

The Moderating Effects of Islamic Business Ethics on Organizational support of Residential Project Performance in Malaysia

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Abstract

This research aims at exploring how the moderating effects of Islamic business ethics on organizational support of Malaysian residential project performance. Based on the theory of Project Management Success, Organizational support includes top management support and project organizational structure. A total of 185 respondents representative of residential developers have been selected to participate as the sample. The results show that the moderating effect of business ethics positively moderates the organizational support-housing project performance relationships. In addition, the organization support factors were also found to have a significant correlation with the performance of the residential project. In sum, Islamic business ethics is the partial moderator of the relationships. Thus, further research may consider finding practical reasons why it is so by reviewing extensive literature, or collecting a larger sample for example.

Keywords: Islamic business ethics; Organizational support; Residential project performance.



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1.Introduction

Residential project in Malaysia has undergone a process of change in the thinking and goals from time to time. With reference to the national residential policy approved in 2010 it was in line with the essence of the 2014 state budget, which the government undertakes the supply and demand of affordable residential by setting a goal of providing adequate residential, comfortable, affordable and quality for improve the welfare of the people's livelihood. Therefore, to balance the needs of today's growing population, residential design guidelines have suggested that the developers tried to improve the performance of residential projects to be more competent and effective in line with national planning (Economic Planning Unit 2010, p 260). Based on the early stages of Key Performance Indicators (KPI) Ministry of Residential and Local Government, is set to the restoration of 30 abandoned residential projects in a year (Strategic Core Plan Urban Ministry of Residential and Local Government, 2013) and they have establish policies and more integrated transformation program in an effort to show a more strategic approach to target the Key Performance Indicators (KPI) for the years 2013 to 2015 to the restoration of 35 abandoned residential projects in a year. Therefore, this research has been getting annual statistics of abandoned residential projects in Peninsular Malaysia for the period January 2009 to December 2014 from the Division of Rehabilitation of Abandoned Residential Projects, National Housing Department as in Table 1 below.

Table-1. Share of Rehabilitation of Abandoned Residential Projects, National Residential Department

Numbers of project			Work Project Progress				Comparison % of completed project
Year	Current	New	Total	Suggestion ¹	Constuction ¹	Completed ¹	
2009	144	4	148	87 (58.8%)	46 (31.1%)	15 (10.1%)	-
2010	133	13	146	50 (34.2%)	60 (41.1%)	36 (24.7%)	14.60%
2011	110	6	116	62 (53.4%)	62 (53.4%)	32 (27.6%)	2.9%
2012	84	11	95	9 (9.47%)	51 (53.68%)	35 (36.8%)	9.25%
2013	60	27	87	24 (27.5%)	33 (37.9%)	30 (34.5%)	-2.3%
2014	57	10	67	33 (49.3%)	23 (34.3%)	11 (16.4%)	-18.1%
2009-2014	144	71	215	33 (15.3%)	23 (10.7%)	159 (74%)	-

¹Fig. 58.8% in 2009, representing a percentage of the number of suggestion projects with the total number of projects during the year (87/148)

Source: Restoration Abandoned Residential Projects Private Department National Residential Department (Updated on December 31, 2014)

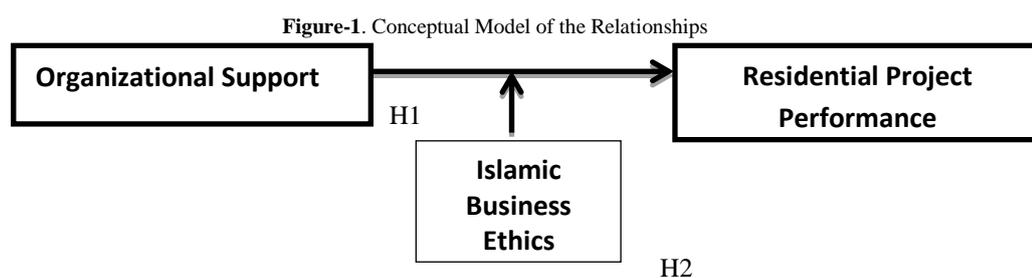
The table above shows that the housing project that was completed and finished experiencing a trend increases in the percentage of unbalanced from 2009 up to 2012. However, in 2013 there has been a trend decline in the percentage of -2.3% and -18.1% in the year up to 2014. Facts this practically, has trended percentage of poor performance of the housing project. Based Plan 2013-2015 Strategic Thrusts, it has revealed evidence that the level of achievement of Key Performance Indicators (KPI) 2013-2015 not achieved in 2013 of only 30 residential projects can be completed and it worsened in 2014 with only 11 pieces A successful residential projects recoverable. With reference to the statistical category of residential developers blacklisted until 2nd January 2015 obtained from the Division of Rehabilitation of Abandoned Residential Projects Private, National Residential Department, Ministry of Residential and Local Government, a number of issues arising problems in state sector residential projects is worrying. There are a total of 349 developers defaulted compound, 140 residential developers have been blacklisted because the project was sick, 310 developers have been blacklisted for home buyers demand tribunal case (Tribunal), 146 developers involved in the project has been blacklisted abandoned and 80 developers have found without a license. This reflects the seriousness of the issue of ethical business practices among developers that directly affect the level of performance of residential projects in Malaysia.

