (2023).

effective, and efficient Sharia banking service. This is consistent with studies (Büschgens et al., 2013; Wang & Wang, 2012) indicating that organizational innovation has a major impact on knowledge sharing.

Competency has a strong favorable influence on employee performance, according to hypothesis 6. This suggests that the higher the expertise of Islamic banking workers, the higher their performance. The working term of Islamic banking workers in this research spans from 2–8 years, which is regarded adequate to offer extra work experience and skills to Islamic banking employees in accomplishing their daily chores and job. Organizations may increase employee performance by providing the required training and development. Islamic banking engages in a variety of skill enhancement programs, including: Islamic banking gives training and development to its staff in order to increase their expertise. Internal or external training is provided by conducting training inside the organization or sending staff to external training. This training may cover a broad variety of subjects, including risk management, Sharia law, and Sharia money. The findings of this study are consistent with previous research (Hamzah, 2021; Suhadi et al., 2019), which indicates that competency plays a vital role in increasing employee performance.

Hypothesis 7 demonstrates that Islamic organizational culture has a strong beneficial influence on employee performance, implying that the more Islamic the organizational culture in Islamic banking (Kolibáčová, 2014; Yusuf et al., 2023), the better employee performance. Because Islamic banking is founded on sharia principles or Islamic law, Islamic organizational culture is critical. This has an impact on how Islamic banking runs and is responsible to clients, staff, and society as a whole. This study's findings are consistent with prior research (Blázquez Puerta et al., 2022; Kolibáčová, 2014) that indicates that Islamic company culture has a substantial impact on employee performance. Employees are encouraged to adopt solid work ethics and high integrity in all parts of their job in an Islamic company culture. Furthermore, employees who are led by fair and competent leaders would feel more driven and enthusiastic about their professions, which will improve their performance (Hamzah, 2021; Kumar et al., 2022).

According to Hypothesis 8, organizational innovation has a substantial impact on employee performance, which indicates that the better the innovations carried out by Islamic banking companies, the higher the employee performance. Organizational innovation may help Islamic banking react to market changes by creating a more dynamic and productive work environment. According to this report, Islamic banking is presently incorporating technological innovation into its commercial operations. This may help workers concentrate on more vital duties by reducing their burden. Organizational innovation may also assist Islamic banking in improving customer service quality. Employees with access to cutting-edge technology may deliver quicker, more effective, and efficient service. The findings of this study are consistent with previous studies (Büschgens et al., 2013; Wang & Wang, 2012) indicating that organizational innovation has a major impact on employee performance.

Hypothesis 11 demonstrates that information sharing has no meaningful effect on employee performance. According to study (Abbas et al., 2019; Lee & Hidayat, 2018; Wang & Wang, 2012),

information sharing has a considerable impact on employee performance. As for the reasons in this research, information sharing is not a big element in promoting employee performance. This is due to the fact that the majority of respondents in this study are of productive age, single, and have had enough work experience to understand their tasks and job. That is, Islamic banking personnel with these traits have excellent work excitement and zest for learning, so that they can carry out their tasks and perform efficiently without or with knowledge exchange, with the support of technical facilities that make their job simpler. The third reason is that work in the banking industry is performed by each person as a normal task every day; as a result, workers are used to executing it, therefore knowledge sharing is ineffective in this scenario.

The findings on hypotheses 9 and 10 about the mediating function of organizational innovation reveal that the hypothesis may be accepted, implying that organizational innovation can operate as a mediator for competency and Islamic organizational culture in impacting employee performance. Organizational innovation in Islamic banking may aid in the implementation of Islamic ideals and principles in all business processes and banking operations. This may boost the performance of Islamic banking staff since they will feel more connected and accountable for their job (Hussain et al., 2016). Furthermore, organizational innovation may assist increase the competency of Islamic banking staff by providing training and developing skills relevant to the Islamic banking industry. Employees will be able to carry out their jobs and obligations more effectively and efficiently if their competency is increased (Liao et al., 2007). Thus, organizational innovation has the potential to be the key to success in influencing the performance of Islamic banking personnel and boosting Islamic banking's competitive edge in the global market.

