An Application of Islamic Principles in Building a Robust Human Resource Management System (In Islamic Countries)

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Abstract

The purpose of this conceptual paper is to enlighten academicians and organizations with effective ways of understanding and implementing HRM by using Islamic principles. A qualitative approach based on an extensive review of existing relevant literature identify the Islamic principles that relate to HRM activities. An HRM system based on Islamic principles is expected to benefit the organizations by facilitating them to create a healthy work environment that fosters mutual trust, respect, consultation and knowledge sharing, and creativity and innovation among employees. Further, it can also assist in solving existing corporate problems, like conflict of interest between managers and owners (agency problem). The key limitation of this study is the dearth of empirical research evidence to support the points abstracted from this review of literature. The study contributes to the scarce literature on Islamic Human resource management by exploring the scope of application of Islamic principles in designing of an effective human resource management system.

Keywords: Human Resource Management, Islam, Quran, Sunnah.
1. Introduction

Until recently, management research alienated itself from religion and its possible impact on employee behavior at work; organizations were treated as “religion-free” zones (Matiaske & Grozinger, 2010). This notion prevailed in the face of the acknowledgement of more than 80 percent people that religion is an integral part of their daily life (Sedikides, 2010). However, the interest of management researchers has incarnated the role of religion in management. A number of studies have affirmed the influence of religion on workplace behaviors, such as “satisfaction” (King & Williamson, 2005), “leadership styles and effectiveness” (Reave, 2005), “ethical behaviors” (Weaver & Agle, 2002), and “employment practices” (Budhwar & Fadzil, 2000).

Islam is one of the major religions of the world. Islam is not just a religion; it is a way of life. Islam means complete submission to the will of Allah (SWT) in all domains of life. The Muslims’ lifestyle and actions are shaped by the dictates of Quran, the word of Allah (SWT), and Sunnah, the teachings of Prophet Muhammad (PBUH). Islam is the religion of more than 1.6 billion inhabitants of earth, who make 23% of world’s total population. “The major share subsists in Indonesia (13%), followed by India (11%), Pakistan (11%), Bangladesh (8%), Nigeria (5%), Egypt (5%), Iran (5%), Turkey (5%), Algeria (2%) and Morocco (2%)” (The Pew Forum, 2013, p.4).

The Muslim world like other nations is also exposed to the forces of globalization. Globalization has not only intensified competition but has also promoted capitalist ideology around the world (Ahmad, 2007; Ahmad & Fontaine, 2011). The permeation of capitalism in Muslim world has led to the dichotomy in the legal system, wherein social and family life is guarded by Islamic law, while the economic and management practices are governed by civil law, adapted from the West (Ahmad et al., 2011). In addition, management practices are largely influenced by the West, though local cultural value and norms provide inputs. The combination of Western capitalist ideology and local cultural values and norms, many pre-Islamic, has led to the adoption of human resource management (HRM) practices that are at odds with the Islamic teachings (Ahmad et al., 2011).

This conceptual paper explains Islamic principles related to HRM activities—recruitment, selection, performance appraisal, training and development, and compensation. The objective of this study is to explore the application of Islamic principles in HRM practices. An HRM system built on Islamic principles is expected to have positive impact on the performance of employees and the overall growth of an organization (in Muslim countries). However, HRM practices in most of the organization in Muslim countries, except Muslim organizations in Malaysia, are based on the Western system and are influenced mostly by pre-Islamic local
cultural values and norms. Such practices are not in line with the Islamic principles and values.

2. Human Resource Management

Human resource management (HRM) relates to the utilization and management of human capital to attain organizational goals and objectives (Armstrong, 1996; 2000; Armstrong & Baron, 2002; Osman et al., 2013). HRM entails four basic functions: acquisition, development, motivation and maintenance of human resource (Osman et al., 2013). Acquisition is the starting point of human resource management function. It deals with planning, selection and recruitment of workforce for an organization to ensure that the exact and capable individuals are at right place and at right time (Armstrong, 1996; 2000). Acquisition is primarily concerned with planning, recruitment, selection and socialization of employees (Yeganeh & Su, 2008; Osman et al., 2013). The second component of HRM is employee development, which deals with improving employee performance by divulging knowledge, changing attitudes and improving employee skills (Armstrong, 1996; 2000). The goal of employee development function is to enhance the performance of an organization through efficient and capable employees (Armstrong & Baron, 2002). The development of employees evolves preparing newly appointed and existing employees for the challenges posed by changes in internal and external environments of the organization (Armstrong, 2000).

