

# ISLAMIC WORK ETHICS: HOW THEY AFFECT SHAREHOLDER VALUE

<sup>1</sup> Abdus Sattar Abbasi, <sup>2</sup> Kashif ur Rehman, <sup>3</sup> Shakir Hussain Abbasi

<sup>1</sup>COMSATS Institute of Information Technology Lahore Pakistan,

e-mail: [drabdussattar@ciitlahore.edu.pk](mailto:drabdussattar@ciitlahore.edu.pk), Mobile: +92 300 5200567

<sup>2</sup>Iqra University, Islamabad, Pakistan, e-mail: [drkashif@iqraisb.edu.pk](mailto:drkashif@iqraisb.edu.pk)

<sup>3</sup>Independent Researcher, e-mail: [shakirabbassi@yahoo.com](mailto:shakirabbassi@yahoo.com)

**ABSTRACT:** *The textile industry constitutes almost 68 percent of Pakistan's total exports, forming a virtual back bone for the economy. This study explores how Islamic work ethics, along with managerial integrity and performance, enhance shareholder value. Three dimensions of shareholder value were analyzed: profit, customer satisfaction and employee loyalty. The study employed correlational research design through hypotheses testing. Correlational interpretations observed the impact of Islamic work ethics, managerial integrity and performance on shareholder value. This study utilized a sample of 156 managers in Pakistan's textile industry. Based on literature review a questionnaire containing 42 items was developed and distributed to collect the data. The collected data were processed and analyzed using SPSS and AMOS. The results of the study indicate that Islamic work ethics and managerial integrity have greater potential to protect shareholder value. The remedy for the global economic crisis lies in values and ethics that must be inculcated in organizational culture for sustainable business performance and reputation. This study introduces the concept of inviting-for-good and forbidding-from-wrong (IGFW), the most important component of Islamic value system in corporate management. In addition to investigating the role of Islamic work ethics in protecting shareholder value, the study discusses how to build managerial integrity.*

**Key words:** Islamic Work Ethics, Managerial Integrity, Shareholder Value

## 1. INTRODUCTION

A dispassionate analysis of the contemporary corporate world indicate that the prevalent management theories and practices offer a big frame with a little picture: the dark reality mocks the rosy picture painted by the verbose postulates of the existing management theories. Several factors contributed towards recent global economic crisis, but lack of values and ethics and managerial integrity in corporate world emerged as significant concern during the course of economic downturn. There is a long list of such events ranging from the issue of Societe General Bank in late 2007 to AIG misappropriations in 2008 and bonus related controversies in 2009, the declaration of Pfizer as repeated offender with historic high penalty in 2009 and many other ethical scandals e.g. tax evading charges on Samsung, question marks on Swiss banking sector, charges against Siemens to win contracts and frauds in Bank of Punjab and WAPDA in Pakistan. Beginning from Enron, these and many other events, which took place during this decade, speak volumes about the need for values and ethics and managerial integrity in corporate world. From the investment, employment and export point of view, textile is the largest industrial sector of Pakistan, accounting for approximately 27% of total industrial output, absorbing about 38% of industrial labor force [1] and contributing about 68% to the total export earning. Economic growth of the country greatly depends on the performance of textile sector. The objective of the study is to provide a platform to evaluate the impact of Islamic work ethics (IWE) and managerial integrity to protect the interest of shareholders in Textile sector of Pakistan. Implications of the findings of this study will provide an opportunity to the corporate world to explore the role of Islamic work ethics for sustainable business performance.

## 2. OBJECTIVE OF STUDY

Literature review and preliminary interviews regarding issues and challenges of corporate management identify some weaknesses in current approaches, which stem from lack of values and ethics. Contemporary promoters and practitioners give little attention to universally accepted values and ethics. Their prime focus remains invariably to earn profit under all circumstances; values and ethics remain peripheral concern with the purpose to defuse societal pressure. The objective of this study is to find the impact of Islamic work ethics which are based on Islamic teachings of al - Qur'an and Sunnah to strengthen managerial integrity (MI) and to enhance managerial performance (MP) for increased shareholder value (SV).

## 3. CONCEPTS AND SOURCES

Due to the pervasiveness of Islam and its influence on every sphere of life, in Islamic teachings, it is not easy to isolate social life from the professional life [2]. This study measures the impact of Islamic work ethics on shareholder value. Therefore concepts relating to Islamic work ethics emerge from Islamic teachings through following sources.

### Al-Qur'an

al-Qur'an is the central religious text of Islam. In Islamic teachings, al-Qur'an is the book of Divine guidance and direction for mankind. According to Islamic faith, al-Qur'an is the last revelation to Muhammad (PBUH) by Allah (God) through the angel Gabriel.

### Hadith

Hadith is an oral tradition relating to the words and deeds of Prophet Muhammad (PBUH). Ahādith (plural) are regarded as important source of teaching in Islam.

## 4. LITERATURE REVIEW

### Levels of Business Ethics

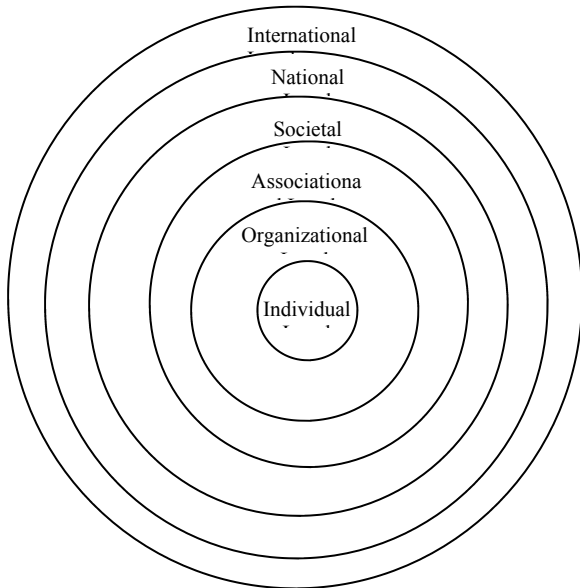
There are different levels of ethics in business as depicted in Figure 1; these can be classified into individual level, organizational level, association level, societal level, national level and international level. Business leaders will

confront ethical issues on all these levels during the process of corporate management. Some times, they would be forced to face ethical issues appearing on multiple levels, as happened to Starbucks during 9/11 when their employees charged those who came for water to the coffee shop. This incidence had implications on almost every level for the organization.

