

ORGANIZATIONAL JUSTICE, JOB SATISFACTION
AND THE MODERATING ROLE OF ISLAMIC
SPIRITUALITY: A STUDY ON SMALL AND MEDIUM
ENTERPRISES' (SMEs) EMPLOYEES IN KLANG
VALLEY, MALAYSIA

BY

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ABSTRACT

Employee job satisfaction has been one of the main concerns in employee retention within organizations especially in small and medium enterprises (SMEs). Small and medium enterprises (SMEs) are chosen as the study population due to their important contributions to the country's economic development. Previous studies done on small and medium enterprises (SMEs) regarding job satisfaction and organizational justice have shown inconsistent results in the organizational justice dimension. There are two main purposes of this study. First, to examine the relationship between organizational justice and job satisfaction including Islamic spirituality and job satisfaction. Second, to determine the role of Islamic spirituality in moderating the relationship between organizational justice and job satisfaction. Organizational justice in this study encompasses three components: distributive justice, procedural justice and interactional justice. The Islamic spirituality values are based on *Taqwa* values (Islamic Piety) derived from the terminology of Islamic spirituality used by Mohsen (2007), Kamil (2012), Sulaiman et. al, (2013), and Bhatti (2015), which categorized spirituality as one of the components of *taqwa*, excluding the social responsibility aspect. Most local or international studies have not considered Islamic spirituality as a moderating factor to enhance job satisfaction through the organizational justice dimension. Hence, this study investigates Islamic spirituality as a moderating factor among small and medium enterprises (SMEs) in Malaysia. Two theories underpin this study, namely the Resource-Based Theory and Equity Theory. This study uses self-administered questionnaire and quantitative methodology to survey employees of Small and Medium Enterprises (SMEs) in Malaysia by adapting measurement instruments from existing literature. A sample of Small and Medium Enterprises (SMEs) from the Directory of Small and Medium Enterprises (SMEs) in Malaysia focusing in Klang Valley was selected from which Muslim employees were approached as the unit of analysis. Four hundred (400) questionnaires were distributed, and 276 completed responses were received which resulted in 69% response rate. Six (6) hypotheses were formulated and three (3) were found to be statistically significant. All preliminary analyses were performed to ensure that the data were valid and reliable to proceed with the main analyses. Multiple Linear Regression Analysis (MLRA) was adopted to test their relationships. All these analytical procedures utilized the Statistical Package for Social Science (SPSS) version 23, inclusive of test of hypotheses. The results of the moderated multiple linear regression analysis show that the three organizational justice dimensions are significant in influencing employee job satisfaction. These indicate the importance of the factors in ascertaining that those employees are happy working with the organization. However, Islamic spirituality did not seem to moderate the relationship between the organizational justice dimensions and job satisfaction. Among the three dimensions of organizational justice, the variance of job satisfaction is better explained by distributive justice followed by procedural justice and interactional justice. But the analysis of data showed that Islamic spirituality is directly and significantly related to job satisfaction. In other words, Islamic spirituality functions as an independent variable, not a moderator. Although half of the hypotheses were not supported, this study has contributed to enriching the existing body of knowledge by providing additional empirical evidence on the influence of organizational justice dimensions on employee job satisfaction in Small and Medium Enterprises (SMEs) particularly in the Malaysian context. Practical suggestions to the organizations' top management, Human Resource (HR) professionals and policymakers were also proposed.

