

---

**THE EFFECT OF ISLAMIC WORK ETHICS ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND SME PERFORMANCE IN NIGERIA. A PLS SEM ANALYSIS.**

**Olanrewaju Kareem<sup>1</sup>, Adi Anuar bin Azmin<sup>2</sup> and Tunku Salhabinti Tunku Ahmad<sup>3</sup>**

<sup>1,2,&3</sup> School of Business Innovation and Technopreneurship, Universiti Malaysia Perlis, Kangar, Perlis, Malaysia

**ABSTRACT**

The issue of ethical crises affecting the performance of firm despite evidence of quality managerial practices has been highlighted in various literature. Protruding Islamic work ethics has a guideline for enhancing effective management practices, this study aims to examine the moderating influence of Islamic work ethics on the magnitude of market orientation's effect on SME performance in a developing country. A survey data was collected from 531 owners/managers of SMEs that are duly registered member of Nigerian Association of Small and Medium Enterprise in six states of six geo-political zones in Nigeria. Using Smart PLS SEM as the analytical tool to perform the analysis of data received from the respondents. The findings of the study reveal that though market orientation exert significant positive influence on SME performance, the performance was improved with the moderating effect of Islamic work ethics. Therefore, a contribution of novel insight to literature and practice that the practice of Islamic work value imbues quality management practices that would positively enhance effectiveness, efficiency and harmonious working environment that would result to improved firm performance. Limitations and areas for future research are discussed

**Keywords:** Islamic work ethic, market orientation, performance, SMEs

**INTRODUCTION**

The prominence of Islamic Work Ethics (IWEs) have received scholarly recognition in the past one decade as its discussions have cut across cross-cultural and global environment. This is important because moral and ethical crises are becoming rampant at higher rate in developing and developed countries (Darwish, 2011). While emphasis had been drawn on unethical practices in business as having the capability of degrading firm's performance and jeopardize its survival (Manan, Kamaluddin & PutehSalin, 2013; Marri et al., 2012; 2013). It was established that IWEs provide guidelines that would serve as an impetus for organizations to enhance effective management practices to attain and maintain quality and success in a sustainable way (Aldulaimi, 2016). Therefore, instilling the values of Islamic ethics is crucial for organizational

efficiency and quality. This can be achieved by following the guiding principles highlighted in line with IWEs to form a healthy cooperation between organizations and their employees and among workers, thus creating a harmonious workplace (Aldulaimi, 2016).

Although, most of the developing nation, particularly Africa practiced work ethics other than IWEs. For example, in Nigeria a secular work ethics i. e. Protestant Work Ethics (PWEs), an ethics that is mostly common with Western countries and America (Kumar & Rose, 2010) and which portray the combination of values and teachings of Martin Luther and John Calvin's is being adopted. Realistically, unethical practices have proliferated every nooks and crannies of the country (Nigeria), private and public organizations and have led to serious degradation of performance of businesses and economy as a whole (Attahiru, Al-Aidaros & Yusof, 2016; SMEDAN & NBS, 2013). Hence, this study suggests that IWEs could salvage organizations and economies from the unethical paradox. Given that extant literature has identified Islam as a code of life for all human beings and valid for every time and places (Aldulaimi, 2016), the practice of IWEs is applicable to all human beings, endeavours and nations. More so, the fact that moral behavior is a vital prerequisite for sustaining a thriving economy and successful organization, Islamic ethics portends that every business should be carried out with absolute trust and honesty (Yesil et al., 2012). The importance of transparency in business dealings is emphasized as moral decency, while decadence in terms of deception and misconduct will result to injustice and hinder freedom at workplace and business environment (Ali, 1992). Therefore, the existence and practice of IWEs will assure a balanced advantage to the individual and the community (Ali & Al-Kazemi, 2007).

However, while various organizations are striving for survival as well as vying for performance that would result to attaining a competitive position in the competitive environment. Scholars in the field of marketing and management have been emphatic about the vital role of market orientation (MO) in the firm's achievement of sustainable performance and competitive fit (e.g. Kamboj & Rahman, 2017; Kiessling, Isaksson & Yasar, 2016). Referring to this construct as an organization intangible resource (Jogaratnam, 2017) and the effective utilization of which possesses the capability to propel the firm achievement of superior performance in a competitive environment (Karazijienė & Jurgelevičius, 2017; Kraaijenbrink, 2011; Morgan, Anokhin, Kretinin & Frishammar, 2015). Market orientation has been described as an organization wide mechanism that can be used to achieve high level of business performance (Frosen et al., 2016). Most of the organizations perceived MO as an important part of their core values for example, Noble, Sinha and Kumar (2002). However, existing researchers and practitioners have queried as well as doubted the total effect of MO, it was argued that superior performance is not always achieved with MO (Kumar et al., 2011). As a result, the management of some successful

organizations tend to undermine the necessity and capability of MO (Frosen et al., 2016). Conversely, extant studies have contended that the linkages between a firm's resource and performance might not be enough to reveal their full impact on performance (Lonial & Carter, 2015). This implies that there may be potential moderating variables that can enhance the influence of MO on firm performance. Therefore, this study aimed at examining the effect of IWEs as a moderator in the linkages between MO and firm performance specifically from the context of SMEs in Nigeria. The remaining part of this paper consists of a detailed review of relevant literature on the main constructs and their linkages to propose hypotheses, methodology adopted and findings from the study. Then, finally the conclusion by discussing the limitation encountered and suggestion for future research.

## **2.0 Literature Review**

### **2.1 Work ethics**

The work of Max Weber (1958) on the role of work ethics in Europe has informed the present increasing rate of research on work ethics as well as the role religion can play in attaining economic advancement (Ali & Al-Kazemi, 2007). According to Weber's (1958) theory, work ethics comprise of many quality elements such as less leisure and long working hours, hardworking, perfection in doing job, feel pride in the job, recognize achievement, wealth accumulation, thrift, frugality and prudent in investment (Ali, Falcone & Azim, 1995). Therefore, work ethics is construed as the rules of behavior designed by an organization in overseeing behavior and actions of workers, to ensure that they abide by the determined principles (Wan & Wan, 2012). Weber (1958) strongly argued that the Western idea of work ethics is developed from PWEs and submits that the growth of capitalism in the modern world have connections with Protestant faith (Khalil & Abu-Saad, 2009).

