Future of Work and Digital Management Journal

Article type:
Original Research

Article history:
Received 14 July 2026
Revised 27 August 2026
Accepted 07 October 2026
Initial Publish 24 November 2026
Published online 01 November 2027

Parisa. Abyaran[1], Hossein. Emari[2*], Hossein. Garebayglo[1], Ali. Shahinpour[1]

1 Department of Management, Aj.C., Islamic Azad University Ajabshir, Iran
2 Department of Management, Bon.C., Islamic Azad University Bonab, Iran

Corresponding author email address:
hossein.emari@iau.ac.ir

How to cite this article:
Abyaran, P., Emari, H., Garebayglo, H., & Shahinpour, A. (2027). Institutionalizing Islamic Business Ethics: A Pragmatic Model of Faith-Based Organizational Outcomes and the Moderating Role of Corporate Social Responsibility. *Future of Work and Digital Management Journal, 5*(6), 1-21. https://doi.org/10.61838/fwdmj.363

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Institutionalizing Islamic Business Ethics: A Pragmatic Model of Faith-Based Organizational Outcomes and the Moderating Role of Corporate Social Responsibility

ABSTRACT

This study aimed to develop and empirically test a pragmatic model of Islamic business ethics by examining the effect of religious belief and divine supervision on ethical organizational outcomes through the mediating role of institutionalization of ethical principles and the moderating role of corporate social responsibility. This quantitative, cross-sectional, explanatory-correlational study was conducted among managers and employees of manufacturing and service companies in the food industry in East Azerbaijan Province, Iran. Using multistage cluster random sampling, 316 participants were selected. Data were collected using standardized measures assessing religious belief and divine supervision, institutionalization of ethical principles, ethical outcomes, and corporate social responsibility. The instruments demonstrated satisfactory reliability and convergent validity. Data were analyzed using partial least squares structural equation modeling in SmartPLS. Measurement-model assessment, structural-model evaluation, bootstrapping for mediation analysis, and interaction-effect testing for moderation analysis were performed. Religious belief and divine supervision had a significant positive effect on institutionalization of ethical principles ($\beta = 0.68$, $t = 11.42$, $p < 0.001$) and ethical outcomes ($\beta = 0.31$, $t = 4.87$, $p < 0.001$). Institutionalization of ethical principles significantly predicted ethical outcomes ($\beta = 0.57$, $t = 8.96$, $p < 0.001$). The indirect effect of religious belief and divine supervision on ethical outcomes through institutionalization of ethical principles was significant ($\beta = 0.39$, $t = 6.21$, $p < 0.001$), indicating partial mediation. Corporate social responsibility significantly moderated the relationship between institutionalization of ethical principles and ethical outcomes ($\beta = 0.24$, $t = 3.94$, $p < 0.001$). The model explained 46.2% of the variance in ethical institutionalization and 67.1% of the variance in ethical outcomes. The findings indicate that faith-based ethical beliefs contribute to favorable organizational outcomes both directly and through their institutionalization in organizational systems, while corporate social responsibility strengthens the positive effects of institutionalized ethics.

Keywords: Islamic business ethics; religious belief; divine supervision; ethical institutionalization; ethical outcomes; corporate social responsibility; PLS-SEM

Introduction

Business ethics has become an increasingly important concern in contemporary organizations because organizational performance is no longer evaluated solely in terms of financial efficiency, productivity, and market competitiveness, but also in relation to the ethical quality of managerial decisions, treatment of employees, accountability toward stakeholders, transparency, and social responsibility. Organizations operate within complex networks of relationships involving employees, customers, suppliers, regulators, local communities, and broader society, and each of these relationships carries ethical expectations that may directly influence trust, legitimacy, reputation, organizational commitment, and long-term

sustainability. In this context, ethical management is increasingly understood as an institutional capability rather than a set of isolated individual virtues. Ethical conduct must be translated into organizational structures, decision-making routines, leadership practices, reward systems, and cultural norms if it is to produce stable and measurable outcomes. Recent scholarship has therefore emphasized ethical culture, organizational transparency, compliance systems, and ethical human resource management as mechanisms through which ethical values can become embedded in daily organizational life [1-3]. This transition from abstract ethical commitment to institutionalized organizational practice is particularly important in contexts in which moral and religious values constitute a salient source of individual and collective behavior.

Within Islamic thought, business activity is not considered independent of moral responsibility. Economic and occupational behavior is embedded within a broader normative system in which work, exchange, honesty, justice, responsibility, and respect for the rights of others possess both social and religious significance. Islamic business ethics therefore differs from approaches that treat ethics merely as an external regulatory constraint on economic behavior. Instead, ethical conduct is connected to faith, accountability before God, intention, justice, trustworthiness, and the recognition that professional behavior has consequences that extend beyond immediate economic outcomes. Beekun conceptualized Islamic business ethics as a framework in which economic behavior is governed by Islamic principles concerning responsibility, fairness, honesty, stewardship, and accountability [4]. From this perspective, the ethical employee or manager is expected to regulate behavior not only because of organizational supervision, legal requirements, or external sanctions, but also because of an internalized belief that professional actions remain subject to divine accountability. This faith-based understanding provides a potentially powerful foundation for self-regulation and ethical decision-making, particularly in environments where formal monitoring may be incomplete or where managers face ethically ambiguous choices.

One of the foundational attempts to operationalize these ideas in organizational research was Ali's development of the Islamic Work Ethic scale. Islamic work ethics conceptualizes work as a meaningful and morally significant activity in which effort, responsibility, cooperation, honesty, and commitment are integrated with religious values [5]. Subsequent studies have expanded this framework by examining the relationship between Islamic work ethics and employee attitudes, motivation, performance, and organizational citizenship behavior. For example, Al-Douri et al. showed that Islamic work ethics can contribute to job performance through intrinsic motivational mechanisms, suggesting that religiously grounded ethical principles may become behaviorally consequential when they shape employees' internal motivations [6]. Similarly, Udin et al. reported relationships among Islamic work ethics, affective commitment, and employee performance, indicating that ethical beliefs grounded in Islamic values may influence not only immediate conduct but also employees' psychological attachment to the organization and their willingness to perform effectively [7]. More recently, Riadi et al. emphasized the role of Islamic work ethics in organizational citizenship behavior, job satisfaction, and organizational commitment, further supporting the proposition that Islamic ethical orientations can extend beyond formal job requirements and contribute to broader patterns of constructive organizational behavior [8].

The importance of Islamic work ethics has also been demonstrated in relation to discretionary and relational dimensions of organizational life. Zarnegarian examined the mediating role of Islamic work ethics in the relationship between psychological capital and organizational citizenship behavior and showed that Islamic ethical values can serve as an important psychological and behavioral mechanism through which positive individual resources are translated into constructive workplace behavior [9]. Likewise, Salehzadeh investigated Islamic work ethics as a moderating factor in relationships involving

leaders' moral anger, trust in leaders, honesty, and perceived organizational justice, demonstrating that Islamic ethical orientation may alter the strength and interpretation of important leadership and justice-related relationships [10]. These findings suggest that faith-based ethical orientations are not limited to private religious belief; rather, they can shape how employees interpret organizational events, evaluate leadership behavior, respond to ethical signals, and decide whether to engage in cooperative, honest, and responsible conduct.

Nevertheless, a major conceptual challenge remains. The existence of ethical beliefs at the individual level does not automatically ensure that ethical behavior becomes stable at the organizational level. Employees may personally value honesty, fairness, and accountability, yet organizational systems can either reinforce or weaken those values. Inconsistent managerial behavior, ethically ambiguous reward systems, tolerance of misconduct, lack of transparency, or fear of reporting unethical practices may prevent individually held values from becoming collective organizational norms. This distinction has long been emphasized in the literature on the institutionalization of organizational ethics. Sims argued that organizational ethics must be embedded into institutional structures, procedures, and managerial practices if organizations are to move beyond symbolic ethical statements toward sustained ethical conduct [11]. Institutionalization therefore refers to the process by which ethical values become incorporated into organizational policies, leadership expectations, training systems, reward and sanction structures, decision-making procedures, and everyday routines.

