

# On Parallels between Modern Management, Good Governance and Islamic Teachings

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## Abstract

The primary purpose of this paper is to demonstrate some key parallels between modern management, good governance and Islamic teachings. This view would promote appreciation of Islamic management and governance thought in the world, in general, and good management and governance practices in the Muslim world, in particular. The paper also aims at highlighting Islam's contribution to management and governance thought and practice. It, therefore, attempts to favourably influence world opinion about Islam's true teachings. This paper emphasizes the universal applicability of true Islamic teachings and can, therefore, be used to promote greater understanding of ethics, morality, justice and responsibility to stakeholders in micro and macro level organizations in the world, in general, and in the Muslim part of the world, in particular. This will, in turn, foster convergence in the world instead of polarization that the world is currently headed towards.

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## Introduction

The purpose of this paper is to demonstrate that the core business and public management concepts/policy guidelines applied in the contemporary world were also espoused in the Holy *Quran* and later explained by Ali ibn Abi Talib who was Prophet Muhammad's (SAWW) cousin and son-in-law and who was pronounced as the 'Gateway to the city of knowledge' by Prophet Muhammad (SAWW) in his well-known saying, 'I am the city of knowledge and Ali is the Gateway'.<sup>1</sup> Ali would later also become the Caliph of all Muslims 656-661 A.D. This paper is

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<sup>1</sup> The original *Sahih* of al-Tirmidhi as cited in Jalal al-Din al-Suyuti (d.911 AH), Mirza Makhdum 'Abbas b. Mu'in al-Din al-Jurjani (d.988 AH), Muhammad b. 'Abd al-Baqi al 'Azhari al-Zurqani al-Maliki (d.1122 AH), Shihab al-Din Ahmad b. 'Abd al-Qadir al-'Ujayli al-Shafi'i (d.13<sup>th</sup> century AH) et al and narrated by al-Bazzar and al-Tabarani in *al-'Awsat* on the authority of Jabir b' Abd Allah, al-Tirmidhi, and al-Hakim on the authority of 'Ali. Retrieved from <http://www.al-islam.org/tahrif/cityofknowledge/index.htm>.

based on the key source of knowledge, the Holy *Quran*, and its explanation on management and governance provided by Ali ibn Abi Talib briefly introduced above.

Research emphasis in this paper is that Holy *Quran's* policy guidelines and Ali ibn Abi Talib's explanation of the Holy *Quran* in the context of management and governance are related to the contemporary emphasis on business ethics, equity, corporate social responsibility, and welfare of stakeholders that undergird successful modern management and good governance practices in the realm of corporate, local and national governance alike. This is notwithstanding the fact that not all of contemporary management practices emanate from Islamic teachings.

The methodology comprised careful reading of Quranic Verses in the context of this paper and an in-depth study of a seminal order issued, during his Caliphate, by Ali ibn Abi Talib to governor-designate of Egypt. This seminal order and letters and sermons given in *Nahjul Balagha (Peak of Eloquence)* by Ali ibn Abi Talib were reviewed in-depth. Contemporary management and governance thought was compared with the aforesaid Islamic sources. Reliance was made on content analysis to draw comparisons. Intensive and extensive review was carried out of literature on management. Analytical outcomes are being discussed since the middle of the last decade in several graduate classes in Managerial Policy and Corporate Strategy in the MBA program. The outcomes have also been discussed in the undergraduate classes in Development Economics of the BBA program. All classes have supported and agreed with the analytical findings presented in this paper even though the classes comprise diverse sectarian preferences in Islam. Key source is in Arabic language. Reputed translation and explanation were relied upon.

A major contribution of this paper will be that contemporary understanding of ethics, morality, justice, responsibility to stakeholders, accountability, transparency, and rule of law will be linked with the Divine instructions on the same. This connection with Islamic business management and Islamic governance thought and practice would enable their inclusion in the MBA syllabi that should eventually impact business management and governance practices favorably in Muslim countries. A major contribution of this paper will, therefore, not just be in thought but also in practice.

This paper is the first of its kind to connect good business management and good governance with Islamic teachings communicated 1400 years ago. It shows the relevance of 14 century old teachings in contemporary times despite which the same are not practiced commonly in many parts of the Muslim world. The paper would help sell modern

management thought and good governance in the Muslim world that would, in turn, have a positive spillover over the rest of the globalizing world in the form of a desire for peaceful coexistence.

### **Evolution of management thought since the 20<sup>th</sup> century**

Management thought has evolved from the early 20<sup>th</sup> century scientific management system pioneered by Frederick Taylor<sup>2</sup> to the Principles School led by Fayol, Mooney, and Mary Parker Follett. The components of the model for business organizations are PODC, that is, planning, organizing, directing, and controlling. The public administration counterpart is POSDCORB, that is, planning, organizing, staffing, directing, coordinating, reporting, and budgeting.<sup>3</sup> The central question of the theory of organization in the 1930s and according to Gulick<sup>4</sup> was to establish and perfect the structure of authority between the director and the ultimate work subdivisions. Gulick further posited and predicted the central question of the theory of organization for the years to come that was ‘coordination by ideas.’ The principles presented by Gulick included span of control, unity of command, homogeneity, the line and staff concept, and the scalar principle.

