Impact of Ethical Leadership and Islamic Work Ethics on Employee Commitment and Job Satisfaction

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ABSTRACT
This research is aimed to find out the impact of Islamic work ethics and ethical leadership on employee commitment and job satisfaction. Primary data was collected from employees in banking sector of Pakistan. A sample of 200 employees was selected using convenient sampling and questioner tool was used to collect the data. Findings of research indicated that there is a positive impact of ethical leadership and Islamic work ethics on employee commitment and job satisfaction. Research may have limitations because of short sample selected and generalization of results to all the banking sector employees.

INTRODUCtion
In the past few years' organizations are facing ethical issues and suffer from a great loss due to non-implementation of ethical practices. Islamic work ethics has become topic of interest for researchers from recent few decades after Ali (1988) studies on Islamic work ethics. Islam clearly identify right and wrong in the context of Quran and Hadith. Islamic concepts and perspectives are suitable in explaining the ethics, as these are comprehensive, reality based and moderate In the context of Islam one of the main principle in doing business is honesty and fairness in making transactions and thus every businessman must be a person with strong ethical practices (Kaliffa, 2003).

The Quran restricts its followers to avoid unproductive, time-consuming activities and these activities are treated as wasteful. Most of the researchers have common concept that to stable individual and social life work is considers as obligation and powerful asset in light of person’s need and necessity. So it can be helpful for individual to be independent and self-respected. Ethical work results in high correlation with moral commitment instead of calculative commitment. Intrinsic factors of work values are closely related with employee commitment rather than extrinsic factor. The research shows that satisfied employees are more committed with organization as they reach at their duty at a time, contribute to work as to increase productivity and perform better. When employees are ready to hard work for the improvement of company, less motivation, the similarity of company and employees values and loyalty toward work for employers are the indicators of highly employee commitment. Moral commanding is essential to attain valued outcomes because it is correlated with affective commitment. Employees who are appreciated in their work are more productive and
perform at higher level than those who are less appreciated. Implications of Islamic work ethics are means to improve employee commitment in organization. In Islamic principles it is expected that individual do his best in workplace. The Holy Prophet (SAW) said “Allah blesses a person who perfects his craft (does the right job)” and “Allah loves a person who learn precisely how to perform his work and does it right”. Further he stated that, 2008). “No one eats better food that which he eats out of the work of his hand” and “no earnings are better than that of one’s own effort”.

Duggar (2009) claimed that ethical environment valued by employees and leads to employee commitment towards job. Hitt (1990) highlights three requirements for leader that allow leader to capitalize on their ability to affect ethical conduct; realizing a conduct of ethics, attend and helping such a role model in making ethical decisions and constructing and fulfilling a plan of action that raise ethical manner on the part of his/her subordinates. Researchers concluded that there is three main component of employee commitment; normative, affective and continuance commitment. Normative commitment involves ethical response and obligation of an individual to remain with the organization because it involves a way of duty towards organization. Affective commitment is the emotional attachment of employee and high identification of the organization. In Continuance commitment employee predicts troubles that could result from leaving organization and also the gains committed with the organization. According to (Singh, et al., 2010) employee commitment level is high when there is a high level of perceived ethical behavior. Employee training, medical benefits, free worker’s interaction has strong commitment towards organization.

There is a direct relationship of ethical leadership with employee commitment and job performance and satisfaction in an organization. Employee pride, loyalty and commitment is enhanced by ethical behavior of leader. Job satisfaction is the emotional, affective and pleasurable state of an employee toward its job. Job satisfaction is mostly affected by workplace environment and relationship of employees with their supervisors or employer. High job satisfaction level can be achieved when leaders are able to communicate emotionally and motivationally with employees. Ethical leaders who are free in communication are able to neutralized employees doubts in organization and enhance strong employee satisfaction level. Trust in leader and clearly established leadership practices improve job satisfaction level such that trust in leader has an affective basic role in relationship of ethical behavior and job satisfaction. A leader must have ability to explore the best way to deal with effects of ethical climate and redesign job satisfaction level as to contain ethical surroundings. When employees feel honesty, fairness, justice and transparency in workplace they perform affectively and high level of job satisfaction (Sehat, et al, 2015).

