Islamic revival in human resource management practices among selected Islamic organisations in Malaysia

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Abstract

Purpose – In an era where religion predominantly presents an integral influence on the way most people live and work, an Islamic approach in managing human resources in Malaysia is apt. This is due to the fact that Muslim employees represent the largest percentage of the workforce in Malaysia and the Malaysian government is implementing an Islamization process in the country. The purpose of this paper is to explore the extent to which Muslim employees are aware of Islamic human resource management (HRM) practices and the extent to which Islamic organisations in Malaysia practice HRM based upon the Islamic approaches as outlined by the sacred Islamic texts.

Design/methodology/approach – This is a survey-based research. It uses a self-developed questionnaire for data collection. A total of 121 Muslim employees who work in Islamic organisations participate as respondents in this paper. Factor analysis is used for data analysis.

Findings – The results show that the selected Muslim employees in Islamic organisations in Malaysia are aware of the Islamic HRM practices which they practice frequently.

Practical implications – Religious foundations of HRM strategies are important but are rarely highlighted in the literature. This paper would become an important reference for future studies pertaining to HRM practices in the Islamic context. An introduction to Islamic human resource practices is an initial attempt to provide managers with an additional way of managing people. For Muslim human resource managers who work in Islamic organisations, i.e. those Muslim-owned or dealing with Islamic teachings, it is an obligation for them to not only know but also to apply the Islamic approach in managing employees. Non-Muslim managers would have a better understanding of the expected and acceptable behaviours of their Muslim employees at the workplace. Among the behaviours expected of true Muslim employees; regardless of whom they work for, are honesty, trustworthiness, and continuous determination to work for the best.

Originality/value – This paper is unique from other previous studies for instead of discussing Islamic management in general, this paper explores in depth every function of HRM based on authentic Islamic sources, as well as providing empirical evidence.

Keywords Islam, Human resource management, Malaysia

Paper type Research paper

Introduction

Background of the study

Human resource management (HRM) is a vital function performed in organisations that facilitates the most effective use of people to achieve organisational and individual goals. All of the enthusiasm, satisfaction, quality and the experience of the organisation's employees as well as their sense of fair treatment can affect

the firm's productivity, customer service, reputation and long-term survival. It is the human resources that hold the organisation's lifeblood. Hence, HRM must be finely tuned, properly implemented, and continuously monitored to achieve desired outcomes.

Tayeb (1997) claimed that everywhere in the Islamic world, stretching from West Africa to Lebanon, and Malaysia to Indonesia, Muslims have witnessed a "return" to Islamic traditions and the fundamentals of their faith as a way of asserting their identity, a mean to fight the unjust social and political oppression experienced in their societies, and an alternative to avert materialism and pressures of the twentieth century. Many Muslim countries have begun their efforts to re-institute their territories in their own indigenous way of running the social, educational and commercial organisations.

Being a Muslim country, the government of Malaysia has been implementing an Islamization process in which its ultimate goal is to infuse Islamic values throughout the society at all levels, from individual to institutional. The Malaysian Prime Minister wants Malaysians to take pride in their cultural heritage and adopt values and attitudes, which reveal the best behaviour in them. A good Muslim businessman should be guided by God's commandments and his conscience as a human being to execute legal actions towards others.

This paper attempts to investigate how the organisations in Malaysia have responded to the Prime Minister's aim of adopting an Islamic way of management, particularly in human resources. This paper is significant because Muslims represents the largest workforce in Malaysia. Every organisation in Malaysia employs Muslims in addition to members of other religious groups. There are many Western approaches in managing employees which are still prevalent in today's organisations, and most of non-Muslims' organizational cultures share and incorporate many Islamic ethical values such as kindness, honesty, and hard work. Although non-Muslim cultures also share many of Islamic ethical values, HRM is more culture-specific. Tayeb (1997) argued that HRM practices in countries where Islam plays a dominant role in governing the peoples' lives reflect Islamic values held by their people.

One of the most meaningful contributions of this paper is that it fills the gap in Islamic management literature. At present, the literature related to Islamic HRM is very limited. Higher learning institutions in Muslim countries which use English as a medium of instruction are lacking reference sources for learning and they rely heavily on the Western theories and models (Ali and Camp, 1995). Thus, this paper aims to fill this gap. Instead of discussing Islamic HRM in general, like most of the previous studies (Aghazadeh, 2003; Ali, 2005; Beekun, 1991; Tayeb, 1997) this paper examines every function of HRM and provides empirical evidence. Another important contribution is that this study provides guidelines to both Muslims and non-Muslim human resource practitioners for effectively managing their Muslim employees. Muslim employees would also benefit from this study as it highlights the appropriate and acceptable behaviour at workplace from an Islamic perspective. It is not surprising to find that some Muslims are uninformed of Islamic HRM practices. This paper provides useful insights for the policy makers in understanding how people embrace Islamization and what efforts are necessary to ensure the Islamization process succeeds in Muslim organisations.