However, with emphasis that attaining competitive advantage requires greater degree of ethical climate at workplace (Manroop, Singh & Ezzedeen, 2014). Ethics in work and/or business as become very critical because it can contribute positively to the economic development of a country (Abdullah & Zainol, 2011). Its influence on organizational outcomes cannot be overemphasized (Abbasi, Mir & Hussain, 2012; Haroon, Zaman & Rehman, 2012; Muhammed, Sonia & Shaheen, 2015; Rokhman, 2010). Promoting ethical behavior and discouraging unethical practices by the management of the organizations can play vital role in achieving organizational performance (Ali, 2005; Rokhman, 2010). To this effect, developing nations demands a cohesive work ethics that is distinct. Most especially, it has been proven empirically that the concept of work ethics is present in every culture, though with different values and attributes (Arsalan,

2000). Thus, Chan, Fung, and Yau (2013) and Lennerfors (2013) contended that existing ethics require perfectly stable work ethics that would improve the management practices.

Ethics, according to Klimsza (2014) can be explained from three perspectives, that is, autonomous, heteronomous and theonomous. Autonomous is described in ethics as free behavior, that is, action that occur as a result of individual personal will or decision. Heteronomous in ethics is a behavior caused by the decision of another person different from the person exhibiting the action. This is a situation where the will of someone is adopted by another even the person adopting did not agree. Theonomous is thus explaining the God's law. It is ethical norms that the people decided to accept with free will, for example, Quran, Haddith, Bible and the Ten Commandments. However, Islamic work ethics could be referred to as theonomous, that is, the law of God as described by Klimsza (2014), Al-Ghamdi (2010) and Beekun (1997). This is ethics that is accepted based on the commandment of Almighty God. They are not autonomous or heteronomous, but rather theonomous and people tends to accept them on free will, and thus become their ethical norm.

## **2.2 Islamic Work Ethics**

The concept of Islamic work ethics (IWE) was developed to integrate religious ethical values into professional and business sphere, as Islam encourages professionalism and engagement in business activities that will stimulate the socio-economic well-being of the people in any society or economy (Haider & Nadeem, 2015; Jalil, Azam & Rahman, 2010; Rokhman, 2010). Islamic cultures engender the importance of society and economic development through the collaboration and cooperation of people within the society thereby establishing societal relationships (Haider & Nadeem, 2015). Hence, people, society, organization and economy can succeed based on creating synergetic relationships in accordance with Islamic principle.

Basically, the concept of IWE was derived from The Quran, the practice and sayings (*Sunnah*) of Prophet Muhammad (PBUH), and the consensus of Muslim scholars (*ijma'ulama*) (Ali & Al-Owaihah, 2008; Fauzwadi, Abu Bakar & Hishamudin, 2008). The Quran preaches and teaches justice and honesty in business endeavors, as much, the commitment to work is perceived as a virtue in IWE (Farsi, Shiraz, Rodgarnezhad & Anbardan, 2015). Hence, placing satisfactory effort in performing one's work is considered not voluntary, but compulsory. According to Yousef (2000), IWE encourages teamwork among the people within an organization, society or nation and promotes consultation to prevail over any issues and prevent mistakes. IWE stresses that generosity and justice should prevail as the conditions to attain societal welfare and that none

should be denied full wage if all the duties and responsibilities concerning one's work is fulfilled (Aldulaimi, 2016).

The key objective of Islamic ethics is the notion which obliges everyone to desist from doing evil and encouraged to practice goodness in every facet of life (Ali & Al-Owaihan, 2008; Manan *et al.*, 2013). Hence, Islam offered a distinctive perspective about ethics as well as formulated specific conceptualization of work ethic. Notably, aside from improving economic development and wealth creation, work in Islam embraces moral, psychological and social aspects as well (Aldulaimi, 2016; Ali, 2005). Alam and Talib (2015) based IWEs on three important facets; social, attitudinal and humane, and empirically found a positive relationship with individualism (one of the Hofstede's dimensions of organizational culture). Athar, Shahzad, Ahmad and Ijaz. (2016) also found a strong positive relationship between IWEs, Job Satisfaction and Organizational Commitment. Thus, concluded that IWEs play an important role in increasing the commitment level of employees at work place. Also, IWEs portend that effective implementation of management strategies in the workplace provide the organization with the higher tendency to achieve superior performance (Athar et al., 2016).

### **2.3 SME Performance**

The performance of SMEs has been considered crucial for the development of the economy of any nation (Eniola, 2014). A country with performing SME sector has the tendency of attaining high level of productivity, industrialization, employment, modernization, income per capital and standard of living of the citizens (Aremu & Adeyemi, 2011). Performance is generally termed as the level of business success attained in relation to profitability, sales growth, investment level, effectiveness, efficiency, growth and productivity all of which can be categorized into financial and non-financial performance (Akande, 2011; Kamyabi & Devi, 2012; Wilden, Gudergan & Nielsen, 2013). Particularly, the consequence of practicing efficient and effective management process in any organization is the achievement of performance (Man, 2009). Thus, performance of SME is the strategic process through which the SME owners/managers implement their management operations and functions to enhance business performance. More importantly, SMEs constitute highest percentage of businesses in most of the developing and developed countries and as much contribute higher percentage to GDP than larger firms (Farouk & Saleh, 2011). This made the government of many countries worldwide to engage in supporting and promoting the growth of SMEs as strategic way of boosting economic development. While many countries have had significant performance in terms of contribution to GDP, country like Nigeria has achieved meagerly in this regard and this can be observed from table 1 below which shows

that 9.3% contribution to GDP could only be attained by Nigeria as compared to other countries with high double figures.

**Table 1: Contribution of SMEs to GDP and Employment of Different Countries**

Country	% of Business	% Contribution to GDP	% Employment
USA	99.8	60	52
UK	99.7	50	53.6
<b>Nigeria</b>	<b>98</b>	<b>9.3</b>	<b>75</b>
Malaysia	97.3	36.3	65.5

*Source: SMEDAN & NBS (2013), SME Corporation Malaysia (2016), Malaysia SME Annual Report (2016), Annual Report on European SMEs (2016).*

## 2.4 Market Orientation

The concept of MO has been identified in the existing literature as a vital resource that is required to be utilized by firms to attain competitive advantage (Najafi-Tavani, Sharifi & Najafi-Tavani, 2016). Significant attention has been placed on MO both in practice and academic for quite some time (Qu & Zhang, 2016). Its conceptualization varied across marketing and management field from different authors. Nasution *et al.* (2011) described MO as a resource that results to capabilities. Takata, (2016) and Barrales-Molina *et al.* (2014) viewed it as core dynamic marketing capability. While, Jogaratnam (2017) and Lonial and Carter (2015) from the concept of resource based theory perceived it as an organization resource that enhances the superior performance. Morgan *et al.* (2009) considered it as an important market-based asset owned and controlled by an organization. For this study, it is seen as a strategic management practice and an organization intangible resource that possess the capability to propel an organization to attain competitive position among its competitors.

