EMPIRICAL RESEARCH ON THE RELATIONSHIP BETWEEN INNOVATIVE WORK BEHAVIORS, ORGANIZATIONAL KNOWLEDGE MANAGEMENT AND AUDIT FIRMS' PERFORMANCE IN VIETNAM

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Abstract: ***Nowadays, the ability to continuously innovate and improve products, services and work processes is crucial for organizations. This research aims at exploring the effects of innovative work behavior (IWB) on job performance (JP) and firm performance (FP). It also investigates the mediating role of job performance and the moderating role of organizational knowledge management (OKM) in the relationship between IWB and FP. This study employed a PLS-SEM model to assess the effects of IWB on FP, the mediating role of JP and the moderating role of OKM. Data were collected via a survey of 255 auditors from 40 Vietnamese auditing firms between April and June 2024. Data analysis was conducted using SmartPLS 4.0 software, involving measurement model evaluation, structural model assessment, and hypothesis testing. The findings indicate that JP has a statistically significant direct impact on FP, with IWB positively influencing JP. Furthermore, JP was found to have an effective mediating role in the relationship between IWB and FP, while OKM moderated the relationship between JP and FP.***

• Keywords: *job performance; innovative work behaviors; firm performance; knowledge management.*

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1. Introduction

Since the concept of innovation was introduced, it has been widely adopted and implemented across various organizations (Hsu, 2016). Among the different dimensions of innovation, innovative work behavior (IWB), or employee innovative behavior, is essential for organizational innovation (Janssen et al., 2004). IWB plays a critical role in the success of businesses, particularly within service industries, and has been the subject of extensive research (Yuan and Woodman, 2010; Calantone et al., 2002). However, the literature reveals that, compared to group or firm-level innovation, IWB has received less attention, with most research focusing on the manufacturing sector (Axtell et al., 2000; Ramamoorthy et al., 2005).

In service firms, such as those in the auditing industry, innovation has emerged as a crucial factor for performance and growth in response to the rapidly changing environment (Campo et al., 2014; Rodgers, 2007). IWB is beneficial for both service firms and their employees and is influenced by both individual and organizational factors (Hsu, 2016), such as human resource management practices (Bos-Nehles et al., 2017). Given this context, the current study provides empirical evidence from Vietnamese auditing firms to explore the relationship between IWB and firm performance (FP), with a particular focus on the mediating role of job performance (JP). The study also examines the role of organizational knowledge management (OKM) in this dynamic.

This study aims to answer the following questions:

RQ1: Does IWB directly affect JP and FP?

RQ2: Does JP mediate the relationship between IWB and FP?

RQ3: Does OKM moderate the relationship between JP and FP?

The research consists of 5 parts, starting with the introduction section. Past research is discussed in Section 2. Data and methods used in the current research are given in Section 3. Section 4 summarizes and discusses the statistical results, while Section 5 gives the conclusion and implications.

2. Literature review

2.1. Foundation theories

The theory of planned behaviour (TPB), proposed by Martin Fishbein and Icek Azjen in 1975 (Fishbein and Ajzen, 1975), is based on the theory of rationed action (TRA). In the TPB model, three main factors impact the intention and behaviour of a person,

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including attitude, subjective norm, and perceived behavioural control (newly added by TPB). The TPB model is well-known and used mostly in predicting people's intention and behaviour, especially innovative and knowledge-sharing behaviour. Therefore, in this research, TPB is used as a base for developing the research model.

This study is also based on Social Exchange Theory (SET). This theory, developed by Blau (1964), is based on the principle of exchanges in relationships. It is a common sociological theory of understanding the exchange of assets between people in a relationship (Ap, J., 1992). It proposed that interest exchange was formed during the beneficiary interaction between two parties (Yu et al., 2018). Parties wishing to maintain their relationship are willing to exchange something of economic or social value. Within the framework of SET, to take full advantage of the gained incomes, persons may form social relations with other persons by sharing their knowledge (Liang et al., 2008), and different exchange relations in the organization affect the innovative behavior of the employees (Wang et al., 2015).