Job satisfaction is one’s positive emotional and pleasurable feelings about his/her job. Working environment and job characteristics are affected by job satisfaction, working opportunities and environment differs from organization to organization. When employee’s needs and expectations are met by organization then employees have
positive and satisfied attitude towards work. Job satisfaction indicated the connection between workers and work environment and also what employees demanded and expected and what they receive, the more workers needs fulfill the level of job satisfaction will be high. According to Locke (Locke), there are three steps that raise job satisfaction: (a) some elements of workplace are experienced by workers, (b) to judge the working environment workers use standard value, (c) they evaluate that how much standard is to be met according to preferred values, if preferred work environment created positive emotions then job satisfaction is enhanced. Therefore, employees evaluated their jobs according to factors which they consider important for them (Husin & Norhasniah, 2012).

PROBLEM STATEMENT
Ethical leadership and Islamic work ethics has influence on employee commitment and job satisfaction but there is a gap between them that is not properly concentrated and evaluated. Some organizations focus on other factors such as competitors and external factors but these organizations don’t focus on ethics which is important factor for their performance and profitability. So there is a need to study ethical leadership and Islamic work ethics factors to avoid such a problem. Ethically due to non-implementation of Islamic work ethics employee’s commitment and job satisfaction level are reducing which affect the overall performance of organization. So to make it as a base this study is going be to carry on to check either it exists or not and if it exists then how much it affects.

RESEARCH OBJECTIVES
- To check the impact of ethical leadership on employee commitment.
- To check the impact of ethical leadership on job satisfaction.
- To check the impact of Islamic work ethics on employee commitment.
- To check the impact of Islamic work ethics on job satisfaction.

SIGNIFICANCE OF THE STUDY
By conducting this research, it will be beneficial for future researchers and scholars to identify ethical problems which are not properly implemented in organizations. Practically this research will be useful for policy makers because when they will design policies it will be most important for them to keep in mind that how Islamic work ethics will be implemented to enhance the job satisfaction level in organization which will ultimately improve employee performance.

LITERATURE REVIEW
Leadership is a process in which a person motivates and inspires his employees to attain common goal. Leadership is a process of motivation and inspiring people to get desire results. For the success and failure of organization leadership is an important factor. To become a leader there are three ways: the trait leadership theory, great event theory and process leadership theory. Due to certain qualities in a person involves himself into leadership role, this is trait leadership theory (Rokman & Omar, 2008). In great event theory, due to crisis or any important event an individual raises the situation and it enhance extraordinary leadership qualities in a common person.
Process leadership theory explains in which condition qualities of leadership are to be learned. According to (Burns, 1978) Leadership process occurs in two ways either transformational or transactional. In transformational process vision is to be established which clearly defines mission of organization and leads to make strategies, policies and procedures of organization. To empower the followers, improve their self-efficacy and alter the principles, values and norms which are closely concentrated with leader mission he uses strategies and techniques. Leader uses transformational style to achieve organizational goals effectively and efficiently by improving working conditions of employees (Haroon, Zaman & Rehman, 2012). Transactional leadership is a process in which leader impress followers by giving rewards, sanctions and uses his authority to change behaviors of followers.

Ethical leadership is a process which influence and make a right direction for his followers to do right things. The basic responsibility of an ethical leader is to resolve conflicts among followers and guide them into right way. Brown et al., 2005 suggest that ethical leadership is depending upon social learning theory (Bandura, 1977, 1986) which explains that people mostly learned through paying attention and contrasting behaviors, values and attitudes of efficient and dependable role models. Power and status is two basic qualities of these role models. According to (Trevino, Brown and Hartman 2000, 2003) there are two ways to determine ethical leadership; moral persons and moral managers. Personal characteristics of individual includes in moral persons’ dimension, these persons are honest, trustful and confidential and consider as fair in decision making, caring about people and show ethics in their personal and professional lives (Brown & Trevino, 2006). In moral managers’ process to promote ethical work climate how and when leader uses his characteristics.

