**READINGS**

**IN**

**ISLAMIC MANAGEMENT**

**AND**

**BUSINESS**

Edited By Abdun Noor



Shahjahan-Quader Foundation

Chittagong

2011

**READINGS IN ISLAMIC MANAGEMENT
AND
BUSINESS**

Edited By Abdun Noor

Professor

Department of Public Administration

University of Chittagong



Shahjahan-Quader Foundation

Raozan,Chittagong

2011

**READINGS IN ISLAMIC MANAGEMENT AND BUSINESS**Edited By Abdun Noor, Professor of

Public Administration, University of Chittagong,

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Not for sale but readers are requested to pay *hadia* such as: Recitation of sura *Fatiha* with *Ta'ayuz*(means, A'uzu *billahe' minsasitua nirraze'm*,,,) *Tasmia*(means, *Bismillhir rahma nir rahee'm*) + sura *Iklas*(once*)* and *darud* (3 times); and then *doa* for all Prophets including the last Messenger Hazrat Mohammed(*SM*), seeking *magferat* for own parents, late Moulana Abdul Quadir Chowdhury and Shahjahan Begum, *doa* for the Independence and development of own country and seek Allah’s blessings for the protection of Muslim *Ummah*.

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*Readings in Islamic Management and Business* edited by Abdun Noor and Published by the Shahjahan-Quader Foundation in September,2011. *Hadia*: Recitation of sura *Fatiha* with *Ta'ayuz*(means, A'uzu *billahe' minsasitua nirraze'm*,,,) *Tasmia*(means, *Bismillhir rahma nir rahee'm*) + sura *Iklas* and *darud* (3 times); and then *doa* for all Prophets including the last Messenger Hazrat Mohammed(*SM*), seeking *magferat* for own parents, late Moulana Abdul Quadir Chowdhur and Shahjahan Begum, *doa* for the Independence and development of own country and seek Allah’s blessings for the protection of Muslim *Ummah*

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**Editor's note**

I have been invited by the International University Chittagong (IIUC) to conduct a newly introduced course on "Islamic Management and Business " at its Executive MBA programme during the Summer and Winter semesters, 2010-2011. The body of knowledge on business and management courses that are offered at the graduate and post-graduate levels in universities of the present day world, have been developed during the last one hundred years, mostly in the Western environment. Their relevancy in the Eastern setting, especially in the Muslim world, is increasingly been challenged. Moreover, one noticeable trend is discernible in post-modern era in the Muslim societies, is the revival of Islam as a complete code of behaviour. Success in Islami Banking, Islamic Finance & Islamic Insurance and the growing demand for halal food and Islamic tourism etc. needed a new brand of officials, with different orientation and behaviour pattern to manage these business enterprises. This paradigm shift calls for a drastic change in the course contents of management and business studies. One fundamental problem is, Islamic components are scattered through the *Qur'an,* the *Hadiths* and the documents of rightly guided Calips. The imitation culture so long prohibited the Islamic scholars to develop from these materials a coherent theory to offer at the tertiary level. There is a long way to go before developing Islamic Management and Business paper as a viable course to be offered at the university level. In this rapidly changing and globalized world, we the Muslims *Ummah* have been put in a very competitive situation. We need to be persistent in our Endeavour to obtain excellence in performance in every sphere. This is also the desire of Allah(*Al-Qur'an*,3:110). During the teaching at the IIUC, I have felt the need to compile the necessary lecturer modules as teaching aid to the students of Islamic management and business. This volume is the outcome of this effort. I hope, as the pioneer of this course, the IIUC Faculty will have to put in lots more efforts in order to improve this new discourse.

I am thankful to Mr. Mahbubur Rahman, Head of the Department of Business Administration of the IIUC for inviting me to handle this course at the EMBA of the IIUC. I like to express my deep regards to the Islamic scholars whose writings have been accommodated in this volume. My son Reazul Quader has helped me in compiling and binding of this volume. My daughter Ishrat Jahan has done the necessary typing of my manuscripts. I am thankful to both of them.

This volume has been dedicated to my father and mother. The Foundation that was
founded in their names has agreed to bear the cost of this volume. My labour would bear
fruit if this volume would be of some help to the students who are willing to learn about
Islam. As the editor, I am of course entirely responsible for any error or omission.

Dated, Chittagong:

12-09-11

 Professor Abdun Noor

 Department of Public Administration

 University of Chittagong

**International Islamic University Chittagong**

## Syllabus for MBA Programme

**Course Title: Islamic Management and Business**

**Course Objective :**

The objective of this course is to educate and equip the students with the principles and practices of Islamic Management and Business so that they can apply those in management and practice business in Islamic perspective in their real life situation as successful entrepreneurs and business executives.

**Detailed Syllabus:**

Total Marks :100

Mid-Term : 30

Final Term : 50

Class Assessment : 20(Reading and discussion on selected topics, Presentation of

 Class assignments/case studies, Class participation etc.)

1. **Introduction :** Islam –Meaning and Fundamental Bases. Foundations of Economic Behaviour in Islam—Philosophical, Ethical and Moral, Economic and Social. Islam and Development .
2. Meaning of Islamic Management and Business – Need for Studying

 Islamic Management and Islamic Business – Objectives and

 Philosophies of Islamic Management - Salient features of Islamic

 Management – Scope & Coverage of Islamic Management (IM) –

 Considerations of some the definitions of Traditional Management

 from the perspective of Islam. Islamic Management versus

 Conventional/Traditional Management .

 3.  **Islamic Management Ethics** **:**

 3.a) Ethics defined – secular and Islamic Ethical Systems – Relativism

 -Utilitarianism – Universalism – Rights - Principles of distributive

 Justice - Eternal Law key parameters of Islamic Ethical System.

 Axioms of Islamic Ethical philosophy and their application –

 Degrees of lawful and unlawful behavior in Islam – Islamic

 Principles Pertaining to *halal* and *haram*.

3.b) **Development of ethics in Islamic Management** –steps of

 developing a code of Islamic Ethics – sample code of ethics for

 an Islamic Business Organization - Ethics Committee – Functions

 of ethics committee General ethical guidelines for the Muslims in

 business.

**4.Principles of Islamic Management**: Management Principle

defined. Principles under secular Management –Special Principles of

 Islamic Management.

**5**.  **Management Functions in Islamic Perspective:**

**1)Planning** – Planning defined under secular and IM – Advantages –

 Types of Planning – Steps in Planning—Basic Principles of Planning

 from an Islamic Perspective. nature of Islamic Planning – setting

 profit, Marketing, productivity, physical and financial objectives in IM

 – Process of decision making in IM - Planning tools and techniques.

 Strategic Planning.

**2)Organizing** –meaning –steps – organization chart – organization

 manual – Types of management Organization and their relative

 advantages and Disadvantages – Islamic Management considerations

 of organizing.

 3) **Leading**: - Leadership defined –Ingredients of Leadership-

 Leadership power.Islamic perspective of leadership – Fundamentals

 of Islamic leadership-- Servant and Guardian leadership concepts -

 Leadership versus Management – sources of powers of leaders and

 Islamic out-look.Necessary qualities and traits of a Muslim leader-

 Dynamic followership. Qualifications of Muslims followers- - styles of

 leadership and Islamic outlook.Elements of organizational leadership

 between West and Islam.

 **Motivation** - Motivation defined –Theories of Motivation under

 Traditional Management (TM) – Content perspective and process

 perspective theories – Motivation under IM and its nature.

1. **Controlling** – Definition and necessity. Basic steps in control process in management. Islamic perspective of organizational control and performance evaluation.

 **Conflict Resolution**: Meaning and causes of conflict: Islamic Perspective to conflict

 Resolution.

 6.**Islamic Business**:

 6.a) Definition of Islamic business and ethics—Factors affecting

 ethical behaviour—Principles of Islamic business ethics—General

 ethical guidelines for Muslims in business.

 6.b) Partnership Business in Islam--*Mudarabah* or *Qira'd*, *Shari`kat*,

 *Musha`rakah*, *Mura`bahah* and *Qard Hasan*.

6.c) Managing business operations of financing, purchasing , production ,and marketing from Islamic Perspective-- *Halal* and *haram* business areas

6.d) An Islamic perspective of social responsibilities of business organization—Relationship of the Firm to its employees, employer and other stakeholders.

 Corporate Social Responsibility(CSR) and Sicial Business(SB)—*Shari’ah* objectives and the application of *Masalahah*(Public good)principle to Corporate Social Responsibility(CSR).

**Basic Texts**:

1.Mushtaq ahmed, *Business Ethics in Islam*(Islamabad: International Institute of

 Islamic Thought and International Institute of Islamic Economics,1995).

 2.Abulhasan M.Sadeq and Khaliq Ahmad(eds.),*Ethics in Business and*

 *Management:Islamic and Mainstream* Approach(Dhaka:Islamic

Foundation,2004.

 3.Syed Mohammad Ather, *Islamic Management and Business* (Chittagong

 :Noksha publications, 2007).

4. khaliq Ahmad, *Management from Islamic Perspective :Principles and practices*

(Malaysia: IIUM,2007).

5. Rafik Issa Beekun, *Islamic Business Ethics(Herndon,* Virginia: IIIT,1997). 6. M.Anisuzzaman and J.Z.A.Majumder, *Leadership:Western and Islamic-A*

 *conceptual and Exploratory Study*(Dhaka,BIIT,1996).

7. M. Kabir Hassan,*Text Book on Islamic Banking*(Dhaka: Islamic Economic

 Research Bureau,2003).

8. Muhammad al-Buraey, *Administrative Development: An Islamic*

 *Perspective*(London:KPI,1985).

9. Abdun Noor*, Social Justice and Human Development(*Dhaka: Adorn

 Publications,2007).

 **Recommended Readings**:

 1. Syyid Qutb, *Basic Principles of the Islamic World* *View*, translated and revised

 by Hamid Algar(New York: Islamic Publications International,2005).

