Abdus Sattar Abbasi¹, Ghulam Mustafa Mir², Muzammil Hussain³ ISLAMIC WORK ETHICS: HOW IT AFFECTS ORGANIZATIONAL LEARNING, INNOVATION AND PERFORMANCE

This research paper aims to investigate the impact of Islamic work ethics on organizational learning, innovation and performance. Researchers selected Servis Industries of Pakistan for the purpose of this study. This paper provides insight on the extent of application of Islamic work ethics in business organizations of Pakistan, particularly in manufacturing. The results of this study support the argument that following the Islamic work ethics in a business organization boosts learning, innovation and eventually organizational performance. The findings of this study provide way forward to other Pakistani organizations to incorporate Islamic work ethics into their culture for better organizational outcomes.

Keywords: Islamic work ethics; organizational learning; innovation and performance; Servis Industries; Pakistan.

Абдус Саттар Аббасі, Гулям Мустафа Мір, Музамміл Хусейн ІСЛАМСЬКА РОБОЧА ЕТИКА ТА ЇЇ ВПЛИВ НА ОРГАНІЗАЦІЙНЕ НАВЧАННЯ, ВВЕДЕННЯ ІННОВАЦІЙ ТА ПРОДУКТИВНІСТЬ

У статті вивчено вплив ісламської робочої етики на організаційне навчання, введення інновацій і продуктивність. Як об'єкт дослідження обрана пакистанська компанія "Servis Industries". Наведено подробиці про міру вживання ісламської робочої етики в бізнес-організаціях Пакистану, зокрема, у промисловому виробництві. Результати дослідження підтвердили, що дотримання ісламської робочої етики в бізнесорганізації підвищує рівень навчання, введення інновацій і, у результаті, ефективність роботи організації. Висновки дослідження відкривають можливість іншим пакистанським компаніям вводити ісламську робочу етику в організаційну культуру для досягнення кращих результатів діяльності.

Ключові слова: ісламська робоча етика; організаційне навчання; введення інновацій і продуктивність; "Servis Industries"; Пакистан.

Абдус Саттар Аббаси, Гулям Мустафа Мир, Музаммил Хуссейн ИСЛАМСКАЯ РАБОЧАЯ ЭТИКА И ЕЕ ВЛИЯНИЕ НА ОРГАНИЗАЦИОННОЕ ОБУЧЕНИЕ, ВВЕДЕНИЕ ИННОВАЦИЙ И ПРОИЗВОДИТЕЛЬНОСТЬ

В статье изучено влияние исламской рабочей этики на организационное обучение, введение инноваций и производительность. Как объект исследования выбрана пакистанская компания "Servis Industries". Приведены подробности о мере применения исламской рабочей этики в бизнес-организациях Пакистана, в частности, в промышленном производстве. Результаты исследования подтвердили, что следование исламской рабочей этике в бизнес-организации повышает обучаемость, введение инноваций и, в итоге, эффективность работы организации. Выводы исследования открывают возможность другим пакистанским компаниям вводить исламскую рабочую этику в организационную культуру для достижения лучших результатов деятельности.

Ключевые слова: исламская рабочая этика; организационное обучение; введение инноваций и производительность; "Servis Industries"; Пакистан.

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Introduction. Islamic work ethics (IWE) within the concept of "Civilization of Islam" stresses cooperation in work, and consultation is perceived as a technique of conquering hindrances and evading blunders to meet one's needs and establish equilibrium in one's individual and social life. IWE stresses creative and innovative work as a source of pleasure and achievement (A. J. Ali, 1992; A. J. Ali & Al-Owaihan, 2008; Kumar & Rose, 2010). IWE signifies that carrying out business in a determined atmosphere will result in higher performance and extensive success (A. J. Ali & Al-Owaihan, 2008).

According to IWE, there should be fairness and honesty in trade and at workplace (Yousef, 2000). The study elaborates the role of Islamic work ethics and its impact on organizational learning, innovation and performance in Servis Industries Limited Pakistan.

