Management practice and business ethics: an overview from Islamic perspectives

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Abstract

Islamic management practice and business ethics is not a distinct model of management. The core objectives of Islamic management practice and business ethics is to assure justice, sustainability, and welfare not for self but for whole human being by following the rules of Islamic Shariah. Therefore, this paper is an attempt to investigate and present a clear overview and understanding of business management and ethical practice in business management from an Islamic perspective. The study utilizes a qualitative research design using an in-depth study on management principles of historical data and literature. And finally, introduce an inclusive and digestive outline on that. The findings of this study show that the organizations led by the management personnel who employ Islamic management practices in their management, are surely more aware and conscious regarding their religion, activity, and accountability to Allah and implemented these practices for leading their management and conducting the business operations due to presence of Islamic management practice and business ethics.

Keywords: Business ethics; business management, Islam; Islamic business ethics; management model.

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1. INTRODUCTION

Islam is a complete and comprehensive religion that addresses every single aspect of life and human being. Islam is not like other religions in focusing on the humans’ individual life only, but it is Ad-Deen (complete code of life), the all-embracing way of life that covers and guides for entire spectrum of life for humans’ personal, private, social, political and extends over all kind of dimensions of earth and hereafter. For that reason, it has a major impact on human activity, behavior, social relations, and social interactions simultaneously; where laws and regulations are not alone sufficient to induce business practice in an ethical manner and moral decision-making in management and business operations. Such as, only the police force can't diminish crime and only business regulations ensure that all internal and external affairs of businesses will be conducted ethically.

Though the regulatory drivers are a must but not enough to stand as a safeguard for public interest from greed, corruption, unethical practice, and evil corporate behavior. In the Islamic business system is not only for earning profit only, but also to serve and assure welfare for both parties and society. Limited studies have been conducted to examine the impact of Islamic practice in the management of business processes, though the Islamic philosophies are at a comprehensive level.

1.1. Purpose of study

In this current research, we tried to reach an explicit overview of the impact of Islamic management practices business management, and business ethics. Also tried to mark an outline for further study for the improvement of Islamic management practices on business management in business corporations at local, national, international, and multinational levels as well.

2. METHOD AND MATERIALS

This part refers to the types of this research, the methods used for collecting data, and the sources of information. Current research is a theoretical and qualitative study, totally based on historical data and secondary sources of information. A deep study of literature published articles, reports of different organizations, research bureaus, and related news has been used. Therefore, to meet the purpose of this study, data from various Internet resources and think tanks were also used. This theoretical study reflects a discussion and literature overview of management and business ethics practices from Islamic conceptual and practical perspectives.

2.1. Procedure

Figure 1 below is a Flowchart showing the Methodology of Assessment:

![Flowchart](https://via.placeholder.com/150)

**Figure 1**

Investigation Methodology
3. RESULT

3.1. Business Management

Management is the act of managing, it also can be marked as an art, way, or model of managing (Kaehler & Grundei, 2018). Kaehler & Grundei (2018) describes Management as, the combination of a manager’s activities, tasks, and managing instruments where tasks are the influences that direct operations; activities are the planning, organizing, motivating, controlling, developing, etc; and finally managing instruments are the tools used for management construction, strategic and operational implementation, like- assessment tools, governance tools, SWOT analysis, crafting tools, etc. (Nobi et al., 2021; Klopotan et al., 2020).

Blok, (2019) defined Business management as the managerial mechanisms and art of managing the business by using the resources and management power. Admin, (2015) notes that Business management is the art of sourcing, categorizing, organizing, and sorting resources and proper utilization of human resources for accomplishing the desired business goals and objectives. The resource of the Business is required to be managed by utilizing this possible most efficient approach (Blok, 2017).

3.2. Islamic Business management

Hafidhuddin, (2006) pointed out that, The Business ethics and management strategy of Muhammad Rasulullah SM is a mirror of current Islamic business management that is characterized by being honest, transparent, customer friendly, happily helping the customers, assurance of justice by safeguarding consumers rights, and protecting the business and personal privacy. Khan et al., (2010) explain that Muhammad Saw succeeded in business because his business management was based on Islamic fundamentals like- trusted personality, and honesty, as well as distinct business knowledge, business negotiation skills, and other expertise. The success of the Management of an entrepreneur more depends on the interpersonal integrity of managerial personnel that influence their duties, and activities they are doing, which are controlled and reformed by Islamic guidance, rules, and ethics in their business and management practices that administrated by the laws and provisions of the Islamic Shariah (Anggadwita et al., 2017; Chen & Yu 2023; Musa et al., 2020; Abdullah & Mikail, 2013; Zulkifli et al., 2015).

Mushtaq et al., (2014) stated that Islamic management is a managerial system that emphasizes the concept, that some of us have been raised by Allah over others in knowledge, skills, temperament, and expertise. It also refers to cooperation, obedience, mutual respect, justice, and commitment to regular work and transactions by using the maximum scope.