Basically, the conceptualization of MO has followed two basic ideologies, i. e. behavioural and cultural perspectives by Kohli and Jaworski (1990), and Narver and Slater (1990) respectively. As with Kohli and Jaworski (1990), three behavioral components were used to describe MO and these are intelligence generation, intelligence dissemination, and responsiveness, while Narver and Slater (1990) examines MO from three cultural dimensions namely, customer orientation, competitive orientation and inter-functional coordination. More importantly, both perspectives emphasized on the customers as the key component of MO. They placed customers as the main strategic focus for the organization to achieve superior performance. Therefore, market orientation was defined as “the organization-wide generation of market intelligence pertaining to

current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it” (Kohli & Jaworski, 1990). In line with the concept of marketing, organization’s is charged with the responsibilities of identifying and satisfying the needs and wants of customers in a more effective and efficient ways than their competitors (Slater & Narver, 1994). Similarly, Kamboj and Rahman (2017) and Kiessling, Isaksson and Yasar (2016) explicated that market orientation is a special type of philosophy, capabilities and behaviors directed towards identifying and knowing the needs of the targeted customers with a view of advancing means of satisfying such customers better than the competitors.

## **2.5 Market Orientation and Performance**

Market orientation has been studied in relation to different types of businesses, for example, hospitality business (Jogaratnam, 2017), manufacturing firm (Morgan et al., 2015), service firm (Kamboj & Rahman, 2017) and other firms ranging from small, medium and large (Frosen et al., 2016). The general construct against which MO is mostly measured was something that has to do with performance of the organization. This coincide with Lee, Kim Seo and Hight (2015), and Wang, Chiang and Tung (2012) notion that managers should exhibit market oriented behavior to proactively satisfy customers’ needs better and thus achieve superior business performance. Hence, MO is believed to have a positive relationship to performance and this has been the dominant view in many of the existing studies. Many studies have empirically proven the positive relationship of MO and performance (e. g. Campo et al., 2014; Huhtala et al., 2014; Jogaratnam, 2017; Kamboj & Rahman, 2017; Kumar et al., 2011; Lee et al., 2015; Najafi-Tavaniet al., 2016; Pena et al., 2012 and Wang et al., 2012). On the contrary, Frosen et al. (2016) found that the contribution of MO to business performance does not seem to be realistic. Similarly, Shehu and Mahmood (2014) establish a negative linkage between MO and business performance. Thus, with the mixed empirical findings in MO-performance relationship, the argument still holds that MO may not be able to provide required superior performance (Carpenter, 2017). This study reverts to past studies that called for further investigation of MO in combination with other factors that serve as an antecedent to performance (Hult, Ketchen & Slater, 2005).

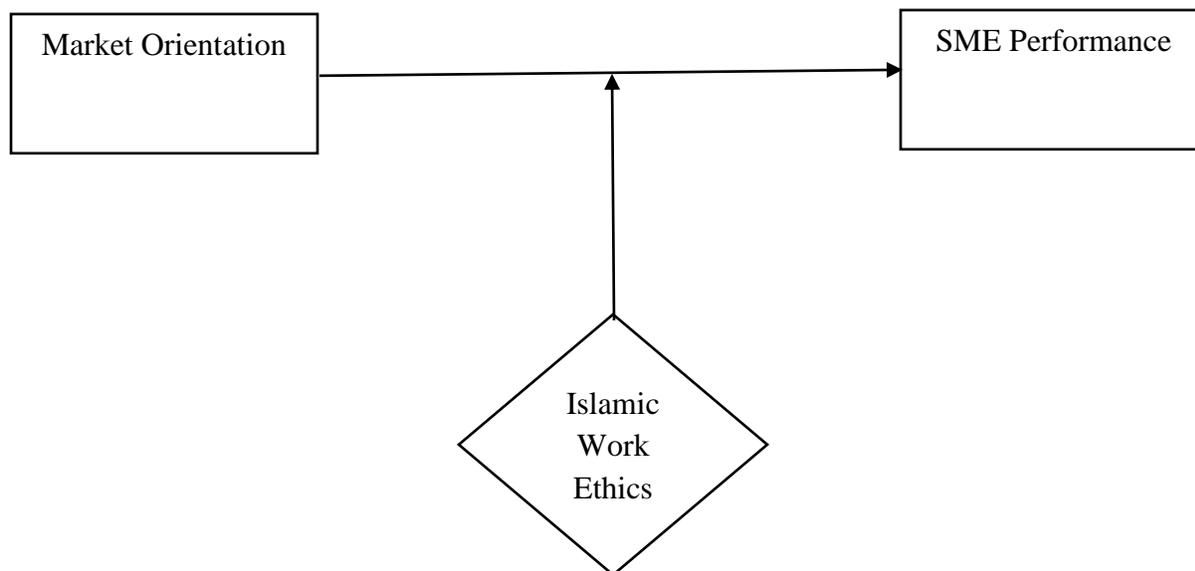
H1: Market orientation has a positive effect on SME performance.

H2: Islamic work ethics influences the size of market orientation’s effect on SME performance.

## **2.6 Research Framework**

Based on the literature review, the framework for the study is proposed as shown in figure 1. The framework proposed that market orientation and Islamic work ethics can influence SME performance, and that Islamic work ethics moderate the relationship between market orientation

and SME performance. Importantly, this framework is grounded in resource-based theory (RBT) which postulates that effective and efficient utilization of organization intangible resources that are valuable, rare, non-substitutable and inimitable that are control by firm would result to the achievement of superior performance in a competitive business environment (Barney, 1991). RBT is a common theory that has been applied by various study to investigate the relationships between marketing, management and human resource constructs and firm performance (Jogaratnam, 2017). Hence, due to RBT establishment that intangible resources and firm performance are directly related (Lonial& Carter, 2015), this theory is appropriate for this present study.



**Figure 1: Research Framework**

### **3.0 Research Methodology**

#### **3.1 Sample and measures**

Survey questionnaire was administered to 531 owners/managers of SMEs in six states in Nigeria, namely; Kano (North West), Bauchi (North East), FCT (North Central), Lagos (South West), Anambra (South East) Rivers (South South) with each of the state representing each of the six geo-political zones as structured by the federalism system in Nigeria. These states were chosen because they have the highest number of SMEs in their respective zone. Sample were drawn from the list of SMEs the are duly registered member of Nigeria Association of Small and Medium Enterprises (NASME) accessed from their database. A proportionate random sampling was employed to determine the amount of sample drawn from the population of SMEs in each state. Thereafter, simple random technique was finally used to select the sample from which data were collected for analysis of this study. A total of 358 (67.4%) responses were received of which 320 (60.3%) were usable afterthe removal of outlier, missing values and ambiguous responses. The sample comprised of 61% of male and 39% of female, with most respondents (68.4%) managers. The educational qualification of most respondents is first degree/HND (51.9%), age of organization (40.6%) falls between 1-5 years, while small firm (67%) constituted the highest number where responses was received.

