# Human Resource Management with Islamic Management Principles: A dialectic for a reverse diffusion in management

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## Abstract

**Purpose –** The purpose of this paper is to explore the nature and contents of Islamic management practices and their consequent implications for human resource management (HRM) in Arab countries. In addition, the implications for multinational companies (MNCs) operating in Islamic countries and the impact of globalisation are examined before proceeding to an analysis of managerial problems in Arab countries and the need for understanding Islamic management principles by Arab (national) and international managers.

**Design/methodology/approach –** A qualitative approach based on an extensive review of relevant literature and the employment of examples from selected Arab countries.

**Findings –** The study reveals that a gap exists between the theory of Islamic management and the practice of management in Arab countries. Management in Arab countries is informed and heavily influenced by non-Islamic traditional and national cultural values and norms of different countries and by western management thinking rather than Islamic principles derived from the Holy *Quran* (words of God) and the *Hadith* (words of the Prophet Mohammed).

**Research limitations/implications -** We argue that one of the main reasons for the lack of progress in most Arab and Islamic countries is the mismatch between global integration and local responsiveness because of an excess forward diffusion of Western management and business practices with little understanding and, hence, the implementation of Islamic management principles by both local and international managers in Arab countries. We adopt the view that there is a gap between the knowledge possessed by national and international managers in order to manage locally and what is required from the local workforce to be managed effectively. The main limitation of this study is the lack of empirical research evidence to support the points deducted from this review of literature.

**Practical implications** - Understanding Islamic management principles could help to develop a more appropriate type of management best practice in Arab and Islamic countries while still benefiting from the transfer of relevant Western management techniques and Western technology. We also argue that a reverse diffusion of management knowledge and skills by managers of MNCs is very important for the effective management of human resources in host countries. National cultural contexts and different views of work values have made a major impact on the ability of firms to address HRM issues in different cultural settings.

**Originality/value -**The paper contributes to the comparatively sparse literature on Islamic management and its applications by identifying key issues for HRM implementation and in developing Western understanding of Islamic management systems.

**Keywords –** Islamic management, Arab countries, MNCs, HRM, Islam

**Paper type –** Theoretical

## Introduction

The recent past has witnessed increasing interest within Western nations concerning Islam and the Islamic world in general. One feature of this trend has been a renewal of interest in business and management processes in Arab and Islamic countries and their political and cultural contexts. However most of the attention has been given to Islamic economics and Islamic banking especially in the wake of the recent international financial crisis. There have been some attempts to describe the nature and contents of management in Arab and Islamic countries but there are hardly any credible empirical studies that have examined the practice of HRM from an Islamic management perspective. The Management literature is also limited in exposing the gap that exists between the theory of management in Islam and the practice of management in Arab countries. This paper attempts to explore this gap by examining the nature and content of selected Islamic management practices and their implications for human resource management (HRM) through an extensive literature review and the employment of examples from a selected number of countries.

Although most of the countries in the so-called 'Arab World' use a combination of Islamic and civil law, there is very little consideration of Islamic management in any of those countries. Unlike the common and the civil law, Islamic law is based on the interpretation of the *Quran* (words of God) and the *Hadith* (words of the Prophet Mohammed), in what is called *Shari'ah* law. The parts of Islamic law, which are used in most Arab countries, are those confined to specific aspects of social life, such as family and inheritance laws, while economics and management are left to civil laws adopted from the West. It seems much easier for managers to import ready-made models of Western management than to develop and implement their own management thinking. However, evidence shows that foreign business ideas often do not sit comfortably with western management thought (Pollard and Tayeb, 1997) and there is a need for understanding the national contexts in which management is practiced in different countries. The problem is that management in Arab countries is also influenced by traditional and non-Islamic norms and values of different cultures of Arab countries. Neither the Western-adopted nor the traditionally-nationally inherited management practices and behaviours seem to have worked because many of the Arab countries are

economically and industrially underdeveloped despite their wealth of human and material resources.