Despite the above developments in management thought and practice, organizational pathologies are generated mainly because an effort of the will remains wanting. This led to the development of the Human Relations (HR), Organizational Development (OD) school, and the Simonian paradigm.<sup>5</sup> Gulick<sup>6</sup> was not oblivious of this as he addressed this factor through his ‘coordination by ideas’. That is, human will is best mobilized when the hearts and minds are involved in organizational pursuits. Organizational goals would then be pursued with passion.

So, while the traditional approach focused on perfecting the organizational structure, the HR/OD school focused on perfecting the effectiveness of the employee as, in this school, organizational effectiveness is deemed to be a function of employee effectiveness.

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<sup>2</sup> F.W. Taylor, *The Principles of Scientific Management*, Harper & Row, 1911, retrieved from <http://www.marxists.org/reference/subject/economics/taylor/principles> accessed 9 March 2012.

<sup>3</sup> L. Gulick, and L. Urwick (eds.) *Papers on the Science of Administration* (New York: Institute of Public Administration, Columbia University, 1937).

<sup>4</sup> *Ibid.*

<sup>5</sup> H.A. Simon, *Administrative Behavior*, Third Edition (London, New York: Macmillan, 1945).

<sup>6</sup> L. Gulick and L. Urwick (eds.), *op.cit.*

Simon<sup>7</sup> developed the idea further to demonstrate that organizational effectiveness is a function of the effectiveness of organizational mission.

Mission statement is a statement of organizational purpose and the values upheld by an organization. McKinsey's 7-S framework also depicts that an organization coalesces around shared values and an organization is not defined merely by its structure, staff, and systems. Unless there is harmony on the reason for being of an organization, its various operations will not be synchronized, perfection of structure and staff notwithstanding. For, several local maxima may not be able to attain the global optimum that organizations should be aiming at for mission accomplishment.

Organization is, therefore, 'regularized behavior.' Behavior can be best regularized by broadening the zone of acceptance of human beings associated with the organization. Zone of acceptance can be broadened by offering inducements to those who are contributing to the operations of an organization. Organization is, therefore, in satisfaction-contribution equilibrium with the input/service providers. The inducements could be individual material incentives or higher purpose goals that those having a stake in the organization are able to achieve by serving the organization. The more satisfying the return to the stakeholders, the better will their contribution be to the organization. According to Simon,<sup>8</sup> organizations are not concrete administrative machines but they are amorphous processes of influence and motivation. It is the human soul that should be inspired if the organization must accomplish its mission.

Simon's participants of an organization are not limited to entrepreneurs and employees. Way back in the 1940s, Simon espoused even suppliers and customers as organizational members that is now an integral part of the stakeholders' theory.<sup>9</sup> And, customer needs and wants satisfaction is pronounced to be the reason for being of business organizations.<sup>10</sup> Towards this end, the concept of quality control graduated to quality assurance that further developed into total quality management (TQM). The concept of *kaizen* or continuous improvement has caught on in the world with a view to providing value to the

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<sup>7</sup> H.A. Simon, *op.cit.*

<sup>8</sup> *Ibid.*

<sup>9</sup> J.S. Harrison, D.A. Bosse and R.A. Phillips, 'Managing for stakeholders, stakeholder utility functions, and competitive advantage', *Strategic Management Journal*, 31:1 (2010) pp.58-74.

<sup>10</sup> A.A. Thompson, and A.J. Strickland, *Strategic Management: Concepts and Cases*, Tenth Edition, Irwin/McGraw-Hill, 1998.

consumer that should yield customer delight and even better customer ecstasy. The concept of quality management with a view to building quality into the product gained ground within a matter of 100 years.

### **Similarity between management, governance, and Islamic teachings**

Management is to get people together to achieve desired goals and objectives. These goals may fall in the realm of business or any other private or public activity at the micro or macro levels. Regardless of the sphere or scale of activity, the goals are desired to benefit humankind. It is a misunderstanding to assume that all businesses exist only for maximizing shareholders' wealth, that is, profit maximization. If businesses sought only profit maximization, they would not be able to invest for growth in the long run nor would they be able to give due returns to other stakeholders namely employees, creditors, suppliers, customers, competitors, government, and the natural environment. Failure to give returns to these input providers would adversely affect the quality of inputs into business processes. Business organization would then neither be able to maximize the wealth of shareholders nor would they be able to attain the goal of customer satisfaction which is the *raison d'être* of a business organization.<sup>11</sup> The concept of corporate social responsibility (CSR) is fundamental to the concept of business management as is also elucidated in Harrison et al.<sup>12</sup> who advocate managing for stakeholders to secure sustainable competitive advantage. The concept of CSR or managing for stakeholders is dealt with at length in a later section dedicated to CSR in this paper. Suffice it to say here that it is in line with the Quranic Verse 7:85 that emphasize giving due measure and due weight. This aspect is discussed at length later in the paper in the section, 'Management and governance principles enunciated 656—661 AD'.

