A COMPARATIVE STUDY BETWEEN ISLAMIC MANAGEMENT AND CONVENTIONAL MANAGEMENT WITH SPECIAL REFERENCE TO HRM

Abdul Khader Mohammed  
Dept. of Islamic Theology and Philosophy  
Darul Huda Islamic University, India  
abdulkader189@gmail.com

ABSTRACT

Like any other religion, Islam also urges all individual to get involved with utmost sincerity and commitment in organizational activities. One of the main factors that influence the commitment is the management style within an organization. Corruptions, ethical and moral violations etc. are seen to be prevalent in organizational activities. To confront these issues management scholars from all over the world are developing various theories and principles. As a result, including spirituality in management has gained prevalence as a mainstream topic. Although management science has been studied from several religious perspectives, very little research has been done from Islamic perspective. In fact, Islamic management (IM) is in its infancy and, indeed, is a growing discipline. This paper focuses on a comparative study between IM and conventional management with special reference to important functions of human resource management (HRM).

Field of Research: Islamic Management, human resource management, workplace.

1. Introduction

Management is dealt with human phenomenon which started when the first human being was created. Until the nineteenth century human beings literally managed all issues but not used the scientific term and meaning ‘management’. In nineteenth century, human thought began to perceive the special and distinguished characters of management as an independent discipline or phenomenon.

2. Objective of Study

The main objective of this paper is to give a picture of Islamic Management and illustrate major differences between IM and conventional approach to management. Other objectives include to:

- outline Islamic values and ethics related to management practice.
- identify functions of human resource management from Islamic perspective.
- discuss about the scope and limitations of IM.

3. Methodology of the Study

Holy Qur’an and Hadith is the main source depended to reveal Islamic ethics and principles. Management literature, journals, research reports, seminar papers etc. have also been referred.

This study can be classified into three parts, though there are no visible chapters. The first part deals with general ethics and Islamic values related to management practice. The second tries to identify functions of human resource management (HRM) from Islamic perspective. The third part discusses about Islamic management, its limitation and what makes it different from conventional management. This paper concludes with some recommendations and future research suggestions.
4. Limitations of the Study

- This study is based on secondary data and that too is its main limitation.
- The time period of the study.
- The practices of IM are not familiarized commonly, so the researcher has its own limitations to execute the study.

5. What is management?

Man is a social being and he has some requirements and cravings. However, no singular can fulfil all his needs. Therefore, people work together to meet their mutual needs which they cannot fulfil individually. It is by working and living together in sorted out aggregations and establishments that individuals fulfil their economic, social and religious requirements.

As a result, there are several types of groups, e.g., family, school, government, army, a business firm, non-profit organization etc. Such formal groups can achieve their goals effectively only when the efforts of the people working in these groups are properly coordinated and controlled. The task of obtaining results through others by coordinating their efforts is understood as management. As the mind coordinates and regulates all the activities of an individual, ‘management’ coordinates and regulates the activities of various members of an organization.

6. Ethics in Management

In this fast developing modern age, organizations are facing ethical issues every day, such as corruption, child labour, sexual harassment, favouritism, as well as job behavioural issues etc. These challenges developed an interest in research scholars. As a result, new approaches to management were introduced by incorporating ethics and spirituality in management.

According to Kazmi¹ scholars began to show interest in the subject after Max Weber publicized the role of work ethics in accumulating wealth and the rise of capitalism. The Weber’s school of thought and his followers concentrated on protestant work ethics. Some scholars, like Rokhman, are in the view that Weber model’s elements may be limited in non-western societies and acceptable only where non-Islamic religion is dominant.²

It was reported that in a large firm, which practiced Earnings Management³, 77% of senior managers were found to have been involved in unethical behaviours. The report claimed that Earnings Management is one of the main factors behind these scandals.⁴ It can be assumed that Earnings Management is a possible contributing factor in manipulating financial reports and, thus, leads to the dishonesty of managers. This is because when the managers alter earnings, the financial statements do not accurately reflect the economic wealth of the organization, which ultimately leads to the gross violation of stakeholders’ trust.

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³Earnings Management means management of financial accounts
⁴Ethics Resource Centre (ERC), National business ethics survey (2005): How employees perceive ethics at work. p. 30
Today, ethics in management begin to become more institutionalized and all members (both higher and lower) of an organization demand to improve ethical standards in organization. All members related to an organization are concerned about ethics, social responsibility and the goodwill of organization in which they invest their effort, time and money. This vast growing concern about ethics has been escorted by empirical researches from academia seeking to discover determinants of unethical behaviour. Several studies on the subject of ethics and management have been conducted from different perspective. ‘Islamic perspective’ is one such approach which is gaining popularity among managers and employees like ‘Islamic banking’ or ‘Islamic finance’ gained popularity worldwide within a short span of time.