Transformational and ethical leadership also play a central role in this institutionalization process. Carlson and Perrewe argued that transformational leadership can contribute to the institutionalization of organizational ethics because leaders do not merely communicate ethical values but also shape organizational norms by modeling behavior, allocating rewards, establishing expectations, and influencing the broader ethical climate [12]. When employees observe consistency between declared organizational values and managerial behavior, ethical principles become more credible and are more likely to become incorporated into daily practices. Conversely, when formal codes of conduct are contradicted by actual leadership behavior, institutionalization remains superficial. Thus, the transition from personal ethical belief to organizational ethical culture requires a set of reinforcing organizational mechanisms capable of transforming abstract values into shared expectations and routine action.

Recent research has renewed attention to this issue by examining ethical culture as a multidimensional organizational phenomenon. Roy et al., in their review of ethical culture, emphasized that organizational ethics emerges from the interaction of leadership, formal ethical systems, informal norms, employee perceptions, and organizational practices rather than from any single isolated mechanism [1]. Ethical culture therefore depends on both the formal architecture of the organization and the social processes through which employees learn what kinds of behavior are genuinely valued. Similarly, de los Ríos-Berjillos et al. showed that compliance systems can contribute to the institutionalization of an ethical culture when they are integrated into organizational processes rather than treated merely as symbolic or legalistic requirements [13]. Their findings highlight an important distinction between compliance as procedural control and institutionalization as the deeper embedding of ethical principles into organizational identity and practice.

Organizational culture provides an additional framework for understanding how ethical principles are sustained or weakened over time. Culture affects the interpretation of norms, leadership expectations, interpersonal relations, decision-making patterns, and acceptable forms of conduct. Abd Sharafat and Jafari emphasized the importance of organizational culture in shaping organizational behavior and performance, reinforcing the view that individual attitudes gain organizational

significance when they become aligned with collective values and shared practices [14]. In the context of Islamic business ethics, this implies that personal religious beliefs may produce stronger organizational consequences when they are supported by a culture that formalizes and reinforces ethical expectations. Therefore, a key theoretical proposition is that institutionalization may serve as the mechanism through which faith-based ethical orientations are converted into sustainable organizational outcomes.

The consequences of such institutionalization may be observed across several organizational domains. Ethical organizations are generally expected to experience higher trust, stronger reputation, more stable stakeholder relationships, greater employee loyalty, lower ethical conflict, and improved perceptions of fairness and legitimacy. Ethical culture can strengthen employees' confidence that decisions will be made consistently and transparently, reducing uncertainty and encouraging cooperative behavior. Roy et al. noted that ethical culture is linked to a wide range of organizational outcomes because it shapes employees' perceptions of what the organization expects and rewards [1]. In addition, ethical human resource management can influence employee conduct by embedding ethical considerations into recruitment, evaluation, development, and managerial decision-making, thereby linking institutional systems to observable employee behavior [3]. Such mechanisms are particularly relevant to the present study because they suggest that institutionalized ethical principles can generate outcomes that extend beyond individual morality and become visible in organizational trust, stakeholder relations, loyalty, and organizational reputation.

The increasing use of digital technologies has added further complexity to this ethical environment. Contemporary organizations increasingly rely on algorithmic decision-making, artificial intelligence, digital monitoring, data analytics, and automated systems that can alter how ethical judgments are formed and implemented. Le et al. highlighted the emerging implications of artificial intelligence for ethical judgment in organizational behavior, particularly as technological systems become more directly involved in decision-making processes [15]. In parallel, Ahad et al. emphasized sustainable ethical management in the digital era, focusing on transparency and technology as important elements of responsible organizational governance [2]. These developments strengthen the argument that ethical behavior cannot rely exclusively on individual morality. As organizational decisions become more technologically mediated and institutionally complex, ethical principles must be deliberately embedded into systems, procedures, governance mechanisms, and organizational culture. Faith-based ethics may provide a strong normative foundation, but institutionalization is necessary to ensure consistency between ethical values and organizational practice.

Another central variable in this process is corporate social responsibility. Corporate social responsibility represents an organization's recognition that its obligations extend beyond immediate economic performance to encompass legal, ethical, social, and stakeholder-oriented responsibilities. From the perspective of the present study, corporate social responsibility may not merely operate as an independent predictor of favorable organizational outcomes; it may also strengthen the extent to which institutionalized ethical values produce those outcomes. An organization may possess codes of ethics, ethical leadership practices, and mechanisms for dealing with misconduct, but the consequences of these mechanisms may be more substantial when the organization also demonstrates genuine responsibility toward employees, customers, society, and other stakeholders. Aguedra et al. showed that strategic corporate social responsibility can function as a moderating mechanism in ethical brand loyalty, indicating that CSR can condition the strength of relationships between ethical organizational practices

and stakeholder responses [16]. This moderating perspective provides a particularly useful basis for analyzing how CSR may amplify the organizational effects of ethical institutionalization.

The relationship between Islamic business ethics, market conditions, and organizational performance further supports this integrative view. Buldan et al. examined the role of Islamic business ethics and market conditions in organizational performance and demonstrated that Islamic ethical principles can contribute to organizational effectiveness within specific environmental and market contexts [17]. This finding implies that the effects of ethical orientations are not necessarily uniform across organizational settings; contextual conditions may strengthen or weaken their translation into outcomes. Corporate social responsibility can be viewed as one such contextual condition. Where CSR is strongly embedded, stakeholders may perceive organizational ethical practices as more credible, consistent, and socially meaningful. Conversely, where an organization publicly emphasizes ethics but neglects its social responsibilities, employees and stakeholders may interpret its ethical programs as symbolic or instrumental. Accordingly, CSR may serve as a contextual amplifier of the relationship between ethical institutionalization and organizational outcomes.

Theoretical integration of these streams of research suggests a sequential and conditional model. At the first stage, religious belief and perceptions of divine supervision may encourage employees and managers to value honesty, fairness, accountability, respect for rights, and morally responsible conduct. At the second stage, organizations may convert these values into formal and informal systems through ethical leadership, codes of conduct, training, transparent decision-making, reporting mechanisms, and consistent reward and sanction practices. At the third stage, these institutionalized principles may generate favorable consequences in the form of stronger trust, improved working relationships, increased organizational reputation, reduced ethical conflict, enhanced employee loyalty, and more sustainable stakeholder relationships. Finally, the strength of this relationship may depend on the organization's level of corporate social responsibility. This model therefore treats faith, institutionalization, organizational outcomes, and CSR as interconnected rather than independent dimensions of ethical management.

Despite the growing literature on Islamic work ethics, organizational ethics, ethical culture, and corporate social responsibility, several gaps remain. Much previous research has concentrated on direct relationships between Islamic work ethics and outcomes such as job performance, commitment, motivation, organizational citizenship behavior, or satisfaction [6-8]. Other studies have examined the institutionalization of ethics or ethical culture primarily from general organizational or compliance perspectives without integrating specifically Islamic faith-based antecedents [11-13]. Still other studies have considered corporate social responsibility as an ethical or strategic organizational practice but have not examined its potential to strengthen the relationship between institutionalized Islamic ethics and organizational outcomes [16]. Consequently, there remains a need for a model that simultaneously explains how faith-based ethical beliefs become organizationally institutionalized, how this institutionalization generates ethical outcomes, and under what organizational conditions these effects become stronger.

This gap is particularly relevant in organizational settings where religion continues to constitute a meaningful source of personal identity, moral reasoning, and professional responsibility. In such settings, studying Islamic business ethics only at the individual level may underestimate the organizational mechanisms required to convert belief into sustained action. Equally, studying organizational ethics without accounting for faith-based sources of motivation may neglect an important antecedent of ethical self-regulation. A more comprehensive framework should therefore connect internal religious

accountability with organizational systems of ethical institutionalization. It should also acknowledge that favorable outcomes are likely to emerge most strongly when the organization's external and stakeholder-oriented responsibilities are consistent with its internal ethical structures. This approach is compatible with contemporary calls for more integrated understandings of ethical culture, responsible management, transparent governance, and socially accountable organizational behavior [1, 2, 13].

