

THE MODERATING RELATIONSHIP OF ISLAMIC BUSINESS ETHICS TOWARD EXTERNAL ENVIRONMENTAL FACTORS AND HOUSING PROJECT PERFORMANCE

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Abstract

The current national issue today in terms of abandoned housing project situation is very worrying which involving 8,197 houses need to be repaired and the government had allocated RM82 million for the purpose. Ministry of Housing and Local Government strategic core plan 2013, is set to the restoration of 30 abandoned housing projects in a year to achieve an early stages of Key Performance Indicators (KPI) of the country economic development agenda. However, there are still some obstacles that impede the government to realize that goal. According to Islamic perspective, Islamic business ethics is explored ethic to provide ethical point of view in order to streamline housing project life cycle performance and maintain good relations element of the current external environment housing projects. Findings of this reseach found that external environmental factors have a significant correlation with the performance of the housing project. Beyond, this research finding is expected to give insight on the improvement of housing projects in Malaysia.

Keywords: *Housing project performance, External environment factors, Islamic business*

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Introduction

Housing project in Malaysia has undergone a process of change in the thinking and goals from time to time. The concern over business ethics and the effects of success and failure of housing project performance are critically debated toward the lack ethical value seriousness of housing project stakeholders today. Previously, only the housing project as a place of residence should be provided in sufficient, but today's housing projects include the supply of

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affordable housing environments conducive, comfortable, quality, safe and prosperous for all walks of life. Accordingly, with reference to the national housing 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 housing by setting a goal of providing adequate housing, comfortable, affordable and quality for improve the welfare of the people's livelihood.

However, the failures of Key Performance Indicators (KPI), Malaysian Ministry of Housing and Local Government to accomplish the restoration of 30 abandoned housing projects in a year impede the government to realize that goal. Therefore, there are no longer sufficient to provide the authenticity of the business project performance without the principle of the organizational arrangements that are beneficial in both indoor and outdoor environments, involved rational and imaginative thinking about human behavior among the stakeholders in the housing projects. With a good business ethics, they are able to dignity and integrity the relationship of moderating role of Islamic business ethics toward the external environmental factors and the performance of housing projects in Malaysia.

Literature Review

Numerous empirical studies on external environment factors influencing success performance of organization can generally conducted from two approaches; either by focusing on a quite limited set of variables at internal or by incorporating a broader framework that covers the external factors.

i. Performance of Housing Projects

Generally, most of the country's economic development is strongly influenced by the performance of the housing project. Over the long term, investments in housing projects serve as an important tool for political stability, economic development, and improving the socio-cultural (Hollander, 1969). In addition, 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 housing projects in locations that have high home prices (ODPM, 2005). That view is supported by Barker, (2004) and Wibowo (2014) which argues that economic activities such as the reduction of labor affects the economic performance and bring greater macroeconomic instability.

According to Mahamud (2011), 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, Kog & Loh, 1999). Whereas, Parfitt and Sanvido (1993) 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 housing project and the completion of the parties concerned.

However, according to (Cooper & Kleinschmidt, 1987; Freeman & Beale, 1992; Pinto & Mantel, 1990), the criteria for project performance overall success reflects the different interests and needs of the various criteria dimensional view. Based on the above discussion, the five dimensions of performance of housing projects were considered for the purposes of this investigation which is the cost, time, quality, customer satisfaction, health and safety.

ii. Islamic Business Ethic

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 Shariah (Abdul Sami al-Misri, 1983). These are described in detail in the table below (Ali, 2005; Ali and Al Owaihan, 2008).

Table 1: Prophet Muhammad (SAW) said with regard to business practices

Pursue a legitimate business	Prophet openly asking Muslims useful work is beneficial to others and society. Those who work hard are rewarded and recognized.
Islam recognizes the need to acquire	Wealth that every individual has different abilities. It is a combination of abilities and opportunities available which allow them to gain prosperity. Promote economic activities; however, must be based on the principles of legitimate and moral. In order to change the quality of work not only towards Islamic political and again a viable entity in economic terms, the emphasis of the Prophet on discipline and commitment as the essence of the work.
Wage	All Muslims are instructed to be fair, impartial, and timely in their offset in office.
Reliance on self-confident	Independent is an important function in the workplace. Prophet Muhammad (SAW) stated that there are no better profits than operating their own work.
Islam forbids monopoly monopoly	Because it is a major injustice that brings inequality, gain illegitimate, and great suffering. The Prophet (SAW) warned that those who hold the commodity, is a sinner.
Corruption	Islam completely condemns corruption, the same as cheating and monopoly. Prophet Muhammad (SAW) declared that God condemns those who offer and accept bribes.
Ties and the intention	Is clearly distinguishing aspect of business ethics and business ethics of Islam to other religions. In Islam, the basic principle is the intention and not the result of the work norm

when judged in terms of benefits to the community. Any activity which is unlawful if harm should be stopped immediately although it may have great wealth to those who carry it out.