IWE promotes innovative and productive work in each and every position held by employees for better performance of an overall organization and individual satisfaction and pleasure (A. Ali, 1988). Organizational learning and performance have strong positive linkage between themselves (Brockman & Morgan, 2003; Dodgson, 1993; Fiol & Lyles, 1985; Garvin, 1985; Gnyawali, Stewart & Grant, 1997; Nevis, DiBella & Gould, 1995; Stata & Almond, 1989).

Learning-orientated organizations always show higher organizational performance and flexibility towards market changes and innovations (Baker & Sinkula, 1999). Organizations with high learning capacity are typically more elastic to reply to new confronts than rivals (Day, 1994; Slater & Narver, 1995). For the enhancement of organizational performance, organizational learning is a mean to attain a strong competitive advantage and a key variable (Brockman & Morgan, 2003).

Innovation means implementation of a fresh thought or behavior (Damanpour & Gopalakrishnan, 1998; Damanpour, Szabat & Evan, 1989; Knight, 1967; North, Smallbone & Vickers, 2001; Rogers, 1995; Thompson, 1965; Wolfe, 1994). Organizational performance contains the difference between the actual and the desired outputs of any organization (Ho, 2011).

The need of the study is to know the impact of Islamic work ethics on learning, innovation and performance in the environment of Servis Industries Pakistan.

The research objectives are to investigate the impact of Islamic work ethics and its impact on the 3 variables, i.e., organizational learning, innovation and performance.

Islamic work ethics and organizational learning, innovation and performance:

Islam has given a complete code of conduct for life, as far as work ethics is concerned a clear guideline is provided in Holy Koran and in the life of Prophet Muhammad (PBUH). Honesty and fairness at workplace and in trade are the basic principles of IWE (Yousef, 2000). Engaging oneself in unproductive work or wasting of time is strictly prohibited in IWE (Abeng, 1997). On the basis of hard work, one can only get success in life and the failures are due to the laziness and unwillingness to work. When all the workers of any organization engage themselves in productive activities, it promotes justice, it leads to creativity and self-satisfaction (A. J. Ali & Al-Owaihan, 2008). The environment created by employees at a work place directly affects the learning of coworkers and their ability to do creative work. It is closely related to the behavior of their peers. If all the employees are working positively towards organizational goals it will lead to innovation and enhanced performance (Davidson PL, 2005). According to Ahmad (1976), Islamic ethics is not only for the best solutions for life but also fulfills business needs at their peak level.

In the literature the research on work ethics and the related factors in any organization received substantial concentration (A. J. Ali & Al-Owaihan, 2008; Congleton, 1991; Furnham & Rajamanickam, 1992; Yousef, 2000, 2001; Zuboff, 1983). Following the true teachings of Islam, all challenging tasks are accepted sincerely and with great courage. This is according to one of the Prophet Mohammed's (PBUH) sayings which are compulsory to follow for every Muslim. During the starting centuries of Islam, knowledge has flourished and all forms of work and inspiration were privileged, and labor organizations that shored up both the needs and the professional quality of workers were urbanized (A. J. Ali & Al-Owaihan, 2008). Ali (1992) verified a high association between IWE and individual innovation. Employees that embraced IWE had less role ambiguity (more role clarity) which would reduce job stress and would benefit both individuals and organizational innovation (Yousef, 2000). Yousef (2001) verified that IWE propped up job contentment and organizational loyalty, which leads to the prosperity of organizations. Loyal workers have utmost importance for employers as they improve the environment of learning and creativity. Similarly, Rahman et al. (2006) concluded that an individual with a high level of sensitivity to IWE would have a propensity to be creative and innovative.

Gender, age, tenure, educational level and position of workers also have the core importance in bringing innovations. It has been reported that the internal capacity of an organization is one of the foundation factors which compel the innovation capability (Chang & Lee, 2008; Hoffman, 1999; Sundbo, 2001).