خلاصة البحث

كان الرضا الوظيفي للموظفين هو الشاغل الرئيس في الاحتفاظ بالموظفين داخل المنظمة وخاصة الشركات الصغيرة والمتوسطة (SMEs). يتم اختيار الشركات الصغيرة والمتوسطة (SMEs) كمجتمع الدراسة نظراً لإسهاماتها المهمة في التنمية الاقتصادية للبلاد. لقد أظهرت الدراسات السابقة التي أجريت على الشركات الصغيرة والمتوسطة (SMEs) بين الرضا الوظيفي والعدالة التنظيمية نتائج غير متسقة ضمن بُعد العدالة التنظيمية. الغرض الرئيس من هذه الدراسة ينقسم إلى شقين: أولاً في دراسة العلاقة بين العدالة التنظيمية والرضا الوظيفي بما في ذلك الروحانيات الإسلامية والرضا الوظيفي كذلك. ثانياً: تحديد دور الروحانيات الإسلامية في توسط العلاقة بين العدالة التنظيمية والرضا الوظيفي. تشمل العدالة التنظيمية في هذه الدراسة ثلاث مكونات: العدالة التوزيعية والعدالة الإجرائية والعدالة التفاعلية. استندت القيم الروحانية الإسلامية إلى قيم التقوى (التقوى الإسلامية) المشتقة من مصطلحات الروحانية الإسلامية التي استخدمها محسن (2007)، كامل (2012)، سليمان وآخرون (2013)، و Bhatti (2015)، اللذان صنفا الروحانيات كأحد مكونات التقوى باستثناء جانب المسؤولية الاجتماعية. لم تعتبر معظم الدراسات المحلية أو الدولية الروحانيات الإسلامية عاملاً وسيطاً لتعزيز الرضا الوظيفي من خلال بُعد العدالة التنظيمية. ومن هنا تم التحقيق في الروحانية الإسلامية كعامل معتدل بين الشركات الصغيرة والمتوسطة (SMEs) في ماليزيا. تدعم هذه الدراسة نظريتين، وهما النظرية القائمة على الموارد ونظرية الإنصاف. تستخدم هذه الدراسة الاستبانة الذاتية والمنهجية الكمية لمسح موظفي الشركات الصغيرة والمتوسطة (SMEs) في ماليزيا من خلال تكييف أدوات القياس من الأدبيات الموجودة. وتم اختيار عينة من الشركات الصغيرة والمتوسطة (SMEs) من دليل الشركات الصغيرة والمتوسطة (SMEs) في ماليزيا مع التركيز في منطقة كلانج والتي تم من خلالها التعامل مع الموظفين المسلمين كوحدة للتحليل. كما تم توزيع أربع مائة (400) استبانة مع 276 إجابة مكتملة نتج عنها معدل استجابة بنسبة 69%. تمت صياغة ست فرضيات ووجدت ثلاثة (3) ذات دلالة إحصائية. كما تم إجراء جميع التحليلات الأولية للتأكد من أن البيانات كانت صحيحة وموثوقة للشروع في التحليلات الرئيسية. لقد تم اعتماد تحليل الانحدار الخطي المتعدد (MLRA) لاختبار علاقاتهم. وكل هذه الإجراءات التحليلية استخدمت

الحزمة الإحصائية للعلوم الاجتماعية (SPSS) من الإصدار 23 بما في ذلك اختبار الفرضيات. تظهر نتائج تحليل الانحدار الخطي المتعدد المعتدل أن أبعاد العدالة التنظيمية الثلاثة مهمة في التأثير على الرضا الوظيفي للموظف. تشير هذه إلى أهمية هذه العوامل في التأكد من أن هؤلاء الموظفين سعداء بالعمل مع المنظمة. ومع ذلك، لا يبدو أن الروحانية الإسلامية تعمل على تعديل العلاقة بين أبعاد العدالة التنظيمية والرضا الوظيفي. من بين الأبعاد الثلاثة للعدالة التنظيمية، يتم تفسير التباين في الرضا الوظيفي بشكل أفضل من خلال العدالة التوزيعية متبوعة بالعدالة الإجرائية والعدالة التفاعلية. لكن تحليل البيانات أظهر أن الروحانية الإسلامية ترتبط ارتباطاً وثيقاً بالرضا الوظيفي بشكل مباشر. بمعنى آخر، الروحانية الإسلامية تعمل كمتغير مستقل، وليست وسيطاً. على الرغم من عدم دعم نصف الفرضيات، فقد ساهمت هذه الدراسة في إثراء مجموعة المعرفة الحالية من خلال تقديم أدلة تجريبية إضافية حول تأثير أبعاد العدالة التنظيمية على رضا الموظفين في الشركات الصغيرة والمتوسطة (SMEs) خاصة في السياق الماليزي. تم اقتراح اقتراحات عملية للإدارة العليا للمؤسسة ومتخصصي الموارد البشرية وواضعي السياسات.

