THE EFFECT OF ISLAMIC WORK ETHIC ON ORGANIZATIONAL JUSTICE

Wahibur Rokhman
State Islamic College (STAIN) of Kudus, Indonesia
E mail: wahibur@gmail.com

Arif Hassan
International Islamic University, Malaysia
PO Box 10, 50728 Kuala Lumpur, Malaysia
E mail: arifh@iium.edu.my

ABSTRACT

The study proposed to investigate the effect of Islamic work ethic on justice perception among employees in Islamic microfinance institutions in Indonesia. The construct of organizational justice included three dimensions, namely, distributive, procedural, and interactional justice. The samples were drawn from 370 employees from 60 Islamic microfinance institutions in Central Java, Indonesia. The results suggested that Islamic work ethic positively contributed to the three dimensions of justice perception. Implication, limitation and suggestion for future research are discussed.

Keywords: Islamic work ethic, distributive justice, procedural justice

INTRODUCTION

Research interest on work ethics has gained significant importance in recent years following the failures 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, comes from the Western countries (Lim and Lay, 2003; Rizk, 2008). Most of these studies have examined the Protestant Work Ethic (PWE) as advocated by Max Weber (Yousef, 2001). Notwithstanding the impact of Protestantism and 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 which adhere to other religious believes. Islam for example has its own concept of ethics that are 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). Indeed, according to Ali (2005), the application of Islamic ethics brought the Muslims to the golden ages in the eighth until the fourteenth century.

Just as PWE contributed to the economic development of the Western societies (Weber, 1930/2002) Islamic ethics succeed in the expansion of Islamic empire and taking the Muslim societies to the golden ages in the eighth until fourteenth century (Ali, 2005). Ali (1992) observes that Islam has provided the ideological foundation for a variety of personal attributes that promote economic development (Ali, 1992). The Islamic work ethic (IWE) guides Muslims attitude and behavior in the workplace and contributes to the welfare of the societies.

The research interest in IWE, however, has been very limited. Few scholars who have conducted studies on IWE and related concepts include Ali (1988, 1992), Yousef (2000, 2001), Rahman et al., (2006), and Ali and Al-Kazemi, (2007), and Khali and Abu-Saad (2009). For example, Yousef (2001) investigated the moderating effect of the IWE on the relationships between organizational commitment and job satisfaction. This study used 425

Muslim employees in several organizations in the United Arab Emirates (UAE). The result of the study revealed that IWE directly affects both organizational commitment and job satisfaction and that it moderates the relationship between these construct.

The role of IWE on organizational justice has not received adequate attention in the literature especially in the context of Islamic financial institutions. Organizational ethics researchers argue that unethical organizational conducts are manifested in a variety of harmful behavior in the organization (e.g. lying and cheating) (Trevino and Weaver 2001). The inadequacy of empirical studies on IWE and related construct such as organizational justice is the reason for this study. It was conducted to investigate the effect of IWE on three dimensions of justice, namely, distributive, procedural and interactional justice. The study was conducted in Islamic microfinance institutions in Central Java, Indonesia.

ISLAMIC WORK ETHIC

IWE may be defined as the set of moral principles that distinguish what is right from what is wrong (Beekun, 1997) in an Islamic context. The ethic is originally based on Qur'an, because Qur'an is the guardian for Muslim in all sphere of life. The IWE emphasizes cooperation in work; and consultation is seen as a way of overcoming obstacles and avoiding mistakes. It also stresses on creative work as a source of happiness and accomplishments. Hard work is seen as virtue and those who work hard are more likely to get ahead in life. Both IWE and protestant work ethics place considerable emphasis on hard work, commitment, and dedication to work, work creativity, avoidance of unethical method of wealth accumulation, cooperation and competitiveness at the work place (see Yousef, 2001).

Islam clearly counters the Weber's thesis that Muslim societies could not develop their economy. Weber argued that Islam could not produce values such as Protestant ethics "the spirit of capitalism" because of three factors (Arslan, 2000). First, *Sufism*, it is viewed as an otherworldly character because it is avoidance of world matter. Weber believed that *Sufism* is a barrier to the development of a capitalistic spirit because it encourages a fatalistic way of life. Second *warrior ethic* according to Weber is similar to the spirit of conquest. Weber observes that warrior ethic is an antithesis to the productive capitalist spirit, because war is closely related with destruction and assassination. Third, *oriental despotism*, Weber argued that most of the Islamic empires are despotic; they restricted property rights and capital accumulation. It created laziness among the people (Arslan, 2000).