Based on the forgoing discussion this paper attempts to achieve the following objectives:

1) To analyse the relationship that exists between western-based management, Islamic management principles and the practice of management in Arab countries. While western management is widely discussed in management literature, there is a need for understanding the basics of an Islamic management system that is derived from the Holy *Quran* and the *Hadith* of the Prophet Mohammed. The main principles and values of management in Islam are widely described by Muslim scholars in Arabic but in English the management literature is very limited in this respect.

2) To discuss the difference between Islamic values and principles of management, and traditional norms and values which have influenced the practice of management in Arab countries. This is because many Western commentators on management in Arab countries tend to discuss Islam and Arab culture as a single entity, however, in reality Islamic teachings are generally standard and their interpretation and application are informed by local cultural forces (Fontaine 2008) which are often much more ancient than Islam itself. Some traditional and nationally based norms and values contradict the teachings of Islam. In most Arab countries, a combination of religion and inherited cultural norms and traditions is a form of cultural identification, providing a sense of belonging and communal cohesion (Abuznaid, 2006). Islam is juxtaposed with Arab tribal culture, resulting in the modification of principles such as the authoritative nature of management that run counter to the Islamic teaching of consensus and consultation, as it will be explained later. A heritage of colonisation or political conflict might also inform the application of Islamic principles in Arab countries. To understand management processes in different Arab countries, therefore, it is important to understand the cultural context of individual countries and to differentiate between them.

3) To examine the significant impact of religion (Islam) on work behaviour and HRM policies and practices because this factor has received meagre attention from researchers in the past (Bourma et al., 2003) although it is often argued that religion has a direct and significant impact on human behaviour, including social interaction and social relations (Abuznaid, 2006). Comparatively little is currently known concerning HRM practices in the Middle Eastern region and how such practices are being affected by religion and other internal and external factors. Most of the literature

on HRM in Arab countries is based on the application of western-based HRM functions in organizations of such countries (Budhwar and Mellahi, 2006) and there is very little HRM-based research from an Islamic perspective.

This paper starts from the thesis that human resource policies, while determined by a firm's senior management, tend to be adopted and implemented with some consideration of the local cultural context in which the firm operates, a view espoused by Tayeb (1996) and which is supported by recent research carried out by Yeganeh and Su (2008). Such variation is necessary because people employed in firms do not carry out their tasks in an organisational vacuum but bring their cultural heritage, including work-related values and religious beliefs with them into the workplace. Examples of work-related values and attitudes in Islamic countries are group membership, job status and seniority, tolerance of ambiguity and dedication (Tayeb, 1996). HRM policies are also affected by the general societal context and by the cognitive styles of managers. Additionally, Allinson and Hayes (2000) argue that the state of economic development of the country is also a significant contextual issue. This view is important in this context as Arab countries vary not only in political context – some are traditional monarchies while others are democratic republics – but also in their level of economic development and sources of income, as some are oil rich and others are dependent on agriculture and very poor.

Moreover, national socio-economic and cultural contexts have had a major impact on the ability of firms to address HRM issues. In this respect, Rahwar and Ai-Buray (1992) claim that western organizational theory sits uneasily in Arab cultures because of its concentration on individualistic and performance-related and economic measure-based approaches, for example they suggest that many important individual spiritual needs are ignored in Western management thought. Western theories of work motivation and work values may also be inappropriate for Islamic countries. Rahwar and Al-Buray's views are supported by Bjork and Al-Meer (1993) who investigated Saudi business culture in the context of teaching business subjects, using American management textbooks; they found significant differences in business culture on applying Hofstede's dimensions. For example, power distance was greater and consultation was more conditional than free. They also found high uncertainty avoidance, a feminine orientation and paternalistic tendencies on the part of Saudi managers, which clashed with much of the material being taught. Bjorka and Al-Meer concluded that

their teaching often ran counter to local experience but that there was a strong desire to learn about Western business practices as a means of informing local business practices.