2.----------------,*Social Justice in Islam*, translated by John B.Hardie and revised

 and corrected by Hamid Algar (New York:Islamic Publications

 International,2000).Shams-Ur-Rehman Toor,” Developing Management from

 Islamic Perspective(MIP) as a Formal Academic Discipline”, in the

 *American Journal of Islamic Social Sciences*(*AJISS)*,Vol.26,No.12009.

 3. Ibnomer Mohammed Sharfuddin,” Towards An Islamic Administative

 Theory”, in *AJISS*,4(1987).

 4. F.R.Faridi(ed.), *Principles of Business Organization and*

 *Management*(New Delhi:Qazi Publisher and Distributors,1995).

 5. Mawdudur Rehman and Muhammad Al-Buraey, “ An Islamic

 Perspective of Organizational controls and Performance Evaluation”,

 in *AJISS*,Vol 1,No.1, winter 1995.

 6. Mohd.Ma`sum Billah, *Sharia`h Standard of Business Conduct*(Kuala

 Lumpur: A.H.Noordeen,2006).

 7. Asyraf Wajdi Dusuki and Nudianawati Irwani Abdullah, “Maqasid al-

 Shari’ah, Masalahah and Corporate Social Responsibility”,

 *AJISS,*24.1.

 8. Dr. Aminu S. Mikailu,``Review of Dr. Mushtaq Ahmed`s book entitled,

 *Business Ethics in Islam*(1995)*,* inHamdard Islamicus,Vol.xx1,No.1,January-

 March,1998.

 9. Latest reading materials downloaded from internet and research

 articles published in *Journals* would be provided in the class from

 time to time.

Abdun Noor

Professor of Public Administration

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& Course Teacher in ``Islamic Management and Business"

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 **International Islamic University Chittagong**

Faculty of Business Administration

MBA Programme

**Subject: Management and Business From the world view of Islam**

Lecture Series One: ***Islamic Management and Business: Benefits of its study***

In modern civilization, we are living in an organized society—‘Organization is a group of people working together in a structured and co-ordinated fashion to achieve a set of goals’.The goals may include such thing as profit(GlaxoMaxwell for example),the discovery of knowledge(Atomic Energy Commission) or the production of MBA Graduates(IIUC for example) etc. Because organizations/institutions play such a major role in our lives, understanding how organizations operate and how are they managed, is important. All organizations use four basic kinds of inputs or resources from the environment: 1.physical; 2)financial;3)human; and 4) information. Management is the process or activities(POLC) through which inputs(including demands and supports/resources[physical, financial, human and information]) received from environment, are transformed or converted into outputs(Products or services) and then sent to environment to meet its needs. Thus ‘management is a set of activities directed at an organization’s resources with the aim of achieving organizational goal or goals in an efficient and effective manner. By ‘efficient’, it means using the resources wisely and in a cost-effective way. By ‘effective’, it means making the right decisions and successfully implementing them. Example: A= B>C or C<B. Here A=Effectiveness, B=Production; and C=Cost.

 In this sense, a manager is someone, whose primary responsibility is to carry out the management process. In particular, a manager is someone who plans and makes decisions, organizes, leads and motivates employees; and controls human, physical ,financial and information resources. Management is, therefore, a cybernetic model which begins with planning or goal setting and ends with controlling and recycles again with necessary corrections through feedback mechanism.

In another perspective, management is a subject of study, an academic discourse which has been developed through intellectual rigors, calculated thought and years' of experience. The study of management helps to improve the system of organizing and coordinating men, materials and methods to achieve the objectives of organization in the most efficient and effective way.

**The following picture depicts the management process**

Environment Environment

INPUTS CONVERSION PROCESS OUTPUTS

1.Demands:

MBA Graduates

2. Supports:

= Physical Resources

 = Financial "

 = Human "

 =Information "



= Products

= Services

Feedback

 The following discussion would centre around the following questions:

1. What does it mean by Islamic Management and Business?
2. Is there any Islamic management and business in reality?
3. What is the use of studying this course?
4. Finally, what is the career prospect or job opportunity of the MBA graduates with special training in Islamic management and business?

In the following paragraphs an attempt has been made to answer these questions.

**Definition and Features of Islamic Management:**

Islamic management may be defined as achieving the *halal* objectives of an organization through group efforts following the Islamic principle of mutual consultation(*Shura*) and regulations( *Sharia’h*) with a view to having the blessings and satisfaction of Allah(*STA*).

**Salient Features of Islamic Management**:

The above definition of Islamic management articulates the following salient features:

1. Islamic management always aims at achieving *halal* objectives.
2. Islamic management always adopts *halal* procedures, methods, tools and techniques.
3. Islamic management always follow the rules and regulations of Islam.
4. Islamic management emphasizes group efforts and group co-operation.
5. Islamic management recognizes human as the most important and valuable resource.
6. Islamic management put emphasis on mutual consultation amongst stakeholders.
7. Ultimate aim and objective of Islamic management, is to have the blessings and satisfaction of Allah, the Almighty and most Merciful.

Modern management is concerned with mundane affairs. It is secular or value free. Maximisation of profit and emphasing on Efficiency and effectiveness are the ultimate motive of modern or secular management. Islamic management on the other hand, is concerned with the welfare of worldly life and the life hereafter. “*Addunia mazratul a’khira*”, means life in this world is the vehicle to life after death’( *Hadith* ). In the Holy *Qura’n*, Allah(STA) says: ‘ ‘ …*Wala tansa nasi`baka minad dunya*..”means `don’t neglect thy portion in this world’( Sura *Kasas*, 28:77). In seeking worldy welfare, mankind has been asked to pray: “*Rabbana` a’tina fiddunya hasnatao wafil a’khirata hasnatao wakina` azabanna`r”*, means `Oh Lord! Give us welfare in this world and ensure us welfare in the life hereafter’(Sura *Bakara*,2: 201). Despite of meeting the practical needs, it has spiritual or ethical dimension which is absent in modern management.

**Benefits of the study of Islamic Management and Business:**

1. One of the most important features of the present day economic activities, is that a growing and diverse business enterprises are flourishing under Islamic level such as Islamic Bank, Islamic Insurance, and other Islamic financial institutions. Their competitive edge encouraged Western and secular Banks such as Standard Chartered Bank, American Express and HSBC Banks etc. to open up Islamic windows in their branches. Besides, Islmic goods such as halal drinks, *halal* foods, halal soap, Islamic dress , Islamic clock and various other types of *Sharia'h* friendly goods are flooding the 150 crores consumer’s market spread over 57 OIC (Organisation of Islamic Conference) countries popularly known as ICM(Islamic Common Market).Share business either with cpital participation(*Mudarabah*) or labour and skill share(*Musharaka*) according to Islamic *Sharia’h* is becoming popular. *Halal* consciousness is rapidly increasing insuch a way that beyond *halal* food and Islamic banking and finance, *halal* friendly tourism(Transport and hotel accomodation) is accounting for seven to eight percent of global tourism expenditure(About 1.6 billion dollars annually) .These newly emerged enterprises need trained executives with business acumen and sufficient knowledge in Islamic *Sharia’h* to effectively manage those enterprises. Their purpose is not being served with MBA graduates trained in secular education. New MBA graduates are, therefore, needed with Islamic orientation on management and business. These challenges represent a paradigm shift which calls for new rules, new boundaries and most importantly, new behaviours that are essential for organizations and managers to be successful or even to survive in the present day competative business world. The new paradigm facing management requires a new perspective and appreciation of human behavioral side of management. Business executives, who are already in service, gets an opportunity to orient themselves in Islamic Management and Business by studying this aforsaid course.

2. One of the main tasks of the university, is to supply trained manpower to

 cater to the needs of the society Young men and women who aspire to build up their

career as executives in Islamic organizations and institutions, get first hand knowledge in *Shari`ah*  approved management and business by studying this course.

3 As the surrendered vicegerent of Allah, it is obligatory on the Muslims to

 acquire knowledge about *Sharia’h* approved methods of management and business in order to mould their behaviour for the satisfaction of Allah.

4 Knowledge about Islamic *Sharia’h* provides the scholars to understand and analyse

 the modern management and business, identify their problems and

 provide Islamic solutions thereof.

5. One of the major objectives of the IIUC, is to train up the management and business leaders with modern technology tempered with Islamic principles and values.These leaders would, it is hoped, ultimately play the role of catalyst in changing the society from non-Islam to Islam.

From the Islamic sources of *Qura’n*, Prophetic *Sunnah* and the experience of administration of the Islamic state of Madina, Ibnomer Mohamed Sharfuddin has identified the following principles of Islamic administration/ management:

1. *Shurah*(Obligatory mutual consultation in decision-making);

2. *Nasiha*(Advice);

3. Compliance with legitimate Orders--Thre tier system of authority structure-Allah-

 Prophet-those who are in legal authority.

4. Conflict Resolution—Within guidelines of the *Qura’n* and the Prorhet’s *Sunnah* ;

5. Life, religious freedom and citizenship rights of the non-Muslims are to be

 protected.

5.Work and Job Performance as a Religious Obligation:

 a) Motivation to work sincerely as religious virtue;

 b) Provision of good salary to employees;

 c) Emphasis on efficiency and effectiveness;

 d) Training and development;

 e) Three dimensional system of accountability; and

 f) Spirit of mutual co-operation.

6) Merit system in recruitment and promotion;

7) Application of Islamic moral principles:

 Internal discipline(Through socialization process);

 External check(Through the institution of *Hishbah*[Market inspector] and *Dewan-*

 *e-Mazalim*[modern

 Ombudsman]).

Source: Ibnomer Mohamed Sharfuddin, ``Toward an Islamic Administrative Theory”, in *The American Journal of Islamic Social Science*s, 4(1987), reprinted in Abdun Noor(ed.), *Journal of Islamic* *Administration*,Vol.1,No.1.,1985,pp.49-67.

