

# The Influence of Islamic Works Ethics and Subjective Norms on Unethical Behavior among Small and Medium Enterprise Owners in Malaysia

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## Abstract

The purpose of this study is to examine the antecedents of Islamic works ethics and peers influence towards unethical behavior among the small and medium enterprise owners in Malaysia. All variables were measured using 7-point Likert scale. Islamic works ethics, subjective norms, and unethical behavior are treated as exogenous variables. Questionnaires were distributed to 80 business owners in small and medium enterprise owners in Malaysia based on a random sampling method. The data was analyzed using multiple linear regression in SPSS. The finding supports two significant direct effects in the model, thus supporting the hypothesis that the Islamic work ethics and subjective norms (*peer influence*) have significant influence on the unethical behavior business owners. The result is discussed in the perspective of small and medium enterprise owners in Malaysia.

**Keywords:** Islamic Works Ethics, Peer Influence, Unethical Behavior

## 1. Introduction

Voluminous studies have documented evidence of unethical behavior in business. The importance of integrity to business owners is to create an administration and ethical services to the customers in order to be efficient and disciplined by inculcating moral values to overcome problems and weaknesses in various aspects such as use of resources, gifts and bribes, extra time use, breaking rules/policies/laws, and internal relations (Bucar, Glas, & Hisrich, 2003). To strengthen integrity in business practices, various policies have been implemented by the government such as Fair Trading Practices Policy and National Consumer Policy, Tribunal of Consumer Claims, and Malaysian Business Ethics Code (Kementerian Perdagangan Dalam Negeri, 2015). The government's commitment to promote integrity in business practices among business owners has been carried out from time to time through a variety of ways. Unfortunately, the performance and integrity of the business owners in Malaysia is still at a low level (The Ministry of Domestic Trade Report, various years).

Table 1: Statistics of Complaints against Unethical Behavior among Business Owners

Bil	Consumer complaints related to fraud by KPDNKK	Complaints 2014	Complaints 2015
1.	Complaints of fraud scams service	299	293
2.	Complaints of price manipulation	120	193
3.	Fraud Complaint service	89	105
4.	Internet transaction fraud complaints	110	69
5.	Complaints counterfeit goods	-	37
6.	Complaints misleading advertising	30	-
7.	Complaints petroleum sales	50	30
8.	Complaints motor vehicle workshop	45	43
9.	Complaints direct marketing	40	30
10.	Complaints of fraud hire	40	38
	Total	827	838

Source: Report of Statistics Complaints Received by the Ministry of Domestic Trade and Co-operatives and Consumerism Consumer Affairs (Various years).

According to Table 1 and Table 2, an increase in complaints and misconduct among business owners indicates that the problem is still an unsolved issue. The issue of most concern in this study is that the alleged unethical behavior is growing among businesses from 2013 to 2015 (Kementerian Perdagangan Dalam Negeri, various years). According to the ministry, records cases of allegations against the dealer keep rising every year and the number increased drastically in 2014. Table 2 shows the cases of the indictment issued by the ministry from 2011 to 2014.

Table 2:

Cases of Unethical Behavior of Business Owners from 2011 to 2014

MONTH/YEAR	2011	2012	2013	2014
JAN	970	863	151	1810
FEB	924	683	181	2397
MAC	722	754	104	3461
APRIL	767	680	25	2887
MEI	665	761	100	4123
JUN	966	546	287	6405
JULAI	589	446	848	4546
OGOS	972	334	570	904
SEPTEMBER	548	424	298	2012
OKTOBER	623	481	24	1777
NOVEMBER	-	504	-	994
DIS	-	337	-	1334
JUMLAH	7,746	6813	2588	32650

Source: Report of statistics cases of unethical behavior received by the Ministry of Domestic Trade and Co-operatives and Consumerism Consumer Affairs, various years.

Unethical behavior cases recorded is the evidence of misconduct which occurred among business owners in Malaysia (The Ministry of Domestic Trade Reports, various years). A study should be conducted to identify the underlying problems of this scenario, even though in the year 2012, the government had implemented the Malaysian Business Ethics Code to emphasize the integrity and moral values among business owner. Sadly, the Malaysian Business Ethics Code has not shown promising results and the number of complaints from customers about the unethical behavior among business owners still keep on increasing every year. This fact is an alarming scenario, and it becomes the main focus of the government in the 10th Malaysia Plan.

## **2. Literature Review**

### *Islamic Work Ethics and Unethical Behavior*

The work ethics of giving also contribute greatly to the good behavior which could help the organization and leadership to be successful in terms of justice, honesty, loyalty, generosity, kindness, cooperation, creativity, innovation, dedication, and persistence. Unethical work ethics such as lying, stealing, vandalism could be detrimental to organizations and individuals (Ali, 1988; Ali, 1992, Bashir, 1988; Kumar & Rose, 2009; Yousef, 2000). In other words, high work ethic will keep an individual from behaving unethically. In this study, the business owners who are obedient and subservient to the teachings of Islam, not arbitrarily take advantage of the benefits inherent to not violate ethics outlined by Islam.