7. Islamic Values Related to Management Practices

It is impossible to discuss about complete and comprehensive Islamic theory for Islamic management in this paper. Certain Islamic principles and values which help to clarify the behaviour of organization and its members are elaborated here. These principles are scattered throughout different Islamic sources. Some of them are discussed below:

7.1 Shura (Consultation)

**Shura** refers to Participatory approach. It means that every member can participate and have influence over the decisions that affect the organization. Participatory management improves the effectiveness and capacity of an organization. It is a culture rather than a program which is known as *shura* in Islam.

**Shura** is a very important factor in Islamic management as well as Islamic administration. Qur’an has stated that the believers who will be rewarded in the hereafter are those who conduct their affairs with consultation (Shura).

Allah says: “Such are those who hearken to their Lord, establish regular prayer, conduct their affairs by mutual ‘consultation’ and spend out of what is bestowed on them for ‘sustenance’.”

Three reasons can be understood for giving so much importance to *shura* in Islam:

1. In a matter which is related to more than one person, it is unjust that one person takes the decision and ignores others. No one has the right to enforce his own opinion. It is necessary that all those people to whom the matter is related should be consulted. If they are too many, then their representatives should participate in the process of consultation.

2. In common affairs, a person tries to enforce his own will due to two reasons; either he wants to snatch the rights of others or considers himself superior than others. From a moral point of view, both of these characteristics are bad for believers. A believer is neither selfish nor arrogant.

3. It is an important task to decide about the matters which are related to the rights and interest of others. A person, who fears Allah (SWT) and knows that he will be accountable in front of Allah (SWT) for his decision, will never take the responsibility on his shoulders alone.

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6 Holy Qur’an (42:38)
Taking part in discussions and making suggestions are key leadership values in Islam. All matters that are not mentioned clearly in Qur’an and Sunnah are decided through shura. Qur’an says: “And those who have answered the call of their Lord and establish what we bestow on them for sustenance, their matters are shura among them”.8

Another verse:

“And by the mercy of Allah, you dealt with them gently. And had you been severe or harsh-hearted, they would have broken away from about you; so pass over (their faults), and ask for (Allah’s) forgiveness for them; and consult with them in affairs. Then when you have made a decision, put your trust in Allah.”9

Objectives of shura can be identified as three issues based on Abdul Rahim10. Those are:

1. To educate the individual
2. To establish justice, and
3. To realize the benefit to the employees

So when managers follow the shura system and discuss with their people before making any decision in the organization, they will make employees more satisfied and it will also motivate employees to be more active to do their jobs well.

7.2 Ihsan

Ihsan as the Prophet (PBUH) said in a famous Hadith to Angel Jibreel: “Ihsan is that you worship Allah as if you see Him. Even if you don’t see Him, He indeed sees you.”11 This feeling makes a person behave and work in his best without anybody’s intervention or supervision. In this context such activities forms a moral and spiritual dimension as a means for doing good for self and to society by following Allah’s orders. In essence, managers with high level of ihsan perform well in an organization towards organizational objectives and promote training and development of its members or employees.

It’s like a CCTV camera. All the activities are monitored 24/7 through cameras. The person cannot see who is watching him but he is sure that someone’s eyes are on him and that keeps him from doing anything contrary to rules and regulations.

This basic feeling of being watched makes all things run well. This is because when an employer is being watched by his manager all the time, the objective of the organization will be achieved seamlessly. The employer, if believes that his activities are monitored by Allah, acts not only for the success of the organization but also for his very success in front of Allah. So ihsan has a great value and importance in Islam and if it is implemented in the workplace, astonishing and great results will be yielded. This again reckons that these values are not only for personal and religious affairs but also for social life too.

By implementing ihsan, all other values like fear of god (taqwa), sincerity (Ikhlas), quality (Itqan), trust (Amanah), truthfulness (Sidq), justice (Adl), patience (Sabr), intention (Niyah) etc will be implemented consequentially i.e. without human intervention.

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8 Holy Qur’an (42-38)
9 Holy Qur’an (3:159)
11Sahih Bukhari, p. 3, The translation of hadith is made by author
8. Function of HRM from Islamic Perspective

The above discussed principles are the core ethics to be applied in HRM functions when viewing from Islamic perspective. Although HRM practices from Islamic perspective seem similar to conventional approach, some important difference occurs which will be discussed in following chapter. Some important HRM functions are as follows:

8.1 Recruitment

Recruiting is the process of discovering potential candidates for organizational vacancies. Islam calls for this activity to be complied with trust and responsibility. Islam orders the man responsible for this activity to be pious and just (aadil). This helps to ensure that the recruitment is fairly done and just treatment is given for all. This is stated in holy Qur’an as:

“Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice. Excellent is what Allah instructs you. Indeed, Allah is ever hearing and seeing.”