APPROVAL PAGE

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DECLARATION

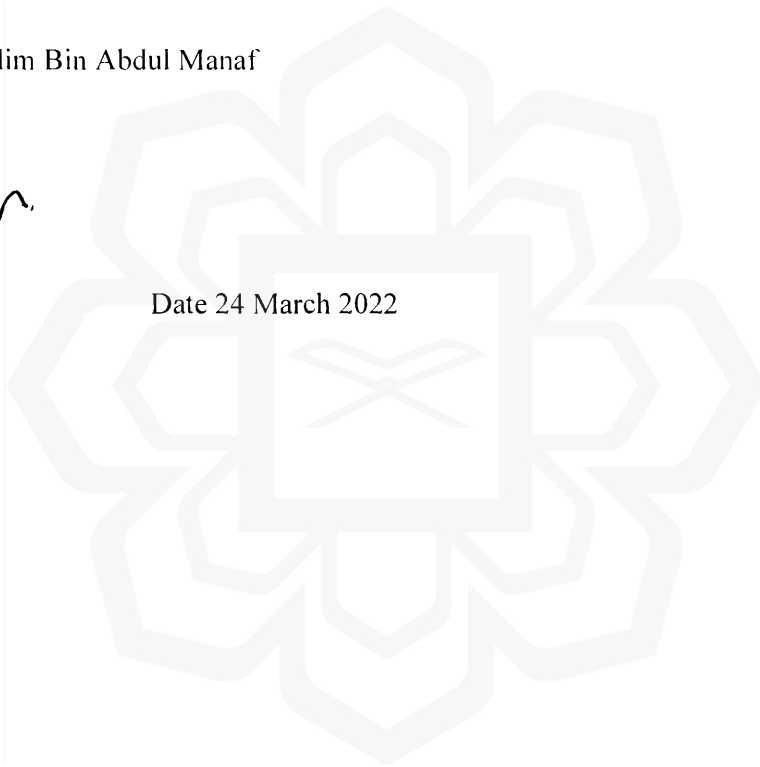
I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at HUM or other institutions.

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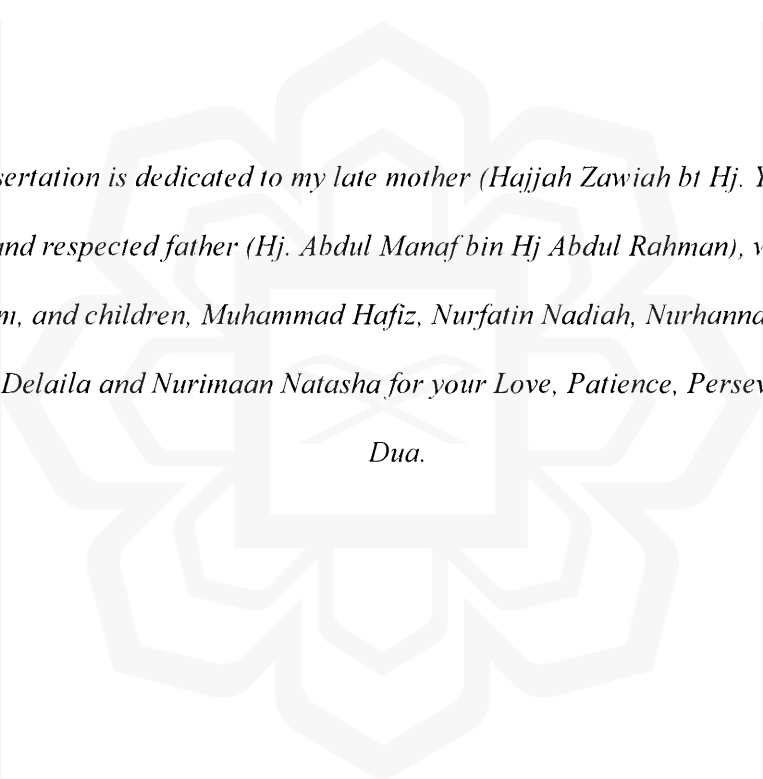
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This dissertation is dedicated to my late mother (Hajjah Zawiah bt Hj. Yaacob) my beloved and respected father (Hj. Abdul Manaf bin Hj Abdul Rahman), wife, Aniqah Hashim, and children, Muhammad Hafiz, Nurfatin Nadiyah, Nurhanna Yasmin, Nuriffah Delaila and Nurimaan Natasha for your Love, Patience, Perseverance and