Transparency

Generally, labor and business should be based on moral principles and high ethical. This is the principle of transparency in business transactions that may lead to increased confidence and eliminate problems in the market.

Viewed greedy

threat and could affect the economic and social justice. Prophet Muhammad (SAW) in his fight against the elite of Mecca tirelessly and consistently condemned their greed.

Islam treats generosity

Generosity as a virtue. Prophet Muhammad (SAW) declared that a generous person is the closest to God, heaven, human and away from hell.

Source: Ali (2005) and Ali Al-Owaihah (2008)

We can see that Islam has offered a unique perspective on a specific concept of business ethics, particularly in advancing economic wealth, the business aspects of Islam which includes moral, psychological and social (Ali, 2005).

iii. Islamic Business Ethics as a Moderator toward External Environment Factors and Housing Project Performance.

Islamic business ethics in general is associated with individuals who influence and shape the organization's business also strengthened research by Ali and Al-Owaihah, (2008). The growing importance of Islamic business ethics practice may be due to the belief that Islamic business ethic practices facilitate behavioral and business tasks that run in the housing project. The author states that the success of a project can be enhanced by the presence of Islamic business ethic and proving such strong support from research findings by Ali and Al-Owaihah (2008) which states that the practice of Islamic business ethic has managed to improve the moral, social and economic growth of a business project undertaken either as an individual or organization. Empirical research conducted by Yousef (2001) proved a strong correlation between the practice of Islamic business ethics, organizational commitment, and job satisfaction. Thus, Islamic business ethics in the context of positive performance effect relationship has seen significant residential projects. However, the findings of this research show that there is a significant relationship between work practices and business ethics of Islam who fled conflict role.

Meanwhile, Baron and Kenny (1986) suggest that simple variables are variables that change the strength or direction of the relationship between independent and dependent variables and hence, strengthen the argument for ongoing research. In addition, the researchers also found that Chan and Chan (2004), Tiong et al., (1992) and Khan and Spang, (2011), claimed that although most of the research was to identify external environment factors, but there is no general agreement that external environment factors the same for all projects despite various external environment factors have been proposed from research work varied. Their research,

showing evidence supporting the relationship between the independent variables, simple and lean, but nevertheless, the impact of Islamic business ethics role as moderator of the relationship between the elected and the effect of external environment factors of housing project performance has not been identified.

Previous research also has shown a significant relationship between the external environment (Baker, Murphy & Fisher, 1983; Belassi & Tukul, 1996; Cleland & King, 1983; Jin & Ling, Soja, Legris & Colletette, 2006; Morris & Hough, 1987; Pinto & Selvin, 1987, 1989) and the performance of the housing project (Belassi & Tukul, 1996; Kerzner, 1987 and Pinto & Selvin, 1987, 89). In this case, Bougie (2010) suggest non directional hypotheses should be formulated if the relationship has remained unknown because there is no basis to indicate the direction.

The Theory of Success

Belassi and Tukul (1996) have compiled a set of CSFs to several groups and explain the interaction between them. According Belassi and Tukul (1996), the first research to suggest a source and support of top management is the most dominant factor. However, based on the second investigation, they listed critical success factors (CSFs) in project management as follows:

1. Factors relevant organizations
2. Top management support
3. Coordination and efficiency of the project manager
4. Skills and commitment of project managers, technical background and communication.

For the purposes of this research, the theory developed by Belassi and Tukul (1996) were used as the basic theory research.

Methodology and Procedure

This section covers the research design used in the study, sample and sampling procedure applied, data collection, validity and reliability of the instrument, overview of data and the statistical analytical techniques employed.

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. Data collection and analysis will be conducted on the performance of the housing project and the unit of analysis for this research is focused on developers who are registered with the Association of Real Estate and Housing Developers Association (REHDA) in Peninsular Malaysia.