Malaysia in brief
Malaysia is a federation of thirteen states and three federal territories in Southeast Asia, with a total landmass of 329,847 km^2. The capital city is Kuala Lumpur while Putrajaya is the seat of the federal government. Malaysia's close neighbours consist of Thailand, Indonesia, Singapore, Brunei and the Philippines. The total population of Malaysia is 28.3 million consisting of 62 per cent Malays, 24 per cent Chinese, 8 per cent Indians, with other minorities and indigenous people. Malaysia is a multi-ethnic, multi-cultural and multilingual society (Malaysian Statistics Department, 2006).

The Malays, who form the largest community, are defined as Muslims in the Constitution of Malaysia. The Malays play a dominant role in politics and are included in a grouping identified as bumiputra. Their native language is Malay (*Bahasa Melayu*) which is the national language of the country. Native Malays are typically Muslims, and Islamic values and beliefs heavily influence their lifestyles and cultures. Malaysia is a democratic country that has undergone a tremendous growth and prosperity over the last two decades. After 50 years of independence from the British, Malaysia is currently one of the most developed countries in Southeast Asia (Muhamad and Idris, 2005).

In Malaysia, it is interesting to observe that there are visible religious expressions in organisations, whether or not the organisations are Muslim-owned. It is common to find prayer rooms in Malaysian organisations, and employees are given time to perform their religious obligations. Endot (1995) found that organisations in Malaysia respect and place great emphasis on worship. He also found that in some organisations, prayers are made compulsory, mega-phones are used to call for prayers and religious sermons are held frequently while corporate cultures are used to inculcate Islamic awareness among employees. In addition, in all the firms under his study, employees are urged to keep in mind that they are not only responsible to the organisation, but they are accountable to Almighty God for their every work and deeds, which are considered in Islam as a form of worship of God. In such organisations also, as men are required to dress appropriately at work, women are to wear clothes that conform to Islamic custom. Based on such findings, it is apparent that religious practices in Malaysian companies are valued highly so long as they do not harm the value of the company; and instead add value to the lives of its employees.

Five years ago, the Malaysian government geared towards implementing the approach of Islam *hadhari* in the country, with aim of bringing Muslims back to basics, to return to primacy of values and principles as prescribed in the *Qur'an* and the *Hadith*, which form the foundation of Islamic civilization. Islam *hadhari* literally means civilisation Islam, or an approach towards a progressive Islamic civilization. It posits ten fundamental principles: faith and piety in God, a just and trustworthy Government, a free and independent people, a vigorous pursuit and mastery of knowledge, balanced and comprehensive economic development, a good quality of life for the people, protection of the rights of minority groups and women, cultural and moral integrity, safe guarding natural resources and the environment, and strong defence capabilities. (Malaysian Prime Minister Office, 2005).

Research objectives
The objective of the present paper is to examine the extent to which HRM practices based upon Islamic teachings are observed by Islamic organisations in Malaysia.

This paper does not attempt to evaluate the effectiveness of these practices; neither does it seek to evaluate the effectiveness of the managers who practice those practices.

Theoretical framework
Islamic HRM
Religions are generally considered as specific systems of belief, worship, and conduct. However, Islam signifies religion as a social order and a way of life which aims at producing a unique personality and a distinct culture for society (Metle, 2002). In most countries, the influences of national context such as religion on HRM are formally incorporated in the rules and regulations governing the employee-management relations, some more explicitly than others. These rules and regulations can either be related to issues governing employees' individual rights, such as equal employment opportunity, job security, and wage levels. They can also be related to the employees' collective rights, such as unionization and participative decision making.

The present author refers to Islamic human resource practices as performing the major human resource functions in accordance to guidelines stated in *Al-Qur'ān* and *Hadith* (the sayings and practice of Prophet Muhammad (peace be upon him)). The major human resource functions included in this study are recruitment, selection, performance appraisal, training and development, and compensation. The *Qur'ān* often refers to honesty and justice in trade, and it calls for an equitable and fair distribution of wealth in the society. The *Qur'ān* encourages human beings to acquire skills and technology, and highly praises those who strive in order to earn a living.

Recruitment
Recruitment refers to the process by which organisations locate and attract potential individuals to fill job vacancies. The ultimate objective is to find and hire the most suitable person to fill job vacancies. In order to find the suitable person, the organisation will need to determine and outline the job requirements and job incumbent requirements. In most organisations, this responsibility usually is shouldered by the human resource manager.

