ISLAMIC HUMAN RESOURCE PRACTICES AND ORGANIZATIONAL PERFORMANCE: A STUDY IN A DEVELOPING COUNTRY

INTRODUCTION
Every organization has its own implicit/explicit human resource management (HRM) system, as do the Islamic organizations. These Islamic institutions have the most urgency to adopt Islamic values in their human resource practices, as they have made themselves different from other organizations. This is one of the ways to obtain sustainable advantage for all kinds of organizations even in the public sector. Human resource practices are vital to every organization to ensure that the intangible asset of an organization, i.e., human capital is satisfied at work and could be motivated to exert effort to the maximum extent. However, Islamic organizations try to achieve two objectives at the same time, i.e., to achieve satisfaction in this world and also the Hereafter.

Although, at present, there are few studies (Nik Ab. Rahman & Shahidi, 2009, Junaidah, 2008, 2009, 2010; Khan, Farooq & Hussain, 2010; Akhtar, 1992) that have tried to investigate the relationship of Islamic human resource practices and employee performance, an abundance of research has been conducted to examine the relationship between conventional or western human resource practices and organizational performance. Thus, this study tries to fill this gap as the existing Islamic studies try to find relationships between Islamic human resource practices and organizational commitment, justice, job satisfaction and turnover intention (Junaidah, 2008; 2010; Nik Ab. Rahman & Shahidi, 2009). Hence, this study contributes to the lack of study on the relationships of Islamic human resource practices and organizational performance especially in Malaysia which is a well known Islamic country.

The influence of Islam on HRM practices in Malaysia started in 1980 with the introduction of the Islamic values in the public sector (Junaidah, 2010). One study has found Islam as the main factor in HRM practices development in Islamic organizations in Malaysia (Ilhaamie, 2010). Thus, there is a necessity to study the relationships of these Islamic human resource practices with organizational performance in order to understand whether it is worthwhile to implement these kinds of practices.

ORGANIZATIONAL PERFORMANCE
There is no consensus on the dimensions of organizational performance. Some studies focused on one or two dimensions. However, two clear-cut dimensions could be suggested, which are financial and non-financial performance. The dimensions for financial performance include profitability, ROA, ROI, market return, sales revenue and others, while the dimensions for non-financial performance include customer satisfaction, job satisfaction, turnover, service quality, quality of job performance and others. Thus, organizational performance is a multi-dimensional concept. Hence, Seldon and Sowa (2004) suggested that researchers use a multi-indicator in order to measure the complexity of the organizational performance dimension.

Meanwhile, the Islamic perspective of organizational performance can be categorized into two types, which are, first, the attainment of the organization’s objectives, and, second, the attainment of Allah’s satisfaction. However, the second level could only be measured in the life after death. In so doing, Muslims are mindful to observe their daily matters, particularly their jobs, i.e., to practice the Islamic values and principles of Shariah. In short, there is no separation between the worldly affairs and the Hereafter. Thus, success in both lives is the promise of Allah SWT. to those pious Muslims. Hence, the Islamic concept of worship is
very large encompassing the devotion of Muslims to the Creator in their daily life. This has been practiced by Muslims in Malaysia in large, as found by Rees and Johari (2010).

**Human Resource Practices and Organizational Performance**

There are numerous studies that aim to examine the relationship between HR practices and organizational performance. Horgan and Muhlau (2005) studied the impact of high performance HR practices on performance, which they categorized as employee performance and economic performance in the Netherlands and Ireland. The employee performance dimension consists of three variables – work performance, cooperation and discipline. They found that the relationship between incentive structuring, selection efforts and sharing arrangement practices and employee performance was at a higher level in Ireland. Lambooij, Sanders, Kosters and Zwiers (2006) examined the relationship of internally and strategically fit HR practices on cooperative employees’ behaviour and organizational performance. They classified organizational performance into two dimensions – financial and non-financial performance. The non-financial measures were turnover and sick leave. They did not find that both types of fit to be related to the cooperative behaviour of the employees. However, cooperative behaviour was found to be related to the non-financial performance.

Vanhal a and Toumi (2006) examined the relationship between HR practices and company performance, which they classified into two dimensions – employee wellbeing and company performance. Job satisfaction was one of the employee wellbeing dimensions whereas customer satisfaction was a dimension of company performance. They found that the relationship between company performance and employee well being is weak and sporadic.