Moreover, the practical importance of such a framework extends beyond theoretical clarification. Managers seeking to strengthen ethical conduct may be tempted to focus exclusively on codes of ethics, compliance rules, or employee training. Although these mechanisms are important, they may be insufficient if employees do not possess internalized ethical motivations or if organizational practices are inconsistent with broader social responsibilities. Conversely, organizations with employees who strongly endorse faith-based ethical values may still fail to achieve ethical organizational outcomes when those values are not supported by leadership, policies, culture, and institutional systems. The pragmatic challenge is therefore not simply whether ethical values exist, but how they are transformed into reproducible organizational practices and how those practices interact with the organization's social responsibility orientation. This issue becomes especially important in competitive sectors such as manufacturing and service organizations in the food industry, where stakeholder trust, product and service responsibility, employee conduct, reputation, and social accountability can directly influence organizational sustainability.

Accordingly, an integrated model of Islamic business ethics should distinguish between personal faith-based antecedents, institutional mechanisms, organizational consequences, and contextual strengthening factors. Religious belief and divine supervision can be conceptualized as the ethical foundation; institutionalization of ethical principles as the organizational transmission mechanism; ethical outcomes as the resulting behavioral and relational consequences; and corporate social responsibility as a contextual factor that can intensify the effectiveness of institutionalized ethics. Such a framework builds on the foundations of Islamic work ethics developed by Ali [5] and Beekun [4], the institutionalization perspective advanced by Sims [11] and Carlson and Perrewe [12], and more recent work on ethical culture, compliance, ethical management, responsible technology, and CSR [1, 2, 13, 15, 16]. It also responds to empirical evidence showing that Islamic ethical values are associated with motivation, performance, citizenship behavior, commitment, justice perceptions, and organizational effectiveness [6-10, 17], while organizational culture itself plays an important role in shaping organizational behavior and performance [14].

Therefore, the aim of the present study was to develop and empirically test a pragmatic model of the institutionalization of Islamic business ethics by examining the effects of religious belief and divine supervision on ethical outcomes through the mediating role of institutionalization of ethical principles and by assessing the moderating role of corporate social responsibility in the relationship between institutionalized ethical principles and ethical organizational outcomes.

Methodology

This study employed a quantitative, cross-sectional, explanatory-correlational design to develop and empirically test a pragmatic model for the institutionalization of Islamic business ethics, with particular emphasis on the relationships among religious belief and divine supervision, institutionalization of ethical principles, ethical outcomes, and corporate social responsibility. The study population consisted of managers and employees working in manufacturing and service companies

operating in the food industry in East Azerbaijan Province, Iran. This organizational setting was selected because food-industry firms encompass a broad range of managerial, operational, service, and stakeholder-oriented activities in which ethical decision-making, organizational responsibility, employee conduct, and stakeholder trust constitute important dimensions of organizational functioning. Participants were selected through multistage cluster random sampling. In the initial stages, eligible organizations were grouped into relevant organizational and geographical clusters, after which companies and respondents were selected randomly from the identified clusters. Sample adequacy was determined according to recommendations for structural equation modeling and, specifically, the requirement that the number of observations should be sufficiently large relative to the number of observed indicators included in the model. Based on the criterion of having more than five respondents per indicator and considering the requirements of the proposed structural model, a final sample of 316 managers and employees was determined. Data obtained from these participants through a standardized questionnaire were subsequently entered into the statistical analysis. The unit of analysis was the individual organizational member, while the conceptual model addressed perceptions and evaluations concerning faith-based ethical beliefs, organizational institutionalization of ethical principles, ethical organizational outcomes, and corporate social responsibility. Participation was voluntary, and respondents were informed about the academic purpose of the study and the confidentiality of their responses before questionnaire administration.

Data were collected using a standardized questionnaire developed from established and previously validated measures of the principal constructs included in the conceptual model. The measures were subjected to careful scientific translation and contextual adaptation before their administration. To ensure conceptual, linguistic, and cultural compatibility with the Iranian organizational environment, translated items were reviewed by academic experts and specialists in business ethics, organizational behavior, and human resource management. Necessary modifications were made to the wording of selected items without altering their underlying conceptual meaning. The adapted questionnaire was subsequently subjected to renewed assessment of validity and reliability before being used in the main study. According to the study protocol, the complete questionnaire comprised 42 items. All substantive items were structured to assess respondents' perceptions of the constructs underlying the proposed model, namely religious belief and divine supervision, institutionalization of ethical principles, ethical outcomes, and corporate social responsibility.

Religious belief and divine supervision constituted the independent variable of the model and were measured using six items adapted primarily from Ali's Islamic Work Ethic Scale (1988) and conceptually adjusted to incorporate the notion of divine supervision discussed by Beekun (1997). The construct reflected the extent to which individuals perceived their occupational conduct as being connected to religious faith, accountability before God, morally appropriate intentions, and spiritually grounded self-regulation. The items therefore addressed such dimensions as belief in the presence and supervision of God in the workplace, the importance of benevolent and morally appropriate intentions in performing occupational duties, personal responsibility for ethical conduct, and self-control based on belief in ultimate accountability. The measure was selected because of its established applicability to Islamic ethical orientations in workplace settings. Minor modifications were introduced to the wording of the items to ensure their compatibility with the language and organizational characteristics of Iranian workplaces while retaining the conceptual foundations proposed by Ali (1988) and Beekun (1997).

Institutionalization of ethical principles, which served as the mediating variable in the conceptual model, was measured using an eight-item scale adapted from Sims's (1991) framework of organizational ethics institutionalization. The construct

captured the extent to which ethical principles were embedded in both formal organizational structures and informal organizational practices rather than remaining solely at the level of individual values or abstract organizational statements. The items assessed mechanisms such as the existence and practical application of codes of ethics, ethics-related training, organizational systems of reward and sanction based on ethical behavior, managerial support for ethical standards, and the presence of ethical leadership and behavioral exemplarity within the organization. Because the institutional expression of ethical standards can be influenced by cultural and managerial conditions, the translated items were independently examined by experts in human resource management and organizational ethics, and their wording was revised where necessary to enhance clarity and contextual appropriateness. The adaptation process was informed by the conceptual foundations presented by Sims (1991) and Carlson and Perrewe (1995), with particular attention to the organizational mechanisms through which ethical values are transformed into stable and recurring organizational practices.

Ethical outcomes constituted the dependent variable and represented the behavioral, relational, and organizational consequences expected to result from the effective institutionalization of ethical principles. This construct was measured using seven items developed through the integration and adaptation of contemporary approaches to organizational performance and stakeholder trust, particularly those presented by Roy et al. (2024) and de los Ríos-Berjillos et al. (2025). The items addressed outcomes including greater mutual trust among organizational actors and stakeholders, improvement in organizational reputation, reduction in ethical conflicts, strengthening of sustainable relationships with stakeholders, and enhancement of ethically grounded organizational performance. Because this measure was intended to capture outcomes relevant to the specific organizational context of the present study, the preliminary pool of items was subjected to pretesting. Items demonstrating inadequate relevance or contextual appropriateness were removed or revised, resulting in the final seven-item measure used for data collection. This procedure was intended to ensure that the operationalization of ethical outcomes reflected observable organizational consequences rather than merely attitudinal endorsement of ethical principles.

