

## **CONCEPTUAL FRAMEWORK OF GOOD MANAGEMENT FROM THE ISLAMIC PERSPECTIVE**

**Osman Chuah Abdullah**

International Islamic University Malaysia

Email: ochuah@iium.edu.my

**Mohd. Shuhaimi bin Haji Ishak**

International Islamic University Malaysia

Email: mshuhaimi@iium.edu.my

### **Abstract**

Good management is the most important competitive factor for any business organization. Making oneself and others succeed is one of the crucial aspects of good management because it is the mechanism of planning, organising, leading and controlling the entire organs of a business organisation. The purpose of this paper is to develop a conceptual framework of good management based on the Islamic principles, not only to ensure success in the running of the business but at the same time making sure that the moral and ethical values of Islam are observed. This paper endeavours to look into the sources of Islam while extracting other sources of the modern approach of management. As a result, the management practices are handled according to the social-economic fabrics of Islam whose suitability is relevant for modern day business operations.

**Key words:** *good management, Islamic principles, business operations*

**JEL Classification: 020 General**

### **1. INTRODUCTION**

Managers achieve results by transforming resources into added value for stakeholders through a synergic process. The concept of resources has been defined from the general economic lists of “labour, capital, land, and entrepreneur” to “people, capital, materials, technology, and information” (Mescon, Albert & Khedouri, 1985: 10). The four functions of management encompasses the planning, organizing, leading and controlling of the various limited resources, capital, human, finances and others to maximise the effectiveness of the production of goods and services. More specifically, management is the process of assembling and using sets of resources in a goal-directed manner to accomplish tasks in an organisational setting (Hitt, Black &

Porter, 2005: 5). Thus, managers are responsible for planning, combining, and co-ordinating the various resources to achieve the organisational goal.

From an Islamic perspective, the four functions of management namely, planning, organising, leading, and controlling, are interconnected with decision-making and involve the use of human, financial and physical resources as well as information; these are all intimately connected with *maqasid al-shariah* (objectives of *shariah*), by means of effective and efficient methods (Othman, 2010). Islamic management, unlike conventional management, looks at the management of organisations from the perspective of the knowledge from the revealed sources and other Islamic sources. The application is compatible with Islamic beliefs and practices. There is no demarcation between secular and Islamic management; the organisational objectives are both economic and non-economic and are subservient to the larger purpose of human existence; whereas in modern management, while organisational objectives are also both economic and non-economic in nature, they are subservient to organisational interests (Abdul Hamid, 2007: 1). Thus, Islamic management is an Islamic-centred and a balanced approach for God conscious professionals. Management through an Islamic perspective refers to the science of management by utilising all human and material resources in an optimal manner in order to achieve certain goals; be it short term or long term based on the guidance of the Quran and Sunnah for its management (Shareef, 2005: 27-42). In fact, in the Islamic management model, the leaders first surrender their authorities to “divine” instructions and then combine knowledge and practices from those divine instructions into a holistic approach to organizational management. Surrendering to “divine” instructions inculcates humility, responsibility and self-accountability among organisational leaders to fulfil their duties to the best of their ability (Abbasi, Urrehman & Bibi, 2010: 1873-1882). The holistic approach to organizational management provides managers with more options to innovatively deal with issues. This paper illustrates that the Islamic management model follows Islamic principles, adopts a more flexible way and adjusts according to the circumstances for maximum outcome for the organisation.

## **2. ISLAMIC MANAGEMENT**

God is our Creator and management by Islam is to serve God as an objective of life. Muslims believe in life after death and the blissful life for those who serve God. Gaining God’s pleasure is the direction of behaviours of all Muslims. The *maqasid al-shariah* aims to protect the religion, life, family, human mind, human characters and wealth. Believing in and adhering to the revelation of God by the

managers of business is very important for Islamic management. According to Al-Faruqi, a convicted Muslim is the faith in him reached by reasons, freedom of choices and finding motivation through God (Al-Faruqi, 1976: 46), not through desire for power and or drive for money as both are notorious and vulnerable to the test in prolonged processes at the end of the individual's life (Clark, 1963: 127-137).

Islam has insisted upon close personal responsibility among members of a business organisation. In Islam, an organisation is considered to be a contract by which two or more individuals agree to contribute either capital or labour to a common undertaking. Any profits or losses accrued in the undertaking are distributed among the partners (Al-Kayyat, 1983: 10). Thus, Islam stresses on cooperation and the sense of collectiveness among the employer and the employees, as in fact, religion cannot be practiced in isolation as they realize the business objectives and goals. Islam provides comprehension and guidance for people to make meaningful use of the resources and to protect them from wrongdoings. These are the objectives in the teachings of Islam which provide the framework of justice, dignity and benevolence (Jabnoun, 1994: 21). The fundamental values can be found in the ethical standards set by Islam which are the best codes of ethics and model behaviour to be put to practice.

