



**IDENTIFICATION OF FACILITATING FACTORS FOR
IMPLEMENTATION OF ISLAMIC WORK ETHICS IN
ISLAMIC BANKING INSTITUTIONS**

BY

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ABSTRACT

Work ethics are essential in organisations because they are not only used to guide employees to behave ethically, but they could also affect employees' performance and efficiency. Such considerations necessitate a clear and effective strategy for implementation of workplace ethics policies in general, and Islamic work ethics, in particular. However, little systematic evaluation of the implementation process of workplace ethics has been made. Using a qualitative approach, this study explored what is known regarding the factors that facilitate the implementation of Islamic work ethics and how these factors could affect the implementation process in organisations, particularly in Islamic banks. More specifically, a series of semi-structured interviews with Branch Managers and Assistant Branch Managers from six Islamic banks in Kuala Lumpur and Selangor ($n = 16$) was conducted. Data saturation was reached after 12 interviews, with four additional interviews undertaken to ensure a broadly representative sample. Using thematic analysis, nine important themes and 30 sub-themes were revealed as factors that influence the implementation of Islamic work ethics. These factors vary from personal and organisational to managerial and environmental factors. Improvements in these factors may have positive effects on successful implementation of work ethics policies in organisations. The thesis then concludes by discussing the implications of the findings and recommendations of the study. Future research potential to explore this issue is also provided.

الملخص

أخلاقيات العمل أمر ضروري في المنظمات. ذلك لأنه لا يتم استخدامه فقط لتوجيه الموظفين إلى التصرف بشكل خلقي، ولكنه يمكن أن يؤثر أيضاً على أداء الموظفين وكفاءاتهم. ويتطلب هذا السيناريو استراتيجية واضحة وفعالة لتنفيذ سياسات أخلاقيات العمل بشكل عام، وخلقيات العمل الإسلامي على وجه الخصوص. ومع ذلك، فإن الدراسات التي تحاول تقديم تقييم منهجي لعمليات التنفيذ جُدُّ قليلة. وتحاول هذه الدراسة الكشف عما يعرف بالعوامل التي تيسر سبل تنفيذ وخلقيات العمل الإسلامي، وكيف تؤثر هذه العوامل على عملية التنفيذ في المنظمات، وخاصة في البنوك الإسلامية. ومن أجل تحقيق هذه الأهداف فقد أجريت دراسة نوعية باستخدام مقابلة شبه منظمة مع مدراء الفروع ومساعدتهم من ستة بنوك إسلامية في كوالالمبور وسيلانجور (ن = ١٦). وقد وصلت البيانات إلى درجة التشبع بعد ١٢ مقابلة، بالإضافة إلى أربع مقابلات إضافية تم إجراؤها لضمان وجود عينة تمثيلية على نطاق واسع. وعن طريق استخدام التحليل الموضوعي تمَّ الكشف عن تسعة محاور مهمة، وثلاثين، موضوعاً فرعياً، متعلّقاً بالعوامل التي تؤثر على تنفيذ أخلاقيات العمل الإسلامي. وتختلف هذه العوامل ما بين العوامل الشخصية والتنظيمية والإدارية والبيئية. إنَّ تحسين هذه العوامل قد يكون له آثار إيجابية على التنفيذ الناجح لسياسات خلقيات العمل في المنظمات. وقد تمت مناقشة الآثار المترتبة على هذه النتائج والتوصيات الواردة في الدراسة، كما أنه قد تمَّ طرح مجموعة من الدراسات المستقبلية لاستكشاف أبعاد هذه القضية.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Human Sciences in Psychology (Industrial and Organisational)

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter provides a general overview of the research. It begins with the background of the study, followed by a statement of the problem and the significance of the study. The chapter then addresses the research questions and objectives of the study. The next section highlights the definition of terms, delimitations of the study, and finally, a conclusion is made to summarise the chapter.