It is interesting to see how employee recruitment was done by the prophet in his time. Prophet Muhammad says: “Whoever believes in God and the Day of judgement should not employ a worker until he or she knows what he is going to receive.”

The prophet also said: “Whosoever engages a worker on work should mention the wages in advance”.

The Prophet says: “Whoever is in charge of running Muslim affairs, and hires a person on the basis of nepotism, has deserved the curse of Allah and Allah will not accept whatever justice he does beyond that”. God also says: “Every soul will be held in pledge for its deeds.”

8.2 Selection

Selection is a part of the recruitment function. Speaking from Islamic perspective, Qur’an stresses the importance of competence and honesty of a job candidate. Qur’an states:

“Said one of the damsels: O my dear father, Engage him on wages; truly the best of men for you to employ is the man who is strong and trustworthy.”

The Prophet said: “He whoever hires a person and knows that there is another one who is more qualified than him, has betrayed Allah and His Prophet and the Muslims”. Thus, nepotism, favouritism, and all sorts of bribery are strictly forbidden in an Islamic-based management.

One of the main factors affecting the selection of employees in contemporary world is friendship networks and relations. It is very important to note that the Prophet Muhammad (PBUH) refused to accept from his close friend, Abu Zarr who sought to work as governor. The Prophet kindly said him that he is weak and the employment process is based on particular procedure.

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12Holy Qur’an (4:58)
13Sahih Muslim 5/66
14Muslim 5/67
15Bukhari p. 352
16Holy Qur’an (25:10)
17Holy Qur’an (28:26)
18Bukhari, p. 302
Justice is to be done in the procedure of selection. The principle of justice is a very important factor. Fourth caliph Ali bin Abi Thalib once wrote: “Do not nominate them (officers) on account of favouritism and egoisms. These two attributes reflect treachery and injustice”.

8.3 Training and Development (T&D)

Training is an organized activity for increasing the knowledge and skills of people for a definite purpose. In Islam, knowledge is obligatory for all (male and female). This knowledge is not limited to basic Islamic knowledge; rather it is also obligatory to acquire knowledge as well as professional skill to fulfil one’s contract with the employer.

Ali\textsuperscript{20} says: “Most training programs in the Muslim world rely heavily on western techniques and methods with no adequate attempts to decipher their relative cultural appropriateness and an emphasis on the theory at the expense of application.”

Muslims are turning their eyes from Islamic training and development method which is all encompassing and begins from the moral and spiritual development of man into physical development. Knowledge and training are related very closely as Islam proposes training and development to enhance knowledge and skills of workers. This knowledge also improves faith and religious practices of a man. Since Islam considers work as an element of human’s life and his success, it not only encourages man to work but also do it in perfection which ultimately ends up in the success of organization.

8.4 Performance Appraisal

In simple terms, performance appraisal may be understood as the review of an individual’s performance in an orderly way. In Islam, the performance appraisal is based on the practice of the prophet Muhammad (PBUH) and his four caliphates (Khalifa). According to Islamic perspective, a person is obliged to a contract with his organization. It is his duty to fulfil this commitment.

The Qur’an instructs that any promise or engagement is subjected to a contract that must be met by both parties: “And do not approach the property of an orphan, except in the way that is best, until he reaches maturity. And fulfill [every] commitment. Indeed, the commitment is ever [that about which one will be] questioned.”\textsuperscript{21}

Gary Dessler\textsuperscript{22} states that employee’s performance needs to be evaluated based on acceptable standard or competency. Competency is based on job descriptions that place importance on observational behaviour. The second caliph Umar was a great example for this behaviour based approach. He used behaviour based approach to focus on how his deputies and subordinates carried out their work. He gave priorities to questions like, ‘did the deputy visit the sick people?’ and ‘how did he treat with weak ones?’ etc…

\textsuperscript{19}Syed Agil, O. (1997), Lessons on Excellent and Successful Management from Islamic History, Institut Perkembangan Minda (INMIND), Kuala Lumpur.
\textsuperscript{21}Holy Qur’an (17:34)
\textsuperscript{22}Gary Dessler is a Professor of Business at Florida International University's College of Business Administration in Miami, Florida. He is a prolific writer and researcher. He has written numerous articles on organizational behaviour, leadership and quality improvement. His recent consulting assignments have involved strategic planning, executive and management recruiting, establishing human resource management systems, and negotiating multinational joint ventures.
Today, in companies performance appraisal is made by the superior. Some companies adopt the use of a method named 360 degree evaluation. It is this same method caliph Umar had practiced. The client’s feedback was taken into consideration for appraisal. This reduces the problem of favouritism in employee evaluation.

