PROPOSED MODEL FOR ISLAMIC CODE OF ETHICS FOR DIRECTORS OF PUBLIC LISTED COMPANIES

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Contents

2. Letter of Offer (Research Grant)

Surat Kami   : 600-RMI/SSP/FRGS 5/3/Fsp (136/2010)
Tarikh   : 30 Disember 2010

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Y. Brs. Prof/Tuan/Puan

KELULUSAN SKIM GERAN PENYELIDIKAN FRGS FASA 2/2010

Tajuk Projek	:	Proposed Model for Islamic Code of Ethics for Directors of Public Listed Companies
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Ketua Projek	:	En Ahmad Saiful Azlin Puteh Salin

Dengan hormatnya perkara di atas adalah dirujuk.

2.   Sukacita dimaklumkan pihak Kementerian Pengajian Tinggi melalui surat JPT.S(BPKI) 2000/011/09 Jilid. 4 (19) telah meluluskan cadangan penyelidikan Y. Brs. Prof./tuan/puan untuk di biayai di bawah Skim Geran Penyelidikan Fundamental (FRGS) Fasa 2/2010.

3.   Bagi pihak Universiti kami mengucapkan tahniah kepada Y. Brs. Prof./tuan/puan kerana kejayaan ini dan seterusnya diharapkan berjaya menyiapkan projek ini dengan cemerlang.

4.   Peruntukan kewangan akan disalurkan melalui tiga (3) peringkat berdasarkan kepada laporan kemajuan serta kewangan yang mencapai perbelanjaan lebih kurang 50% dari peruntukan yang diterima.

Peringkat Pertama	20%
Peringkat Kedua	40%
Peringkat Ketiga	40%

5.   Untuk tujuan mengemaskini, pihak Prof./tuan/puan adalah diminta untuk melengkapkan semula kertas cadangan penyelidikan sekiranya perlu, mengisi borang setuju terima projek penyelidikan dan menyusun perancangan semula bajet yang baru seperti yang diluluskan. Sila lihat lampiran bagi tatacara tambahan untuk pengurusan projek.

Sekian, harap maklum.

"SELAMAT MENJALANKAN PENYELIDIKAN DENGAN JAYANYA"

Yang benar

MUSTAFAR KAMAL HAMZAH
Ketua Penyelidikan (Sains dan Teknologi)

5. Report

5.1 Proposed Executive Summary

This research intented to proposed a new model of Islamic code of ethics for directors of public listed companies. Several corporate scandals and collapse locally (example Transmile and Megan Media) and overseas (example Parmalat and Enron) shows that the current corporate governance and regulatory reform is unable to prevent these events from recurring. Arguably, the code of ethics for directors is under research and the current code of ethics only concentrated to bind the work of the employee of the organization as a whole, without specifically put a direct attention the the directors, the group of people that responsible for the performance of the company. Furtheremore, this code of ethics is based on the western model. Thus, the study objectives is to establish a model of code of ethics that based on Islamic principles. This study will used a semi-structured interview of several well known Islamic scholars such as *Mufti* to develop the model. This Islamic model will be compared and analysed with the code of ethics that based on the western model. It is expected that the outome of the research is a comprehensive model of code of ethics that based on the Islamic principles that can be applied and used by the company to construct code of ethics for their directors. This research also will highlights the differences and weaknessess of the current western model code of ethics.

5.2 Enhanced Executive Summary

Purpose – The purpose of this research is to present an analysis of the code of ethics for directors' from Islamic and non-Islamic perspectives. Specifically, it intended to explore, examine and compare the fundamental contents of code of ethics adopted for directors that currently implemented by various internatiolal and local organization with the basic characteristics of code of ethics for directors that comply with the syariah requirements.

Design/methodology/approach – This study employed a mixed-method approach in achieving the objectives of the study. Semi-structured interview with several well known Islamic scholars was conducted to gather information on code of ethics from the Islamic perspectives. The other method, document analysis on various guidelines, rules, regulations, best practices, joornal, book, newspaper, magazine and report was embarked to undestand the basis of the code development from the western viewpoint.

Findings – The empirical results finds that syariah, aqidah and akhlak become the most basic elements for the director to build up a solid and effective code of ethics that comply with the Islamic values. In addition, the fundamental of the code must comprise of four (4) compulsory traits of the prophet namely siddiq, amanah, fatanah and tabligh. In the other hand, the principles to construct the similar code but by applying western outlook includes integrity, objectivity, professional competence and due care, confidentiality, professional behaviour, public interest, scope and nature of services, responsibility, justice and utility.

Research limitations – The study will only employed semi-structured interview. Thus, the findings may limited to the knowledge and expertise to the certain scholars only. More coverage of Islamic scholars can be reach by using other method such as survey.

Practical implications – An understanding of the basic principles and value of both Islamic and western model together with their differences will guide the company generally and the managers particularly in designing and implementing code of ethics.

Originality/value – This study employed an indepth interview with the expert and high level Islamic scholars and thorough analysis from various books and documents.The findings from this study can be used and expanded by the other reseachers in the different settings and more narrow and specific areas of research.

Keywords – Islamic ethics, Code of ethics, Prophet, Akhlak