

# The effect of Islamic work ethic on organisational justice

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## ABSTRACT

The study proposed to investigate the effect of the Islamic work ethic on the perception of justice among employees in Islamic microfinance institutions in Indonesia. The construct of organisational justice included three dimensions, namely distributive, procedural, and interactional justice. The sample consisted of 370 employees from 60 Islamic microfinance institutions in Central Java, Indonesia. The results suggest that the Islamic work ethic positively contributes to the aforementioned three dimensions of the perception of justice. Implications, limitations, and suggestions for future research are discussed.

**Key words:** Distributive justice, Islamic work ethic, Interactional justice, Islamic microfinance, Procedural justice

## INTRODUCTION

Research interest in work ethics has gained significant importance in recent years following the demise of major corporations like Enron, Arthur Anderson, and WorldCom. However, most studies in this area, as well as in the major subject area of business ethics, have come from Western countries (Lim and Lay, 2003; Rizk, 2008). Most of these studies examined the Protestant Work Ethic (PWE) as described by Max Weber (Yousef, 2001:152). Notwithstanding the impact of Protestantism and the PWE on economic development in the West (Weber, 1930 / 2002), the applicability of models that are based on these elements may be limited in non-Western societies, particularly those that adhere to other religious beliefs. Islam, for example, has its own concept of ethics that is derived from the *Qur'an* and *Hadist*. In a manner similar to Weberian Protestantism, Islam provides the ideological foundation for a variety of personal attributes that promote economic development (Ali, 2005:52).

Just as PWE contributed to the economic development of Western societies (Weber, 1930 / 2002), Islamic ethics expanded the Islamic empire and took Muslim societies to the golden ages in the eighth until the 14<sup>th</sup> century (Ali, 2005:50). Ali (1992) observes that Islam provides the ideological

foundation for a variety of personal attributes that promote economic development (Ali, 1992:507). The Islamic work ethic (IWE) guides Muslims' attitude and behaviour in the workplace and contributes to the welfare of their societies.

The research interest in IWE, however, has been very limited. The few scholars who have conducted studies on IWE and related concepts include Ali (1988, 1992), Yousef (2000, 2001), Rahman *et al.*, (2006), Ali and Al-Kazemi, (2007), and Khali and Abu-Saad (2009). Yousef (2001) investigated the moderating effect of the IWE on the relationship between organisational commitment and job satisfaction. The study used 425 Muslim employees in several organisations in the United Arab Emirates (UAE). The results of the study revealed that the IWE directly affects both organisational commitment and job satisfaction, and that it moderates the relationship between these constructs.

The role of the IWE in organisational justice has not received adequate attention in the literature, especially in the context of Islamic financial institutions. Organisational ethics researchers argue that unethical organisational conduct manifests in a variety of harmful organisational behaviours, such as lying and fraud (Trevino and Weaver 2001). The

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inadequacy of empirical studies on the IWE and related constructs such as organisational justice motivated the current study. The study was conducted to investigate the effect of the IWE on three dimensions of justice, namely distributive, procedural, and interactional justice. The study was conducted in Islamic microfinance institutions in Central Java, Indonesia. Figure 1 presents the research framework.

## LITERATURE REVIEW

### Islamic work ethic

The Islamic work ethic may be defined as the set of moral principles that distinguish right from wrong (Beekun, 1997) in the Islamic context. The IWE is based on the Qur'an, because the Qur'an is the guardian of Muslims' behaviour in all spheres of life. The IWE emphasises cooperation in work, and consultation is seen as a way of overcoming obstacles and avoiding mistakes. It also stresses creative work as a source of happiness and accomplishments. Hard work is seen as a virtue and those who work hard are considered more likely to succeed in life. Both the IWE and protestant work ethics place considerable emphasis on hard work, commitment, and dedication to work, work creativity, avoidance of unethical methods of wealth accumulation, cooperation, and competitiveness in the workplace (see Yousef, 2001:153).

