

Fauziah Noordin · Abdul Kadir Othman
Erne Suzila Kassim *Editors*

Proceedings of the 2nd Advances in Business Research International Conference

ABRIC2016

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*This book is dedicated to wonderful readers
who want to advance the existing knowledge
to the next level through the network of
experts.*

Prof. Dr. Fauziah Noordin
Dr. Abdul Kadir Othman
Dr. Erne Suzila Kassim

Foreword

“Advancing knowledge, connecting the world” is the right theme to illustrate the importance of knowledge advancement in improving our life. Our today’s civilization cannot be achieved without the advancement of knowledge. Another aspect highlighted in the theme is pertaining to connecting the world. It means that knowledge advancement is facilitated when people across the globe are collaborating with each other to create new knowledge. Everyone knows that working in isolation brings little benefit to the people as compared to working in teams where the team can experience outstanding outcome through synergistic effect. Sometimes the desired outcome is difficult to be achieved because of the assimilation process, as one of the reasons. This book is a novel effort to compile the works that were presented in the 2nd Advances in Business Research International Conference, which was successfully held in Langkawi Island, Malaysia, on 16 and 17 November 2016.

The book contains articles written by prolific researchers and authors from various parts of the world, which were organized into four different themes: Economics and Finance, Marketing and Communication, Management and Information Technology in Business. Each theme highlights the latest development in terms of theories, models and practices relevant to specific fields. Each article was well-written, making it easy for the readers to understand the whole write-up, without compromising the quality of a good research article. Readers might ask this question: Why does the book contain different fields of studies together? The answer is simple. Having different fields of studies in one book facilitates the advancement of knowledge to a greater height. Connecting these different fields of studies is expected to generate greater ideas that can be manipulated for the betterment of the human civilization.

This book reflects the great effort put forward by various parties, including authors from various fields of studies, the event organizers, the paper committee and not forgetting the publisher in making sure that the book is timely. The book is considered as a must have reference for the academics, research students and industry players or managers, which serves as a guideline in their effort to make

significant contribution in their respective fields. Since new knowledge must be founded on the existing knowledge, this book serves this perspective very well as it provides the basis for other researchers, academics and managers to continue their quest for excellence.

Dr. Abdul Kadir Bin Othman
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Preface

With the intention to create the network of academics and practitioners (industry players or the managers) for the purpose of sharing knowledge, ideas and best practices, this book has become the main agenda of the conference. From the 2nd Advances in Business Research International Conference that was organized on 16 and 17 November 2016, several articles were chosen to be included in this book based on the quality and the novel contribution in their respective fields of studies. Since conference proceedings are limited in their circulation, having this book published is expected to increase the readership so that the sharing of knowledge can be optimized.

Since the articles in this book address the contemporary issues, theories and models in business and other related fields, disseminating this knowledge to the interested parties is a must. Some people including the academics, students and practitioners are in doubts in identifying the right theories, models and practices to be applied in their work because they cannot find the resources required to assist them. By having this book, academics, research students and practitioners are able to get the latest knowledge so that they can use it to obtain the optimum benefits in their effort to contribute to the betterment of life in their respective fields.