The third key component of HRM, employee motivation, is indispensable for achieving improved employee performance (Armstrong, 1996; 2000). Armstrong (1995; 2000) argues that training and development alone cannot improve employees’ performance (Armstrong, 1996; 2000). The function of motivation encapsulates job specification, performance evaluation, reward and punishment, work performance, compensation management, discipline and so on (Yeganeh & Su, 2008; Osman et al., 2013). The fourth function of HRM, maintenance, is the last component of human resource management. It concerns with the process of retaining employees (Armstrong & Baron, 2002; Yeganeh & Su, 2008; Osman et al., 2013), who perform well and add value to the organization. It also requires organizations to provide additional facilities, safe working conditions, friendly work environment, and satisfactory labor relations (Armstrong & Baron, 2002). These activities are expected to facilitate an organization retention of capable and competent employees at work place. Such employees are more committed to the organizational objectives and are satisfied with their jobs (Armstrong (1995; 2000).
3. Principles of Islamic management

Islam is a comprehensive religion that relates to and guides its followers in all facets of their lives (Ahmad, 2007). In Quran Allah (SWT) says:

“This day I have perfected for you your religion and completed My favour upon you and have approved for you Islam as your religion” (Quran, 5:3).

“Islam not only concerns about the worldly matters but also the hereafter since everything done by mankind in this world has the ultimate end to seek Allah’s pleasure” (Sulaiman et al., 2014, p.190). Al-Attas (2001) asserts that in Islam the ultimate focus is on the akhirah-aspect (the hereafter), but it does not neglect or disregard the duniya-aspect (worldly). Hence, to be successful and accomplish the ultimate end, man should follow the instructions and guidelines provided by Allah (SWT).

From Islamic perspective, management, “is the process of planning, organizing, leading and controlling the efforts of organizational members and by using all other organizational resources depending upon the guidance of Allah (SWT) and His Prophet (Peace Be Upon Him) with accountable mentality, integrity and skills to achieve the predetermined objective” (Sulaiman et al., 2014, p.192). Importantly, Islamic management guides the managers in managing the organization more effectively and efficiently. It assists CEO’s, General managers, Senior managers and Mangers to properly set organizational objectives, vision and mission, company’s values, code of conduct and ethics, the process of decision making, recruitment, employees training and developments and strategies in managing the business that meet the overall Muslim mindset (Sulaiman et al., 2014). With respect to HRM, Branine & Pollard (2010) argue that the following principles of Islamic management are instrumental

1. **Niya:** Prophet Mohammad (PBUH) said that; “the reward of deeds depends on the intentions” (Ibn Kather, 2003). Hence, employees should be rewarded and punished for their intended activities; unintentional mistakes should be overlooked.

2. **Taqwa:** Taqwa is fear of Allah (SWT) and love of Allah (SWT), i.e. to do what Allah (SWT) commands and abstain from Allah’s (SWT) prohibitions. Taqwa not only keeps a person away from evil but also steers his actions towards perfection (Nafs mutmainah). In organizational context, it spurs employees to engage in constructive criticism and render opinions for the betterment of the organization.

3. **Ehsan:** Ehsan can be inferred as seeking Allah’s (SWT) pleasure, and worshipping Him as if one sees Him or at least acknowledge that Allah (SWT) sees one. Islam has elevated work to a virtue and an act of worship (Ali A. J., 2010), and while working, a Muslim is expected to be conscious of being watched by Allah (SWT).

4. **Adl:** Allah (SWT) says: “O ye who believe! stand out firmly for Allah, as witnesses to fair dealing, and let not the hatred of others to you make you swerve to wrong and depart.
from justice. Be just: that is next to piety: and fear Allah. For Allah is well-acquainted with all that ye do” (Quran: 5:8). Justice leads to fair dealing and equality, the fundamental pillars of Islamic social system. In this regard, Prophet (PBUH) pronounced that “an Arab is not superior to a non-Arab nor is a non-Arab superior to an Arab; a white is not superior to a black nor is a black superior to a white, except by piety and good deed”. Accordingly, employees should be meted out with fairness in reward and punishment.

5. **Amana**: Trust is indispensable for building a strong community based on high morals. Employees hold resources of their organizational in trust and any misuse of resources shall tantamount to the breach of trust. Allah (SWT) says: “O ye that believe! betray not the trust of Allah and the Messenger, nor misappropriate knowingly things entrusted to you’ (Quran: 8:27).