There is also a weak relationship between HR practices and employee wellbeing. Chand and Katoui (2007) investigated the effects of HR practices on organizational performance in the Indian hotel industry. Productivity and good service quality were two dimensions of organizational performance measured. They found that the HR practices were positively related to organizational performance. Uysal (2008) studied the relationship between HR practices and firm performance. He classified firm performance into two dimensions – organizational and market performance. Customer satisfaction was the dimension of the organizational performance. The findings were that staffing, training, compensation and promotion are significantly and positively related to the organizational and market performance of the firms.

Thus, there are mixed results concerning the findings of the relationship between conventional HR practices and organizational performance, which indicates that the research is inconclusive. Meanwhile, there is lack of studies that try to investigate on the relationship between Islamic human resource practices and organizational performance. Currently, there are two studies on Islamic human resource practices, however, examining from a different angle i.e. organizational commitment (Junaidah, 2010; Nik Ab. Rahman & Shahidi, 2009), job satisfaction and turnover intention (Junaidah, 2008).

The matter that triggers Muslim researchers to study on the relationship between Islamic human resource practice and performance is that Muslim scholars have long advocated that effective adherence and application of Islamic principles in HRM would positively reinforce the workforce and create a synergy of commitment, quality and productivity in the workplace (Nik Ab. Rahman & Shahidi, 2009). Thus, Nik Abdul Rahman and Shahidi (2009), and Junaidah (2010), found a direct and positive relationship between Islamic human resource management practices and organizational commitment, particularly training and development practice. In 2008, Junaidah found that employees in eight selected Islamic organizations that are practising Quranic/Islamic HRM practices are satisfied with their jobs.

Meanwhile, employees in Oman specifically stressed the influence of Islam on the development of HRM practices. This is because religion plays a major role in human daily
The behaviour of employees is normally driven by the Islamic values and norms, such as moderation, benevolence, responsibility and others. These values will form employee behaviour and will then be integrated into teamwork. If these factors are not considered in the development of HRM practices in Oman, it is believed that organizational performance will not be effective and attainable (al-Hamadi & Budhwar, 2006; Al-Hamadi, Budhwar & Shipton, 2007; Aycan, al-Hamadi, Davis & Budhwar 2007; Katou, Budhwar, Woldu & al-Hamadi, 2010).

Hence, the study on the link should be continued, especially from the Islamic perspective, as the impact of Islamic HR practices on organizational performance per se has never been studied before. Thus, it is proposed that there is a positive relationship between Islamic human resource management practices and organizational performance.

The Implementation of Islamic Human Resource Practices in Malaysia

The majority (60%) of Malaysian people are Muslim. Like other Muslim countries, its management practices are influenced by the main Islamic principles and values. Junaidah (2010) stated that the influence of Islam on HRM practices in Malaysia started in 1980 with the introduction of the Islamic values such as honesty and trustworthiness in the public sector. This finding concurs with Ilhaamie’s (2010) study that found Islam is the main factor in Islamic HRM practices development in Islamic organizations in Malaysia. Junaidah (2010) stated that the selected Muslim employees in Islamic organizations in Malaysia are aware of the Islamic HRM practices which they practise frequently. Meanwhile, Atiyah (1999) mentioned that the Islamic values upheld in the country are harmony, cooperation and kinship. Furthermore, conflict should be reduced and avoided. Management should be responsible towards their employees’, families’ and communities’ quality of work life. Rees and Johari (2010), on the other hand, stated that Islamic work ethics have been instilled in the HRM practices in Malaysian banks, such as a prayer room is provided for Muslim workers to perform their prayers. The employees will perform their Zuhur (early afternoon) prayer during the lunchtime and Asar (late afternoon) prayer after the office hours. This is because they believe that performing their work well is also a form of 'ibadah (religious rituals). According to Maheli and Wood (2004), Malays are taught not to be assertive, but obliging and courteous. Thus, these values have a huge impact on the HRM policies and practices in Malaysia. However, Mansor and Ali asserted that the HRM practices in Malaysia are a combination of Islamic and western values. In short, practices that do not transgress the principles of Islam, are accepted in Islam.

HR IN MALAYSIAN PERSPECTIVE

Human resource practices are pertinent to every Islamic organization. In general, there are many aspects of Islamic human resource management practices. However, according to Junaidah (2007) and Namazie and Tayeb (2006), there are five main practices – selection and recruitment, training and development, career development, performance management and reward practices. Thus, this study and the literature review will only cover these five practices.