The findings of hypotheses 12, 13, and 14 examining the mediating role of knowledge sharing revealed that no mediation role was discovered in mediating the impact of competency, Islamic organizational culture, and organizational innovation on employee performance. In general, knowledge sharing is a process in which people or organizations exchange information, experiences, and abilities in order to improve understanding and aptitude in an area. However, although information sharing may be very beneficial to firms, it cannot always mitigate the impact of competency, Islamic corporate culture, and organizational innovation on employee success. Several reasons may contribute to this, including variances in employee talent and experience (this can also be seen from differences in levels of education and also work experience of employees). While information sharing may help eliminate employee competency and skill gaps, it does not always occur efficiently. Employees with greater experience or better ability may be hesitant to share their knowledge and skills with less competent coworkers (Suhadi et al., 2019). Employees who lack incentives to share information are frequently more focused on their own duties and may not believe they have enough incentives to share knowledge with their colleagues. As a result, an adequate incentive or reward system is required to motivate staff to engage in knowledge sharing activities.

The theoretical implications of this research contribute to the development of the concept of human resources through the important role of organizational innovation. In this study it is proven that organizational innovation is able to mediate the effect of competency and organizational culture. This mediation role also answers research results (Abbas et al., 2019; Lee & Hidayat, 2018) which says that by sharing knowledge, employees can learn new ideas and technologies that can open up new job possibilities, be more creative and innovative in their work, and enhance their ability to develop new solutions to existing problems. The practical implications of this research are: 1) *For Islamic banking management*, it is necessary to provide sufficient support and budget for innovation initiatives. Investments in technology of Islamic Banking such as development of a digital banking platform that allows customers to access accounts, conduct transactions, transfer funds and make payments easily through an app or website will help strengthen an organization's innovation capabilities. 2) *For employees*, Islamic Banking employees need to be included in

training and development programs that focus on developing competencies relevant to their roles. This can improve their skills in innovating and taking on new challenges. 3). *For customers and other stakeholders*, organizational innovation can produce sharia banking products and services that are more innovative, efficient and relevant to customer needs. This will enhance the customer experience and strengthen the relationship with the bank.

## 6. Conclusion

From the results of this study it can be concluded that competency, and Islamic organizational culture have a significant positive effect on organizational innovation, Organizational Innovation has a significant positive effect on knowledge sharing, and competency, Islamic Organizational Culture and Organizational innovation have a significant effect on employee performance. Meanwhile, Competency and Islamic Organizational Culture do not have a significant effect on knowledge sharing and knowledge sharing does not have a significant effect on employee performance. The indirect effect test results show that organizational innovation has a mediating role in the influence of competency and Islamic organizational culture on employee performance. Meanwhile, knowledge sharing cannot act as a mediation of the influence of competency, Islamic organizational culture and organizational innovation on employee performance. From the findings of this study, Islamic banking in Pekanbaru, in order to improve the performance of its employees, also improves strategies in creating innovations in Islamic banking organizations because organizational innovation is an important key in the findings of this research which is a driving force for increasing employee work competency and organizational culture. Islam in Islamic banking. In terms of organizational innovation, the existence of technologies in facilitating the service process can certainly help the effectiveness and efficiency of employee work which will have an impact on improving employee performance. The results of this study have answered the previous research gap which showed the inconsistency of the relationship between competency and organizational culture on performance. This gap through this research is proven to be mediated by organizational innovation variables. In addition, this research also provides important findings in the strategy of increasing human resources in Islamic banking based on Islamic principles through the role of Islamic organizational culture.

The future research directions based on this study could be extensive and diverse. One of the most crucial areas to explore would be potential antecedents that were not addressed in this study but may significantly improve its outcomes. For instance, leadership styles such as servant leadership (Zoghbi-Manrique de Lara & Ruiz-Palomino, 2019) and ethical or unethical leadership (Ruiz-Palomino et al., 2021) have been found to have a positive impact on firm outcomes and employee performance in previous studies. These aspects could serve as mediators or predictors for many of the variables included in our current model, thus warranting further investigation. In addition, future research could delve deeper into how these potential antecedents interact with each other and with other factors included in our model (Ruiz-Palomino et al., 2021). This could provide a more nuanced understanding of their impacts on employee performance. Furthermore, it would be beneficial for future research to consider these findings within different cultural contexts or even within non-Islamic banking organizations. This can help assess the generalizability of our findings and provide valuable insights into how competency, organizational culture, and innovation influence employee performance across various settings. Lastly, while knowledge sharing was not found to have a significant effect on performance in this study's context, it is important for future studies to explore why this is so and under what circumstances this might change. There may also be other forms or aspects of knowledge sharing that were not captured by our measures but which might play a more influential role (Jiménez-Estévez et al., 2023; Ruiz-Palomino et al., 2021). By investigating these areas further, we can continue to build upon our understanding of the complex relationships between competency, Islamic organizational culture, organizational innovation, knowledge sharing and employee performance.

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