For the purpose of this research to clearly understand the moderating effect of Islamic business ethics is not only simply material ends but also immaterial ones. Given this, business in Islam must be carried out professionally and compatible to *Syria* values. This is so since business in Islam has two dimensions: vertical and horizontal. The holy *Quran* therefore has offered the concept of business without loss (*tijaratan lan taburra*) to all businessmen, i.e. despite losing financially, yet making a profit in the form of religious rewards. Accordingly, this kind of business can only be acquired by observing carefully the vertical and horizontal dimension of business in Islam. Moreover, Islamic business ethics is proposed to become the moderator of the research relationships. It is the set of established rules, standards, or principles for morally right behavioral conduct in specific situations and in specific cultures when applied to business activities and operations (Stajkovic *et al.*, 1997).

Organizational support consists of top management and project organizational structure. In this research, 185 private housing developers are the sample of the study were registered with the Association of Real Estate and Housing Developers Association (REHDA) in Peninsular Malaysia. The key research questions are: (1) Are the organization supports affecting the performance of residential projects in Malaysia? (2) Whether Islamic business ethics moderates the organizational support-residential project performance relationships. This research is outlined as follows. The first section reviews existing significant literature in the areas and streams of organizational support, business ethics and residential project performance links between the concepts of the aforementioned variables, and develops the key research hypotheses of those relationships. The second explicitly details research methods, including data collection, measurements, and statistics used. The third gives the results of the analysis and the corresponding discussion. The final summarizes the findings of the study, points out both theoretical and managerial contributions, and presents suggestions for further research and the limitations of the study

2. Relevant Literature Review and Hypotheses Development

In this research organizational support as an independent variable, Islamic business ethics as a moderating variable and residential project performance as a dependent variable of the research respectively. Thus, the conceptual, linkage, and research model presents the associations among residential project performance, organizational support and business ethics as shown below in Figure 1.



2.1. Organizational Support

Menard (1995) defines the organization as an administrative restructuring designed to enable the realization and coordination of activities voluntarily in certain border, where members of the association on a regular basis through a set of implicit and explicit agreement, committing themselves to collective action for the purpose of creating and distributing the source and the ability to mix and operating instructions. Although this definition is exhaustive, it fails to capture the market dimension of the organization. Meanwhile, (Moran and Ghoshal, 1999) defines the organization and firm as the same thing. (Hambrick and Mason, 1984) have interpreted the top management in an organization as powerful executives in determining and influencing strategy and performance results. Good management should have a flow of good management to secure the delivery and management information is delivered from one level to the other level, either from top to bottom or from the global level down to the level of involving all levels of the organization (Rolstadas *et al.*, 2014). Project administration also is defined as a management art as evidenced by the success of the planning, scheduling and enforcement activities cost, time and quality to perform as intended. In addition, selection and implementation of strategic action is important to start entrepreneurial and corporate development (Wang *et al.*, 2015). Top management is a major player to support

entrepreneurial action. (Carpenter and Fedrickson, 2001) in their investigation found that the nature of leadership related to global relations firm globally with the environment. Based on previous research, support from top management or organization is one of the critical factors for the success of the project performance.

Meanwhile, for pure projects, or organizations in the form of a matrix, sufficient resources can be a difficult issue. It requires skillful negotiations and positions of power within the organization (Mehrotra and Verma, 2015). In that case, the full support of the organization helps to facilitate and implement a strategy for the successful completion of the project (Zwikael and Globerson, 2006). However, research conducted in Vietnam found that the findings were negative and insignificant. The effectiveness of the organization's performance is the result of the combined effectiveness and capacity of the infrastructure capacity (Gold *et al.*, 2001). Some researchers argue that the effectiveness of the organization is one way to measure the performance of the organization. According to Valmohammadi and Ahmadi (2015), organizational effectiveness is an abstract of the assumptions inherent in the mind of people and give meaning to ideas on organizational effectiveness. Argued that most of the empirical findings do not assist in understanding the effectiveness of the organization to overcome this confusion and does not form a clear concept of organizational effectiveness. To overcome this confusion and form a clear concept of organizational effectiveness, categorize the organization into three divisions, namely the level of power management, company size and type of customer.

