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**ISLAMIC WORK ETHICS AND CORPORATE SUSTAINABILITY**  
**PERFORMANCE: AN EMPIRICAL STUDY**

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***Abstract***

Sustainability issue has been given great attention from many stakeholders which include Malaysian manufacturers. Manufacturing organizations face the sustainability issue which leads manufacturers to realize the importance of achieving corporate sustainability performance and various steps have been taken in achieving the organization sustainability performance. Islamic work ethics provide guidelines for employees in sustaining the organization in a sustainable manner while carrying out the manufacturing activities. Malaysian government has highlighted the importance for every individual to have good ethical values. The objective of this paper is to examine the effect of Islamic work ethics on corporate sustainability performance which comprises of economic, environmental and social sustainability performance. Questionnaires are distributed to the employees from middle to top level of management in chemical manufacturing organization. This study uses multistage sampling technique and the data is analysed using Partial Least Square (PLS) analysis. The findings indicate that there is a positive effect of Islamic work ethics on the three dimensions of corporate sustainability performance which are economic, environmental and social sustainability performance. This study contributes to the body of knowledge on sustainable manufacturing by investigating the effect of Islamic work ethics on corporate sustainability performance. This study will guide employees in achieving corporate sustainability performance by the implementation of Islamic work ethics in the work place.

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**Keywords:** Islamic work ethics, corporate sustainability performance, chemical manufacturing.



## 1. Introduction

Throughout the world, there are many businesses that appear to be responding to the call of governments and societies to be economically, socially and environmentally responsible (Nooraslinda, Rohana, Safawi, Marziana & Wan, 2016; Mani, Gunasekaran, Papadopoulos, Hazen & Dubey, 2016; Muhammad, Zulkipli & Haseeb, 2016). In order to achieve corporate sustainability performance, Islamic work ethics must be practiced by the employees in the organization (Abbasi, Rehman & Bibi, 2011). Organization's success is no longer measured by short-term profit maximization as Islamic work ethics is important in achieving corporate sustainability performance (Dina, Amr & Akrum, 2017; Nooraslinda et al., 2016). There are many researchers who agreed on the adoption of the Islamic work ethics in managerial, business operations and economic activities (Dina et al., 2017, Nooraslinda et al., 2016, Kalsom & Ahmad, 2014; Abdus, Kashif & Shakir, 2012). Islamic work ethics shown by organization contributed to the organizational success as it promotes well-being for society and creates wealth for stakeholders (Jalil, Azam & Rahman, 2010). Ethics are important in achieving sustainability as Malaysian government highlighted the importance of every individual to have good ethical values (Eleventh, Malaysia Plan, 2015). In order to do so, the government will enhance the involvement of all stakeholders in building a more ethical and moral society especially for religious institutions and community based (Eleventh Malaysia Plan, 2015). Hassan (2016) stated that Islamic approach is more agreeable with issues associated with sustainability and therefore businesses should have serious commitment to Islamic work ethics.

### 1.1. Islamic Work Ethics

The Islamic work ethics is rooted in the principle of Islamic Shariah and towards a work orientation (Dina et al., 2017; Mohamed, Siti & Nor, 2014). Since 1980s, ethics concept has been received many important attentions from researchers (Ali, 1988). The sayings and practices of the Prophet Muhammad (S.A.W) and Quran are the main sources of Islamic work ethics (Dina et al., 2017; Ali & Al-Owaihan, 2008). According to Salih, Zumrut and Ozkan (2012), Islam's main religious text which guides mankind is known as Al-Quran, which is the last revelation to prophet Muhammad (S.A.W). While the oral tradition which related to Prophet Muhammad's (S.A.W) deeds and words are known as hadith (Abdus et al., 2012). The good values in feeling, thinking, behaviour or action are from the perspective of Islamic ethics (Hayaati, 2007). Most of the researchers argued that in Islamic work ethics, work is a desirability quality in the person's need and is an obligatory activity in creating strength of social and individual life (Ali & Al Owaihan, 2008). As stated by Nooraslinda et al. (2016), in doing business, acting ethically is essential in Islam which involved all the morally correct factors including production, business processes and an organization's behaviour with its customers and the communities in which it operates.

Jalil et al. (2010) stated that Islamic work ethics strengthens the qualities such as trust, loyalty, honesty, flexibility and solidarity. Besides, a number of good behaviours are gained by executing Islamic work ethics like hard work, dedication to work, fair compositeness in the workplace, commitment and cooperation (Kumar & Rose, 2010). Some of the Islamic values which have been stated in the traditions of Prophet are timeliness, cooperation, piety, cleanliness, transparency, honesty, capability, competence, benevolence, trustworthiness, accountability, responsibility, promise-keeping, fairness, perfectionism, punctuality and consultation (Kalsom & Ahmad, 2014). Hafiz, Shakir, Mushtaq and Yasir (2015) stated

that in every aspect of life, a sound and complete ethical system is provided by Islam. As stated by Hafiz et al. (2015), Islam explicitly eliminating unfairness, misuse, inequity and oppression.