The recruitment process must be done fairly and all recruitment decisions must be made wisely, to ensure the hired candidate is best suited for the job. In light of this, Islam requires the person who is in charge of recruitment to be pious and just. Ahmad (1995) elaborated that a manager should perform religious obligations such as include prayers, fasting, *zakat* and other pillars of Islam. This is to ensure that the recruitment is fairly conducted and a just treatment is given to all applicants. A working Muslim who observes his religious obligations would reflect him being a responsible man towards his earthly duties as he is responsible towards God and His commands. There is a general belief that a pious or religious person tends to be more honest; however, research findings on this belief were inconsistent. As argued by Weaver and Agle (2002) in several studies, no difference between religious and non-religious persons regarding behaviour such as dishonesty or cheating has been found. A pious manager is hoped to be aware of the requirement that job vacancy offerings are to be done in the way of God with trust and responsibility. In Islam, one recognised as pious is he who acts in accordance to the commands of God; works in righteousness and prevents himself from evil or harmful acts. Thus, a pious manager is most hoped to be aware of

the need for recruitment and other HR practices to be done in the way of God with trust and responsibility. This requirement is stated in the *Qur'an* (4:58-59):

God doth command you to render back your trust to those to whom they are due; and when ye judge between man and man, that ye judge with justice; verily how excellent is the teaching is the teaching which He giveth you! For God is He who heareth and seeth all things. O ye who believe! Obey God and the Messenger, and those charged with authority among you. If ye differ in anything among yourselves, refer it to God and His Messenger if ye do believe in God and the Last Day: That is the best, and most suitable for final determination.

The employers are required to inform the truth or facts about the jobs to the applicants. These include the jobs' requirements, the criteria of the job holders, and the compensation to be paid. This information is important to the applicants so that they can evaluate the job suitability with their competency, capability and interest. The applicants should not be assigned tasks too difficult to handle, neither should they be ordered to do any work beyond their capacity. For example, the *Qur'an* states, (2:286):

On no soul doth God place a burden greater than he can bear.

Ali (2005) mentioned that the requirement of job specification and task requirement were practised during the time of Prophet Muhammad (p.b.u.h.), in selecting personnel for government positions. As regard to compensation, the applicants must be informed on the compensation offered. As reported by Abi Zar al-Gafari, the Prophet Muhammad (p.b.u.h.) said "Whoever believe in God and the Day of Judgment, should not employ a worker until he or she knows what he or she is going to receive." Prophet Muhammad (p.b.u.h.) also said "Whosoever engages a worker on work should mention the wages in advances" (Ahmad, 1995).

Similarly for the applicants, they are required to provide true information about themselves. Ahmad (1995) asserted that the *Qur'an* is strongly opposed to falsehood. False assertions, unfounded accusation and false testimonies are severely condemned and strictly prohibited in Islam. The *Qur'an* (2:42) says, "And never mix truth with false, nor conceals the truth when ye know (what it is)." The accurate information from both parties is to protect the interests of both parties in the future, as God says in the *Qur'an* (9:16), "The believers, men and women, are protectors, one of another; they enjoin what is just, and forbid what is evil."

Selection
According to Ali (2005), selection is one of the most complicated tasks in any organisation. This is owing to the fact that many potential candidates apply for the available jobs at any given time and so employers are often faced with numerous job candidates to select from for screening. In addition, favouritism and nepotism may influence selection decisions. According to Ahmad (1995), the Qur'anic standard of eligibility for a job is the required merit and competence for it. It stresses the importance of competence and honesty of a job candidate, since without these pre-requisites one could not be efficient. For example, the *Qur'an* states, (28:26):

Said one of the [damsels]: "O my [dear] father! Engage him on wages: truly the best of men for thee to employ is the [man] who is strong and trust worthy."

Thus, it is important for the Muslim managers to understand the guidelines prescribed in the *Qur'an* so to avoid the often perceived bias and unprofessional acts of

favouritism, or nepotism and also to avoid any form of discrimination in the workplace (Ali *et al.*, 2000). To overlook the needed competence for the job and to select a potential candidate for any other considerations are tantamount to dishonesty as well as injustice. From sahih Bukhari, he narrated from Prophet Muhammad (p.b.u.h.): "He whoever hires a person and knows that there is another one who is more qualified than him has betrayed God and His prophet and the Muslims" (quoted in Ahmad, 1995). Ali (2005) reported that the main factor affecting employees' selection in contemporary Muslim countries is friendship networks. During his lifetime, Prophet Muhammad (p.b.u.h.) refused to accept the request of his close friend, Abu Zarr, who sought to work as a governor, and told him kindly that Abu Zarr was weak (not suitable for the work), and the employment process is based on the values of trust and responsibility.

In Islam, employee selection is required to be done following certain principles. The first principle is justice. Literally, justice means to treat or to put a person or a thing at their right place or where they belong. According to Syed Agil (1997), Ali Ibn Abi Talib wrote; "Do not nominate them [officers] on account of favouritism or egoism. These two attributes reflect injustice and treachery." Second, an employee is selected based on his competency. The Quranic standard of eligibility for a job is the required merit and competence for it. The individual should not be appointed on the basis of friendship ties, wealth, age, race, and political power or alike. The third principle is honesty. Both the applicant and the recruiter have to be honest. Honesty is important to ensure that the right decisions and judgment are made. Besides that, honesty can prevent the recruiter from doing any undesired or unlawful actions that contradict the law or legal conduct. Fourth, Islam forbids assignment of work that will exceed the individual's capacity. This is because the individual may not be able to perform the assigned job due to excessive workload or own limitations. Consequently, it may harm him as well as the organisation where he works.