**Allah' Caution for Muslims:**

In the Holy revelation, Allah has categorically stated that those who do not behave according to what He has revealed, are no better than *fasiqun*(Rebel), *Jalimun*(Wrong-doers) and *Kafirun*(Unbelivers)(*Al-Qura’n*,Sura *Al-Ma’idah*(The Repast),5:47 and 50).He has further cautioned that: “Then is it only a part of the book that you believe in, and do you reject the rest? But what is the reward for those among you who behave like this? But disgrace in this life and on the Day of Judgment”(*Al-Qura’n*,2:85).

.***Reference:***

1.Ali(RA),Hazrat,*A Classical Administrative Policy Letter To Malik* *Ibn*

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2 Al-Buraey,Mohammad, *Administraive Development: An Isalamic*

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 7.*The Message of the* *Qura'n*, translated and explained by Muhammad Asad(Gibraltar:

 Dar Al- Andalus,Ltd.,1980).

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 Jackson.1974)

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**Management and Business in the Framework of Islamic World View**

 **-Professor Abdun Noor**

 **Lecture Series two: *Meaning of Islam, Muslim and World View of Islam***

 **Islam:** The terminology of `Islam’ is derived from `salama’ in Arabic which has two meanings: peace; and submission. That means establishment of peace through submission to the Will of Almighty God(Naser,1966:27).Thus the very name of Islam is intimately connected with the cardinal idea of Divine covenant which brings up the question of `living according to the Divine Will’. In a comprehensive sense, Islam is the combination of belief in Allah as the Creator and Sustainer of the universe, and a code of behaviour based on the total submission to His Will. The Will of Allah has been expressed in the Holy *Qur’an* which has ably been demonstrated through the life and works of the final Messenger Muhammad-bin- abdullah(*SM*).Thus the *Qur’an*, the Will/Message of Allah, together with the *Sunnah*(words and deeds of Prophet *SM)*formed the basic code or guidelines for the whole of mankind in their drive towards establishing a just, welfare and peaceful society.

**Muslim:** Theterminology of `Muslim' was first introduced in Arabic by Hazrat Ibrahim(*AW*). Its meaning has been defined in the *Qur’an* itself. According to Surat *al-Nisa*, verse 125, a Muslim is someone,``who submits his whole self to Allah, does what is good, and follows the way of Ibrahim”. In the words of Allah(*STA*), ``...*Wa umirtu Uslima lirabbil a' lami`n*", meang `I (Prophet) have been commanded T bow(in Islam) To the Lord of the Worlds"(*Al-Qur'an*, sura *Mu-min*,40:66).In Farsi language, Islam and Muslim have been expressed as,``*al-Islamo Musalmana s'dan*", meaining `Islam means becoming Muslim' and becoming Muslim means,``*gardan niha'dan b'taat*", means `surrendering one's head to God's allegiance'. According to verse 136 of the above mentioned Surah, a Muslim is he who believes in Allah, and His Messengers, and the Scriptures which He has sent down to those before”. Finally, Surat al-*Tawbah* saya in verse 71 that believing Muslims``order what is right and forbid what is wrong, observe their prayers, pay *zakat*, and obey Allah and His Messengers”. Therefore, in simple terms, `Muslim’ means one who has accepted through free choice to conform his will to the Divine Will and organizing life and works accordingly Here the key words are: conform to the **Will of Allah**; and **conscious submission** to the will of Allah. For a Muslim, therefore, the first line of authority is Allah, the Almighty, and then comes the leadership of Prophet(*SM*) .To become a Muslim, it is ,therefore, not enough to believe or possessing the knowledge of truth--the spirit of Islam in the heart of a Muslim cannot rest unless it manifests itself in thought, words and deeds. Thus in the Holy Qura’n Allah in His own decree has defined Muslim by saying:``It is He who has named you- in bygone times as well as in this[divine writ]-those who have surrendered themselves to Allah, so that the Apostle might bear witness to the truth before you…Thus, be constant in prayer, and render the purifying dues, and hold fast unto Allah. He is your Lord Supreme…”(Sura Hajj,22:78)

 In the Holy *Qur’an*, Allah says that He has created mankind to be His *Khalifa*(vicegerent) on this earth. Islam further teaches that as the vicegerent of the sovereign Lord, mankind will have to account to Him for all their deeds in the final ‘Day of Judgement’, on the basis of which they will be rewarded or punished in the life hereafter(*Al-Qur’an*,2:85,281).Thus *Tawhid*(believing in the oneness of Allah), *Risalat*(Prophet Muhammad *SM* as the messenger of God and role model for believers) and *Aakhira*(Accountability in the Day of Judgment and life hereafter) are the fundamental basis of Islamic world view and Muslim behaviour. A Muslim says to himself: *``Innas salati` wa nusuki` wamahyaya wa mmati` lillahe rabbil a`lami`n’’*, means ‘my *sala*t (namaj), my prayer, my life and my death are dedicated to Allah Almighty’(*Al-Qur`an*,6:162). Allah(*STA*) has asked the mankind, ``*Adkhulu fil Islam kaffa’’*, means `enter to Islam fully’(*Al-Quran*,2:205).

 Therefore, Islam is not a part time religion. Unlike Sunday visit to Church in Christianity, or year end *Durgapuja* celebration in Hinduism, Islamic guidance covers every aspects of individual and social life. Prophet Mohammad(SM) demonstrated how to establish peace in society, how to manage statecraft and how to run business for profit following Islamic *Shari`ah* aiming at the satisfaction of Allah. A real Muslim would say,`*Razitu Billa`hi Rabba Wabil Islami Di`na, Wa Muhammadin Nabi`ya Wa Rasu`la’*,means ‘I am gladly accepting God as my Lord, Islam as my religion and Muhammad(*SM*) as the Messenger of God’. According to an authentic *Hadith* ,` he could enjoyed the test of *I`man*(Belief system) who has gladly accepted Allah as the Lord, Islam as the code of life and Muhammad as the Messenger of God’(*Muslim Sharif*, *I`man* Chapter, *Hadith* No.49).

In His revelations addressed to mankind, Allah(*STA*) says:

“*He has made subservient to you whatever in the Heavens and the Earth and*

 *granted you his bounties manifest and hidden*”(*Al*-*Qur’an*,31:20;also see

 4:32-35;16:12-14 and 45:12);

“*He it is who has created for you everything on earth*”(*Al*-*Qur’an*,2:29); and

“*And when the prayer is finished, then may ye disperse through the land,*

 *and seek of the bounty of God*”(*Al-Qur’an*,62:10).

There is no scope to ignore welfare/benefit in this mundane or worldly life. It is said that: ``*Addunia mazratul a`khira*", which means `life in this world is the vehicle to life hereafter'. Allah also said that:``*Wala` tansa nasi`baka minad dunya*"(Sura *Kasas*,28:77), means do not ignore thy portion(ligitimate due) in this world. He further teaches us to pray*.``Rabbana a`tina fid dunya hasanatao wafil a`khirate hasanatao wakina aza`bannar*"(*Al-Qur`an*,2: 201 ), means `O Lord! Gove us welfare in this world as well as ensure welfare in the life hereafter and save us from the torment of hell fire'.

The above verses of the Holy *Qur’an* make clear that:

1) All natural resources between the sky and the earth are provided by Allah(STA);

2) The object of providing natural resources, is to benefit all mankind; and

3) Men have been encouraged to explore and develop those natural resources by every

 available means and manage them with efficiency (*Ihsan*), justice(*Adle*) and mutual

 benefit.

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**International Islamic University** **Chittagong**

**Master of Business Administration**

Lecture Series Three: ***Philosophical Foundation of Social and Economic Behaviour in Islam***

Islam provides a framework of behaviour depending on certain philosophical, social, moral and economic foundations.

1. Philosophical Foundation:
	1. ***Tawhid***(Avj­vn&i GKZ¡ - God’s unity and sovereignty).Believing that life and universe are the creation and sustenance of an ever active but unseen force i.e.,Allah. This lays down the rules of God-man(*Hakkullah*) and man-man(*Hakkul Ebad*) relationship.

* 1. ***Rububiyyah***(wek¦e¨e¯’v Avj­vn&i GKK wbqš¿‡b cwiPvwjZ - divine arrangement for nourishment, sustenance and directing things towards their perfection-Fundamental laws of the universe). This throws light on the divine model for the useful development of resources and their mutual support and sharing. It is in the context of this divine arrangement that human efforts take place. Example, ecological balance between plant life and human life.

* 1. ***Khalifa***(c„w\_ex‡Z Avj­vn&i cÖwZwbwaZ¡ - man’s role as God’s vicegerent on earth).This defines man's status and role, specifying the responsibilities of man.

From this, it follows the unique Islamic concept of men's Trusteeship(the fundamental pillar of Islamic economics is that of the divine ownership of all human and physical resources in the universe. Man is chosen by God to be His vicegerent (*Al-Quran*,33:72;2:107;3:26;3:189;5:17,18,120; 7:158; 9:116 etc.)

* 1. *Tazkiyah*(AvZœvi cwi”QbœZv - purification plus growth)-It was Prophet's mission to revitalize man's relationship with God, with fellow human being, with the natural environment and with society .

 From this philosophical foundation, it follows that Islamic way of Muslim life and behaviour depends on the following five basic segments:

 1) *Imaneeyat*,i.e.,Faith or believe system(a = aviY Kiv +g© = gb,

 A\_©vr g‡b aviY Kiv)|

 2) *Ibadat*, which includes: *Salat*, *Hajj*, *Fasting* and *Zakat* etc.

 3) *Ahklak*,i.e.,character and conduct between two human beings.

 4) *Masharat*,i.e., maintaining proper environment, building of

 society with equity and justice for all.

 5) *Mumulaat*,i.e., dealings with others, more particularly

 financial dealings and maintaining business ethics.