Corporate social responsibility was incorporated into the model as a moderating variable and was assessed using five items adapted from Carroll's (1991) widely established conceptualization of corporate social responsibility. The measure covered the economic, legal, and ethical responsibilities of organizations toward their stakeholders and was contextualized to reflect the characteristics of Iranian industrial organizations. The items assessed the extent to which organizations were perceived to fulfill their economic obligations responsibly, comply with legal requirements, attend to ethical expectations beyond minimum legal standards, and recognize their broader responsibilities toward relevant stakeholder groups. During the adaptation process, particular attention was given to ensuring that the items reflected the operational realities of the Iranian food industry while remaining theoretically consistent with Carroll's framework. The selection and adaptation of this scale were additionally informed by more recent applications of corporate social responsibility in organizational and stakeholder-oriented research, including the work of de los Ríos-Berjillos et al. (2025). Following translation, expert review, contextual adaptation, and preliminary psychometric evaluation, the finalized measures were administered to the study participants.

Data analysis was conducted using partial least squares structural equation modeling (PLS-SEM) in SmartPLS. PLS-SEM was selected because the study sought primarily to explain and predict relationships among several latent constructs within an exploratory and theoretically integrative model and because the proposed framework simultaneously incorporated direct, indirect, and interaction effects. The sample size of 316 observations was also considered appropriate for estimation of the proposed PLS path model. The analytical procedure consisted of two principal stages: assessment of the measurement model

and assessment of the structural model. Evaluation of the measurement model was undertaken to determine whether the observed indicators adequately represented the latent constructs of religious belief and divine supervision, institutionalization of ethical principles, ethical outcomes, and corporate social responsibility. Accordingly, indicator quality, internal consistency reliability, convergent validity, and discriminant validity were assessed before interpretation of the hypothesized structural relationships. After establishing the adequacy of the measurement properties, the structural model was examined by assessing the magnitude, direction, and statistical significance of the hypothesized path coefficients as well as the model's explanatory capacity for the endogenous constructs.

The mediating role of institutionalization of ethical principles in the relationship between religious belief and divine supervision and ethical outcomes was evaluated by estimating the indirect effect through a bootstrapping procedure. Specifically, the indirect pathway from religious belief and divine supervision to ethical outcomes through institutionalization of ethical principles was calculated, and its statistical significance was determined from the bootstrapped confidence interval. An indirect effect was considered statistically significant when its confidence interval did not include zero. The direct and indirect effects were subsequently considered jointly to determine the nature of mediation. Where both the direct and indirect effects remained statistically significant, the mediation pattern was interpreted as partial mediation, whereas the absence of a statistically significant direct effect in the presence of a significant indirect effect was interpreted as evidence consistent with full mediation. This analytical strategy made it possible to determine whether faith-based beliefs and perceptions of divine supervision were associated with ethical organizational consequences principally through their translation into institutionalized organizational practices or whether an additional direct relationship with ethical outcomes remained.

The moderating role of corporate social responsibility in the relationship between institutionalization of ethical principles and ethical outcomes was tested by introducing an interaction term between institutionalization of ethical principles and corporate social responsibility into the structural model. The statistical significance and direction of the interaction path were then examined. A statistically significant interaction coefficient was interpreted as evidence that the magnitude of the relationship between institutionalized ethical practices and ethical outcomes varied according to the level of corporate social responsibility. When a significant moderation effect was identified, the conditional relationship between institutionalization of ethical principles and ethical outcomes was further examined at low, moderate, and high levels of corporate social responsibility and interpreted graphically through simple-slope analysis. A positive interaction coefficient indicated that stronger corporate social responsibility enhanced the positive relationship between institutionalization of ethical principles and ethical outcomes, suggesting that socially responsible organizational practices provide a reinforcing context through which institutionalized Islamic ethical principles can generate more pronounced behavioral, relational, and organizational consequences. Finally, evidence obtained from the measurement model, structural model, mediation analysis, and moderation analysis was integrated to evaluate the research hypotheses and to specify the final empirical model of the institutionalization of Islamic business ethics.

Findings and Results

The final analysis was conducted on data obtained from 316 managers and employees working in manufacturing and service organizations in the food industry in East Azerbaijan Province, Iran. Of the participants, 196 (62.0%) were male and

120 (38.0%) were female. Regarding age, 54 participants (17.1%) were younger than 30 years, 119 (37.7%) were between 30 and 39 years, 96 (30.4%) were between 40 and 49 years, and 47 (14.9%) were 50 years of age or older. In terms of educational attainment, 41 participants (13.0%) held an associate degree or lower qualification, 157 (49.7%) held a bachelor's degree, 101 (32.0%) held a master's degree, and 17 (5.4%) held a doctoral degree. With respect to organizational tenure, 63 participants (19.9%) had fewer than 5 years of work experience, 103 (32.6%) had between 5 and 10 years, 92 (29.1%) had between 11 and 20 years, and 58 (18.4%) had more than 20 years of organizational experience. Furthermore, 91 respondents (28.8%) occupied managerial or supervisory positions, whereas 225 respondents (71.2%) were employees in non-managerial organizational positions. Overall, the demographic distribution indicated adequate heterogeneity in terms of age, education, occupational tenure, and organizational position, providing a suitable empirical basis for examining perceptions of religious belief and divine supervision, institutionalization of ethical principles, corporate social responsibility, and ethical organizational outcomes across different groups of organizational members.

Table 1

Measurement Items and Results of Reliability and Convergent Validity Assessment

Construct	Item Code	Item	Factor Loading	Cronbach's α	CR	AVE
Religious Belief and Divine Supervision	BD1	In performing my job duties, I consider myself accountable before God.	0.81	0.89	0.91	0.63
	BD2	I believe that God observes human behavior in the workplace.	0.84			
	BD3	Even in the absence of organizational supervision, I adhere to ethical principles.	0.79			
	BD4	I regard honesty at work as a religious obligation.	0.77			
	BD5	I consider respect for the rights of others to be part of my faith.	0.82			
	BD6	My religious beliefs influence my professional decisions.	0.76			
Institutionalization of Ethical Principles	NE1	The organization has a clearly defined code or guideline of ethics.	0.80	0.92	0.93	0.65
	NE2	Organizational managers serve as appropriate ethical role models through their behavior.	0.85			
	NE3	Ethical behaviors are encouraged and rewarded within the organization.	0.83			
	NE4	Ethical violations are seriously addressed within the organization.	0.79			
	NE5	Training related to professional ethics is provided within the organization.	0.81			
	NE6	Managerial decisions are based on fairness and transparency.	0.84			
	NE7	Employees feel safe when raising ethical concerns.	0.76			
	NE8	Ethical values are institutionalized within the organizational culture.	0.82			
Ethical Outcomes	PE1	Ethical conduct has increased employees' trust within the organization.	0.78	0.88	0.90	0.60
	PE2	Adherence to ethical principles has improved workplace relationships.	0.81			
	PE3	The organization has an appropriate ethical reputation among its stakeholders.	0.84			
	PE4	Ethical behavior has increased customer satisfaction.	0.79			
	PE5	Organizational conflicts decrease in an ethically oriented environment.	0.73			
	PE6	Ethical conduct strengthens employee loyalty.	0.77			
	PE7	Adherence to professional ethics contributes to the sustainability of organizational relationships with stakeholders.	0.82			
Corporate Social Responsibility	CSR1	The organization considers itself responsible toward society.	0.80	0.85	0.88	0.59
	CSR2	The organization considers social interests in its activities.	0.77			
	CSR3	Stakeholder rights are respected in organizational decisions.	0.81			
	CSR4	The organization is accountable for the social consequences of its performance.	0.74			
	CSR5	Organizational activities are consistent with ethical principles and social responsibility.	0.79			

As shown in Table 1, the measurement model demonstrated satisfactory indicator reliability, internal consistency, and convergent validity across all four latent constructs. The standardized factor loadings ranged from 0.73 to 0.85, and therefore all retained indicators exceeded the commonly accepted threshold of 0.70. For religious belief and divine supervision, factor loadings ranged from 0.76 for BD6 to 0.84 for BD2, indicating that all six indicators contributed strongly to the measurement of the construct. The Cronbach's alpha coefficient for this construct was 0.89, its composite reliability was 0.91, and its average variance extracted was 0.63. For institutionalization of ethical principles, factor loadings ranged from 0.76 to 0.85, with the highest loading corresponding to the ethical role-modeling behavior of organizational managers. This construct also demonstrated the strongest overall internal consistency, with a Cronbach's alpha of 0.92 and composite reliability of 0.93, while its AVE of 0.65 indicated that approximately 65% of the variance in its indicators was explained by the underlying latent construct. The factor loadings of ethical outcomes ranged from 0.73 to 0.84, with Cronbach's alpha, composite reliability, and AVE values of 0.88, 0.90, and 0.60, respectively. Corporate social responsibility also exhibited satisfactory psychometric properties, with factor loadings between 0.74 and 0.81, a Cronbach's alpha of 0.85, composite reliability of 0.88, and AVE of 0.59. Thus, all Cronbach's alpha and composite reliability coefficients were above 0.70, and all AVE values exceeded 0.50. Taken together, these findings confirmed adequate indicator reliability, internal consistency reliability, and convergent validity and supported retention of all indicators in the subsequent structural model analysis.