It seems, therefore, that there is ample evidence from the above studies of a gap between what is practiced in Arab countries and what is really needed. In the rest of this paper we will review some of the relevant literature on Islam as a way of life that includes the practice of management in organizations, and the practice of management in Arab countries before discussing the issues raised from the review.

## Islam and Management in Arab Countries

Studies of management in Arab countries tend to demonstrate the significance of cultural and political influences on managerial behaviour and have recognised the importance of Islam, tribalism, state control and western influence in shaping the type of contemporary management in Arab countries (Ali, 1990; 1998; Dadfar, 1993; Weir, 1998, 2001; Budhwar and Mellahi, 2006). There are 22 Arab countries with a combined population of more than 300 million people (World Fact Book, 2008), over 90 percent of them are Muslims. Obviously not every Arab is a Muslim and most of the Muslims in the world are not Arabs. There are about two billion Muslims in the world, almost 25 percent of the world's population. Unlike many developing countries, most Arab countries have achieved very limited success in their economic reforms and have made little socio-economic progress. It seems that they have agreed to disagree on having a common market or any other form of regional economic integration, despite their common language, history and religion. They have all the means for strong economic and political integration but they are divided forever by their governments' personal interests and against their people's wishes (Branine, 2004; 2010). The Arab Gulf States (Bahrain, Kuwait, Oman, Qatar, Saudi-Arabia and the United Arab Emirates) are wealthier than other Arab countries and are the most politically stable. However, their economic growth and great wealth have depended heavily on expatriate labour and Western expertise, management knowledge and technology.

Moreover, the growing affluence of Arab countries, especially that of the Gulf States, has allowed faster growth in educational opportunities and more exposure to European and North American modes of management theory and practice. According to Weir (2000: 505) 'more

Gulf managers hold university degrees than their counterparts in the US, UK, France, Germany and Japan. Gulf managers receive more management training per year than American and British managers'. Western management is held in high esteem and many professionals and managers have been trained in one way or another in Western countries. It is believed by Arab politicians and businessmen that the bringing of western-style education to their people would build bridges between societies and improve the understanding of each other's cultures (Branine, 2004; 2010). Even the types of qualification that are offered to graduates in some Middle Eastern countries are from western universities or qualification-awarding bodies. According to Wilkins (2001: 261), 'several large business organizations, educational institutes and training providers in the Arabian Gulf region offer management qualifications accredited by the National Examining Board for Supervision and Management (NEBSM), which is based in the UK'.

There are apparent signs of globalisation throughout the Arab world and globalisation is influencing local workforces to adapt to Western management practices. The free market economy and the accumulation of wealth in most Arab countries have led to excessive consumer spending, the introduction of over-ambitious projects, an over-emphasis on training and development, and a presence of citizens who consume much more than they produce. This phenomenon has created an over- dependence on goods and services produced and distributed by the major foreign-based multinational companies. Most of the Middle Eastern countries have become major consumer markets for world market producers. The globalizing power of business, through forward diffusion of capitalist management theories and practices, is clear in all aspects of life, from the increasing presence of multinational companies, the high exposure of local employees to western management, increasing numbers of foreign employees, and influences of Western media like activities, as well as western political and even military pressures (Branine, 2010). Focusing on MNCs, Ali (1998: 13) recommended that they 'should identify those areas that are most likely to cause friction and misunderstanding (e.g. religious or political issues). MNC executives need to have the interpersonal skills necessary to modify their behaviours and to appreciate differences between them and the Arabs, especially on those issues that are upheld by Arab values (e.g. centrality of religious beliefs, respect for elderly, privacy of family affairs)'. However, the type of management that is practiced in Arab countries has very little to do with the cultural values and norms of Islam that are supposed to dominate all aspects of society in these countries.

