

IMPACT OF ISLAMIC SPIRITUALITY (IS) AND  
ISLAMIC SOCIAL RESPONSIBILITY (ISR) ON  
EMPLOYEE ENGAGEMENT (EE) IN SMALL AND  
MEDIUM ENTERPRISES (SMEs) OF MALAYSIA

BY

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## ABSTRACT

Employee Engagement (EE), as reported in Development Dimension International (DDI), lists among the top 10 topics of interest amongst CEOs and HR professionals for 2018 (Neal, 2018). In South East Asia, Malaysia and Singapore maintain the lowest Employee Engagement Score in 2017. EE has received extensive attention in scholarly research especially from a conventional perspective. There is also a dearth of empirical studies on EE in the Asia Pacific region, particularly from an Islamic perspective. This study on the impact of Islamic Spirituality and Islamic Social Responsibility (*Taqwa*) on Employee Engagement among SMEs in Malaysia is the first study in Malaysia. Two dimensions of Islamic piety (*Taqwa*), namely Islamic Spirituality (IS) and Islamic Social Responsibility (ISR) have been investigated empirically in terms of their impacts on EE. Gender and Age were taken as the moderating variables to study their effect on the relationship between IS and ISR to EE. Gender was chosen given the importance of females in making up a bigger composition of the Malaysian future labour force, while age was selected due to its effect on individual spiritual maturity (McFadden, 1995). Among several management theories such as leadership, corporate social responsibility (CSR), spirituality in management and social psychology, organisational citizenship behaviour (OCB) was chosen as the underlying theory of this research. SMEs are chosen as the study population due to their important contributions to the country's economic development. The quantitative method has been employed on a sample of SMEs in four major states of peninsular Malaysia, namely Selangor, Wilayah Persekutuan, Johor and Penang. The unit of analysis is Muslim managers working in Malaysian SMEs. A total of 550 questionnaires were distributed and 289 completed responses were received. Twenty (20) hypotheses were formulated and ten (10) were found to be statistically significant. Multiple Linear Regression Analysis (MLRA) was adopted to test their relationships. The findings indicated that IS and ISR significantly explained EE variance while gender did not moderate the IS and ISR relationship to EE. Among the two dimensions of Islamic piety, the variance in EE was better explained by ISR. This study has contributed significantly to enhancing knowledge to existing EE literature and to managerial practices, especially from an Islamic management perspective. Practical suggestions to the organisation's top management, HR professionals and policymakers were proposed.

## خلاصة البحث

إن مشاركة الموظف (EE)، وفقاً لما ورد في مجلة Development Dimension International (DDI)، تُدرج ضمن أفضل 10 مواضيع تهتم المديرين التنفيذيين وخبراء الموارد البشرية لعام 2018 (نيل ، 2018). وفي جنوب شرق آسيا، لقد حافظت ماليزيا وسنغافورة على أقل درجة من إشراك الموظفين في عام 2017. وحظيت مشاركة الموظف (EE) باهتمام واسع في الأبحاث العلمية خاصة من منظور تقليدي. هناك أيضاً ندرة في الدراسات التجريبية حول مشاركة الموظف (EE) في منطقة آسيا والمحيط الهادئ، خاصة من منظور إسلامي. هذه الدراسة هي الأولى من نوعها في ماليزيا عن تأثير الروحانية الإسلامية والمسؤولية الاجتماعية الإسلامية (التقوى) على مشاركة الموظفين بين الشركات الصغيرة والمتوسطة في ماليزيا. وقد تم التحقيق في بعدين من التقوى الإسلامية (التقوى)، وهما الروحانية الإسلامية (IS) والمسؤولية الاجتماعية الإسلامية (ISR) بشكل تجريبي من حيث آثارها على مشاركة الموظف (EE). وتم أخذ الجنس والعمر كمتغيرات معتدلة لدراسة تأثيرها على العلاقة بين IS و ISR إلى مشاركة الموظف (EE). تم اختيار النوع الاجتماعي بالنظر إلى أهمية الإناث في تكوين تركيبة أكبر للقوة العاملة الماليزية في المستقبل، بينما تم اختيار العمر بسبب تأثيره على النضج الروحي الفردي (McFadden ، 1995). من بين العديد من نظريات الإدارة مثل القيادة والمسؤولية الاجتماعية للشركات (CSR)، والقيم الروحية في الإدارة وعلم النفس الاجتماعي، تم اختيار سلوك المواطن التنظيمية (OCB) كنظرية أساسية لهذا البحث. يتم اختيار الشركات الصغيرة والمتوسطة كمجتمع للدراسة بسبب مساهماتها المهمة في التنمية الاقتصادية للبلد. وتم استخدام الطريقة الكمية في اختيار العينة من الشركات الصغيرة والمتوسطة في أربع ولايات رئيسية في شبه جزيرة ماليزيا، وهي سلنغور والولايات الفدرالية و جوهور وبينانج. كانت وحدة التحليل مديريين مسلمين يعملون في الشركات الصغيرة والمتوسطة الماليزية. وقد تم توزيع 550 استبياناً وتلقى 289 استجابة كاملة. وتمت صياغة عشرين (20) فرضية، وعشر (10) فرضيات ذات دلالة إحصائية. وتم الاعتماد على تحليل الانحدار الخطي المتعدد (MLRA) لاختبار علاقاتهم. لقد أوضحت النتائج أن IS و ISR أبرزت تباين مشاركة الموظف (EE) بشكل كبير بينما لم يخفف الجنس من علاقة IS و ISR بمشاركة الموظف (EE). أما من بين بعدين التقوى الإسلامية، فتم تفسير التباين في EE بشكل أفضل من قبل ISR. وساهمت هذه الدراسة بشكل كبير في تعزيز المعرفة بأدب مشاركة الموظف (EE) الحالي والممارسات الإدارية، وخاصة من منظور الإدارة الإسلامية. وتم تقديم اقتراحات عملية للإدارة العليا للمنظمة، وخبراء الموارد البشرية وصناع القرار.