## **2.1 Planning**

Planning means setting organisation goals and deciding how best to achieve them. Decision- making is part of the planning process involving selecting a course of action from a set of alternatives. Planning and decision-making help maintain managerial effectiveness by serving as guidelines for future activities. In other words, the organization's goals clearly help managers allocate their time and resources (Griffin, 2005: 10).

Planning is the process of defining an organisation's objectives and how it will achieve them; in other words, "what is to be done, when it is to be done, how it is to be done and who is to do it" as described by Steiner (1969: 7). A plan, therefore, is a navigational tool that maps out a destination and charts a course to get there (Holt, 1993: 164). Planning is the most important function of a manager. It provides a framework for organising resources and structuring the activities. Through planning, the goals and objectives are developed and these are the criteria to judge organisational effectiveness. All big corporations have their planning, for example, Ford, Xerox, the NFL and the Red Cross and thousand others engage in planning to set viable objectives. For instance, in 1989, 1990 and

1991, IBM was able to successfully achieve the target of manufacturing fast computer because it had set the objectives to do so (Holt, 1993: 164).

From an Islamic perspective, Islam wants man to plan a viable business. The significance of planning which is subsequently followed by overwhelming result was demonstrated by Prophet Muhammad (saw) on three different occasions. First, he planned the business of Khadijah and implemented the business plan by himself; in so doing, increased the profits many times (Shallaby, 2000: 163-164). However, Prophet Muhammad (saw) did not demand for an increase share of the gain. Second, he planned for the migration from Mecca to Medina (Shallaby, 2000: 163-164). Third, while in Medina, in the 8<sup>th</sup> year of migration, he planned to perform *umrah* in Mecca. This ended with the signing of the *Hudaibiyah* agreement (Shallaby, 2000: 152-154).

However, in Islam, only planning of manufacturing goods and services considered permissible by revelation is acceptable; besides, they must really give welfare to the world community whereas those that give harm are forbidden. Human greediness can lead one to plan products which harm our physical bodies. An instance of this is the milk product of Sanlu Group of China. It was found to be contaminated causing six infant mortalities, 300,000 babies had kidney problems while 860 were hospitalized. General Manager Tian was arrested (Xinhua, 2008). Besides that, planning to produce carrion, pork (Quran, 5:4) and alcoholic drink (Quran, 2: 219) are forbidden in Islam.

Thus, in an organisation's plan, what is due to the organisation is based on what it earns through its action. The Quran says, "But of mankind there are some who say: Our Lord! Give us your bounties in this world and for such there will be no portion in the Hereafter. And of them there are some who say: Our Lord! Give us in this world that is good and in the Hereafter that is good, and save us from the torment of the Fire" (Quran, 2: 200-201).

The process of planning indeed ensures successful implementation and positive results. From an Islamic point of view, comprehensive planning not only encompasses strategic thinking but more importantly putting trust in Allah (swt) while hoping for happiness and success in the outcome of the business undertakings.

## **2.2 Organising**

Once the objectives and goals of the business organisation have been set, then with the limited resources, finances, environmental situation and human resources must be developed into a workable plan. Specifically, organising refers to

determining how activities and resources are to be grouped. Organising introduces the basic elements such as job design, departmentalization, authority relationships, span of control and line and staff role (Griffin, 2005: 10). Organising is deciding how best to grow organisational elements. Managers can choose a variety of structural possibilities (Jarkey, Fiorita & Delamy, 1997: 831-861). There are six main group tasks in organisation: designing job, grouping jobs, distributing authorities among jobs, reporting job relationships between job, co-coordinating between jobs and differentiating between positions (Griffin, 2005: 343). These must be fully integrated into other factors of production such as capital, raw materials and work designed in order to turn out the final products efficiently and effectively. Thus organising here is bringing together the people and resources for the production processes (Holt, 1993: 216).

Job design is the determination of an individual's work related to responsibility (Boeker, 1997: 152-170). It is natural that the objectives are clearly defined and communicated to the workers. The responsibility of a job should also be made clear to them. Job design will increase efficiency and make it easier for jobs to be carried out.