Islam has neither wholly embraced globalization nor rejected it (Stone, 2002). Technological change is more enthusiastically accepted, especially in the more economically affluent Islamic nations, but globalization is also considered an issue of industrial and commercial competitiveness. Some Arab countries (Qatar, Tunisia, United Arab Emirates, for instance) perceive globalization as an opportunity for economic growth and display of a level of modernity. Globalization is also seen as a threat, however, in that it brings with it several external influences that clash with Islamic values and this poses questions regarding its impact on both national cultures and Islamic beliefs (Zineldin, 2002). Notably, the threats of globalization are not being met by any form of unity within the Arab world, as has happened in the case of North America (NAFTA) and Europe (the EU). There seems little motivation for Arabic or Islamic economic coalition. Zineldin (2002) sees this as a major weakness and the region's 'wait and see' approach is not helping to develop a long-term sustainable economic structure, despite the affluence of the oil-producing states.

Islam is more than just a belief - it is a complete way of life, because it goes beyond acts of worship to embrace all one's social and economic activities, thus the Islamic work ethic goes well beyond that of the Protestant work ethic (Ali, 2008). Islam is an Arabic word which means to submit to the will of God in words and deeds (Abuznaid, 2006) and the Muslim's ultimate goal is to strive to achieve a peaceful and healthy society by following the guidance of the Almighty God. There is no laizzez-faire in Islam (Abuznaid, 2006), as human activity of any nature is understood in the context of *Istikhlaf* (vice-regency) because the human being is the vice-regent of God. Hence the purpose of life in Islam is to be a good trustee on earth by doing what is good to oneself and to others in worship of God. Human activities vary with particular changing conditions of human life but the purpose, which is the belief in the unity of God (*Tawhid*) and worship in its broader sense, not just prayers, remains the same. Therefore all economic and social activities are guided by three basic principles: (1) all wealth and resources are owned by God; (2) humans manage God's wealth and resources as trustees of God; and (3) those most loved by God are those who are most pious, helpful and useful to other creations, including humans, animals and the environment. On the basis of these socio-economic and theological principles, Islamic management was derived.

**Principles and values of an Islamic management system**

The first principles of an Islamic management system were originally set by the Prophet Mohammed in Medina (Saudi Arabia) with the establishment of the first Muslim state. That type of management, with its simplicity, laid the foundation of a civilization for many years later. A major characteristic of the Prophet's administration was *Shura* or consultation because he consulted and followed his companions' advice in a number of matters which were not specifically stated in the revealed Holy *Quran*. Al-Hirrawi (1986) argued that, because he was The Prophet, his followers would have executed his decisions without questioning but he was keen on creating an environment of consultation, participation and consensus among the believers. The Prophet Mohammed had an official consultative council comprising pious, knowledgeable and wise followers for making decisions that would affect the Muslim community. The pious Caliphs who succeeded him maintained a consultative body and resorted to public referenda (Al-Hirrawi, 1986). Later, as Islam spread south and north, east and west, it was necessary to introduce specific regulations to govern the Muslims beyond the land of Arabia, while vigilantly adhering to Islamic principles and to the guidance of the Prophet's example. As the rein of Muslim dynasties and empires expanded the system of public administration became more and more complicated and less centralized. The administration system was very often left to the local people in the new regions reached by Islam (Al-Hirrawi, 1986). In later centuries, Muslim scholars from different parts of the world, some of the most influential of whom were not Arabs, gradually developed distinctive Islamic knowledge to cover all disciplines from exact sciences, such as architecture and medicine, to social sciences, such as economics and finance, and to arts, such as music and poetry. Today, there is a well-documented Islamic heritage and a wide literature on Islamic economic system, Islamic finance system and Islamic management system but neither of them is currently fully practiced in any of the Muslim countries.

The principles of work ethics and management in Islam derive from the Holy *Quran*, the sayings and practice of Prophet Mohammed. Many verses of the *Quran* speak about justice and honesty in trade, and courtesy and fairness in employment relationships, and also encourage humans to learn new skills and to strive to do good work which benefits both the individual and the community. Islam emphasizes co-operation in work and consultation in making decisions (Abuznaid, 2006). Management is crucial in Islam and having a leader is

obligatory in most circumstances of life.  The Prophet Mohammed said, 'When three are on a journey, they should appoint one of them as their leader'.  In Islam, life without work has no meaning and engagement in economic activities is an obligation' (Yousef, 2001: 153). Working is obligatory for those who are able to work and self-reliance is a virtue as well as a source of self-fulfilment and success (Ali, 2008; Bouma et al., 2003). For example, it is narrated that the Prophet Mohammed said; '*No one eats better food than that which he eats out of his work'*.  He also said to a beggar '*it is better for you to collect so me wood and sell it than to ask people –they may five you or they may not'*.