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LIST OF ABBREVIATIONS

Abbreviation	Description
ANOVA	Analysis of Variance
AVE	Average Variance Extracted
CFA	Confirmatory Factor Analysis
CSR	Corporate Social Responsibility
DBA	Doctorate in Business Administration
DJ	Distributive Justice
DOSM	Department of Statistics Malaysia
DV	Dependent Variable
EE	Employee Engagement
EFA	Exploratory Factor Analysis
GDP	Gross Domestic Product
GLC	Government-Linked Company
HR	Human Resources
IUM	International Islamic University Malaysia
IJ	Interactional Justice
IPTA	Institut Pengajian Tinggi Awam
IS	Islamic Spirituality
ISR	Islamic Social Responsibility
IV	Independent Variable
JS	Job Satisfaction
KMO	Kaiser-Meyer-Olkin
LMX	Leader-Member Exchange
MAR	Missing at Random
MLRA	Multiple Linear Regression Analysis
MSA	Measure of Sampling Adequacy
OB	Organizational Behavior
OCB	Organization Citizenship Behavior
OCBIP	Organization Citizenship Behavior From Islamic Perspective
OJ	Organizational Justice
OLS	Ordinary Least Squares
PBUH	Peace Be Upon Him
PCA	Principal Components Analysis
PJ	Procedural Justice
RBV	Resource Based View
SDE	Social Desirability Effects
SEM	Structural Equation Modeling
SME	Small Medium Enterprise
SPSS	Statistical Package for Social Science
TQM	Total Quality Management
VIF	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF STUDY

Ninety percent (90%) of global businesses are attributed to small and medium enterprises (SMEs). No doubt, they make substantial contributions to employment and, more crucially, the economy. According to Falahat, Ramayah, Soto-Acosta, and Lee (2020), and Hanifah et al. (2019), SMEs are critical to Malaysia's economic growth and employment outlook. In 2019, 97.2% of business enterprises were SMEs, accounting for 38.9% of Malaysia's GDP, 17.9% of export revenue, and 48.4% of total employment. The service sector was the main contributor to Malaysia's GDP, at 63.3% in 2019. The majority of SMEs were microenterprises, accounting for 76.5% and consisting primarily of small entrepreneurs with less than five full-time workers.

Although SMEs are critical to Malaysia's economy, the factors that contribute to their success are the source of dispute among scholars. Scholars from various fields concurred on the critical nature of SME accomplishments in employment, income creation, and social and economic growth (Omri & Boujelbene, 2015). Pletnev and Barkhatov (2016) mentioned that SMEs contribute 56% of the gross domestic product (GDP) of several European nations. Consequently, Abdullahi et al. (2015) and Al-Tit et al. (2019) highlighted the additional rationale for the relevancy of SMEs, including community empowerment, poverty reduction, and job creation. Additionally, according to Rashid and Harif (2015), SMEs contributions are significant to individuals in offering employment and raising standards of living, as well as to the nation in contributing to

national GDP and total export. Indeed, different factors contributing to SMEs success have attracted the attention of academics, practitioners, and policymakers.

Due to the significant contribution of SMEs to the economy especially the creation of employment, having satisfied employees is important. Based on Resource-Based View, employees are considered as one of the main resources of a firm that will affect its performance, hence they need to be managed properly. Employees' perception of how fair an organization treats them will influence their satisfaction while working for the firms. Highly satisfied employees are important as they believe that the organization would have a bright future in the long run and would care about their well-being. From the company's perspective, job satisfaction will affect the quality of products or services rendered by the company. As a consequence, they would be more committed to the organization, have a higher retention rate, and tend to exhibit higher productivity (Fatt et al., 2010; Agus & Selvaraj, 2020) low absenteeism and turnover intention (Dailey & Kirk, 1992; Rombaut & Guerry, 2019; Addae & Boso, 2020).

Understanding job satisfaction (JS) has been the concern of organizational scholars for decades, and, in recent years, many of these scholars have turned their attention to the role of organizational justice (OJ) in shaping this important work attitude, which is JS. Researchers have established that OJ is a consistent and strong predictor of JS (Colquitt, 2001; Arab & Atan, 2018). OJ has been extensively studied and proven to be related to JS in the west, but this type of study is still new in Malaysia. Organizational justice (OJ) encompasses three forms of justice, namely distributive justice, procedural justice and interactional justice that also includes organizational behavior such as payment satisfaction, job performance, reaction to organizational grievance system and performance appraisal (Cole et al., 2002, Zainalipour et al., 2010).