Islamic Selection and Recruitment Practice

This is the most important human resource practice in an organization as it helps to achieve the organization’s objectives. The Islamic selection and recruitment practice emphasize on fair and just procedures both before and after the selection and recruitment process. Recruitment process starts from drawing up the people and job specifications when advertising the job, the short-listing process, the interview process, the selection decision and the job offer.

In general, there are many criteria that should be possessed by candidates in order to be selected and recruited. However, the main criteria of Muslim workers that should be selected...
are pious, possess good moral values or akhlak¹ (Saheh Tirmidhi) and the spirit of team work or amal jama'I² (Saheh Abu Daud), competent or experts³ (Surah al-Qasas: 26; Saheh Bukhari & Muslim) in terms of qualifications, skills and experience. They should be dedicated and committed, hardworking, responsible, trustworthy⁴ (Saheh Muslim), loyal and disciplined. These criteria could be assessed through the situational interview whereby the panel of interviewers would pose some situational questions that require the candidates to answer. From the answers given, the panel of the interviewers can identify whether the candidates really possess the required criteria.

In order to select and recruit workers with this criteria, the process of selection and recruitment should be fair and just (Surah al-A'raaf: 157)⁵; whereby the panel of selection does not practice discrimination in selecting and recruiting new employees. They should be selected based on the above-mentioned criteria after the panel has discussed their suitability. In short, musyawarah is the principle in the discussion i.e. decisions have to be made based on the majority and not just due to their whim and fancy (Surah al-Imran: 159)⁶. Furthermore, the candidates should be interviewed to ascertain whether they are suitable for the jobs for which they have applied. This is to give them chances to prove to the potential employer that they are capable and worthy for the job that they have applied. If the candidates are unsuitable, the reasons for their rejection should be conveyed to them once the applicants tried to seek the reason of their rejection. This is important so that they do not feel discriminated but are provided with some feedback on how to improve in their future interviews. If they are selected, the terms of employment (job requirement, criteria of job holders, compensation) usually are stated clearly in the offer letter.

After three to six months probation of successful and accomplished tasks, their positions have to be confirmed (Junaidah, 2007). This is to ensure that capable workers are hired as soon as they have proven their capabilities to the employers. This is because Islam encourages the employers to keep their promises as Allah SWT dislikes unkept promises.

**Islamic Training and Development Practice**

Once appointed, the employees should undergo various training programmes based on the nature of their jobs and responsibilities. Muslim should undergo training in order to enhance their capabilities and also to seek for Allah SWT’s blessing. And this has to be done in His cause and with full sincerity. Islamic training and development practice stress the Islamic values to be instilled in the employees, the criteria and selection of the trainers and the techniques to be used in training.

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¹ The best person who believes Allah has a good akhlak ...(Saheh Tirmidhi).
² Those Muslim blood is to help each other out, the weak among them will try to free his duty. The strong among those trying to save the weak. And they are one hand (power) to the parties than they (their enemies), the strong help the weak and the quick help the slow (Saheh Abu Daud).
³ Allah SWT. is pleased when someone does something, that they do it in an excellent manner (Saheh Bukhari and Muslim).
⁴ There is no faith for those who do not have trust and there is no trust for those who do not keep promises (Saheh Muslim).
⁵ “Those who follow the apostle, the unlettered Prophet, whom they find mentioned in their own (scriptures), in the law and the Gospel; for he commands them what is just and forbids them what is evil; he allows them as lawful what is good (and pure) and prohibits them from what is bad (and impure)...” (Surah al-A’raaf: 157).
⁶ “It is part of the Mercy of Allah that you deal gently with them were you severe or harsh-hearted, they would have broken away from you: so pass over (Their faults), and ask for ((Allah)'s) forgiveness for them; and consult them in affairs (of moment).Then, when you have taken a decision put your trust in Allah. For Allah loves those who put their trust (in Him)” (Surah al-Imran: 159).
Islamic training and development practice focus on purifying one's soul from bad and evil attributes and to observe good and holy attributes as the most honoured people in the sight of Allah SWT are the most righteous (Surah al-Hujurat: 13). The Islamic principles and values that need to be emphasized in training are knowledge and deeds (Surah al-Alaq: 3-5), understanding the wisdom of Allah's Oneness and Greatness and the concept of working as Allah's vicegerent (Surah Baqarah: 31), teamwork (Surah al-Saff: 4), to give full submission to Allah (Surah al-Zumar: 14), and to succeed (al-falah), i.e., success in this world and the Hereafter. This is because being a Muslim consists of two forms – spiritual and physical – in which the former is more important than the latter, as it could influence the behaviour of the latter.