## **1.2. Corporate Sustainability Performance**

There is no common definition of corporate sustainability (Koc & Durmaz, 2015). Corporate sustainability refers to a dynamic state that arises when the organization develops continuous shareholders and stakeholders' value which maintains the well-being of the economy, environment and society for a long-term goal (Mohammad, Rahimi, Norani & Rushami, 2016; Hassini et al., 2012). Corporate sustainability is being describes as conducting operations in a manner that meets existing needs, without comprising the ability of future generations to meet their needs and has regard to the impacts that the business operations have on the life of the community in which it operates (Hart & Milstein, 2013). According to Koc and Durmaz (2015), corporate sustainability is essential in achieving organization's vision without losing competitive advantage while ensuring company's economic growth, environmental stewardship and providing social responsibilities without contradicting from its mission and goals. The components of corporate sustainability performance are the triple bottom lines which are economic sustainability performance, environment sustainability performance and social sustainability performance (Gomes, Kneipp, Kruglianskas, Rosa & Bichueti, 2015).

## **2. Problem Statement**

Manufacturing sector is an important sector to Malaysia as it contributes to the gross domestic product of the Malaysian economy (Adebambo, Abdulkadir, Mat, Alkafaagi & Kanaan, 2013; Mohammad et al., 2016). However, Malaysian manufacturing sector face the sustainability issue in terms of environment, economy and social sustainability (Mohammad et al., 2016). The impact of global warming, natural disasters, wars and environmental problems made a sustainable business in manufacturing a crucial issue (Gunasekaran & Spalanzani, 2012). Nowadays, the limitation of natural resources, environmental problem, and waste management issues challenge the manufacturing sector to stick to strict environmental regulations (Ghazilla et al., 2015). It also shows that the environmental problems brought by industry or individual organization resulted in the negative effects towards society and environment (Mohammad et al., 2016).

Manufacturing operations in Malaysia do not only give huge implications to the environment but also to the workers which affects the social sustainability. According to Maliza (2012), industrialization which caused "sinister killers" that contains of poisonous chemicals, dust, extreme heat, gases, noise and vibrations that are slow and occasionally unrecognizable are the cause of 300 to 400 of 200,000 Malaysian industrial workers are reported deaths and another 13,000 are disabled every year. This is supported by the Department of Safety and Health (DOSHS) which stated that the highest number of occupational accidents occurred in manufacturing sector (DOSHS, 2016). Table 01 shows the number of occupational accidents by sector from January 2016 to August 2016. It shows that the highest number of occupational accidents is in manufacturing sector which affect the social sustainability.

**Table 01.** Occupational Accidents Statistics by Sector from January 2016 to August 2016.

No.	Sector	Total accidents (death, non-permanent disability and permanent disability)
1	Manufacturing	1484
2	Mining and Quarrying	32
3	Construction	144
4	Agriculture, Forestry, Logging and Fishery	306
5	Utility	64
6	Transport, Storage and Communication	184
7	Wholesale and Retail Trade	85
8	Hotel and Restaurant	74
9	Financial, Insurance, Real Estate and Business Services	78
10	Public Services and Statutory Bodies	65

Source: DOSH (2016)

Besides that, there is a lack of studies which consider the triple bottom line dimensions (social, environmental and economic) simultaneously of sustainability performance (Muhammad et al., 2017; Mani et al., 2016). Hence, this study is important as it focuses on all dimensions of corporate sustainability performance as most of previous studies focus on the three dimensions separately (Muhammad et al., 2017). Employees in important sector like manufacturing sector has to take serious action in achieving corporate sustainability performance by focusing on the three dimensions of corporate sustainability performance.

Further research on the Islamic work ethics need to be done in developing countries as there are few studies in this area (Ahmad, 2011; Rokhman, 2010; Kumar & Rose, 2010). It is important to understand the possible linkages of ethics towards sustainable performance but however, the research of Islamic work ethics on the performance of corporate sustainability has been seen to be limited (Nooraslinda et al., 2016; Salih et al., 2012). The literature on ethics and sustainability mainly focused on public listed organization in the context of developing countries like Malaysia (Nooraslinda et al., 2016) and thus the study on manufacturing organizations are lacking. As there is limited study of Islamic work ethics in developing countries, it constitutes the foundation to study the effects of Islamic work ethics on corporate sustainability performance in manufacturing organizations.