Commitment is the loyalty and emotional attachment with organization. Employee commitment explains that how much individuals involved and attach with organizations and accepts goals and objectives with willingness to impose his effort. Employee commitment is the strengthen point of identification and connection of daily activities of organization. Commitment must include behavioral choices of employees it increases sincerity and identification with organization. According to (Sentuna, 2015) commitment level is affected by age, experience and educational level, younger individuals are less committed with the organization rather than senior and educational individuals. Through employee commitment many private businesses are to be promoted around global world and also service and manufacturing associations. Existence of conflicts is less when employees are committed and there is less organizational politics. Employees perceptions about ethical environment in workplace affects commitment level. When ethical codes of conduct are explained clearly and it expects that followers observe it then there is strong relationship between ethical climate and commitment level. Leader act as role model to find out goals and objectives of organizational outcomes and set ways for commitment level which includes strategies and promotion (Mami, et al, 2012). When employees want to work
with ethical and responsible leader in workplace then organization attain attraction and retention of employees. In economic recession committed employees are fundamental factors to survive and they work effectively and efficient to maintain stability.

Ethical leaders are unbiased and impose ethical behavior, identify the wishes of others and secure their employees fairly. There are six main characteristics of ethical leader: awareness about ethics, trust and honesty, motivational skills, importance to society, authorize and ethical responsibility. To improve the performance of organization it is basic responsibility of ethical leader to order behaviors and set ethical values. When ethical improvements are experienced in ethical leadership it affects positively employee’s commitment, job performance and interpersonal relations of employees (Khan et al, 2013). These results lead to a hypothesis:

**H1**: Ethical leadership has a positive relationship with employee commitment.

Employee commitment is linked with job satisfaction and ethical climate. Job satisfaction has become an important concept in organizational studies due to directly linked with productivity and wellbeing of employees. Job satisfaction is the feelings and emotions of an individual either it is positive or negative. Job satisfaction explains positive feelings about job which are the results of assessment of its properties. Job satisfaction is affected by in which ways employees are treated (Athar et al, 2016). A person with positive feelings show satisfaction about job and negative feelings show dissatisfaction of job. According to Gupta (2007) employees who show positive and pleasurable attitudes are satisfied with their jobs. Employees are satisfied with jobs when there is positivity and goodness in workplace, and positive experience of employees leads to high job satisfaction.

Without implementation of ethical leadership an organization can’t boost effectiveness and become characterless structure because all types of leadership base on leader’s ethical standing and honesty (Kanungo, 2001). There are three ways of ethics implemented in business: use of public relations for social media attention and stakeholders interest to get reputation in ethical manner, obey the disciplines of law and implemented these ethics as it shows that employees behave ethically in work environment (Banerjia, 2010). Business ethics are now promoted in business environment because organizations like to promote employees (Cranne & Matten, 2007). Business ethics experienced various revolutions to change ethical behaviors to avoid economic crisis and scandal (Sharbatoghile, 2013). As ethical leadership increase openness and creates strong moral environment in organization as a result job satisfaction positively increase (Kim & Brymer, 2011). Job satisfaction is affected by the method an organization treats its employees (Goldman & Tabak, 2010). There is a need for leaders to create moral standards for their followers to avoid for activities which are harmful for society wellbeing and certain organizations (Aronson, 2001).
Employees who get respect, leader’s support and attention from their leader have positive attitude towards job satisfaction (Kacmar et al., 2011). Proper ethical leadership is compulsory in organization to control poor personal relationship between employees and leader that results in work stress and dissatisfaction but ethical leadership practiced in organization influence job satisfaction (Madlock, 2008). An effective leadership provides a climate in which employees can achieve individual, team and organizational goals and objectives (Perryer & Jordan’s, 2005). Many leaders make control over resources and are responsible to make better decisions for them, effectiveness, efficiency and most important ethics must be kept in mind (Brown, Harrison & Trevino, 2005). According to Avey et al., 2012 concluded that employee job satisfaction is a major part in organization and it is only dependent on ethical behavior of leader, an ethical leader who has a behavior such as trust, honesty and caring for others has positive impact on employee commitment (Kanungo 2001). (Koskoora, 2014) collected data from 175 employees from Estonian financial and telecommunication companies and find positive relationship between ethical leadership and job satisfaction.