Islam clearly counters Weber's premise that Muslim societies were unable to develop their economy. Weber argues that Islam cannot produce values such as Protestant ethics regarding "the spirit of capitalism" because of three factors (Weber, 1930 / 2002). First, *Sufism* is viewed as an otherworldly character because it teaches the avoidance of worldly matters. Weber believes that *Sufism* is a barrier to the development of a capitalistic spirit as it encourages a fatalistic way of life. Second, according to Weber, Islam promotes a *warrior ethic*, which is similar to the spirit of conquest. Weber observes that the warrior ethic is the antithesis to the productive capitalistic spirit, because war is closely related to destruction and assassination. Third,

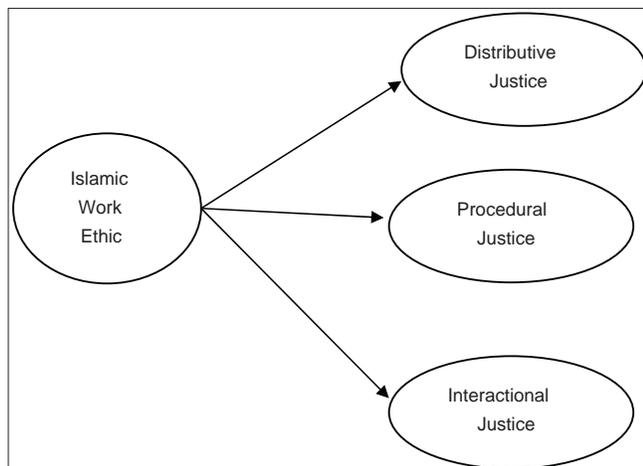


Figure 1: Research framework

Weber argues that most Islamic empires promote what he terms *oriental despotism*, as essentially most of them are despotic; they restrict property rights and the accumulation of capital, encouraging laziness among its people (In Arslan, 2000;321).

Research conducted by Arslan (2000, 2001) provided empirical evidence that refutes Weber's thesis. Arslan (2000) compared British and Turkish managers on Protestant work ethics. He found that Turkish managers obtained higher scores in all Protestant work ethic characteristics than their British counterparts. In his conclusion, Arslan mentioned that the result of his research had some impacts: first, the Weber's criticism of Islamic terms in the economic behavior is not valid, especially in the case of Turkish. Second, religious motives have an important impact on business. Lastly, Turkish Sufi movements played the same role as Calvinism in Northern Europe in the eighteenth century, and the IWE and heritage plays an important role in modern business ethics (Arslan, 2000). The findings of Arslan's (2000) study are supported by Ali (1992), who notes that Arabian managers are more productive than Western managers.

### The Islamic work ethic and organisational justice

Organisational justice theory provides a useful framework for understanding individuals' attitudes towards work, work behaviours, and job performance, based on employees' perception of fairness (justice) in the workplace (Colquitt, Conlon, Wesson, Porter and Ng, 2001; Cropanzano, Bowen and Gilliland, 2007). The concept of justice has a long history as a key explanatory variable in many different social sciences (Cropanzano *et al.*, 2007:35). In the organisational context, justice refers to the fairness of organisational practices in any aspects which related to resources allocation. Justice in organisations has been of great concern to both employers and employees (Folger and Cropanzano, 1998). Some studies showed that employees' perception of organisational justice is a significant factor influencing various work outcomes such as organisational commitment, job satisfaction, organisational citizenship behaviour, and turnover intention (Colquitt *et al.*, 2001, Hassan, 2002; Cropanzano *et al.*, 2007). However, research on ethics and organisational justice has received little attention from organisational behaviour researchers. The concepts of ethics and organisational justice usually distinguish between process and outcome (Schminke, Ambrose and Noel, 1997). Actions are judged as ethical or unethical based on the fairness shown to those affected which may be determined by the process of decision made and the outcome received.

Equity theory (Adam, 1965) points out that employees will adjust their behaviour in order to produce what they think are an equitable balance between benefits and burden at work (in Trevino and Weaver, 2001:653). A developing body of literature notes that research on fairness has shifted to an emphasis on procedural justice, which is based on the finding

of Thibaut and Walker (1975). They found that individuals who receive an unfavourable outcome will evaluate the outcome more positively if they perceive the process to determine the outcome as fair (Schminke *et al.*, 1997).

According to Colquitt, Greenberg, and Zapata-Phelan (2005:4), there are three sub-domains in organisational justice, namely:

- *Distributive justice*, which is related to the fairness of the outcome the employee receives;
- *Procedural justice*, which describes the fairness in determining an outcomes; and
- *Interactional justice*, which refers to the quality of the interpersonal interaction between the individuals in an organisation.