In this research, the main issue to be explored is whether the relationship between the organizational justice dimension and job satisfaction will be enhanced by the spiritual dimension of the employee that is the Islamic spirituality. Religion or spirituality teaches that one should believe that sustenance is ordained by the Almighty, thus one should accept what is given. It is hoped that the findings on this aspect is the main contribution from this research.

1.2 PROBLEM STATEMENT

SMEs have an important role in Malaysia's economy. SME Corporation Malaysia groups SMEs into two categories mainly manufacturing and services/other sectors. The manufacturing sector is defined as having sales turnover not exceeding RM50 million OR full-time employees not exceeding 200 workers. Services/other sectors is defined as having sales turnover not exceeding RM20 million OR full-time employees not exceeding 75 workers. Besides generating a limited number of sales, SME Corporation Malaysia also defined SMEs as entities that have limited number of employees. As such, the success of SMEs depends upon their main resources, which are their employees. As reported by Siew et al. (2021), 16% of Malaysian employees stay within a company for less than a year, while 30% only plan to work in the same company less than 2 years due to low job satisfaction, searching for better job prospects, wanting to assume new challenging roles and needing new skills to improve employability. Such actions will require a company to replace one-third of its employees every 2 years and this will impact productivity and create difficulty in maintaining its competitive advantage through loss of experienced workers.

One of the steps that have to be taken by the SMEs' management in order for them to perform well is to manage their resources efficiently and effectively. Given this fact,

it is crucial for SME owners and policy makers to understand more about the behaviours of its employees towards their jobs as they are considered as one of the main resources of the firm which is human capital. Human capital is part of resources as explained in the Resource-Based View. Therefore, it is important and beneficial to understand the behaviour of SME employees in greater detail.

Just like other business entities, SMEs face several challenges in maintain its resources especially its talented employees in competitive business environment (Nanjundeswaraswamy et al., 2020). Valaei and Rezaei (2016) found that payment, promotion, fringe benefits, co-worker, communication, operating procedures and nature of work are positively associated with employee satisfaction of their job. Furthermore, payment, promotion, fringe benefits, supervision, contingent rewards, operating procedures and nature of work have positive relationship with employees in ensuring that they stay with their current employment.

Due to SMEs likely lack of financial resources, they sometimes could not provide desirable compensation systems that their employees perceive as fair and commensurate with their skills, experiences and knowledge (Long et al., 2014). Most scholars are in agreement that appraisal of employee performance in SMEs is likely to be informal and ongoing due to frequent opportunities for interaction between supervisors and employees (Gilbert & Jones, 2000). It is vital for SMEs to ensure conducive working relationship between management and employees to contribute and sustain satisfactory productivity, motivation and high morale work environment that enhance job satisfaction for the employee and meet goals of the organization (Long et al., 2014). Matching of employee, employer and organizational needs and meeting promises and expectations established initially within the relationship will ensure good

retention strategy to maintain talented and good employees. These are issues that lie within the organizational justice dimension that SMEs face.

Previous studies on SMEs regarding the relationship between job satisfaction and organizational justice dimension have resulted in various inconsistent results. Krishnan (2020) reported that only distributive justice has significant relationship with job satisfaction, while both procedural and interactional justice do not show significant relationship with job satisfaction. Other studies on SMEs show that all three dimensions of organizational justice (distributive, procedural and interactional justice) are significant contributors for job satisfaction of the employee (Abd Razak & Ali, 2021; Manshor et al., 2016). Additionally, other studies sometimes have conflicting findings such as by Bakotić and Bulog (2021) with Al-Douri (2020) which showed that procedural justice is not significant for the earlier studies but it is significant towards job satisfaction for the later studies. These various findings present opportunities to further explore the extend of the impact of organizational justice dimensions towards job satisfaction in SME employees in Malaysia.

In Malaysia, most employees are Muslims. As Muslims, they espouse Islamic spirituality. Thus, in this study an attempt is made to test the moderating effect of Islamic spirituality (IS), mainly the *taqwa* attributes on the relationship. Firstly, the study will establish the relationship between organizational justice and job satisfaction. Secondly, the study will attempt to determine whether Islamic spirituality plays a moderating role in the relationship between organizational justice and job satisfaction.