2.2. IWB and Its Effects on JP and FP

Innovative Work Behavior (IWB) refers to intentional actions by individuals to create and implement new, useful ideas that benefit individuals, groups, or organizations (Bos-Nehles et al., 2017). While creativity is a key component of IWB, it also includes idea promotion and implementation, leading to innovative outputs such as new products, services, processes, and management systems (Crossan & Apaydin, 2010).

IWB has been conceptualized in different ways. Dorenbosch et al. (2005) divided it into two stages, including invention and implementation. Scott and Bruce (1994) proposed three stages, consisting of idea generation, sponsorship search, and implementation. De Jong and Den Hartog (2010) added a fourth stage, which is recognizing opportunities or problems. However, empirical studies suggest that IWB is best viewed as an interrelated set of behaviors rather than distinct phases (Scott & Bruce, 1994; Janssen, 2000).

Innovative employees actively gather and apply knowledge to generate ideas and improve processes (Aryee et al., 2012). They are willing to learn and develop new solutions, enhancing job performance (JP) (Amabile et al., 2005). Learning fosters information gathering, which improves job execution (Walumbwa et al., 2009), while challenge stressors enhance motivation and performance (LePine et al., 2005). Thus, hypothesis 1 was proposed:

H1: IWB positively impacts JP.

In service industries, JP significantly influences customer perceptions of service quality (Auh, 2005). High JP enhances customer satisfaction, service quality, and business retention, directly improving firm performance (FP) (Lee et al., 2011). Therefore:

H2: JP positively impacts FP.

To remain competitive, service organizations must harness employees' innovative potential (Jafri, 2010). Innovative employees contribute to competitive advantage and improved business outcomes (Jafri, 2010). Thus, the following hypotheses were proposed:

H3: IWB positively impacts FP.

H4: JP mediates the relationship between IWB and FP.

These hypotheses highlight the critical role of IWB in enhancing both individual and organizational performance.

2.3. OKM and Its Effect on the Relationship Between IWB and FP

Organizational Knowledge Management (OKM) involves creating, sharing, and applying knowledge to enhance business performance. Effective OKM requires improving capabilities, motivation, and opportunities for individuals and teams to learn and innovate (Dalkir, 2020). The KM cycle includes knowledge capturing, sharing, and applying, all of which support innovation.

Training and development play a crucial role in fostering IWB. Previous studies show a direct positive impact of T&D on IWB by enhancing employees' knowledge and skills (Knol & van Linge, 2009; Pratoom & Savatsomboon, 2012). Some scholars explain this relationship from a human capital perspective, where training and development improve competencies that drive IWB (Ong et al., 2003). Others view it as a social exchange process (Blau, 1964), where employees reciprocate organizational investment in their development with innovative behaviors (Sanders et al., 2010).

Knowledge sharing, a key dimension of OKM, significantly influences IWB (Afsar et al., 2019). It fosters a culture of social interaction where employees exchange knowledge, experiences, and skills (Lin, 2007). Knowledge sharing enhances innovation by enabling employees to leverage both tacit and explicit knowledge (Tuan, 2017). Organizations promoting knowledge-sharing practices are more likely to develop new ideas and improve business opportunities. Leadership also plays a crucial role in fostering a knowledge-sharing culture, which, in turn, enhances innovation and firm performance (Liao et al., 2018).

When knowledge sharing is prevalent, employees receive diverse insights from colleagues, improving decision-making, job performance, and firm performance (Guan et al., 2018). Transformational leaders further amplify this effect by inspiring employees to solve problems and drive innovation (Edwards et al., 2017).