Ethics is closely related to justice. Ethics studies are focused on individuals and how their beliefs influence their perception of the organisation. Research on justice is also concerned with the situation that influences the individual's perception of the organisation (Schminke *et al.*, 1997). The relationship between a work ethic and justice has been discussed in previous studies (e.g. Greenberg 1990; Schminke *et al.* 1997). Greenberg (1990) found that employees who have experienced a pay cut would be more likely to steal from organization. Schminke *et al.* (1997) argue that ethical formalists (who subscribe to process-based ethics) are more sensitive to procedural justice issues, and, on the other hand, ethical utilitarianists (who subscribe to outcome-based ethics) are more sensitive to issues of distributive justice.

Trevino and Weaver (2001) also propose that there is a strong relationship between perceived general fair treatment and ethics-related outcomes. Their study shows that a broad spectrum of unethical actions significantly decrease if employees believe that their organisation generally treats people fairly. Employees who perceive injustice in the workplace look for opportunities to improve their own welfare in their own ways, and can resort to unethical conduct to balance the injustice done to them (Trevino and Weaver, 2001:651).

Justice in Islam is associated with placing something in its right place. According to Muhammad (1993:25), there are three important aspects of justice in the Islamic context. They are: (1) to place employees in positions or function appropriate to their capabilities, (2) to make decisions appropriate to the situation or the person who receives it, and (3) to grant wealth or property to those who rightly deserve it. Justice is a dynamic characteristic that each Muslim must strive to develop, whether he/she is a leader or a follower (Beekun and Badawi, 1999). A Muslim leader who subscribes to Islamic ethics will conduct affairs in an organisation with fairness. Therefore, based on the review of the literature above, the following hypotheses were developed:

- H1. Islamic work ethics are positively related to procedural justice.
- H2. Islamic work ethics are positively related to interactional justice.
- H3. Islamic work ethics are positively related to distributive justice.

## RESEARCH METHOD

### Sample

The research was conducted on Islamic microfinance institutions in Central Java, Indonesia. Sixty organisations participated in this research. Since most respondents spoke only Bahasa Indonesia, the questionnaire was translated from English into Indonesian. The translation was checked by a language expert. The sample was drawn from staff of Islamic microfinance institutions (*Baitul Mal Wat Tamwil/ BMT*). The study used a self-administered questionnaire as the data-collection technique. A total of 550 full-time employees were requested to complete the questionnaires, of which 419 were returned (a response rate of 76.2 percent). As 49 questionnaires were unusable, the final sample consisted of 370 respondents. Table 1 presents the demographic characteristics of the respondents.

**Table 1: Profile of respondents**

Demographic variables	Frequency	Percentage
<b>Gender</b>		
Male	192	52
Female	178	48
Total	370	
<b>Age</b>		
18-24	96	26
25-29	139	37
30-34	77	21
35-39	43	12
40-above	15	4
Total	370	
<b>Education level</b>		
Junior high school	4	1
Senior high school	121	33
Diploma	104	28
Under graduate	137	37
Post graduate	4	1
Total	370	
<b>Length of employment(years)</b>		
1-4	223	60
5-9	118	32
10-above	29	8
Total	370	
<b>Length of managerial tenure(years)</b>		
1-4	132	36
5-9	83	22
10-above	155	42
Total	370	

## Measurement

The *Islamic work ethic* was measured using an instrument developed by Ali (2005). This instrument consists of 17 items (short version). Examples of these items are: laziness is a vice; dedication to work is a virtue; and justice and generosity in the workplace are necessary conditions for societal welfare. The short version of the scale has been used in several studies conducted in Muslim countries such as Saudi Arabia, UEA, and Kuwait, and the results were relatively high. The instrument employs a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). The current study used Cronbach's alpha method to measure the reliability of the research instrument. The Cronbach's alpha of this scale was 0.85.

*Organisational justice* was measured using the 12-item scale developed by Niehoff and Moorman (1993). This scale measures perceptions of the fairness of resource allocation, fairness of the procedure in allocation decisions, and the quality of employees' interactions with superiors and co-workers in their organisations. The reliability values for the three scale dimensions were 0.85, 0.87, and 0.90 for the distributive, procedural, and interactional justice dimensions respectively.