Islamic training and development practice also emphasize physical training. For example, during the Prophet’s time, the companions were trained with archery and horse riding while the women were on nursing the injured soldiers and to give food to them (Ngah, 2004). Thus, the employees in these modern days should be sent to training centres according to their needs in order to be more competent in their work. The training has to be conducted regularly (Junaidah, 2008). As they are now faster and more competent in doing their work, firms’ goals and organizational performance will be achieved and their reputation and image will be heightened.

Meanwhile, the trainers should be knowledgeable and pious, as they are looked upon by the trainees as their leaders and their idols or models of good behaviour. In Islam, obeying leaders is a must as long as they do not instruct their followers to do sinful and illegal things (Surah an-Nisa': 59).

In respect of the training techniques, Islamic training and development practice have highlighted several approaches to rationalize the concepts. They are, for example; through sermon, discussion, congregational prayer, night prayers (qiamullail) and religious personal obligations (Ilhaamie, 2009). Accordingly, the concept of teamwork and good values should be steadfast, instilled and adopted by Muslim workers.

**Islamic Career Development**

Islam encourages its people to upgrade their careers. Islam does not want its people to be left behind and remain satisfied in one position without striving to enhance their positions in an organization. In career development, Islam does not discriminate people in terms of colour, race, gender or religion (Surah al-Hujurat: 13). Thus, employers should provide facilities and assistance, e.g., special assignments, leave and examinations and a mentoring system for their employees to enhance their careers (Junaidah, 2007). Employers who are supportive of their employees will not only gain rewards in this world but also in the Hereafter (Surah ar-Ra’d: 29) as they act not only as the authority but also as the trustee.
As for the employees, they have to be honest in their career development so as Allah SWT will bestow upon him with good and most importantly, blessed sustenance. In order to obtain this, they have to avoid any sort of dishonesty or to be bootlicker in developing their careers. They also have to discuss with their employer in anything pertaining to their career development. This is because *misyawarah* or discussion is a principle in Islam. For example, they have to be careful in choosing the tasks and training programmes in a way to ensure that they are relevant for the workers. Most importantly, they have to ensure that everything that they do is in the cause of Allah SWT and the Hereafter and not just due to the worldly gains.

Furthermore, they have to strive and to be consistent in their career development as Allah loves hardworking and disciplined employees. Moreover, there is nobody who can help the workers except themselves as Allah says He cannot change anyone unless they change themselves. This shows that the employees should take effort in enhancing their careers.

In short, Islamic career development practice is based on justice and it is the responsibility of the employers to facilitate their employees. This is because those who do wrong will be punished by Allah SWT. and Allah is strict in His punishment (Surah al-Anfaal: 25). The employees also play an important role in developing their own career.

**Islamic Performance Management**

In order to obtain organization’s objectives, performance should be managed, appraised and revised regularly. Islamic performance management can also be looked into both angles i.e. the employers and the employees. Islamic performance management practice is based on justice, fairness, accountability and responsibility (Surah an-Nahl: 90). In order to ensure this to happen, appraisers should be trained and informed that their task is a trust from Allah SWT. Thus, they should not discriminate the workers based on colour, race, gender or religion in their appraisal. Hence, the appraisers need to document their work well. In addition, they should not publicize their employees’ weaknesses even though the intention is to educate other workers (Junaidah, 2008). The appraisers may come from many sources e.g. superiors, clients or colleagues. This is to provide adequate information regarding the employees’ job performance. Furthermore, if the employees are not happy with the appraisal scores given by the employers, they should be permitted to appeal the marks that they consider as to be inaccurate or unfair (Junaidah, 2007, 2008).

In respective of the employees, they have to be honest in informing or disclosing to their employers the work that they have done throughout the evaluated year. If they decide to be deceitful, they should bear in their mind that Allah knows everything what they have done. Furthermore, the employees should be sincere in performing and carrying out all their duties. This is because Allah’s reward is forever whereas the worldly gains do not last.