## **APPROVAL PAGE**

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## DECLARATION

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

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*This dissertation is dedicated to my beloved Mom & Dad, wife, Noor Azah and Children, M. Yusuf, N. Sarah, M. Umar, M. Luqman and M. Zaid for your Love & Prayers.*



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## LIST OF ABBREVIATIONS

<b>Abbreviation</b>	<b>Description</b>
ANOVA	Analysis of Variance
AVE	Average Variance Extracted
BOD	Board of Director
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
CSR	Corporate Social Responsibility
DNA	Deoxyribonucleic Acid
DOSM	Department of Statistics Malaysia
DV	Dependent Variable
EE	Employee Engagement
EEIP	Employee Engagement from Islamic Perspective
EFA	Exploratory Factor Analysis
GDP	Gross Domestic Product
GLC	Government-Linked Company
HR	Human Resources
IIUM	International Islamic University Malaysia

IPTA	Institut Pengajian Tinggi Awam
IS	Islamic Spirituality
ISR	Islamic Social Responsibility
IV	Independent Variable
KMO	Kaiser-Meyer-Olkin
MAR	Missing at Random
MLRA	Multiple Linear Regression Analysis
MOHE	Ministry of Human Resources
MSA	Measure of Sampling Adequacy
OB	Organisational Behaviour
OCB	Organisation Citizenship Behaviour
OCBIP	Organisation Citizenship Behaviour From Islamic Perspective
PBUH	Peace Be Upon Him
PCA	Principal Components Analysis
RBV	Resource Based View
SDE	Social Desirability Effects
SEM	Structural Equation Modeling
SI	Spiritual Intelligence
SME	Small Medium Enterprise
SPSS	Statistical Package for Social Science
UWES	Utrecht Work Engagement Scale
VIF	Variance Inflation Factor

# CHAPTER ONE

## INTRODUCTION

### 1.1 RESEARCH BACKGROUND

Research in the field of management with conventional variables emanating from Western value systems have received extensive attention in the past. But, very few studies have been carried out from the Islamic perspectives (Kamil, Sulaiman, Osman-Gani & Ahmad, 2010). Islam, as one of the major world religions can provide significant insights into some of the challenges that organisations' leaders are constantly looking for ways to resolve.

According to Kouzes and Posner (2002), both the leaders and organisations would be in pursuit for meaning and higher purposes to work, so that the world of business management will be laden with elements of spirituality, religion and faith (Kamil, 2012). Employee Engagement (EE), is one of such ways that can contribute to this end. But, Employee Engagement has not been sufficiently studied from Islamic perspectives, particularly from its determinants of Islamic perspectives such as spirituality and social responsibility have not been explored much. This is in line with the teaching of Islam as stated in many verses in Al-Quran such as *"We have not created Jinns and mankind except to worship Me"* (Al- Quran, 51:56). *"The Lord who created death and life so that He may test you that which of you is better in deed. And He is the Omnipotent, the Oft-Forgiving"* (Al-Quran, 67:2). This same meaning of Muslim purpose in life is also cited in opening *doa* of Muslim's

obligatory prayer *“Say, indeed, my prayer, my rites of sacrifice, my living and my dying are for Allah, Lord of the worlds”* (Al-Quran, 6: 162).