The latent constructs were measured with unidimensional and reflective items. Measurements for MO (12 items) was adopted from Suliyanto and Rahab (2010), IWEs (17 items) adopted from Ali (1992) and SME performance (8 items) adopted from Kamyabi and Devi (2012) were utilized for the questionnaire and all items were scored on a 7-point Likert scale with 1 = strongly disagree to 7 = strongly agree.

**Table 2: Measurement items, Factor loadings, Composite reliability, Cronbach’s alpha, rho\_A and Average variance extracted**

<b>Constructs &amp; Items</b>	<b>FLs</b>	<b>CR</b>	<b><math>\alpha</math></b>	<b>rho_A</b>	<b>AVE</b>
Market Orientation		0.890	0.857	0.868	0.538
MO01	0.734				
MO02	0.742				
MO03	0.774				
MO05	0.759				

---

MO07	0.645				
MO11	0.755				
MO12	0.717				
Islamic Work Ethics		0.944	0.936	0.939	0.545
IWE02	0.743				
IWE03	0.731				
IWE04	0.758				
IWE05	0.754				
IWE06	0.806				
IWE08	0.781				
IWE09	0.803				
IWE10	0.709				
IWE11	0.682				
IWE12	0.758				
IWE13	0.657				
IWE15	0.733				
IWE16	0.702				
IWE17	0.708				
SME Performance		0.900	0.867	0.870	0.602
FP01	0.831				
FP02	0.784				
FP03	0.682				

---

FP04	0.815
FP05	0.795
FP06	0.739

Note: FLs- Factor loadings, CR- Composite reliability,  $\alpha$ - Cronbach’s alpha, AVE- Average variance extracted.

Regarding the issue of common method bias in studies that use a self-administered cross-sectional survey (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), Herman’s single factor test was conducted to detect any common method issue. Thus, single factor did not arise and the variance of first factor is less than 50% as recommended by Podsakoff et al. (2003), indicating that majority of the variance is not linked to the first factor, then common method bias is not seen to be an issue in this study.

### **3.2 Measurement model**

This study conducted exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) for the assessment of measurement model. Ten items were deleted during the EFA because they did not have adequate values required of indicator reliability. The measures used for final analysis were summarized in Table 2 above. The model utilized for CFA consists of three latent constructs and 27 measurement items was analyzed with SmartPLS version 3.2.7. The output indicates and confirms that all the reliability and validity were met. The factor loadings range from 0.645 to 0.831, composite reliability, rho\_A, cronbach’salph ( $\geq .70$ ), and AVEs ( $\geq .50$ ) exceeded recommended values, thus supporting the overall validity and reliability of the construct measures used for analysis (Fornell&Larcker, 1981; Hair et al., 2014). However, evidence for discriminate validity was provided in Table 3 indicating the squared root of AVEs for each construct greater than the inter-construct correlation estimates (Hair *et al.* 2017). Additional confirmation of discriminant validity with heterotrait-monotrait (HTMT) ratio of correlations was presented in Table 4 (Henseler et al., 2016). HTMT ratio is an estimate of the correlation between constructs, which parallels the deattenuated constructs correlations (Henseler et al., 2016). Henseler, Hubona and Ray (2016) suggested any value less than 1 as acceptable, while other studies recommended specific thresholds of 0.85 (HTMT<sub>0.85</sub>) (Kline, 2011). Table 4 shows ratios of correlation less than threshold of HTMT<sub>.85</sub>, indicating that all the constructs of the study attain acceptable level of discriminant validity.

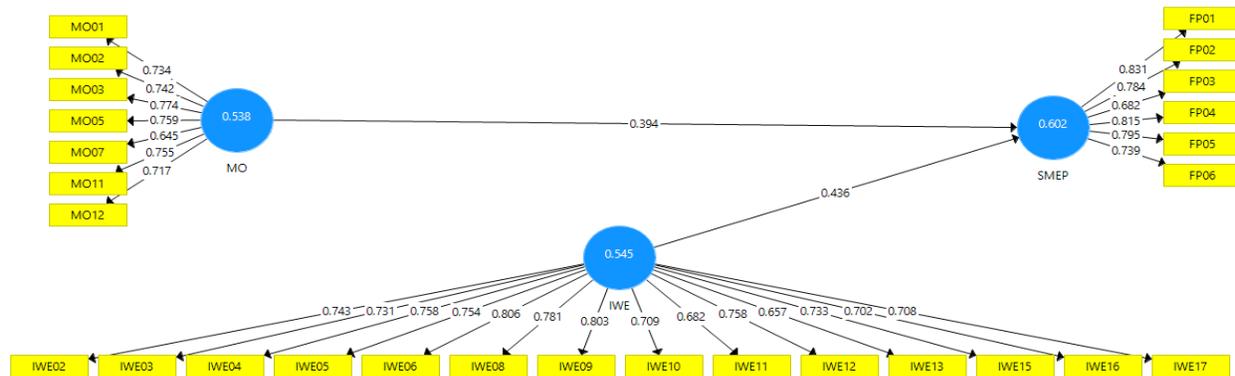


Figure 2: Measurement model

Table 3: Fornell-Larcker Criterion

Constructs	IWE	MO	SMEP
IWE	<b>0.739</b>		
MO	0.472	<b>0.733</b>	
SMEP	0.622	0.600	<b>0.776</b>