In other words, Islamic performance management practice is based on justice, and thus, the processes and procedures must be based on justice. Furthermore, the criteria and selection of the appraiser should also be stressed. The employees, too, play their own roles in being honest and sincere in performing their responsibilities and duties.

**Islamic Reward Practice**

Reward practice is a very important component in human resource management. Islam encourages employers to reward their employees according to their qualification, experiences, knowledge, capabilities and amount of work they do. The reward should be given as soon as

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14 “And fear a trial which will not strike those who have wronged among you exclusively, and know that Allah is severe in penalty.” (Surah al-Anfaal: 25).

15 “Indeed, Allah orders justice and good conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded.” (Surah an-Nahl: 90).
they have completed their work (Saheh Ibn Majah). Delaying paying the employees is not allowed in Islam, as it is an act of cruelty (Al-Mutaffifin, 1-3). The amount of reward should be adequate for them to buy food, clothing, place to stay and transportation (Saheh Ahmad). There is no discrimination in rewarding workers regardless of the gender of the worker (Surah al-Nisa': 32). Married employees should get more than unmarried employees, as they have to feed their children, buy them clothes and provide them with education. This normally happens as they grow older, their pay increases with their seniority. All employees should also be given allowances, bonuses, overtime pay, salary increment, leave and medical treatment without any sense of prejudice or discrimination (Mansor & Nor Ghani, 2005). All these terms of monetary and non-monetary payments should be clearly specified in the offer letter for the employees to consider before they accept the offer (Saheh Ahmad).

If the employees are not satisfied with the terms of payment, they can negotiate with their employer as *musyawarah* is also the principle in Islamic reward practice (Surah al-Imran: 159). Moreover, the difference of pay between the employees in the same positions but with different grades should not be too big, as this will cause dissatisfaction among the employees (Junaidah, 2007). This is different in conventional practice as occupations with few levels but with large pay differences is a norm (Milkovich, Newman & Gerhart, 2011). Finally, those employers that do not pay their workers or do not pay in full amount are the enemies of the Holy Prophet and also Allah SWT (Surah al-A'raf: 85). These enemies will receive their punishments either in this world or in the Hereafter (Surah al-Anfial: 25).

Consequently, by observing all these details pertaining to each HR practice, the employers will ensure that the organizational performance can be achieved or enhanced. This should be given a priority as harmony in the workplace can be steadfast. Most importantly, Allah SWT’s blessing will be obtained. Indeed, Islam is the way of life.

**METHOD**

The population of this study constitutes the Islamic institutions in Malaysia, such as the Malaysian Islamic Economic Development Foundation (YaPEIM), Institute of Malaysian Islamic Training (ILIM), International Institute of Islamic Thought and Civilization (ISTAC), University of Islamic Sciences Malaysia (USIM), International Islamic University Malaysia (IIUM), The International Islamic College Selangor (KIAS), Selangor Islamic University College (KUIS), Department of Islamic Development Malaysia (JAKIM), Department of Islamic Affairs Selangor (JAIS), Council of Islamic Affairs Selangor (MAIS), Islamic Bank Malaysia Berhad (BIMB), Muamalat Bank Malaysia Berhad (BMMB), Zakat Centre, Syariah Court, Takaful organizations, Institute of al Quran, Terengganu, Malaysian Islamic Youth Movement (ABIM) and others. These institutions are the population of the study as they have the highest tendency to practise Islamic human resource practices.

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16. Give workers the salary before his perspiration is dry and let his wage conditions to what has been done (Saheh Ibn Majah).

17. “Woe to those who give less [than due], Who, when they take a measure from people, take in full. But if they give by measure or by weight to them, they cause loss.” (Al-Mutaffifin, 1-3).

18. He who helps us to a practice if he is not the place to stay then let provider shelter. If he has no wife, then let him (to give the opportunity for) who marries or no adjuvant house then let parlormaid take home or if the vehicle is not given then let the vehicle. Anyone saw more than that, he means a man who (sell) expensive (Saheh Ahmad).

