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THE MEDIATING EFFECT OF OPERATIONAL RISK MANAGEMENT BETWEEN BUSINESS ATTRIBUTES AND COMPETITIVE ADVANTAGE IN THE IRAQI BANKING SECTOR

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Abstract

The rapid changes in the business environment have made organisations consider the implementation of various strategies to face the fierce competition in the worldwide market. Such a competitive situation has become increasingly challenging for many organisations and banks in particular.

This paper aims to examine the mediating effect of the operational risk management between business attributes and the competitive advantage in the Iraqi banking sector.

To meet this objective, thirteen hypotheses tailored by the theoretical lenses of the Resource-Based View (RBV) were proposed to test the theorised relationship of business attributes (Strategy, Technology, Human Resources, Organisational Structure), the operational risk management and the competitive advantage. A quantitative approach is used to obtain data from a survey (questionnaire) consisting of 60 items with a five-point Likert scale. A total of 114 managers (80.2% response rate) in the Iraqi banking sector participated in the study. The data analysis was conducted using Smart PLS 3.2.9. The findings of the path analysis of partial least squares (PLS) support variables in their hypothesised direct relationships with a competitive advantage.

The analysis results suggest that operational risk management partially mediates the relationship between business attributes (Strategy, Technology, Human Resources, Organisational Structure) and the competitive advantage.

The paper advances several recommendations that can be beneficial for researchers to conduct further research in this area as well as to policymakers and managers in their efforts to enhance the competitive advantage of organisations in the future. Lastly, this research presents the theoretical, empirical and practical implications as well as limitations and recommendations for future investigations.

Keywords: Competitive advantage, Human Resources, Operational risk management, Organisational Structure,Strategy, Technology.

1. Introduction

Due to the complexity in the modern business environment, and the rapid changes that occur in this environment which could be political, technological, humaneness, and any other changes, it is necessary to find an instrument to overcome, stay up to date with, and adjust to all these changes (Alslaibi, 2017).

Seth and Olori (2017) emphasize the pursuit of competitive advantage is at the root of organizational performance and as such understanding, the source of competitive advantage has become a significant area of study in the field of strategic management.

Kimani (2015) Indicated that Strategic management had emphasized the need for Strategy in positioning an organization in a competitive environment to attain a competitive advantage. Therefore, it is imperative for business organizations to move from traditional thinking and traditional management to strategic management to manage their internal resources and, concurrently, their external environment that enables organizations to deal with future events efficiently and effectively, providing them with greater control over their resources and environmental change response (Al-qudah & Obeidat, 2020).

According to Kader (2016), not all the strategies implementation initiatives are successful; many firms all over the globe suffer from a failure when it comes to strategic implementation due to unsuccessful organizational strategy implementation. This fact calls for more research work to be conducted to explore further the factors that can influence strategy implementation success.

This means that an organization needs to have the systems and practices that allow these resources to provide a competitive advantage, in place, carefully designed, based on a strategy, and defended from imitators (Dielissen, 2013).

Several studies noted that the competitive advantage for many organizations is impacted by the IT environment and the supporting technical instruments adopted by such organizations (Al-shbiel & Al-olimat, 2016).

Accordingly, new forms of banking products and services emerged in the banking field such as e-banking, credit cards, ATMs and online ban have led to the need for instruments to help businesses undertake their operations within their environments through the utilization of information technology (Alalie et al., 2018).

In a study by Alalie et al. (2018), it was found that the use of information technology in addition to influencing the nature of work and its environment, changes the way

organizations compete, and that obtaining and developing a competitive advantage is the strategic goal which banks aim to attain in light of the current competitive challenges.

In addition, an organization can have an advantage over its competitors by using better technology, lower costs, more innovative products, etc. However, these advantages do not just happen by themselves; it takes talents within the organization to create, implement and sustain competitive advantages. Thus, the long-term success of any organization ultimately depends on maximizing the effectiveness of employees in accomplishing organizational goals (Chadwick & Dabu, 2009).

In the changing market environment, human resources are becoming more and more critical for enterprises to obtain a competitive advantage (Yanli et al., 2020). More and more enterprises begin to pay attention to how human resources promotes the successful implementation of the enterprise strategic goal and gain a competitive advantage (Gill, 2018).