8.5 Compensation or Wage

Employees’ compensation is one of the major determinants of employee satisfaction in an organization. Islam emphasizes that employee should be given adequate wages and it should be given in time.

Islam strictly prohibits forced labour. Prophet Muhammad (PBUH) said: “God says that I will act as a plaintiff on the Day of Judgment against the person who engages some worker on work and takes full work from him but does not give him (full) wages.” Prophet Muhammad (PBUH) said again: “Nobody has ever eaten a better meal than that which one has earned by working with one’s own hands.”

Compensation is an obligation that must be met by both the employer and employee. Allah has made it clear in the following verse:

“And to [the people of] Madyan [We sent] their brother Shu’ayb. He said, "O my people, worship Allah; you have no deity other than Him. There has come to you clear evidence from your Lord. So fulfil the measure and weight and do not deprive people of their due and cause not corruption upon the earth after its reformation. That is better for you, if you should be believers.”

Compensation differs according to expertise and situation: Qur’an acknowledges various gradations among workers based on quantity or quality. Qur’an says:

“And for all there are degrees [of reward and punishment] for what they have done, and [it is] so that He may fully compensate them for their deeds, and they will not be wronged”

Wage must be determined in advance. The Prophet said: “Whoever believes in God and the Day of Judgment should not employ a worker until he or she knows what he is going to receive. And it should be paid immediately after completing the work. The Prophet said: “Pay the wages to the worker before his sweat dries”

9. Rise of Islamic Management (IM)

Human resource management is a branch of management. Management from Islamic perspective or IM is that management whose idealism, objective and activities are determined according to Islamic aqidah and shariah. It is a fact that IM is being presented as a separate discipline but it is still in its infancy. Continuous research is essential to explore more ideas.

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23In human resources 360-degree feedback, also known as multi-rater feedback, is feedback that comes from members of an employee's immediate work circle. Most often, 360-degree feedback will include direct feedback from an employee’s subordinates, peers, and supervisor(s), as well as a self-evaluation. This method first developed by German military during World War II. (courtesy: Wikipedia)

24Bukhari, p. 298

25Bukhari, p. 302

26Holy Qur’an(7:85)

27Holy Qur’an(46:19)

28Bukhari, p. 319

Islamic economics and Islamic banking are established practically and now stands an independent discipline. Nowadays, attempts are being made worldwide, especially after the wake of Islamization of knowledge (IOK), to establish IM as a distinct discipline.

It is a fact that conventional management authors ignore the contributions of Islam towards management. All the prophets from Prophet Adam (a.s) to Prophet Muhammad (PBUH) were leaders in spreading the message of Islam. They were all successful managers. All principles of management came from Allah through Qur’an and by activities of prophets. That’s why Islam is recognized as a complete code of life.

There is no chapter as ‘management’ in Qur’an, nor there is any verse regarding management. But words like ‘control’, ‘direction’, ‘leadership’ etc. have been used frequently in the Holy Qur’an and Hadith. Moreover Prophet Muhammad (PBUH) is not only a prophet but also an ideal leader and ruler. Then the four caliphs ruled or managed the state and people following the principles thought by Prophet Muhammad (PBUH). The forthcoming Muslim leaders followed them. In essence, IM can be defined as that management whose principles, objectives and activities are based upon the guidance of Allah and following his prophets.

10. Difference between Conventional Management and Islamic Management

Mainly, all principles of conventional management are also present in IM. Yet there are slight convergence and divergence between the conventional approach and Islamic approach to management. In conventional management there are numerous theories and approaches. As a matter of fact, Harold Koontz many years ago called this situation ‘the management theory jungle’. But IM is derived from one source and it is stable and unchanging since its inception. The Qur’an, which is the primary source of all principles in Islam, is revealed to Prophet Muhammad (PBUH) some 1400 years ago and remains till the date without any change or modification.

Hence it can be concluded that the source of conventional management theories are based on human thoughts and the source of IM is from the God who created humans and the whole universe. The figure below demonstrates this:

The unique characteristic of IM is its concept of tawhid, which bonds everything to Allah the creator of everybody and everything. It is also a fact that the tawhidic worldview motivates the managerial behaviour of leader. A Muslim leader looks upon everything in the world as a belonging to Allah. So, he could not be biased towards them as he himself belongs to Allah. Islam does not distinguish

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between employer and employee, capitalist and worker, black and white, rather it declares all human beings as ‘slaves of Allah’. Thus a Muslim manager or leader is not solely guided by the benefits and profits; rather he works to gain mercy of Allah, the Almighty.