Table 2

Descriptive Statistics, Correlations, and Discriminant Validity of the Study Constructs

Construct	Mean	SD	1	2	3	4
1. Religious Belief and Divine Supervision	4.12	0.61	0.794			
2. Institutionalization of Ethical Principles	3.86	0.67	0.681	0.806		
3. Ethical Outcomes	3.94	0.63	0.617	0.721	0.775	
4. Corporate Social Responsibility	3.81	0.66	0.493	0.586	0.641	0.768

The descriptive results presented in Table 2 indicated generally favorable perceptions of all study constructs. Religious belief and divine supervision obtained the highest mean score (M = 4.12, SD = 0.61), suggesting that respondents generally perceived religious accountability, divine supervision, honesty, respect for stakeholder rights, and faith-based self-regulation as prominent considerations in their professional conduct. Ethical outcomes also showed a relatively high mean (M = 3.94, SD = 0.63), followed by institutionalization of ethical principles (M = 3.86, SD = 0.67) and corporate social responsibility (M = 3.81, SD = 0.66). The pattern of correlations was positive across all study constructs and ranged from 0.493 to 0.721. Religious belief and divine supervision correlated positively with institutionalization of ethical principles (r = 0.681) and ethical outcomes (r = 0.617), while institutionalization of ethical principles showed the strongest bivariate relationship with ethical outcomes (r = 0.721). Corporate social responsibility was also positively associated with institutionalization of ethical principles (r = 0.586) and ethical outcomes (r = 0.641). Discriminant validity was assessed by comparing the square root of each construct's AVE with its correlations with the remaining constructs. The diagonal values, ranging from 0.768 to 0.806, were greater than the corresponding inter-construct correlations in each row and column. This pattern provided evidence that the latent constructs were empirically distinguishable from one another despite their theoretically expected positive relationships. Thus, the findings supported satisfactory discriminant validity and indicated that religious belief and divine supervision, institutionalization of ethical principles, ethical outcomes, and corporate social responsibility represented related but distinct dimensions within the proposed model.

Table 3

Results of Structural Model Assessment and Hypothesis Testing

Hypothesis	Structural Path	β	t	p	Result
H1	Religious Belief and Divine Supervision → Institutionalization of Ethical Principles	0.68	11.42	<0.001	Supported
H2	Institutionalization of Ethical Principles → Ethical Outcomes	0.57	8.96	<0.001	Supported
H3	Religious Belief and Divine Supervision → Ethical Outcomes	0.31	4.87	<0.001	Supported
H4	Religious Belief and Divine Supervision → Institutionalization of Ethical Principles → Ethical Outcomes	0.39	6.21	<0.001	Supported
H5	Corporate Social Responsibility × Institutionalization of Ethical Principles → Ethical Outcomes	0.24	3.94	<0.001	Supported

The structural model results presented in Table 3 supported all five hypotheses proposed in the study. Religious belief and divine supervision had a strong and statistically significant positive effect on institutionalization of ethical principles ($\beta = 0.68$, $t = 11.42$, $p < 0.001$), thereby supporting H1. This finding indicated that stronger faith-based accountability and perceptions of divine supervision among organizational members were associated with a greater degree of formal and informal institutionalization of ethical values in organizational practices. Institutionalization of ethical principles, in turn, exerted a significant positive effect on ethical outcomes ($\beta = 0.57$, $t = 8.96$, $p < 0.001$), supporting H2 and showing that organizations in which ethical standards were embedded in leadership practices, organizational policies, reward systems, training programs, and organizational culture tended to exhibit higher levels of stakeholder trust, employee loyalty, customer satisfaction, ethical reputation, and sustainable stakeholder relationships. Religious belief and divine supervision also retained a significant direct positive relationship with ethical outcomes ($\beta = 0.31$, $t = 4.87$, $p < 0.001$), supporting H3. The indirect pathway from religious belief and divine supervision to ethical outcomes through institutionalization of ethical principles was likewise statistically significant ($\beta = 0.39$, $t = 6.21$, $p < 0.001$), providing support for H4. Because the direct relationship between religious belief and divine supervision and ethical outcomes remained statistically significant after the mediator was included in the model, the observed mediation pattern was consistent with partial mediation. In other words, faith-based beliefs were associated with ethical outcomes both directly and indirectly through their transformation into institutionalized ethical practices. Finally, the interaction between corporate social responsibility and institutionalization of ethical principles exerted a statistically significant positive effect on ethical outcomes ($\beta = 0.24$, $t = 3.94$, $p < 0.001$), supporting H5. The positive interaction coefficient indicated that corporate social responsibility strengthened the positive association between institutionalized ethical principles and organizational ethical outcomes. Therefore, the beneficial consequences of institutionalizing Islamic business ethics became more pronounced when organizations simultaneously demonstrated stronger social responsibility toward their stakeholders and wider society.

Table 4

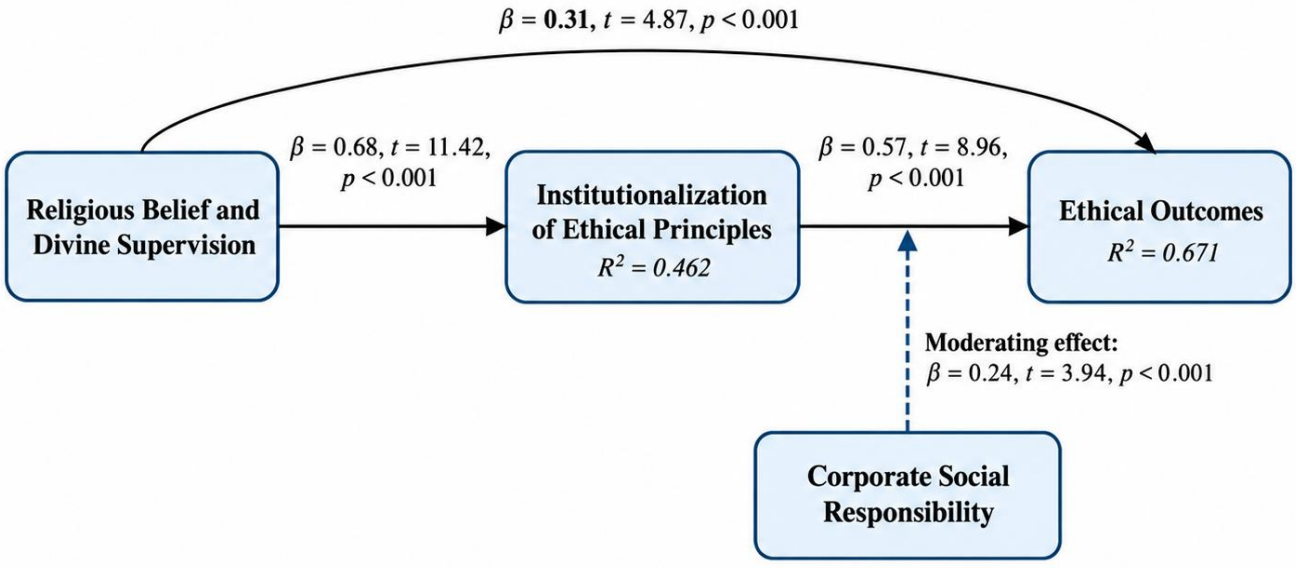
Explanatory Power, Predictive Relevance, Effect Sizes, and Mediation and Moderation Results of the Structural Model