19. “And do not wish for that by which Allah has made some of you exceed others. For men is a share of what they have earned, and for women is a share of what they have earned. And ask Allah of his bounty. Indeed Allah is ever, of all things, Knowing.” (Surah al-Nisa’: 32)

20. If one of you contracted a worker, should be notified the wages (Saheh Ahmad).

21. “And to [the people of] Madyan [We sent] their brother Shu'ayb. He said, "O my people, worship Allah ; you have no deity other than Him. There has come to you clear evidence from your Lord. So fulfill the measure and weight and do not deprive people of their due and cause not corruption upon the earth after its reformation. That is better for you, if you should be believers.” (Surah al-A'raf: 85).
compared to other institutions. Furthermore, they have their own objectives in running their institutions, especially for the betterment of Muslim people in Malaysia. They can be categorized further into the public and private sectors and non-profit or non-government organizations (NGOs).

The questionnaire on Islamic human resource practices and organizational performance was developed based on the literature review, as discussed above. The questionnaire contained three sections, which are Islamic human resource practices, organizational performance and background of the respondents. The instrument tries to measure the extent of the implementation of the five human resource practices explained in the article and the nine dimensions of organizational performance, which are lower turnover, higher job satisfaction, higher service quality, higher profits, higher productivity, lower rate of defects, higher customer satisfaction, higher quality of work and lower absenteeism. The statements on human resource practices were prepared based on a 7-point Likert scale in order to increase reliability and convenience in answering, which range from 1 = not practicing at all to 7 = practice to a full extent (Harris & Ogbona, 2001); while the organizational performance was measured from 1 = no impact at all to 7 = the greatest impact. The questionnaire was pilot-tested in five organizations that practise Islamic human resource practices, such as IIUM, USIM, JAKIM, Kuala Lumpur Syariah Court and ABIM. After correction and editing, the final questionnaires were distributed to the human resource managers of 300 Islamic institutions in Malaysia by using simple random sampling technique (Cooper & Schindler, 2003).

The data collected were analysed further by using factor and regression analysis in order to find the dimensions of Islamic human resource practices and their relationships with organizational performance. The data were rotated by using the varimax rotation technique to ensure that the factors are not correlated with each other (Hair, Black, Babin, Anderson, & Tatham, 2006). Meanwhile, the unit of analysis is organization.

Figure 1 exhibits the research framework of the study. There are five independent variables which are the five Islamic HR practices as discussed above and one dependent variable that is organizational performance.

*figure1

**FINDINGS**

From the 120 completed questionnaires returned, only 114 were useable. This amounted to a 40 percent rate of response, which is considered quite good.

Table 1 exhibits the respondents’ profile. The majority of the respondents were from other positions (42.1%) that were indicated in the questionnaires, such as Account Executive cum HR Assistant, Assistant Accountant, Administration Assistant Manager, Administrator, Head of Financial and Administration Unit, Administration Officer, Assistant Administration Officer, Manager, Operation and Service Manager, Operation Manager, Assistant Manager of Shariah Department, Deputy General Manager, Chairman, Chief Executive Officer, Chief Registrar, Dean, Deputy Director, Director, Director of Administration and HR, Senior Assistant Director, Head of Management, Head of Training Division, Head Resourcing and Talent Management, Head of Department, HR Officer, Islamic Affairs Officer, PTK Officer (Competency), Imam Besar (Head Priest), Business Owner, President, Principal and Executive.

The majority of them are Malay (99.1%) males (63.2%) between 46 and 55 years old (32.5%), married (87.7%), bachelor degree graduates (50.9%), earning more than RM5,000 per month (28.9%) and working as civil servants (50.9%) in Kuala Lumpur (28.1%).
Table 1

Factor analysis was run on the data and the table shows that the data are suitable for the factor analysis as the KMO is more than 0.7 (middling) and the Bartlett's test is significant. Please refer to Table 2. Factor analysis provides the empirical basis for assessing the structure of variables and the potential for creating these composite measures or selecting a subset of representative variables for further analysis. Items with communalities more than 0.5 are retained (Hair, Black, Babin, Anderson, & Tatham, 2006).

Table 2

The scree plot shows that there are five factors of human resource practices. This can be seen at the point that the line straightens out. This is considered to indicate the maximum number of factors to extract (as there are 11 factors for eigenvalues more than 1). The scree plot is referred to instead of the eigen values as a small number of factors that represent the original variables are looked for. This is important in order to simplify further analysis. Furthermore, if there are too many factors retained, then the interpretation becomes more difficult, especially when the results are rotated. Moreover, this decision is made based on predetermined criteria, i.e., general number of factors, especially the number of types of HR practices (Hair, Black, Babin, Anderson, & Tatham, 2006).
After four varimax rotations and with the use of cross loading of 0.17 (Costello & Osborne, 2005), five factors for human resource practices were extracted. As the coefficient values are more than 0.5, the factor loadings are significant. Thus, this is the most parsimonious set of variables to be included in further analysis. These factors are named accordingly: training and development (.88-.52), performance management (.87-.64), reward (.75-.63), career development (.69-.62) and selection and recruitment practice (.83-.73). Career development is a combination of two items from the career development dimension and two items from the selection and recruitment dimension. Meanwhile, other dimensions are not combined. Please refer to table 2 for further details.