Recent researches conducted by Arslan (2000, 2001) has provided empirical support to refuse 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 compared to British managers. Arslan thus argued that Weber's criticism of Islamic work ethics as a deterrent to the economic development and behaviour is not valid, especially in the case of Turkish sample. Second, religious motives had an important impact on business. Lastly, Turkish Sufi movements had the same role as Calvinism in Northern Europe in the eighteenth century and the Islamic ethic and heritage had an important role in business ethics (Arslan, 2000). This research also supported by Ali (1992) who noted that Arabian managers were more productive than Western manager.

ISLAMIC WORK ETHIC AND ORGANIZATIONAL JUSTICE

Organizational justice theory provides a useful framework toward understanding individuals' attitudes toward work, work behaviors, and job performance. This is 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 (Colquitt, 2001). In the organizational context, justice refers to the fairness toward organizational practices including selections, pay, rewards, promotions and other resources. Justice in organization has been of great concern to both employers and employees (Folger and Cropanzano, 1998). Some studies showed that employees' perceptions of organizational justice are a significant factor influencing various work outcomes such as organizational commitment, job satisfaction, organizational citizenship behavior, turnover intention and intention to leave (Colquitt et al., 2001, Hassan, 2002; Cropanzano et al., 2007). However, research on ethics and organizational justice has received little attention from organizational behavior researchers. The concepts of ethics and

organizational justice usually distinguish themselves between process and outcome (Schminke, Ambrose, and Noel, 1997).

Equity theory (Adam, 1965) points out employees will adjust their behavior in order to produce what they think as an equitable balance of benefits and burden at work (in Trevino and Weaver, 2001). Developing body of literature noted that research on fairness changed to an emphasis on procedural justice which is based on the finding of Thibaut and Walker (1975). They found that the individuals who received unfavorable outcome would evaluate the outcome more positively when they believed that the process to determine the outcome was fair (Schminke et al., 1997).

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

i) *Distributive justice*, which is related to the fairness of the outcomes the employee receives.
ii) *Procedural justice*, which describes the fairness used to determine those outcomes.
iii) *Interactional justice*, which refers to the quality of the interpersonal interaction between the individuals in an organization.

Research on ethics is closely related to justice. Ethics studies are focused on individuals and how their beliefs influence their perception through the organization. Next, research on justice is concerned with the situation which influences the individual's perception toward organization, as noted by Schminke et al. (1997):

" We suggest that individuals are disposed to viewing, interpreting, and responding to the world in different ways according to their ethical frameworks….these ethical frameworks may affect the way the individuals view more general organizational events and outcomes as well, including those involving the fairness of procedural and distribution of outcome" (p.1193).

The relationship between work ethic and justice has been discussed in the previous studies (e.g. Greenberg 1990 and Schminke et al. 1997). Greenberg (1990) found that employees who have experienced a pay cut would steal much higher than under normal condition. Schminke et al. (1997) argued that ethical formalists (process based) were more sensitive to procedural justice issues and on the other hand; ethical utilitarian (outcome based) were more sensitive to distributive justice issues.

Trevino and Weaver (2001) also supported that there was a strong relationship between perceived general fair treatment and ethic related outcome. Their study noted that a broad spectrum of unethical actions were significantly lower if employees believed that their organization generally treated people fairly. Employees who perceived injustice in the work place will be looking for opportunity 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).

Justice in Islam associate with placing something in its right place. According to Muhammad (1993) there are three important aspects of justice in an Islamic context. They consist of (1) to place someone in a post or function appropriate to his capabilities, (2) to make decision appropriate to the situation or the person who receives it, and (3) to place wealth or property to those who rightly deserve it. The 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 has Islamic ethics will conduct affairs with the attributes of fairness in an organization. Therefore, based on the review of literature above, the following hypotheses were developed:

H1. Islamic work ethic will be positively related to procedural justice.
H2. Islamic work ethic will be positively related to interactional justice.
H3. Islamic work ethic will be positively related to distributive justice.

RESEARCH METHOD

Sample

The research was conducted on Islamic microfinance institution in Central Java Indonesia. 60 organizations participated for this research. Since most respondent speak only in Bahasa Indonesia, the questionnaire was translated from English into Indonesia. The translation was checked by a language expert. The samples were drawn from staffs of Islamic microfinance institution (BMT). The study used self-administered questionnaire as the data collection technique. A total of 550 fulltime employees were requested to complete the questionnaires of which 419 were returned (response rate of 76.2 percent). A total of 49 filled up questionnaires were unusable. Therefore, the final sample size consisted of 370 respondents. Table I presents the demographic characteristic of the respondents.