Endogenous Construct/Effect	R^2	Adjusted R^2	Q^2	f^2/Effect	Bootstrapped 95% CI	Interpretation
Institutionalization of Ethical Principles	0.462	0.460	0.294	0.86	—	Substantial explanatory effect
Ethical Outcomes	0.671	0.666	0.394	—	—	High explanatory and predictive power
Religious Belief and Divine Supervision → Ethical Outcomes	—	—	—	0.13	[0.18, 0.43]	Significant direct effect
Institutionalization of Ethical Principles → Ethical Outcomes	—	—	—	0.34	[0.44, 0.69]	Significant direct effect
Indirect effect: Religious Belief and Divine Supervision → Institutionalization of Ethical Principles → Ethical Outcomes	—	—	—	0.39	[0.28, 0.51]	Significant partial mediation
CSR × Institutionalization of Ethical Principles → Ethical Outcomes	—	—	—	0.08	[0.12, 0.36]	Significant positive moderation
SRMR	0.061	—	—	—	—	Acceptable overall model fit

As reported in Table 4, the structural model demonstrated substantial explanatory and predictive capacity. Religious belief and divine supervision explained 46.2% of the variance in institutionalization of ethical principles ($R^2 = 0.462$; adjusted $R^2 = 0.460$), indicating that faith-based accountability represented an important antecedent of the extent to which ethical principles were embedded in organizational systems and routines. The model explained 67.1% of the variance in ethical outcomes ($R^2 = 0.671$; adjusted $R^2 = 0.666$), indicating that religious belief and divine supervision, institutionalization of ethical principles, corporate social responsibility, and the interaction between institutionalization and corporate social responsibility collectively accounted for a considerable proportion of differences in organizational ethical outcomes. The Stone-Geisser predictive relevance coefficients were positive for both endogenous constructs, with $Q^2 = 0.294$ for institutionalization of ethical principles and $Q^2 = 0.394$ for ethical outcomes, confirming that the model possessed meaningful out-of-sample predictive relevance. Examination of effect sizes showed a particularly strong contribution of religious belief and divine supervision to the institutionalization of ethical principles ($f^2 = 0.86$), whereas institutionalization of ethical principles had a moderate-to-large contribution to ethical outcomes ($f^2 = 0.34$). The direct effect of religious belief and divine supervision on ethical outcomes remained statistically meaningful, with an effect size of 0.13. Bootstrapping further showed that the 95% confidence interval for the indirect effect through institutionalization of ethical principles ranged from 0.28 to 0.51 and did not include zero. Therefore, the indirect effect was statistically significant. Because the direct pathway also remained significant, institutionalization of ethical principles functioned as a partial rather than complete mediator. The interaction effect between corporate social responsibility and institutionalization of ethical principles was also significant, with a 95% bootstrapped confidence interval of 0.12 to 0.36 and an effect size of 0.08. Although smaller than the principal direct effects, this interaction represented a meaningful incremental contribution to the explanation of ethical outcomes. Finally, the standardized root mean square residual was 0.061, which was below the commonly accepted threshold of 0.08, indicating satisfactory overall fit between the proposed model and the observed data. Taken together, the R^2, Q^2, effect-size, bootstrapping, and model-fit results provided convergent evidence for the adequacy of the proposed structural model.

Figure 1

Final PLS-SEM Model of the Institutionalization of Islamic Business Ethics and the Moderating Role of Corporate Social Responsibility



The final structural model showed that religious belief and divine supervision functioned as the principal faith-based antecedent of ethical institutionalization, exerting a strong positive effect on institutionalization of ethical principles ($\beta = 0.68$, $p < 0.001$). Institutionalization of ethical principles subsequently exerted a substantial positive effect on ethical outcomes ($\beta = 0.57$, $p < 0.001$), while religious belief and divine supervision continued to demonstrate an independent direct relationship with ethical outcomes ($\beta = 0.31$, $p < 0.001$). The indirect effect of religious belief and divine supervision through institutionalization of ethical principles was $\beta = 0.39$ ($p < 0.001$), demonstrating that organizational institutionalization constituted a significant mechanism through which individual and collective faith-based orientations were translated into observable organizational consequences. The persistence of the direct effect alongside the significant indirect effect demonstrated partial mediation and suggested that religious values may influence organizational outcomes both through institutional systems and through more immediate mechanisms such as individual ethical self-regulation, honesty, responsibility, and morally oriented professional decision-making. The statistically significant positive interaction between corporate social responsibility and institutionalization of ethical principles ($\beta = 0.24$, $p < 0.001$) further demonstrated that the effectiveness of institutionalized ethics was conditional on the broader social-responsibility orientation of the organization. Simple-slope examination indicated that the positive association between institutionalization of ethical principles and ethical outcomes was weakest at relatively low levels of corporate social responsibility, became stronger at the mean level of corporate social responsibility, and was strongest at relatively high levels of corporate social responsibility. Accordingly, institutionalized ethical principles generated the greatest organizational benefits when they operated within an organizational environment characterized by strong accountability toward society and stakeholders. Overall, the final model indicated that Islamic business ethics should not be understood solely as an individual belief system or solely as a formal organizational mechanism; rather, the results supported an integrated process in which faith-based ethical beliefs encourage the institutionalization of ethical principles, institutionalized ethical practices improve organizational outcomes, and corporate social responsibility strengthens the conversion of those ethical practices into favorable behavioral, relational, and stakeholder-related consequences.

Overall, the findings provided empirical support for the complete conceptual framework of the study. The results first established that the measurement model possessed acceptable reliability, convergent validity, and discriminant validity, thereby confirming the adequacy of the operationalization of the four principal constructs. The structural analysis subsequently demonstrated that religious belief and divine supervision had both direct and indirect implications for ethical organizational outcomes. The relatively strong path from religious belief and divine supervision to institutionalization of ethical principles suggested that faith-based values become organizationally consequential when they are translated into formal and informal systems, including ethical leadership, organizational codes, training, transparent managerial decision-making, mechanisms for responding to ethical misconduct, and a psychologically safe environment for raising ethical concerns. At the same time, the significant direct path to ethical outcomes suggested that religiously grounded accountability may also shape employee and managerial behavior independently of organizational institutionalization. The mediation results showed that a substantial portion of the relationship operated through institutionalization of ethical principles, confirming the central role of organizational systems in converting values into sustainable practices. Finally, the moderation findings demonstrated that corporate social responsibility did not merely represent another independent ethical orientation but acted as an enabling organizational context that amplified the beneficial effects of ethical institutionalization.

Consequently, the empirical evidence supported a pragmatic model of Islamic business ethics in which faith-based beliefs, institutional mechanisms, and social responsibility operate jointly rather than independently in producing favorable ethical outcomes within organizations.

Discussion and Conclusion

The present study developed and empirically tested a pragmatic model of the institutionalization of Islamic business ethics by examining the relationships among religious belief and divine supervision, institutionalization of ethical principles, ethical organizational outcomes, and corporate social responsibility. The findings provided support for all proposed relationships in the structural model. Religious belief and divine supervision had a strong positive effect on the institutionalization of ethical principles ($\beta = 0.68$, $p < 0.001$), institutionalization of ethical principles positively predicted ethical outcomes ($\beta = 0.57$, $p < 0.001$), and religious belief and divine supervision also exerted a significant direct effect on ethical outcomes ($\beta = 0.31$, $p < 0.001$). In addition, institutionalization of ethical principles significantly mediated the relationship between religious belief and divine supervision and ethical outcomes ($\beta = 0.39$, $p < 0.001$), while corporate social responsibility significantly strengthened the relationship between institutionalization of ethical principles and ethical outcomes ($\beta = 0.24$, $p < 0.001$). The model explained 46.2% of the variance in institutionalization of ethical principles and 67.1% of the variance in ethical outcomes. These results collectively indicate that Islamic business ethics becomes organizationally consequential not merely when employees endorse faith-based values, but when such values are converted into formal and informal organizational systems and are supported by a broader orientation toward social responsibility.