6. **Sedq**: Islam highly admires the virtue of truth. In organizational set up, truthfulness spouts into accepting responsibility for ones doings and upholding fairness in work-related activities.

7. **Etqan**: Islam advocates attainment of perfection, which is possible through acquisition of knowledge and skills for effectively performing ones duties. Manager with the sense of etqan encourage upgrading of knowledge and skills and value creativity, which in turn, is expected to enhance the quality of products and services offered by the firm.

8. **Ekhlas**: Sincerity propagates trust and cooperation within an organization.

9. **Shura**: Islamic teachings advocate consultation. Allah (SWT) declares it a quality of Muslims: “Those who hearken to their Lord, and establish regular Prayer; who (conduct) their affairs by mutual Consultation; who spend out of what We bestow on them for Sustenance” (Quran 42:38). Consultation among members at different echelons in an organization makes employees feel important and part of the system. Openness to others opinions kills the evil instincts of arrogance and pride.

10. **Sabar**: Patience (Sabar) is the highest level of Eman. Patient managers do not overreact to the changes in the business environment and avoid the trap of falling into costly mistakes due to hasty decisions.

Researchers (Branine & Pollard, 2010; Hossain, 2012; Sulaiman et al., 2014) contend that by applying the Islamic principles of management, managers can make the organization more effective. In fact, “the growth of an organization relies on knowledge and discipline which are translated through solah (prayers), unified efforts, Al-Adl (justice), payment of remuneration and other Islamic management principles” (Sulaiman et al., 2014, p.194).
4. Islamic HRM

4.1 Recruitment

Islam advocates a recruitment system based on justice and equality (Ali, 2005; Mellahi & Budhwar, 2010; Hashim, 2010; Osman et al., 2013). In recruitment process, all candidates should be given equal chance and employers should convey to candidates the job requirements and compensation. The information thus disclosed will help potential employees in assessing their suitability for the job. Allah (SWT) says:

“Allah doth command you to render back your Trusts to those to whom they are due; And when ye judge between man and man, that ye judge with justice’(Quran: 4:58).

Applicants should be offered jobs as per their capabilities. At the same time, applicants must provide accurate information about their qualifications. Allah (SWT) says: “And cover not Truth with falsehood, nor conceal the Truth when ye know” (Quran: 2:42). Such an exchange of information will allow both parties to look after their future interests. Ali (2010) quoted Prophet (PBUH) saying: “we do not or shall not employ a person who desire to be so appointed”, and interprets it as a guideline for selecting people from a pool, based on competency rather than on their willingness or eagerness to hold a job.

Islam prohibits advertising of jobs in a manner that it befits a pre-identified group or a person. It negates justice (Al-Adl), violates contract of serving in the best interest of employer (Iifa Al-Aqd), and denies rights of deserving candidates (Huquq Al Ibad) (Khan, Farooq, & Hussain, 2010).

4.2 Selection

In Islam selection is based on the principles of justice, competency, honesty, and assigning work as per employees’ capacity (Ali, 2005; Ahmad, 2007; Hashim, 2010; Osman et al., 2013). Employees should be selected based on their competency—knowledge and skills, not on blood relationship, friendship, wealth, age, race, and political power or the like. Ali (2010) identified five criteria for selection, which include competency, experience, shouldering responsibility, organizational fit, and reputation within community.

Islam recommends a fair selection system that is free of biases (Khan et al., 2010). Allah’s messenger (PBUH) admonishes leaders of violating the command of Allah and His Messenger by appointing incompetent people for a job. Omar Ibn Khattab, the second caliph, said that person cheats Allah (SWT), Prophet (PBUH), and the community if he/she deliberately selects an inappropriate person based on prejudice and personal relationship (Ali, 2010). Ali Ibn Abi Talib, the fourth caliph, said that the selection based on favoritism or egoism is equivalent to injustice and treachery (Syed Agil, 1997).
4.3 Performance appraisal

Prophet (PBUH) had made it obligatory that employees make their work perfect; they should be held responsible for their actions and not for others’ faults. Muslim employees are expected to indulge in self-appraisal, as Allah (SWT) says: “Nay, man will be evidence against himself” (Quran: 75:14). Performance appraisal is installed to reward efforts of employees. Good performance and sincere efforts should be rewarded or at least recognized even if they fall short of the expectations (Ahmad, 2007; Hashim, 2010). The above verses from the Quran further commands that a person is answerable to her/his-self in this world in terms of his/her self-respect, in the next in terms of right or wrong before Allah (SWT).