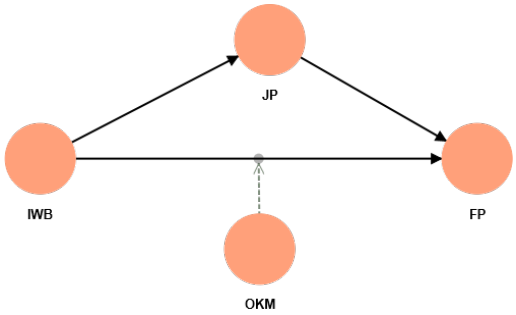
H5: OKM positively moderates the effect of IWB on JP and FP

3. Methodology

3.1. Research model and measurement

The proposed research model is shown in Figure 1.

Figure 1: Research model



Innovative work behavior

A scale of ten items from the study of De Jong and Den Hatorg (2010) (IWB1 to IWB10) was used in this study to measure IWB. Surveyors were asked to score how often they exhibit innovative behaviors at work on a 5-point scale from 1 (never) to 5 (all the time).

Job performance

Performance of auditors is measured by scales inherited from the research of Williams and Anderson (1991). They proposed 21 items (from JP1 to JP21) divided into three scale groups, including: (1) items that assessed the performance of in-role behaviours; (2) items that focus on primarily benefiting the organization; and (3) five reverse scales are used to measure neglect and failure to perform essential duties (scales with the "R" mark). These items measure the completion of directly assigned tasks, the tasks described in the job description as well as the tasks anticipated, and other factors that affect an individual's performance evaluation. All items are rated on a 5-point scale from 1 (never) to 5 (all the time), with the exception of the five reverse scales being evaluated in reverse from 1 (all the time) to 5 (never). Then, they were translated into Vietnamese using a standard back-translation procedure (Murak, J. et al., 2022).

Firm performance

To measure perceived firm performance, 11 items from previous research by Delaney and Huselid (1996) (FP1 to FP11) that encompass both organizational performance and market performance were used. The first measure, organizational performance, consists of seven items assessing respondents' perceptions of their firm's performance during the past three years as compared to that of similar organizations. The second measure, i.e., market performance, consists of four items concerning respondents' perceptions of their firm's performance during the past three years relative to market competitors. The respondents were asked to assess their organization's performance in relation to its key competitors on a Likert scale ranging from 1 (much worse than the competitors) to 5 (much better than the competitors).

Organisational knowledge management

Regarding knowledge management measurement, 14 items from previous research (OKM1 to OKM14) that consist of training and development and knowledge sharing were used. The first measure, training and development, consists of 4 items adopted from the study of Sun et al. (2007). To measure knowledge sharing, the 10-item scale of Van et al. (2004) was used. Knowledge sharing is operationalized as a second-order construct derived from two constructs, including knowledge collecting and knowledge donating. All items were adjusted to be suitable for auditors and auditing firms' characteristics. Response options ranged from 1 (totally disagree) to 5 (totally agree).

3.2. Research Context and Data Collection

This study was conducted at 40 auditing firms in Vietnam, representing 20% of the total 210 auditing firms. These firms were selected based on the list published by the Vietnam Association of Practicing Auditors (VACPA). The questionnaire was reviewed by researchers and HR experts to ensure clarity and effectiveness.

Data collection took place from April to June 2024. Auditors were contacted via emails sent by their HR departments, which included a study description and a link to an online survey. Participants were assured of anonymity, with no email addresses or company names recorded. The survey aimed to assess auditors' perceptions of firm performance, OKM, IWB, and job performance.

A total of 354 auditors responded, with 255 valid responses included in the analysis, achieving a response rate of 72%.

3.3. Data analyzing method

This study applied the PLS-SEM model, suitable for small samples and complex structural models (Hair et al., 2017). The analysis involved three stages: measurement model evaluation, structural model evaluation, and hypothesis testing.