Islam also demonstrates systematic and efficient organisation in the affairs of the material world and spiritual world. Prophet Muhammad (saw) was a great manager, a successful planner and organiser; his trade on behalf of Khadijah never failed to achieve profit. What is more amazing is worldly wants or gains should not be the sole aim in a business organisation. Prophet Muhammad (saw) organised the Friday prayer so that it was well communicated to all entrepreneurs. When the call of the Friday prayer is heard, all must stop to perform *ibadah* jointly in the mosque. How the Friday prayers are uniformly organised throughout the world shows the discipline and success of Muslims; we live and we obey God for the peace of this world and the next (Ahmad, 2007: 130).

Islam is a universal religion with more than one billion followers living in different geo-political systems and having various professions. The need for knowledge, especially for organising business is getting more and more important. Islam stresses on cooperation and a sense of collectiveness. In our present day of a diversified world, a factory may have workers with diverse cultures. Islam stresses that all men are created by God and they must have mutual respect toward one another in organising all the people and resources; not with the sole aim of profit but also for the welfare and harmony of mankind. In the principle of organising, if the principle of setting goals, division of work,

labour-relationship, co-ordination and information are well communicated, the goals are more easily achieved (Ahmad, 2007: 131).

Organising from the Islamic perspective includes the aspects of managing mutual relationship in a system of authority, responsibility and accountability. The proper coordination of these functions may assist in executing decisions that may eventually allow managers to seek Allah's pleasure.

### **2.3 Leading**

There are almost as many definitions of leadership as there are persons who have attempted to define the concept. While there is general agreement that leadership is an influential process, there is less agreement on whether 1) the definition must refer only to influence by those who occupy a position such as CEO, Chairman or President, 2) the influence must be exercised deliberately and for the specific attainment of the group or organisation's goal and 3) the compliance of others must be voluntary (Hitt, Black & Porter, 2005: 244). Anyone can exhibit acts of leadership behaviour in an organisation and these acts are not limited only to the persons holding designated leadership positions. Thus, leadership must not be thought as coming from people in the top position alone. Leadership can be seen in the first line supervisor who inspires the subordinates to increase their intention to safety procedure to avoid production downtime. The group member who champions his team's new product and convinces others of its potential is also demonstrating his leadership. The resource manager makes sure his staff treats one another with equal respect as such equity shows leadership. Workers who set examples by continually seeking ways to improve processes and working condition for their co-workers are also exhibiting leadership (Hitt, Black & Porter, 2005: 245). In normal circumstances, people in the supervisory and managerial categories have more chances to influence others. For their case study, Johnson & Johnson prides itself of the leadership of ethics in the managerial position and those who did not behave accordingly would lose respect of others and may not be able to lead. People act as leaders to attain their organisation's goal. The use of force or coercion to gain compliance is usually not taken as leadership. Effective leadership influences a group or organisation to achieve successfully and meet its goal and objectives. The leadership acts as an extra ingredient to the sum of efforts of many people and help the organisation to achieve or accomplish more than the normal achievement (Hitt, Black & Porter, 2005: 244).

From the Islamic perspective, the Muslim leader must take into consideration the guidelines in the Quran and Sunnah. To God belongs everything. Honour,

power, reputation, authority and all things are subject to His Will. Man's duty is to work hard and act as a leader to influence others to follow him. He needs to tie the camel and then let God decide the course of action.<sup>1</sup> Thus we must motivate other people to follow the right track so that the target can be reached. Leadership here means to show the way, direct and influence others. In other words, leadership is the ability to show the way and to guide, direct or influence the actions of others (Majali, 1990: 251-254). In corporate management, leaders have to accomplish their objectives. Organisational cultures/members are influenced by the leadership of an organization. Leaders are considered as role models and their behaviour is reflected on the culture and procedures of the organisation (Jabnoun, 1994: 29). In the Islamic management model, leaders have to surrender their authority to the instructions consecrated in the Quran and Sunnah. Authority is the power to command, give orders, make decisions and exact obedience. In the proposed model, leaders agree to forgo such privileges to the instructions of Islam. This surrender inculcates three important elements in corporate leadership: humility, responsibility and accountability.