Basri et al., (2022) marked Islamic Management because intersecting of technical and tactical mechanisms, regulated by Islamic taught and laws. As part of techniques and cooperation arrangements, implementation and management studies are inseparable from Islamic teachings and are carried out by Islamic teachings that regulate aspects of life and human interaction.

3.3. Elements of Islamic Business Management

Islamic management is referring the art of managing by implementing and assuring the Islamic ethics and fundamental elements like adle (justice), al’akhlaq (ethic and morality), Ihsan (goodness, perfection), Ikhlas (purity), sabr (patience), tadhia (sacrifice), maghfira (forgiveness), shafaafia (transparency), masyuwila (accountability, responsible), among others (Attahiru, 2021; Mokhtar et al., 2020; Zaman et al., 2013; Basri et al., 2022, Abu-Nimer & Nasser, 2013; Mushtaq et al., 2014). The management of any corporation or nation has suffered due to the waste of their human resources that may happen due to a lack of a good manager or leader. Because a manager is a key player not only in raising capital, gathering resources, and deploying materials as required but also in planning, organizing, time controlling, commanding, supervising, and coordinating (Kaehler & Grundei, 2019; Mushtaq et al., 2014; Hall, 1991). We uplift some among them in position over others so that some can command work through others." (Surah Zukhruf Ayat 32, Tafsir, (43:32 Quran)).
Islamic management demonstrates that some of us have been uplifted over others by Allah in terms of expertise, knowledge, skills, temperament, and influencing power irrespective of gender, which is essential for efficient management operations (Shamsudheen & Muneezah 2022). It also demonstrates mutual respect and obedience, justice, cooperation, rights protection, work commitment, accountability, and assurance of maximum capacity utilization, (Iqbal Godil et al., 2021; Alwi et al., 2021; Salim et al., 2016; Awais et al., 2022).

3.4. Features and objectives of Islamic Business management

Though management is a very wide range concept (Bloom et al., 2012), but has some common features and has certain objectives. In the same way, is Islamic business model has some distinct features and objectives. Based on the features and goals, Islamic business ethics has been formed, reformed, and established (Badawi, 2001). The Holy Qur’an (verse of the lord of the earth) and Sunnah (Hadith of the prophet Muhammad SM:) are the main sources of the rules and laws for every in Islam (Bassiouni, 2012; El Shamsy, 2019). So, the features and goals of the Islamic business and management model also came from the Qur’an and Sunnah (Robinson, 2021). Machmund & Hidayat, (2020) note the features of Islamic business and Islamic management very consciously and specifically, Honesty, hard work, promises protection (maintains of Amanah), accountable administration, good treatment to employees, payment of Zakat & sadaqa, and Leadership with forgiveness soul. Trust on taqdir. These features work as a proxy to establish Adl (justice) that leads to all related parties’ welfare and Business success (Rokhlinasari & Widagdo, 2019; Suripto, 2023).

3.5. Business Ethics

Generally, the term Ethics can be referred to as the mode of ruling for the governance of acts and values (Bateman & Snell, 2002). Ethics also can specify the sense of identifying the decisions of rightness or wrongness in their behaviors in individual, social, and corporate environments (Hellriegel et. al, 2001). Sometimes Business ethics is noted as the principles and model of morality that leads the behavioral actions in business operations and corporate dealings. Identification of both the goods and rules that are worth and control a person’s behavior (Oktarina & Mu’alim, 2017). Even, ethical issues have been noticed as a significant influencing factor in decision-making that employers and employees are facing daily. Also, ethical factors involve the issues that smear the “rightness” and “wrongness” distinction (Muhammad et al., 2008).

Schroeder, (2021) outlined Business Ethics as the benchmark of morality to measure conscience in right and wrong operations in business. Stakeholder trust winning, raising confidence, and integrity promotion among the employees are key objectives of the establishment of corporate business ethics. For these reasons, nearly all companies practice and arrange business ethics assignments. Modern technology also helps a lot to boost digital communications that facilitate finding and revealing ethical indiscretions. Fox, (2019) stated that employees are highly encouraged to ethical behavior and business practice if the corporation inspires and denotes the significance of business ethics (Global Business Ethics survey, 2018). Nowadays Business ethics has become more important than ever before. Because it plays a significant role in hiking the brand value and raising profitability by worsening the trust of customers and stakeholders. Top Ethical Companies in the World has outperformed by 10.5% in the large capitalization index over 03 years (Global Business Ethics survey, 2018). From the experience of extensive failures in worldwide corporations, business ethics has emerged as a significantly progressive area for managerial responsibility and competence (Ragab Rizk, 2008). Because ethical thinking and moral skills may be a powerful tool for a long-run sustainable plan even where information is poor.

3.6. Business Ethics from an Islamic Perspective

On the other hand, ethics is a core element of Islamic Shariah, not only for management, business operation, or behavioral practice but also for every sphere of human’s daily, personal, social, political, or corporate life simultaneously (Ebrahimi & Yusoff, 2017). The most reticular radical constructs of human
life in Islam are: the faith (aqidah), Islamic laws, regulations, and legal systems (shariah), and third Islamic ethics or code of morality and behavior (ahlaq) (Almunawar & Low, 2013).