Shah Alam, Malaysia

Fauziah Noordin
Abdul Kadir Othman
Erne Suzila Kassim

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This book is the outcome of hard work of many individuals who want to ensure the advancement of knowledge through networks of experts. I would like thank ABRIC 2016 Chairperson, Prof. Dr. Fauziah Noordin, for her leadership that inspires us to move forward. A special thank to Deputy Chairperson 1, Dr. Abdul Kadir Othman, and Deputy Chairperson 2, Dr. Erne Suzila Kasim, for the enduring spirit and effort to keep the planned activities can be achieved on time. I would like to acknowledge the great contribution of each individual below, and this book is not possible without them: Secretary 1, Dr. Idaya Husna Mohd; Secretary 2, Mrs. Rodiah Sharif; Treasurer, Dr. Norlida Jaafar; Promotion Committee, Mr. Mohd Khirzanbadzli A. Rahman, Dr. Norol Hamiza Zamzuri and Mrs. Sarinah Sabar; Website Committee, Mrs. Nur Atiqah Rochin Demong and Mr. Muhamad Naim Husain; Review Committee, Dr. Veera Pandiyan, Mrs. Zarina Abdul Munir, Mrs. Zuraidah Ismail, Mrs. Nur Afizah Muhamad Arifin and Mrs. Nor Azian Abdul Rahman; Journal Committee (ABRIJ), Mrs. Lailatul Faizah Abu Hasan, Mrs. Ainunnazlee Mohd Ali, Mr. Mohammad Zaim Mohd Salleh and Mrs. Emi Normalina Omar; Logistics Committee, Mr. Mohamad Naquiddin Md Mansor, Mrs. Mumtaz Ahmad, Mr. Mohd Khalid Mohd Abas and Mrs. Mariam Khiri; Accommodation/Registration Committee, Dr. Maimunah Mohd Shah, Dr. Mohd Zulkifli Abdullah, Mrs. Noor Hayati Sarman and Mrs. Ruhayah Juraimi; Colloquium Committee, Dr. Shereen Noranee, Assoc. Prof. Dr. Normala Daud, Assoc. Prof. Dr. Noorlaila Haji Yunus and Mrs. Norlela Mohd Yasin; Event Committee, Mr. Muhammad Hafizi Zamri, Mrs. Kadulliah Ghazali and Mrs. Nor Sara Nadia Muhamad Yunus; Sponsorship Committee, Dr. Nazura Mohd Sayuti, Mr. Irwan Ibrahim and Mr. Afizan Amer; Technical Committee, Mr. Muhammad Faizal Jaafar, Mr. Muhamad Naim Husain and Mr. Syed Suharizad Said Radzwan; Special Commitment, Assoc. Prof. Dr. Md. Mamum Habib, Editor in Chief, International Journal of Supply Chain Management; and Administration, Mrs. Sutinah Kassim.

We would like to express our highest gratitude and appreciation to all contributors of the articles; this book will not be possible without your contribution.

Thank you.

Prof. Dr. Fauziah Noordin
Dr. Abdul Kadir Othman
Dr. Erne Suzila Kassim

Contents

1	Internal Marketing and Employees' Performance: Relating Marketing Strategies in Human Resource Efforts.	1
	Hurul Ain Zainal Abidin, Rosmimah Mohd Roslin and Norlida Kamaluddin	
2	Individual Entrepreneurial Orientation and Talent Retention of Engineers: A Pilot Survey	11
	Idris Osman, Fauziah Noordin and Normala Daud	
3	Entrepreneurial Orientation of Technology-Based SMEs in Malaysia	23
	Azlin Shafinaz Arshad and Amran Rasli	
4	Financial Literacy of Entrepreneurs in the Small and Medium Enterprises.	31
	Husniyati Ali, Emi Normalina Omar, Hanisah Abu Nasir and Muhamad Rahimi Osman	
5	Customers' Intention to Repurchase Halal Personal Care Products: The Moderating Role of Religiosity	39
	Sulaiman Bin Nawawi, Rosmimah Bt. Mohd. Roslin and Norlida Bt. Abdul Hamid	
6	Factors that Contributes Towards Opportunity Creation and Identification.	55
	Abg Zainoren Abg Abdurahman, Ramraini Ali Hassan, Nazura Mohamed Sayuti and Johari Bin Abdullah	

7	The Influence of Intellectual Capital and Corporate Entrepreneurship Towards Small and Medium Enterprises' (SMEs) Sustainable Competitive Advantage: Building a Conceptual Framework	67
	Ahmad Rusydan Ab. Kadir, Azira Aminallah, Azman Ibrahim, Joehary Sulaiman, Mohd Fadzli Mohd Yusoff, Mohd Mahfudz Idris, Mohd Roslee Bahar, Rahayu Hasanordin, Siti Sakinah Ab. Rahim and Zaitun Abd Malek	
8	The 11th Malaysia Health Plan: Demand for Investigation on Health Consumers' Intention Toward National Web-Based Health Information Service.	79
	Siti Noraini Mohd Tobi, Maslin Masrom and Azman Mohammed	
9	The Effects of e-Service Quality on Users' Satisfaction: A Case of e-Filing at LHDN.	87
	Mohd. Khirzan Badzli A Rahman, Abdul Kadir Othman and Nurulhuda Amrin	
10	Exchange Rate Exposure: Does International Involvement Matter?	99
	Jaratin Lily, Imbarine Bujang and Abdul Aziz Karia	
11	Shock and Volatility Transmission Between Oil Prices and Stock Returns: Case of Oil-Importing and Oil-Exporting Countries	111
	Nurul Nazurah Atu, Imbarine Bujang and Norlida Jaafar	
12	Effect of Cash Holding Towards Firm's Efficiency: Moderating Effect of Earning Quality	123
	Siti Julea Binti Supar, Imbarine Bujang and Taufik Abdul Hakim	
13	Revisiting Exchange Rate Exposure: A Case Study of Malaysia and Singapore	135
	Jaratin Lily, Imbarine Bujang, Abdul Aziz Karia and Mori Kogid	
14	The Impact of Reducing Tick Size on Malaysian's Stock Market Liquidity.	145
	Diana Baharuddin, Imbarine Bujang and Hamizah Hassan	
15	Predicting the Financial Fragility in Malaysia	157
	Nurziya Muzzawer, Imbarine Bujang and Balkis Haris	
16	Measuring Bank Stability: A Comparative Analysis Between Islamic and Conventional Banks in Malaysia	169
	Norzitah Abdul Karim, Syed Musa Syed Jaafar Alhabshi, Salina Kassim and Razali Haron	

17 The Effect of Religiosity, Financial Knowledge, and Financial Behaviour on Financial Distress Among Undergraduate Students 179
 Nelson Lajuni, Imbarine Bujang and Abdul Aziz Karia

18 Effects of Intellectual Capital on Microfinance Institutions’ Performance. 187
 Maryam Jameelah Hashim, Adewale Abideen Adeyemi and Syed Musa Alhabshi

19 An Analysis of House Price Index as the Alternative Pricing Benchmark for Islamic Home Financing 197
 Nur Harena Redzuan and Salina Kassim

20 Global Digital Divide: Inter-regional Study on the Impact of ICT Diffusion on Economic Growth 209
 Debbra Toria Nipo, Imbarine Bujang and Hamizah Hassan

21 The Mediating Role of Emotional Exhaustion on the Relationship Between Job Factors and Turnover Intention Among Service Employees. 221
 Abdul Kadir Othman, Mohd Zulkifli Abdullah, Mutiiiah Mohamad, Farahannida Ahmad, Sulaiha Awang Rozalli and Nursyahida Ashikin Nor Izlanin

22 Factors Influencing the Loyalty of Employee in Relation to Organizational Climate from an Islamic Perspective 233
 Zurina Abd Ghani, Junaidah Hashim and Rozailin Abdul Rahman

23 Determinants of Generation Y Engagement in Electronic Word of Mouth 243
 Mohamad Niza Md Nor, Zulaiha Ahmad, Ahmad Nizan Mat Noor, Nurwahida Fuad and Noor Amirah Binti Kamaruddin

24 Empowering Knowledge Sharing in Business 253
 Norfadzilah Abdul Razak, Rozilah Abdul Aziz, Zulkefli Abdul Rahman and Sharifah Ali

25 The Relationship Between Job Stress and Quality of Life Among Working Adults 261
 Mumtaz Ahmad, Siti Noorsuriani Maon and Nor Intan Shamimi Abdul Aziz

26 The Influence of Team Characteristics on Team Performance Among Employees at Selected Telecommunication Companies 271
 Abdul Kadir Othman, Muhammad Iskandar Hamzah and Arina Mohd Nor