### 3. Research Questions

The research questions are as below:

1. What is the effect of Islamic work ethics on economic sustainability performance?
2. What is the effect of Islamic work ethics on environmental sustainability performance?
3. What is the effect of Islamic work ethics on social sustainability performance?

### 4. Purpose of the Study

The objective of this paper is to examine the effects of Islamic work ethics on corporate sustainability performance which comprises of economic, environment and social sustainability performance.

## 5. Research Methods

Chemical manufacturing industry has been chosen in this study due to the high sustainability issues occurred in this industry (Ta, Meng, Mokhtar, Ern, Alam, Sultan & Ali, 2016). Employees from middle to top level management have been selected as the sample. This study is a pilot study of the actual survey in examining the effects of Islamic work ethics on corporate sustainability performance. Fifty questionnaires were distributed to the employees in 14 chemical manufacturing organizations which were listed in Federation of Malaysia Manufacturing. In order to guarantee the content validity of the measurement in this study, discussions have been done with the experts in the field and employees from the chemical manufacturing industry. This study used multistage sampling technique and the data was analysed using partial least square (PLS) analysis. The proposed hypotheses are as below:

- H1: There is a significant effect of Islamic work ethics on economic sustainability performance.
- H2: There is a significant effect of Islamic work ethics on environmental sustainability performance.
- H3: There is a significant effect of Islamic work ethics on social sustainability performance.

## 6. Findings

This study analyzed 50 respondents which 32% respondents are male and 68% respondents are female. The highest percentage for races is Malay which is 56%, while Chinese is 34%, Indian is 8% and other races are 2%. Most of the workers age are ranging from 31 to 40 (42%) and the least is 51 and above (8%). Most of the workers have working experience less than 5 years (48%) and the least is more than 21 years (10%). For education level, the highest percentage is Bachelor's Degree (52%). The respondents consist of 28% from general manager or manager and others are executives.

### 6.1. Reliability

Composite reliability is used to measure the internal consistency. As stated by Bagozzi and Yi (1988), composite reliability should be higher than 0.7. Table 02 shows that all composite reliability values are higher than 0.7 which ranging from 0.92 to 0.954. Thus it shows that internal consistency reliability is achieved.

### 6.2. Convergent Validity

The suggested loadings values for all items are 0.7 or higher (Fornell & Larcker, 1981; Salwa et al., 2017). Therefore for this study, 14 items from 50 items were deleted due to low loading below 0.7. The loading value is ranging from 0.711 to 0.917. According to Bagozzi and Yi (1988) average variance extracted (AVE) should be 0.5 or higher. From Table 02, it is found that all constructs achieve convergent validity as all of the AVE values are greater than the acceptable threshold of 0.5 (Fornell & Lacker, 1981).

**Table 02.** Convergent validity and Composite Reliability

Latent Variable	Outer Loading				CR	AVE
Islamic Work Ethics	IWE1	0.729	IWE19	0.856	0.954	0.614
	IWE10	0.837	IWE20	0.75		
	IWE13	0.783	IWE3	0.755		
	IWE15	0.822	IWE4	0.788		
	IWE16	0.794	IWE6	0.773		
	IWE17	0.742	IWE7	0.738		
	IWE18	0.807				
Economic	EP10	0.751	EP5	0.743	0.92	0.589
	EP2	0.742	EP6	0.842		
	EP3	0.757	EP7	0.711		
	EP4	0.826	EP8	0.76		
Environment	EnvP1	0.745	EnvP6	0.766	0.92	0.623
	EnvP2	0.866	EnvP7	0.705		
	EnvP3	0.824	EnvP9	0.707		
	EnvP4	0.889				
Social	SP10	0.744	SP5	0.777	0.941	0.669
	SP2	0.767	SP7	0.77		
	SP3	0.811	SP8	0.917		
	SP4	0.859	SP9	0.882		

\*Note: IWE2, IWE5, IWE8, IWE 9, IWE11, IWE12, IWE14, EP1, EP9, EnvP8, EnvP10, SP1 and SP6 have been deleted due to the loading below 0.7.