Due measure and due weight should be given to the buyer according to the Divine Instructions. The Quranic Verse is explaining that trading activity should be conducted with justice. This is a policy guideline given in the Quran that may be extrapolated to all dealings and interactions with all other stakeholders as well. That is, ethical practices based on the principles of justice should undergird all business operations as per the Quranic guidelines. Same thought is found in Harrison et al.,<sup>13</sup> 'Firms that manage for stakeholders develop trusting relationships with them based on principles of distributional, procedural,

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<sup>11</sup> *Ibid.*

<sup>12</sup> J.S. Harrison, D.A. Bosse and R.A. Phillips, *op.cit.*

<sup>13</sup> *Ibid.*

and interactional justice'. Accent, in Harrison et al.,<sup>14</sup> is on 'trust' and 'justice' in managing business relationships. This emphasis in business management surfaced in the Holy Quran 55:7-9 almost 1400 years ago before it did in 2010 in Harrison et al. and the entire body of literature on corporate social responsibility (CSR). The Dean of Harvard Business School Noria stated in 2010 that MBA students should take an oath similar to the one taken by medical and law students.<sup>15</sup> Quranic teaching of ethics and justice in trading/business relations is found applicable in the world.

It can, therefore, be concluded that there are strong similarities between contemporary management practices based on morality and justice and Quranic or Islamic teachings.

Management for business organizations comprises PODC that is, planning, organizing, directing, and controlling. In the public realm, management is POSDCORB that is, planning, organizing, staffing, directing, coordinating, reporting, and budgeting. Regardless of the domain or sphere of activity, management is to formulate long-term strategy, devise action plans, implement them, evaluate them, and take corrective action if need be. In dynamic environments, organizations, big or small, must develop capability to respond to external environmental factors. This response capability is a function of organizational orientation, its mission, and its sense of purpose, which, in turn, is possible only if the organization is managed strategically and is well governed. 'Governance' is the process of decision-making and implementation. In the realm of business management, it is called 'corporate governance.' Good corporate governance and strategic management does not require definition of organizational boundaries either physically or legally. Value chain concept has extended organizational boundaries beyond the physical and legal limits. It is the concept of virtual organization that has gained currency. The virtual organization may comprise a network of activities that should be coalescing around a common sense of purpose. The concept of management may, therefore, be extended to city management, local governance and to country management or national governance. Many city managements are organized along functional lines of water, sewerage, fire, security, roads, projects etc. The city governments as well as their functions are led by masters in public administrations like the business organization functions that are led by masters in business

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<sup>14</sup> *Ibid.*

<sup>15</sup> Michael W. Small, 'Developing wisdom and moral duty in management', *Journal of Management Development*, 30:9 (2011).

administration. City management is, however, overseen by public representatives. Business management is analogously overseen by elected shareholder representatives on the board of directors. While city and country management must be promoting public interest, business management must ensure that its goals are also congruent with public interest, failing which the business organization will not have societal sanction and will not be able to function. There is accountability in both types of organizations. Accountability in public organizations is to the representatives of the people. Accountability in business organizations is not only to the board of directors elected by the shareholders but also to stakeholders of the organization, various interest groups, and regulatory authorities. While there is an emphasis on the bottom line in business organizations, public organizations must also run surpluses to be able to accomplish their mission. So, financial resource is required by all. However, that may not be the reason for being of either business or public organizations. For, financial resource is only one of the resources required by organizations—private or public, business or public services. Other resources, required by all organizations across the business and public service spheres, include human resource, technological resource, physical capital, managerial or governance expertise, intellectual capital, and ability to work together towards common goals, that is, social capital. There is, therefore, a convergence between business and public management.

None of the above is dissimilar from what the World Bank and the UN define as good governance. According to UNDP,<sup>16</sup> characteristics of good governance are: participation, rule of law, transparency, responsiveness, equity, accountability, and strategic vision. All of these characteristics are common to both corporate and local/national governance. In the case of business organizations, modern management practices are the state-of-the-art that go further on from participation to involvement and empowerment of employees. Also, satisfaction-contribution equilibrium is struck with all the stakeholders to enter into an equitable mutually beneficial relationship with them. All other characteristics are displayed by business and public organizations alike at the micro and macro levels of governance in both the private and public spheres of life.

UNDP,<sup>17</sup> defines good governance, ‘...as a set of societal institutions that fully represent the people, interlinked by a solid network

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<sup>16</sup> *Arab Human Development Report*, UNDP, United Nations Publications, 2002, p.106.