**H2:** Ethical leadership has positive relationship with job satisfaction.

Ethics is derived from Greek word “Ethos” which means “spirit, personality and behaviors of people or culture” (Loeb, 1971). In Oxford dictionary ethics is define into two perspectives: a setup of moral principles by which human actions are judged even good or bad and right or wrong and second is the establishment of rules for particular class of humans. According to Rachels & Richels (1993) ethics represent the rules of behaviors, values and set of moral principles. The problem about ethics appear when an individual make decision from different sources which are connected with moral principles (Burks, 2006). Ethics is defined as relationship with others based on network (Rania, 2006). Ethics is to do right deeds that is required in life and rules and regulations that observe human behaviors and relations with others (Delaney, 2005). Ethics show in the rules of human life in his actions and the standard of principles set by him to difference between right from wrong (Ogbonna & Ebimobowei, 2011). Ethics is the goal and understanding of life, living better and set standards to act in life in consideration of what is important to do and what is not (Elegido, 2000).

So ethics is the term which distinguished what is right from wrong and also how a person knows which is right and wrong (Velasquez, 2006). Ethics is the set of ethical principles which give directions to individual’s behavior (Salajogheh, 2011). In Islam ethics is the right deeds and principles which are based on Islamic values (Mohammed, 2011). Islam is the set of various norms, values and principles that leads to Islamic way of life (Ahmad, 2003). The fundamental concepts of Islam are Iman (Faith), akhlaq (ethics), and Fiqh, these are principles which overlook on actions of human being (Mawdudi, 1977). The first two principles (Iman and Akhlaq) are fixed and are applicable in every form of society whereas last principle (Fiqh) can variate according to the time consequences.
Islam is a flexible way which are applicable with change in environment (Yakeen, 2006). Islam means peace and it can be achieved through completion of Allah’s wish in all aspects of life (Abuznaid, 2006). Every society has norms and values which form human lives and the society which is based on religion has great influence on human ethical values (Porter, 2010). Islamic work ethics show the ways of right and wrong which establish what human being must to do learn Quran and shown in the practical life of Holy prophet S.A.W. (Hashi, 2011). Muslims consider Islam a source of life not only religion (Musa, 2011). Islamic ethical values demonstrate all aspects of human life even work within an organization (Ahmad, 2011). Islamic work ethics stress on individual’s contribution for the benefits of society and also obligations of organization regarding their workers (Abu-Saad, 2003). The Holy Prophet S.A.W. put great attention in four principles: to worship Allah Almighty work is the best form, the work which is not performed with full devotion is not authorize, work must be for the benefits of others and includes social aspects and from trade and business society’s living standard and wealth should be maximized (Ali & Al-Kazmi, 2007). The basic principles of Islam explain that human being is restrict to do good deeds and avoid from bad deeds (Shamsudin, et al., 2010). Islam understand ethics as form of Eman (Muslim belief system) and it starts from the Islamic prospect of human life (Rashid & Ibrahim, 2005). The prophet (SAW) said “indeed Allah loves one who does work, he does it with perfection” (A. J. Ali & Al-Owaihan, 2008). Based on the above results it is expected that:

**H3**: Islamic work ethics has positive relationship with employee commitment.

Islamic work ethics is closely related with job satisfaction (Mohamad et al., 2012). Job satisfaction is related with how employees’ perceptions are in behavior with outcomes (Khan, 2006). Employees want to select jobs which give them chance to improve efficiencies and work at diversity and also feedback how well they perform (Malik et al., 2010). There are five major factors of job satisfaction; work, pay, promotion, supervision and coworkers (Luthans, 2005). Job satisfaction has two main parts: intrinsic and extrinsic job satisfaction, intrinsic job satisfaction is about qualitative features such as skills required to perform job, duty and supervision whereas extrinsic job satisfaction is related with quantitative features such as incentives and rewards, working hours and security (Rose, 2001). Recently Najjari and Davoudi (2013) investigate connection between Islamic work ethics and job satisfaction in manufacturing companies of Iran and found significant relationship between Islamic work ethics and job satisfaction. Mohamed et al. (2010) conducted research in different educational institutions of Malaysia and concluded that Islamic work ethics has a positive relationship with job satisfaction.

**H4**: Islamic work ethics has significant relationship with job satisfaction.
CONCEPTUAL MODEL

METHODOLOGY
Target population of this study was all the employees working in banking sector of Pakistan. A sample of 200 employees was selected using convenient sampling from United Bank Limited, Bank Alfalah, Mezan Bank, Allied Bank and Habib Bank limited. Questioner was distributed individually and a brief introduction of research was given on the questioner to know the employees about purpose of research moreover the factors of confidentiality and ethics were ensured by not asking names, direct salary, and age of respondents. Data type was primary data using questioner tool. 200 questioners were distributed out of which 148 questioners with complete responses were collected. Data was analyzed in SPSS to check the descriptive, correlation analysis was to be done to find out the association among the variables of study and regression analysis was done to find out the impact of independent variable on dependent variable.

DATA ANALYSIS AND INTERPRETATION
Data was analysed to check the descriptive statistics of respondents as indicated in the following table including mean, median, minimum and maximum value.

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>148</td>
<td>1</td>
<td>2.00</td>
<td>1.4730</td>
<td>0.50096</td>
</tr>
<tr>
<td>Age</td>
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<td>1</td>
<td>4.00</td>
<td>1.2162</td>
<td>0.52864</td>
</tr>
<tr>
<td>Education</td>
<td>148</td>
<td>1</td>
<td>3.00</td>
<td>1.9594</td>
<td>0.53297</td>
</tr>
<tr>
<td>Experience</td>
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<td>1</td>
<td>3.00</td>
<td>1.1622</td>
<td>0.43728</td>
</tr>
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</table>
Correlation Analysis:

<table>
<thead>
<tr>
<th></th>
<th>01</th>
<th>02</th>
<th>03</th>
<th>04</th>
<th>05</th>
<th>06</th>
<th>07</th>
<th>08</th>
</tr>
</thead>
<tbody>
<tr>
<td>01: Gender</td>
<td>--</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02: Age</td>
<td></td>
<td></td>
<td></td>
<td>0.337**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03: Education</td>
<td>-0.182*</td>
<td>0.176*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04: Experience</td>
<td>0.166*</td>
<td>0.730**</td>
<td>0.145</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>05: IWE</td>
<td>0.006</td>
<td></td>
<td></td>
<td></td>
<td>0.414**</td>
<td>0.125</td>
<td>0.454**</td>
<td></td>
</tr>
<tr>
<td>06: EL</td>
<td>0.147</td>
<td></td>
<td></td>
<td></td>
<td>-0.30**</td>
<td>0.845**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>07: JS</td>
<td>-0.035</td>
<td></td>
<td></td>
<td></td>
<td>0.368**</td>
<td>0.066</td>
<td>0.502**</td>
<td></td>
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<tr>
<td>08: EC</td>
<td>-0.124</td>
<td>0.363**</td>
<td>0.042</td>
<td></td>
<td></td>
<td>0.762**</td>
<td>0.790**</td>
<td>0.808**</td>
</tr>
</tbody>
</table>

** Significant at >0.01  * Significant at >0.05

In the table IWE indicated Islamic Work ethics, EL means Ethical leadership. JS means Job satisfaction, EC means employee commitment. Correlation analysis was done to check the associations among variables proposed in the model. The co relation of employee commitment with Islamic works ethics is 0.762 significant at < 0.0, the correlation of employ commitment with ethical leadership is <0.01. The co relation of employee commitment with job satisfaction is 0.808 <0.01.