**27 Escalator Accidents: Causes and Users’ Behavior
Empirical Study of Kuala Lumpur Users 289**
Faziatul Amillia Mohamad Basir, Amirah Husna Yaziz,
Muhammad Hafizi Zamri and Abdul Hamid Abdul Halim

**28 Factors Relating to Employee Engagement: A Case Study
in a Selected Bank. 297**
Maimunah Mohd Shah, Idaya Husna Mohd
and Mohd Khairie Khairudin

**29 The Influence of Employee Empowerment on Organizational
Citizenship Behavior 305**
Shereen Noranee, Nazlinda Abdullah, Rohani Mohd,
Mohd Rahim Khamis, Rozilah Abdul Aziz, Rohana Mat Som
and Erma Ammira Mohd Ammirul

**30 Employee Engagement Determinants and Employee Retention:
A Study Among Generation Y Employees in Malaysia 315**
Shafiq Shahrudin and Normala Daud

**31 A Conceptual Study on the Factors Influencing Behavioural
Intention to Use Mobile Health Application Among Young
Women in Malaysia 325**
Khairul Nazlin Kamaruzaman, Zuhail Hussein and Amily Fikry

**32 Translation and an Adaptation of Work-Related Attitude
Questionnaire in Cross-Cultural Survey Research 337**
Nurnazirah Jamadin and Fauziah Noordin

**33 Influence of Knowledge Sharing on Job Performance:
A Case Study of National Audit Department (NAD) 349**
Kuldip Singh, Elizabeth Caroline Augustine and Zalina Mohd Desa

**34 The Impact of Knowledge Management on Employee’s
Sense of Well-Being. 359**
Mat Khairi Siti Murni, Kamar Shah Khalisah,
Muhammad Asyrul Mohd Nasir, Mohd Faizul Ibrahim,
Mohd Fauzi Mohamed Noor, Akmal Irfan Sofian,
Khairree Mohd Ramlee, Mohd Raphael Affendy Md. Nazar,
Wan Mohd Hafizuddin Wan Hassan and Nor Azri Sharizal Abu Bakar

**35 Leadership Styles and Employee Satisfaction Among Police
Officers at Bukit Aman: A Case Study 369**
Narehan Hassan, Izuddin Ab. Wahab, Mazuin Mat Halif,
Sharifah Ali, Rozilah Abdul Aziz and Nur Zainie Abd. Hamid

Abbreviations

ADF	Augmented Dickey-Fuller
AQ	Accrual Quality
BFR	Base Financing Rate
BLR	Base Lending Rate
BMKC	Bursa Malaysia Knowledge Centre
BR	Base Rate
CNY	Chinese Renminbi
CPI	Consumer Price Index
CR	Cash Ratio
DEA	Data Envelopment Analysis
DLNFS	Difference Natural Logarithm of Firm Size
DLNIP	Difference Natural Logarithm of Inverse Price
DTPB	Decomposed Theory of Planned Behaviour
EE	Emotional Exhaustion
EMH	Efficient Market Hypothesis
EO	Entrepreneurial Orientation
EOT	Entrepreneurial Orientation Theory
EPU	Economic Planning Unit
EUR	Euro
e-WOM	Electronic Word of Mouth
FAQ	Frequently Asked Questions
FBMKLCI	FTSE Bursa Malaysia KLCI
FTSE-BMKLCI	FTSE Bursa Malaysia Composite Index
GDP	Gross Domestic Product
GMM	Generalized Method of Moments
HKSE	Hong Kong Stock Exchange
HPHRPs	High-Performance Human Resource Practices
HPI	Housing Price Index
HPWPs	High Performance Work Practices
HRM	Human Resource Management