The Cronbach’s alpha values for four main variables are higher than 0.7, which shows that the data is reliable. However, since this is an exploratory research, the lower limit of Cronbach’s alpha, can be decreased to 0.6. Thus, the Cronbach’s alpha for the career development variable (0.62) is acceptable. Islamic selection and recruitment are practiced at a greater extent (6.13) while Islamic reward is moderately practiced (4.26) by the Islamic organizations in Malaysia. Meanwhile, the data output shows that the data distribution is normal (Hair, Black, Babin, Anderson, & Tatham, 2006). Please refer to table 3 for the details.

Table 4 shows the results of correlation analysis between the Islamic HR practices and organizational performance. It is found that only Islamic training and development practice is positive and significantly correlated to the organizational performance (r=.53, p<.05). Hence, the results indicate no multi-collinearity problem, as the correlations are relatively low.

Table 5 illustrates the findings on the relationships of the Islamic human resource practices and performance. There is only one Islamic human resource practice – training and development practice – that is positively and significantly related to organizational performance. This can be seen from the significant F and t values. Organizational performance accounted for 38.9 percent of the Islamic training and development practice. The rest of relationship could not be determined, but not because of outliers, as deleting cases with outliers (by looking at the Mahalanobis D2 =2.5 for sample of 100) may jeopardize the results due to the small sample size. Moreover, there is no multi-collinearity in the data. This is because the VIF values are high and the tolerance values are low (Hair, Black, Babin, Anderson, & Tatham, 2006). Please refer to table 5 for the full results of regression analysis. Thus, this finding is parallel to the findings of Nik Ab.Rahman and Shahidi (2009), and Junaidah (2010) except that the dependent variable is larger in scope that is organizational performance.

CONCLUSION AND RECOMMENDATIONS
This study examines the relationship between Islamic Human Resource Management practices and organizational performance in Islamic organizations in Malaysia. A total of 114 Islamic organizations participated in this study, which amounted to a 40% rate of response, which is considered as quite good. A factor analysis of the data generated five Islamic HRM factors as predicted. From the regression analysis, the study found there is only one Islamic human resource practice – training and development practice that is positively and significantly related to organizational performance even though Islamic selection and recruitment is practiced at a greater extent by the Islamic organizations. Thus, this finding is quite similar to the findings of Nik Ab.Rahman and Shahidi (2009), and Junaidah (2010) except that the dependent variable measured in this study is much larger in scope i.e.
organizational performance. Hence, Islamic organizations should emphasize this practice in order to obtain higher organizational performance. Higher organizational performance is important in order to sustain their competitive advantage in this volatile world. Moreover, success in the Hereafter is the most blessed as it is forever. This is because while attempting to seek Allah’s pleasure, Muslim will not only obtain success in this world but also in the Hereafter i.e. al-falah. However, this finding could only be generalized to the Islamic organizations in context as they are the dominant organizations that are implementing this practice. Future research should be conducted in other organizations in Malaysia as well as using other type of sampling techniques in order to gain in-depth findings pertaining to this matter.

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REFERENCES


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Table 1: Respondents’ Profile

<table>
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<th>No.</th>
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<th>Profile</th>
<th>Percentage (100)</th>
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<td>Marital Status</td>
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<td>Education</td>
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<td>Organization category</td>
<td>Government</td>
<td>50.9</td>
</tr>
<tr>
<td>9.</td>
<td>Location</td>
<td>Kuala Lumpur</td>
<td>28.1</td>
</tr>
</tbody>
</table>