<sup>17</sup> *Ibid.*

of institutional regulation and accountability (with ultimate accountability to the people), whose purpose is to achieve the welfare of all members of society.' Good governance '...promotes, supports and sustains human well being...especially for the currently poorest and most marginalized members of society'.<sup>18</sup> Concern for the poor and equitable distribution is a theme that runs through the Holy Quran, for example, in Surah Al-Maa'oon 107 and in Surah Dahar 76. A high level of concern for the poor was demonstrated by the Holy Prophet (SAWW) and the purest amongst his family, by their progeny, by Ali ibn Abi Talib during his lifetime and his Caliphate during which accent was on poverty eradication and well being of the deprived, and by all the ordained twelve Imams during their lifetime.

We, therefore, see that human welfare as the end of good governance was emphasized 1400 years ago in the Quranic Message and exemplified through the lives of the Holy Prophet (SAWW) and his infallible progeny. This end of governance has been adopted by all the developed countries of the world. The means to the end of human welfare is good governance which is explained in depth in numerous letters and sermons of Ali ibn Abi Talib in general and in his letter to Malik Ashtar, the governor designate of Egypt, in particular. The letter to Malik Ashtar also fleshes out the structure of the state that we now see globalized. That is, Ali ibn Abi Talib shows that, amongst others, army, executive, judicial, law enforcement, common people, various professions, and trading and business comprise a closely interwoven web of relationships in a society. This is exactly how the modern world is structured. The principles and values that should undergird a well governing state are also elucidated by Ali ibn Abi Talib in his letter to Malik Ashtar. These principles and values are found all over the world as is demonstrated later in this paper.

It can, therefore, be concluded that there are strong parallels between good governance and Quranic or Islamic teachings. Prophet Muhammad's (SAWW) business practices in 7<sup>th</sup> century AD and lessons in business management that are harmonious with some modern management concepts.

Muhammad (SAWW) pastured sheep and goats for livelihood during his early years.<sup>19</sup> His guardian uncle, Abu Talib, introduced Muhammad (SAWW) to trading.<sup>20</sup> Muhammad (SAWW) accompanied

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<sup>18</sup> *Ibid.*, p.105.

<sup>19</sup> Prophet Muhammad PBUH today, <http://icsfp.com/EN/Contents.aspx?AID=2494>, date accessed 3 May 2012.

<sup>20</sup> *Ibid.*



Abu Talib with the latter's trade caravans to greater Syria.<sup>21</sup> He soon acquired the reputation of an honest and trustworthy businessman with great business acumen that other merchandisers sought in their trading representatives.<sup>22</sup> Lady Khadija was a well-known and highly respected businesswoman in Arabia. She was the wealthiest in the Quraish tribe.<sup>23</sup> Lady Khadija invited Muhammad (SAWW) to lead her trading expeditions to distant lands. Muhammad (SAWW) accepted the invitation.<sup>24</sup>

Some of the very well-known business practices of Muhammad (SAWW) prior to the Revelations are given below along with the modern management concepts that Muhammad's (SAWW) practices correspond to:

1. Muhammad (SAWW) was known for disclosing the defects in the products he sold. Yet, he generated higher revenues and profits.

The above certainly does not imply that we make defective products and then disclose the defects of the products we sell. This is not applicable in this day and age when so many competing products and brands stock up the shelves. However, it does drive home five important modern day concepts discussed below:

- That businesses exist to satisfy needs and wants of customers.<sup>25</sup> Muhammad (SAWW) disclosed the defects to prospective consumers so that they know the extent to which their needs and wants would be satisfied. He disclosed the defects because customers' needs satisfaction was uppermost in his mind, central to his trading activity, and the reason why he engaged in trading.
- Muhammad's (SAWW) practice also corresponds to modern day requirement of providing full information about the product/full disclosure.
- Indirectly, it is the importance of product quality that is also emphasized through Muhammad's (SAWW) disclosure of defects. That is, ordinarily, products cannot be sold if their defects are disclosed. So, people should strive to provide products that are

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<sup>21</sup> *Ibid.*

<sup>22</sup> *Ibid.*

<sup>23</sup> Najmul Hasan, *Chauda Sitarey* (Fourteen Stars) (Lahore: Imamia Publications, 1973); Holy *Quran*, <http://www.alislam.org/tahrif/cityofknowledge/index.htm> accessed 11 January 2015.

<sup>24</sup> Z.H. Jawwadi, *Nuqoosh e Ismat* (Signs of Truth), 3<sup>rd</sup> Ed., (Karachi: Mahfooz Book Agency, 2007).

<sup>25</sup> A.A. Thompson, and A.J. Strickland, *op.cit.*

defect-free. That is, quality products should be made and sold. Quality management, therefore, gains salience.

- As Muhammad (SAWW) disclosed the defects, customer needs satisfaction gained salience over financial results or profits. However, Muhammad (SAWW) made higher profits than was the case previously. This serves to highlight the importance of profits being a fallout of good business practices which, in modern parlance, is known as good ethics resulting in good business.
- That honesty pays in both the near—and the long—term has also been highlighted and this is at the centre of ethics in modern management.

When Muhammad (SAWW) reported higher profits than before, despite full disclosure and honesty, the sponsor Lady Khadija offered a higher commission to Muhammad (SAWW). Muhammad (SAWW) declined and said that he would take commission as per the agreement. This highlights the importance of:

- Honoring a contractual agreement that is a major emphasis in modern day business practice.