**Enticement in Business Ethics**

Although concerns of certain short term shareholder interests entice the business to centrifuge from standard norms, reaching a win-win situation without violating anyone’s norms is an ideal goal. Corporate managers and leaders can achieve this goal only if they have a set of standard norms that every one agrees upon. Standard Norms are principles so fundamental that they serve to evaluate the foundation of what is ethical for humanity [3]. Standard Norms have universal values like truth, honesty, transparency, security, equality and so on. Focused Norms are the principles which organizations put on their vision or mission statements, for example, Johnson & Johnson credo. Moral Free Space is a gray zone for organizations to creatively explore unique solutions that satisfy all parties. Problem starts when organizations face illegitimate norms and continue to operate due to certain short term shareholder interests. This is the point where ethical dilemma starts from. Current corporate management practitioners need strong will and courage to find the way to deal with this situation. As organizations move away from Standard Norms, they become more prone to compromise and get trapped. Therefore, it will be much suitable for organizations to monitor the level of values and ethics in day to day organizational activities.

**Figure 1** Levels of Business Ethics

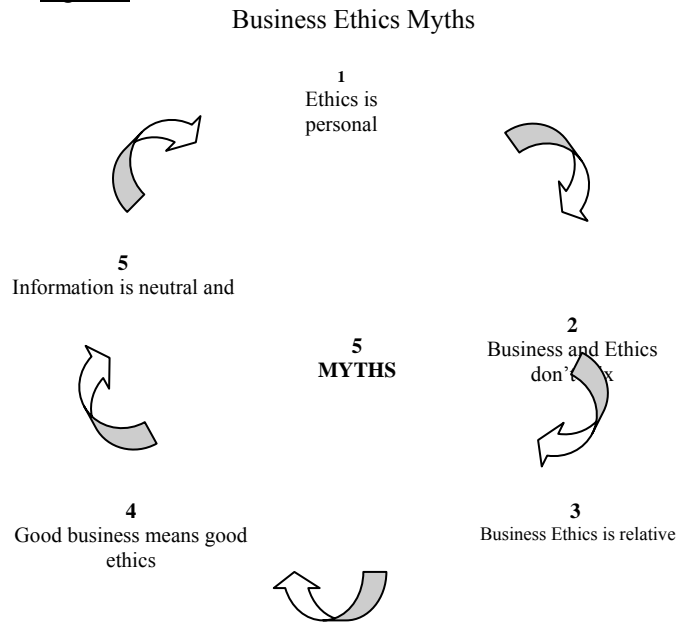


SOURCE: Adapted from Business Ethics a Stakeholder and Issue Management Approach J. W. Weiss (2003), p.11. Thomson South-Western.

**4.3 Five Myths about Business Ethics**

Ethics are the key to bring value in corporate management. All corporate scandals stem from ethical dilemma. There are many myths about business ethics (Figure 2); these myths are usually presented as excuse to avoid ethics in business. First myth holds a view that ethic is a personal and individual affair, not a public or debatable matter [3]. However, individuals are integral parts of organizational culture, who have norms, values, rules of conduct, and standards to govern what is acceptable and what is unacceptable. Therefore, to argue that ethics related to business issues are only or mainly a matter of personal or individual choice is to depreciate the role of organizations in shaping and influencing members’ attitudes, perceptions and behaviors. Studies indicate that organizations that act in socially irresponsible ways often pay penalties for unethical behavior. Analysis of corporate failures and disasters strongly suggests that incorporating ethics in before-profit decision making can improve strategy development and implementation, ultimately maximizing corporate profits.

**Figure 2**



SOURCE: Business Ethics a Stakeholder and Issue Management Approach J. W. Weiss (2003), p.16. Thomson South-Western.

Business and ethics do not mix is the second myth. Ironically, though, business is a human activity therefore can be evaluated from a moral perspective, and if everyone in business acted amorally or immorally, the business would collapse. Employees would openly steal from employers; employers would recklessly fire employees at their will; contractors would arrogantly violate obligations; and chaos would prevail.

Third, and the more popular myth, is that, in business, ethics are relative. This myth holds that no right or wrong way of believing or acting exists because right and wrong are in the eye of the beholder. This myth paves the way for much

confusion in business practices. If ethical relativism is applied to its logical extreme, no one would argue or disagree with any one about moral issues, since each person's values would be right and true for him or her. Ultimately, this logic would state that no right or wrong exists apart from an individual's or society's principles.

Yet another major misunderstanding in business ethics is that good business means good ethics. The reasoning here is that executives and firms that maintain a good corporate image, practice fair and equitable dealings with customers and employees, thus earn profits by legitimate and legal means and are de facto ethical. Such firms, therefore, would not have to be concerned explicitly with ethics in the workplace. Just do a hard, fair day's work and that has its own moral value. Ethics is not considered something added to business operations; it is integral, necessary and central to manage successfully. A more accurate logical statement from business experience would suggest that "good ethics means good business." This myth is more in line with observation from successful companies that are ethical first and also profitable. However, in fact, business ethics should be promoted, not because good ethics is good business, but because it is mandatory to adopt morality in all our dealings with other people-and business is no exception.

Last myth holds the view that information and computing are neither moral nor immoral, but are amoral, i.e., they are in a "gray zone". The fact, on the contrary, is that one cannot view business information without human beings. Disinformation, misleading information, inaccuracy in computing are offenses; whereas truth and accuracy in disseminating the information are always regarded as goodness.

#### **Why Ethics in Business?**

There are three reasons to justify ethics in business [3]. Firstly, many a time laws are insufficient and don't cover all aspects or "gray areas" of a problem. How could tobacco companies in US have been protected by the law for decades until the settlement in 1997, when the industry agreed to pay \$368.5 billion for the first 25 years and then \$15 billion a year indefinitely to compensate US for the costs of health care for tobacco related illnesses?