1.2 BACKGROUND OF THE STUDY

There has been considerable globalisation of Islamic banks and financial institutions in countries around the world, partly due to the expansion of the business of conventional banks into Islamic ones (Perry & Rehman, 2011). Since the growth of these institutions is increasing day by day, competition among banks has become intense, not only in terms of products offered but also services rendered to the customers. Customers, nevertheless, prefer to choose banks that provide the best service (Lo & Leow, 2014). In order to provide outstanding customer service, banks need to think through their business and work ethics policies carefully and ensure that effective implementation of these policies takes place (Alrubaiee, 2012).

Ethics is defined as a set of moral standards for people to judge whether a behaviour is right or wrong (Rossow & Vuuren, 2011). In a workplace, ethics, which is also known as work ethics or business ethics, acts as a standard of behaviour that should be identified and applied in order to enhance the interests of all who are affected by the business (Rossow & Vuuren, 2011). Various perspectives on ethics are

identifiable; one of it is the Protestant work ethic, which is closely connected to the spirit of capitalism (Yousef, 2001). The Protestant work ethic is used in organisations in the economic and business fields, such as banking institutions. However, there is now a rapid development of Islamic banking institutions (Adebayo & Hassan, 2013), with many conventional banks expanding their business to include Islamic products or separate Islamic branches. As a result, there is considerable awareness of the importance of the ethical principles of Islamic financial institutions (Adebayo & Hassan, 2013).

In Islam, ethics can be referred to as *Akhlaq*, which is a determination of whether or not behavioural and character traits are good and are based on the Qur'ān and Ḥadīths (Owoyemi, 2012). Behaving ethically or morally is a major concern in Islam and requires application in all aspects of life (Ahmad & Aslam, 1999). A Qur'ānic verse, i.e., "*The noblest of you in the sight of Allah is the best of you in conduct*" (Al-Qur'ān, Hujurat: 13) has emphasised this aspect and in another verse, Allah SWT further states that, "*You are the best of peoples, evolved for mankind, enjoining what is right, forbidding what is wrong, and believing in Allah*" (Al-Qur'ān, Ali- Imran:110).

Islam is also concerned with ethics in the context of the workplace. Evidence from the historical literature has shown that Prophet Muhammad PBUH himself has given guidance on how to behave in an Islamic manner while working; for example, being honest in trade and giving salary to workers on time, Prophet Muhammad PBUH said, "*An honest and credible trader will be with prophets, sincere people, and syuhada*" (Al-Tirmizi: Ḥadīth no. 1209, vol. 3, p. 214). Another Ḥadīth states that, "*One must give a worker his wage before his sweat dries*" (Ibnu Majah: Ḥadīth no. 2443, vol. 2, p. 817). These examples are further supported by Anas bin Malik, who

stayed for nine years with the Prophet Muhammad PBUH and bore witness that the Prophet never treated him in an unjust manner or talked rudely. He said, *“I served the Prophet for ten years. He never said “uff” and never blamed me by saying: “Why did you do so?” or “Why did you not do so?” And the Messenger of Allah had the best character among all of the people”* (Al-Tirmizi: Ḥadīth no. 2015, vol. 4, p. 197).

From the sources above, it can be seen that Islam pays attention to good behaviour in the workplace. Therefore, work ethics is essential in an Islamic workplace. This is because work ethics not only guides employees to behave ethically but also affects their performance and efficiency, as has been fairly documented in the literature. Previous studies have indicated that work ethics is positively associated with less role stress, greater job satisfaction, and a higher level of organisational commitment (Babin, Boles, & Robin, 2000). A decline in work ethics, on the contrary, correlates with lower levels of job performance (Yandle, 1992), higher levels of absenteeism and turnover (Klebnikov, 1993), and increased counterproductive behaviour (Sheehy, 1990). Similarly, in the Islamic work ethics literature, Ali and Al-Kazemi (2007), Zaman et al. (2013) and Sadozai et al. (2013) found a consistent positive impact of Islamic work ethics such as increased organisational loyalty, higher job satisfaction, and decreased turnover intention.