Muhammad's (SAWW) business practice also illuminates the concept of managing for stakeholders<sup>26</sup> as he guarded the interests of both the customers and the sponsor. According to the stakeholder theory, managing for stakeholders develops trusting relationships based on the principles of distributional, procedural, and interactional justice.<sup>27</sup> Since Muhammad (SAWW) demonstrated all three types of justice mentioned in the stakeholder theory, he developed a high level of trust with his stakeholders and came to be known as *sadiq* (does what he says) and *ameen* (trustworthy). Within a short span of time, Muhammad (SAWW) became a sought after trader in Makkah for the qualities he demonstrated in business and in managing stakeholder relationships that the world regards highly even today.

Stakeholder perspective is widely incorporated in modern strategic management models and ideas.<sup>28</sup> For, there has been a growing emphasis on theoretical constructs that are ethically based especially in the wake of increasing deviation from desired ethical concepts in the world in general and in the corporate sector, in particular.<sup>29</sup> Effective management is now viewed as synonymous with effective management

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<sup>26</sup> J.S. Harrison *et.al.*, *op.cit.*

<sup>27</sup> *Ibid.*

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

of a broad group of stakeholders. This takes us into the area of corporate social responsibility (CSR).

### **Corporate social responsibility (CSR)**

According to the contemporary view of social responsibility, business firm's responsibility is not just shareholders' wealth maximization.<sup>30</sup> Rather, business firms must discharge responsibility to all the input providers as, according to open systems theory, a firm's output also depends upon the quality of its inputs. So, a firm's output will be only as good as the quality of the inputs provided by various stakeholders that include customers, employees, suppliers, creditors, shareholders, competitors, society, and the natural environment. Since the recipients of a firm's output are also most of the input providers, the quality of inputs, in turn, depends upon the quality of outputs provided by the firm to input providers. The relationship is circular. It is, therefore, in the business interest of firms that they strike satisfaction-contribution equilibrium with the input providers so that they continuously enhance the quality of their inputs, processes, and outputs they provide to the firm as many output recipients are also input providers to the firm. The contemporary view of social responsibility, therefore, also leads to quality management and improved business performance.

The above is one approach to CSR. It is called social responsibility as all the primary stakeholders are members of the social system. So, discharging responsibility to primary stakeholders is discharge of responsibility to members of the society which is why responsibility towards primary stakeholders also falls within the purview of social responsibility that should be discharged by business firms first and foremost.

A narrower approach to CSR is discharge of responsibility to the community, society, and natural environment. Regardless of firms' responsibility to the primary stakeholders, this narrower approach deems firms as socially responsible if they contribute to social and community life in some manner. Firms, therefore, attempt to enhance their visibility on the CSR score through visible societal contributions. The United Nations Global Compact with businesses, launched by the UN on 26 July 2000, solicited support of businesses for ten principles in the areas of human rights, labour, environment, and anti-corruption.<sup>31</sup> While many

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<sup>30</sup> Samuel C. Certo, and J.P. Peter, *Strategic Management: Concepts and Applications* (New York: Random House, 1988).

<sup>31</sup> M. Fatima, 'A review of United Nations 'Global Compact' and its impact on Pakistan', *The Journal of Management*, 9:1 (2007), pp.77-87.

thought that this might lead to a business capture of the UN Agenda, Global Compact has spread to over 30 countries.<sup>32</sup>

The Caux Round Table (CRT) Principles for Business, introduced in 1986 by the then President of Philips Electronics and the Vice Chairman of INSEAD, expect responsiveness to stakeholders as well as to shareholders together with efforts to create justice, world community, and business behaviors compliant with the letter and spirit of the law.<sup>33</sup>

Even though the narrower approach to CSR is popular in the more developed parts of the world where responsibilities to the primary stakeholders is discharged to a great extent either in compliance with the law or in harmonization of private business interest with public interest or in line with the call of business responsibility based on responsible and ethical conduct; it is the less developed part of the world where business management should not be provided a cover to hide from what is truly responsible behavior.

True social responsibility for all countries begins with responsibility to primary stakeholders that may then be extended to broader components of the society as the business organization develops. The developed countries have reached this level of responsibility to a very large extent whereas the concept remains a remote one in less developed countries where these concepts are viewed as applicable more in the West than in their parts of the world.

The Muslim part of the less developed world may, however, be alerted to the parallels between modern management thought and Islamic teachings so that they view best management practices as an integral part of their heritage and not as inorganic add-ons imposed upon them by the developed West.