The role of *Taqwa* (piety) in Guiding Muslim way of life is also mentioned in Prophet’s tradition, *On the authority of Abu Dharr Jundub ibn Junada and Abu Abdul Rahman Muaadh ibn Jabal (may Allah be pleased with both of them) from the Messenger of Allah (peace and blessings of Allah be upon him) who said, “Fear Allah (taqwa) wherever you are. And follow up a bad deed with a good deed and it will wipe it out. And behave towards the people with a good behaviour.”* (Al-Tirmidhi, Hadith 18). This is also in line with Quranic verse and the following hadith, that a Muslim must observe one’s *Taqwa* where ever they are. Whether one is carrying official duty or not. *“And to God belongs whatever is in the heavens and whatever is on the earth. And assuredly, We commanded those who were given the Book before you, and (We command) you (O Muslims) to act in Taqwa (piety) and reverence for God, fearful of disobedience to Him (in all matters, including especially observing your mutual rights). Yet if you disbelieve (and despite this admonishment, act with ingratitude to Him, then bear in mind that) to God belongs whatever is in the heavens and whatever is on the earth: (if you believe in Him and thank Him, this adds nothing to Him, or if you disbelieve in Him and become ungrateful to Him, this does not diminish anything from Him. For) God is All-Wealthy and Self-Sufficient (absolutely independent of all His creatures), All-Praiseworthy (as your Lord, Who provides for you and all other beings and meets all your needs)”*. (Al-Quran 4:131)

The manifestation of *Tawqa* on Muslim's daily life is best described by the following verse of Al-Quran. "*indeed in the Messenger of Allah (Muhammad) you have a good example to follow for him who hopes for (the meeting with) Allah and the last day, and remembers Allah much*", (Al-Quran, 33:21), another related verses include "*indeed, you are upon a noble conduct, an exemplary manner*", (Al-Quran, 68:4). Who should be the best example of Al-Muttaqim if not the Prophet Muhammad (Pbuh) himself as described by Allah in the above Quranic verses. Similarly, in other verses of Al-Quran in relation to Islamic spirituality (IS) and Islamic Social Responsibility (ISR) as the manifestation of men's spirituality, mentioned that only those who hold fast to a Rope from Allah (Siratil Mustakim) and to a rope from the men were safe from humiliation. (Al-Quran 3:112)

The above are some justifications on how important is *Tawqa* in shaping Muslims daily activities of life. Therefore, this research has undertaken to study the concept of Employee Engagement (EE) taking guidance from the Islamic heritage and establishes the need for *Taqwa* that serves as antecedent to EE. In other words, in pursuit of better understanding of Employee Engagement (EE), the current work seeks to conduct an empirical examination to identify the relationship that exists between *Taqwa* represented by Islamic Spirituality (IS) and Islamic Social Responsibility (ISR) with Employee Engagement by suggesting a new theoretical framework and showing the empirical evidence for the purpose of developing a new model of Employee Engagement from Islamic perspective (EEIP) by integrating the Islamic worldview.

Kahn (1990) was the first researcher to coin the term employee engagement to describe engagement of employees at the workplace (Avery, McKay & Wilson, 2007). Employing grounded theory of research, Kahn (1990) mentioned about personal engagement and disengagement at the workplace. In his writing, Kahn (1990) captured that “*psychological experiences of work and work contexts shape the processes of people presenting and absenting their selves during task performance*” (p. 694). In comparison to Kahn’s research on employee engagement, the *Qur’an* and the *Sunnah* emphasized on employee engagement from the Islamic perspective (EEIP) and the concept of *Taqwa* was derived. The *Qur’an* and *Sunnah* had been around for more than 1400 years, and holistically, Islam provides a comprehensive set of rules, regulations, and general guidance to mankind encompassing all aspects of life.

Although extensive research on employee engagement has been done, not much empirical studies have been conducted to-date to get a better understanding of these variables from Islamic Perspective (Kamil, 2012). Anwar and Osman-Gani (2015) examined the impacts left by the Spiritual Intelligence (SI) on Organisational Citizenship Behaviour (OCB) among employees working in manufacturing and services industries of Malaysia. Their research revealed that employee SI plays significant role for generating citizenship behaviour. Another research to understand spirituality at workplace was conducted by Rahman, Daud, Hassan & Osman-Gani (2016), where it was revealed that spirituality significantly influences knowledge sharing behaviour among employees.

Recently, Osman-Gani and Hassan (2018) confirmed through a conceptual