Secondly, free-market and regulated-market mechanism don't effectively inform owners and managers about how to respond to complex issues and crises that have far-reaching ethical consequences. Should companies legally prohibit, as American Cyanamid did in the late 1970s, pregnant women from working in toxic areas to protect their unborn fetuses, even though the firm's policy had the effect of pressuring several women into choosing unemployment or sterilization? Later, in the 1980s, the same firm faced unanticipated discrimination charges and lawsuits from several interest groups. In 1991, US Supreme Court ruled, in a six-to-three vote, that such "fetal protection" policies are a form of sex bias and prohibited by civil rights law. American Cyanamid may have acted legally in 1970s, but did it act ethically? Aren't women and men still coerced to work in unsafe health environment?

Thirdly, moral and ethical problems require learned understanding and concern for fairness and justice.

Therefore, ethics play important role in business because laws and their enforcement are often insufficient to guide action.

#### **Ethics are Corporate DNA**

Ethics are corporate DNA [4] because to enhance the corporate reputation, ethics must become an entrenched part of the culture. Ethics are not just the fashion of the day. Academic studies of some of the largest American companies have shown that a strong reputation for ethical behavior pays off financially, too. Curtis Verschoor, an accounting professor at DePaul University in Chicago, found that companies expressing a strong commitment to their ethic code performed better than others on measures such as investment return, sales and profit growth, and return on equity. Ideally, ethics and values should be integrated into performance appraisals and compensation plans. Companies should reward employees who abide by their standards and punish offenders. Employees are disconcerted when they see their colleagues skirting or violating standards but still receiving pay raise and promotions. The ethic code then looks hollow, and employees no longer have much incentive to abide by it.

A survey of 200 sales managers showed that 49% of representatives lie on their sales calls. It has been estimated that theft costs United States \$40 billion each year. A study of secretaries working for Fortune 1000 chief executives found that 47% had been asked to lie. These and many other similar studies provide sufficient grounds to be worried about ethical dilemma existing in corporate world and the need for remedial measures.

#### **Business Ethics in Islam**

Ethics may be defined as a set of moral principles that distinguish what is right from what is wrong. It is a normative field because it prescribes what one should do or abstain from doing [5]; the term most closely related to ethics in al-Qur'an is *Khuluq*. [6] also uses a whole array of terms to describe the concept: *Khayr* (goodness), *birr* (righteousness), *adl* (justice), *haqq* (truth and right), *taqwā* (piety) and so on.

Prophet Muhammad (PBUH) said, "You are not better than people with red or black skins unless you excel them in piety."

Once a Bedouin asked the Prophet Muhammad (PBUH), "When would the Hour (Doomsday) take place?"

Prophet Muhammad (PBUH) replied, "When honesty is lost, then wait for the Hour (Doomsday)."

Bedouin said, "How will that be lost?"

Prophet Muhammad (PBUH) said, "When the power or authority comes in the hands of unfit persons, then wait for the Hour (Doomsday)" (Beekun, 1997).

In Islamic business ethics, no businessman is allowed to do dishonesty. In al-Qur'an it is mentioned:

Give just measures and cause no loss (to others by fraud). And weigh with scales true and upright. And withhold not things justly due to men (26:181-183)

Islam does not tolerate interference in the market system by hoarding or other forms of manipulations. Prophet Muhammad (PBUH) said: "He who hoards is a sinner."

In Islamic business ethics deceiving a buyer is a sin. Businessmen are not allowed to increase the sales through false oaths. Prophet Muhammad (PBUH) said, "The swearing (by the seller) may persuade the buyer to purchase the goods but that will be deprived of Allah's blessing" [5]. Islamic business ethics do not allow anyone to purchase stolen goods knowingly, for himself or for future resale. Prophet Muhammad (PBUH) said, "He who buys the stolen property, with the knowledge that it was stolen, shares in the sin and shame of stealing" [5]. This clearly proves that in Islamic business ethics there is no room for fraud, dishonesty, manipulation, stealing, deceiving, and other malpractices prevailing in contemporary business world, as evident from many popular business scandals around the globe.

## 5. COMPONENTS OF ISLAMIC WORK ETHICS

### Sincerity (*al-Ikhlās*)

When one is sincerely undertaking a task, one has to make sure that the task is completed with the best of one's ability, because sincerity is the best complement [7] one can render to the organization. Sincerity is an absolute value: either one is sincere or insincere. If one is less sincere, it implies that there exist some other elements in the intention [8].

Say: "It is Allah I serve, with my sincere (and exclusive) devotion: (al - Qur'ān 39:14)

### Proficiency (*al-Ihsan*)

Proficiency is commonly understood as doing marginally more than the minimal requirement. Proficiency also means efficiency, this particular meaning obviously enhance productivity [8]. Some perform their duties scrupulously but do not demonstrate any additional commitment, while others push themselves beyond the call of the duty [9], energized and willing to make sacrifices in the performance of their task. The latter exhibit *ihsan*, and work tirelessly to carry out their duties over and above their prescribed responsibilities. but do thou good, as Allah has been good to thee, (al - Qur'ān 28:77)

### Justice (*al-'Adl*)

Justice is an important element to keep individual and collective affairs straight [10]. Like sincerity, justice is absolute. There is no such thing as relatively just or unjust. It is either just or unjust. Justice is definitely a value and virtue in all religions and is upheld by all societies. It is universal value which is acceptable to every one [8].

Allah commands justice, the doing of good, (al - Qur'ān 16:90)

### Truthfulness (*as-Sidq*)

Truthfulness is needed in speech, intention, resolution, fulfillment of resolution, in action and in all stations on the path. One is considered most truthful if he acquires truthfulness in all aspects mentioned above [8]. Truthfulness means consistency between words and deeds [9], and human organizations cannot survive without truthfulness [11].

That Allah may reward the men of Truth for their Truth, and punish the Hypocrites if that be His Will (al - Qur'ān 33:24)

### Patience (*as-Sabr*)

In al-Qur'ān, God explicitly identifies patience as one of the defining characteristic for the followers of Islam [9].

Patience has two aspects. Firstly, mental patience which is restraint on demands of carnal desires and anger. In misfortune, it is required against violent outbursts in the form of crying, tearing of clothes etc. Firmness of mind is required to control anger and greed for wealth. Secondly, bodily patience which is endurance of physical pain felt in performing devotional or non-devotional acts, in disease and in injury [8].

Patience and perseverance in every day management activities have a magical effect before which difficulties disappear and obstacles vanish [12].

Except such as have Faith, and do righteous deeds, and (join together) in the mutual teaching of Truth, and of Patience and Constancy. (al - Qur'ān 103:3)

### Continuous Self Evaluation (*at-Tahlīl adh-Dhātī ad-Dā'im*)

Islam strongly encourages continuous self evaluation in order to improve oneself all the time. If for any moment one realizes that he has done more bad than good, he is expected to take immediate corrective and remedial action [8].

Every soul draws the meed of its acts on none but itself: no bearer of burdens can bear the burden of another. (al - Qur'ān 6:164)

Once Prophet Muhammad (PBUH) said, "He whose two days are equal (in accomplishment) is a loser", reminiscent of a popular business maxim 'an extra mile every day' [13].

### Promise Keeping (*Ifū'u-l-'hd*)

Keeping our promises all the time will enhance the trust people have in us. One can win the hearts of many if one is trustworthy, reliable and dependable [8]. Promise keeping is commitment and commitment is responsibility [14]. Respect of nations and their people depend on the extent of their commitment to their promises [15]. When someone promises, he owes a responsibility and a person will be answerable in front of ALLAH ALMIGHTY; and fulfill (every) engagement, for (every) engagement, will be enquired into (on the Day of Reckoning). (al - Qur'ān 17:34)

In the books of ahādith, it is mentioned that there are three indications of a hypocrite: he tells lies; he doesn't fulfill the promise; he is dishonest [5].

### Moderation (*'Iṭidāl*)

Nomani, et al, (2002) p. 548 states that Islam gives the teachings of moderation. It is mentioned in [6]:

"And be moderate in thy pace, (al - Qur'ān 31:19)

Neither overindulgence, nor under provision – that's moderation. One should keep a mid course between two extremes [16]. Islam calls for moderation in almost everything, such as food, sex, work, devotional act etc. Moderation makes a person more stable and less stressful. It is a key to a balanced and healthy life [8].

## 6. RESEARCH THEORY

### Islamic Work Ethics (IWE)

Religions in many countries, whether with secular or religious constitutions, have a certain degree of influence on the cultural characteristics of their people and their institutions [2]. Islamic values are a set of beliefs and

morals, a social doctrine, and a call to righteousness among all members of organization [17], a complete, self-contained ideology which regards all aspects of our existence – moral and physical, spiritual and intellectual, personal and communal – as parts of the indivisible whole which we call “Human life.” Islamic work ethics have roots in al - Qur’ān and ahādith. al - Qur’ān often speaks about honesty and justice in trade, and equitable and fair distribution of wealth in the society. al - Qur’ān encourages acquiring skills and technology and discourages laziness. IWE view dedication to work as virtue and emphasize cooperation and consultation at work [18]. IWE view hard work and creativity as the elements of personal accomplishment and happiness. The value of work in IWE is derived from the accompanying intentions [19] and results, rather than just results. The universal truth of divine knowledge and its crystallization in real world-systems has left an abiding legacy for all generations to reveal fresh and new answers and directions to the problems of human life [20]. Most intriguing aspect of Islamic work ethics is the culture of inviting-for-good and forbidding-from-wrong (IGFW). Thus, each member of a group starts facilitating others to follow and practice values and ethics which ensure prosperity for both the individual and the organization.

Let there arise out of you a band of people inviting to all that is good, enjoining what is right, and forbidding what is wrong: (al - Qur’ān 3:104)

It is the duty of every Muslim to motivate others to do the right and to forbid them from wrong, but for the convenience of entire group of people, it is said that at least one group of people must perform this duty and leaders should actively participate in this duty. Inculcating the culture of IGFW is the peculiarity of Islamic work ethics, which ensure that every member in the organization contributes to the implementation of values and ethics. In IWE, everyone works as a police man, an observer, an ethics officer. IGFW ensures true implementation of values and ethics because everyone is motivating, controlling and monitoring the whole system. If there is any deficiency in practicing values and ethics, one group of people will be dedicated to the duty of IGFW, and particular members of this group would be leaders and managers. Islamic work ethics have enhanced the value of virtue, as mentioned in al - Qur’ān:

He that doeth good shall have ten times as much to his credit: he that doeth evil shall only be recompensed according to his evil: no wrong shall be done unto (any of) them. (al - Qur’ān 6:160)

This increased value of virtue is a unique source of motivation to practice values and ethics in day to day business activities. Despite immense work on business values and ethics, we still notice high profile business scandals around the globe [21]. Researcher contends that IWE have the potential to help organizations of the modern time to come out of the ethical dilemma.

#### **Managerial Integrity (MI)**

Islamic value system elucidates that leaders must be role models; they must let their actions speak louder than their words [13].

O ye who believe! Why say ye that which ye do not? Grievously odious is it in the sight of Allah that ye say that which ye do not. (al - Qur’ān 61:2-3)

Managerial integrity is vital to show the way, to guide, to direct or to influence the actions of others [22]. According to the report of Ethics Resource Centre [23], without the active support in word and deed of company’s management, ranging from the CEO to immediate supervisor, internalization of values and ethics does not occur. Managers in the organization must respect values and ethics erected as strategic advantage. In fact, manager is responsible for transforming organizational values and ethics to pave the way for the protection of shareholder value [24].

#### **Managerial Performance (MP)**

Performance is effective behaviors, actions, motivations and decisions that capture the full spectrum of job activities [25]. Organizations take performance measures which are needed to promote and encourage the right behavior within the organization that assists achieving their goals [26]. Performance is measured in order to improve the efficiency and effectiveness of managers and the organization [27] to protect shareholders value.