The above approach will also serve to dispel an ersatz CSR view that has come to prevail in the less developed Muslim countries. Setting up of charity schools and hospitals is viewed as CSR whether or not responsibility to primary stakeholders is fulfilled. Setting up or funding charities is actually corporate philanthropy that makes the businesses feel that they have discharged their responsibility to the disadvantaged segments of the society when CSR is to first discharge responsibility to the primary stakeholders who too are members of the society that are providing inputs or claiming outputs from business and, therefore, stake a claim in efficient and effective business operations. It is the blurring of

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<sup>32</sup> *Ibid.*

<sup>33</sup> B. Parker, *Introduction to Globalization and Business* (India: Sage Publications, 2005).

the lines of distinction between good business management practices, corporate social responsibility (CSR) in its true and narrower sense, and corporate philanthropy that has obfuscated the first principles in management and governance, that is, management at both the micro and the macro levels in the less developed Muslim countries. This tendency has given rise to an entire gamut of issues revolving around rights, ethics, and responsibilities for harmonious coexistence in human societies.

The first principles in management and governance are also elucidated in a well-known letter written to the governor-designate of Egypt, Malik Ashtar, by Ali ibn Abi Talib in his capacity as Caliph of the Muslim nation during 656—661 AD. Imam Ali's letters and sermons during his Caliphate were originally compiled by Sayyid Razi under the caption *Nahjul Balagha* meaning Peak of Eloquence. The English version captioned *Peak of Eloquence* was first published in 1984 by the Islamic Seminary Publications.

### **Management and governance principles enunciated 656—661 AD**

Ali ibn Abi Talib writes in his seminal letter to governor-designate of Egypt, Malik Ashtar, that businessmen and industrialists should be treated well. They provide goods for the consumers and bring them from far off lands if the same are not available locally.<sup>34</sup> Once again, there is an emphasis on what the reason for being of businesses is that jibes with what is seen in Thompson and Strickland,<sup>35</sup> that is, businesses exist to satisfy the needs and wants of consumers. Imam Ali further writes that businessmen are the sources of wealth of a country and are usually peace-loving.<sup>36</sup> Imam Ali advised Malik Ashtar to look after the interests of businessmen and to protect them.<sup>37</sup> To the extent that the letter dwells upon the responsibility of businesses to consumers that the former fulfill even if they have to get goods from distant difficult-to-approach lands,<sup>38</sup> it is an expression of the modern day concept about corporate social responsibility to consumers.

However, having said that, Imam Ali warns the governor-designate about the possibility of deviant behavior in them. He writes,

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<sup>34</sup> Ali ibn Abi Talib, *Nahjul Balagha Peak of Eloquence*, Translated by Jafri, A (Bombay, Karachi: Islamic Seminary Publications, London, New York, 1984), pp.631, 638 and 639.

<sup>35</sup> A.A. Thompson, *et.al.*, *op.cit.*

<sup>36</sup> Ali ibn Abi Talib, *op.cit.*, p.639.

<sup>37</sup> *Ibid.*

<sup>38</sup> *Ibid.*

‘You know they are usually stingy misers, intensely self-centered and selfish, suffering from obsession of grasping and accumulating wealth. They often hoard their goods to get more profit out of them by creating scarcity and by indulging in black-marketing. Such a condition is extremely injurious to the public on the one hand and disgraceful to the ruler on the other. You must put a stop to all such practices.... But even with all the sympathetic treatments accorded to them and with all the facilities provided to them, if the traders and industrialists carry on hoarding and black-marketing, then you must punish them according to the intensity of their crime’.<sup>39</sup> Almost 11 centuries later, we find this thought in Adam Smith as well.

While Adam Smith argued that competition based on self-interest would benefit the society ‘by keeping prices low,’ he was wary of businessmen and cautioned about their tendency to conspire against the public to raise prices.<sup>40</sup> He further warned that businesses may collude to fix the highest price ‘squeezed out of the buyers’<sup>41</sup> and that a true *laissez faire* economy would become a conspiracy of business and industry against consumers.

In the above-referred business and industry part of Ali ibn Abi Talib’s letter, the modern day concepts of corporate social responsibility, corporate ethics, corporate governance, harmonization of public interest and private interest, and regulation of businesses are reflected. The modern day concept in law of punishment in proportion to the crime is also seen herein.

So, according to Ali ibn Abi Talib’s letter, CSR to the consumers will not be fulfilled if prices are jacked up artificially and the business concern engages in profiteering instead of profitable business activity. If CSR is not fulfilled and if business is conducted unethically, it will be a case of poor corporate governance that will need to be dealt with through the iron hand of the law and business activity would then need to be regulated. These are striking parallels between modern thought in management and governance and the thought espoused in Islamic teachings in 7<sup>th</sup> century AD, that is, almost 14 centuries ago.

Ali ibn Abi Talib derives from the Quranic Verses on due measure and due weight and he alludes to it in his letter to Malik

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<sup>39</sup> *Ibid.*

<sup>40</sup> A. Smith, *Works and Correspondence of Adam Smith*, Vol. 2a, The Glasgow edition edited by R.H. Campbell and A.S. Skinner, Oxford, 1976 and cited in Adam Smith, Wikipedia, the free encyclopedia.htm, [http://en.wikipedia.org/wiki/Adam\\_Smith](http://en.wikipedia.org/wiki/Adam_Smith), retrieved 14 July 2012.