The measurement model was assessed based on item reliability, convergent validity, and discriminant validity. Items with outer loadings below 0.7 were removed (Henseler et al., 2009). The structural model was evaluated using multi-collinearity (Kock, 2015), R-square values (Hair et al., 2017), and model fit (SRMR < 0.08) (Hu & Bentler, 1999). The f-square coefficient measured effect sizes, where values < 0.02, 0.02-0.15, and > 0.15 indicated negligible, medium, and significant effects, respectively (Hair et al., 2017).

Hypothesis testing was conducted using p-values, with a significance threshold of 5% (Hair et al., 2017). The evaluation criteria are summarized in Table 1.

Table 1: Assessment criteria for the research model

		Criteria	Threshold	References
Measurement model assessment	Intrinsic consistency	Cronbach's Alpha	> 0.7	Nunnally & Bernstein, 1994
		Composite reliability	> 0.7	Hair et al., 2021
	Convergent validity	Indicator reliability	> 0.7	Henseler et al., 2009
		AVE	> 0.5	Hair et al., 2021
	Discriminant validity	HTMT	< 0.9	Henseler et al., 2015
	Multi-collinearity	Outer VIF	< 5	Hair et al., 2021
Structural model assessment	Multi-collinearity	Inner VIF	< 3.3	Kock (2015)
	Model fit	SRMR	< 0.08	Hu and Bentler, 1999
	Explaination ability of the model	R-square	< 0.19 ~ weak 0.19 to 0.33 ~ medium 0.33 to 0.67 ~ strong	Hair et al., 2017
	Effect size of the relationships	F-square	very negligible (f-square < 0.02) mean (0.02 < f-square < 0.15) very significant (f-square > 0.15)	Hair et al., 2017
Hypothesis assessment	Statistic significant	p-value	< 0.05	Hair et al., 2017

4. Results and discussion

Based on the data analysis process outlined above, the assessment of the measurement model indicates that 3 items of IWB (IWB4, IWB8, IWB10), 6 items of JP (JP5, JP7, JP13, JP15, JP16, JP20), 2 items of FP (FP 4, FP7), and 3 items of OKM (OKM1, OKM6, OKM13) should be removed because their results did not meet the criteria thresholds. After removing them, the measurement model met all the criteria in Table 1. Consequently, the measurement model was confirmed to be both valid and reliable.

Regarding the structural model assessment, the results showed that the inner VIF coefficients were all less than 3.3, satisfying Kock's (2015) proposal. The SRMR coefficient was less than 0.08, satisfying the proposal of Hu and Bentler (1999), thereby indicating that the selection model was appropriate and usable. The R-square values showed that the research model explained 33.6% of job performance volatility and 20.1% of changes in firm performance. This result, although only average according to Hair et al. (2021), is relatively consistent with reality. Indeed, this study only focused on the application of IWB to individual tasks as well as organisational tasks and omitted a number of other factors affecting them. The f-squared results indicated a strong direct relationship between IWB and JP, with an f-squared value of 0.371. In contrast, the direct relationship between IWB and Firm Performance (FP) was weak, reflected by an f-squared value of only 0.03. The results of hypothesis testing are shown in Table 2.

Table 2: Hypothesis test

Direct effect	Path coefficient	P-Values	Statistics Significant (5%)	Direct effect	Path coefficient	P - Value	Statistics Significant (5%)
IWB → JP (H1)	0.174	**0.000**	Yes	IWB → JP	0.298	**0**	Yes
JP → FP (H2)	0.257	**0.000**	Yes	JP → FP	0.174	**0**	Yes
IWB → JP → FP (H4)	0.045	**0.008**	Yes	IWB → JP → FP	0.052	**0.004**	Yes
Total effect IWB → FP (H3)	0.302	**0.000**	Yes	Moderating effect IWB x OKM → FP (H5)	0.102	**0.015**	Yes
Excluding moderating variable				*Including moderating variable*			

The impact of IWB on JP and the effect of JP on FP were both statistically significant at 5%. Specifically, IWB positively influenced the JP of auditors, leading to improved performance for auditing firms. Consequently, hypotheses H1 and H2 are supported. These findings indicate that when auditors integrate IWB into their tasks, their productivity increases, which in turn enhances the overall productivity of auditing firms.