While much attention has been paid to investigating the impact of Islamic work ethics on work outcomes, less attention has been given to how work ethics is actually applied and put into effect within organisations. Ethics, like policies, does not get implemented on its own; it needs to be activated and put into action (Barrett, 2004). Hence, the implementation process is vital for the success of ethical management and practices.

In general, implementation refers to the delivery of any plan, policy, service, or programme (Burke, Morris, & McGarrigle, 2012). There is a growing body of research that has identified the distinct stages involved in effective implementation (e.g., Burke, Morris, & McGarrigle, 2012; Durlak & DuPre, 2008; Schofield, 2001). While different labels have been used to delineate these stages, there is a general consensus that the implementation process involves four major activities: (1) exploring and preparing; (2) planning and resourcing; (3) implementing and operationalising; and (4) embedding and evaluating (Burke, Morris, & McGarrigle, 2012; Nijhof et al., 2003). Each activity is important, with certain activities requiring follow-up as the implementation progresses (Burke, Morris, & McGarrigle, 2012).

Several factors have been reported as influencing the implementation process (Burke, Morris, & McGarrigle, 2012; Durlak & DuPre, 2008; Driessen et al., 2010; Schofield, 2001). These factors range from organisational and managerial (e.g., culture, climate, structure, and leadership style) to individual and environmental factors (e.g., training, self-efficacy, skills proficiency, community, funding, and policy) (Durlak & DuPre, 2008; Schofield, 2001). Leadership, training, climate, practices, managerial support, and communication are examples of factors that support the success of the implementation process (Durlak & DuPre, 2008); whereas factors, such as the external environment, resistance to change, and vested interests are found to inhibit its success (Burke, Morris, & McGarrigle, 2012). Relevant studies have also noted that several factors, which facilitate the success of the implementation process in some studies, hinder the process in others. For example, Driessen and colleagues (2010) reported that management commitment, resources, culture, and work groups can be both facilitating factors and barriers to implementation. Given these mixed

findings, further exploration of the facilitating factors is warranted to better understand the dynamics of the implementation process.

In the context of work ethics, organisations need to consider the facilitating factors discussed earlier because they represent a constellation that could influence the implementation process. However, studies such as those by Ali and Al-Kazemi, (2007), Babin, Boles, and Robin (2000), Klebnikov (1993), Yandle (1992), and Yousef (2001) argued that research on facilitating factors for the implementation of work ethics are limited, and this lack of research extends to the Islamic work ethics literature. In particular, most existing studies on Islamic work ethics have focused on its influences on work outcomes, with a lesser focus being given to the implementation process (Abuznaid, 2009). Understanding the outcomes and concepts of Islamic work ethics is an important step; however, it does not guarantee successful implementation if the facilitating factors are not properly understood as well. It is therefore equally important to understand the factors that facilitate the implementation process of Islamic work ethics because understanding ethics only is not adequate to ensure compliance with the ethics codes (Nijhof et al., 2003). By understanding the facilitating factors, organisations can prepare the necessary strategies for implementing Islamic work ethics. To address this gap, an investigation of these facilitating factors, especially in the Islamic context, is needed to improve the implementation process, thereby contributing to positive work outcomes.

1.3 STATEMENT OF THE PROBLEM

While much effort has been expended to examine the outcomes and concepts of Islamic work ethics, there is one important area that has not been thoroughly researched - the facilitating factors that influence the implementation process. Despite

studies arguing that work ethics is important for every stage of the organisational lifecycle, it is often not formally institutionalised by organisations (Dimitriou, 2012). This is a noticeable deficit in the literature as studies have shown that work ethics, in general, and Islamic work ethics, in particular, can serve as the driver of organisational character, motivation, and loyalty among employees (Ali & Al-Kazemi, 2007, Sadozai et al., 2013, Zaman et al., 2013).