Table 2: Factor Analysis, KMO and Bartlett's Test Results

<table>
<thead>
<tr>
<th>Items</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stress on understanding of the meaning of <em>khalifah</em> philosophy</td>
<td>.88</td>
</tr>
<tr>
<td>Stress on understanding of work as <em>ibadah</em></td>
<td>.85</td>
</tr>
<tr>
<td>Stress on understanding of <em>al-falah</em> philosophy</td>
<td>.83</td>
</tr>
<tr>
<td>Employ a pious trainer to train the trainees</td>
<td>.78</td>
</tr>
<tr>
<td>Stress on the importance of brotherhood</td>
<td>.78</td>
</tr>
<tr>
<td>Provide Islamic training to all levels of employees</td>
<td>.75</td>
</tr>
<tr>
<td>Provide Islamic training on a continuous basis</td>
<td>.73</td>
</tr>
<tr>
<td>Integrate Islamic and conventional training into one training program</td>
<td>.66</td>
</tr>
</tbody>
</table>
Stress on physical activities as one of the training activities

Use a fair appraisal instrument to evaluate all levels of employees

Make clear of the performance standards to all employees

Appraise employees justly and consistently by referring to the performance standards

Take further actions based on appraisal results e.g send for further training

Reward employees based on the amount of work they do

Provide employees with non monetary rewards e.g parking space, food, clothes

Inform the terms of reward before employees start to work

Reward employees as soon as they complete their work

Provide mentoring system for employees to develop their career

Inform the candidates the reasons of their rejected applications

Give employees appointment letter stating the terms and conditions of work after the probationary period

Select and recruit competent candidates e.g qualification, health,

Select and recruit candidates with Islamic values e.g trustworthy, honest

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.  .793

Bartlett’s Test of Sphericity

Approx. Chi-Square  2961.670

df  946

Sig.  .000

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 6 iterations.

Table 3: Scores for Main Variables

<table>
<thead>
<tr>
<th>Factor</th>
<th>Cronbach Alpha</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islamic Training and</td>
<td>.93</td>
<td>5.64</td>
<td>.95</td>
</tr>
<tr>
<td>Development</td>
<td>ISNR</td>
<td>ITND</td>
<td>IPM</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>------</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>Islamic Performance Management</td>
<td>.85</td>
<td>5.56</td>
<td>1.00</td>
</tr>
<tr>
<td>Islamic Reward</td>
<td>.71</td>
<td>4.26</td>
<td>1.31</td>
</tr>
<tr>
<td>Islamic Career Development</td>
<td>.62</td>
<td>4.83</td>
<td>1.27</td>
</tr>
<tr>
<td>Islamic Selection and Recruitment</td>
<td>.73</td>
<td>6.13</td>
<td>.86</td>
</tr>
</tbody>
</table>

(Scales for Islamic HRP: 1 = not practicing at all to 7 = practice to a full extent)

### Table 4: Results of Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>ISNR</th>
<th>ITND</th>
<th>IPM</th>
<th>IR</th>
<th>ICD</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITND</td>
<td>.363**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IPM</td>
<td>.317**</td>
<td>.433**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IR</td>
<td>.109</td>
<td>.292**</td>
<td>.361**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICD</td>
<td>.113</td>
<td>.339**</td>
<td>.343**</td>
<td>.339**</td>
<td></td>
</tr>
<tr>
<td>Org Perf</td>
<td>.371</td>
<td>.531*</td>
<td>.281</td>
<td>.437</td>
<td>.219</td>
</tr>
</tbody>
</table>

**: Correlation is significant at the 0.01 level (2-tailed).
*: Correlation is significant at the 0.05 level (2-tailed).

ISNR: Islamic selection and recruitment,
ITND: Islamic training and development,
IPM: Islamic performance management,
IR: Islamic reward,
ICD: Islamic career development,
Org_Perf: Organizational Performance

### Table 5: Results of Regression Analysis

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Organizational Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standard Coefficient Beta</td>
</tr>
<tr>
<td>Islamic selection and recruitment</td>
<td>.411</td>
</tr>
<tr>
<td>Islamic training and development</td>
<td>.458*</td>
</tr>
<tr>
<td>Islamic performance management</td>
<td>-.002</td>
</tr>
<tr>
<td>Islamic reward</td>
<td>.455</td>
</tr>
<tr>
<td>Islamic career development</td>
<td>-.203</td>
</tr>
<tr>
<td>R2</td>
<td>.550</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>.389</td>
</tr>
<tr>
<td>F-value</td>
<td>3.417</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance
b. Predictors: Islamic selection and recruitment, Islamic training and development, Islamic performance management, Islamic reward, Islamic career development