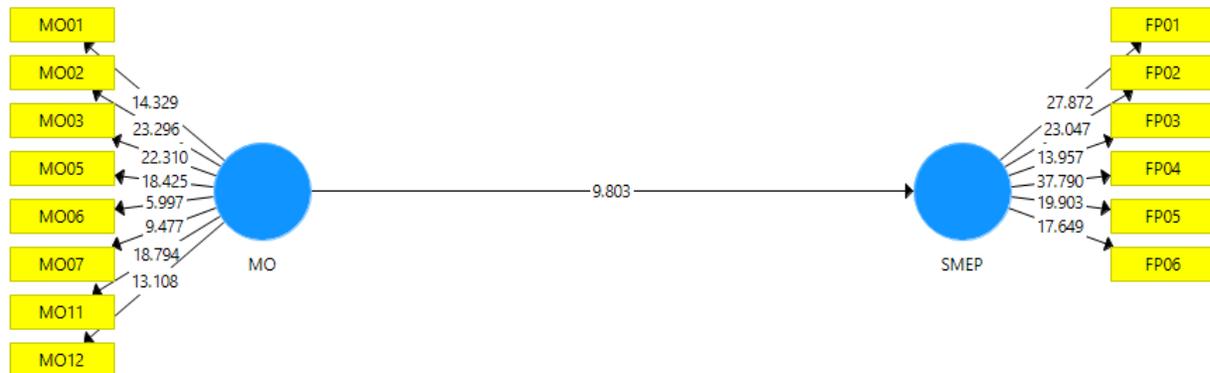
Table 4: Heterotrait-Monotrait Ratio (HTMT)

Constructs	IWE	MO	SMEP
IWE			
MO	0.520		
SMEP	0.667	0.674	

**3.3 Structural model and hypotheses testing**

At this stage, SmartPLS SEM software was used to test the hypothesized relationship between all the variable concerned (i. e. H1 – H2). Structural model for direct relationship shows the linkage between market orientation (MO) independent latent variable and SME performance (SMEP) dependent latent variable as depicted in figure 3. The structural model that shows the moderating effect of Islamic work ethics on the relationship between MO and SMEP was illustrated in figure 4. While, Table 5 shows the results of both the direct relationship as well as interaction effect (moderating effect).

The finding as shown in Table 5 revealed that market orientation ( $\beta = .601, t = 9.803$ ) have a strong positive and significant relationship with SME performance, this was in support of H1 as hypothesized in the study. This result was in agreement with extant studies that found positive impact of MO on firm performance (e. g. Campo et al., 2014; Huhtala et al., 2014; Jogaratnam, 2017; Kamboj & Rahman, 2017; Lee et al., 2015; Najafi-Tavaniet al., 2016).



**Figure 3: Structural Model for Direct Relationship**

Table 5: Result for direct relationship and interaction effect

Paths	Beta	STDEV	T Statistics	P Values	Remark
MO -> SMEP	0.601	0.061	9.803	0.000	Accepted
IWE*MO -> SMEP	0.055	0.037	1.503	0.066	Accepted

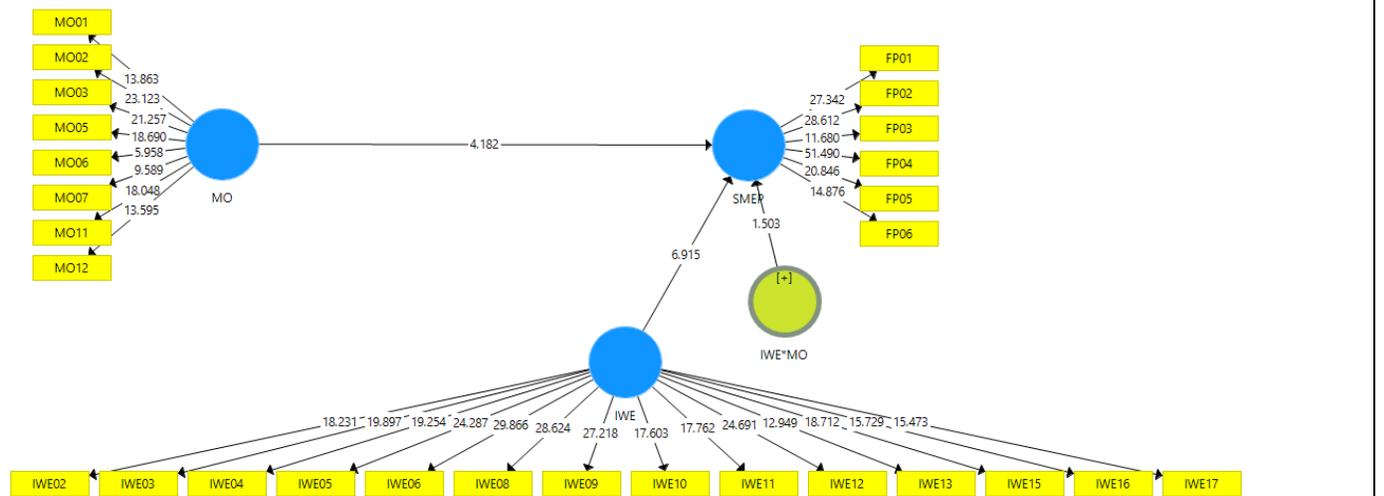


Figure 4: Structural model for interaction effect

In testing the moderating effect (H2), the concept of interaction term is used to facilitate the inclusion of a moderation variable in a statistical model. Two-stage method was used to estimate the interaction effect of independent and moderating variables on the dependent variable (Dawson, 2013; Hair,Hult, Ringle&Sarstedt, 2016; Henseler& Chin, 2010; Henseler& Fassot, 2010). This method was used due to its universal applicability in terms of whether the independent and/or moderating variables are measured formatively or reflectively and on the basis that it exhibited a higher level of statistical power (Hair et al., 2016). Figure 4 shows the interaction effect of IWE and MO on SMEP. The result from Table 5 shows ( $t = 1.503, p = 0.066$ ), in support of hypothesized H2 at the significant level of 10% (0.1).Hence, Islamic work ethics positively moderates the relationship between market orientation and SME performance in Nigeria. To furtherance the analysis of the moderating effect, a simple two-way interaction slope

was plotted using the path coefficients obtained from the model together with interaction effects for hypothesis H2 (Preacher, Curran, & Bauer, 2006). This probes the conditional effect to better understand the structure of the relation of the significant interaction. Figure 5 shows the interaction slope that explains the strength of IWE on MO and SMEP.