Badawi (2001) has defined public honesty, welfare, and assurance of Justice as the core elements and even backbone of Islamic business ethics. These values have two major roots, the belief in Allah and the hereafter that motivate morality and accountability. In this way, hard work, maximum capacity utilization, productivity, and excellence of ethical business values, are highly encouraged. Islamic ethics is a welfare-oriented direction approach to morality and behavioral conduct control that is considered a remarkable form of social value (LIU, 2011). From the experience of extensive failures in worldwide corporations, business ethics has emerged as a significantly progressive area for managerial responsibility and competence (Ragab Rizk, 2008). Because ethical thinking and moral skills may be a powerful tool for a long-run sustainable plan even where information is poor.

Wealth, trade, production, profit gaining, and acquiring asset in Islam is considered a precondition for overall development and economic growth, as development refers to lead concentration to every aspect of human life. Indeed, both the spiritual welfare and material aspects are considered in Islam, so it establishes a balanced dimension among the material and spiritual aspects of life. To confirm the community welfare and total utility’s balanced distribution a portion of excessive wealth and utilities of riches should be mandatorily transferred to underprivileged communities (Com et al., 2014).

Islamic business ethics is National Insurance Number Document based on the divine knowledge of the Qur’an and the hadith (precepts) consigned by the Prophet Muhammad (SWM), which remark the benchmark of the principles of Islamic business, employee and employer’s rights, responsibilities, and relationship as well, also mark the business dealings, negotiation tactics, transaction methodology, outline the ways of welfare and agreement control systems (Fadl & Ebrahim, 2014).

In light of major corporate failures worldwide, business ethics have become an increasingly important area of managerial competence and responsibility. Most studies on business ethics in general and the work ethic in particular have been based on the experiences of Western nations, with a primary focus on the Protestant work ethic (PWE) as advanced by Max Weber.

4. CONCLUSIONS

The Shari’ah has echoed throughout the past 1,400 years as a doctrine of ethics. Its continuing vitality is illustrated in the words of the late Rafiq al Hariri, who served for several years as the businessman-prime minister of Lebanon. He attributed his successes as a businessman and a statesman to his observance of Islamic moral and ethical precepts: ‘‘I cannot imagine life without principle or law. Nothing can go on without a basis of religion, law, principles, and morals’’. Islam, in its purest form, is much more than a faith: it is an indivisible unit, a political system, a legal system, an economic system, and a way of life. The economy, like other activities, is governed by moral rules and mechanisms designed to achieve progress through the ideal use of resources and the protection of human values.

Although it is not easy to locate societies where Islamic values, morals, and ethical principles are truly implemented in every sphere of life, as dictated by the Qur’an and Sunna, this does not nullify the validity of the model itself. The desire for such a model has always been, and will always exist in both Islamic and non-Islamic societies. Empirical studies investigating how far the affairs of businesses in Muslim-majority societies fit with the prescribed model could be quite revealing and hence, worthy of pursuing. Like studies of the work ethic, research on individualism has flourished only in the West. Researchers performing a limited number of investigations in developing nations have used instruments created specifically to measure work orientations in Western societies. Thus, there is a substantial need to examine the work ethic and individualism in a non-Western setting.

Throughout the last 1,400 years, the Islamic Shari’ah has reverberated as a doctrine manner of ethics that impressively commands a human’s conduct what should or not do. Every existence and element must have a religious foundation, rules, values, laws, and ethics. Islam is considerably more than a religion in its purest form, it exists and will exist until the moment the last life exists, and the world exists even. It
comprises an indivisible entity with solid proof, meaning of life and its complete guide, a complete system of governance, a solid judicial framework, a sustainable economic model, and a complete code or style of life denoting its inclusive definition, meaning, ways, goals, and final destination based on the divine knowledge from Allah (lord of the Earth and Hereafter).

The code of ethics from an Islamic perspective respecting business management has been shown in the light of Islamic principles based on the Quran and Hadith where the main features of Islamic business management and ethics are the presence of justice, honesty, sincerity, truthfulness, kindness, forgiveness, trustworthiness, and sacrifice. It goes beyond the scholars’ capacity to provide comprehensive and every aspect of ethics. Therefore, the goal of this current research is to present an understanding and overview of Islamic business management and ethics from the perspective of Islam by studying the previous literature.

Furthermore, from the findings of this study, it’s my point of view that, the Islamic business ethics implication and practice is a must for any business organization and business management. Because it is a very powerful and valuable tool for both minimizing untrustful and contaminated behavior, practice, and business conduct and achieving the trustiness, identifying the essential policies for resolving the questions of corruption, manipulation, dishonesty, unethical behavior, and fraud in business operation.

Finally, we should take the initiative to do further study on Islamic business, management, and Islamic ethics as well for its conceptual and model development based on the holy Qur’an and Sunnah. So that we can overcome the current business challenges, solve all management disputes and problems; raise the accountability, responsible behavior, and ethical practice of the employees that led to the assurance of justice, minimize the malpractice, and maximize the profit and welfare for all related parties.

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