**B. Ethical and Moral Foundation**: The ethical and moral foundation of Islamic economics lies in its uncompromising stance in commanding what is *hala*l or lawful and forbidding what is *haram* or unlawful--*riba* or Usury is forbidden, for example, because it is a form of oppression and exploitation.

Since Islam had identified the ills of an unjust and exploitative interest-based economic system, the *Qur`an* came out very clearly against its prevalent use(Sura *Al-Imran*,3:130). It did not stop with an injunction on interest but encouraged individual initiative and mutual cooperation in building up commercial enterprise and trade. In a *Ayat* of Sura *Al-Bakara* spells out:

``*Allah has permitted trade and forbidden interest’’*(*Al-Qur`an*,2:275)

Furthermore, in another Ayat, Allah glorifies a true businessman by saying that:

*``People whom neither (worldly) commerce nor striving after gain(buying and selling) can divert from the remembrance of God, and from constancy in prayer, and from charity:(people) who are filled with fear(at the thought) of the Day on which all hearts and eyes will be convulsed,(and who only hope) that God may reward them in accordance with the best that ever did, and give them, out of His bounty, more (than they deserve)…*(Sura *An-Nur*,24:37-38).

Similarly, according to one Hadith, a truthful businessman has been giving glad tidings of being together with *Shuhada* and *Salaheen* on the Day of Judgement.Thus a businessman is not only allowed to expand his wealth by investing in business, he can derive virtues as well by doing business following Islamic ethics and Sharia standard.

**C. Economic Foundation**: Islam allows, indeed, it encourages, the form of partnership where capital or cash wealth is combined with labour to produce goods serviceable to mankind--Islam calls this form of business venture *mudarabah*, *qirad* *or sharikah*(partnership).Ex. Islamic Bank is a good illustration of this form of business venture.

**D. Social Foundation**: Two major Islamic principles are: 1) the principle of equal human dignity and brotherhood; and 2) the principle of the undesirability of the concentration of wealth and income in the hands of the few.Ex. *Zakat*, *Sadaqua*, vocational education, training, rehabilitation and employment policies etc(Al-Bauraey,1985:179-186).

**Basic Tenants of Islamic Economic Behaviour:**

1. Good and properly acquired wealth is considered the pillar of life;
2. The provision of work to every able-bodied person and food to every needy mouth are rights of the citizens and obligations of the state;
3. The discovery of natural and mineral resources and the proper and lawful utilization of them are for the benefit of mankind;
4. Men have been encouraged by Allah to expand their wealth through mutual trade but the sources of evil and vicious earning derive from *riba*(interest), *qimar*(gambling or games of chance), and *khamr*(buying or selling alcohol) or other unlawful means are prohibited;
5. Economic activities are directed at closing or at least reducing the ever-widening gulf between rich and poor so that there will be neither extravagant wealth nor destitution;
6. The establishment of social security for every citizen by securing his life and providing whatever is necessary for happiness and satisfaction is a primary objectice;
7. The Islamic economic system calls for spending for good and worthy causes and encourages mutual or joint responsibility in the community and mutual solidarity among the *ummah* as a whole;
8. It emphasizes the necessity to co-operate on good and worthy projects: '...help ye one another unto righteousness and pious duty. help not one another unto sin and transgression...’(Qur’an,5:2);
9. The system recognizes the sanctity of wealth and respects private ownership as long as it does not conflict with the public interest;
10. It provides for the organization of financial and monetary affairs through just and compassionate legislation, and for the scrutiny of monetary procedures; and
11. Finally, the Islamic economic system acknowledges the responsibility of the state to protect and implement such a system(Al-Bauraey,1985:186-189).

 In the Holy revealation, Allah has categorically stated that those who do not behave according to what He has revealed, are no better than *fasiqun(*Rebel), *jalimun*(Wrong-doers) and *Kafirun(*Unbelievers)(*Al*-*Qur’an,.*5:47 and 50).He has further cautioned that:” Then is it only a part of the book that you believe in, and do you reject the rest? But what is the reward for those among you who behave like this? But disgrace in this life and on the Day of Judgement”(*Al-Qur’an*,2:85).

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**International Islamic University Chittagong**

Faculty of Business Administration

MBA Programme

**Subject: Management and Business From the World view of Islam**

**Lecture Series Five:** **Business Ethics : Islamic Perspective.**

**Business** can be used to refer to a commercial, professional or industrial organization or enterprise that exists to produce profit. In other words, the owner or operator of a business have as one of their main objectives, is the receipt or generation of a financial return in exchange for expending time, effort and capital. According to *Oxford Dictionary*, business denotes the “activity of making, buying, selling or supplying goods or services for money/profit”.

**Definition of Islamic Business** :

Business from Islamic perspective may be defined in two ways: a) business as an activity; and b) business as an academic discipline-a subject of study.

1) Islamic business means the activities or process of earning through investment(land, capital, effort etc.)keeping in mind the Islamic principles and the satisfaction of Allah(*STA*);

 or

 Islamic business pertains to the activities or process of earning through mutual investment (land or capital)keeping in mind Allah’s directives and return afterworld (for accountability )and maintain Allah’s *Adle*(Balance and justice) and *Ihsan*; and

2) Islamic business is a subject of study -- an academic discourse concerned with improving the business performances with the observance of Islamic ethics and principles.

**Positive View of Islam Regarding Business:**

1.Islam encourages people to expand their resources through trading and investment. But hoarding is prohibited in Islam and usury is forbidden. In the Holy *Qur’an,* it is said that: “…let be amongst you traffic and trade by mutual goodwill:…”(*Al-Qur’an* ,4:29). It further said that: “..*wa ahallaahul baia* *waharraman riba*”, means Allah permitted trade and forbidden interest…”(Sura Al-*Bakara*,2:275).

2.Allah encourages people to search(through investment) for bounties Allah between the sky and

 earth. Allah says: “He has made subservient to you whatever in the heavens and the earth and

 granted you His bounties manifest and hidden”(*Al-Qur’an*, Sura *Lukman*,31:20;also see 4:32-

 33;16:12-14 and 45:12).He further says: “And when the prayer is finished, then may ye disperse through the land, and seek of the Bounties of God: and celebrate the Praises of God often that ye may prosper”( *Al- Qur’an*,62:10).

3.Islam enjoins upon Muslims to keep working and struggling ,and forbid laziness and idleness. The *Qur’an* encourages people to be industrious. Allah says: “*Laisalil Insano Illah ma’sa`ah’ ,*means ‘that man can have nothing but what he strive for’( *Al-* *Qur’an*,53:39); and “Verily never does Allah change the condition of the people until they change it themselves”(*Al-Quer’an*,13:39).

4. The *Qur’an* has elevated ‘*amal* ` to the level of a religious duty by mentioning it consistently, in more than 50 verses, in conjunction with ‘*iman’*(faith),--*alladhina amanu wa ‘amilu al-salihat*.

5.The *Qur’an* itself regards ‘*amal* itself as *Ibadat*. In other words, work is the sole criterion beside faith by which the real worth of a person is to be evaluated for the purpose of reward and punishment. Therefore, The *Qur’an* not only permits and encourages all sorts of productive work, but also enjoins it upon Muslims as a duty.

6.Islam emphasizes mutual cooperation in good deeds. The *Qur’an* says: “*watsa wanee alal birre watakwa wala tarwae alal Islam wal wudwane”* means ‘ cooperate one another in good deeds, do not cooperate in bad deeds’(Sura *Al-Maida*, 5:2); and “*Watansa’ nasibaka minad dunya*”, means ‘do not forgo worldly rights’( Sura *Kasas*,28:77) .We have been asked by the Prophet *(STA*) to pray, “*Rabbana atina fiddunya hasanatao wafil akhera hasana wakina azaban nar*”*,* means, ‘Oh lord! Give welfare to me in this

 worldly life as well as life hereafter’(Sura *Bakara*,2:201).

7.The Qur’an regards business as lawful, good and beneficial for both the individual and the society. Fair trade and honest business are praised, recommended and strongly exhorted to by the

 *Qur’an*. The *Qur’an* even expressly permits business even during the

 pilgrimage(Sura *Al-Bakara*,2:198).Prophet(*STA*) said: “To do business in this world with justice and honour is to safeguard for oneself a place with the Prophets, the faithful, the martyrs and the righteous, in the other world.

8. Lastly, Prophet Mohammad(*STA*) himself was a model of trustworthy and honest businessman.

**Six Principles of Islamic Business Ethics**:

Abdullah A. Hanafy and Hamid Saham have classified some major ethical principles of Islam into the following six categories:(Their implications in social and practical life).

1. **Truthfulness**: Truthfulness is the basic ethical value of Islam. Islam is, in a way, the other name of truth. Muslims are to be straightforward and truthful in dealings and utterances*(Al-Qur’an*,33:70). Islam strongly condemns falsehood and deceit in any form.
2. **Trust**: Trust in the sense of accountability-efficient and socially desirable use of resources-Any business activity should not harm individuals, society and environment.
3. **Sincerity(*Ehsan*)**: Sincerity of attention and actions in every walk of life—Islam discourages manipulation or exploitation of others for personal reasons—not to cheat or harm others deliberately.
4. **Brotherhood**: Attitude of non-discrimination(of customers),and employees(in recruitment)and other stakeholders.
5. **Science and knowledge**: Islam makes it obligatory for Muslims to seek knowledge and obtain excellence in performance –Allah says: “*kuntum khaira ummatin”,*means ‘you are the best among my followers’(*Al-Qur’an*,3:110). We have been asked to pray, “*Rabbi Jidni elman*”, means ‘O lord! Excel me in knowledge’-It encourages dynamism, foster initiative and enjoins upon the believers to make persistent struggle (for economic activities as well and the pursuit of the ever expanding bounties of Allah) for his progress, both materially and spiritually.
6. **Justice and Welfare(*Adle wal Ihhsan*)**: Maintaing of Justice is a prerequisite of business and trade in Islam. Justice means that every one should be treated as he deserves….it includes fair treatment, equality and a sense of proportion and balance. It is required in pricing (fair price),product quality(quality control),employee treatment(fair and human treatment),handling of environmental pollution and *Ihsan*  in business decisions.