Humility here refers to the attitude of not being proud and always seeking God's help to communicate the message clearly and with confidence to the people. That is what Prophet Musa (as) did as mentioned in the Quran (Quran, 20: 24-25). Responsibility is the force that binds the courses of action demanded by the leadership position. Leaders should know their responsibilities, their targets, what they need to do to get which rewards and what the consequences would be if they make mistakes. Just as in the treaty of *Hudaibiyah*, at first, the companions of Prophet Muhammad (saw) did not agree with him with the terms in the agreement. The Prophet (saw) did it due to his leadership and in the end, his companions agreed with his decision. All turned out to be good and well (Shallaby, 2000: 163-164). A leader is held accountable for his decisions and actions because he accepts the prerogative to lead. He has to deliver all the elements of his responsibility. Leaders that emerged as the best in history were those who knew that they were accountable in service to their followers. Accountability conveys an image of trustworthiness. It is both an instrument and a goal. What started as an instrument to enhance effectiveness and efficiency has gradually become a goal in itself. Accountability has become an icon for good leadership performance both in the public and private sectors (Abbasi, Urrehman

---

<sup>1</sup> "Tie the camel" refers to Prophetic words; we will do something first, before we let natural things to happen.

& Bibi, 2010: 1873-1882). Islamic teachings categorically explain the concept of accountability in this subsequent verse of the Qur'an, "Then shall anyone who has done an atom's weight of good, see it! And, anyone who has done an atom's weight of evil, shall see it (Quran, 99: 7-8). Nor can a bearer of burden bear another's burden. If one heavily laden should call another to (bear) his load, not the least portion of it can be carried (by the other), even though he is closely related to it (Quran, 35: 18). Accountability, in this very broad sense, is basically used to positively influence a state of affairs or the performance of a leader. It comes close to 'responsiveness', 'a sense of responsibility' and a willingness to act in a righteous manner. In Islam, a leader is like a follower; both are responsible for all his deeds in the Hereafter.

## 2.4 Controlling

Control in organisational behaviour involves regulating the behaviours, adjusting and conforming to the specification of objectives. Some amount of control is unavoidable. The essence of organisation is the staff or workers have to give up their independence and follow the requirements/wants of the organisation so that the common goals and objectives can be achieved (Tannenbaum, 1968: 51). Thus, control is fundamental to organised activities. A manager should know he is to achieve a goal and it is not a goal by itself. The function of control comes after planning, organising and leading. If major problem exists at the planning, organising and leading stages, no amount of control is likely to work well. In this sense, effective control depends heavily on the three major functions preceding it namely planning, organising and leading. When these preceding functions are done well, control would work well too. When they do not, control is a headache to the manager. Control can be a variable informing the weakness of planning and organising (Hitt, Black & Porter, 2005: 244).

Control is the regulation of organisational activities so that some targeted elements of performance remains within the acceptable limits. With this regulation, an organisation can know how well it is performing to achieve its goals. It is able to see if the various goals are within reach in the direction it is going. It can provide adjustment such as finance; if overspend then it must cut down in cost. An example of this is Federal Express which has a 95% performance of delivering goods on time; if it fails to do so, action must be taken (Griffin, 2005: 684).

The basis for controlling in Islam may not be the same with the modern approach as the mechanism of internal and external controls must not violate the *shariah*. The type of control is threefold encompassing firstly, establishing a standard



performance; secondly, keeping the performers informed in this regard prior to their actions and thirdly, taking remedial measures, if required (Abo-Hebeish, 1995: 41). This is in line with the Qur'anic verse, "Allah burdens not a person beyond his scope. He gets reward for that good which he has earned, and is punished for the evil he has earned" (Quran, 3: 286). Thus, the standards set by man are always subject to revision due to his ignorance of the future.

Controlling from the position of Islam is more effective as it minimizes the cost of the actual controlling activity as a devoted Muslim worker will be very much aware of the concept of reward and punishment in Islam. With the belief that Allah (swt) is ever watching their performance, it will inadvertently prevent them from committing or covering any mistakes.

### **3. CONCLUSION**

The Islamic framework management is decision management from the revealed knowledge of God. The accumulated sciences of management such as planning, organising, leading and controlling are all in line with Islam. The manager while organising and implementing any project must learn as much knowledge as possible about the project under him to be efficient, effective and more productive. Islamic management involves various moral norms especially created for humanity and prosperity of all mankind. It excludes the management of production harmful to society such as gambling, alcohol, prostitution, human slavery and others. All activities considered *haram* in Islam and illegal are excluded from the Islamic management framework as all these are forbidden activities that create more harm than benefit to humanity. Islamic management is only engaged in a healthy atmosphere that makes goods and services which increase the welfare of mankind.

Furthermore, Islamic management is involved with a comprehensive, efficient and effective management of all goods and services not only answerable to share holders as in traditional management but also to society, the Muslims as well as the non-Muslims, to the environment and to God. The running of the business management has to take into considerations of other aspects neglected by conventional management such as paying *zakat* or compulsory charity to certain groups of people mentioned in the Quran.