IC	Intellectual Capital
ICT	Information and Communication Technology
IEO	Individual Entrepreneurial Orientation
IM	Internal Marketing
IMF	International Monetary Fund
IMI	Investable Market Index
IT	Information Technology
ITL	Intention to Leave
ITU	International Telecommunication Union
JIQ	Job Involvement Questionnaire
JPY	Japanese Yen
KLIBOR	Kuala Lumpur Interbank Offered Rate
KL-PBR RI	KI-Purpose-Build Office Rental Index
KM	Knowledge Management
LHDN	Lembaga Hasil Dalam Negeri
LMX	Leader Membership Exchange
LNRLS	Natural Logarithm Relative Spread
LNTR	Natural Logarithm Turnover
LNTV	Natural Logarithm Trading Volume
MFIs	Microfinance Institutions
MHP	Myhealth Portal
MOSTI	Ministry of Science, Technology and Innovation
MSCI	Morgan Stanley Capital International
MTDC	Malaysian Technology Development Centre
NAD	National Audit Department
NGOs	Non-Government Organizations
OCB	Organizational Citizenship Behaviour
OLS	Ordinary Least Square Method
OPR	Overnight Policy Rate
PLS-SEM	Partial Least Squares Structural Equation Modeling
PP	And Philip-Perron
QoL	Quality of Life
R&D	Research and Development
RMP	Royal Malaysian Police
S&P 500	Standard and Poor 500
SAARC	South Asian Association for Regional Cooperation
SET	Social Exchange Theory
SMEs	Small and Medium Enterprises
SSE	Shanghai Stock Exchange
TAM	Technology Acceptance Model
TASI	Tadawul All-Share Index
TE	Technical Efficiency
TFP	Total Factor Productivity
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action

TSE	Tokyo Stock Exchange
TV	Trading Volume
UiTM	Universiti Teknologi Mara
US	United States
USD	US Dollar
VAR-GARCH	Vector Autoregressive—Generalized Autoregressive Conditional Heteroscedasticity
WBHIS	Web-Based Health Information Service

Chapter 22

Factors Influencing the Loyalty of Employee in Relation to Organizational Climate from an Islamic Perspective

Zurina Abd Ghani, Junaidah Hashim and Rozailin Abdul Rahman

Abstract The main purpose of this paper is to understand the determinants of loyalty in relation to organizational climate from an Islamic perspective. The data were collected among the 172 Muslim managers and 509 Muslim employees in various industries, public and private sectors. The respondents of 172 Muslim managers are HR managers in particular. The study used measurement adopted from previous study. The implications of the study are discussed. Findings of this study could be used by HR practitioners and scholars in building management concerns and strategic plan for a better HRD systems and practices from the Islamic point of views.

Keywords Human resource development • Organizational climate • Loyalty Islamic perspective

22.1 Introduction

You have to be loved by your employee, to become the best employer or the employer of choice. The late Steve Jobs said “*The only way to do great work is to love what you do*”. Question is how you want to achieve that kind of self-fulfilling motivational factor in your employee in a holistic environment and/or organization, which eventually lead to their loyalty. Their loyalty which translated in their length of service or their hard work to ensure assignments was accomplished successfully and loyalty that reflects in the way their face lightened up to the mentioned of their organization’s name. HR development commitment is one of the most important

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elements to ensure employees' satisfaction. Most, if not all, organizations strive hard and invested huge amount of capital to ensure its long-term sustainability. People from all levels are the most important asset in any organization. The term "human resource development" was first used by Harbison and Myers (1964) in the context of human capital theory. Both were economists and believed that HRD was important for national development. Schultz's (1961) human capital theory suggested that organizations receive economic value from their employees' knowledge, skills, competencies and experience and that human capital can be increased by training and education (Carbery and Cross 2015). Hashim (2010) believed that since Islam considers work as an essential element of man's success in his life; thus, Islam does not only encourage individuals to work, but also motivate them to seek perfection and excellence in all that they do. In this regard, workers should work with full capacity and commitment to achieve excellence and success for themselves as well as for the society, and more importantly for the life in the Hereafter (Yousef et al. 2001).