Lists ten clients in connection with properties that can affect the performance of the project. It consists of quality customer organizations, the characteristics of the customer, past performance, customer experience harassment, the characteristics of the project, project feasibility, and financial stability of customers, customer duties, current market conditions and quality of management. In sum, organizational support is proposed to become an antecedent of residential project performance.

Therefore, the aforementioned relationships are hypothesized as shown below.

Hypothesis 1: Organizational support is positively related to residential project performance:

2.2. Business Ethics

In general, for the purpose of this research is important for researchers to explain differences and similarities principles of ethical business practices of conventional and Islamic businesses as a comprehensive guide to the practice of business ethics among the parties interested in the implementation of residential projects in Malaysia.

2.2.1. Conventional Perspective

Business ethics refers to the set of established rules, standards, or principles for morally right behavioral conduct in specific situations and in specific cultures when applied to business activities and operations (Stajkovic *et al.*, 1997). Also, business ethics is defined as the ability of firms to pay attention to moral judgments, practices, and commitments in business decisions. Fundamentally, firms with greater business ethics tend to behave in accordance with particular norms, moral standards, and virtuous principles, including fairness, honesty, justice, dignity, and integrity. In the residential project performance perspectives, business ethics plays a significant role in explaining and determining residential project performance outcomes, including information values of decision making and earnings quality of project progress reports. In addition, business ethics is a firm's ability to provide a serious commitment to the role of moral ethics important in business decision making. That the business is a for profit as much as possible and that there is a commercial enterprise in a capitalist society, which only think of profit purely as a result of the capital invested in it. Therefore, he said, profit is the only value that needs to be pursued by the owner. View by (Abdullah Haji Abdul Ghani dan Zainol Abidin Ahmad, 2011) states unethical practices in business is not a small issue because it can destroy the economy. Moreover, in which the research findings they find, although many firms have spent huge amounts of money for the purpose of improving the business ethical behavior code compliance work, but most of them just look at the expenditure as an important cost of doing business and not as an investment that will yield to business. Thus, the researchers found after Max Weber's research on the role of ethics in Europe, research on business ethics and the role of religion in achieving economic benefits and wealth accumulation increases and are seen as a stake in research.

2.2.2. Islamic Perspective

Business and working is important demands of Islamic teachings. There are a number of verses of the Qur'an and the Hadith of the Prophet who explained the importance of doing business and work, among others;

"Then when the prayer is ended, then disperse in the land (to carry respectively), and look for what you ask of God's bounty, and remember Allah much (in all postures), that ye may prosper (in world and in the Hereafter).

Translation al-Jumu'ah 62:10.

Prophet was asked,

"Traders are honest and trustworthy is common Nabi, honest people, and the martyrs."

Translation: Ibn Majah, Sunan Ibn Majah,

(Beirut: Dar al-filter Ihyaa al-Arabi, nd), p. 165.

Business ethics from the perspective of Islam demanded that the practice of business activities and operations undertaken should be in accordance with the principles of *Sharia*. A business in Islam is a social responsibility that is obligatory *kifayah*. Islam prohibits the activities and operations of the business which is regarded as sinful and immoral as business operating as a monopoly, trade in liquor and gambling and so even though it can bring great benefits (Abdullah Haji Abdul Ghani dan Zainol Abidin Ahmad, 2011). Thus, the presence of good moral behavior will ensure a balanced advantage to individuals and society in business. Collectively, the business ethics of Islam

emphasizes a peaceful environment to promote prosperity and higher performance (Ali and dan Al-Owaihian, 2008). Thus, Islamic business ethics is likely to moderate the organizational support-residential project performance relationships and the external environment-residential project performance relationships. Therefore, the aforementioned relationships are hypothesized as shown below.

Hypothesis 2: Islamic business ethics moderate (1) the organizational support-residential project performance relationships.