Moreover, many organisations, attempting to implement a work ethics programme, appear to be less successful in the process, partly because of vague organisational value statements and not knowing the factors that hinder or foster effective implementation (Li, Gouhui, & Eppler, 2009). For these reasons, the need to start with an identification of facilitating factors is frequently mentioned for effective implementation (Burke, Morris, & McGarrigle, 2012; Durlak & DuPre, 2008; Driessen et al., 2010). However, limited data is available on these factors in both general and Islamic work ethics literature. Given this context, it is crucial that more research on this topic is conducted and the present study aims to fill this gap.

The aim of this study is to identify the possible facilitating factors to the implementation of Islamic work ethics in organisations, particularly those inherently Islamic in nature, such as Islamic banks. It also aims to understand how these factors relate to the effectiveness of the implementation process. The specific research questions addressed in this study are outlined in Section 1.5 below.

1.4 SIGNIFICANT OF STUDY

The study offers three significant contributions to the area. First, this study contributes to the knowledge of organisational change and development by identifying the facilitating factors of Islamic work ethics implementation and deepening the

understanding of how these factors relate to the development of effective implementation strategies and processes. Second, based on the study's findings, a broadly applicable recommendation for implementing Islamic work ethics in organisations, especially Islamic banks, can be proposed. Third, a new framework that could improve strategies for organisations seeking to implement Islamic work ethics, is suggested.

1.5 RESEARCH QUESTIONS

Two research questions are addressed in this study:

1. What are the facilitating factors for the implementation of Islamic work ethics in Islamic banks?
2. How do the identified facilitating factors influence the implementation process of Islamic work ethics in Islamic banks?

1.6 RESEARCH OBJECTIVES

Two objectives are addressed in this study as follows:

1. To identify the facilitating factors for implementation of Islamic work ethics in Islamic banks.
2. To explore how the identified facilitating factors influence the implementation process of Islamic work ethics in Islamic banks.

1.7 DEFINITION OF TERMS

This section outlines the definition of terms and concepts used in this study. Specific conceptual definitions must be provided even in qualitative studies (Newman, 2012) because there could be several definitions associated with one particular term.

However, their role here is only to serve as working ideas to organise the data in the data collection and analysis processes and they do not necessarily lend themselves to the operationalisation of the concepts (Newman, 2012).

1.7.1 Islamic Work Ethics

Islamic work ethics refers to an orientation, which is based on a combination of Qur'ān teachings and the teachings of the *Sunnah* of Prophet Muhammad PBUH, that shapes and affects the contribution and involvement of employees in the workplace and society (Ali & Al-Kazemi, 2007). In this study, Islamic work ethics refers to a set of ethics that contains principles and values applied in organisations.

1.7.2 Implementation

Implementation is defined as a continuous process of bringing a plan into action (Schofield, 2001). According to Nijhof et al. (2003), there are six processes in ethics implementation, which include identifying and removing barriers, coding, internalisation, enacting values, monitoring, and accountability. In this study, the facilitating factors identified through data collection, and how these factors interact and play a role in the six-step implementation processes are explored.

1.7.3 Facilitating Factors

In this study, facilitating factors are defined as any factor or variable that positively influences the implementation process of Islamic work ethics. Some of the possible facilitating factors have already been identified in previous studies (e.g., von der Embse, Desai, & Desai, 2004; Nijhof et al., 2003; Remisova & Lasakova, 2012);

however, it is anticipated that new factors may emerge during the data collection process.

1.7.4 Islamic Banking Institutions

All selected banking institutions where the participants are screened to ensure similar features, in terms of two inclusion criteria as mentioned in Section 2 of the Islamic Banking Act 1983, which states that: (1) they conduct Islamic banking business, which involves banking business whose aims and operations do not involve any element which is not approved by the Religion of Islam; and (2) they hold a valid license to conduct Islamic banking business (Islamic Banking Act, 1983).