This will help organizations deal with the challenges they face and overcome them to achieve efficiency, effectiveness, and performance distinction, ensuring their survival and continuation in light of this changing and disturbed environment (Hidaya et al., 2020).

According to Dekoulou and Trivellas (2017), there is no doubt that talented employees are the backbone of every organizational success. An

organization can have an advantage over its competitors by using modern technology, Featured Strategy, or more innovative
products, etc. However, these advantages do not just happen by themselves; once again, it takes talents within the organization to create.

Based on that organizational structure, it is regarded as an internal factor considerably influencing a company's capacity to innovate and base its daily operation and competitiveness on the regular generation and implementation of novel ideas (Dekoulou & Trivellas, 2017).

The success or failure of any organization depends on the amount of people's efforts in the organization and especially organizational structure in order to achieve the aims of a firm that is possible by efficient use of hardware and software resources (Ghorbannejad Estalaki, 2017).

As noted by Král and Králová (2016) Contemporary organizations operating in highly competitive markets must be able to continuously reorganize themselves in order to respond rapidly to any challenging business environment.

Due to this challenging and complex environment, it will be very challenging for banks to improve their competitive advantage.

Banks are now working in a world characterized by growing unification, increasing customers' expectations, increased regulatory standards, technological progress, and increased competition, including functional, strategic, financial, and reputational threats and risks of enforcement, has given rise to more significant concern for the control of banks' operating activities to avoid any potential threats (Catherine et al., 2017).

Thus, controlling such risks can become a real source and an effective way of preserving a competitive advantage (Falih et al., 2020).

Banks with robust monitoring and risk management policies can significantly do better in coping with the complexities of today (Saeidi et al., 2019).

The banks are confronted by operational risk since the potential for losses arising from internal occurrences like process, system, humans, process or external event deficiencies is defined in the present risk (Peña et al., 2018).

Many financial institutions increasingly focused their risk management efforts on operational risk management (Azar & Dolatabad, 2019).

In response to this, banks have almost universally embarked on upgrading their operational risk management and control systems in order to survive in the new risk environment(Masenene, 2015).

Nowadays, the management of operational risk by banks is a phenomenon that is widely accepted by most banking industries worldwide. This is substantiated by the fact that most of the banks are taking cognizance of the qualitative and quantitative criteria for operational risk management advocated by the Basel Committee on banking supervision (2003). Basel II want to address this issue by requiring banks to adopt mechanisms or

standards. An enabling organizational environment promotes this to support banks to grow (Emmanuel, 2017;Falih et al., 2020).
The original purpose of this paper is to explore how operational risk management mediates the association between business attributes (Strategy, Technology, Human Resources, Organisational Structure) and the competitive advantage of the Iraqi banking sector. Until now, researchers have not investigated such an influence. It is regarded in the literature as a noticeable gap. Consequently, the objective of this paper is to fill this gap by contributing significantly to the body of knowledge. The problem is crystallized in the light of the need for banks to a more profound philosophy and more comprehensive vision for understanding the concept of business attributes, operational risk management, and improving competition, which leads to competitive advantage. On this basis, the research problem was formulated in response to the knowledge gap.

2. Literature Review

2.1 Relationship of operational risk management and competitive advantages

Banks today face several threats from various sources, like globalization, deregulation developments in the environment changes in technology and complex financial frameworks (Gatzert & Martin, 2015). In this kind of complex environment, it will be incredibly challenging for banks to improve their competitive advantage. Banks with strong monitoring and risk management policies can significantly do better in coping with complexities of today (Saeidi et al., 2019).
Different studies describe risk management as a modern approach of a banking system enabling companies, in a structured and comprehensive manner, to handle a wide variety of challenges, including political, technical, financial and risk management (Rehman & Anwar, 2019). Risk management is a framework which allows companies, by monitoring, managing, and coordinating risk management activities, to achieve a better degree of competitive advantage than conventional risk management approaches (Elahi, 2013;Falih et al., 2020).
Catherine et al. (2017) stated that operational risk management was seen as improving process effectiveness and managing external risks such as reputation and regulatory risks. In other words, operational risk management can provide competitive advantage rather than just avoiding negative outcomes. also, Operational risk management is nowadays seen as improving process effectiveness, sponsoring better communication, and managing external risks such as reputation and regulatory risk, this means providing competitive advantage (Catherine et al., 2017).