It is undeniable that the importance of investing for a proper human resource (HR) department and managers has yet to become one of the major priorities of many organizations. This is supported by Sikula (2001), which emphasized that unfortunately, large majority of organizations have yet to recognize the strategic importance of HR and HR people have yet to be recognized as partners in the strategic planning process. While in the new economy, human capital is the foundation of values creation, this most important asset is poorly understood and poorly managed (Norton 2001). Hence, this paper attempts to provide more information and adding to the inventory of studies conducted on issues regarding HR and particularly HRD and how it is related to organizational climate and its effects on Muslim employees' loyalty. In addition to that, this study included the Islamic perspectives on how HRD factors, for example, trainings, employers' *Ehsan*, can improve individual not only for the betterment of the organizations but the most vital part was for the employee themselves in the long run.

22.2 HRD and Organizational Climate

HRD practices from multiples researches conducted previously showed a positive relation with organizational climate and work environment. Central to most, if not all, models of organizational behavior are perceptions of the work environment, referred to generally as "organizational climate" (Rousseau 1988). Primarily understood as an intervening variable between the context of an organization and the behavior of its members, and attempting to understand how employees experience their organizations, the concept has inspired many descriptions and operationalization (Patterson et al. 2005). The dominant approach conceptualizes organizational climate as employees' shared perceptions of organizational events, practices, and procedures. These perceptions are assumed to be primarily descriptive rather than affective or evaluative (Schneider and Reichers 1983).

However, more recent work contradicts this view, suggesting strong evaluative or affective components (Patterson et al. 2004). At the individual level of analysis, referred to as “psychological climate,” these perceptions represent how work environments are cognitively appraised and represented in terms of their meaning and significance for individual employees in organizations (James and Jones 1974). Organizational climate has been linked to various outcomes affecting both the employees and management in an organization which includes employees’ job satisfaction, especially in terms of loyalty toward the organization which is the main focus of the current research. Research has suggested that climate perceptions are associated with a variety of outcomes at the individual, group, and organizational levels. These include leader behavior, turnover intentions (Rosseau 1988; Rentsch 1990), job satisfaction (Mathieu et al. 1993), individual job performance (Brown and Leigh 1996), and organizational performance (Patterson et al. 2004).

A study by Hassan et al. (2006) examined the contribution of HRD systems and practices on HRD climate, and quality orientation. The results indicated that employees’ satisfaction with human resource development climate was predicted by learning and training system, employee development system (such as mentoring and coaching), action research, reward and recognition system, and information system (related to internal changes within the organization, technology, company policy, etc.). Therefore, it is obvious that the climate of an organization to some extent is dependent on the type HRD practices applied in order to determine the organizational values, norms and overall climate. The significance between the relation of HRD practices and organizational climate is explained after further examination in which HRD climate involving work values such as openness, trust, delegation and decentralization, quality orientation, etc., system of reward and recognition, quality of organizational communication, and empowerment of employees amply demonstrate that successful organizations have gone a long way to bring revolutionary changes in their HR systems and practices (Zairi 1998). Thus, it can be seen that a successful and productive organizational climate could be ensured through a proper HRD planning with a strong commitment from the top management.

22.3 Employees’ Loyalty

Employees’ loyalty or organizational commitment in particular as discussed by Salem and Syed Agil (2012), refers organizational commitment as the relative strength of an employee’s attachment or involvement with the organization where he or she is employed, and also organizational commitment is important because committed employees are less likely to leave for another job and are more likely to perform at higher levels. In short, the incorporation of HRD from the Islamic practices into organizational climate and its effect and influence on loyalty is the main focus of this particular study. The outcomes would provide explanation on the relationship and connection of how organizational climates with Islamic influence

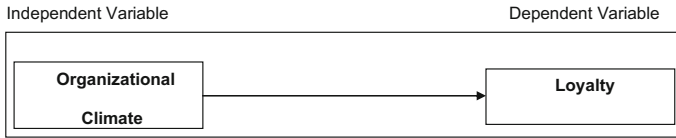


Fig. 22.1 Research framework

affecting commitment and loyalty among employees and retention of staff for organizations in general.