2.3. Residential Project Performance

Residential project performance is assumed to have the basic conditions and certain restrictions for success or failure. Therefore, the determination to identify critical success factors (CSFs) and potential pitfalls (PPs) have been initiated by theoretically yielding an understanding of that experience played a project manager important role in determining the success or failure of a project implemented performance. Subsequently, interest CSFs are intended as a way to help determine the information needs of project management to improve their organization's performance. In accordance with this, the performance of the housing project is defined as a series of activities that have a specific purpose by using scarce resources efficiently allocated to achieve the objectives of the organization. Most of the funds invested to be spent on the development of residential projects land, labor, local raw materials and housing supply, could affect the market price of housing and indirectly affect the implementation of the economic activity performance of residential projects in locations that have high home prices. That view is supported by which argues that economic activities such as the reduction of labor affects the economic performance and bring greater macroeconomic instability. PMI (2004) defines "basic project performance" as "approved plan against any deviation compared to control management." According, (Mehrotra and Verma, 2015) the importance of performance measurement to developers and housing buyers are as a benchmark in the industry, in addition to providing valuable input to developers of housing projects, whether to continue the existing strategy or implement the new strategy. Through monitoring the effectiveness of the performance, management can monitor system implementation project and provide feedback immediately to handle the workload faced during the project (Chua *et al.*, 1999). Whereas, considers the successful performance of the project based on an assessment of stakeholders' perceptions varied by reference to the decision of the conclusion of the construction phase of the residential project and the completion of the parties concerned.

However, according to the criteria for project performance overall success reflects the different interests and needs of the various criteria dimensional view. Despite efforts to develop different framework for measuring success in running the project, the definition of a successful project performance is still vague and unclear divides the work progress of the strategic performance of the project into two parts, the first component is in terms of basic criteria, namely project management processes and organizational satisfaction. The second component is in terms of product strategy, namely ownership, customer satisfaction and market advantage. But his research showed no performance difference dimensional strategic projects are realized in the performance of the product. Meanwhile, proposed two main groups on the performance of the project. The first group is the measurement objective, consisting of time, cost, safety and the environment. The second group is a subjective measurement, consisting of quality, function and satisfaction to those involved in the projects. They have reached a consensus on the criteria for the success of the project performance indicator, but the indicators is limited to operational and tactical level only and are not included in the strategic level. Introducing performance criteria for project success is influenced by environmental implications, customer satisfaction, cost, time and quality criteria but also failed to achieve its strategic projects. Meanwhile, suggests an interesting model consisting of two to assess the performance of the construction, the first is the success of the project relating to the development of new products and services. Second, build a successful market, which includes project development of commercial revenue. He proposed model is inclusive and provides essential knowledge for implementing the project, but it failed to distinguish between project success and project management success. The difference between project success and project management is important to be known by the management of the project but it is meaningless if the expected benefits are not achieved.

3. Research Design

The research survey of this study was conducted based on descriptive survey and correlational study designs. A survey design was chosen to ensure that collection of data accurately described the true nature of existing conditions at an explicit point in time.

3.1. Sample Selection and Data Collection Procedure

The sample were obtained from eighth edition in 2014 REHDA directory published by the Association of Private Residential Developers' Malaysia (REHDA). On December 31, 2014, the total numbers of registered members REHDA in all eleven branches throughout Peninsular Malaysia were nine hundred and eighty seven (987). A total of 185 respondents, representative of private housing developers have been selected to participate in research.

3.2. Data Collection

In general, most of the variables measured in a scale later. (Sekaran and Bougie, 2010) describes the scale of a somewhat more powerful than the ordinal and nominal due to the scale of the work to get the order and magnitude of the difference variables. Basically, there are three considerations to ensure that the instrument can collect data required, namely: the development of questionnaires, the validity of the instrument (via pre), and how the

questionnaire was administered shows that reliance on theories from outside in order to identify other phenomena will cause problems.

3.3. Statistic Analysis

The results of the survey were analyzed using descriptive statistics and correlational techniques. The data gathered was sought and analyzed using SPSS version 21 statistical package.

4. Result and Interpretation

This section discusses the research findings in more detail. Discussions of research findings are based on research objective have been developed.

4.1. Scale Reliability

The analysis of reliability test actual research available, the Cronbach's Alpha for measuring the organizational support ($\alpha = 0.928$), Islamic business ethics ($\alpha = 0.921$) and performance of residential projects ($\alpha = 0.698$). Alpha values for each measurement is more than 0.65 and showed an acceptable value. This shows that the indicators of reliability sufficient and high reliability to be used as indicators of reliability provided.