Young and Theodore (2003) identified that a sound operational risk management would also affect credit rating, share prices and organizational reputation.

Finally, effective control of operational risks can lead to higher productivity and lower funding expenses, thereby helping a company to obtain a competitive advantage (Fung, 2006). within this context, we conclude operational risk management as a key to competitive advantage.

2.2 The relationship between strategy and competitive advantage

Due to the complexity in the modern business environment, and the rapid changes that occur in this environment which could be political, technological, humaneness, and any other changes, it is necessary to find an instrument to overcome, stay up to date with, and adjust to all these changes. This directs organizations towards forming a competitive strategy that has the advantage of achieving both continuities, and development against competitors, and overcomes challenges by changing them into opportunities while taking advantage of every available opportunity (Alslaibi, 2017).

Increased competition threatens the attractiveness of the industry and reduces the profitability of the players in the sector. It exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment (David & David, 2017).

The pursuit of competitive advantage is at the root of organizational performance and as such understanding the source of competitive advantage has become a major area of study in the field of strategic management (Seth & Olori, 2017).

Strategic management has emphasized the need for strategy in positioning an organization in a competitive environment to attain sustainable competitive edge and anticipate change (Kimani, 2015). Strategy is aimed at building a competitive advantage which leads to a financial performance that contributes to the viability of the organization (Albrecht et al., 2015).

The success of these competitive strategies is not only a function of how well they are formulated; it also depends on how well execution is done. In fact, the most elegantly conceived, precisely articulated strategy is virtually worthless unless it is executed successfully (Kimani, 2015). Banks therefore focus on gaining competitive advantage to enable them respond to and compete effectively in the market. By identifying their core competences, and areas that give them a lead over competitors, and provide a competitive advantage (Kenneth, 2015).

2.3 The relationship between technology and competitive advantage

The constant changes in business environments, the technology revolution and the scientific and technological advancements are the main reasons which led business organizations to pay attention to the competitive advantage and reconsider their competitive status. technology has become an important method to achieve and reinforce competitive advantage for many organizations (Al-shbiel & Al-olimat, 2016).

Accordingly, organization managements need to enhance their understanding of the importance of technology, alongside other means, as an essential tool for achieving and supporting competitive advantage through cutting costs, improving quality and boosting productivity (Alalie et al., 2018).

The continuous technological and the fierce competition between the components of the banking sector have contributed to the emergence of accelerated development in the banking industry. Accordingly, new forms of banking products and services emerged in the banking field such as e-banking, credit cards, ATMs and online banking. Information Technology can strengthen the company's unique resources so that the company's competitive advantage increase and it is difficult for competitors to emulate (Hidaya et al., 2020).

Bhatt and Grover (2005) claimed that advanced technology features permit enterprises to react rapidly towards harmful threats or to grasp available opportunities. Hence, such organizational capability enables a company to carry out numerous activities, such as searching, exploring, and acquiring, assimilating and applying knowledge regarding resources, opportunities, and configuration of available resources in taking advantage of opportunities which become a basis of competitive advantage.

On top of that, technology is viewed as a tool to boost competitive advantage in this present ever-changing world (Saeidi et al., 2019).

2.4 The relationship between human resources and competitive advantage

business organizations started looking for new mechanisms for global competition as prerequisites to ensure survival in the business world and in the light of these local, regional and international challenges, the human resources is considered as a necessary requirement to deal with these challenges (Kasasbeh et al., 2017).

Human resources are becoming more and more important for enterprises to obtain a competitive advantage. More and more enterprises begin to pay attention to how the human capital promotes the successful implementation of the enterprise strategic goal (Al-naddawi, 2017).

Therefore, in order for organizations to achieve high performance through competitive advantage, they must recognize employees as the critical key to success and invest in their human resources.

As noted by (Peprah & Ganu, 2018), human capital importance is the unique resources of any organization which generates higher income, life satisfaction, social cohesion and competitive advantage. The added value that people can contribute to an organization is emphasized by human resources theory.

On the other hand, the emergence of the concept, which received considerable attention by researchers and business organizations, the human resources especially with competition intensification in the business field (Iqbal et al., 2020).