IWE are also oriented more toward life fulfillment than life denial and holds business motives in the highest regard (A. J. Ali, 1992; Kumar & Rose, 2010). The research on work ethics and its associations with individual and organizational factors has received substantial concentration in the literature (Ali and Al-Owaihan, 2008; Yousef, 2000, 2001; Naresh, 2010).

Implications of work ethics which reflect an individual's attitudes to organizational success have been extensively investigated and perhaps it has permeated leadership and management thinking. Nonetheless, much of the research on work values has been carried out in the West and has focused on the Protestant work ethics (PWE) as defined by German economic sociologist, Max Weber, in 1905. Probably in the earlier days, due to restricted access to the wealth of literature on Islamic studies which mostly were published in languages other than English, many management scholars had limited research on Islamic management. However, some of the prolific researches have shed light on the concept of IWE and its significant impact on the workplace. Those research findings are gaining attention and induce research interest among international scholars today (Kumar & Rose, 2010).

Islamic work ethics compliments if business is carried out in a determined environment thus resulting in higher performance and extensive success (A. J. Ali & Al-Owaihan, 2008).

Islamic work ethics and organizational performance are closely related to each other; their interdependency was verified by previous researches, e.g. (A. J. Ali & Al-Owaihan, 2008; Kumar & Rose, 2010).

Organizational learning, innovation and performance. Organizational learning is the course of actions by which the firm builds up new facts and insights from common experiences of people in organizations, and has the potential to influence behaviors and improve firm's competences (Fiol & Lyles, 1985; Huber, 1991; Senge, 1990). Organizational learning is a key to have a strong competitive advantage and a key variable in the improvement of organizational performance (Brockman & Morgan, 2003; Gnyawali et al., 1997).

For a learning organization the process can be visualized; first of all, knowledge acquisition from the experience stakeholders then this valuable and up to date knowledge is communicated to each and every worker of an organization thus leading to better results and improved performance. Learning organizations are usually more flexible to respond to new confronts than opponents (Day, 1994; Slater & Narver, 1995), which allows organizations retain enduring competitive advantages (Dickson, 1996).

In the past many researchers proved the positive linkage between organizational learning and performance. For instance, Baker & Sinkula (1999) uncover that learning orientation has a direct effect on organizational performance. There are some other studies that confirmed the same (Keskin, 2006; Ussahawanitchakit, 2008). Bontis, Crossan & Hulland (2002) also provide proof of a positive association between organizational learning and performance.

Innovation is the implementation of new ideas or behaviors by organizations to meet daily needs of the changing environment (Damanpour & Gopalakrishnan, 1998; Damanpour et al., 1989; North et al., 2001; Wolfe, 1994).

Innovation is different from imagination, and innovation comprises 4 elements, namely, creativity, strategy, application and profitability (Wright, Palmer & Perkins, 2005). Organizational performance is a gauge which measures how effectively a venture accomplishes its goal (Hamon, 2003; Robbins & Coulter, 2002). In other words, organizational performance comprises the actual output or the results of an organization as measured against the intended outputs (Ho, 2011).

Innovations help corporations to overcome the instability of external situations and, hence, is one of the key drivers of long-term victory in business, particularly at dynamic markets (Baker & Sinkula, 1999; Balkin, Markman & Gomez-Mejia, 2000; Darroch & McNaughton, 2002; Lyon & Ferrier, 2002; Vrakking, 1990).

Companies with the high capacity to innovate will be able to react to challenges faster and to take advantage of new products and market prospects better than non-innovative companies (Brown & Eisenhardt, 1995; Miles, Snow, Meyer & Coleman Jr, 1978).