Performance appraisal
Performance appraisal is a formal system of setting work standards, assessing performance, and providing feedback to employees for the purpose of motivation, development and persistence of their performance (Dessler, 2008). Information obtained from performance appraisals is used as the basis for pay and promotion decisions. It also plays an integral role in performance management and helps in correcting deficiencies and reinforcing good performance, and hence, it is useful for career planning activities.

Islam recognises rewards and punishment in worldly life and the Hereafter. Good news and warning from God to humankind are sent through the revelation and His Messengers, (18:87-88):

> Whoever doth wrong, him shall We punish; then shall be sent back to his Lord, and He will punish him with a punishment unheard of [before]. But whoever believes, and work righteousness, he shall have a goodly reward, and easy will be his task as We order it by Our command.

According to Ahmad (1995), a true Muslim believes in the Day of Judgment, the Resurrection, man's presence in the divine court, and the acceptance of reward or punishment. He believes that the record of all actions of a man in this world is preserved and will be presented on the day of Resurrection. A man shall be accountable to God – his creator, for all his deeds in this earthly life. The *Qur'an* declares (39:3-5):

Not an atom's weight, or less than that or greater escapes Him in the heavens or in the earth but it is in a clear record. That He may reward those who believe and do good works. For them is a provision and a rich provision.

This verse of the *Qur'an* reveals that the rewards and punishment on the Day of Judgment are bestowed upon every man depending upon his every conduct or behaviour (including work behaviour) in this world.

Ali (2005) explained that performance appraisal in Islam is based on normative instructions and the practice of the Prophet Muhammad (p.b.u.h.) and his immediate four Caliphs. The normative realm is revealed in Quranic instructions. It can be grouped into three categories: contractual arrangement, self-responsibility and control, and the Almighty's assessment of performance. In terms of contractual aspect, Islam views the employment of a person as a reaffirmation of an obligatory relationship between the organisation and the employee. Both the company and its employees have expectations that must simultaneously be fully met. The *Qur'an* instructs Muslims that any promise or engagement is subjected to a contract that must be met by the participants (17:34): "And fulfil engagement (promise), for the engagement will be enquired into." As for self-responsibility, Ali (2005) further elaborated that the *Qur'an* clarifies that what one does is solely his or her responsibility and no one should be held responsible for the mistakes of others. Employees are expected to have a moral duty to monitor their own performance and work for self-development. The *Qur'an* reveals (75:14) "Nay, man is a witness against himself." Both contractual agreement and self-assessment are verified in the Hereafter. The action of parties, employees and employers in the contract is monitored by God and is measured or accounted for in the next life (4:1): "For God ever watches over you."

The other category is the sayings and practices of Prophet Muhammad (p.b.u.h) and his immediate four Caliphs. These also have an influence on the outlook towards performance evaluation. Prophet Muhammad (p.b.u.h.) commands that "Muslims shall be bound by the conditions which they make" (quoted in Ali, 2005). Furthermore, he makes it obligatory for employees to work at their best performance and be responsible for what they do, irrespective of their positions either in social or organisational hierarchies.

The performance evaluation needs to be objective. Ali (2005) reported that there are two methods of evaluation: judgment-based and behavioural-based evaluation. The judgment-based approach normally use statements related to traits, attributes, and characters of employees. These attributes include decency, truthfulness, kindness, shouldering, responsibility, maturity, justness, decisiveness, reliability, dedication, and so on. On the other hand, the attributes should also be based on the criteria included in the job selection, such as honesty, and whether or not the employees perform the five pillars of Islam. Ahmad (1995) asserted that Islam urges Muslims to do their jobs without any lapse or omission, and to the best of their efficiency and competence. Competence and honesty are the two attributes that make one an excellent employee. Beside traits, the employees' performance needs to be evaluated based on acceptable standard or competency. Competency is based on job descriptions that place importance on observable behaviour (Dessler, 2008). For example, Ali (2005) explained that the behavioural-based approach was used consistently by the second Caliph, Omar, to focus on how his deputies and subordinates carried out their work and to observe the reaction of constituencies to their behaviour. He gave priorities to the

following questions: did the deputy visit the sick people, did he take care of the slaves, and how did he treat the disenfranchised? If the answer to one of these questions was negative, Omar would remove the subordinate from the position.

The next issue is about who should do the appraisal. The common practice is that the superior will always perform the appraisals. Some companies have adopted the use of 360 degree evaluation. Based on what the second Caliph, Omar has done, the client's feedback was taken into consideration for appraisal. This can reduce the problem of favouritism in employee evaluation. Appraiser biases are well documented. There are almost a dozen of known phenomena which prove that supervisors tend to appraise employees inaccurately because of subconscious tendencies. According to Ali (2005), managers sometimes find it difficult to appraise their employees effectively. This is because of religious consideration, personal relationship and bureaucratic tendencies. For example, Ali (2005) said there is a common understanding and religious edict that firing employees may constitute a violation of spiritual guidelines and commitment to the community. In addition, some managers are in a dilemma to be merciful, kind and forgiving and they have to consider the actual intention of the poor performers. The *Qur'an* says, (64:14): "Would pardon, overlook, and forgive, know that God is All-forgiving and All-merciful." Another dilemma is due to personal relationship; some managers avoid being seen as harsh or inconsiderate, thus they do not dare to make negative evaluations against friends, relatives and neighbours. Ali (2005) also mentioned that some managers evaluate just for the sake of evaluating, with no intention to implement their recommendations.