Sample and Sampling Procedure

This research uses probability sampling design. Selected than non-probability sampling probabilities for each element in the population has a known probability to be selected and the characteristics of the selected sample can be published and made conclusions on the population. This shows that the research findings are representative of the performance characteristics of the entire housing project developers in Peninsular Malaysia. Therefore, the findings of this research can be published as a representative of the overall performance of housing projects in Malaysia. The identified parties were consists of housing developers registered with REHDA in Malaysia as at 31 December 2013. This date is the effective date list of members and addresses in the eighth edition REHDA directory published in 2014. By Krejcie and Morgan (1970) and Sekaran (2010), an appropriate sample size to represent developers in Peninsular Malaysia stood at 274. The table above presents the population in this research as research sample frame.

Table 3: Population and sample size proposed for the current research.

Business organization	Population (N)	Sampling Requirements (n)
Housing developers in Malaysia	987	274

Source: Based on the sample size guide by Krejcie and Morgan (1970);(2010)

Data Collection

The data on the perceive of housing project performance was gathered using five point Likert scale questions anchored by Very Low to Very High in the range: Very Low (VL=1); Low (L=2); Moderate (M=3); High (H=4) and Very High (H=5).

Statistical 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. Prior to conducting least squares regression analysis, the Cronbach's alpha and KMO tests were undertaken to determine scale reliability, validity of instruments and suitability of the sampling size; respectively. The hierarchical multiple regressions analyze were used to examine whether moderate Islamic business ethics relationship between external environment factors and the performance of the housing project.

Results and Interpretation

i. Scale Reliability

The analysis of reliability test actual research available, the Cronbach's Alpha for measuring the external environment ($\alpha = 0.928$), Islamic business ethics ($\alpha = 0.921$) and performance of housing 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 by Nunnally (1978). Therefore, when the reliability of the actual measurement is carried out it was demonstrated that the reliability of the instrument is referred to the ability of the instrument to obtain a consistent and stable measurement.

Table 4: Instrument Level Reliability Testing and Research Explores True.

Dimension Measurement	Bil. Item	Cronbach's Alpha (Pilot test)	Cronbach's Alpha (Actual Data)
External environment	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.

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 5: 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 external environment and housing 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.

Descriptive Test of the External Environment Factors

Table 6 below, describes the results of test variables descriptive of the external environment. The respondents consider the effectiveness of the external environment is at a high level

(mean = 3.97, SP = 0.75). Mean scores shown are high for each statement with a value of between 3.77 to 4.12. 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 external environment factors and housing project performance ($B = -0.094$, $p < 0.05$). Therefore, the result of this test is successful.

Hierarchical Multiple Regression Test

The hierarchical multiple regressions analyze were used to examine whether moderate Islamic business ethics relationship between external environment factors and the performance of the housing project. In addition, Baron and Kenny (1986) Multiple regression analysis suggests that the most suitable for the effect of simplification. Meanwhile, Hair et al. (2012) 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 6: Hierarchical Regression Using Islamic Business Ethics as a Moderator in the Relationship between External Environment Factors and Performance Housing Project.

	Std Beta (Model 1)	Std Beta (Model 2)	Std Beta (Model 3)
Independent variables			
External environment	.097***	.083***	.406***
Moderating variable			
Islamic business ethics	-	.108**	.338**
Interaction terms			
External environment 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: *** $p < .001$, ** $p < .01$, * $p < .05$

Conclusion

A strong relationship of Islamic business ethics as a moderating variable toward external environment factors will act to constrain housing project performance problem motivated decision-making behavior. This leads us to propose an interaction effect between the strength of the Islamic business ethics external environment and the presence of housing project performance. Islam teaches that any business performed must be meaningful and beneficial not only for individual, but for others and society as a whole and as a source of dignity and well-balanced life. The most important implication of these findings is that the creation of a strong ethical environment represents a variable control design alternative for an organization attempting to provide a general decision environment that aligns managers' interests with those of the organization. Based on the preceding discussion, the results of research have successfully receive and support the hypotheses, Islamic business ethics as a moderator of the relationship and the performance of the external environment projects been accepted. The findings indicate that by focusing on creating an environment where the organization's mission and values are built upon strong ethical values, where the leadership of the organization acts in ways to explicitly support such mission and values, as do all members of the organization, where these values as given existence in a Code of Ethics and in other relevant organizational procedures and rules, and where organizational rewards and sanctions are explicitly aligned to support ethical values and behavior, then the organization can promote greater levels of ethical decision making by all managers (Ford & Richardson, 1994; ICAC, 1998, 2000). In addition, if an organization puts in place all the other above factors that act to create an ethical environment and built around strong ethical values they can reinforce ethical decision-making norms. The moderating variables of Islamic business ethics toward external environment factor and housing 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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