**Source:** 1. Sayyid Fayyaz Ahmed, “The Ethical Responsibility of Business: Islamic Principles

 and Implications”, in F.R.Faridi(ed.),*Islamic Principles of Business Organizations*

 *and Management*(New Delhi: azi Publishers and Distributors,1995),pp.23-25.

 2. Khalid Ahmed, *Management From Islamic Perspectives*(Kuala Lumpur: International

 Islamic University,2007),pp.318-320.

**General Ethical Guidelines For Muslims In Business:**

1. Be honest and truthful;
2. Keep your words;
3. Love Allah more than your trade;
4. Deal with *Momen’*s(Believers) before dealing with *Moshreq*(non-believers).
5. Be humble in conducting your life;
6. Use mutual consultation in your affairs;
7. Do not deal in fraud;
8. Do not bribe;
9. Deal justly.

**Source:** 1) Beekun,Rafic Isssa, *Islamic Business Ethics*(Harndon: International Institude of

 Islamic Thought,1997),pp.64-67;

 2) Arther, Syed Mohammad, *Islamic Management And Business*(Chitagong:

 NOKSHA,2007),p.31

**Six Ethical Systems of the World**:

1)Relativism; 2) Utilitarianism; 3) Universalism; 4)Rights; 5) Distributive Justice;

 and 6)Eternal law.

**Source:1) Beecun, Rafic Isssa ,pp.8-19.**

 2) **Arther, Syed Mohammad,**pp.19-23.

**Islam encourages partnership business such as**:

(If the intension of investors is righteousness a priori, Allah has promised to help)

1)*Al-Mudarabah or Qirad****;***

2) *Sharikat;*

3) *Musharakah;*

4)*Murahbaha; and*

5) *Qard Hasan****.***

**Source:Beecun, Rafic Isssa ,pp.48-49.**

**Six key axioms of Islamic philosophy:**

(What a Muslim will have to do in their application in Business)

1). Unity(T*awhid*);

2). Equilibrium(*Wasatun* or moderation);

3). Free will;

4).Responsibility;

5).Justice(*Adle*);and

6).Benevolence(*Ihsan).*

**Source:**1) Beecun, Rafic Issa, *Islamic Business Ethics*(Harndon: International Institude of

 Islamic Thought,1997),pp.20-29.

 2) Ather, Syed Mohammmad, *Islamic Management And Business*(Chitagong: NOKSHA,2007),pp.24-25.

**Business Ethics in Islam: Specific Principles:**

1) Adherence to contracts;

2) False advertising and misrepresentation;

3) Accurate measurement and weight;

4) Hoarding and profiteering;

5) Destruction of surplus produce;

6) Interest and unlawful trade;

7) Fair recruitment policy;

8) Fair treatment of workers;

9) Protection of environment.

**Source:Hanafy and Saham ,quoted in F.R.Faridi(ed.),*Ibid*.pp.25-32**.

**How Can Muslims Derive Virtues by Doing Business:**

If a Muslim follows the following principles\*

\*For details, see Sl. No. 1-6 of Ather, Syed Mohammad,*Ibid*,pp.140-142.

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**Meaning of the Evolving Concepts**

**Business**= Business denotes the activities of making, buying, selling or supplying goods or services for making profit(*Oxford Dictionary*).

 **Corporate**=Few individuals when join together for doing business(profit maximization) and form a company.

**Corporate Social Responsibility**(CSR)= CSR refers to the ``obligation that an organization has to protect and contribute to the society in which it functions”(Jay B. Barney and Ricky W. Griffin, *The Management of Organizations*,1992,p.726).

**Social Business**(SB)=A social business is a business where an investor aims to help others without taking any financial gain himself. At the same time, the social business generates enough income to cover its own costs. Any surplus is invested in expansion of the business or for increased benefits to society. The social business is a non-loss, non-dividend company dedicated entirely to achieving a social goal---Everything is for the benefit of others and nothing is for the owners—except the pleasure of serving humanity.---Philanthropy money may be a source for creating necessary fund for social business. Example: Grameen Bank and French Company Milo initiated joint venture project, *Shakti(*Card production plant) in Pubna to meet nutrition deficiency of Bangladeshi children( For details, see ``Redefine economic order: Yunus”, Prof.Hirendranath Mukherjee memorial lecture delivered by Nobel Laureate Muhammad Younus in a joint meeting of the members of Lok Sabah and Rajya Sabha on November 14,2009). Another example is that recently the RAJUK has taken a mega project to construct 22,000 flats in Uttara on its own finance, for allotment among low income(850 sq feet) and middle income(1050 and 1250 sq feets) groups of citizen in the country on no loss and no profit basis(Price would be estimated on tbe basis of construction cost +administrative cost of RAJUK) .Ultimately 95,000 plots would be constructed within five years in different parts of Dhaka(Interview given by Mr.Nurul Huda, Chairman, RAJUK to BBC Bangla service on Wednesday morning, the 21st of April,2010).

**Banking on Values**(BoV)= BoV is a vow to deliver services to unserved people and communities and contribute to the environment. Eleven of the world’s leading `sustainable’ banks in the world, launched the GABV(Global Alliance for Banking of Values) in March(2009) in the Netherlands amid the global financial crisis that rattled the world’s banking industry. The aim of the alliance was to build an alternative to the global financial system.B’desh Finance Minister Muhith says,``Banking for the poor also helps create equitable distribution of wealth”( For details, see ``Banking alliance vows to reach out to the unbanked”; and ``an exemplar of ethical banking”, The *Star Business*, Dhaka, March 7,2010).

**Note**: Changes in the objectives of business (i.e., from secular or value free or economic selfishness to value laden approach) and finance as described above, is the result of social reactions(i.e., inequality, increasing gap between rich and poor, human misery and poverty etc.). Appropriate approach still in quandary.

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**Islamic Perspective to Business**

**Islamic Business**(IB)= IB means the activities of earning through investment(i.e., capital, land, effort etc.) keeping in mind the Islamic principles(*Shari`ah* objectives and public goood) and the satisfaction of Allah.

Islamic perspective to business is universal, not the outcome of any social reaction. Islamic world view regarding the ownership and management of resources is based on *Tawhid,*  which entails that all resources belong to Allah Almighty. Mankind, as the *Khalifa*(Vicegernt) of Allah, has been given the ownership of resources as trustee. As trustee, man has been encouraged to utilize and expand resources in the way Allah has approved. Allah says:``He has made subservient to you whatever in the Heavens and the Earth and granted you His bounties manifest and hidden”(*Al-Qur’an*,31:20; also see 4:32-33;16:12-14 and 45:12).Allah has prohibited *haram*(forbidden) ways of earning and expending resources. For example, any investment in production or trade in wine, gambling, drug and pornography etc. are not allowed in Islam. Allah has permitted trade or buying and selling, but forbidden *riba* or interest in business transactions(*Al-Bakara,*2:275). He has encouraged mankind to mutual cooperation in good deeds, but forbidden in helping one another in furthering evil and enmity(Sura *Ma’idah,*5:2).

*Tawhid* entails responsibility on mankind not only towards Allah(i.e.,praying,fasting etc.), but also towards others in society(Stakeholders and society at large) and environment(i.e.,environmental protection).Islam allowes its followers to do business for profit without harming others(i.e., adding people’s misery by hoarding, unfair pricing through business syndicate, supplying rotten or adulterated commodities etc.) and environment(i.e., polluting environment). Man has been asked to ensure *adle*(justice) to stakeholders and *ihsan*(welfare) to mankind(Al-Qur'an,16:90). Islam has also encouraged people to take appropriate measures to check concentration of wealth in few hands, redistribute resources, minimize social gap and share their fortunes with other unfortunates in society( By paying *Zakat*, *sadaqa* etc.) . In Islam, man can also earn virtues by doing business as instructed by Allah and demonstrated by Prophet Muhammad(*SM*).Finally, business in Islam is value laden(i.e., concerning `should')and encompass both worldly life and the life hereafter.

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**International Islamic University Chittagong**

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MBA Programme

**Subject: Management and Business From the world view of Islam**

**Lecture Series Six:** **Planning in organizational Management Process.**

Planning means deciding in advance what is to be done in future. In other words, it is projecting the future course of actions of an organization i.e., what is to be done, when is to be dome and how is to be done? Planning encompasses the definition of organizational objectives or goals, the establishment of an overall strategy to how to achieve these objectives and the development of a comprehensive hierarchy of plans integrating and coordinating the various activities. The concern is thus with the ends as well as with the means. Good planning should be realistic and consists of actions that are compatible with available resources, employee ability and willingness, and no unrealistic promise that cannot be kept. Even the Lord of the universe Allah(STW) says: “...(and)everyday He manifest Himself yet another(wondrous)day...”(Sura *Ar-Rahman,*55:29).. The Prophet(SM) urges the Muslims always to be oriented toward the future. planning becomes necessary where resources are scarce. In order to meet innumerable needs of the people government resort to the strategy of planning.

**Types of Plan**:

**Strategic Plan**: Plans that apply to the entire organization, establish the overall objectives of the organization, and seek to strengthen their position of the organization in terms of its environment are called strategic plans.

**Operational Plan:** Plans specifying in details the approach to achieve the overall objectives are called operational plans.

**Short-Term Plan**: Plans involving activities to be carried out within less that a year, are called short-term plans.

**Long-Term Plans**: Plans extending beyond a time period of five years or more are called long-term plans.

**Specific Plans** *:*Specific plansare those which are clearly defined and stated and leave no room for interpretation. Specific plans thus have clearly defined objectives without ambiguity and with no room for misunderstandings.

**Directional Plan:**Directional plansidentify general guidelines. They provide focus, but do not restrict the management to specific objectives or specific course of action.