Purpose of this study. Servis Industries Pakistan is one of the oldest and successful shoe manufacturing companies of Pakistan. This company has more than 50 years of history. Servis is the leading footwear brand of Pakistan. It has a vast distribution network in Pakistan with over 400 outlets and more than 2000 dealers. Servis also exports its goods to Middle East, Europe and many other countries and it is the largest footwear exporter of the country for the last 10 years. Servis has a strong financial performance with overall sales of PKR 12 bln. (\$ 130 mln.) which makes Servis the largest footwear company of Pakistan by revenue. The company has more than 6000 employees which indicates its contribution to the market at the macrolevel. Its

head office is located in Lahore and manufacturing facilities are in Gujrat. The purpose of this study is to find out the relationship between Islamic work ethics and organizational learning, innovation and performance in the case of Servis Industries. Further the research is extended to verify the relation of organizational performance with organizational learning and innovation.

Hypotheses. Basing on the theoretical linkage given above we develop the following hypotheses for this study.

H1: Islamic work ethics positively influences organizational learning.

H2: Islamic work ethics has positive impact on organizational innovation.

H3: Islamic work ethics positively affects organizational performance.

H4: Organizational learning and organizational performance are positively related to each other.

H5: Organizational innovation contributes positively to enhancing organizational performance.

H6: Islamic work ethics, organizational learning and innovation are the key elements for better organizational performance.

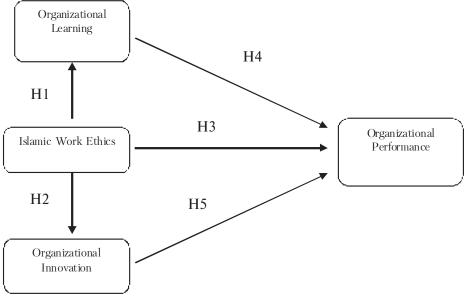


Figure 1. Research Model

Methodology.

Sample. In this research the data were collected from 240 employees of Service Industries. Districts selected for data collection are Gujrat, Gujranwala, Sialkot, Lahore and Wazirabad. Main factory is located in Gujrat, head office is in Lahore. Data was collected with the help of structured questionnaires.

Data Analysis. For the data analysis SPSS were used. Before applying major tests on the data, normality of the data was checked by one sample K-S (Kolmogorov-Smirnov) test. Outliers from the data were removed for accurate results. Pearson's correlation was applied to find out the associations of the variables, then linear and

multiple regressions were utilized to test the hypotheses. Data analysis tested the hypotheses of the study.

Results and Discussion.

Reliability Analysis:

The scale incorporated in the study was tested for reliability. Cronbach alphas for each variable were calculated. Results of the test is shown in Table 1.

Variable name	Cronbach Alpha
Islamic Work Ethics	0.85
Organizational Learning	0.87
Organizational Innovation	0.85
Organizational Performance	0.87

Table 1. Scale Reliability

Correlation, means and standard deviation.

In Table 2 means, standard deviations and correlations of variables are shown. Results of correlation indicate strong associations among the variables.

Sr. No.	Variable Name	М	SD	1	2	3	4
1	Work Ethics	5.9	.60	-			
2	Organizational Learning	5.8	.90	.63**	-		
3	Organizational Innovation	5.9	.95	.58**	.71**	-	
4	Organizational Performance	5.8	.92	.49**	.64**	.68**	-

Table 2. Correlation, means and standard deviation

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

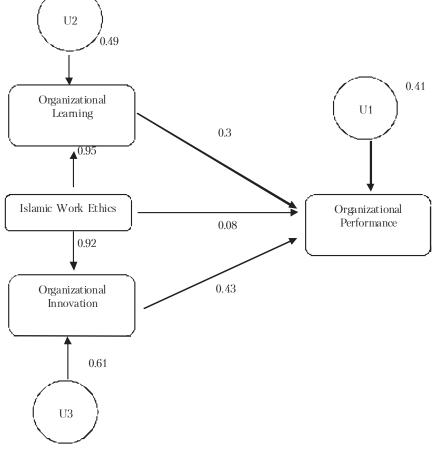
Hypothesis testing:

The hypotheses of the study were tested by linear and multiple regressions using SPSS 17. The results of the regression are shown in Table 3.