#### **Shareholder Value (SV)**

This study focuses on three main dimensions of shareholder value;

1. Profit
2. Customers
3. Employees

Islamic teachings emphasize justice and fairness in business transactions. Islam facilitates and protects profit earning by educating organizational members not to be dishonest in trading.

O ye who believe! Eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual good-will: nor kill (or destroy) yourselves: for verily Allah hath been to you Most Merciful! (al - Qur’ān 4:29)

All unjust and unfair means, from both religious and moral point of view, are illicit [28]. Traffic (it may include customers and suppliers both) and trade means profit earning, which is allowed as in case of business where one person works to fulfill the needs of others and gets remuneration. He ascertains that purpose of saying ‘nor kill (or destroy) yourselves’ is that usurping property of others through unfair means is the same as destroying yourself because this results in spoiling the civilization, which ultimately affects the person himself.

Sales and profitability depend on keeping customers happy [29] give measure and weight with (full) justice (al - Qur’ān 6:152)

Justice means as being away from fraud and deceiving, so that no one could deprive others of their rights. Apparently in this little instruction there are all dimensions of trading [ethics 30].

It has been reported on the authority of Abd al-Rahman b. Shumasa who said: A’isha (raa) said: I heard from the Messenger of Allah (may peace be upon him). He said in

#### **Shareholder Value (SV)**

This study focuses on three main dimensions of shareholder value;

1. Profit
2. Customers
3. Employees

Islamic teachings emphasize justice and fairness in business transactions. Islam facilitates and protects profit earning by educating organizational members not to be dishonest in trading.

O ye who believe! Eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual good-will: nor kill (or destroy) yourselves: for verily Allah hath been to you Most Merciful! (al - Qur'an 4:29)

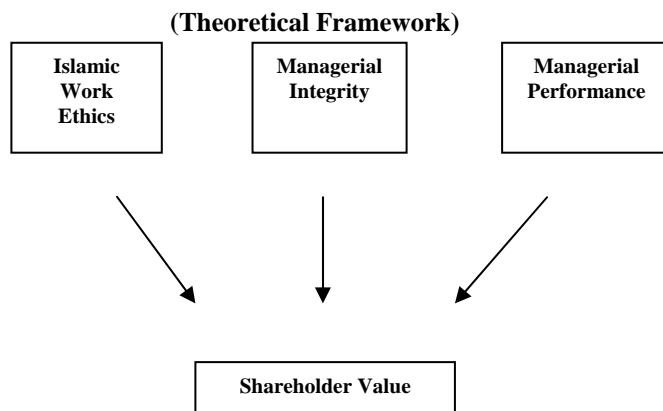
All unjust and unfair means, from both religious and moral point of view, are illicit [28]. Traffic (it may include customers and suppliers both) and trade means profit earning, which is allowed as in case of business where one person works to fulfill the needs of others and gets remuneration. He ascertains that purpose of saying 'nor kill (or destroy) yourselves' is that usurping property of others through unfair means is the same as destroying yourself because this results in spoiling the civilization, which ultimately affects the person himself.

Sales and profitability depend on keeping customers happy [29] give measure and weight with (full) justice (al - Qur'an 6:152)

Justice means as being away from fraud and deceiving, so that no one could deprive others of their rights. Apparently in this little instruction there are all dimensions of trading [ethics 30].

It has been reported on the authority of Abd al-Rahman b. Shumasa who said: A'isha (raa) said: I heard from the Messenger of Allah (may peace be upon him). He said in this house of mine: "O God, who (happens to) acquire some kind of control over the affairs of my people and is hard upon them-be Thou hard upon him, and who (happens to) acquire some kind of control over the affairs of my people and is kind to them-be Thou kind to him" [31].

### Impact of IWE, MI and MP on Shareholder Value (SV) in Textile Sector



### 7. HYPOTHESES

H1: There is significant relationship between Islamic work ethics (IWE) and shareholder value (SV).

H2: There is significant relationship between managerial integrity (MI) and shareholder value (SV).

H3: There is significant relationship between managerial performance (MP) and shareholder value (SV).

### 8. METHODOLOGY

#### Population

Researcher aimed to investigate the impact of Islamic work ethics in protecting shareholder value in textile sector of Pakistan. Textile is the largest industrial sector of Pakistan. Researcher took 235 textile organizations as population from the list of All Pakistan Textile Mills Association (APTMA).

#### Instrument

Instrument was developed with the help of previous works in related field. These include, "Scaling an Islamic Work Ethics" [19]; "The Islamic Work Ethics (IWE) as mediator of relationship between locus of control, role conflict and role ambiguity" [18]; "The work ethic values of Protestant British, Catholic Irish and Muslim Turkish managers" [32]; and Stathakokopoulos [25]. Besides these studies, in the light of literature review, researcher included some items for managerial integrity (MI) e.g. 'people value practices more than words', and 'if one can't keep time oneself, one ought not teach others to do so'; and shareholder value (SV) e.g. 'success of organizations greatly depend on loyalty of their employees', and 'satisfied customers are assets for business'.

#### Reliability

Reliability refers to the consistency and stability of data collection instrument. Cronbach's alpha ( $\alpha$ ) is commonly used test to test the reliability of the instrument, which for this study is 0.766.

### 9. PROCEDURE

#### Sampling

A simple random sampling procedure was adopted to include organizations in sample. The sample size was 15 organizations from textile sector.

#### Data Collection

A letter was written to the head of each organization, included in the study, to acquaint them with study objectives and to gain support for survey. Participants were assured of confidentiality and anonymity [33]. Researcher distributed 180 questionnaires over a period of six months in 15 organizations, using drop-off and pick-up method [34]. Individual participants were selected before the distribution of questionnaires [33]. Respondents were top executives, middle level and lower level managers. Of 180 questionnaires distributed, 156 were collected, resulting in an 87% response rate. Questionnaire was administered in English.

#### Data Analysis

Data were analyzed using descriptive statistics such as percentages and frequencies to present the main characteristics of the sample. Correlations were calculated to measure the association among Islamic work ethics (IWE), managerial integrity (MI), managerial performance (MP), and shareholder value (SV). Correlation and regression are closely related tests. Often both tests are used together; therefore, researcher also used regression to reaffirm correlations and strengthen the findings of this study.