Studies have shown that good workplace spirituality will lead to good behavioral outcomes which will eventually bring better organizational performance (Belwalkar et al., 2018; Garg, 2020; Zhang, 2020). Researchers (Krishnakumar & Neck, 2002; Fry, 2003; Giacalone & Jurkiewicz, 2003; Reave, 2005; Iqbal et al., 2018; Jena, 2021) attest

that programs that involve workplace spirituality will improve employees' morale hence enhancing their commitment and eventually resulting them to be satisfied with their job.

Researchers have discussed Islamic spirituality in connection with many variables, especially outcomes such as leadership effectiveness, organizational citizenship behavior and career success but studies analyzing the moderating effect of Islamic spirituality are rare in the literature. In most studies, Islamic spirituality is used as an independent variable and not as a moderator (Mohsen, 2007; Sulaiman et al., 2013; Kamil et al., 2011; Kamil, 2012; Bhatti, 2015; Djafri & Nordin, 2016; Harun, 2020; Tuerwahong, 2020). Therefore, this study can contribute to the present body of knowledge in the area of spirituality in the workplace.

Conceptually, this study fills the gap in the literature of job satisfaction and organizational justice and for practical business purposes by suggesting the role of Islamic spirituality in the relationship between organizational justice and job satisfaction among Malaysian SME employees. The moderating role of Islamic spirituality in this context had never been attempted before. Studying Islamic spirituality from this perspective provides deeper understanding to the management of the organization on the role of Islamic spirituality in the relationship between the level of job satisfaction and organizational justice.

1.3 RESEARCH QUESTIONS

In order to address the issues raised in the research problem eight research questions are formulated. The answers will contribute to knowledge on these variables especially among SME employees in Malaysia:

1. Does Distributive Justice influence Job Satisfaction among SME employees in Malaysia?
2. Does Procedural Justice influence Job Satisfaction among SME employees in Malaysia?
3. Does Interactional Justice influence Job Satisfaction among SME employees in Malaysia?
4. Does Islamic spirituality influence Job Satisfaction among SME employees in Malaysia?
5. Does Islamic spirituality influence Organizational Justice (Distributive Justice, Procedural Justice, and Interactional Justice) among SME employees in Malaysia?
6. Does Islamic Spirituality moderate the relationship between Distributive Justice and Job Satisfaction among SME employees in Malaysia?
7. Does Islamic Spirituality moderate the relationship between Procedural Justice and Job Satisfaction among SME employees in Malaysia?
8. Does Islamic Spirituality moderate the relationship between Interactional Justice and Job Satisfaction among SME employees in Malaysia?

1.4 RESEARCH OBJECTIVES

Based on the problem statement in Section 1.2 that has conceptually highlighted the main variables of this study, its relationship and importance, eight main objectives have been developed in this study. These objectives are mainly on examining the relationship between organizational justice, under its three (3) dimensions (distributive justice, procedural justice, and interactional justice), and job satisfaction. Furthermore, examination of Islamic spirituality relationship with job satisfaction and the three

elements of organizational justice are also regarded as objective. In addition to that, the objective of assessing the moderating effect of Islamic spirituality on the relationship will also be established. Therefore, the main objectives are as follows:

1. To examine the relationship between Distributive Justice and Job Satisfaction among SME employees in Malaysia.
2. To examine the relationship between Procedural Justice and Job Satisfaction among SME employees in Malaysia.
3. To examine the relationship between Interactional Justice and Job Satisfaction among SME employees in Malaysia.
4. To examine the relationship between Islamic Spirituality and Job Satisfaction among SME employees in Malaysia.
5. To examine the relationship between Islamic Spirituality and Organizational Justice (Distributive Justice, Procedural Justice, and Interactional Justice) among SME employees in Malaysia.
6. To investigate the role of Islamic Spirituality in moderating the relationship between Distributive Justice and Job Satisfaction among SME employees in Malaysia.
7. To investigate the role of Islamic Spirituality in moderating the relationship between Procedural Justice and Job Satisfaction among SME employees in Malaysia.
8. To investigate the role Islamic Spirituality in moderating the relationship between Interactional Justice and Job Satisfaction among SME employees in Malaysia.