1.7 DELIMITATION

Some delimitations of this study are highlighted to enable a greater focus of the study. First, this study specifies the exploration of facilitating factors in the implementation of Islamic work ethics and not a code of ethics, in general. Second, participants are chosen from the management level (i.e., Branch Managers and Assistant Branch Managers) and from Islamic banks in the Kuala Lumpur and Selangor areas only. Third, the method used for gaining in-depth data is through semi-structured interviews only.

1.8 CONCLUSION

Many studies that have been conducted to examine the impact of Islamic work ethics on work outcomes demonstrate that it brings about positive results for organisations. Nevertheless, there is a lack of studies that have focused on its implementation. Hence, this study aims to fill this gap. Several suggestions and strategies for

enhancing the implementation of work ethics in the workplace can be derived from these findings. The next chapter reviews the existing literature on the implementation of work ethics.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews the past studies that are related to the study currently undertaken. First, an overview of work ethics, Islamic work ethics, and the Islamic work ethics policies applied in Islamic banks in Malaysia are discussed. Next, the implementation process is reviewed and studies that have examined the possible facilitating factors in the implementation of work ethics are deliberated. In particular, seven factors (i.e., ethical leadership, ethical climate, ethical training, ethics programmes, individual factors, and combinations of factors) have been identified and discussed. Possible explanations of how these factors relate to the implementation process are also included. This section is followed by identification of important gaps in the literature and how the present thesis adds to existing knowledge in implementation of Islamic work ethics research. The chapter continues with the theoretical and conceptual frameworks for the study and concludes with a summary.

2.2 OVERVIEW OF WORK ETHICS AND ISLAMIC WORK ETHICS

2.2.1 Work Ethics

As discussed earlier in Chapter 1, ethics can be defined as a set of moral standards for people to judge whether a behaviour is right or wrong (Rossow & Vuuren, 2011). When applied in occupational settings, it is known as *work ethics* or *business ethics*, which refers to the principles that govern the desirable behaviour among members of an organisation (Naagarazan, 2006). Work ethics can be viewed from various perspectives; however, the most prominent one is the Protestant work ethic (Weber,

2015). Many researchers (e.g., Arslan, 2000; Furnham, 1984; Mirels & Garrett, 1971) have defined Protestant work ethics as a dispositional variable that is characterised by a belief in the importance of hard work, productivity, frugality, punctuality, pride in work, commitment to occupation, having achievement needs, honesty, seeing wasting as a vice, and negativity to leisure; all of which represent individuals' work values that favour intrinsic reward and motivation rather than extrinsic ones (Furnham, 1984; Leong, Huang, & Mak, 2014). In his study, Welsh (2005) found that Protestant work ethics had become the central framework through which work ethics is understood and implemented. This is because it is widely embedded in various organisational processes, political institutions, and non-religious social norms.

2.2.2 Islamic Work Ethics

In Islam, ethics is associated with concepts that are related to moral values and behaviours; for example, *khuluq* or *akhlāq* (manners and morality), *al-khayr* (goodness), *al-birr* (righteousness), *al-qist* (equity), *al-haq* (truth and right), *al-'adl* (justice), *al-ma'ruf* (known and approved), and *al-taqwā* (piety) (Ibrahim & Kamri, 2016). When applied to work and organisational settings, these values and behaviours are known as Islamic work ethics (Ali & Al-Kazemi, 2007).

Ali and colleagues (e.g., Ali, 1988; 1989; 1992; 2005; Ali & Azim, 1994; Ali & Al-Owaidan, 2008; Ali & Al-Kazemi, 2007) defined Islamic work ethics as a guide, which is based on the Qur'ān and Prophet Muhammad's PBUH teachings, and consisted of moral philosophy and good behavioural characteristics that can tap the degree of purposeful engagement in work. In other words, it is regarded as an orientation that shapes and affects the contribution and involvement of employees at the workplace. This comprehensive definition is relevant because the concept of *work*