Measurement

Islamic work Ethic was measured using an instrument developed by Ali (2005). This instrument consists of 17 items (short version). Example for these items include: laziness is a vice, dedication to work is a virtue, and justice and generosity in the work place are necessary condition for society welfare, etc. The short version of the scale has been used in several studies conducted in Muslim countries such as Saudi Arabia, UEA, Kuwait, and the results were quite promising. A five-point scale is employed ranging from 1 (strongly disagree) to 5 (strongly agree). This research used Cronbach's's alpha method to measure the reliability of the research instrument.The Cronbach's alpha of this scale was 0.85.

Organizational justice was measured by using 12-item scale developed by Niehoff and Moorman (1993). This scale measures perceptions of fairness of the resources allocation, fairness of the procedure in allocation decision and the quality of employees' interaction with his superiors and co-workers in their organizations. The reliability values for the three scale dimensions were obtained and found to be 0.85, 0.87, and 0.90, respectively for the distributive, procedural, and interactional justice dimensions.

Table I: Profile of Respondents

Demographic Variables	Frequency	Percentage
Gender		
Male	192	52 %
Female	178	48 %
Total	370	
Age		
18-24	96	26 %
25-29	139	37 %
30-34	77	21%
35-39	43	12 %
40 – above	15	4 %
Total	370	
Length of Employment (years)		
1- 4	223	60%
5 – 9	118	32%
10- above	29	8%
Total	370	

RESULTS

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

Table II: Means, Standard Deviations, and Correlations between Variables

Variable	Mean	SD	1	2	3
1. Islamic work ethic	3.74	0.49	1.00		
2. Distributive Justice	3.78	0.61	.175**	1.00	
3. Procedural Justice	3.79	0.52	.258**	.569**	1.00
4. Interactional Justice	3.86	0.64	.136**	.554**	.618**

Notes: **=significant at p < 0.01, *=significant at p < 0.05

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

Table III. The result of regression analysis, IWE as predictor of organizational justice

	R^2	F change	B
Distributive Justice	.216	17.97**	0.210**
Procedural Justice	.346	23.79**	0.246**
Interactional Justice	.195	14.54**	0.195**

Note: * p < 0.01, ** p <0.05

DISCUSSION, IMPLICATION AND LIMITATION

The results of the study demonstrated that IWE has strong relationship with distributive justice, procedural justice, and interactional justice perception. The results revealed that IWE tended to have a positive impact on these three dimensions of justice. However, IWE tended to be a strong predictor of the procedural justice. The findings are in line with other studies such as conducted by Trevino and Weaver (2001), Schminke et al. (1997) and Lau and Wong (2009). For example, Trevino and Weaver (2001) found that there was a strong relationship between the perceived general fair treatment and the related ethical outcomes. Furthermore, this study also found that a broad spectrum of unethical actions were significantly lower if the employees believed that their organization generally treated them fairly. Recently, a study conducted by Lau and Wong (2009) used 123 companies in Hong Kong and reported that ethical climates in work place have influence on distributive and procedural justice norm.

Furthermore, ethics research concerns individuals and how their beliefs influence their perception through the organization. Research on justice is concerned with the situation which influences the individual's perception

towards the organization (Schminke et al., 1997). An important tenet of the IWE is to stress justice and generosity in the workplace, and to view the engagement in economic activities as an obligation (Yousef, 2000). The IWE regards employment as a source of means of promoting personal growth and self-respect (Yousef, 2001). These values are incorporated in the process of decision making, distributing resources and also appreciating the contributions or a display of gratitude. As a result, a healthy feeling of fairness in the organization is developed and entrenched. Furthermore, the IWE emphasizes on the avoidance of unscrupulous competitiveness and unethical methods of wealth accumulation and dishonest dealings at the workplace (Yousef, 2000). This will subsequently have a profound effect on the fairness in the organization. Thus, the underlying principle is that the IWE has a positive impact on the organizational justice.

The finding of this study has some implications. It offers some interesting guidelines for manager in Islamic organizations in formulating their human resource policies and strategies, especially the importance of developing ethics in the organization. In addition, in order to enhance feeling of fairness among employee, managers need to support the IWEin their organizations. Thus, manager can ensure that every employee join training and educational programs 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 generalizability of the findings of the present study might be questionable due to the nature of the sample. Third, the limited number of variables, it is better for the next study to include performance, job stress and other work outcomes in relation with Islamic work ethic to give better explanation.

REFERENCES

Ali, J.A. (1988). Scaling an Islamic work ethic. *Journal of Social Psychology*, 128(5): 575-583.

Ali, J.A. (1992). Islamic work ethic in Arabia. *Journal of Psychology*, 126(5): 507-517.