Thus, Muslim managers should be aware that measuring performance in Islam must take into account the concept of accountability and responsibility. Given the responsibility to appraise employees, managers must be fair and considerate towards their employees. This is the trust that has been entrusted to them. According to Al-Buraey (2005), Ali Ibn Abi Talib wrote:

> Monitor the behaviour of your assistants and use them only after probation. Monitor their performance and use for this purpose people who are known for their truthfulness and loyalty. Your discreet monitoring of their work will ensure that they remain honest and considerate to their subject.

Training and development

Training is the process of developing qualities in human resources that will enable them to be more productive and thus to contribute more to organisational goal attainment. According to the *Al-Qur'ān*, man's basic qualification for being the representative of God on earth is knowledge. God said, (2:30-33): "When the Angels questioned Adam's suitability for representation, God cited Adam's knowledge to convince them." Two important points may be drawn from these verses of the Holy *Qur'ān*. First, Adam's progeny is entitled to a position of God's vicegerent on earth on the basis of knowledge. Second, those among the children of Adam who are more deserving of vicegerents are those pre-eminent in knowledge. Men of knowledge surpass others, and limit the reception of admonition to those endowed with knowledge and understanding in ranks in the presence of their Lord, and are more favoured than others. God said (58:11):

> Are those who know equal to those who know not? But only they who are endowed with understanding keep this in mind.

In another verse:

> God will exalt those who believe among you, and those who have knowledge, to high ranks.
> God is informed of what ye do.

Ali (2005) commented that most training programs in the Muslim world rely heavily on Western techniques and methods, with no adequate attempts to decipher their relative cultural appropriateness and an emphasis on theory at the expense of application. In addition to this, the bureaucratic tendencies have caused the lack of notable management innovation in Muslim countries. However, Altalib (1991) asserted that Islamic training and development is all encompassing, beginning from the moral and spiritual development of man and manifested eventually into physical development. Training and development also should be conducted to increase faith in God. Knowledge and training are undoubtedly related. Islam proposes training and development to enhance knowledge and skills of workers to increased levels. The knowledge emphasized in Islam includes the general knowledge that can improve both faith and religious practices of men. Since, Islam considers work as an essential element of man's success in his life, it does not only encourage individuals to work, but also motivates them to seek perfection and excellence in all that they do. In this regard, according to Al-Marsati (1980), workers should work with full capacity, eagerness, and sincerity to achieve excellence and success for themselves, as well as for the society, and more importantly for the life in the Hereafter. Thus, it is an obligation for Muslims to seek knowledge and obtain excellence in performance. In Islam, the concept of *Ihsan* (excellence or benevolence), is related to goodness and is desired by God Almighty. Muslims have the responsibility to perform their level best to obtain perfection and excellence in worship and all works of life, with the constant consciousness that God Almighty is watching over all that they do. God calls for job mastery. Moreover, Shaddid b. Aus said:

> Two are the things which I remember Prophet Muhammad (peace be upon him) having said: Verily God has enjoined goodness to everything; so when you kill, kill in a good way and when you slaughter, slaughter in a good way. So every one of you should sharpen his knife, and let the slaughtered animal die comfortably (Sahih Muslim: Chapter 11, 21:4810).

Altalib (1991) asserted that in the light of these directives, the Islamic worker and the Islamic movement obliged themselves to do the right things and do them well. In a nutshell, this is what Islamic training is all about.

Compensation
The purpose of any compensation, whether direct or indirect, is to recognise the performance value of employees and to establish ways to motivate them to work with full efficiency in an ever-changing business environment. Islam emphasizes that workers should be given adequate and reasonable wages for their work, keeping in view the quality and quantity of work, their needs and requirement, and the overall economic condition of the society. Islam strictly prohibits coercion and forced labour. Rather, it directs that full compensation should be given to deserving workers for their work without any deductions (Beekun, 1991; Ahmad, 1995; Ali, 2005). Narrated by Abu Huraira, the Prophet (p.b.u.h.) has said:

God says that I will act as a plaintiff, on the Day of Judgment against the person who engages some worker on work and takes full work from him but does not give him [full] wages (Sahih Bukhari, Volume 3:34:430).

At the same time, Islam denounces slavery and gives proper recognition to the dignity of work and employment. Narrated Al-Miqdam, the Prophet (p.b.u.h.) said:

Nobody has ever eaten a better meal than that which one has earned by working with one's own hands (Sahih Bukhari, Volume 3:34:286).