The human resources represent individuals who have the knowledge and organizational capabilities enabling them to produce new ideas and develop the existing ideas that enable the organization to expand its market share and maximize its strengths and address its weaknesses and put them in a position in which they will be able to seize opportunities, to achieve competitive advantage (Al-naddawi, 2017).

Pasban and Nojedeh (2016)The existence of competitive advantages based on human resources is a factor for creating organizational sustainability and success.

2.5 The relationship between organizational structure and competitive advantage

Over the years, human beings have been considered the essential resources of any organization, be it private, public, or mixed organization. This assertion can be attributed to the structural roles people play, the process through which they interact, the relationship that they build, and their level of satisfaction in determining the success and development of any organization (Ezekiel-Zebulon et al., 2020).

A conceptual foundation that focusses more on “capabilities of the firm states that a firm’s ability to achieve and sustain competitive advantage is directly related to its firm-specific resources” (Barney, 1991).

There is no doubt that talented employees are the backbone of every organizational success. An organization can have an advantage over its competitors by using better technology, lower costs, more innovative products, etc. However, these advantages do not just happen by themselves; it takes talents within the organization to create, implement and sustain competitive advantages. Thus, the long-term success of any organization ultimately depends on maximizing the effectiveness of employees in accomplishing organizational goals. The key to the desired results is creating a favorable context within which employees must operate. Hence, organizational structure is key to employees' effectiveness. These have significant impact on how employees communicate and cooperate with each other, as well as how they view their work environment (Peprah & Ganu, 2018).

Organizational structure is regarded as an internal factor considerably influencing a company's capacity to innovate and base its daily operation and competitiveness on regular generation and implementation of novel ideas (Dekoulou & Trivellas, 2017).

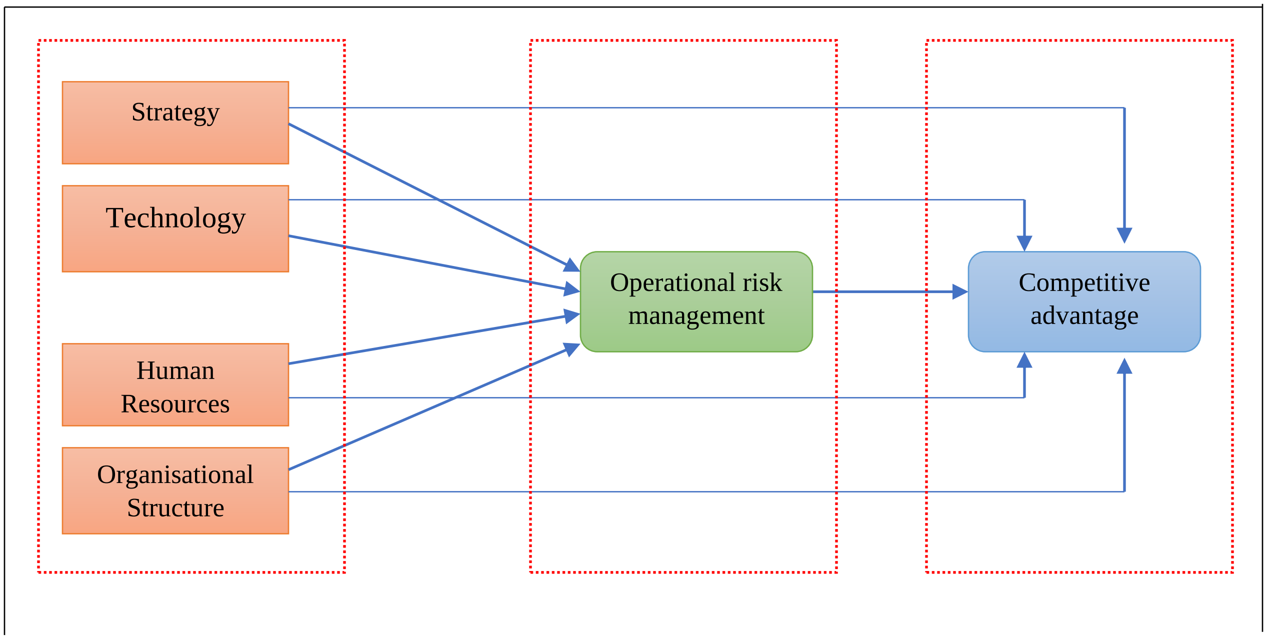
Also, organization structure plays a key role when implementing strategy and has an impact on competitive advantage (Vasanji, 2015). and organizational structure as the main driver of competitive advantage (Maingi et al., 2019).