While Islamic management should be comprehensive, it takes into consideration the planning, organisation, leadership and controlling as well as the understanding of the culture and the people. Care must be taken to establish the Islamic framework in the environment and integrate the Islamic value system in the

management process. It should be a holistic approach to the managing organisation, taking into consideration all aspects from planning, organizing, leading, and controlling.

Islamic management demands justice and welfare for all humanity as all man are created by God. However, as new methods and fast digi Internets are invented daily, business organisations require innovations to deal with global problems of the people whether producers and/or consumers. Islam requires us to understand the organisation, the stake holders, employers, partners, customers and the environment. An innovative, moderate and flexible way, with minimum cost and maximize satisfaction must be balanced with the humanity aspect of life. The *shura* or maximum participation by stake holders, and employees may create mutual understanding from all sides and bring optimum production, profit and satisfaction not only for all parties but also satisfaction from the aspect of humanity.

## **BIBLIOGRAPHY**

Abbasi, Abdus Sattar, Urrehman, Kashif & Bibi, Amna. (2010). "Islam management model" in *African Journal of Business Management*, Vol. 4(9), pp. 1873-1882.

Abdul Hamid, Ahmad Sarji. (2007). *Islamic Perspective of Management*, unpublished conference paper present at AIM Manila, Philippines on 1<sup>st</sup> March 2007.

Ahmad, Khaliq. (2007). *Management from Islamic Perspective: Principles and Practices*. Kuala Lumpur: Research Management Centre, IIUM.

Al-Faruqi, I. R. A. (1976). "Islamic civilization as depicted in the Qur'an" in M. H. Haykai (ed.). *The life of Muhammad*. USA: North American Trust Publication.

Al-Kayyat, Abdul Aziz Izzat. (1983). *Al-Sharikat fi al-Sharaiah al-Islamia Walganun (Companies in the Islamic Shariah and Company Law)*. Beirut: Maar al-Risalah.

Boeker, Warren. (1997). "Strategic changes: The influence of managerial characteristics and organisational growth" in *Academy of Management Journal*, Vol. 40, No 1, pp. 152-170.

Clark, W. H. (1963) "Religion as a response to the search for meaning: its relation to scepticism and creativity" in *Journal of Psychology*, 60 (1), pp.127-137.

- Griffin, Ricky W. (2005). *Management*. New York: Houghton Mifflin Company.
- Hitt, Michael A., Black, J. Steward & Porter, Lyman W. (2005). *Management*. New Jersey: Pearson Education Inc.
- Holt, David H. (1993). *Management principles and practices*. New Jersey: Prentice Hall.
- Jabnoun, N. (1994). *Islam and management*. Kuala Lumpur: Institute Kajian Dasar.
- Jarkey, Paul, Fiorita, Jack & Delamy, John Thomas. (1997). "A structural contingency approach to bureaucracy and democracy" in U.S. National Unions, *Academy of Management Journal*, Vol. 40, No. 4, pp. 831-861.
- Majali A. S. (1990). "A proposal for the establishment of an Islamic leadership institution" in *Journal Islamic Acad. Sci.* 3(4), pp. 251-254.
- Mescon, Michael H., Albert, Michael & Khedouri, Frankling. (1985). *Management: Individual and organizational effectiveness*. New York: Harper & Row. p. 10.
- Othman, Shayaa. (2010). *Model of Islamic Management*, retrieved on 21/2/2012 from <http://islamicstrategymanagement.blogspot.com/2010/11/shayaa-othman-model-of-islamic.html>
- Shallaby, Ahmad. (2000). *Sejarah dan kebudayaan Islam (History and Islamic culture)*. Singapore: Pustaka Nasional Pte. Ltd.
- Shareef, G. A. (1995). "Islamic principles of organizational behaviour: A conceptual outline" in *Islamic Principles of Business Organization and Management*. New Delhi: Qazi Publishers and Distributors, pp. 27-42.
- Steiner, George A. (1969). *Top management planning*. New York: Macmillan.
- Tannenbaum, A. S. (1968). *Control in organizations*. New York: McGraw-Hill.
- The Guardian* (London) retrieved 2<sup>nd</sup> December 2008.
- The Noble Quran (trans.). (2001). Riyadh: Darussalam Publishers and Distributors.
- The Time* (London) retrieved 22<sup>nd</sup> September 2008.
- Xinhua* retrieved 23<sup>rd</sup> September 2008.