As stated earlier, human beings are trustees on earth and their activities are acts of worship; therefore work is an act of worship.  It is not only important for earning a livelihood and being dependent on oneself, the value of the work is to utilize and enjoy the bounties of God for the benefit of oneself and the community (Zineldin, 2002; Wilson, 2006). Therefore work ethics in Islam are related to striving for perfection, seeking rewards in life and the after life, and exerting effort without excess (Al-Buraey, 1988). Whatever task a Muslim performs is carried out with the intention of worshipping God, earning a suitable (*halal*) income and living a good and respectable life. It is in this doctrine of seeing work as a social, economic and religious duty for every Muslim who is able to work and that humans are trustees of God on earth that employee relations are based and management is conducted in Islam. As far as the practice of HRM is concerned, there are many values and norms that managers should adhere to in Islam. Values such as trustworthiness, responsibility, sincerity, discipline, dedication, diligence, cleanliness, co-operation, good conduct, gratitude and moderation guide the principles by which human resources are managed.  All these principles are supported with verses from the Holy *Quran* and the *Sunnah* of the Prophet Mohammed. The main principles of an Islamic management system with significant implications for the practice of HRM are as follows.

1.  ***Intention (Nya):*** In Islam every act should be accompanied by intentions. The Prophet Mohammed said: '*Actions are recorded according to intention and a person will be rewarded or punished accordingly'*. A person is endowed with free will and is responsible for change in society.  The *Quran* (Chapter 13, verse 11) states: '*God does not change the condition of a nation unless it changes what is in its heart'*.  The implications of this principle in human resource management is that employees should not, for example, be punished for making unintentional mistakes and should be rewarded or punished for their intended objectives, ideas, plans and strategies rather

than just for the outcomes of their actions which may be affected by external factors beyond their control. This also accentuates in Islamic management the importance of human resource planning and strategic decision-making.

2. ***Forever mindful of the Almighty God (Taqwa):*** When filled with *Taqwa,* a person will refrain from behaving unjustly and will command his/her soul to move from the state of *ammara* (the prone-to-evil level), which is the primitive stage that man shares with animals, to the state of *lawama* (self-reproaching level), at which man is conscious of evil and struggles between good and evil by seeking repentance, to the highest level of *mutmainna* (the righteous level), when the mind is perfectly in tune with good deeds, piety and justice. *Taqwa* leads to steadfastness in seeking truth and justice because people fear no one but God. In HRM, constructive criticism and advice become a common practice and even a duty, when wrong doings are seen in one's organization or community.

3. ***Kindness and care while feeling the presence of God (Ihsan):*** *Ihsan* has several meanings. It is alms giving, perfection and amelioration, forgiveness, completeness of faith and, most important of all, doing good deeds. It is also a continuous struggle to work towards attaining God's satisfaction and to worship God as if you see Him and He sees you. This feeling makes the person behave at his/her best without the need for any human supervision. The value of *Ihsan* is related to the value of *Iman,* which is the key Islamic moral character or faith in God. In this context, such economic and social activities assume a moral and spiritual dimension as a means for doing good to oneself by self-preservation and to society by following God's guidance on wealth generation, ownership, spending, equality and social justice. Production and consumption are therefore guided by consideration of what is produced, how it is produced and the human and social costs of both production and consumption (Al-Ashker, 1987). Every activity should be a pursuance of good deeds and remembrance of God's presence. Managers with a high level of *Ihsan* promote the training and development of their employees and encourage employment involvement and participation in decision-making.