3. Methodology

In this paper, an attempt was made to study the relationship between business attributes,operational risk management and the competitive advantage within the sector of banking in Iraq. A quantitative methodology was taken in which the data collected were separated into two sections by a survey. The first section focusses on the general features of the subjects, including age group, occupation, educational level, and career. In the second section, measuring the components of business attributes, operational risk management, and competitive advantage was our interest. According to Adeyemi, (Muhammad et al., 2015;Yaseen, Kasim, Falih, Sabah, et al., 2020), a representative sample is crucial if evidence from the sample is being used to make generalizations about the larger population from which the sample was selected. The study was applied to a sample of (114) executives and heads of risk departments from the Iraqi banking sector. The participants were invited to give their opinions on a Likert-scale (1-5) ranged from "Extreme Disagreement" to "High Agreement to analyze data obtained using a Smart pls 3. Partial least square structural equational modeling is used to test the hypothesis. PLS-SEM technique is superior to other statistical methods in many ways such as effective for statistical model building along with forecasting, no sample size restriction, and suitable especially in case of mediation and precise and accuracy in estimation, soft modeling assumptions doesn't require normality of data (Hair Jr. et al., 2017).

3.1 Conceptual Framework

The conceptual framework of (Bani et al., 2018;Yaseen et al, 2020) has an essential part in research to explain the methodology used for the study. Thus, to direct this research into its aim, a conceptual framework is necessary. As can be seen in "Fig. 1", the author has developed a clear conceptual framework for this paper.



Independent Variables Mediating Variable
Dependent Variable

Fig. 1: Conceptual Framework

4. Results and Discussion

4.1 Demographic profile

Table 1 shows the general characteristics of respondents, including gender, age, educational level, years of service, and type of bank:

Table 1: Demographic profile

Variable	Category	Frequency	Percentage%	Total sampling
Gender	Male	64	56.2	114
	Female	50	43.8	
Age	30-20	10	8.7	114
	40-31	48	42.2	
	50-41	39	34.2	
	50 And Over	17	14.9	
	Diploma	19	16.7	114
	Bachelor	76	66.7	

Educational	Master	14	12.3	
	Ph.D.	5	4.3	
Bank type	Governmental	9	7.9	114
	Commercial	35	30.7	
	Islamic	43	37.8	
	Foreign	27	23.6	
Years of service	5-10	13	11.4	114
	More Than 10 -15	24	21.0	
	More Than 15-20	37	32.5	
	20 And Over	40	35.1	
Position	Executive Manager	51	44.7	114
	Department Director	63	55.3	

4.2 Convergent validity

Convergent validity is defined as "subcategories of construct validity", is assessed to validate the measurement model. Average Variance Extracted (AVE) is used to calculate the proportion of the Variance described by way of metrics for calculation errors. Based on the PLS analysis, the lowest recommended level of reliability is 0.7 (Hair et al., 2017), and the lowest acceptable level of Average Variance Extracted (AVE) is 0.5. As seen in Table 2, composite reliability and Cronbach's Alpha are deployed to evaluate the internal consistency reliability of each dimension. If the overall Cronbach's alpha coefficient of all the items of a construct exceeds 0.7, the items are deemed highly reliable (Kannan & Tan, 2005). The items were considered highly reliable because the individual Cronbach's alpha coefficients of constructs were all more than 0.7.

Table 2: The result of convergent validity variables

Variables	Cronbach's Alpha	Composite Reliability	AVE
Strategy	0.934	0.950	0.794
Technology	0.868	0.900	0.602
Human resources	0.907	0.931	0.729
Organizational	0.910	0.934	0.739

structure			
Operational Risk Management	0.889	0.896	0.641
Competitive advantage	0.845	0.954	0.838

As shown in Table 3, the correlation of latent variables and discriminant validity (Fornell-Larcker) the squared correlations between the factors were smaller than the corresponding AVE estimates. This result shows that the constructs had a stronger relationship to their respective indicators; the result indicated that the measure had adequate discriminant validity.