There have been few studies on the work ethics of Islam against unethical behavior (Usman, 2015). One of the studies on the ethics of individuals and organizations against unethical behavior was carried out by Elango (2010). According to Usman (2015), Islamic work ethics should be studied more extensively on the work ethics of Islam with unethical behavior. The work ethics of Islam was formed from the teachings of Islam. It is not surprising that religion is a factor for one's unethical behavior. Past studies such as Fort (1996), Singhapakdi, Vitell, & Franke (1999), Singhapakdi, Marta, Rallapalli, & Rao (2000), Weaver & Agle (2002), Hegarty & Sims (1978), and Hegarty & Sims (1979). The studies on the relationship between religious constructs and other constructs have shown mixed results in western countries. Keller, Smaith, & Smith (2007) states that there are mixed and inconclusive evidence on the religious concept. Good value in Islam is the faith and devotion to Allah the Almighty. This is the pillar of values and ethics in Islam. Without a deep understanding of this basic, any acts or employment is not recognized by Allah the Almighty, even if a person has met the standard of organization's values and ethics.

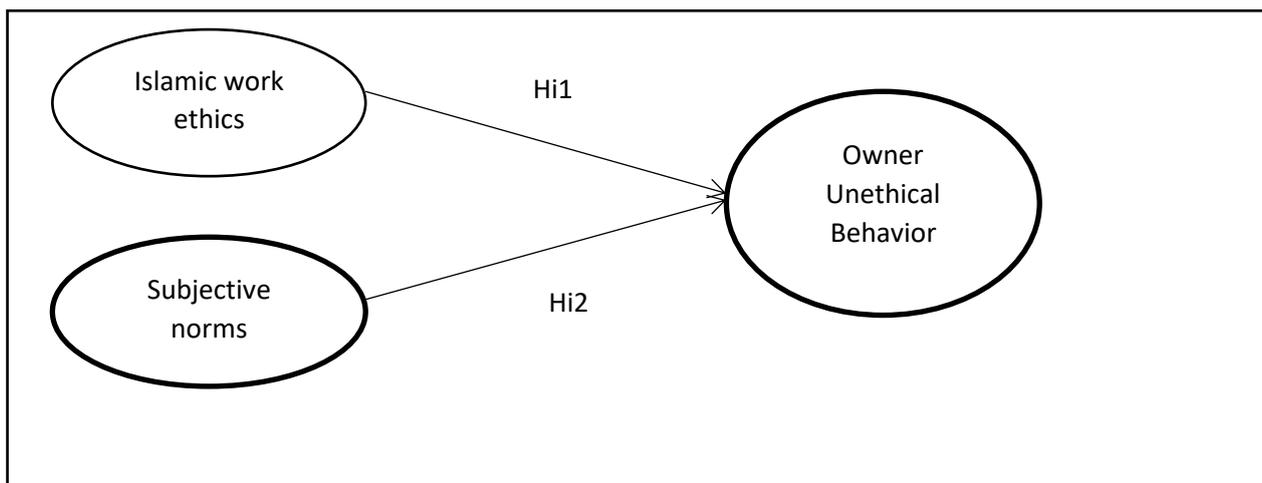
### **Subjective Norms and Unethical Behavior**

The effects of the strong influence of peer influence on unethical behavior in the workplace have been documented in the literature earlier (Bamberger and Biron, 2007) and the influence of norms absenteeism (Borsari and Carey, 2003; Crane and Platow, 2010; Dabney, 1995; Larimer et al., 2004 Neighbors et al., 2008; Ojala and Nesdale, 2004; Reno et al., 1998). For example, Taylor and Todd (1995) classified the group supervisor and the reference to the influence of the influence of friends. Hsu and Chiu (2004) describes a collection of singles and references to external influences. The literature reported the inconsistent relationship between the referent groups with intent. The reference group has positive influence on ethical behavior (Ajzen & Madden, 1986; East 1993; Courneya & McAuley, 1995; Davis &

Ajzen, Saunders, Williams, 2002; H. rubes, Ajzen & Daigle, 2001; Hsu and Chiu, 2004; Karahanna, Straub, and Chervany, 1999; Rah et al. 2004).

### 3. Underpinning Theory

The study's conceptual framework was adapted from Ajzen's Theory of Planned Behavior (TPB). It was designed to conceptualize, measure, and empirically identify factors that determine behavioral intention and behavior (Ajzen 1991; Fishbein 1975). According to TPB, the behavior is determined by the individual's intention to perform the behavior. The intention is determined by three factors: attitudes toward the behavior, which are informed by beliefs needed to engage in the behavior; subjective norm, the social pressures to perform or not to perform the behavior and perceived behavioral control refers to people's perceptions of their ability to perform a given behavior. In this study, the respondents will be analyzed through direct effect between Islamic works ethics and subjective norm toward unethical behavior among business owners. Another major source of individual values that is increasingly linked to ethical thinking and behavior is work ethics. The study will adopt the TPB as a framework and Islamic work ethics and subjective norms (*peers influence*) will function as an independent variable to unethical behavior. Islamic works ethics is linked to unethical behavior through Divine Theory which will attempt to explore the role of Islam in predicting the ethical decision-making among the small business owners in Malaysia.