Ali (2005) commented that Muslim companies in recent years have adopted compensations that are similar to what are found in Western countries, and this has often violated the equity issues of a compensation system which was cherished in the early years of the Muslim states. According to Ali (2005), in the early years of Muslim State, the compensation was based on five foundations. First employment is a contract, thus it is an obligation that must be met by both the employer and employee. The *Qur'an* not only instructs believers to meet conditions, but also to avoid any attempt to go around the contract (7:85), "Nor withhold from the people the things that are their due." Second, compensations differ according to expertise and situation. Ahmad (1995) said that the *Qur'an* acknowledges various gradations among workers on the basis of the quality and quantity of their work (*Qur'an* 46:19). Al-Mubarak (1972) elaborated that some workers need specific skills, whereas some can do manual work. The outcome and the salary of every worker may vary. This provides an ample proof that wages for all workers cannot be equal in all cases. The *Qur'an* states, (46:19): "And to all are ranked according to their deeds." Third, compensations must be determined in advance and that wage has to be given immediately once the work is completed. Prophet (p.b.u.h) said; "Whoever believes in God and the Day of Judgment, should not employ a worker, until he or she knows what he or she is going to receive" (Abi Zar). Fourth, compensations can be either in cash or/and in kind. Fifth, wages and compensations are based on prior agreement and should be increased according to circumstances. Ahmad (1995) added that Islam forbids any misuse or misappropriation of an employer's property by his employee, who is entitled to the mutually agreed wages only. Appropriation of anything beyond the stipulated wages amounts either to dishonesty or stealing, both of which are expressly prohibited in Islam. As highlighted by Al-Marsati (1980), work materials are entrusted in the hands of the worker, so he must take care of them. Lastly, wages and compensation should be sufficient to provide a decent living. Beekun (1991) asserted that if the wage provided is too low, the individual may not feel motivated to put in an adequate amount of effort, while Ahmad (1995) on the other hand, stated that a worker is entitled to a fair and just wage for his work. The *Qur'an* instructs that wages must be decided upon mutual consultation and consent (*Qur'an* 28:26-28).

Based on the literature reviewed, the Islamic HRM practices seem similar to the Western HRM. However, an important difference exists. All requirements in Islamic HRM practices are based on the *Qur'an* and the sayings of Prophet Muhammad (p.b.u.h.). Thus, it would be sinful for Muslims if they fail to perform according to these requirements. The managers and the employees are responsible, accountable and answerable not only to their superiors and organisation but also eventually to Almighty God.

Methodology

Research scope

The scope of this paper is limited to examining the extent to which Islamic organisations in Malaysia observe HRM practices based upon Islamic approaches and/or teachings as introduced in Islam. This paper does not attempt to evaluate the effectiveness of these practices; neither does it evaluate the effectiveness of the managers who practice those practices.

Sample and data collection

Data were collected from eight well-known Islamic organisations in Malaysia. In this research, the Islamic organisations refered to are businesses which have 100 per cent Muslim ownership or partnership with Muslims holding the majority share. Six of the organisations are in the banking and financial business, and the other two are in Islamic services business. The total respondents were 121 Muslim employees, who varied in positions and were purposively selected to represent each of the eight companies. The data collection was done by trained enumerators. The enumerators approached the human resource manager of the organisations to request permission to collect the data. The questionnaire was left with the respondents, to be collected by the enumerators within three days.

Instrumentation

This is an exploratory paper since no earlier study has been done in this particular subject. The questionnaire was self-developed by the researcher and it was produced based on the interpretation of the related verses mentioned in *Al-Qur'ān* and *Hadith*. The instrumentation, which consists of 54 items, seeks information on the background and HRM practices among the selected organisations. Specifically, four questions were asked: The organisation background, the name of the organisation, the number of employees being employed, the awareness on Islamic human resource management among the members of the organisations, and the type of organisation's ownership. There were ten items each asking about the recruitment, selection, performance appraisal, training and development, and compensation practices. For each of these functions, the respondents were asked to indicate to what extent each of the activities in the questionnaire is being practiced in their organisations by using a seven-point Likert scale (1 – never, 2 – very rarely, 3 – rarely, 4 – occasionally, 5 – frequently, 6 – very frequently, 7 – all the times). Before the actual data collection was conducted, a pilot test was conducted for the instrument and the results are displayed in Table I.

Variables for HR practices	Reliability coefficient
Recruitment	0.787
Selection	0.919
Performance appraisal	0.826
Training & development	0.913
Compensation	0.830
Islamic HRM	0.951

Table I.
Pilot test for all variables

Data analysis
Once the actual data were collected, and every negative-stated item was recoded, a reliability test was then conducted on the 50 items for internal consistency purposes. The reliability coefficient for the all 50 items was 0.9510. Next, another reliability test was conducted for the ten items in each of the HRM functions. If they were reliable, then factor analysis would be conducted for each of these five functions. If the factor analysis produced more than two factors, then the most reliable factor between was selected for the next analysis measuring the HRM practices.

In details for recruitment, for example, there were ten items asking how the organisations recruit new employees. The reliability coefficient for recruitment was 0.787. Factor analysis was then performed for all these ten items. The analysis produced one factor and it was reliable, thus the factor was selected. Next, the same process was repeated for selection practices. The reliability coefficient for ten items in selection practices was 0.919. The factor analysis produced one factor and since it was reliable, all the ten items were used for the next analysis. For performance appraisal, the factor analysis produced three factors, and factor 1 was chosen because it has the most loaded items and it was the most reliable compared to Factor 2 and 3. Factor 1 consisted of seven items. A reliability analysis was done on these seven items and it shows reliability coefficient values of 0.890. Meanwhile, factor analysis conducted for training and development function produced two factors, and Factor 1 was selected because it was more reliable than Factor 2. Its reliability coefficient was 0.891. For compensation function, the factor analysis produced three factors. Factor 2, which comprised of four items, was selected because it was the most reliable factor among the three factors with coefficient values of 0.855. The details of the items for each factor which were finalized and used for the measurement of the study are shown in Table II.

Findings
Organisation background
A total of eight organisations participated in this study. These organisations have their branch offices located in various locations in Malaysia. The size of the branches are from medium to large, with staff strength ranging from less than 100 employees to more than 400 employees. There were 88 employees working in 100 per cent Muslim-owned organisations, and the other 33 employees were working in majority Muslim-owned organisations. The respondents however were obtained from their various branches. The distribution of the respondents from each organisation is displayed in Table III.

Awareness of Islamic HR practices
A total of 65 respondents were aware of the Islamic HRM practices, out of which 58 of them work at the 100 per cent Muslim-owned organisations; whereas 49 of the respondents were unsure of it. Seven of the respondents who work for the 100 per cent Muslim-owned organisations were not familiar with Islamic HRM practices at all. The details of the distribution regarding the Islamic HRM awareness are displayed in Table IV.

Islamic HRM practices
Based on the factor analysis conducted, the items within each of the factors were computed as a total score. This is to examine the extent of which Islamic HRM is practised in the

Factor		Loaded Item	Items
1	RECRUIT1	My organisation ensures the manager who is in charged of recruitment is a good Muslim, pious and just	0.477
	2	My organisation informs the candidate about the job requirement and details	0.177
	3	My organisation assesses the candidate competency and interest	0.398
	4	To what extent does your organisation inform the candidates about the salary they will receive?	0.383
	5	To what extent does your organisation reveal the necessary information about the job and your organisation to the candidates?	0.447
	6	To what extent does your organisation give equal opportunity to everyone to apply for a vacant post in your organisation?	0.704
	7	To what extent does your organisation practice Islamic approach in recruiting the potential candidates?	0.775
	8	To what extent does your organisation recruit candidates who are competent and honest?	0.827
	9	To what extent do you recruit candidates responsibly and do it with full of amanah	0.807
	10	To what extent does your organisation practice Islamic approach in recruitment?	0.733
		Eigenvalues	3.730
		Percentage variance	37.305
		Reliability	0.787
2	SELECT1	My organisation hires only qualified and competent candidates	0.604
	2	My organisation uses Islamic factor in the criteria	0.835
	3	My organisation considers Islamic understanding is an important criterion in selecting the candidates	0.837
	4	My organisation will reject the qualified candidates if it is proven the candidates are not a good Muslim	0.579
	5	My organisation feels an Islamic practice such as prayers and fasting by the candidates is very important	0.877
	6	My organisation believes a good Muslim will be a good employee	0.769
	7	My organisation considers trustworthy is an important criterion for an employee in this organisation	0.784
	8	My organisation interviewing Muslim candidates will include questions pertaining to Islamic understanding	0.873
	9	The selection decision in this organisation is done by the committee	0.834
	10	My organisation conduct a test on candidates' Islamic understanding during the selection process	0.739
		Eigenvalues	6.075
		Percentage variance	60.749
		Reliability	0.919
		(*continued*)	

Table II.
Factor analysis and
reliability for HRM
practices variables

Factor		Loaded Item	Items
3	PERFOR1	My organisation measures the employees' performance regularly	0.530
	2	My organisation practices a fair performance assessment for all employees	0.553
	4	My organisation does not practice any favoritism in evaluating employees' performance	0.615
	5	My organisation reward employees based on their performance	0.688
	6	My organisation believes in justice and fairness in assessing employees' performance	0.716
	7	My organisation practice Islamic approach in appraising employees	0.829
	8	The appraisal is done by superiors and clients	0.832
		Eigenvalues	4.860
		Percentage variance	48.600
		Reliability	0.890
4	TRAIN1	My organisation emphasizes on improving one's performance	0.524
	2	My organisation conducts Islamic training programs for employees regularly	0.695
	3	My organisation encourages employees to seek knowledge	0.825
	4	My organisation conduct training regularly in this organisation	0.926
	5	This organisation promotes training seriously	0.850
		Eigenvalues	5.749
		Percentage variance	57.488
		Reliability	0.891
5	COMPEN8	It is employer's responsibility to pay the employees' salary on time	0.860
	9	Cheating will be punished in this organisation	0.818
	10	My organisation is aware of Islamic requirement in paying the salary to employees	0.862
		Eigenvalues	4.277
		Percentage variance	42.773
		Reliability	0.855

Table II.

selected Islamic organisations. The respondents were asked to indicate to what extent each of the activities in the questionnaire was being practiced in their organisations by using a seven-point Likert scale (1 – never, 2 – very rarely, 3 – rarely, 4 – occasionally, 5 – frequently, 6 – very frequently, 7 – all the times). Table V shows that the respondents' organisations frequently practice Islamic approach in all the HRM functions. The mean scores for all of the HRM functions were above 5.00 except for recruitment and performance appraisal functions. Compensation function has the highest mean score of 5.614. The total mean score for Islamic HR practices (recruitment, selection, performance appraisal, training and development, and compensation) is 5.149. This shows that the HRM practices based upon Islamic approach or teachings are frequently being practiced at these selected Islamic organisations.