<sup>41</sup> *Ibid.*

Ashtar.<sup>42</sup> That is, the Divine Authority is instructing to give due measure and due weight in trading/business relationships. Based on the Quranic Verses 55:7-9, 57:25 also on the ‘balance of justice’, ‘due measure and due weight’ may be interpreted for all business relationships, that is, the business-customer relationship, business-supplier relationship, the business-employee relationship, the business-creditor relationship, the business-shareholder (big or small) relationship, and the business-community/society relationship. For, in each one of these relationships, ‘due measure and due weight’ must be given by business organization to enter into satisfaction-contribution equilibrium with each one of the input providers as highlighted in the stakeholder theory. In a nutshell, the Divine Instructions are for what is now known as management for stakeholders. This is a very strong parallel between Islamic teachings and modern management thought that should sell well in the less developed Muslim countries who should accept modern management thought as their own, gain commitment to it, and then try to live by it.

To give ‘due measure and due weight’ ala Divine Instructions, that is, to discharge responsibility to all the stakeholders ala stakeholder theory,<sup>43</sup> a strong prerequisite is prescribed in Imam Ali’s letter to Malik Ashtar wherein he delineates the mindset that is needed for being a good manager, a good governor and a good ruler. Lack of this mindset is one the hallmarks of less developed countries. Salient features of this mindset include:<sup>44</sup>

- The manager/governor/ruler should not be arrogant.
- That is, arrogance comes from a feeling of having absolute power that managers/governors/rulers actually do not have. For, there are managers/rulers over people in authority and power positions and ultimately God is the Supreme Lord over all people of authority. Arrogance may, therefore, be reined in by considering the levels of superiors that one has to submit to and ultimately to the power of the Supreme Lord of the Universe. These layers of authority and power should inculcate humility in the minds of people in power positions instead of arrogance.
- Humility should, in turn, enable a power position holder to exercise control over his inner self and over his desires.
- People in power positions should, therefore not be short-tempered.

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<sup>42</sup> Quranic Verses, 7:85, 11:84-95, 17:35, 26:181-183; Ali ibn Abi Talib, *op.cit.*, p.639.

<sup>43</sup> J.S. Harrison, *et.al.*, *op.cit.*

<sup>44</sup> Ali ibn Abi Talib, *op.cit.*, pp.625-26.

- Their minds should be a source of good thoughts, good intentions, and good deeds.
- They should be kind, compassionate, and should have love for their subjects.
- People in power positions should be patient and sympathetic towards those they govern.

Ali ibn Abi Talib writes, ‘...the Mighty Lord will always humble pitiless tyrants and will degrade all pretenders of His Power and Might’.<sup>45</sup> Human history has borne this out repeatedly and, most recently, in none other than the Muslim countries in the Middle East.

Imam Ali is aiming at ‘attitudinal repositioning’ of people in management. Jack Welch did attitudinal repositioning to reality, excellence, and ownership in General Electric (GE) when he took over as GE’s CEO.<sup>46</sup> Imam Ali also attempts to show the ‘reality’ of Divine Instructions that should guide people in their conduct, behavior, and disposition. Following Divine Instructions would lead to ‘excellence’ in management and governance as it would now be based on justice and equity that God desires the most. ‘Ownership’ of faith would make managers and governors God fearing which would then make them see ‘...every work of the State (as) the work of Allah (God)’.<sup>47</sup> Imam Ali presents all state/office/profession and also family/community/society related work as ‘worship’ which shows one’s connection with the Creator in every moment of one’s existence and in the course of performance of duties and fulfillment of obligations. This direct linkage with the Creator would inspire one to perform to the best of one’s capabilities voluntarily and willingly. The idea of a ‘healthy hierarchy’ is thus introduced as is also given in Ron Ashkenas et al<sup>48</sup> which is discussed below.

A ‘healthy hierarchy’ ala Ron Ashkenas et al<sup>49</sup> leads towards a ‘boundaryless organization’ for greater efficiency, effectiveness and quick response to attain organizational goals through a cross-functional/horizontal view of the organization in which lines of communication are opened up amongst various layers in the organization vertically and horizontally. Ali ibn Abi Talib extends the open lines of communication further and he establishes a conscious connection of the

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<sup>45</sup> *Ibid.*, p.626.

<sup>46</sup> A. Miller, *Strategic Management*, Third Edition, Irwin/McGraw-Hill, 1998.

<sup>47</sup> Ali ibn Abi Talib, *op.cit.*, p.642.

<sup>48</sup> Ron Ashkenas, *et.al.*, *The Boundaryless Organization*, USA, Jossey-Bass, A Wiley Company, 2002.

<sup>49</sup> *Ibid.*



people with the Creator. That is, occupants of boxes on an organogram are accountable not just to the higher levels in the hierarchy but also to God as are the CEO and the Board of Directors (BOD). Imam Ali makes an attempt to raise this level of accountability to the Creator from the sub-conscious to the conscious state so that people perform in their various private and public positions out of both love and fear of God. An organization staffed by such people will be 'boundaryless' with the Creator as its hierarchy will be 'healthy' that will deem itself connected directly to the Creator to whom they are accountable and whose pleasure they would seek the most. In the process, the performance level will improve and they will seek 'continuous improvement'.