This study is significant in order to provide new perspectives and additional knowledge on HR and Islamic practices impact on organizational climate which contribute to loyalty and organizational commitment among employees. This will benefit the organization financially in the long run by reducing cost from investing on new recruitment and basic trainings. Instead, organization could invest more on other important organizational functions such as employees benefits and welfare, research and development, advance training modules based on relevant competencies needed, employees' development system to enhance and boost current employees' skills of whom from intermediate and advance level, and hence increased productivity as the ultimate goal.

Theoretical Framework

See (Fig. 22.1).

22.4 Methodology

22.4.1 Sample and Data Collection

The population of this study constitutes the different industries in Malaysia where Muslim managers and employees were attached. These industries include Advertising, Biotechnology/Biomedical, Contractors/Construction, Consumer, products/retail/wholesale, Consulting, Education, Engineering/Architecture, Entertainment, Finance/Banking/Accounting, Food and Beverages, Government, Insurance, Industrial Technology, Manufacturing Medical/Health Services, Military, Real Estate, Information and Communication Technology (ICT), Training, Transportation, Travel/Hotel/Hospitality, Utilities/Oil and Gas/Electricity/Water and others which we might have not indicated earlier in the survey form. These different industries were chosen to measure different practices and conduct of HRD and by the population and different stages of organizational climate. Furthermore, they have their own vision, mission, and objectives in running their organizations, especially for the betterment of Muslim people in Malaysia. In addition to that, they can be categorized further into the public and private sectors and nonprofit or non-government organizations (NGOs).

The total respondents were 172 Muslim managers and 509 Muslim employees in various industries who vary in positions and were purposely selected to represent each of the industries. To ensure the managers to be respondents, they must understand and are familiar with their organizations’ HR practices. The respondents selected were those in charge of HR and performing in any of the HR functions and they carry the duties as supervisors. The enumerators were requested to approach the human resource manager of the organizations and acquire permission to collect the data. The questionnaires were left with the respondents to enable them to read and understand the items. Subsequently, questionnaires were collected by the enumerators within three to five days. In each industry, 10 organizations were selected based on the number of potential respondents, and about 40 questionnaires were distributed for each industry, 10 for the Muslim managers and 30 for the employees. However, some companies failed to return all of them.

22.4.2 Instrumentation and Data Analysis

Descriptive statistics and factor analysis were used to analyze the information gathered from the questionnaires. The respondents’ profiles were also collected (Table 22.1). Based on the survey, 341 respondents are male, while 340 are female. About 43% of the respondents are up to 30 years of age. Majority of them are bachelor degree holders which in total of 285 persons.

Table 22.1 Respondent demographic

Characteristics	Total number
Position	172
Managers	509
Employees	
Gender	
Male	341
Female	340
Age	
Up to 30	293
31–40	261
41–50	110
51–60	16
60 and above	1
Education level	
Secondary (high) school	152
Diploma	216
Bachelor’s degree	285
Master’s degree	28

Table 22.2 Summary of factor analysis results on the loyalty of employee in relation to the organizational climate from an Islamic perspective

Items	Factor loading			
	F1	F2	F3	F4
<i>Innovation and flexibility</i>				
This company is quick to respond when changes need to be made	0.716			
New ideas are readily accepted here	0.716			
Management here is quick to spot the need to do things differently	0.706			
Assistance in developing new ideas is readily available	0.705			
This organization is very flexible it can quickly change procedures to meet new conditions and solve problems as they arise	0.701			
People in this organization are always searching for new ways of looking at problems	0.691			
<i>Welfare of employees</i>				
This company tries to be fair in its actions toward employees		0.726		
This company cares about its employees		0.722		
This company tries to look after its employees		0.720		
This company pays attention to the interests of employees		0.678		
Employees are strongly encouraged to develop their skills		0.677		
<i>Supervisors' support</i>				
Supervisors here are really good at understanding peoples' problems			0.809	
Supervisors show that they have confidence in those they manage			0.751	
Supervisors can be relied upon to give good guidance to people			0.639	
Supervisors here are friendly and easy to approach			0.608	
Supervisors show an understanding of the people who work for them			0.607	
<i>Employees training</i>				
People are properly trained when there is a new machine or bit of equipment				0.850
People receive enough training when it comes to using new equipment				0.829
The company gives people the minimum amount of training they need to do their job				0.542
Total % of variance				61.412