### 6.3. Discriminant validity

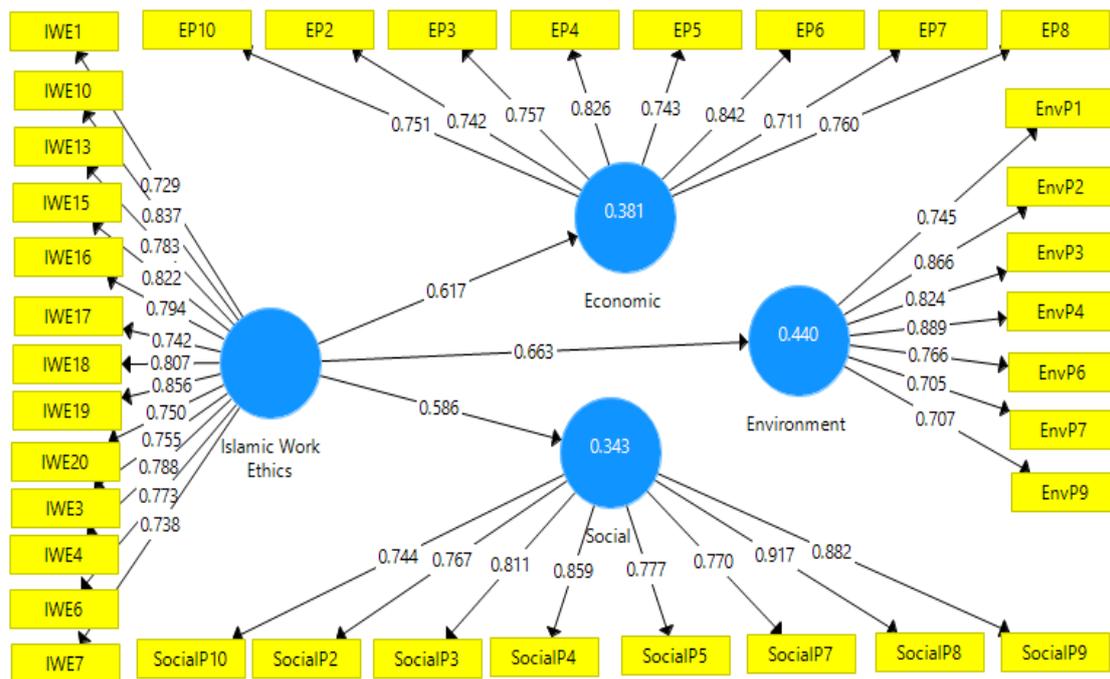
The discriminant validity is assessed through the Fornell-Larcker criterion which is shown in Table 03. It can be seen that the square root of the AVE for each construct is higher than its correlation with any other construct. Based on this analysis, it could be interpreted that those constructs has meet discriminant validity and thus asserted as valid.

**Table 03.** Discriminant Validity Result

	Economic	Environment	Islamic Work Ethics	Social
Economic	<b>0.768</b>			
Environment	0.757	<b>0.789</b>		
Islamic Work Ethics	0.617	0.663	<b>0.783</b>	
Social	0.685	0.601	0.586	<b>0.818</b>

### 6.4. Structural Model

Figure 01 below shows the structural model of Islamic work ethics and the three dimensions of corporate sustainability performance.



**Figure 01.** Structural model

The result in table 04 shows that Islamic work ethics have a positive effect on economic, environmental and social sustainability performance. Thus it shows that all the three hypotheses are accepted.

**Table 04.** Hypothesis Results

Relationship	Std. Beta	Std. Error	t-value	Decision
H1: There is a significant effect of Islamic work ethics on economic sustainability performance.	0.617	0.079	7.777**	Supported
H2: There is a significant effect of Islamic work ethics on environmental sustainability performance.	0.663	0.077	8.66**	Supported
H3: There is a significant effect of Islamic work ethics on social sustainability performance.	0.586	0.116	5.066**	Supported

\*\*p<0.01

## 7. Conclusion

In recent years, sustainability in manufacturing has received great attention. There are many researchers who agree on the adoption of Islamic work ethics in sustaining the organization. This is supported by Nooraslinda et al. (2016) and Dina et al. (2017) which stated that in today's challenging world, success is no longer measured by short-term profit maximization as to be seen as sustainable, Islamic work ethics must be integrated into decision making and strategy in achieving sustainability. Islamic work ethics must be inculcated in culture of the organization in order to achieve sustainable business performance as it

is the global economic crisis remedy (Nooraslinda et al., 2016; Abdus et al., 2012). People who are practicing Islamic work ethics in the organizations are also tend to be more responsible and attached for the success of the organization (Salih et al., 2012). The objective of this paper is achieved by investigating the effect of Islamic work ethics on corporate sustainability performance. The result shows that Islamic work ethics has positive effects on the three dimensions of corporate sustainability performance which are economic, environment and social sustainability performance in chemical manufacturing organization. The findings of this study contributed to the body of knowledge of Islamic work ethics and corporate sustainability performance in a developing country, which may be different in developed countries. The findings also can be used as a guideline by manufacturers and policymakers who consider the importance of achieving corporate sustainability performance.

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