The first major finding showed that religious belief and divine supervision had a strong positive relationship with the institutionalization of ethical principles. This result indicates that stronger perceptions of accountability before God, religiously grounded self-control, honesty, concern for the rights of others, and the influence of faith on professional decisions are associated with a greater degree of organizational embedding of ethical values. This finding is consistent with the conceptual foundations of Islamic work ethics proposed by Ali, according to which work is not merely an economic activity but a morally significant domain in which responsibility, effort, honesty, cooperation, and ethical conduct acquire religious meaning [5]. It is also consistent with Beekun's formulation of Islamic business ethics, in which business behavior is understood within a system of accountability, justice, trustworthiness, and stewardship before God [4]. From this perspective, divine supervision can operate as an internal ethical control mechanism that continues to influence conduct even when direct managerial supervision is absent.

The strength of this relationship can also be explained through the distinction between externally imposed control and internally motivated ethical behavior. When individuals perceive ethical conduct as part of their religious responsibility, adherence to organizational ethical standards is less likely to depend exclusively on surveillance, punishment, or material reward. Instead, ethical behavior may be sustained through internalized moral obligations. Previous studies have similarly shown that Islamic work ethics contributes to positive work behavior through motivational and attitudinal mechanisms. Al-Douri et al. demonstrated that Islamic work ethics positively influences job performance through intrinsic motivation, indicating that faith-based ethical values can become internal motivational resources that shape professional conduct [6]. Udin et al. likewise found meaningful relationships among Islamic work ethics, affective commitment, and employee performance, suggesting that Islamic ethical values can strengthen psychological attachment to the organization and improve

work-related behavior [7]. The present study extends these findings by showing that the consequences of faith-based ethics may go beyond individual attitudes and performance and contribute to the organizational institutionalization of ethics itself.

The positive relationship between religious belief and ethical institutionalization is also consistent with more recent findings concerning Islamic work ethics and discretionary organizational behavior. Riadi et al. showed that Islamic work ethics was associated with organizational citizenship behavior, job satisfaction, and organizational commitment, indicating that Islamic ethical principles can encourage behaviors that exceed formal role requirements [8]. Zarnegarian similarly identified Islamic work ethics as an important mediating mechanism between psychological capital and organizational citizenship behavior [9]. These findings suggest that religiously grounded ethical orientations can facilitate constructive behavior by influencing how employees interpret their responsibilities toward colleagues and organizations. In the context of the present study, such orientations may also make employees and managers more receptive to ethical codes, ethical leadership, transparent decision-making, fair reward systems, and mechanisms for reporting misconduct, thereby facilitating the transformation of ethical principles into organizational routines.

The second major finding indicated that institutionalization of ethical principles significantly and positively predicted ethical outcomes. This result shows that the presence of explicit ethical guidelines, ethical leadership, encouragement of ethical conduct, serious responses to misconduct, professional ethics training, transparent managerial decision-making, psychological safety for expressing ethical concerns, and the embedding of ethical values within organizational culture are associated with stronger organizational trust, better working relationships, enhanced ethical reputation, higher customer satisfaction, reduced conflict, increased employee loyalty, and more sustainable stakeholder relations. This finding closely corresponds with Sims's argument that ethics must become incorporated into organizational structures and practices if it is to influence behavior consistently [11]. Ethical values that remain at the level of slogans or isolated personal commitments are unlikely to produce durable organizational consequences unless they are reinforced by systems, routines, and managerial practices.

The result is also consistent with Carlson and Perrewe's emphasis on transformational leadership as a mechanism for institutionalizing organizational ethics [12]. Leaders shape ethical culture not only by articulating moral expectations but also by modeling desired conduct, allocating rewards, enforcing standards, and signaling what forms of behavior are genuinely valued. The present findings therefore suggest that institutionalization serves as an organizational translation mechanism through which ethical values become observable outcomes. This interpretation is further supported by Roy et al., who conceptualized ethical culture as an interaction among leadership, formal systems, informal norms, and employee perceptions [1]. Their review highlights that ethical culture becomes effective when multiple organizational mechanisms reinforce one another. The current results provide empirical support for this view by showing that institutionalized ethical principles are strongly associated with relational and reputational organizational outcomes.

The findings are additionally consistent with recent research on compliance systems and ethical human resource management. De los Ríos-Berjillos et al. emphasized that compliance systems can contribute to the institutionalization of ethical culture when they are meaningfully integrated into organizational processes rather than implemented as symbolic mechanisms [13]. Similarly, Zheng et al. showed that ethical human resource management can influence employee conduct through institutional mechanisms [3]. These findings support the interpretation that ethical outcomes emerge when ethical expectations are built into recruitment, evaluation, leadership, training, discipline, and decision-making processes. In other

words, the institutionalization of ethics reduces the gap between declared values and actual organizational behavior. The strong path coefficient observed in the present study suggests that organizations seeking to achieve ethical outcomes need to convert ethical principles into concrete managerial practices rather than relying only on employees' personal morality.

The third major finding showed that religious belief and divine supervision retained a statistically significant direct effect on ethical outcomes even after institutionalization of ethical principles was included in the model. This finding suggests that faith-based ethical beliefs can influence organizational consequences through mechanisms that are not fully dependent on organizational systems. Employees and managers who perceive themselves as morally accountable before God may be more likely to act honestly, respect stakeholder rights, avoid opportunistic conduct, regulate themselves in ambiguous situations, and maintain ethical behavior even when formal monitoring is limited. These individual-level behaviors may directly strengthen trust, reduce conflict, reinforce loyalty, and improve stakeholder relationships. This result is in line with studies demonstrating direct associations between Islamic work ethics and favorable employee and organizational outcomes [6-8].

The direct effect can also be interpreted through the role of Islamic work ethics in shaping perceptions of fairness, honesty, and moral leadership. Salehzadeh showed that Islamic work ethics can alter relationships involving leaders' moral anger, trust in leadership, honesty, and perceived organizational justice [10]. This suggests that Islamic ethical values affect not only behavior itself but also the way organizational events and leadership signals are interpreted. Such interpretive mechanisms may explain why faith-based beliefs continued to predict ethical outcomes directly. When employees possess a strong ethical framework rooted in faith, they may be more likely to interpret fairness, responsibility, and trustworthiness as essential professional obligations, thereby contributing to favorable organizational outcomes independently of formal ethics programs.

The fourth major result concerned the mediating role of institutionalization of ethical principles. The indirect effect of religious belief and divine supervision on ethical outcomes through institutionalization was statistically significant, while the direct effect also remained significant. This pattern demonstrates partial mediation. The importance of this finding lies in showing that faith-based ethical beliefs are not sufficient by themselves to explain organizational ethical outcomes. A substantial proportion of their effect appears to operate through institutional mechanisms. This means that individual ethical convictions become more consequential when organizations translate them into ethical leadership, formal codes, training programs, transparent procedures, fair reward and sanction systems, and a culture that consistently supports ethical conduct. This interpretation corresponds with the institutionalization framework advanced by Sims [11] and Carlson and Perrewe [12] and is also consistent with contemporary perspectives emphasizing ethical culture and organizational systems [1, 13].