To fulfilling the quantitative nature of this study, a systematic planning has been planned since the beginning of the study. The purpose is to make sure that the data collected is accurate and adequate (Cavana, 2001). In this study, 80 questionnaires were distributed to small business owners in Kedah, Kelantan, Kuala Lumpur and Johor based on a random sampling method. 80 questionnaires were returned (94% respond rate) and 74 questionnaires were usable. From the hypothesized model, there is one regression coefficients: (1) Islamic works ethics and subjective norms are independent variable, and unethical works ethics is the dependent variable. Each variable was measured as follows: Islamic works ethics was adopted from Azharsyah Ibrahim & Kamri (2013) and 22 items using the 7-point interval-scale of (1)-strongly disagree to (7)- strongly agree); peers influence was adopted from Farid et al. (2013), 4 items were measured using the 7-point interval-scale of (1)- strongly disagree to (7)-strongly agree; unethical behavior was adopted from Bucar et al. (2003), 18 items were measured by the 7-point interval-scale of (1) strongly disagree to (7)- strongly agree. The

internal consistency (Cronbach's alpha) values for each study's instrument are shown in Table 3. All instruments used in this study have a high level of consistency ( $\alpha > 0.8$ ).

Table 3.

*Internal Consistency of Study's Instrument*

Variable	$\alpha$	Consistency
Islamic work ethic	0.940	High
Subjective norm	0.919	High
Unethical behavior	0.963	High

There are also five demographic questions included in the instrument which uses an ordinal and nominal scale such as gender, age, nationality, ethnic, and education level. The respondents of this study ranged from age twenty years old to sixty years old. The sample size was randomly selected and consisted of both male (51.7%) and female (44.8%) of small business owners. The nationality compositions in this study were 100% Malaysian. Based on the highest academic qualification, degree holders shows the highest percentage of 44.8%. This is followed by SPM/STPM holders which constitutes 41.4% of the total respondents. The racial compositions in this study were 100% Malay because this study was designed to explore the influence of Islamic works ethics on the ethical decision. Thus, it was inevitable that the study's sampling consists of exclusively the Malays as they were Muslim by birth. Respondents of the study were also asked about their tenures in current experience. Tenure is divided into four categories in this study, namely less than a year (4.6%), one to five years (46.1%), six to ten years (36.8%), and finally more than ten years' experience (12.5%).

#### 4. Results

In order to get rid of outliers, data cleaning was performed and 6 cases (8, 12, 19, 35, 65, and 69) were deleted. Normality test was also performed on every item, and items which were not normal were transformed using CDFNORM until normality were achieved. The revised model achieved the goodness criteria as shown in Table 4.

Table 4: Multiple Regression Result

	Unstandardized Coefficients		Standardized Coefficients		Significant
	B	Standard Error	Beta	t-statistic	
Constant	7.015	3.015		2.327	.028
AVERAGE_EKI	-.950	.439	-.324	-2.163	.040
average_rs	.120	.034	.530	3.532	.002

The finding supports two significant direct effects in the revised model, thus supporting the hypothesis that the Islamic works ethics has a negative influence on unethical behavior ( $\beta = -0.358$ , Sig < 0.040) and subjective norm ( *influence of peer*) has a positive significant influence on unethical behavior ( $\beta = -0.530$ , Sig < 0.002).

## 5. Discussion

This study has established one direct causal effect; Islamic works ethics and subjective norms (peer influence) significantly influence unethical behavior. However, the study found out that there is negative significant relationship between Islamic works ethics and unethical behavior but it supports the hypothesis. Thus, both Hi1 and Hi2 are supported. The effect of Islamic works ethics and subjective norms on unethical behavior among business owners is in line with past studies by Hollinger and Clark (1983), Fu and Deshpande (2011), Hegarty & Sims (1978), Hegarty & Sims (1979), Keller, Smith, & Smith, (2007). The case of Islamic work ethics on unethical behavior shows that when Islamic work ethics is high, the unethical behaviour decreases. The on subjective norm demonstrates that peers significantly influence the unethical behavior business owners. The unethical behavior of small business owners can be influenced by religious ethics such Islamic works ethics and their peers and co-workers.

## 6. Conclusion and Recommendations

This study examines the influence of Islamic works ethics and peers influence towards unethical behavior among the small and medium enterprise owners in Malaysia. The findings of this study reveal that the Islamic work ethics and subjective norms (peer influence) have significant influence on the unethical behavior of business owners.

One major limitation of this study needs to be pointed out. The questionnaires are self-reported. Individuals are likely to portray themselves as more ethical than they really are. This is not a major problem for the study as the focus is on relative and not absolute scores. A future study should address the issues of any discrepancies between self-reported ethical attitudes and observed ethical behaviors. The study also provides some practical implications. It suggests that the government could, at least in the long-term, influence the ethical nature of business behavior by developing formal and informal institutions on work ethics and also Islamic ethics which are conducive to high ethical standards. Thus, the organization should encourage the establishment of a more ethically-conducive working environment in order to promote workers to behave ethically. In doing so, the authority should give more encouragement and ensure the safety of whistle blowers.

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