**Table I: The main characteristics of the sample**

Education	Freq.	%age	Age	Freq.	%age	Experience	Freq.	%age	Gender	Freq.	%age
BA	32	21%	18-25	22	14%	1-5	55	35%	Male	148	95%
BSc	30	19%	26-32	65	42%	6-10	45	29%	Female	8	5%
BBA	9	6%	33-39	43	27%	11-15	34	22%			
BCS	2	1%	40-46	12	8%	16-20	7	4%			
MA	18	11%	47 +	14	9%	20 +	15	10%			
MSc	11	7%									
MBA	40	26%									
MCS	13	8%									
Doctorate	1	1%									
Total	156	100%		156	100%		156	100%		156	100%

Researcher used AMOS to test the model of the study; result obtained through this procedure is given in Figure 3. Hypotheses analyses were also performed through AMOS and Table 7 explains the results of analyses.

**10. RESULTS AND DISCUSSION**

**Frequency Distribution**

There are 95% male respondents in this study and 5% female respondents. The reason for this significant difference is a very low percentage of female managers working in textile sector, perhaps, because historically Pakistan has been a male dominating society, although now there is a significant liberalization in Pakistani society and increase in female work force has been observed. Another reason of less percentage of female managers is that in Pakistan, most working females abandon their work after marriage.

**Correlations**

H1: There is significant relationship between Islamic work ethics (IWE) and shareholder value (SV).

**Table II: Result of H1 analysis**

		Islamic Work Ethics	Shareholder Value
IWE	Pearson Correlation	1	0.441**
	Sig. (2-tailed)		0.000
	N	156	156
SV	Pearson Correlation	0.441**	1
	Sig. (2-tailed)	0.000	
	N	156	156

\*\*Correlation is significant at 0.01 level (2-tailed).

Result of hypothesis testing of H1 presented in Table II provides the evidence of significant correlation between Islamic work ethics and shareholder value, which mainly manifests profit. This result denies all myths about business ethics and suggests inculcating values and ethics in all organizational activities and procedures. The positively significant correlation of Islamic work ethics and shareholder value encourages management practitioners in

general and corporate management in textile sector in particular to establish code of organizational ethics based on Islamic teachings. This code of ethics should be incorporated with compensational and performance evaluation parameters for every member of organization to make the code of ethics effectively operative.

To investigate the impact of Islamic work ethics on managerial integrity, an additional correlation analysis was employed and the result is mentioned in Table III.

**Table III: Correlation of IWE and MI**

		Islamic Work Ethics	Managerial Integrity
IWE	Pearson Correlation	1	0.275**
	Sig. (2-tailed)		0.001
	N	156	156
MI	Pearson Correlation	0.275**	1
	Sig. (2-tailed)	0.001	
	N	156	156

\*\*Correlation is significant at 0.01 level (2-tailed).

Result of the correlation between Islamic work ethics and managerial integrity is positively significant, which means that Islamic work ethics contribute significantly to enhance managerial integrity, besides their direct effect on shareholder value. This can give twofold benefit to corporate management: instilling Islamic work ethics not only ensure good return for shareholders but also provide the organizations with dependable managers with greater personal and professional integrity.

H2: There is significant relationship between managerial integrity (MI) and shareholder value (SV).

**Table IV: Result of H2 analysis**

		Managerial Integrity	Shareholder Value
MI	Pearson Correlation	1	0.209**
	Sig. (2-tailed)		0.009
	N	156	156
SV	Pearson Correlation	0.209**	1

	Sig. (2-tailed)	0.009	
	N	156	156

\*\*Correlation is significant at 0.01 level (2-tailed).

Result of H3 indicates that there is significant and positive correlation between managerial integrity and shareholder value. Islamic work ethics have multidimensional influence on organizational dynamics. On one hand, Islamic work ethics have positive impact on shareholder value, and on the other, IWE help managers maintain their integrity. Once managers make sure to work for the organization with complete sincerity, justice and truthfulness, they exhibit outstanding proficiency to enhance shareholder value as depicted in Table IV.

H3: There is significant relationship between managerial performance (MP) and shareholder value (SV).

Table V: Result of H3 analysis

		Managerial Performance	Shareholder Value
MP	Pearson Correlation	1	0.179*
	Sig. (2-tailed)		0.025
	N	156	156
SV	Pearson Correlation	0.179*	1
	Sig. (2-tailed)	0.025	
	N	156	156

\*Correlation is significant at 0.05 level (2-tailed).

performance has obvious correlation with shareholder value, but in this study, managerial performance is kept along with Islamic work ethics to observe its influence upon shareholder value. Probably it is because of the substantial influence of IWE in this survey which dominated the impact of managerial performance on shareholder value. However, this study also proves that there is positive and significant correlation between managerial performance and shareholder value as shown in Table V.

**Regression**

Table VI: Beta, Std. error in Parenthesis, t-values in Brackets and p-values italic

Constant	IWE	MI	MP	R <sup>2</sup>	F
1.985	0.528	0.074	0.048	0.204	12.959
(0.694)	(0.104)	(0.059)	(0.100)		
[2.858]	[5.093]	[1.246]	[0.478]		
<i>0.005</i>	<i>0.000</i>	<i>0.214</i>	<i>0.633</i>		<i>0.000</i>

Result of regression analysis of the research model shows that Islamic work ethic (independent variable) has strongest influence on shareholder value, thus causes 52% variation in shareholder value (dependent variable). This strengthens the view that good ethics means good business and motivates corporate management to make values and ethics an integral part of business policies and strategies.

P-value is percentage. It indicates how likely it is that the relationship that emerged is by chance or it is real. A p-value of 0.05 means that there is a 5% chance that the

relationship emerged randomly and a 95% chance that the relationship is real. If, p-value is  $\leq 0.05$ , it rejects the null hypothesis and accept alternate hypothesis. P-value for the research model is less than 0.05. Therefore it accepts alternate hypotheses of current study. It is generally accepted practice that p-value less than 0.10 is considered as significant [35], thus p-value of the research model is significant, which indicates that according to the results of this study Islamic work ethics have significant and positive influence on shareholder value.