Table 3: Correlation of latent variables and discriminant validity

Variables	ST	TE	HR	OS	ORM	CA
ST	**0.891**					
TE	0.502	**0.776**				
HR	0.705	0.534	**0.854**			
OS	0.626	0.575	0.712	**0.860**		
ORM	0.576	0.468	0.472	0.580	**0.827**	
CA	0.450	0.464	0.486	0.527	0.712	**0.897**

4.3 Coefficient of Determination (R^2)

The coefficient of determination or what is known as R^2 is one of the central criteria in the evaluation of the structural model by PLS-SEM. R^2 value represents the portion of the variation in the endogenous variable(s) that can be explained

by one or more exogenous variables. (Hair et al., 2016;Chin, 2010), suggested that values of R^2 more than 0.67 are considered high, while values ranging from 0.33 to 0.67 are considered moderate, whereas values between 0.19 to 0.33 are considered weak and any R^2 values less than 0.19 are unacceptable. Thus, based on the results, all values of R2 have fulfilled Chin's (2010) criteria. Table 4 presents the R-Square (R^2) of the endogenous latent variables.

Table 4 R-Square of the Endogenous Latent Variables

Latent Construct	R^2	Result
ORM	0.906	high
CA	0.707	high

4.4 The Effect Size (f^2)

According to Cohen's(1998) suggestions, the operational definition for multiple regressions, this represents criteria to determine if a predictor's exogenous variables have no, small, medium or large f^2. Accordingly, values of f^2 more than 0.35 are considered to be a large f^2 while values ranging from 0.15 to 0.35 are considered medium, values between 0.02 and 0.15 considered small and lastly any values less than 0.02 are considered not to affect. The effect sizes for the present study are calculated as per the above formula and are provided in Table 5.

Table 5 Effect Sizes of the Latent Variables

Constructs	F Square	Effect Size
ST -- ORM	0.443	large
TE -- ORM	0.135	Small
HR -- ORM	0.306	Medium
OS -- ORM	0.065	Small
ST -- CA	0.835	large
TE -- CA	0.173	Medium
HR -- CA	0.066	Small
OS -- CA	0.074	Small
ORM -- CA	0.458	large

4.5 Predictive Relevance of the Model (Q^2)

Predictive relevance (Q^2) is another criterion to assess the quality of the structural model to predict (Hair et al., 2017). According to Saunders et al. (2016) suggestion, if the value of cross-validity redundancy is above zero, this indicates that predictive relevance while a value of Q^2 less than zero means that the model lacks predictive relevance. Table 6 shows the results of the Q^2 of the endogenous latent variables.

Table 6: Predictive relevance of the endogenous latent variables

Construct	Validated Redundancy (Q^2)	Results
ORM	0.548	$Q^2 > 0$ Explanatory variable provides predictive relevance
CA	0.673	$Q^2 > 0$ Explanatory variable provides predictive relevance

4.6 Hypotheses Testing (Path Coefficient)

The final step in evaluating the structural model is examining the research hypotheses through assessing the path coefficient. The smaller the p-value, the stronger the significance of the relationship will be (Hair et al., 2017). Table 7 shows below the direct relationship results of the structural model, the relationship between hypothesis as H1, H2, H3, H4, H5, H6, H7, H8, H9.

Table 7 Direct results of hypotheses

Hypothesis	Path Coefficient (β)	Std. Error	T-value	P-value	Inference	Decision
H1 - ST> ORM	0.224	0.059	3.812	0.000	Significant **	Supported
H2 - TE > ORM	0.143	0.056	2.544	0.011	Significant *	Supported
H3 - HR>ORM	0.345	0.061	5.620	0.000	Significant *	Supported
H4 - OS > ORM	0.197	0.070	2.580	0.010	Significant **	Supported
H5 - ST > CA	0.106	0.042	2.519	0.012	Significant *	Supported
H6 - TE > CA	0.092	0.041	2.222	0.027	Significant *	Supported
H7 - HR > CA	0.254	0.054	4.668	0.000	Significant *	Supported
H8 - OS > CA	0.173	0.053	3.282	0.001	Significant *	Supported
H9 - ORM > CA	0.384	0.034	11.284	0.000	Significant **	Supported

4.7 Testing the Mediation Relationship (Indirect Effects)

The theoretical design of this paper provides a unique opportunity to test whether operational risk management mediate the relationship between business attributes (Strategy, Technology, Human Resources, Organisational Structure) and competitive advantage. Hayes (2009), define the mediator as a variable that accounts for all or part of the relationship between a predictor and outcome. The predictor in this paper is business attributes while the outcome is the competitive advantage.Table 8 displays the findings of the specific indirect effect for the mediating variable.