Table-2. Instrument Level Reliability Testing and Research Explores True

Dimension Measurement	No. Item	Cronbach's Alpha (Pilot test)	Cronbach's Alpha (Actual Data)
Organizational Support	8	0.912	0.928
Islamic business ethics	17	0.884	0.921
Housing project performance	5	0.763	0.698

The value of the Cronbach's alpha indicates that the survey items are statistically reliable; thus the items measured a single unidimensional latent construct. Therefore, the data that were collected for this research survey were considered internally stable and consistent.

4.2. Validity of Instruments

The structural validity and suitability of the sampling items was analyzed using the Keiser Meyer-Olkin (KMO=0.852); which was statistically significant for the analysis.

Table-2.KMO and Bartlett;s Test

Keiser Meyer-Olkin Measure of Sampling Adequacy	0.897
Bartlett's Test of Sphericity	3597.928
Sig.	0.000

The Bartlett's test of sphericity of the research items of 3597.928 ($p < 0.01$) confirms that data on organizational support and residential project performance was suitable for further analysis. Moreover, the determinant of 0.003 indicates that the scale observed is one dimensional; thus the items are not an identity matrix.

4.3. Descriptive Test of the Organizational Support Factors

Table 3 below, describes the results of test variables descriptive of the organizational support. The respondents consider the effectiveness of the organizational support is at a high level (mean = 3.95, SP = 0.93). Mean scores shown are high for each statement with a value of between 3.63 to 3.95. Additional test results showed that this interaction has also managed to increase its influence on the performance of the project significantly ($R^2 = 0.798$, $F = 76,673$, $p < 0.01$). This proves, on the whole, Islamic business ethics has played a role as a moderator in the relationship between independent variables and the performance of the project. Analysis of the independent variables also found moderate Islamic business ethics liaison between the organizational support factors and residential project performance ($B = -0,094$, $p < 0.05$). Therefore, the result of this test is successful.

Table-3.Descriptive Variables Test Organization

	Mean	SP	Level
1. Organization residential projects we received full support from the management.	3.63	1.02	Medium
2. Organizational residential projects we have an effective organizational structure.	3.70	1.17	Medium
3. Organization of our residential project has the full support of management functions.	3.56	1.06	Medium
4. Organization of our residential project has the full support of the project champion.	3.95	0.93	High
Overall	3.71	0.86	Medium

4.4. Hierarchical Multiple Regression Test

The hierarchical multiple regressions analyze were used to examine whether moderate Islamic business ethics relationship between organizational support factors and the performance of the residential project. Meanwhile, proposed a simple impression is determined by the Sig. F, as shown in the summary hierarchy multiple regression model and p-values shown in the table coefficients, the value of <0.05 was significant extent.

Table-4. Hierarchical Regression Using Moderating Effects of Islamic Business Ethics on Organizational Support Factors and Performance of the Residential Project

	Std Beta (Model 1)	Std Beta (Model 2)	Std Beta (Model 3)
Independent variables			
Organizational Support	.153***	.139***	.028
Moderating variable			
Islamic business ethics	-	.108**	.338**
Interaction terms			
Organizational Support x Islamic business ethics	-	-	-.094***
R^2	0.778	0.784	0.798
F	157.292	130.125	76.673
Sig.	0.000	0.000	0.000
Changes of R^2	0.778	0.007	0.013
Changes of F	157.292	5.550	2.911
Sig.	0.000	0.020	0.023

Note: *** p < .001, ** p < .01, * p < .05

5. Contributions and Directions for Future Research

This study is intended to provide a clearer understanding of the moderating effects of Islamic business ethics on organizational support factors and residential project performance. It provides unique theoretical contributions expanding on organizational support factors and residential project performance. According to the results of this research, the need for further research is apparent.

5.1. Theoretical Contribution and Directions for Future Research

Islamic business ethics is the partial moderator of the research relationships. Hence, future research is needed to conceptualize the measurement to find out what will engender Islamic business ethics to become a full moderator.

5.2. Managerial Contribution

This research helps top management of residential developers to maximize the benefits of organizational support factors and Islamic business ethics, top management should provide other necessary resources to support their effectiveness and create new opportunities in competitive markets and environments.

6. Conclusion

The moderating of Islamic business ethics on organizational support is an outcome of providing best residential project performance. Hence, the moderating variables of Islamic business ethics toward organizational support factors and residential project performance were found to have a significant correlation. The hierarchical multiple regression test results also show that Islamic business ethics affect significant influence in the performance of their projects.

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