Table VII reveals the results of the hypotheses testing. It is evident from the analysis that there is significant relationship between Islamic work ethics (IWE) and shareholder value (SV). This provides strong foundation to the thesis that values and ethics are fundamental ingredients for the success of business organization; according to these results if there is one degree change in overall commitment and practices of standard values and ethics, there will be 52% positive change in shareholder value through customer satisfaction and employees' loyalty, thus resulting in increased profit.

Values and ethics develop honest and truthful managers; result of this study mentioned in Table III connotes that there is significant and positive relationship between Islamic work ethics and managerial integrity. Therefore internalization of standard values and ethics in organizational culture pays off from different dimensions; on one hand values and ethics positively and significantly influence shareholder value and on the other values and ethics develop managerial integrity which eventually influences shareholder value positively as mentioned in Table IV and Table VII.

Managerial performance is always an important element for the success of organization. Results of this study also show that there is positive relationship between managerial performance and shareholder value as shown in Table V and Table VII.

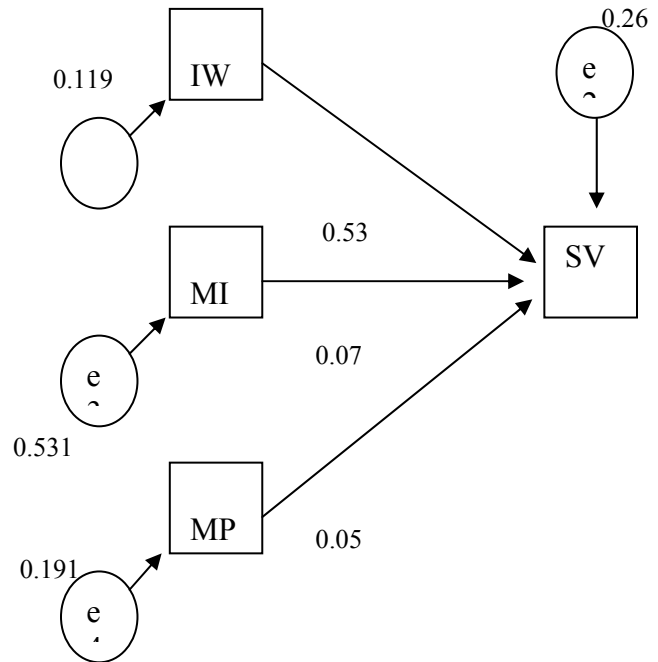


Figure 3: Research Model and Hypotheses Testing



Table VII: Hypotheses testing based on regression weights

Dependent Variable	Independent Variables	Estimate	SE	Critical Ratio	P-value	Result
SV <---	IWE	0.528	0.094	5.620	0.000	Strongly Accepted
SV <---	MI	0.074	0.056	1.310	0.190	Moderately Accepted
SV <---	MP	0.048	0.093	0.511	0.610	Moderately Accepted

**11. CONCLUSION**

This study concludes that Islamic work ethics significantly and positively influence shareholder value which includes profitable business, happy employees and satisfied customers. Managerial integrity is a vital ingredient to protect shareholder value; results of this study indicate that besides having direct impact on shareholder value, Islamic work ethics help develop credible leaders who refrain from temptations for unethical behavior. The results show that managerial integrity can contribute in securing shareholder value in corporate world in general and in textile sector in particular. In this study, it is again depicted that there is positive correlation between managerial performance and shareholder value. Regression analysis of the data collected summarizes that values and ethics and managerial integrity, coupled with good managerial performance, lead to the best interest of shareholders for sustainable organizational growth and reputation. This study opens the doors for organizational managements to consider the role of Islamic work ethics in expanding profitability through reputable means. Manipulations and modes which remain away from standard norms are subject to long-term failure. This study determines that business organizations can develop dependable managers through inculcating and internalizing Islamic work ethics in the working environment of the company. Only truthful and honest managers can exhibit strength of character in the long run. This study helps to deduce that Islamic work ethics have the potential to build an organizational culture which can exhibit ethical behavior in and around the organization. Islamic work ethics provide an effective framework, to the corporate organizations in general and textile sector of Pakistan in particular, based on justice, sincerity and proficiency for sustainable growth.

This study has various implications for corporate organizations. First, this study suggests that hiring employees who have strong propensities for Islamic work ethics means hiring employees who can exhibit sincerity, proficiency and truthfulness. Second, the results of this study indicate that Islamic work ethics can provide ethically strong leadership to the organization to fight against ethical dilemma prevailing in corporate management, which is evident from many popular scandals. A Dutch supermarket company (Royal Ahold) placed first in 2001 study of corporate reputation by Harris Interactive and the Reputation Institute but later came under government investigation for massive accounting irregularities. Smithsonian Institution in Washington, D. C., has acquired the Enron ethic code for its

collection of historical memorabilia. Now while reading Enron’s ethic code after knowing the downfall and how its top executives really did business, one feels as if he is reading the script for a parody, not the actual ethics code, that truly gives new meaning to the expression “empty words”. Third, and the most important implication of this study, is that Islamic work ethics have the potential to enhance shareholder value, this will encourage the corporate leadership to work for internalization of values and ethics (Islamic work ethics in particular) in organizational culture. IGFW is a unique element of Islamic work ethics to fight against unethical practices. Inculcating the culture of IGFW can ensure that every member in the organization contributes for the endorsement of values and ethics. IGFW ensures true implementation of values and ethics, because everyone is motivating, controlling and monitoring the whole system.

Internalization of values and ethics needs focus on training to promote confidence and to strengthen resistance to temptation. To internalize values and ethics (Islamic work ethics in particular), it is important to recruit those who are most likely to have values and ethics. This requires stringent screening mechanism at the time of recruitment. Second stage demands continuous on-the-job education in values and ethics. To keep an employee well-paid is an effective measure to internalize values and ethics; another is to appoint an employee on probationary basis until the internalization of values and ethics is demonstrated.