4. ***Justice (Adl)***: Justice is a virtue that every person should develop regardless of whether he/she is a leader or a subordinate (Wilson, 2006). It is stated in the Holy *Quran*: '*O you who believe! Stand out firmly for God as witnesses to fair dealing and let not the hatred of others to you make you swerve to wrong and depart from justice...*' (Chapter 5, verse 8). In Islam, justice is never to be affected by personal

interests and other considerations.  Justice is also to protect people's freedom and equality. Within Islam, humans are free in their beliefs - '*There is no compulsion in religion*' (*Quran*, chapter 2, Verse 256).  All people are equal regardless of their sex, colour, race, wealth, prestige, profession, status and knowledge.  What truly counts is their actions and deeds. The Prophet Mohammed made it clear that people are equal when he said:  '*An Arab has no preference over a non-Arab, nor a non-Arab over an Arab, nor is a white one to be preferred to a black one, nor a black one to a white one, except in piety (righteousness)'*.   Piety is the only criterion, without exception, and no one but God knows the level of a person's piety.  Justice leads to equality and in order to maintain an organization of justice and equality there should be a sense of humility among those in managerial positions.  In organizations where justice prevails, employees are treated and rewarded equally and fairly.  Managers treat their subordinates with respect and courtesy, and never look down to them or ignore their views and suggestions. The laws and regulations, policies and procedures are clearly followed and effectively implemented.

5. ***Trust (Amana)***: The concept of trust is a core value governing social relationships, as every person is held accountable for his/her doings in the community.  The Holy *Quran* states: '*O you that believe!  Betray not the trust of God and the Apostle nor misappropriate knowingly things entrusted to you'* (Chapter 8, verse 27).   Trust leads to consultation and delegation of authority to employees (Tayeb, 1997).  The leader is '*ameen'* or a trustee, who should respect the trust bestowed on him/her by their superiors and subordinates.  Any act of misuse of resources or mismanagement is seen as a violation of trust.  An organization is a trust of those who own it and to those who work in it.

6. ***Truthfulness (Sidq):*** The concept of *Sidq* implies doing and saying what is right to the best of one's knowledge.   It is forbidden in Islam to lie or to cheat in all circumstances.  There are many verses in the Holy *Quran* which emphasize the virtues and values of truthfulness. Managers as well as subordinates are reminded not to be guided by their personal feelings that might divert them from the right path of justice, care and trustworthiness. They are asked to be patient, to fulfill their contractual duties, to be honest and to work hard, while seeking God's love and mercy.  Honesty and trustworthiness are central to effective management.   They safeguard humans from temptation to misuse the resources entrusted to them.  The love of truth reflects the notion of personal responsibility for every uttered word and reinforces

organizational attempts to evaluate and assess practice or investigate roots of the problem.

7. ***Conscientious of self-improvement (Itqan)***: This value implies the continuous struggle within oneself for self-betterment in order to do better work. Hence, striving to do better all the time requires humans to work harder and improve the quality of their products and services through the learning of new knowledge and skills. This value is related to a state of passion for excellence (*Alfalah*) and perfection. Creativity therefore becomes an indispensable value in one's life because of the desire to perfect and excel in doing what is good for oneself and good for the community. In an organizational context, striving to do better all the time requires managers and employees to work harder and improve the quality of their products and services through the promotion of learning, training, innovation and creativity.

8. ***Sincerity and keeping promises (Ikhlas)***: Keeping to promises is a moral obligation for every Muslim (Abuznaid, 2006). It is a big sin to intentionally fail to meet one's promises. Breaking one's word is not Islamic and characterizes a person among the hypocrites. God calls upon the believer, '*O you who believe! fulfill (all) obligations*' (*Quran*, chapter 5, verse 1). Sincerity, therefore, infuses trust and confidence in an organization and creates a culture of trustfulness and cooperation between employees and employers.