Ali, J.A. (2005). *Islamic Perspectives on Management and Organization*. Edward Elgar Publishing, UK.

Ali, J.A. and Al-Kazemi, A. (2007). Managerial problems in Kuwait. *The Journal of Management Development* 21(5): 366-375.

Arslan, M. (2000). A cross cultural comparison of British and Turkish managers in term of Protestant work ethic characteristics. *Business Ethics: A European Review*, 9 (1): 13-19.

Arslan, M. (2001). The Work ethic values of Protestant British, Catholic Irish and Muslim Turkish Managers. *Journal of Business Ethics*, 31: 321-339.

Beekun, R. (1997). *Islamic Business Ethics*. IIIT, Herndon, Virginia, U.S.A

Beekun, R. and Badawi, J. (1999). *Leadership: an Islamic Perspective*, Herndon, VA: Amana publications.

Colquitt, J. A. (2001). On the dimensionality of organizational justice: A construct validation of a measure. *Journal of Applied Psychology*, 86(3), 386–400.

Colquitt, J. A., Greenberg, J. and Zapata-Phelan, (2005). *What is Organizational Justice?. A historical overview*. In Greenberg and Colquitt (Eds), *Handbook of Organizational Justice*. LEA Publisher, Mahwah. NJ, 3-56.

Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O. L. H. and Ng, K. Y. (2001). Justice at the millennium: A meta-analytic review of 25 years of organizational justice research. *Journal of Applied Psychology*, 86(3)*: 425–445.*

Cropanzano, R., Bowen, D. E. and Gilliland, S. W. (2007). The management of organizational justice. *Academy of Management Perspectives,* 21*: 34-48.*

Folger, R. and Cropanzano, R. (1998). *Organizational Justice and Human Resources Management.* Thousand Oaks, London: Sage Publications.

Greenberg, J. (1990). Organizational justice: Yesterday, today and tomorrow. *Journal of Management*, 16(2): 399-342.

Hassan, A. (2002). Organizational justice as a determinant of organizational commitment and intention to leave. *Asian Academy of Management Journal*, 7(2): 55-66.

Khali and Abu-Saad. (2009). Islamic work ethic among Arab college students in Israel. *Cross Cultural Management: An International Journal*. 16 (4): 333-346

Lau, V. and Wong, Y. (2009). Direct and Multiplicative Effects of Ethical Dispositions and Ethical Climates on Personal Justice Norms: A Virtue Ethics Perspective. *Journal of Business Ethics,* 90 (2):279 – 294

Lim, C. and Lay, C.S. (2003) "Confusiasm and the protestant work ethic". Asia Europe Journal, Vol. 1, pp. 321-322.

Muhammad (1993) . *Keadilan dalam Islam*. Pustaka Pelajar, Yogjakarta.

Niehoff, B.P. and Moorman, R.H. (1993). Justice as a mediator of the relationship between methods of monitoring and organizational citizenship behavior. *Academy of Management Journal*, 36: 527-556.

Rahman, N. M., Muhamad, N. and Othman, A. S. (2006). The Relationship between Islamic Work Ethics and Organizational Commitment: A Case Analysis. *Malaysian Management Review*, 41(1).

Rizk, R. R. (2008). Back to basics: an Islamic perspective on business and work ethics. *Social Responsibility Journal*, 1(2): 246-254.

Schminke, M., Wells, D., Peyrefitte, J., Terrence C. and Sebora, T. C. (2002). Leadership and Ethics in Work Groups: A Longitudinal Assessment. *Group & Organization Management*. 27(2): 272-293.

Schminke, M., Ambrose, M. and Noel, T. (1997). The effect of ethical frameworks on perceptions of organizational justice. *Academy of Management Journal*, 40(5): 1190–1207.

Thibaut, J. and Walker, L. (1975). *Procedural Justice: A Psychological Analysis*. Hillsdale, NJ: Lawrence Erlbaum Associates.

Trevino, L. and Weaver, G. (2001). Organizational Justice and ethic program "follow-trough": influences on employees' harmful and helpful behavior. *Business Ethics Quarterly*, 11(4): 651-657.

Weber, M. (1930/2002), *The Protestant Ethic and the "Spirit" of Capitalism*, Penguin Classics, New York, NY

Yousef, D. A. (2000). Organisational commitment as a mediator of the relationship between Islamic work ethic and attitudes toward organisational change. *Human Relations*, 53 (4): 513-37.

Yousef, D. A. (2001). Islamic work ethic - A moderator between organisational commitment and job satisfaction in a cross-cultural context. *Personnel Review*, 30 (2):152-165.