**Advantages of Planning**:

1.Planning facilitates coordination. It works as a beacon light and gives directions to manager and non-managers as to where, when and how to proceed towards achieving the organizational objectives.

2. Planning helps managing effects of future changes. Planning anticipates future changes, considers the impact of such changes on the organization, and develops appropriate strategies to reduce uncertainty. It also evaluates the consequences of actions managers might take in response to change.

3. Planning reduces overlapping and wasteful activies. Coordination of over all plans on the basis of facts and reality pinpoints waste and redundancy.Virtualy when means and ends are clear, inefficiency become evident.

4.Finaly, planning sets objectives nd standard of performance that are used in controlling the organization’s activities. In the controlling functions the managers compare actual performance against the objectives and standards, identify significant variation if any , and take the necessary corrective action. Without planning controlling cannot be done.

**Steps in Planning**:

1. Being aware of opportunities;

2.Establishing objectives;

3.Developing premises;

4.Determining alternative courses;

5.Evaluating alternative courses;

6.Selecting a course;

7.Formulating derivative plans; and

8.Quantifying plans.

For details, see Syed Mohammad Ather, *Islamic Management and Business,pp.46-50.*

Managers are recommended to incorporate the **SMART** criteria of good goals/objectives statements as follows:

 S-Specific : What is the organization focus sing on?

M- Measurable : How much is to be achieved?

A-Acceptable : Is the objective acceptable to those who will implement it?

R-Realistic : What is the outcome?

T-Time bound : What is the deadline for meeting the objective?

The Environmental scan:

An environmental scan encompasses the following components.The internal analysis s to identify the strengths and weakness of the organization,while the external analysis reveals the opportunities and threats.A profile of the strengts,weaknesses,opportunities and threats is generated by means of the **SWOT** analysis.

A simplified view of the strategic planning process is shown below in Diagram 4.1



Source: Khalid Ahmed, *Management From Islamic Perspective*(Kuala Lumpur: Research Centre, International Islamic University Malaysia,2007),pp.103-106.

**Islamic Planning**:

Islamic Planning is deciding in advance in *halal* ways what is to be done. An Islamic plan is a projected course of *halal* action. Islamic planning involves defining the organization’s *halal* objectives or goals, establishing an overall *halal* strategy for achieving these goals and developing a comprehensive hierarchy of plans to integrate and coordinate activities. Thus planning is concerned with both the ends(what is to be done) and the means(how it is to be done) and in Islamic planning it should be noted that both the ends and the means must be *halal*.

**PRINCIPLES OF PLANNING:ISLAMIC PERSPECTIVE**

Planning from an Islamic perspective requires four basic principles to be applied on the process which are as follows:

a) Forward thinking based on past experiences;

b) Rational use of resources;

c) Consultation before decision-making; and

d) Apply fairness to others.

A) FORWARD THINKING BASED ON PAST EXPERIENCES:

In planning for the future, one should build on what has been carried out in the past, while initially avoiding any shortcomings of the past. The *Qur'an* urges the Muslims to learn from past experience. The *Qur'anic* challenges: "Did they not travel through the earth, and see what was the end of those before them?"

B) RATIONAL USAGE OF RESOURCES:

The art of good planning is the skill of identifying potential resources and optimizing their use to produce the desired results. The Muslims recognize that Allah has provided for man's needs, if he would only make the effort to strive to deserve as well as to acquire it: "Do you not see that Allah has subjected to your use all things in the heavens and on earth, and has made His bounties flow to you in exceeding measure both seen and unseen."

C) CONSULTATION BEFORE DECISION MAKINC:

 The exercise of planning from an Islamic perspective is based on information seeking, advice and mutual consultation. The Prophet (SM) tells us that "Religion is sincere advice." It is not a matter of an authoritarian, totally centralized process of giving orders. Muslim planners seek information to replace their ignorance and enhance his/her knowledge on the subject at hand, solicits advice to test their assumptions and engages in consultation to overcome their own limitations. Allah says: "'Men ask the learned if you do not know, consult them in affairs of the moment."The *Qur'an* further describes the believers’ as "and who conduct their affairs by consultation."

D) APPLY FAIRNESS TO OTHERS:

Good planning requires balanced approach in assigning responsibilities to others for carrying out tasks, in handling the authority to others to discharge responsibilities, in allocating resources to accomplish objectives, and by setting the goals in the right priority to achieve the best interest of all concerned. The *Qur’an* calls for justice and fairness in all dealings “Give just measure and weight ,and do not withhold from people the things that are their due”.

In the highly competitive business environment of the modern times, the organization must engage in strategic planning that clearly defines its objectives and assess the internal as well as external situation to formulate a strategy and implement a strategy, evaluate its progress, and make adjustment accordingly to stay in the chosen direction.

**Nature of Islamic Planning**:

Examine an organization plans for ‘Profit earning’ or marketing achievement’. How it’s planning will be Islamic ?

For details, see Syed Mohammad Ather**,** *Islamic Management and Buiness***,**pp.47-50.

**Islamic Views Relating to the Planning Process at the Macro Level:**

**PLANNING**

The process of governance begins with the basic preparation of its plan. Planning means deciding inadvance, the objectives to be achieved and the means of achieving them. In the Holy *Qur'an,* Allah *(STA)* is encouraging people to plan ahead and strive for changing their lot. Everything in the universe, according to the *Qur'* *an,* is happening according to the predetermined plan of Allah *(STA)* that has been recorded in decrees ( Sura *Hadid:* 22). But planning in a human society is related to conscious effort for changing their lot. In this respect, Allah *(SAT)* categorically states: *" Verily never will A lah* *change the condition of a people until they change it themselves"* *(*Sura *Ra'd: 11).* In another verse, Allah *(STA)* clearly says: "that man can have nothing but what he strives for" *(*Sura *Nai.: 39).*

It has been mentioned in several verses of the Holy *Quran that* the goal of organised living of human being is to establish justice in society and the welfare of mankind. Islam has given overbearing importance to Justice after *Tawhid*.

Allah (STA) says:

*"O ye Children ofadam !* ... *Say: My Lord hath commanded*

*justice " (7:27-29);*

*"O David ! We did indeed make thee a vicegerent on earth.,* *So judge thou between men in truth (and justice)" (38:26);*

*"Allah commands justice and we@are to mankind" (16:90);* *and*

*"Allah doth command you to render back your trust to those* *to whom they are due; And when ye judge between man* *and man that ye judge with justice " (4:58).*

Justice in Islam is a comprehensive programme where individual rights and responsibilities in production and distribution and in the framing and implementation of laws are recognised on the basis of

**human equality. In an Islamic society, justice is a package programme consisting ofthe following** characteristics:

1 . Fulfillment of basic needs of individuals for their own physical growth and intellectual development so that they can contribute effectively to development of society;

2. Elimination of poverty from society through creation of several opportunities for employment for all qualified and workable labour force in society, and creation of honourable living standards for the less fortunate, such as the disabled, the sick, the orphans, the widows, and the destitutes, etc.;

3 . Islam not only prohibits concentration of wealth ina few hands but also proposes to redistribute resources between the rich and the poor through taxes and transfer payments such as *zakat.* *sadaqah, waqf, ushr, etc.;*

4. Islam places stress on exploitation and maximwn utilisation of land, labour, and capital as the chief factors of production to generate resources for society at large;

5 . From the lowest black domestic servant, Islam ensures all citizens an equitable opportunity to participate in government, but prescribes four basic criteria for assuming social leadership. These are: (a) the leader of an Islamic society must be honest and selfless who asks no reward from the people ***(*Sura *Yasin: 21);*** (b) the leader must be well-versed in the constitutional laws from the *Qur'an* and the *Sunnah* collectively known as the *Sliari'ah laws;* (c) the leader must be committed to social justice and divine laws ***(*** *Sura* ***Nisaa: 105 and*** *Sura* ***Hashr:*** 7); and (d) the leader in an Islamic system of govenu,nent must be elected or will take hold of power with the consent of the majority and will decide through *Shura* or a system of mutual consultation ***(****Sura* ***Sliura 38;*** *Sura* ***Mujaditiah:*** 9; and **Sura** ***Imran: 157);***

6. All individuals in the society, including the ruler, Muslims and non-Muslims, irrespective of being rich or poor, are treated equally in the eyes of the law;

7. Everyone in society is ensured of equal access to the wealth of his own community; and finally,

8 . Maintenance of social peace, which is so essential for development must be uninterrupted.'

The above-mentioned characteristics of social 'justice prescribed by Islam are closely interrelated and mutually supportive, leading people towards peace, progress, and happiness in society

In order to achieve the above objectives, Islam prescribes following **strategies** to be adopted in the economic activities of a country:

1.**A filter mechanism**through which the production, import, and use of non-essential, harmful, and

 luxury goods are to be el@atedorminimised;

2. A **motivation system** through which people have been encouraged to share their resources with

 others in society and sacn 'fice a little for mankind as a religious virtue; and

3 . **Restructuring the economy** in such a way that the trend to concentrate wealth in a few hands is

 checked, and goods and services that are needed to meet the basic needs ofthe individuals are

 produced 'in sufficient quantities considering the needs of the society.'

For details, see Abdun Noor, *Social Justice and Human Development*(Dhaka: Adorn Publcations,2007),pp.

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Lecture Series Seven: ***Organizing: Islamic Perspective***

After planning(goal setting),the second most important function of management is called organizing. Organizing is defined as the process of recruiting, hierarchically structuring individuals(Employees) and coordinating tasks and resources to achieve organizational objectives.

Principles of organizing are:

1) Recruitment of employees on the basis of merit;

2) division of works;

3) defining authority-relationship and responsibility system;

4) Fixation of rules and procedures for work performance; and

5) Impersonality of interpersonal relations.

 **ORGANIZING**

The core of modern public administration is organization of

personnel within a particular establishment. Islam has instructed

its followers to be solidly organized among themselves in order to

establish a just and welfare society based on *Tawhid* (*lmran*:

103). Umar Faruque (*RTA*), the second Caliph of Islam, is reported

to have said: “There can be no Islam without organization,

no organization without leadership, and no leadership without authority”.