9. ***Consultation (Shura)***: A Muslim leader is required to seek advice and to consult others before making decisions. Taking part in discussions and making suggestions are key leadership values in Islam. The right way to make the best decision on worldly matters, in the absence of a prescribed text, is consultation or *Shura.* It is stated in the holy *Quran*, addressing the believers, that '*their matters are shura among them*' (Chapter 42, verse 38). All socio-economic and political matters that are not decided upon clearly in the holy *Quran* and the *Sunnah* are decided through consultation and consensus. This principle of *Shura* teaches Muslim managers to treat their subordinates as their equals and to be humble in their dealings with other people (Abuznaid, 2006). Pride and arrogance are not the behaviour of a good Muslim. In organizations, managers are expected to seek advice and to consult with their subordinates before making decisions.

10. ***Patience (Sabar):*** Patience is the highest level of *Iman* (belief in the oneness of God and Mohammed as his prophet and messenger). At the organizational level, patience

and humility go hand in hand. Being patient in making decisions reduces the possibility of making mistakes and increasing the chances of success in negotiations.

The crucial question that should be asked therefore is 'to what extent the above principles and values of Islamic management are practiced in Arab countries?' The answer is that there is very little evidence of such principles being explicitly advanced by Arab managers because the practice of management in general and HRM in particular is also influenced by non-Islamic traditional norms and values and by Western management practices and theories, as explained next.

**Characteristics of contemporary management in Arab countries**

Despite their wealth, most of the Arab countries are economically, socially and industrially underdeveloped.  There are problems of unemployment, poverty, health and education, as well as high levels of social and political unrest. Barakat (1993) argued that the Arabs lost their sense of direction and have been in a similar position to that after the First World War, when the victorious Europeans divided them into states that meet their colonial interests. Generally speaking, one might argue that in many Arab countries expectations are very high and far away from what could be realized.  It is not only a problem of resources as such, because they have plenty, but of organization in its broader sense. Such organizational problems have a wide range of consequences.  While examples of employee dissatisfaction such as absenteeism, high turnover, corruption and bureaucracy are the outcomes of modern industrial life - and can occur in any organization where formalization, centralization and bad conditions of work are to be found - the situation in Arab countries is especially serious.  Such problems lie in the complexity of interaction between dominant social values, technology and level of development achieved. Studies of management in Arab countries (Wear, 2000; Assad, 2002) have found that too much centralization, overbearing bureaucracy, poor communications, lack of management skills and unrealistic performance issues such as the importance of personal factors over the needs of the organization exist.

Also, a number of studies have reported the problems of expatriation in the Middle East, especially the social isolation, homesickness, fear from and lack of trust by the locals (Al-

Salem, Farah and Al-Salem, 1979; Al-Bunyan and Lutfi, 1980; Daher and Al-Salem, 1985). In the Gulf States, for example, expatriates complain about the locals and the locals complain about expatriates, and many multinational companies are happy to employ foreigners for their hard work and commitment, rather than the host country nationals, because of their poor performance; while the governments of those countries insist on creating jobs for their citizens, and so on (see Branine 2010 for more details). Some local employees frequently commented that Western managers did not pay attention to the host culture because the westerners had been arrogant, materialistic, faithless and disrespectful to others (Ali, 1998). It seems that there is a lack of understanding on the part of locals of the contributions that expatriates make to the economies' of their countries, as there often exists a lack of understanding by many expatriates, especially employees of MNCs, of the importance of local cultural norms and values.

Arab society is one of transition and work-related changes may result, albeit very slowly. The issues for HRM are in designing work practices that provide adequate motivation and appropriate working practices which incorporate local value systems and yet meet the needs of the enterprise in a globally competitive environment. The review of literature on management in Arab countries shows that the practice of management is characterized as follows:

1. Arab managers are either extremely authoritarian (Badawy, 1980; Kaynak, 1986), or very consultative (Muna, 1980; Ali, 1990). This kind of managerial behaviour depends apparently on the varying types of subordinate. Studies have generally agreed that most Arab managers are authoritarian in dealing with their subordinates and that their organizations are centrally controlled and politically orientated. Status, position and seniority determine the nature of decision-making, where delegation of authority is very low in an atmosphere of low trust and that political gamesmanship pervades (Bussom et al., 1984; Al-Faleh, 1987; Muna and Bank, 1993). Power and authority position the role of individuals in Arab society and have strong implications for relationships between leaders and subordinates. It does not matter how much you know but who you are. The source of power and status can be from the family, the tribe, a person's relationship with the state apparatus, the position in the organization, the relationship of the person to the management of the organization, and the name of the degree held.