The partial rather than full mediation is theoretically meaningful. It indicates that two complementary processes may operate simultaneously. The first is an individual ethical pathway in which faith-based accountability directly shapes behavior, interpersonal relations, and decision-making. The second is an organizational pathway in which these values become embedded in institutional structures and thereby influence a broader range of employees and stakeholders. The latter pathway is especially important for organizational sustainability because individual beliefs may vary across employees, whereas institutionalized systems can create consistent expectations that remain in place beyond particular individuals. The findings therefore suggest that Islamic business ethics is most effective when personal moral commitment is reinforced by organizational structures.

The fifth major finding demonstrated that corporate social responsibility positively moderated the relationship between institutionalization of ethical principles and ethical outcomes. The significant interaction effect indicates that institutionalized

ethics produced stronger positive outcomes when organizations demonstrated higher levels of social responsibility. This finding is consistent with Aguedra et al., who identified strategic corporate social responsibility as a moderating mechanism in relationships involving ethical brand loyalty [16]. The present study extends this moderating perspective into the domain of Islamic business ethics by showing that CSR may provide a contextual environment that strengthens the practical impact of institutionalized ethics. When organizations simultaneously demonstrate internal ethical consistency and external responsibility toward society and stakeholders, ethical policies may appear more credible and legitimate.

This moderation effect may also be explained through alignment between internal and external ethics. If an organization promotes ethical leadership, fairness, transparency, and codes of conduct internally while neglecting social responsibilities externally, stakeholders may perceive inconsistency between organizational rhetoric and actual behavior. Such inconsistency can weaken trust and reduce the effectiveness of internal ethics programs. Conversely, when corporate social responsibility supports the same ethical principles expressed in organizational policies, ethical institutionalization acquires greater authenticity. Buldan et al. showed that Islamic business ethics interacts with contextual conditions in shaping organizational performance [17]. The present result similarly indicates that the consequences of ethical institutionalization are contingent on organizational context, with CSR functioning as an important strengthening condition.

The broader implications of the findings are also compatible with contemporary developments in ethical management. Ahad et al. emphasized transparency, technology, and sustainable ethical management as essential components of responsible organizational governance [2]. Le et al. further highlighted new challenges to ethical judgment created by the growing use of artificial intelligence in organizations [15]. These developments increase the importance of institutionalized ethics because ethical decision-making increasingly occurs within complex technological and organizational systems rather than solely through face-to-face managerial judgment. Strong organizational ethics, faith-based accountability, transparency, and CSR may therefore become increasingly important as organizations encounter automated decision-making, digital monitoring, and data-driven management. The results of the present study suggest that Islamic ethical principles can remain relevant in these changing conditions when they are institutionalized through adaptable organizational systems.

The explanatory power of the model further supports the integrated framework proposed in this study. The model accounted for 46.2% of the variance in institutionalization of ethical principles and 67.1% of the variance in ethical outcomes. These values indicate that the selected constructs jointly provide a meaningful explanation of ethical organizational functioning. The findings are also compatible with research emphasizing the importance of organizational culture in shaping behavior and performance [14]. Organizational culture can provide the social environment in which religious values, ethical leadership, compliance practices, HR systems, and CSR become mutually reinforcing. Consequently, the present model should be understood not as a simple sequence of isolated variables but as an integrated organizational process in which individual belief, institutional structures, and social responsibility interact to shape ethical outcomes.

In summary, the findings demonstrate that Islamic business ethics acquires its strongest organizational significance when individual religious beliefs are connected to formal and informal ethical systems. Religious belief and divine supervision provide an internal normative foundation, but organizational institutionalization determines whether those values become stable and collective practices. Ethical institutionalization, in turn, contributes directly to desirable organizational consequences, while CSR strengthens this relationship by increasing the coherence between internal ethical practices and external stakeholder responsibility. The study therefore contributes to the Islamic work ethics literature by moving beyond

direct-effect models and offering an integrated explanation of how faith-based ethics is translated into organizational outcomes through mediation and moderation mechanisms.

The present study has several limitations that should be considered when interpreting its findings. First, the cross-sectional design restricts the ability to establish temporal or causal relationships among religious belief and divine supervision, institutionalization of ethical principles, corporate social responsibility, and ethical outcomes. Although structural equation modeling allows theoretically specified relationships to be tested simultaneously, longitudinal evidence would be necessary to determine how changes in faith-based ethical orientations and organizational systems influence outcomes over time. Second, all constructs were measured using self-report questionnaires, which may introduce common method variance, social desirability bias, and perceptual distortion, especially because religion and ethical behavior are socially sensitive topics. Third, the sample was limited to managers and employees of manufacturing and service organizations in the food industry in East Azerbaijan Province, which may restrict the generalizability of the findings to other sectors, organizational sizes, regions, and cultural environments. Fourth, the study examined selected dimensions of Islamic business ethics and corporate social responsibility and therefore did not incorporate other potentially influential variables such as ethical leadership, organizational justice, psychological safety, competitive intensity, governance quality, or organizational religiosity. Finally, the interpretation of ethical outcomes was based primarily on participant perceptions rather than objective indicators such as customer retention, documented ethical violations, stakeholder complaints, turnover rates, or financial and reputational measures.

Future studies should employ longitudinal and multi-wave research designs to investigate whether changes in religiously grounded ethical beliefs precede changes in organizational institutionalization and whether institutionalized ethics produces sustained improvements in organizational outcomes. Experimental and quasi-experimental designs could also examine the effects of ethics training, ethical leadership development, or faith-sensitive management programs on employee conduct and stakeholder outcomes. Researchers should test the proposed model in different sectors, including banking, healthcare, education, public administration, technology, and other manufacturing industries, as well as in different geographical and cultural contexts. Comparative studies between organizations operating in Islamic and non-Islamic institutional settings may also clarify which components of the model are culturally specific and which reflect more general organizational mechanisms. Future models could incorporate ethical leadership, organizational justice, psychological safety, organizational culture, trust, employee engagement, and perceived authenticity of CSR as additional mediators or moderators. Multi-source data obtained from employees, managers, customers, and external stakeholders would reduce reliance on self-report measures, while objective performance and ethics indicators could strengthen the external validity of the findings. Researchers could also investigate whether digitalization, artificial intelligence, remote work, or algorithmic management changes the relationship between religiously grounded self-regulation and formal organizational ethics systems.

Organizations seeking to institutionalize Islamic business ethics should move beyond general statements about morality and translate ethical principles into specific managerial systems. Organizations can establish clear codes of ethics, provide regular ethics training, include ethical conduct in performance appraisal systems, reward exemplary ethical behavior, investigate violations consistently, and create confidential channels through which employees can raise ethical concerns without fear of retaliation. Managers should reinforce these systems through personal example, transparent decision-making, fairness, accountability, and consistent treatment of employees and stakeholders. Faith-based values such as

honesty, responsibility, justice, respect for others, and accountability can be incorporated into professional development programs in ways that connect them directly to practical workplace decisions rather than treating them as abstract religious concepts.

Organizations should also align internal ethical systems with their corporate social responsibility programs. CSR initiatives should be integrated with employee policies, customer relations, supplier standards, environmental practices, community responsibilities, and stakeholder engagement rather than being treated primarily as public-relations activities. Consistency between internal ethics and external social responsibility is particularly important because employees and stakeholders are likely to evaluate the credibility of organizational values by comparing declared principles with actual organizational behavior. Regular ethics and CSR audits can help identify gaps between policies and practices, while employee surveys, stakeholder feedback, complaint systems, and behavioral indicators can be used to monitor ethical performance. By combining faith-based ethical motivation, institutional mechanisms, accountable leadership, and authentic social responsibility, organizations can create an environment in which Islamic business ethics becomes a stable component of organizational culture and a practical source of trust, loyalty, reputation, and sustainable stakeholder relationships.

Acknowledgments

We would like to express our appreciation and gratitude to all those who cooperated in carrying out this study.

Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

The study protocol adhered to the principles outlined in the Helsinki Declaration, which provides guidelines for ethical research involving human participants. Written consent was obtained from all participants in the study.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

Funding

This research was carried out independently with personal funding and without the financial support of any governmental or private institution or organization.

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