Ali ibn Abi Talib builds attitudes further by attempting to change the stereotypical attitudes.<sup>50</sup> He promotes 'equity' as opposed to the 'inequity' that people in underdeveloped societies experience routinely and take it as given and a fact of life they think they cannot change. Imam Ali says<sup>51</sup> that much appreciated policy is the one based on equity. He attempts to change the mindset of the managing/governing/ruling elite thus, 'Remember that displeasure of common men, the have-nots and the depressed persons overbalances the approval of important persons, while the displeasure of a few big people will be excused by the Lord if the general public and the masses of your subjects are happy with you'.<sup>52</sup>

Usually the wealthy and the powerful hold sway over decision making by forming the power base of the rulers/managers. They thus comprise the inner circle in decision making and thus stake a claim bigger than their share in national/organizational resources. This is unjust and unfair as resources must be allocated/distributed equitably according to each one's rights and obligations they discharge. Imam Ali cautions that the wealthy/powerful elite are never satisfied and they want more and more of the resources.<sup>53</sup> He further cautions that such elite are also quick to turn their backs on you if they are dissatisfied or if times change. That is, they stick around for as long as their personal interests are served and are loyal neither to the ruler/manager nor to the cause. Imam Ali advises the rulers in various capacities to guard against the proclivities of the elite and to reduce reliance on the elite for support in the office. On the other hand, he says<sup>54</sup> that it is the underprivileged

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<sup>50</sup> Ali ibn Abi Talib, *op.cit.*, p.627.

<sup>51</sup> *Ibid.*

<sup>52</sup> *Ibid.*

<sup>53</sup> *Ibid.*

<sup>54</sup> *Ibid.*

segments whose loyalty to a cause can be won and secured. It is this 'assemblage' that the rulers/governors should build relationship with and, '...secure their trust and goodwill'.<sup>55</sup>

This squares with the modern strategic management concepts that emphasize 'giving meaning to workers in the trenches' as without the involvement, commitment, ownership, and empowerment of the rank and file, no organization can be steered strategically in a dynamic external environment that requires rapid organizational response which is not possible to give by only a few in the upper echelons.

In the process of discharging due responsibility to all cadres in an organization and entering into a satisfaction-contribution equilibrium with them, the manager/ruler would earn the pleasure of God and would have sought Divine Support in all organizational matters.

Ali ibn Abi Talib further exhorted the rulers in various capacities to create goodwill in the minds of subjects by being kind and considerate to them, by reducing their troubles, by not oppressing them, and by not asking for things beyond their power.<sup>56</sup> According to Imam Ali, it is important to win the confidence of people by not treating good and bad people alike.<sup>57</sup> He introduces the concept of merit by further emphasizing thus,

Speak well of those who deserve your praise. Appreciate the good deeds done by them and let these good actions be known publicly. The correct and timely publicity of noble actions and golden deeds creates more zeal in the minds of the brave and emboldens the cowards and the weaklings. You must know and realize the good deeds done by every single individual so that the credit of noble deeds done by one may not be given to another. Do not underestimate and underpay the good work done. Similarly do not overpay a work simply because it has been done by a very important person and do not let his position and prestige be the cause of overvaluation of the merit of his work and at the same time do not undervalue a great deed if it is done by a very ordinary person or a commoner. Let equity, justice, and fairplay be your motto.<sup>58</sup>

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<sup>55</sup> *Ibid.*

<sup>56</sup> *Ibid.*, pp.629, 630.

<sup>57</sup> *Ibid.* p.629.

<sup>58</sup> *Ibid.*, p.633.

Ali ibn Abi Talib further writes,

The thing which should most gladden the heart of a ruler is the fact that his State is being ruled on the principles of equity and justice and that his subjects love him. And your subjects will love you only when they have no grievance against you.<sup>59</sup>

Grievances are likely to be reduced only if, inter alia, the ruler's advisors are honest, humane, and who speak the truth fearlessly.<sup>60</sup>

## Conclusion

Muslim nations need to view the first principles of management and governance as harmonious with the Divine instructions. Sense of ownership will help them internalize good management and governance practices that will, in turn, lead to a more peaceful coexistence with the world. Good governance in general and good corporate governance in particular is about maintaining healthy relationships with the stakeholders through systems and strategies that lead to stakeholders' satisfaction. Stakeholders should be beneficiaries of a well governed system rather than of philanthropic activities. Philanthropy actually aims at compensating for the negative spillover effects of systems that work only for the benefit of a privileged few. Good governance reduces demand for philanthropy as the marginalized are integrated into a system that works for the benefit of all. This emphasis is found both in modern management as well as in the governance principles espoused 14 centuries ago that should aim at convergence rather than polarization in the world.

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<sup>59</sup> *Ibid.*

<sup>60</sup> *Ibid.*, p.629.