A rational organization has following main components:

a) recruitment of individuals on the basis of merit ;

b) division of work and responsibility;

c) a hierarchy of authority ;

d) fixed rules to guide the personnel ; and

e) impersonality of inter-personal relationship.

Islamic views regarding these components are given in following paras:

***Recruitment***

Career service based on merit and fitness lies at the heart of

modern management. Islam also emphasizes on merit as

the sole criteria to recruit the organizational officials. In Islam, management

authority and responsibility are collectively called trusts. That

is why, the Holy *Qur’an* says:

 “*Allah doth command you torender back your trust to those to whom they are due, and*

*when judge between man and man, that ye judge with justice*”(*Nissa,4*: 58). The appointment of someone who is less competent when there exists a better candidate is strictly prohibited in Islam. Prophet Muhammad (*SM*) is reported to have said: “Anyone

who would ignore the competent candidate and recruits a less qualified, one has betrayed Allah and His Prophet” (*IbneTaimiyvah*).

But the criterion of judging the merit of the civil servants in Islam, is not limited to technical qualifications, but also their honesty, sincerity, integrity, and commitment to social justice. The *Qur’an* says: “*Truly the best of men for thee to employ is the*

(man) *who is ‘strong’ and ‘trustworthy’*” (*Kasas*: 26). According to Islamic scholars, ‘strength’ corresponds to the ‘skill and qualifications’ the job requires and to the ability to understand Islamic (constitutional) principles and the power to apply them ; while ‘trustworthiness’ applies to the fear of Allah, honesty, integrity and commitment to organisational goals.Even 2500 years ago, Greek Philosopher Plato emphasized on the ‘honesty’ of administrators for the sake of establishing justice in the Ideal State.

The logic is that a fox, however clever and skillful he or she might be, cannot be trusted in guarding the chicken. Similarly, management of national resources cannot be entrusted to dishonest people.The necessity of honesty in administration has again been reiterated

by the experts of the United Nations who point out that the quality of public management n is in a large measure determined by the honesty and integrity of the public personnel.

The traditional emphasis of public administration is to ensure ‘economy’ and ‘efficiency’ in government management. For this, technically qualified personnel are needed to be recruited on the basis of merit. But the value of ‘economy’ and ‘efficiency’ has got

different meanings in Islam. In Islamic administration, these are relevant to the extent that they are helpful in establishing justice and welfare in society. That is why, Islam emphasizes on qualities of honesty, integrity and sincerity of the civil servants, and their

commitment to social justice as the necessary prerequisites, besides technical qualifications. Prophet Muhammad (*SM*) and the rightly guided four Caliphs of Islam always recruited the most qualified (well-versed in *Sharia* laws), intelligent yet God fearing, honest and truthful men in their administration of the Islamic state of Medina.A significant feature of recruitment policy in Islamic administration is that it sees to it that no discrimination exists between the Muslim and the non-Muslim in the case of appointment to important government positions. *The Majesty that was Islam* by Montgomery Watt, gives fascinating account of the non-Muslims appointed as ministers, ambassadors, secretaries, chief controllers, and other similar positions of Islamic administration during the time of the Prophet (*SM*) and the *Khulafa-i-Rashidin .*

**Division work:**

Dividing the organizational work according to its specialty and importance, is an importance feature of Islamic management. When Prophet Muhammed(*SM*) has founded the Madina state, for governing it properly, he divided the whole country into ten provinces. To organize and manage works in each province, he has appointed three officials: al-wali(Governor for executive functions),al-amil(Tax collector for collecting different revenues for the treasury), and al-qazi(Judicial official for arbitration independent of the executive). The Holy *Qur’an* says:

 “*Allah doth command you to render back your trust to those to whom they are due…”(*(*Nissa,4*: 58).***Hierarchy of Authority***

Hierarchy in organization is the kind of relationship between the superior and the subordinates, and authority is the legal right to give orders. In administrative organizations, authority and responsibility are delegated downwards, making each subordinate office obedient to its superior. All are ultimately accountable to the highest command at the top of the pyramid. In Islamic administrative theory, compliance and obedience that should be expected from subordinates towards their superiors are set not only by virtue of legal rules but also it is seen as a divine requirement. In the Holy *Qur’an*, Allah (STA) says: “*O ye who believe! Obey Allah and obey His Messenger and those of you who are charged with authority*” (Sura *Nisaa,4*: 59). Thus, various grades of authority are recognised in an Islamic system of government. Islam has asked the political leaders to be obedient to Allah *(Qur‘an)* and His Prophet *(Sunnah)* ; the administrative leaders to be obedient to political leadership ; and advises the people to follow the rightful decisions of the politico-administrative leaders. After getting elected as the first Caliph of the Islamic government, Abu Bakr, in his first speech, categorically stated that he had received his mandate from the people who had asked him to implement the *Qur’an* and the *Sunnah*, and further states that so long as he did so at their behest, he should be retained but that when they found that he was going grievously wrong, he should be deposed.

***Fixed Rules***

The characteristic feature of a rational organization is that decisions are governed by a consistent system of abstract rules and procedures. In the delivery of goods and services to society with justice, the basic guidelines for administration in Islam are: the

*Qur’an*, the S*unnah* and their *Ijtihad* or rational judgement (Sura *Nisaa,4*: 105 ; Sura *Hashr*: 7). When Muaz-Ibn-Jabal was appointed Governor of Yemen, he was asked by Prophet Muhammad (*SM*) as to what rule would guide him in his administration of that province. “By the law of the *Qur’an*”, said Muaz. “But if you find no direction therein”? asked Prophet. “Then according to the *Sunnah* of the Messenger of Allah”, replied Muaz. “And if thou do not find a provision even therein?” Prophet asked again. “Well, then I

shall make an effort with my own sense of justice”, replied Mauz. The Prophet was so pleased at this reply that he embraced Muaz and commanded it to the other delegates.**15** In this way, Islam provides a broad framework for administrative rules and makes

provision for administrative discretion depending on time and situation.

***Impersonality of interpersonal relations:***

The uniqueness of a rational organization is its impersonality. In modem bureaucracies, decisions are made according to objectives and generally agreed upon criteria—not by caprice or whim or patronage. The teaching of Islam is that public administrators as the

vicegerents of Allah should administer justice among the people according to rules which are prescribed. While performing their responsibilities, the government officials are advised to avoid personal favour or hatred towards anyone when making administrative

decisions. In the Holy *Qur’an*, Allah (*STA*) says: “*O ye who believe! Be firm in justice ... even in cases against yourself, your parents or your kindred, whether the case pertains to a rich man or a poor man ... so follow not your passion lest you lapse from truth ... Allah is every informed of what ye do (*Sura *Nisaa,4: 135) ; And do not let hatred by any people (or community)dissuade you from dealing justly. Deal justly, for that is closer to Godliness” (*Sura *Maidah: 8)*.

The above verses are the heritage of all mankind. It mentions the very principles and values that are to be observed in the delivery of goods and services to the people through public administration. This impersonal feature of public administration, which is the most valued characteristic of Western rational or Weber Ian bureaucracy of the 20th century, has not only been started by Islam during the seventh century, but also found its fullest expression in the State of Medina under the administration of Prophet Muhammad (*SM*) and the *Khulafa-i-Rashidin*.

**Chart-1**

**Similarities and Differences Between Secular/Western Management and Islamic Management**

|  |  |  |
| --- | --- | --- |
| Process of Management | Modern Management (Goal and Outlook) | Islamic Management |
| 1. Planning  | 1. Efficiency and economy in production and distribution. | 1. Establishment of justice and doing welfare  to mankind.  |
| 2. Organising (a) Recruitment(b) Hierarchy (c) Rules(d) impersonality  | 2. (a) Technical qualification and  experience only(b) Obedience to hierarchical  authority.(c) Rule that are framed based on  time and place. (d) Decision based on impersonal  rules. | 2. (a) Along with technical qualification, honesty, integrity and commitment to justice. (b) Obedience to Almighty God, His Apostle and those entrusted with authority from among people. (c) The shar'ia (The *Qur'an* and the *Sunnah*) and regulations framed accordingly. (d) Decision within the Framework of the *Qur'an* and the *Sunnah*.  |
| 3. Leadership | 3. Situational | 3. *Shura* or Participative |
| 4. Accountability | 4. Hierarchical or institutional  | 4. (a) Hierarchical;(b) Directly to the people; and (c) Moral sensitivity based on the sense of  accountability to Almighty Lord on the  Day of Judgment.  |

Chart -2

Bureaucratic World View in Modern Management Vis-a-Vis Islamic Management

|  |  |  |  |
| --- | --- | --- | --- |
| SI. No | Question  | Modern Management  | Islamic Management  |
| 1.2. 3.4.5.6.  | Who Am I?What is my responsibility?What is the goal of administration?To whom is my loyalty?What would be the style of leadershipWhat are the factors that influence the bureaucrats in their decisions? | 1.Representative of the authority (in power) 2.Execution of fixed goal plan of management 3.Implementation of company policies with 'efficiency' and 'economy' (value neutral approach). 4.Power, organisation and professional Groups.5.Paternalistic (Where government bureaucrats would decide and people would abide by).6. Personal, class and group interest  | 1.Vicegerent of the Sovereign Lord of the universe.2.Establishment of justice and doing of welfare to mankind according to God's prescriptions. 3.Social justice and welfare to mankind (value ladden approach)4.God, His Apostle and those entrusted with authority.5. Participative. i.e., decisions would be made through shura on mutual consultations with the concerned individuals.6.Compliance to God's directives to do righteous deeds (i.e., doing welfare to mankind) and the sense of accountability to God on the Day of Judgment  |

Source: Compiled by the author from Anthony Downs, Inside Bureaucracy, (Boston : Little Brown, 1969); Robert D. Miewald, Public Administration: A Critical Perspective, (New York : Mc Graw Hill, 1978); Yaser M. Adwan and Zahir Kayed, "The Responsiveness of Government Officials to Public Demands: A Comparative Study", Asian Affairs, Vol. 10, April-june, 1988.