Islam enjoins rewarding efficiency, establishing an appraisal system that treats all employees fairly without any bias, and avoiding unethical practice of subjective appraisal (Khan, Farooq, & Hussain, 2010). Improper performance appraisal may result in causing frustration among employees and lead to less productivity. Contrarily, proper appraisal and reward system boosts employee morale and leads to higher productivity.

4.4 Training and development

Islam proposes training and development to improve the knowledge, skills and attitude of workers at all levels (Ali, 2005; Ahmad, 2007; Hashim, 2010; Osman et al., 2013). Allah (SWT) elevated human beings to status of vicegerents on earth because of knowledge and among human beings accorded higher status to the knowledgeable people. “Are those equal, those who know and those who do not know? It is those who are endued with understanding that receive admonition” (Quran: 39:9).

In Islam, knowledge is not restricted to basic understanding of religion, it includes skills and knowhow required to carry out one’s job as per the terms of employment contract (Khan, Farooq, & Hussain, 2010). Indeed, giving knowledge and skills is easy. However, improving attitude is very difficult. The focus of Islam is on attitude, which facilitates the application of knowledge and skills. Further, in Islam the development of attitude (internalized perception and disposition) leading to behavior which is of utmost importance (Sulaiman et al., 2014). Similarly, caliphs Omar and Ali emphasized the importance of training and development and adopted the concepts of probationary appointment and apprenticeship in recruitment process (Ali, 2010).

4.5 Compensation and wages

Islam has laid special emphasis on compensation. According to Ali (2010), in early years of Islamic state, compensation was governed by: 1) fulfillment of contract between employer and employee, 2) differential in wages according to the level of competency and situation of employee, 3) fixation of wages in advance and immediate payment after completion of work.
4) increment in wages according to circumstances, and 5) sufficiency of wages to fulfill employees living needs, minimum wages system.

Islam disdains favoritism in setting compensation and wages, and exploitation of labor, particularly in labor abundant markets. Compensation should be fair to both employers and employees (Ali, 2005; Ahmad, 2007; Hashim, 2010), and compensate workers fairly for their work in such a way that they meet their basic needs and attain desirable living standards (Khan, Farooq, & Hussain, 2010).

According to Hashim (2010), it is incumbent on the employer to inform employees about compensation and wages. Prophet (PBUH) said, “whosoever engages a worker on work should mention the wages in advance”. Caliphs Abu Baker and Ali adopted equity principal in wages, while Caliph Omar paid differential wages, determined by seniority in the adoption of faith Caliph Omar set wages ‘according to hardship, living standard in region, nature of task, and needs of subordinates’ (Ali, 2010).

5. Islamic HRM in some Muslim countries

Branine & Pollard (2010) conducted a study on Islamic management principles and their impact on human resource management (HRM) practices in Arab countries. They found that Arab countries follow HRM practices that are borrowed from the West and are highly influenced by the local customs and norms. In many cases, management practices are derived from the pre-Islamic values, like unquestionable leadership of elders, prevalence of entertainment of interpersonal relationships (wasta) and family ties in recruitment process. These practices are in contradiction with the Islamic teachings of justice and equality. Surprisingly, HRM practices in Arab nations, based on their cultural values, are more distant from Islamic values than are the Western practices.

Ali (2010) conducted study in HRM practices in Gulf Cooperation Council (GCC) countries, and observed existence of crossvergence. He opines that crossvergence has emanated from the adoption of Western capitalist ideology without considering the collectivism at the socio-cultural level. The fast pace of changes in business has brought about ideological changes that are at odds with the socio-cultural values. He found that the selection process contradicts with Islamic principles, and is plagued by nepotism, bureaucracy, personal relations, etc. In addition, compensation policies blatantly violate Islamic principles, as there is wage discrimination among the employees based on their origin, family background, and affiliations. Seniority prevails over merit, performance and qualifications—a fallout of the colonial system.