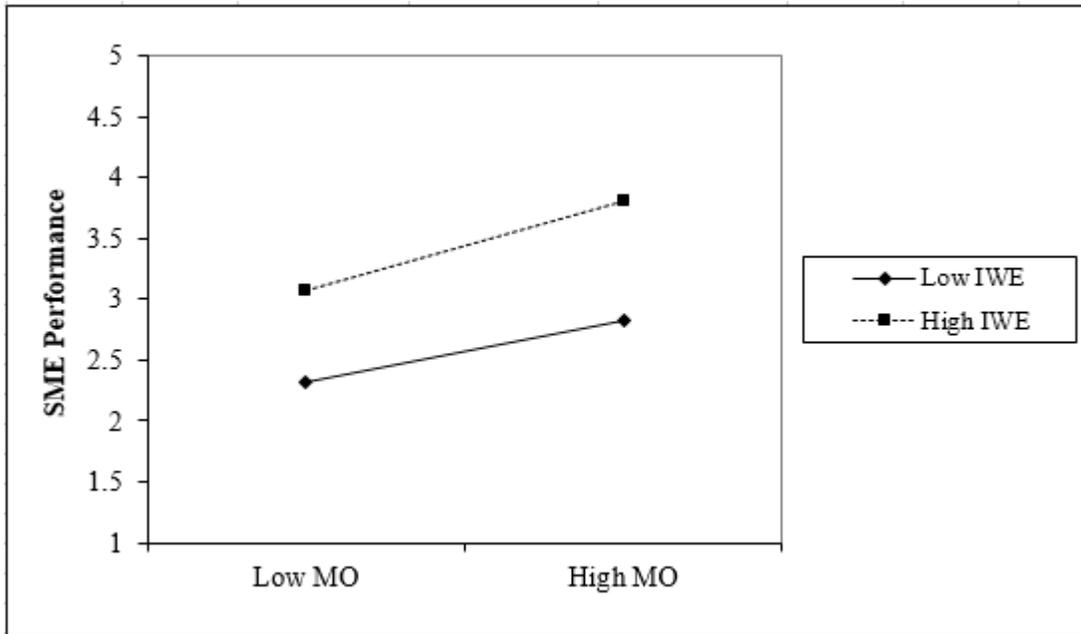


Figure 5: interaction slope

In relation to the moderating effect of IWE on the relationship between MO and SMEP. The positive relationship between MO and SMEP is strengthened in the case of high level of IWE practices. The low level of IWE practices does not translate to weak relationship between MO and SMEP, the level of SMEP is stronger with higher IWE practices. This means that the higher the IWE practices by the owners/managers of SMEs in Nigeria, the stronger and better the positive relationship between MO and SMEP.

**4.0 Discussion**

The performance of SMEs is very crucial for the development of the economy of any nation, most especially the developing ones(Eniola, 2014). Thus, in the presence of good management practices that could serve as impetus to the achievement of competitive performance, ethical crises in business could affect the output of the firm to the extent of degrading firm’s overall

performance and jeopardize its survival (Manan et al., 2013; Marri et al., 2012; 2013). Although, literature have emphasized the influence of market orientation on firm performance with different dimensions and diverse findings. Yet, literature that informs existing knowledge about the interaction effect of Islamic work ethics on the linkage between market orientation and performance in SMEs is scarce. Therefore, this study purposely aims to contribute to the research stream by providing novel insights into how the practice of Islamic work ethics can strengthen the impact of market orientation on SME performance. Specifically, this study suggested that the practice of Islamic work ethics provide guidelines that would serve as an impetus for organizations to enhance effective management practices and achieve a better performance.

#### **4.1 Contributions and future research**

Empirical evidence was provided by this study that Islamic work ethics and market orientation are crucial to the achievement of SME performance. Islamic work ethics was found to significantly moderate the relationship between market orientation and SME performance. That is, the more the organization engaged in the practice of Islamic work ethics and market oriented, the likely the achievement of a greater performance. This is consistent with existing studies that concedes that exhibiting Islamic work ethic and market oriented behavior to proactively satisfy customers' needs better than the competitors will enhance superior performance (Athar et al., 2016; Farrukh et al., 2015; Lee et al., 2015; Wang et al., 20112).

Additionally, the contextual explanation of work ethics and organizational outcomes in small and medium enterprises and Nigerian contexts was provided by this study. Prior research reveals that most studies on work ethics were conducted in the Western countries and few in the developing world (Rokhman, 2010). Therefore, the use of data from SMEs in Nigeria by this study has provided a different theoretical perspective on how firms can achieve better and improved performance.

On the practical note, the findings from this study suggest that Islamic work ethics provides a guideline for improved managerial practices and harmonious work environment, curtailing any form of unethical behavior that could jeopardized the existence of the organization, as well as enhancing efficiency and quality of the organization. Thus, this study highlights that the exhibition of Islamic work values by managers in an organization, will serve as role model and motivation for workers to exert hard work, trustworthiness, novelty, loyalty to duty and organization and thus an improvement in the performance.

The limitations inherent in this study has provided avenues for future research. The Nigerian SME sector context offered exemplary setting for this study, future research focus on other

developing and/or emerging countries and sectors as this can breed alternate outcomes. More so, this study collected data within a short period and such the results was based, future study can employ longitudinal survey data to examine the long-term effect of this interaction on the relationship. Although, the importance of Islamic work ethics cannot be overemphasized, future study should examine other important individual, organizational and environmental elements that could enhance the effect of market orientation on firm performance.

## References

- Abbasi, A. S., Mir, G. M., & Hussain, M. (2012). Islamic work ethics: how it affects organizational learning, innovation and performance.
- Abdullah, A. G., & Mohamad ZainolAbidin, A. (2011). Business Ethics.
- Akande, O. O. (2011). Accounting skill as a performance factor for small businesses in Nigeria. *Journal of Emerging Trends in Economics and Management Sciences*, 2(5), 372-378.
- Alam, M. A., & Talib, N. (2016). Islamic work ethics and individualism in managing a globalized workplace: Does religiosity and nationality matter? *Journal of Management & Organization*, 22(4), 566-582.
- Aldulaimi, S. H. (2016). Fundamental Islamic perspective of work ethics. *Journal of Islamic Accounting and Business Research*, 7(1), 59-76.
- Al-Ghamdi, S. M. (2010). Influence of organizational commitment and Islamic work ethics on attitudes towards organizational change. *Journal for Global Business Advancement*, 3(3), 257-275.
- Ali, A. J. (1992). The Islamic work ethic in Arabia. *The Journal of psychology*, 126(5), 507-519.
- Ali, A. J., Falcone, T., & Azim, A. A. (1995). Work ethic in the USA and Canada. *Journal of Management Development*, 14(6), 26-34.
- Ali, A. J., & Al-Kazemi, A. A. (2007). Islamic work ethic in Kuwait. *Cross cultural management: An international Journal*, 14(2), 93-104.
- Ali, J.A. (2005). *Islamic Perspectives on Management and Organization*. Edward Elgar Publishing, UK.
- Ali, A. J., & Al-Owaihian, A. (2008). Islamic work ethic: a critical review. *Cross cultural management: An international Journal*, 15(1), 5-19.
- Aremu, M. A., & Adeyemi, S. L. (2011). Small and medium scale enterprises as a survival strategy for employment generation in Nigeria. *Journal of sustainable development*, 4(1), 200.
- Arslan, M. (2000). A cross-cultural comparison of British and Turkish managers in terms of Protestant work ethic characteristics. *Business Ethics: A European Review*, 9(1), 13-19.