In Islam, management is viewed as *amanah*. The ultimate aim of management is to seek pleasure of Allah. After all, Allah is the perfect manager of the whole universe and everything under the sky and above the earth. Human beings, *jinn*, angels (*malak*) are all created to worship none other than him.

Early management theories like General management theory, Bureaucratic theory and scientific management theory were criticized for its job-oriented conception of management. They all paid less attention to employees’ or people psychological and moral well-being. However, later theories like were focused on people’s moral and psychological attitudes.

Azhar Kazmi\(^\text{30}\) says:

> “Conventional management makes the fundamental error of treating beliefs as limited to the temporal reality. And with this half-baked idea of belief, proceeds to define what values are. Since values are based on an ethical system, conventional management conveniently adopts the secular paradigm of considering ethics as a generalized system of values that is consensually developed and applied. There is no firm basis for an ethical system to guide the formation of values.”

In fact, most of the principles of conventional management approach are present in IM. In addition, IM have some unique features which makes it more acceptable and applicable.

**11. Limitation of IM**

Absence of Islamic administration in state level is serious drawback for implementing IM in different sectors. However, it is a fact Islamic countries are falling back in implementing IM principles. Another major drawback is the scarcity of research outcomes on IM while discipline like Islamic economics is abundant with research outcomes. Research based publication on IM is very low. However, recently many works are being reported from well-established Islamic universities as well as non-Islamic universities worldwide.

General people are ignorant about IM and management experts are not well acquainted about this topic or intentionally avoiding the managerial concepts of Islam. It may also be because IM is not institutionalized as Islamic economics or Islamic banking. The crust of all these problem is that the fact *‘Islam is a complete code of life’* is not clear to the society. People yet did not realize or understood various dimension of this fact. Maximum people of our society do not know that excellent principles and guidelines of management can be traced in the holy Qur’an and the life of prophet.

**11. Recommendations**

Many scholars have recommended instructions like reformation of whole government etc. that is quite impossible in practice. A major recommendation, this research put forward, is institutionalize the notion for Islamization of knowledge (IOK) which is an ongoing process throughout the world with the establishment of Islamic universities. Hence, institutionalization of IOK and informing the public about its merits can be considered as a major factor that can lead to the implementation of IM.
It is also important to produce comparative works between conventional approach and Islamic approach to management. It helps to inform the public as well as scholars about the peculiarity of IM.

To establish Islamic administration system in state level is the prerequisite of practicing IM in organizational level. Nevertheless, it is impossible considering the fact that many states are based on secularism or various interest based groups. In country like Saudi Arabia, where administration is based on Shariah, it is easy to bring IM in practice.

12. Future Research

Management is a wide discipline. To do research on IM is quite impossible in a short work like this. So the researcher has chosen a sub-branch namely HRM. The researcher does not believe that all aspects of HRM are covered in this work; rather selected functions of HRM are elaborated briefly.

There is a wide scope of research based on employer-employee relation from Islamic perspective. It would also be meaningful to study about managerial and administrative activities led by Prophet Muhammad (PBUH) and his four Khalifas. All aspects from planning to control were clearly taught by them. In this regard, shura or management by shura is a very significant and relevant issue.

13. Conclusion

Islamic banking and Islamic finance has been institutionalized as an independent discipline. It was as a result of abundant research based outcomes in those fields. Likewise, IM is a growing discipline. Nowadays, several researches are being reported globally on IM and related concepts. With the establishment of Islamic universities worldwide this process has gained prevalence as a mainstream topic in management science.

HRM is a very important branch of management because people or human resource is the most important factor of an organization or society. The success of an organization depends on the performance and capabilities of people. From Islamic perspective, HRM is a process of coordinating activities of people within an organization to achieve the aims and objectives of organization from the light of Qur’an and sunnah. If the HRM is not dealt with moral and ethical manner, the whole activities of organization go astray.

All religions present many good and ideal set of ethical values to preserve the principles of organization. So it is significant to study management from Islamic perspective. Often the ethical values across all religious beliefs are common but the prime concern of this research is ‘what distinguishes Islam from other religion’. It is evident that Islam has overcome other religion in all arenas. Hence, Islam proves it in the field on management science too.

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References


*Holy Qur’an.*


*Sahih Bukhari.*

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