Hashim (2010) conducted an empirical study on Malaysian organizations with total and majority Muslim ownerships for their implementation of Islamic HRM practices. She also studied the impact of Islamic HRM on employee commitment. She found that all the
organizations have adopted some aspects of Islamic HRM, with variation levels in implementation. Overall, Islamic principles are strictly observed in compensation, selection, and training processes. However, in case of recruitment and performance appraisal, organizations were found to be somewhat lax. The study found a strong correlation between Islamic HRM and employee commitment, which has a positive relationship with the performance of organization. She concludes that non-Muslim managers can also benefit from the implementation of Islamic HRM, particularly in achieving commitment from the Muslim employees.

6. Discussion and Conclusion

Islam grants work a high status and have made it obligatory for all physically and mentally capable people. Work is indispensable for fulfilling human needs and is vital for attaining equilibrium in personal and social lives (Ali, 1988). The Prophet (PBUH) highlighted the importance of work in his saying, “no one eats better food than which he eats out of his work”. He (PBUH) also said, “Whoever goes to bed exhausted because of hard work, he has thereby caused his sins to be absolved”. Recognizing the importance of work, Islam has granted labor a noble status. Islam induces individuals to engage in economic activities and pursue personal and social welfare (Ali A. J., 2010).

Individuals’ engagement in work is dependent on the availability of opportunities. The outcome of their efforts is contingent on their ability to carry out the task and the environment they work in. Both functions, matching employee skills with job requirements and creating an environment conducive for employee productivity, fall in the gamut of human resource management. Islam provides clear guidance on all aspects of HRM, which if observed will ensure a robust system.

Islam advocates justice and equality in recruitment process. Employers are required to disclose all job related information, like job description and compensation, and candidates are required to provide accurate information about their qualifications. The truthfulness and transparency in the exchange of information allows both, employer and employee, to secure their interests. The selection process, according to Islam, has to be fair. Candidates should be selected purely based on their capability to fulfill the requirements of the job. Any deviation from this principle is considered a crime against Allah, His prophet (PBUH), and society.

Performance appraisal in Islam is built on the concept of fairness and trust. All the employees must be rewarded and punished solely on the grounds of their contribution to the organization. An appraisal system based on justice and fairness will boost morale of performing employees and correct the behavior of the nonperforming employees.

Training and development enjoy a special place in Islam. Islam has made acquisition of knowledge obligatory; knowledge encompasses both religious and work-related knowledge.
In addition, Islam advocates efforts towards perfection, which can be achieved only through knowledge. Similarly, training is meant to improve the overall attitude, skills and knowledge of the employees.

In Islamic system, compensation and wages have received special attention from the beginning. Islam commands a compensation system that rewards contribution to organization, considers nature of and hardships in task, and ensure a decent living for employees. In other words, Islam favors a differential compensation and minimum wages system. However, differential in wages based on favoritism, nepotism, and demographics of employees is strictly prohibited.

In general, it may seem that conventional and Islamic HRM practices are similar, but a significant difference exists. The core principles of Islamic HRM are founded on the commands of Allah (SWT). An HRM system based on guidelines prescribed in Quran and Sunnah (Prophet Muhammad (peace be upon him) saying) has to be beneficial for the organizations and the overall society. Fairness in recruitment, selection, performance appraisal, and compensation and wages will ensure high productivity and sustained growth of organization underpinned by employees’ sense of belongingness, dedication, and higher level of motivation. Precisely, adoption of Islamic HRM will create a healthy environment for mutual trust and respect, consultation and knowledge sharing, and creativity and innovation.

Further, HRM based on Islamic principles ensures realization of maximum benefits from the most valuable resource held by organizations, the human resources. Contrarily, HRM practices in most of the organization in Muslim countries, except Muslim organizations in Malaysia, are based on the Western system and are influenced mostly by pre-Islamic local cultural values and norms. HRM practices in Muslim countries suffer from the evils of discrimination on the bases of personal relationship, kinship, political affiliations, country of origin, etc. Such practices are not only in line with Islamic values and principles also hamper the growth of businesses and societies. Islamic HRM if adopted in letter and spirit will not only eradicate such evils from the system but also solve other existing corporate problems, like conflict of interest between managers and owners (agency problem). The managers aware of accountability of all their actions to Allah (SWT) will not breach the trust of their employers, and indulge in cheating, misappropriation, or misuse of resources. They will always give interest of employer precedence over their personal interests, and work in the best interest of the organization. Employers with similar sense of responsibility will not try to exploit the workers. The fair dealing between employers and employees paves way for the prosperity of individuals, organizations and the society at large.
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