**International Islamic University Chittagong**

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**Subject: Management and Business From the world view of Islam**

Lecture Series Eight: ***Leading or Leadership: Islamic Perspective***

Introduction

Throughout history, it has been recognized that the difference between success and failure whether in a war, a business, a football game or religious reformation movement etc., can be attributed to leadership. It is known to exist and has tremendous influence in human performance.

Leadership in administration is a process of influencing people towards achieving the desired goal. It is a situation where the leader and the followers interact with each other with a view to achieving common objective. The leader decides and motivates people to behave in the most desired way and the followers follow the decisions of their leader. Therefore, leadership function involves facilitating the achievement of group goals. Keith Davis defines leadership as the "ability to persuade others/followers to seek defined objectives enthusiastically". It is a human factor(an art)that binds a group together and motivates it towards goals.

**Elements in the Leadership Process**

**L G**

 **S**

**F**

**Note: G=Goal, F=Followers, L=Leader, S=Situation**

**Role of Leadership in Islam:**

Leadership played an important role in building Islamic society and organization. In the Holy *Qur'an*, Allah(*STA*) has said:

"And(remember this) when His Sustainer tried Abraham by (His) cammamdmends and the latter fulfilled them, He said:`Behold! I shall make thee a leader of man' "(Sura *al-Bakara*,2:124);

"And We bestowed upon him(Ibrahim),Issac and (Issac's son) Jacob as additional gift(i.e.,in addition to his eldest son Ismael who had been born years before Issac), and made them leader who would guide(others) in accordance with our behest: for We inspire them(with a will) to do good works, and to be constant in prayers(*salat*), and to dispense charity(*zaka*t); and Us(alone) did they worship"(Sura *Al-Ambiya*,21:72-73); and

"And We raise some of them above others in ranks so that some cammand work from others"(Sura *Zukrub*,43:32).

**Islamic Perspective of Leadership**

Thus from these verses, we may infer that in Islam, leadership is a process of guiding people toward good works based on the worship of Allah(*STA*) alone. In an organizational setting, Islamic leadership may be defined as the process of influencing people, called employees in achieving organization's (*halal*) objectives in a way approved by *sharia'h*. That is why, Prophet of Islam Hazrat Mohammad(*SM*) advised his followers: "whenever three of you are united,select one as your leader"(*Abu Dawood*).Management literature on leadership highlights three styles(Autocratic, Democratic or Participatory and Laissez-faire or Free Lain) and approaches(Trait, Behavioral and Situational or Contingency). Each style or approach has advantages and disadvantages. There is no such style or approach which can be made applicable in all situations. Situational variable is also an important factor in choosing appropriate leadership style.. Situation may demand a mixture of all styles. The correct choice or method of leadership would not only greatly influence leader's effectiveness, but also can lead to the achievement of organizational goal.

"The objectives of Islamic leadership include both worldly welfare and eternal bliss. The ultimate objective of Islamic leadership is having satisfaction of Allah(*STA*) through achievement of `*halal* objectives' of the organization"(Athar,2007:117).

**Important Features of Islamic Leadership**

Islamic Perspective of leadership can be understood from the following directions of Allah(*STA*) to His Prophet(*SM*):

" It is part of the mercy of Allah that you deal gently with them. Were you severe or harsh hearted, they would have broken from about you: so pass over(their faults), and ask for(Allah's) forgiveness for them; and consult them in affairs of (moment). Then, when you have taken a decision, put your trust in Allah. For Allah loves those who put their trust(in Him)[Sura *Al-Imran*,3:159; also see 42:38);

"God does not burden any human being with more than he is well able to bear: in his favour shall be whatever good he does, and against him whatever evil he does"(Sura *Al-BaKara*,2:286; Sura Al-Mu'minun,23: 62).

From the verses, **six traits** in Islamic leadership have been stressed:

1. A leader must deal with his followers gently;

2. A leader must pass over minor faults of followers if any;

3. Leader must not put excessive workload on his followers;

4. A leader must consult his followers in affairs of mutual concern;

5) After consultation, the leader must take his decisions( Similar to

 the System-3:"Consultative leadership" style developed by

 Professor Rensis Likert of the University of Michigan); and

6) Once decision is made, the leader puts his trust in Allah for

 every action or any decision in point.

An Islamic leader must,therefore, measure up to these six requisites of leadership.

**Follower's Responsibility Towards Leadership**

1. The followers are to follow the rightful decisions of the leader(Sura *Nisaa*,4:59)**\***. Example of

 Prophet(*SM*)'s farewell pilgrimage speech where he has asked his followers to remain

 obedient to the legal authority even if the leader is a black Nigro slave.

2. In choosing the leader, the followers must consider his qualities of *Taqwa*(God

 consciousness), *Azro*(selflessness who ask no reward) and *Muhtadun*(righteousness or rightly

 guided)(Sura *Yasin*,36:21)**\*\***.

3. The followers are to correct the leader if he goes wrong or does a mistakes. Examples of

 Calipha Abu Bakr's inaugural speech and changes of decisions of Prophet(*SM*) before the

 battles of Badr and UHud.

4.The *Qur'an* has advised not to follow autocracy. In Sura *Al-Kahf,* Allah said: "And contain

 thyself in patience by the side of all who at morn and at evening invoke their Sustainer...and

 pay no heed to any whose heart We have rendered heedless of all remembrance of Us because

 he had always followed(only) his own desires, abandoning all that is good and true"(Sura *Al-*

 *Khaf*,18:28).

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Note**: \*** InHoly *Qura'n*, Allah(STA) says:" O ye who believe! Obey Allah and obey His

 Messengers and those of you who are charged with authority"(Sura *Nisaa*,4:59).

 **\*\*** Allah says to mankind**: "** Follow those who ask no reward of you(selfless), and

 themselves are rightly guided(righteous)(*Al-Qura'n*, Sura *Yasin*,36:21).

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**International Islamic University Chittagong**

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**Subject: Management and Business From The World View of Islam**

**Lecture Series Eight:** **Controlling in Organizational Management:** **Islamic View**

The word ‘control’ originates from French root ‘contre’, means against. The word ‘role’ means ‘a function assumed by someone (Webster Dictionay). Koontz and O’Donnell defines control as the measuring and correcting of activities of subordinates to assure that events conform to plans. Thus, the term measures performance against set goals and plans. The act of controlling reveals deviations and assists in assuring the accomplishment of plans. Planning at a managerial level, as well as at an operational level, is a process with future aims in view and that lays down steps that have to be taken for its achievement. Controlling, on the other hand, is the process of monitoring the various activities being carried out to ensure that plans and pre-determined objectives are being accomplishes. Islamic control system encompasses the tools, techniques, methods, and procedures applied to oversee whether all activities and functions of various divisions, departments and sections are proceeding as directed to achieve *'halt* objectives of the organization. Like any control system Islamic control system has the following four steps:

1. Establishing the standards of measurement;

2. Measuring actual performance(Knowledge of different units and employees whether performing properly);

3. Comparing actual performance with the standards and finding deviations of actual performance from the standards;

4. Issuing corrective actions to meet the standards’ and targets.

A continuous search for new approach for the improvement of the performance.

These steps of control are discussea below:

1. **Establishing the standards of measurement**

For the purpose of efficient and effective control, setting appropriate standards is a must. In setting standard Islamic guidelines are as follows:

**i.** Standard should be challengingBoth quantitaive and qualitative).Standard to be classified and properly communicated.

ii. It should be achievable.

iii. It should not be too high or too low.

**iv.** The standard should be decided after scientific testing and/or actual performance of some

 Normal period or periods.

v. Standards should be pragmatic rather than based on theoretical aspects.

vi. Standard should be based on facts rather than fiction.

vii. Standard should be decided jointly by the executives and all the members concerned of the organization through shura or consultative decision( Keeping in mind the mission ,objectives and goals of Islamic management); and

v111Necessary inputs(i.,e., resources, skill, training and required authority etc. to be provided

**2. Measurement of actual performance**

As to measurement of actual performance the following points should be observed:

i. Actual performance should be measured in lines of authority and responsibility of the organization i.e. as far as possible according to the organizational, divisional, departmental, and sectional budgets.

ii. Measurement should be impartial, unbiased and objective rather than subjective.

iii. As far as possible measurement of performance should

be quantitative and accurate and should minmise the cost of actualcontrolling activity.

**3. Comparing actual performance with the standard**

 At this stage actual performance is compared with the standard performance(BSTI for example inspects the quantity control bycount,weight or any other appropriate method or chars or graps-Gant chart measures the performance of employees. Budgetary control ,Reporting,MBO etc.,are monitoring method. Quantities- sales,pprosduction,maxchine utlisation, output per worker etc. . The difference of actual per romance room the standard performance is called deviation. This deviation may ether be favorable or unfavorable. When actual performance is higher than the standard performance the variance is favorable. But when actual performance is lower than standard performance the variance is unflavored. While reporting variance it should be clearly mentioned whether the variance is favorable or unfavorable. More-over the reason or reasons for variances must be mentioned for the purpose of taking appropriate corrective action or actions.

**4. Issuing corrective actions.**

The unfavorable variances depicted in the control report are to be rectified by issuing appropriate corrective action or actions. In this connection the corrective action should be issued before the opportunity is missed. Otherwise issuing corrective action will be in vain. After issuing corrective action the current control cycle becomes complete and another control cycle restarts.

Figure-1

Controlling System

|  |
| --- |
| Proces |

|  |
| --- |
| Inputs |

|  |
| --- |
| Controller |

|  |
| --- |
| Outputs |

|  |
| --- |
| Comparisonwith standard |