Regression Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Regression coefficient (beta)</th>
<th>R²</th>
<th>R² change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical Leadership</td>
<td>0.602**</td>
<td>0.654</td>
<td>0.646</td>
</tr>
<tr>
<td>Islamic work ethics</td>
<td>0.298**</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regression analysis was done to check the impact of independent variable on dependent variable. The impact of ethical leadership on job satisfaction is found positive from regression results and the value of beta is 0.602. The impact of Islamic work ethics on job satisfaction is positive and the value of beta is 0.298.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Regression coefficient (beta)</th>
<th>$R^2$</th>
<th>$R^2$ change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical Leadership</td>
<td>0.514**</td>
<td>0.654</td>
<td>0.646</td>
</tr>
<tr>
<td>Islamic work ethics</td>
<td>0.325**</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The impact of ethical leadership on employee commitment is found positive and the value of beta is 0.514. The impact of Islamic work ethics on employee commitment is found positive and the value of beta is 0.325.

**CONCLUSION AND DISCUSSION**

This respective study found that there is a positive impact of ethical leadership on job satisfaction which means that if ethical practices are followed in organization it will lead to increased satisfaction level of employees. Positive impact of ethical leadership on employee commitment is also a predictor that in an ethical practice organization the employees will be more committed to job thus leading to increased productivity of organization. Moreover it is found that ethical leadership has positive impacts on job satisfaction and employee commitment. Rather is application on Islamic work ethics or ethical leadership, both practices will be a source of employee retention in terms of job satisfaction and employee commitment. In such sort of organization, ultimate results will be increment in profitability of the firm due to working of committed and satisfied employees.

Findings of this research are in line with the results of Zhu, 2004 Sakataka, 2015, Trevino 2000, Naggar 2012, Rusu, 2013 and Fang 2009. According to Zhu 2004 there is a direct relationship of ethical leadership with employee commitment, job performance and satisfaction in an organisation because employee pride, loyalty and commitment is enhance by ethical behaviour of leaders. Same are the findings of this respective research in which it is analysed that ethical leadership will result in enhancement of satisfaction and commitment level of employees. Ethical leaders, who are free in communication, are able to neutralise employee’s doubts thus increasing the satisfaction level. In the current business world, there is a number of ethical scandals appeared worldwide, created researcher interest to find out the reason of these scandals. One of the major reasons found is, Islamic work ethics.
Findings of this research are in line with the findings of Ali & Al-Owaihan, 2008; Yousaf 2001, Ahmed 2011, Husin, 2012 and Peterson 2003, that Islamic work ethics has a positive impact on job satisfaction and employee commitment which means that in work place of organisations, Islamic work ethics design and affect the involvement and participation of believers. Islamic work ethics give more attention on hard work, integrity, commitment, cooperation and avoidance from unethical methods of competitiveness and wealth accumulation. Islamic work ethics ensure employee commitment and job satisfaction.

Islamic work ethics emphasised employees to highly involve in their jobs because when employees have a strong relationship with Allah almighty his behaviour and attitude is consistent with requirements and principals of religion. Those individuals who have great knowledge about Islam are more satisfied and committed to their jobs because presence of Islamic work ethics results in honesty, trust and creativity in work place. These findings can be helpful for policy makers and managers to implement Islamic work ethics and ethical leadership in the organisation to ensure employee commitment and job satisfaction.

Reference:


