



Islamic Work Ethic and Public Sector Innovation: Entrepreneurial Orientation as a Moderator

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ABSTRACT

Constantly changing global environment has forced public sector to meet all the diverse demands of society. Public sector should improve the quality of services provided to society and this could be achieved through innovation. In this case, Islamic work ethic which is value from Al-Qur'an and Hadith is seem as appropriate to boost and motivate civil servants in carrying out their duties diligently and innovatively. Meanwhile, entrepreneurial orientation that is characterized by innovativeness, proactiveness, and risk taking character can acts as a catalyst for innovation that will support the implementation of Islamic work ethic at workplace. Therefore, this conceptual paper attempts to examine the role of entrepreneurial orientation as a moderator on the relationship between Islamic work ethic and innovation in the public sector.

Keyword: Islamic work ethic, entrepreneurial orientation, public sector innovation.

1. INTRODUCTION

There has been a belief that a drastic innovation strategy in the public sector will be problematic compared to the private sector. As a consequence, this belief has failed to create adequate research on innovation in the public sector (Kumar and Rose, 2012). Public sector faces many complex constraints and barriers in implementing innovation ideas and policies (De Vries, 2014). There were some issues in public sector such as the absence of competition and stimulant, a culture that is reluctant to risk, conservative bureaucracy, and unwillingness of workers to make a change (Mulgan & Albury, 2003).

Currently, public sector has quickly recognized that there is a necessity for innovation (Kumar & Rose, 2012). Innovation in the public sector is very important because of the increasing demands from society due to globalization and the dynamic of the world (Moore & Hartley, 2008). The increasing demands from society can only be overcome through various innovations to satisfy their needs (Moore & Hartley, 2008). Introducing innovation in public sector will help

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to overcome challenges in maximizing the use of resources and capacity to create public value, encourages a more open and participatory culture in government and increases public trust and legitimacy of government by improving the image and service in the public sector. Innovation will also increase the confidence of civil servants. Hence, innovation will be an essential means to boost the culture of continuous improvement (McFarlene, 2007).

Meanwhile, researchers have obtained evidence that Islamic work ethic is crucial elements to improve innovation. It was claimed by some researchers (e.g. Abbasi, *et al.*, 2012; Kumar & Rose, 2012; Awan & Akram, 2012; Farrukh, *et al.*, 2015; Yesil, *et al.*, 2012) that Islamic work ethic has a significant effect on innovation. However, there was a lack of study that investigated Islamic work ethic and innovation (Awan & Akram, 2012; Farrukh, *et al.*, 2015; Kumar & Rose, 2010, 2012; Yeşil, *et al.*, 2012). For Islamic work ethic to be implemented effectively to enhance innovation, some researchers suggested that there is a need to examine many factors that can influence this relationship (Kumar & Rose, 2010; 2012, Awan & Akram, 2012; Farrukh, *et al.*, 2015). Among the factors, entrepreneurial orientation is a very influential element in improving innovation (Wu, *et al.*, 2008; Tajeddini, 2010; Nybakk & Hansen, 2008; Çevre & Omerzel, 2015).

Previous studies (e.g. Yang, *et al.*, 2010; Li, *et al.*, 2009; Wu, *et al.*, 2008) confirmed that entrepreneurial orientation is one of the key factors to depict innovation as the moderating variable. Yang, *et al.* (2010) asserted that entrepreneurial orientation can promote the effect on innovation performance. Initially, entrepreneurial orientation has a direct effect on innovation. In this study, entrepreneurial orientation was treated as a moderator on innovation performance. Therefore, further research is needed to examine the role of entrepreneurial orientation as a moderating on innovation.

The rest of this study is arranged as follows: Section 2 provides the literature studies while Section 3 concludes and provides implication of this research.

2. LITERATURE REVIEW

2.1 Islamic Work Ethic (IWE)

Work ethic can be assumed as a norm, trait, attitude, value and behaviour (McCortney & Engels, 2003). The concept of the contemporary work ethic was started in 1905 by Weber, who presented an idea from the Protestant Work Ethic (PWE) taking into account for the belief system of thriftiness, individualism, hard work and discipline (Murtaza, *et al.*, 2014). Max Weber, who wrote his books in 1904 and 1905, entitled “Protestant Ethic” and the “Spirit of Capitalism”. These books constitute a landmark development on the thinking of

work (Miller, *et al.*, 2002). Rizk (2008) asserted that almost all research on business ethics and work ethics are based on Protestant Work Ethic (PWE) proposed by Max Weber (e.g., Furnham, 1984, 1991; Congleton, 1991).

Religion is crucial and fundamentally related to the attitudes, values and behaviours of the individual. Religion advocates and regulates the lives of its people comprehensively. Islam guides the whole aspect of life of the ummah according to the value and practice of a solid system aimed at seeking Allah's grace and mercy (*ridha*). In business, the benefits gained from public interest (*mashlahah*) will lead the business to genuine progress (Rafiki & Wahab, 2014). In any case, researchers now perceive that Protestant communities are not quite the same as non-protestant communities that are grounded in different religious belief systems (Murtaza, *et al.*, 2014). In carrying out the duties, Islamic work ethic has guidance and rules for Muslim. Islamic work ethic encourages and leads Muslims to hard work for the benefit of fellow beings and society by applying positive behavior and good deeds (Murtaza, *et al.*, 2014; Ali & Al-Owaihan, 2008). Islamic work ethic is values, beliefs, norms, rules, practices and principles of Islam contained in the Qur'an Al-Karim and the Sunnah which confirms the differences between good and evil (Shafique, *et al.*, 2015; Yousef, 2000; Ahmad & Owoyemi, 2012; Kumar & Rose, 2012). As mentioned by Rafiki and Wahab (2014), the implementation of Islamic work ethic or *akhlaqulkarimah* is based on the main message of God communicated to His Prophet Muhammad (peace be upon him). Similarly, Ali and Al-Owaihan (2008) argued that the concept of IWE encompass moral principles, hard work and commitment to the community.

Furthermore, Al-Qur'an clearly mentioned the value of goodness in the Islamic work ethic. According to Rafiki & Wahab (2014), values of Islamic work ethic in Al-Qur'an involves agreements and promises, consideration for others, consultation, continuous improvement, cooperation, equality and unity, fairness in dealings, fairness in wages, hard work, helping others, honesty and justice, humble, patience, righteous/intention, social order and truth. Similarly, Yaseen, *et al.* (2015) confirmed that Islamic work ethic comprises of perceived worship, effort, cooperation and moral responsibility.

2.2. Islamic Work Ethic (IWE) and Innovation

In an organization, individuals who follow moral principles in Islamic work ethic are expected to have collaborative working behaviours in accordance with the teachings of the Prophet Mohammed (peace be upon him). The teachings stated that the best individuals are individual that is beneficial to fellow human beings. Mahfoudh, *et al.* (2016) also asserted that as the values of Islamic work ethics for encouraging and creating innovation. Organization prosperity to improve innovation performance can be achieved through the values inherent in Islamic work ethic (morality) that is the truth, confidence, harmony, sincerity and

flexibility. It showed that there is a positive relationship between Islamic work ethic and the organization's ability to innovate. Indeed, Muslims who embed the values of Islamic work ethic will have a positive behaviour on innovation.

However, during this time, the study of work ethic was conducted in western contexts. This study only found a few studies that attempted to examine work ethic in eastern context. Thus, Islamic work ethic needs to be studied in more depth. Galanou and Farrag (2015) claimed that through comprehension of Islamic values, individuals able to accomplish higher innovation performance. Based on this statement, values of Islamic work ethic will help boost the organization innovation.

Researchers have revealed that Islamic work ethic has positive effect that can support organization to enhance innovation. Kumar and Rose (2010) examined the relationship between Islamic work ethic and innovation in public sector organizations in Malaysia. They confirmed that Islamic work ethic was adopted strongly in public sector. There was a positive relationship between Islamic work ethic and innovation. Individuals who embrace the values of Islamic work ethic tend to be more innovative due to their personal behaviour were applied in positive behaviour in accordance with Al-Qur'an and Hadith. Similarly, Awan and Akram (2012) studied the public sector organizations in Pakistan by examining the relationship between Islamic work ethic and innovation by using knowledge sharing as a moderator. They proved the positive and significant relationship between Islamic work ethic and innovation. Government employees who practice Islamic work ethic will show a high commitment to innovation because they consider work is a virtue. Islamic work ethic boost individual to the innovation. Similarly, Farrukh, *et al.* (2015) investigated the association between values of Islamic work ethic and innovation in telecommunication companies in Lahore, Pakistan. The study also revealed the positive relationship between these variables. Therefore, organizations should pay particular attention to the implementation of Islamic work ethic in the workplace. Meanwhile, Yesil, *et al.* (2012) conducted a study on the implications of Islamic work ethic in the workplace in Kahramanmaraş, Turkey. The study found the positive impact of values of Islamic work ethic on innovation. They confirmed that the values of Islamic work ethic are important for the success of innovation.