A Likert scale of 1–5 (1 representing strongly disagree and 5 representing strongly agree) was used to measure the loyalty of employee in relation to organizational climate from an Islamic perspective. Eighty-two statements were constructed to the loyalty of employee in relation to organizational climate from an Islamic perspective. For the explanatory factor analysis, the reliability of each factor was tested using Cronbach's alpha to measure the internal reliability consistency. The principal component method was used to extract the latent factors influencing the loyalty of employee in relation to organizational climate from an Islamic perspective. The factor loading from the principal component factor analysis was obtained after the varimax rotation was performed on the responses of the employees to the 61 statements related to their loyalty of their organization. From the results of the rotated factor matrix, only items with a factor loading of at least 0.50 and above are considered significance items. The factors are then named based on the sub-variables that fall within each factor. Table 22.2 shows factors that influence the loyalty of employee in relation to organizational climate from an Islamic perspective.

22.5 Discussion and Conclusion

This study examines mainly the determinants that influence the loyalty of employee in relation to organizational climate from an Islamic perspective in Malaysia. A factor analysis of the data generated four factors as the determinants. From the analysis, the study found determinants like innovation and flexibility, welfare of employees, supervisors' support, training and development are positively and significantly influencing the employees' loyalty. Hence, organizations should emphasize these four factors in order to obtain high commitment from Muslim employees to enhance loyalty and boost organizational performance. Higher organizational performance is vital in order to sustain their competitive advantage in the long run. Innovation and flexibility is related to the adoption of new ideas such as flexi working hours in the office, readiness to accept changes, and adopt new policy to meet the needs of employees or solving problems. In addition to that, innovation and flexibility presently is very much relevant due to the high technology availability, the lifestyle, and different new generations in the workforce.

Another factor is the welfare of employees such as their remuneration and benefits. It is undeniable that Islam promotes brotherhood, good tidings and love between mankind for the sake of Allah. Thus, policies and guidelines for employees' welfare should address the most that the organization can offer. It also includes how serious is the organization in providing opportunities to their Muslim employees to develop themselves. In order to materialize this, supervisors' supports are needed to coach those they manage as on-job training. Supervisors should understand the different background and functions of employees. They have to know how to think out of the box, to be creative to assist the employees in time they are in need without breaking any procedures of the organization. They should not

be too rigid in executing their job. Last factor that was generated from the finding is training. Training and development are one of the HR development items that contributed to employees' loyalty. This finding is in line with the study conducted by Hassan et al. (2006) mentioned earlier, which indicated that employees' satisfaction with human resource development climate was predicted by learning and training system, employee development system (such as mentoring and coaching). Muslim employees perceived learning and developing themselves are extremely important as propagated by the Prophet Muhammad SAW. It is regard as vital for their benefit in this world and hereafter. Excellence in the Hereafter is the most blessed as it is indefinite, since you are attempting to seek Allah's pleasure, i.e., *al-falah*. Please note that this finding could only be generalized to the Muslim employees in this context.

Future research should be conducted in Muslim organizations in Malaysia. It is proposed to use other types of sampling techniques in order to gain in-depth findings in relation to this study. The findings of the study reinforce the assumption that investment in human capital brings competitive advantage to the company (Prahald and Hamel 1990; Winterton and Winterton 1996) resulted from employees' loyalty. Results as highlighted above reflect the importance of adequate HR practices, to promote employees' trust and satisfaction which eventually lead to loyalty. It is also in line with the findings of previous studies showing the contribution of HRD on employees' performance (Sandberg 2000), organizational commitment (Iles et al. 1990), and organizational retention (Robertson et al. 1991).

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