Discussing the relations through the intermediate variable more closely, it can be seen that IWB both directly affects FP and mediates through JP. As the mediating role of JP is relatively effective, it can be concluded that hypothesis H4 is supported.

The path coefficient value for Hypothesis H2, at 0.257, is greater than that of Hypothesis H1, at 0.174, indicating that the impact of JP on FP is stronger than the effect of IWB on JP. The total effect of IWB on FP, accounting for both direct and indirect effects, is substantial, with an impact factor of 0.302. This suggests that when auditors engage in innovative practices, they can significantly enhance their firm's performance. The audit profession's demand for high levels of expertise and skill underscores this relationship. Additionally, unique features of the profession such as a focus on processes, the importance of frontline employees, the significance of customer-auditor interactions, and reliance on individual experiences and learning further illustrate how auditors' individual performance can greatly influence FP. This effect is amplified when auditors approach their tasks creatively.

The results also showed that OKM moderates the effect of IWP on FP. This means that the H5 hypothesis is supported. Specifically, it can be seen that with an effective knowledge management system,

auditors' creative work behaviors can be transmitted and replicated, thereby significantly improving the performance of audit firms. On the contrary, in an environment where the knowledge management system is ineffective, creative work behaviors are unlikely to be widely applied, thereby making it difficult to have a major impact on the performance of the firm. In addition, the moderating role of OKM on the influence of IWB on FP suggests that even small creative behaviors of auditors can greatly affect the productivity of the audit company when it has an effective knowledge management system.

5. Implications and conclusion

Auditing firms operating in developing countries such as Vietnam are not entirely under heavy pressure to innovate but still appreciate the efforts of auditors in initiating and implementing their innovative ideas. The main reason for choosing audit firms to study is because the industry offers knowledge-based services. Therefore, job performance is quite sensitive to the capacity and innovative behavior of auditors. In the context of increasing information technology and its strong impact on the field of accounting and auditing, innovation in the activities of auditors, when combined with new information technology achievements, is likely to significantly increase job performance and firm performance. Moreover, knowledge management systems in auditing firms play an important role in the enhancement of IWB and its effects on FM.

Theoretical Implications

The present study investigates the impact of IWB on the JP of auditors and FP of Vietnamese auditing firms, taking into account the role of OKM. The important role of IWB in improving individual performance and KM in promoting IWB has been mentioned in many previous studies. However, most of the previous papers examined the relationships in the education sector, the telecommunications sector, and the industrial sector. There are few studies investigating the relationships in audit firms. The study has contributed to the literature on TPB and SET theory in a specialized service industry independent audit services.

Managerial Implications

The audit industry is highly labor-intensive and requires skilled professionals to deliver auditing and assurance services effectively. This study demonstrates that implementing an effective knowledge management system within a knowledge-based organization can foster employees' innovative behaviors, ultimately enhancing job performance.

Limitations and Future Work

The most significant limitation of the paper is that this research is based on 255 auditor opinions collected in Vietnam. Further studies may overcome this limitation with more samples from different countries or different professions, such as lecturers, doctors, lawyers, etc. Hence, the comparisons of the results from different samples could lead to new conclusions.

In addition, I identify JP as a mediating variable of the impact of IWB on FP and the OKM variable as a moderating factor in the research model. There may exist many other mediating and moderating variables affecting this relationship that need to be studied further, such as the working environment or other human resource management practices.

This research measured only three JP dimensions and two FP aspects. Other scholars may use different approaches. In addition, there is a need to study which IWB aspects are strongly associated with JP and FP.

Finally, the measures used in the study are all perceived and self-assessment measures. As a result, responses can be very subjective. Other studies may use objective measures of innovative work behavior and job performance, such as surveys from supervisors.

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