2.3 The Role of Entrepreneurial Orientation (EO) as a Moderator

Entrepreneurial orientation is assumed as the ability to influence innovation performance (Yang, *et al.*, 2010) that is characterized by innovativeness, proactiveness, and risk taking. Entrepreneurial orientation is able to cope with rapidly changing environmental in order to become more dynamic and adaptive (Yang, *et al.*, 2010). Entrepreneurial orientation provides an important meaning to entrepreneurial personality and characteristics that are important mechanisms for management which reflect organizational competence (Rattanawong &

Suwanno, 2014). In order to anticipate the current business trends, entrepreneurial orientation is needed in order to survive and prosper (Bhattacharrya, 2006). Entrepreneurial orientation is as a means to respond to environmental changes (Lumpkin & Dess, 2001).

It is important to note that applying entrepreneurial orientation in public sector is different as in the private sector. Bureaucracy can be a very significant barrier for implementing entrepreneurial orientation. However, considering the various challenges faced by the public sector, then entrepreneurial orientation is much needed by the public sector (Meynhardt & Diefenbach, 2012). It is indicated that entrepreneurial orientation is needed to support innovation process (Bhattacharrya, 2006). Some researcher (e.g. Nasution, *et al.*, 2011; Rattanawong & Suwanno, 2014; Monteagudo & Martínez, 2015; Omerzel, 2016; Tajeddini, 2010; Nasution, *et al.*, 2006; Nybakk & Hansen, 2008; Urban & Streak, 2013; Čivrič & Omerzel, 2015) have revealed that entrepreneurial orientation is an important asset to improve innovation.

In the same vein, many researchers such as Li *et al.* (2009), Ahlin, *et al.* (2014), and Wu, *et al.* (2008) also confirmed that entrepreneurial orientation has an important role as a moderator on innovation. Li, *et al.* (2009) conducted the study in Chinese firms to examine the relationship between knowledge management on innovation by using entrepreneurial orientation as a moderator. The study found that entrepreneurial orientation positively moderated the link between knowledge sharing, knowledge application and innovation. Similarly, Ahlin, *et al.* (2014) examined the role of entrepreneurial orientation as a moderating in small and medium firms from two distinct economies: the United States and Slovenia. They found that the relationship between entrepreneur's creativity and innovation were moderated by entrepreneurial orientation. Wu, *et al.* (2008) examined the moderating role of entrepreneurial orientation on intellectual capital and innovation in manufacturing and non-manufacturing organizations in Taiwan. The study revealed that entrepreneurial orientation has a stronger moderating effect on innovation through its dimensions (risk taking, innovativeness and proactiveness). Based on the above evidences, entrepreneurial orientation can be treated as a moderator.

Organization should try to develop entrepreneurial orientation because the resources that exist within the organization must be used effectively to foster innovation. In other words, the right human resources can support innovation through entrepreneurial orientation behaviour (Bhattacharrya, 2006). By applying entrepreneurial orientation, organizations will be able to encourage innovation (Yang, *et al.*, 2010). Hence, the relationship between Islamic work ethic and innovation become stronger when organization members instill entrepreneurial orientation that is characterized by innovativeness, proactive and risk taking.

3. CONCLUSION AND IMPLICATIONS

In order to improve the services to the society, government should continue to push the public sector to make breakthroughs in creating innovation. This study focuses on two critical aspects. The first aspect is personal behaviour as a catalyst for innovation. The second aspect is the Islamic work ethic that is supported by entrepreneurial orientation as a moderator.

Religious values in Islamic work ethic are crucial to the success of innovation. When employees have a responsible attitude it will increase public sector innovation because the value of IWE encourages individuals to treat work with devotion, earnest, full effort, cooperative and responsible to fellow. Indeed, this will encourage a commitment for individuals in the working environment so that individuals will be able to innovate better. The value of Islamic work ethic provides encouragement to individuals to perform more seriously at work and of course, this will encourage them to become more innovative.

Meanwhile, entrepreneurial orientation is also a very important factor for Islamic work ethic to be successfully implemented, such that the organization's goal to improve performance through innovations will be achieved. Entrepreneurial orientation affects the performance capabilities of organizational innovation. Entrepreneurial orientation can support the improvement of superior innovation with the possibility of achieving the highest achievement through its characters such as innovative behavior, proactive and risk taking (Yang, *et al.*, 2010; Maatoofi & Tajeddini, 2015; Rattanawong & Suwanno, 2014). Public sector is required to be entrepreneurial due to the propensity of community to respond to change (Wanna & Forster, 1996). It means that the public sector can utilize entrepreneurial orientation as a means to satisfy the needs of society through an innovation.

Implementation of Islamic work ethic and entrepreneurial orientation behavior will encourage individuals to be more motivated in carrying out their work so that the basis for the birth of innovation will automatically influence innovation improvement. If the organization continues to encourage implementation of Islamic work ethic and entrepreneurial orientation then this will increase innovation in an organization which in turn will improve the public sector performance.

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