## RESULTS

Table 2 presents descriptive statistics (means and standard deviations) and correlations of the study variables, i.e. the Islamic work ethic and distributive, procedural, and interactional justice. The correlations among the variables provided initial support for the proposed hypotheses. Thus, all three facets of organisational justice were found to be significantly and positively correlated with the IWE.

To address the purpose of the study, the proposed hypotheses were tested using regression analyses. The result of the regression analyses are summarized in Table 3. As expected (H1), the regression results revealed that the IWE is a significant predictor of distributive justice, as hypothesised ( $R^2 = 0.216$ ,  $P < 0.01$ ). The finding also supported H2, which predicted a positive relationship between the IWE and procedural justice. The IWE scores explained about 34.6% of variance ( $F = 17.97$ ,  $P < 0.01$ ) in the perception of procedural justice. Similarly, the third hypothesis was also supported, suggesting that the IWE also contributes to the perception of interactional justice. Thus, it may be inferred that the IWE plays a significant role in predicting organisational justice.

## Discussion, implications and limitations

The results of the study demonstrated that the IWE has a strong relationship with the perceptions of distributive justice, procedural justice, and interactional justice. However, the IWE tended to be a stronger predictor of procedural justice than others. The findings are in line

**Table 2: Means, standard deviations, and correlations between variables**

Variable	Mean	SD	1	2	3
Islamic work ethic	3.74	0.49	1.00		
Distributive justice	3.78	0.61	0.175**	1.00	
Procedural justice	3.79	0.52	0.258**	0.569**	1.00
Interactional justice	3.86	0.64	0.136**	0.554**	0.618**

\*\*=significant at  $P < 0.01$ , \*=significant at  $P < 0.05$

**Table 3: The result of regression analysis; the IWE as predictor of organisational justice**

	R <sup>2</sup>	F change	B
Distributive justice	0.216	17.97**	0.210**
Procedural justice	0.346	23.79**	0.246**
Interactional justice	0.195	14.54**	0.195**

\* $P < 0.01$ , \*\* $P < 0.05$

with other studies, such as those conducted by Trevino and Weaver (2001), Schminke *et al.* (1997), and Lau and Wong (2009). For example, Trevino and Weaver (2001) found a strong relationship between perceived fair treatment in general and the related ethics. Furthermore, this study also found that a broad spectrum of unethical actions significantly less prevalent if the employees believed that their organisation generally treated them fairly. A study conducted by Lau and Wong (2009) using 123 companies in Hong Kong reported that ethical climates in the workplace have an influence on distributive and procedural justice norms.

Ethics research concerns individuals and how their beliefs influence their perception of the organisation. Research on justice is concerned with the situation that influences the individual's perception of the organisation (Schminke *et al.*, 1997). An important tenet of the IWE is justice and generosity in the workplace, and engagement in economic activities is considered an obligation (Yousef, 2000:512). The IWE regards employment as a means of promoting personal growth and self-respect (Yousef, 2001:153). These values are incorporated in the processes of decision-making, distributing resources, and also appreciating contributions or displaying gratitude. As a result, a healthy feeling of fairness in the organisation is developed and entrenched. Furthermore, the IWE emphasises the avoidance of unscrupulous competitiveness, unethical methods of wealth accumulation, and dishonest dealings at the workplace (Yousef, 2000:515). This will subsequently have a profound effect of ethics on the fairness in the organisation. Thus, the underlying principle is that the IWE has a positive impact on organisational justice.

The findings of the current study have certain implications. The study offers guidelines for managers in Islamic organisations in formulating their human resource policies and strategies, especially in considering the importance of developing ethics in the organisation. In addition, in order to enhance a feeling of fairness among employees, managers

need to support the IWE in their organisations. Thus, managers can ensure that every employee joins training and educational programmes that place more emphasis on the application of Islamic morality and values in work.

Finally, the contribution of this study should be viewed in light of some limitations. First, the design for this study was cross-sectional, not longitudinal. Cross-sectional data are not adequate to make inferences of causality or reverse causality among the investigated variables. Thus, a longitudinal research design would provide additional and stronger support for the effects tested in this study. Second, the generalisability of the findings of the present study might be questionable due to the geographic scope of sample. Since the participants were only from Central Java province, Indonesia. The expansion of the various provinces in Indonesia may provide better result. Third, the limited number of variables requires the next study to include performance, job stress, and other work outcomes in relation to the Islamic work ethic to better explain ethical conduct in the workplace.

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