- Athar, M. R., Shahzad, K., Ahmad, J., & Ijaz, M. S. (2016). Impact of Islamic Work Ethics on Organizational Commitment: Mediating Role of Job Satisfaction. *Journal of Islamic Business and Management Vol*, 6(1).
- Attahiru, M. S., Al-Aidaros, A. H., & Yusof, S. B. M. (2016). Moderating Role of Hisbah Institution on the Relationship of Religiosity and Islamic Culture to Islamic Work Ethics in Nigeria. *International Review of Management and Marketing*, 6(8S).
- Barrales-Molina, V., Martínez-López, F. J., & Gázquez-Abad, J. C. (2014). Dynamic marketing capabilities: Toward an integrative framework. *International Journal of Management Reviews*, 16(4), 397-416.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Beekun, R. I. (1997). *Islamic business ethics* (No.2). International Institute of Islamic Thought (IIIT).
- Campo, S., Díaz, A.M., Yagüe, M.J., 2014. Market orientation in mid-range service:urban hotels: how to apply the MKTOR instrument. *Int. J. Hospit. Manage.* 43,76–86.
- Carpenter, G. S. (2017). Market orientation: reflections on field-based, discovery-oriented research. *AMS Review*, 1-7.
- Chan, K. C., Fung, H. G., & Yau, J. (2013). Predominant sources and contributors of influential business ethics research: evidence and implications from a threshold citation analysis. *Business Ethics: A European Review*, 22(3), 263–276.
- Darwish, A. (2011). The current world business meltdown: Islamic religion as a regulator. *Humanomics*, 27(2), 97-108.
- Dawson, J. F. (2013). Moderator in management research: what, why, when and how, *Journal of Business and Psychology*, 29(1), 1-19.
- Eniola, A. A. (2014). The role of SME firm performance in Nigeria. *Oman Chapter of Arabian Journal of Business and Management Review*, 3(12), 33-47.
- Farrukh, M., Butt, S., & Mansori, S. (2015). Innovation capability: The role of Islamic work ethics. *Journal of Asian Business Strategy*, 5(7), 125.
- Farsi, J. Y., Rodgarnezhad, F., & Anbardan, Y. Z. (2015). Investigating the Relationship between Islamic Work Ethics and Organizational Commitment and Its Components A Case Study of Gilan Province Police Employees. *Jurnal UMP Social Sciences and Technology Management Vol*, 3(2).
- Fauzwadi, M. A., Hamed, A., & Hasan, H. F. (2008). Hubungan antara stress peranan, ganjaran, etikakerjadankepuasan kerja. *Jurnal Pengurusan Awam*, 7(1), 141-154.

- Frosen, J., Luoma, J., Jaakkola, M., Tikkanen, H., &Aspara, J. (2016). What counts versus what can be counted: The complex interplay of market orientation and marketing performance measurement. *Journal of Marketing*, 80(3), 60-78.
- Haider, A., & Nadeem, S. (2015). The Relationship Between Emotional Intelligence (EI) and Organizational Citizenship Behaviour (OCB): The Moderating Role of Islamic Work Ethics (IWE). *ASEAN Journal of Psychiatry*, 16(1), 95-105.
- Hair Jr, J. F., Hult, G. T. M., Ringle, C., &Sarstedt, M. (2016). *A primer on partial least squares structural equation modeling (PLS-SEM)*. Sage Publications.
- Haroon, M., Zaman, H. F., & Rehman, W. (2012). The relationship between Islamic work ethics and job satisfaction in healthcare sector of Pakistan. *International Journal of Contemporary Business Studies*, 3(5), 6-12.
- Henseler, J., & Chin, W. W. (2010). A comparison of approaches for the analysis of interaction effects between latent variables using partial least squares path modeling. *Structural Equation Modeling*, 17(1), 82-109.
- Henseler, J., & Fassot, G. (2010). Testing moderating effects in PLS models: An illustration of available procedures. *VinziV. E. ChinW. W. HenselerJ. WangH.(Eds.), Handbook of Partial Least Squares: Concepts, Methods and Applications in Marketing and Related Fields*, 195-218.
- Huhtala, J. P., Sihvonen, A., Frösén, J., Jaakkola, M., & Tikkanen, H. (2014). Market orientation, innovation capability and business performance: Insights from the global financial crisis. *Baltic Journal of Management*, 9(2), 134-152.
- Hult, G.T.M., Ketchen, D.J. and Slater, S.F. (2005), "Market orientation and performance: an integration of disparate approaches", *Strategic Management Journal*, 26 (12), 1173-1181.
- Jalil, A., Azam, F. & Rahman, M. K. (2010). Implementation mechanism of ethics in business organizations. *International Business Research*, 3(4), 45-151.
- Jogarathnam, G. (2017). The effect of market orientation, entrepreneurial orientation and human capital on positional advantage: Evidence from the restaurant industry. *International Journal of Hospitality Management*, 60, 104-113.
- Kamboj, S., & Rahman, Z. (2017). Market orientation, marketing capabilities and sustainable innovation: the mediating role of sustainable consumption and competitive advantage. *Management Research Review*, 40(6).
- Kamyabi, Y., & Devi, S. (2012). The impact of advisory services on Iranian SME performance: An empirical investigation of the role of professional accountants. *S African Journal of Business management*, 43(2), 61-72.
- Karazijienė, Ž., & Jurgelevičius, A. (2017). The impact of intangible resources on economy in the EU. *Public Policy and Administration*, 16(2), 279-295
- Khalil, M., & Abu-Saad, I. (2009). Islamic work ethic among Arab college students in Israel. *Cross Cultural Management: An International Journal*, 16(4), 333-346.