	Frequency	Percentage
Organisation identification		
Organisation 1	20	16.5
2	18	14.9
3	18	14.9
4	15	12.4
5	14	11.6
6	13	10.7
7	12	9.9
8	11	9.1
Type of ownership		
100 per cent Muslim-owned	88	72.7
Majority Muslim-owned	33	27.3
Number of employees		
< than 100 Employees	1	0.8
101-200 Employees	17	14.0
201-300 Employees	23	19.0
301-400 Employees	8	6.6
> than 400 Employees	72	59.5

Table III.
Distribution of respondents ($n = 121$)

		Are you aware of Islamic human resource practices?			
		Yes	Not sure	Not aware	Total
Type of ownership	100 Per cent Muslim-owned	58	23	7	88
	Majority Muslim-owned	7	26		33
Total		65	49	7	121

Table IV.
Awareness of Islamic HR practices by type of ownership

	n	Minimum	Maximum	Mean	Standard Deviation
RECRUIT	121	3.00	6.80	4.914	0.741
SELECT	121	2.40	7.00	5.237	1.159
PA	121	3.00	7.00	4.782	0.990
T&D	121	2.20	7.00	5.198	1.097
COMPEN	121	2.33	7.00	5.614	1.165
ISLAMHRM	121	3.26	6.91	5.149	0.836
Valid N	121				

Notes: 1 – never; 2 – very rarely; 3 – rarely; 4 – occasionally; 5 – frequently; 6 – very frequently; 7 – all the times

Table V.
Mean scores for Islamic HRM function

Conclusion, implication and discussion

This paper explores the extent to which Islamic organisations in Malaysia practice the Islamic HRM in their organisations, and to discover whether or not Muslim employees in Malaysia are aware of the Islamic HRM practices. The findings revealed that more than 50 per cent of the respondents are aware of the Islamic HRM. However, more than

40 per cent of the respondents are not sure about Islamic HRM. This is probably because the Muslim employees do not understand the basic differences between the Islamic and non-Islamic HRM. The Islamic organisations in Malaysia frequently practice the Islamic HRM. This finding is encouraging although it is expected that these organisations would have practised the Islamic HRM more frequently. These organisations are Islamic organisations, they are owned and managed by the Muslims, they employ Muslim employees, and they deal with Islamic products and services.

This paper has important implications to HRM discipline as it reduces the knowledge gap in this field. Religious foundations of HRM strategies are important but are rarely highlighted in the literature. This paper would become an important reference for future work in the Islamic HRM. Another implication for the HR practitioners, whether they are Muslims or non-Muslims, is that an introduction to Islamic human resource practices is an initial attempt to provide the HR practitioners with an alternative way of managing people effectively. For Muslim human resource practitioners who work in an Islamic organisation, it is an obligation for them to not only know; but also to apply the Islamic approach in managing employees. As asserted by Ali *et al.* (2000), the Islamic tenets have important implications in hiring, conflict management, and employee layoffs. Moreover, nowadays, Muslim employees represent a significant percentage of total workforces in Malaysia. The employees would appreciate this approach because it suits their beliefs. This move would be in tandem with the nation's mission to implement an Islamization process and promote Islam *hadhari* in the country. There are some Muslim employees who do not abide by the Islamic teachings and they do not behave as expected; but instead take advantage on the managers by using religious excuses. With regard to this, non-Muslim HR practitioners would benefit from this study as they would have a better understanding of the acceptable behaviours expected of their Muslim employees at the workplace. Among the acceptable behaviours of true Muslims (regardless for whom they work) are: to be honest, trustworthy, and determined to continuously strive for the best. For the international audience, this study has revealed that the Islamic HRM has been accepted and adopted by companies in Malaysia. It is important for the international audience to know that the Islamic HRM is tolerant and relevant.

The present paper has some limitations. One limitation is its narrow, but adequate sample size. This paper managed to include only eight organisations, and from each organisation, not more than 20 respondents participated in the study. Future studies might want to include a larger sample size to make the findings more accurately generalised of the world's vast population. Data can be obtained from many more organisations, and more employees of various positions and religious beliefs can be included as future respondents. It would be interesting also to know the different approaches in HRM between the Islamic organisations and non-Islamic organisations. Through surveys or interviews, future study can evaluate the relationship of Islamic HRM with other relevant factors. Having stated that, future study can attempt to discover the effects of these practices on the employees' performance, employees' satisfaction and other organisational factors such as organisational loyalty, commitment and productivity.

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Further reading

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