Table 8: Results of the Specific Indirect Effects (Mediation Test)

Hypothesis	Path Coefficient	Std. Error	T-value	P-value	Inference	Decision
H10 – ST > ORM > CA	0.086	0.024	3.576	0.000	Significant **	Supported
H11 – TE > ORM > CA	0.055	0.021	2.580	0.010	Significant *	Supported
H12 – HR > ORM > CA	0.132	0.027	4.916	0.000	Significant **	Supported
H13 – OS > ORM > CA	0.076	0.030	2.522	0.012	Significant *	Supported

The important information presented in Tables 7,8 of transactions is the statistical significance of each dependent variable. The value of t and the value of p tell us if the coefficients of the variables are zero in the population. If p is less than 0.005, We may conclude that the variables are statistically significant. In our case, we may see from the table that all independent variables have a positive effect and that the p-values for all independent variables are less than 0.05. Hence, a reasonable conclusion can state that a significant and positive impact, and we reject our empty assumptions and thus support the assumptions:

H1: There is a positive relationship between Strategyand operational risk management.

H2: There is a positive relationship between Technology and operational risk management.

H3: There is a positive relationship between Human Resourcesand operational risk management.

H4: There is a positive relationship between Organisational Structure and operational risk management.

H5: There is a positive relationship between Strategy and competitive advantage.

H6: There is a positive relationship between Technology and competitive advantage.

H7: There is a positive relationship between Human Resourcesand competitive advantage.

H8: There is a positive relationship between Organisational Structure and competitive advantage.

H9: There is a positive relationship between operational risk management and competitive advantage.

H10: There is a positive relationship between Strategy indirectly affects a competitive advantage through operational risk management as an intermediate variable.

H11: There is a positive relationship between Technology indirectly affects a competitive advantage through operational risk management as an intermediate variable.

H12: There is a positive relationship between Human Resourcesindirectly affects a competitive advantage through operational risk management as an intermediate variable.

H13: There is a positive relationship between Organisational Structureindirectly affects a competitive advantage through operational risk management as an intermediate variable.

5. Conclusion

It is concluded that competitive advantage is a crucial element for the country's economic development.

Directing the attention towards the banking sector's competitive advantage enhances the performance of individuals, organizations and the financial aspect as well. The competitive advantage can enhance the customer's satisfaction which is crucial in the Iraqi banking sector.

The findings revealed that business attributes (Strategy, Technology, Human Resources, Organisational Structure) and the operational risk management play a key role in improving the competitive advantage. Additionally, the operational risk management positively contributes to improving the competitive advantage of the banks. More importantly, the operational risk management mediates the relationship between business attributes (Strategy, Technology, Human Resources, Organisational Structure) and the competitive advantage, in which both direct and indirect effects do exist and point in the same direction (i.e., denoting a positive relationship). Hence, the higher the level of business attributes' (Strategy, Technology, Human Resources, Organisational Structure) implementation, the higher the operational risk management and the competitive advantage.

Operational risk management is a useful and vital resource management for maintaining a competitive advantage in the Iraqi context. Consequently, managing operational risks can solve the problems of Iraqi banks' competitive advantage by providing information about future events and the dynamic environment, reducing the negative impact of those events.

According to the aims of this study, researchers also confirm that both business attributes and operational risk management influence the competitive advantage positively which, in turn, supports the study hypotheses.

In summary, the current study used existing literature and an analytical survey to find reasonable answers to research questions and, based on the results of the survey, it can be concluded that both business attributes and operational risk management have a positive impact on the competitive advantage.

It is recommended that senior management in banks enhance the competitive advantage by utilising business attributes (Strategy, Technology, Human Resources, Organisational Structure) and supporting the operational risk management by providing resources (both tangible and intangible). These resources are harnessed to serve customer needs and are sources of improving the competitive advantage.

It is not enough now for banks to adhere to the competitive advantage only through the existing tools as senior management in banks can explore other contemporary practices that can have a significant impact on improving the competitive advantage in the banking sector.

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