- Kiessling, T., Isaksson, L., & Yasar, B. (2016). Market orientation and CSR: Performance implications. *Journal of Business Ethics*, 137(2), 269-284.
- Klimsza, L. (2014). Business Ethics: Introduction to the Ethics of Values-eBooks and textbooks from bookboon. com.
- Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: the construct, research propositions, and managerial implications. *The Journal of Marketing*, 54 (2). 1-18.
- Kraaijenbrink, J., 2011. Human capital in the resource-based view. In: Spender, J.C., Burton Jones, A. (Eds.), *The Oxford Handbook of Human Capital*. Oxford University Press, Oxford, UK, pp. 218–237.
- Kumar, V., Jones, E., Venkatesan, R., & Leone, R. P. (2011). Is market orientation a source of sustainable competitive advantage or simply the cost of competing? *Journal of marketing*, 75(1), 16-30.
- Kumar, N., & Che Rose, R. (2010). Examining the link between Islamic work ethic and innovation capability. *Journal of Management Development*, 29(1), 79-93.
- Lee, Y. K., Kim, S. H., Seo, M. K., & Hight, S. K. (2015). Market orientation and business performance: Evidence from franchising industry. *International Journal of Hospitality Management*, 44, 28-37.
- Lennerfors, T. T. (2013). Beneath good and evil? *Business Ethics: A European Review*, 22(4), 380-392.
- Lonial, S. C., & Carter, R. E. (2015). The Impact of Organizational Orientations on Medium and Small Firm Performance: A Resource-Based Perspective. *Journal of Small Business Management*, 53(1), 94-113.
- Man, M. M. K. (2009). The relationship between innovativeness and the performance of small and medium-size enterprises (SMEs) of Malaysian manufacturing sector. *International Journal of Management and Innovation*, 1(2), 1-14.
- Manan, S. K., Kamaluddin, N., & Puteh Salin, A. S. A. (2013). Islamic Work Ethics and Organizational Commitment: Evidence from Employees of Banking Institutions in Malaysia. *Pertanika Journal of Social Science and Humanity*. 21 (4), 1471 – 1489.
- Manroop, L., Singh, P., & Ezzedeen, S. (2014). Human Resource Systems and Ethical Climates: A Resource-Based Perspective. *Human resource management*, 53(5), 795-816.
- Marri, M. Y. K., Sadozai, A. M., Zaman, H. M. F., & Ramay, M. I. (2012). The impact of Islamic work ethics on job satisfaction and organizational commitment: a study of agriculture sector of Pakistan. *International Journal of Business and Behavioral Sciences*, 2(12), 32-45.
- Marri, M. Y. K., Sadozai, A. M., Zaman, H. M. F., Yousufzai, M. I., & Ramay, M. I. (2013). Measuring Islamic Work Ethics and Its Consequences on Organizational Commitment and Turnover Intention an Empirical Study at Public Sector of Pakistan. *International Journal of Management Sciences and Business Research*, (2)2, 37-49.

- Morgan, T., Anokhin, S., Kretinin, A., & Frishammar, J. (2015). The dark side of the entrepreneurial orientation and market orientation interplay: A new product development perspective. *International Small Business Journal*, 33(7), 731-751.
- Muhammed, F., Sonia, B. & Shaheen, M. (2015). Innovation capability: The role of Islamic work ethics. *Journal of Asian Business Strategy*. 5(7), 125-131.
- Najafi-Tavani, S., Sharifi, H., & Najafi-Tavani, Z. (2016). Market orientation, marketing capability, and new product performance: The moderating role of absorptive capacity. *Journal of Business Research*, 69(11), 5059-5064.
- Nasution, H. N., Mavondo, F. T., Matanda, M. J., & Ndubisi, N. O. (2011). Entrepreneurship: Its relationship with market orientation and learning orientation and as antecedents to innovation and customer value. *Industrial marketing management*, 40(3), 336-345.
- Narver, J.C. & Slater, S.F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*. 5, 30-35.
- Noble, Charles H., Rajiv K. Sinha, and Ajith Kumar (2002), "Market Orientation and Alternative Strategic Orientations: A Longitudinal Assessment of Performance Implications," *Journal of Marketing*, 66 (October), 25–39.
- Pena, A.I.P., Jamilena, D.M.F., Molina, M.Á.R., 2012. Market orientation as a strategy for the rural tourism sector: its effect on tourist behavior and the performance of enterprises. *J. Travel Res.* 52 (2), 225–239.
- Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: a critical review of the literature and recommended remedies. *Journal of applied psychology*, 88(5), 879.
- Preacher, K. J., Curran, P. J., & Bauer, D. J. (2006). Computational tools for probing interactions in multiple linear regression, multilevel modeling, and latent curve analysis. *Journal of educational and behavioral statistics*, 31(4), 437-448.
- Qu, R., & Zhang, Z. (2015). Market orientation and business performance in MNC foreign subsidiaries—Moderating effects of integration and responsiveness. *Journal of Business Research*, 68(5), 919-924.
- Rahimi, R. & Gunlu, E. (2016). Implementing Customer Relationship Management (CRM) in hotel industry from organizational culture perspective: Case of a chain hotel in the UK. *International Journal of Contemporary Hospitality Management*, 28(1), 89-112.
- Reid, G., Smith, J., & Xu, Z. (2017). Intangible assets and determinants of firm growth in China. In *British Accounting & Finance Association (BAFA) Annual Conference 2017*.
- Rokhman, W. (2010). The effect of Islamic work ethics on work outcomes. *EJBO-Electronic Journal of Business Ethics and Organization Studies*.
- Shehu, A. & Mahmood, R. (2014). Market orientation and organizational culture's impact on SME performance: A SEM Approach. *International Affairs and Global Strategy*, 24, 1–10.

- Slater, S. F., & Narver, J. C. (1994). Does competitive environment moderate the market orientation-performance relationship? *The Journal of Marketing*, 58 (1), 46-55.
- SMEDAN & NBS (2013). A Collaborative Survey on Micro, Small and Medium Enterprises in Nigeria. *Small and Medium Enterprises Development Agency of Nigeria*.
- Takata, H. (2016). Effects of industry forces, market orientation, and marketing capabilities on business performance: An empirical analysis of Japanese manufacturers from 2009 to 2011. *Journal of Business Research*, 69(12), 5611-5619.
- Wan, H. & Wan, N. (2012). Work ethics from the Islamic perspective in Malaysia. *European Journal of Social Sciences*, 29(1), 51-60.
- Wang, K. L., Chiang, C., & Tung, C. M. (2012). Integrating human resource management and knowledge management: From the viewpoint of core employees and organizational performance. *International Journal of Organizational Innovation (Online)*, 5(1), 109-137.
- Weber, M. (1958). The protestant ethics and the spirit of capitalism, *Charles Scriber's Sons*, New York, NY.
- Wilden, R., Gudergan, S. P., Nielsen, B. B., & Lings, I. (2013). Dynamic capabilities and performance: strategy, structure and environment. *Long Range Planning*, 46(1), 72-96.
- Willar, D., Trigunarsyah, B., & Coffey, V. (2016). Organisational culture and quality management system implementation in Indonesian construction companies. *Engineering, Construction and Architectural Management*, 23(2), 114-133.
- Yesil, S., Sekkeli, Z. H., & Dogan, O. (2012). An Investigation into the Implications of Islamic Work Ethic (IWE) in the Workplace. *Journal of Economics and Behavioral Studies*, 4(11), 612.