Contribution of this study is twofold: firstly, it investigates the role of Islamic work ethics in protecting and enhancing shareholder value from three aspects i.e. profit, employee loyalty and customer satisfaction. This has not been examined in previous studies. Secondly, this study explores the role of Islamic work ethics in building managerial integrity, which is a new probe in corporate management and leadership studies.

**12. BIBLIOGRAPHY**

[1] Malik A. *Demand for textile and clothing exports of Pakistan*, Retrieved October 18, 2009 from <http://www.pide.org.pk/Research/Report180.pdf>, (2009).

[2] Tayeb, M., Islamic revival in Asia and human resource management. *Employee Relations*, **19(4)**, 352-364, (1997).

[3] Weiss, J. W. *Business Ethics*, Thomson South-Western, (2003).

[4] Alsop, R. J. *The 18 Immutable Laws of Corporate Reputation*, Kogan Page, (2004).

[5] Beekun R. I. *Islamic Business Ethics*, The International Institute of Islamic Thought, (1997).

[6] al - Qur’an

[7] Emerson, R. W. *Sincerity is the best complement*. Retrieved July 9, 2008 from <http://strangewondrous.net/browse/subject/s/sincerity>, (2008).

[8] Alhabshi, S. O. & Ghazali, A. H. *Islamic Values And Management*, Institute of Islamic Understanding Malaysia (IKMI) , (1994).

[9] Beekun R. I. & Badawi J. *the leadership process in Islam*, The International Institute of Islamic Thought, (1999).

- [10] Murphy, L. B. Institutions and the demand of justice, *Philosophy and Public Affairs* **27**, No. 4, 251-291, (1999).
- [11] Confucius. Without truth I know not how man can live, Retrieved July 9, 2008 from: <http://www.freerepublic.com/focus/news/685635/posts> (2008).
- [12] Keith. Keep Pushing, Retrieved July 9, 2008 from: <http://www.sportworksministry.org/pdf/keeppushing.pdf>, (2004).
- [13] Jabnoun, N. *Islam and Management*, Institute Kajian Dasar (IKD), (1994).
- [14] Eden, J. Commitment – Responsibility to Oneself, Rising Women Magazine, Retrieved July 10, 2008 from: <http://www.risingwomen.com/arceden3.htm>, (2008).
- [15] Nomani, A. S. & Nadvi, S. S. *Siratu-n-Nabi*, vol.6, Idara-e-Islamiat, Lahore, (2002).
- [16] Ovid. Retrieved July 10, 2008 from <http://en.proverbia.net/citastema.asp?tematica=776>, (2008)
- [17] Asad M. *The principles of state and government in Islam*, Islamic Book Trust Kuala Lumpur, (2007).
- [18] Darwish, A Y. The Islamic work ethic as a mediator of the relationship between locus of control, role conflict and role ambiguity: A study in an Islamic country setting, *Journal of Managerial Psychology*, **15**, 283-302, (2000).
- [19] Ali A. Scaling an Islamic work ethics, *The Journal of Social Psychology*, **128**, 575-83, (1988).
- [20] Choudhury M. A. *The Islamic world-system, A study in polity – market interaction*, RoutledgeCurzon Tailor & Francis Group, (2004).
- [21] Abbasi A. S. & Abbasi S. H. Business ethics – shortfalls in approach, *Conference Proceeds of First International Conference on Business & Technology*, 8-13, Iqra University Islamabad, (2008).
- [22] Majali, A. S. A proposal for the establishment of an Islamic leadership institution, *Journal of Islamic Academy of Sciences*, **3:4**, 251-254, (1990).
- [23] Ethics Resource Centre. National Business Ethics Survey 2003, *Ethics Resource Centre*, 15. Washington DC, (2003).
- [24] Hamilton F. and Bean C. J. The importance of context, beliefs and values in leadership development, *Business Ethics: A European Review*, **14**, 336-347. Available: Blackwell synergy, (2005).
- [25] Stathakokopoulos, V. Enhancing the performance of marketing managers: Aligning strategy, structure and evaluation systems, *European Journal of Marketing*, **32**, 536-558, (1998).
- [26] Ahmed P., Lim K. K., Zairi M. Measurement practices for knowledge management. *Journal of Workplace Learning*, **1**, 304-311. Available: [www.emeraldinsight.com](http://www.emeraldinsight.com), (1999).
- [27] Ghobadian A. & Ashworth J. Performance measurement in local government – concept and practice, *International Journal of Operations & Production Management*, **14**, 35-51, (1994).
- [28] Modudi, A. A. *Tafheem-ul-Qur’ān*, vol. 1, Idara-e-Tarjaman ul Qur’ān Lahore, (2005).
- [29] Customer Care. Retrieved December 26, 2009 from <http://www.businesslink.gov.uk/bdotg/action/detail?type=RESOURCES&itemId=1074301416>, (2009).
- [30] Daryabadi, A. M. *Tafseer-e-Majidi* vol.2, Majlis-e-Nashriyat-e-Qur’ān, Karachi, (1998).
- [31] Behavior of your governor. Retrieved August 13, 2007 from: [www.iiu.edu.my/deed/hadith/muslim/020\\_smt.html#009\\_b20](http://www.iiu.edu.my/deed/hadith/muslim/020_smt.html#009_b20), (2007).
- [32] Arsalan M. The work ethic values of Protestant British, Catholic Irish and Muslim Turkish managers. *Journal of Business Ethics*, **31**, 321-339, (2001).
- [33] Al-Kazami A. A. & Ali, A. J. Managerial problems in Kuwait. *Journal of Management Development*, **21**, 366-375. Available: [www.emeraldinsight.com](http://www.emeraldinsight.com), (2002).
- [34] Darwish A Y. Islamic work ethics: A moderator between organizational commitment and job satisfaction in a cross-cultural context. *Personal Review*, **30**, 152-169. Available: [www.emeraldinsight.com](http://www.emeraldinsight.com), (2001).
- [35] Triola M. F. *Elementary Statistics*. Pearson Education Inc, (2004).