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Hypothesis	Independent Variable	Dependent variable	p-value	\mathbb{R}^2	β
Н 1	Islamic work ethics	Organizational Learning	.000	.39	0.95
Н 2	Islamic work ethics	Organizational Innovation	.000	.33	0.91
Н 3	Islamic work ethics	Organizational Performance	.400	.24	0.078
Н 4	Organizational Learning	Organizational Performance	.000	.41	0.29
Н 5	Organizational Innovation	Organizational Performance	.000	.46	0.43
Н 6	IWE, OL, OI	Organizational Performance	.000	.49	0.89

Table 3. Results of linear regressions

The regression model shows a good fit. All the linear relations for the set variables are strong. Organizational performance shows strong associations with Islamic



work ethics, organizational learning and innovation. Islamic work ethics proved to be a strong predictor of organizational innovation and organizational learning.

Figure 2. Path diagram of the model

Table 4. Model Summary and Coefficients of Sequential Equation Model						
Dependent variable	Independent Variable	Estimate	SE	Critical ratio	p-values	Result
OL 🚺	IWE	0.95	0.07	12.53	* **	Accept
01	IWE	0.91	0.08	10.89	* **	Accept
OP 💽	IWE	0.07	0.1	0.76	0.444	Reject
OP 🔶	OL	0.30	0.06	5.0	* **	Accept
OP 🖣	IO II	0.43	0.05	8.02	* **	Accept

As per the results, it is evident that Islamic work ethics is a strong predictor of organizational learning, as its $\beta = .95$, p-value < .01. It means that one unit increase in practicing Islamic work ethics will positively increase organizational learning by 95%. So the first hypothesis is accepted.

The results of the linear regression further indicate that Islamic work ethics has significant relation with organizational innovation ($\beta = .91$, p-value < .01). It means that one unit increase or decrease in practicing IWE will have 91% variance in OI. Considering the above stated results H2 is accepted. Islamic work ethics did not prove to be a significant predictor of organizational performance as indicated by the path model. $\beta = 0.078$, p-value > .01 which indicates there is no relationship between Islamic work ethics and organizational performance. H3 is rejected.

OL and OI proved to be strong predictors of organizational performance when tested individually. Organizational learning also is a strong predictor of organizational performance as its regression coefficient is 0.65 and p-value < .01. Organizational innovation is positively associated with organization learning. Its regression coefficient is 0.65 and R-square value is .46, which indicates a good model fit. Considering the above regression results we can conclude that H4 and H5 are accepted.

Islamic work ethics, organizational learning and innovation were transformed to obtain a single variable. Regression was run to check the association between organizational performance and all the 3 variables collectively. Results of the regression indicated very strong relation between organization performance and Islamic work ethics, organizational learning and innovation. R-square of the result is .49 which reflects a very good model fit. Regression coefficient is .89 which again indicates that independent variables have strong association with organizational performance, p-value<0.01 which leads us to the acceptance of H6.

Conclusion. The results of the study testified the fact that organizational learning and innovation are strong predictors of organizational performance. In Servis Industry learning and innovation are the key drivers of good performance. The results of the current study are in line with the previous researches. Also Islamic work ethics have proved its potential and contributes in organizational learning and innovation. Emphasis on Islamic ethics can promote learning and innovation in organizations. The relationship is previously studied and the results of the current study testify previous findings. Results encourage other organizations in Pakistan to follow Islamic work ethics that can enhance their learning and innovation which will eventually improve their organizational performance. Islamic work ethics can have positive influence on individual and collective learning in any organization, which can significantly affect overall performance of organizations.

The limitation of the study is that the research model has only been applied on one organization, for more generalized results the same model can be studied on multiple organizations.

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