2. The widespread use of '*Wasta*' which is a type of interpersonal relationship which is exploited in order to get things done (Metcalfe 2007; Weir 2000). For example, the recruitment, selection and reward of employees is very often based on '*Wasta'* or '*le Piston'* as it is referred to in the Meghereb countries (Algeria, Tunisia and Morocco) despite the apparent use of recruitment, selection and rewards methods that are known in the West. This type of practice gives precedence to family and kin over organizational objectives (Branine, 2001; 2010). Very often, 'friendship and kinship take precedence over qualifications as managers feel obliged to support their relatives and family and friends' (Branine, 2002: 141). In a recent study, Whiteoak et al (2006) found that attitudes towards *wasta* differed between older and younger managers; the latter group ranked it as very important possibly because of the need to develop their careers, whereas older managers were more established in their roles.

3. Arab culture is based on face-to-face interaction, as daily contacts with people in the market and in the Mosque are important (Mellahi, 2006). This type of behaviour is also found at the workplace where managers and their employees prefer direct contact with each other, because it is believed that the face-to-face interaction produces trust, support and commitment. Talking and personal visits are more preferred ways of communication than the use of letters or memos. The use of personal networks, connections and coalitions to support face-to-face interaction is widespread. 'It is difficult within the culture of the Middle East to say "No" face to face, however, so that successful managers are seen as those who have developed a capability to give negative messages while maintaining strong interpersonal rapport' (Weir, 2000: 506).

4. The Arab society is paternalistic, collectivist and highly power structured. The young must respect the old and the junior must obey the senior. In all Arab countries, age is a plus factor in terms of credibility and authority so that the older person in the house, in the tribe or even in at work is the leader.

It appears from the above discussion that there is a clear difference between theory and practice, and between what is expected, according to the Islamic principles explained above, and what actually practiced by Arab managers. So far, there have been very limited examples of organizations where Islamic management principles have been incorporated in employment policies and practice in Arab countries.

## Discussion

Currently, most of the Arab countries suffer from extreme superficial Islamic knowledge which has damaging effects on the management of organizations and which has limited the scope for development of an Islamic management system. Many of the Muslims in the Arab world are that by name only and their knowledge of Islam does not exceed the basic rituals of making ablution and performing the five daily prayers. It seems that Islam is a misunderstood religion even by those who belong to it (Branine, 2004). Islam, then, is not only a religion, it is a set of values that govern various aspects of behaviour, a cultural system, a way of life, a civilization, rather than just a faith (Maznil, 1997). Islam has a significant effect, not only on economic and political organizations, but also on human relationships (Metcalfe, 2007). It is an essential part of the existence of believers, both in work and outside it, forming a code for both national and spiritual life (Stone, 2002).

The application of Islamic principles to the world of work is not standard and the country of origin has a significant effect on their implementation. The cultural milieu of each country in which Islam is incorporated and interpreted makes for significant variations, so much so that, in some instances, national management practices actually conflict with the teachings of Islam. This was demonstrated earlier in the context of Arabic management where authoritarianism and nepotism are common features. These non- Islamic practices hark back to the ancient tribal systems of Arab culture where leadership was unquestioned and family and kinship were paramount factors. In countries where Islam exists alongside other religions and philosophic systems, Islamic principles are interwoven with others, as in the case of Malaysia, where it is combined with Confucian principles, and former colonies of European powers, where Islam exists alongside other legal and cultural systems. These combinations of cultural legacies and Islamic teaching need to be understood by MNCs operating in Muslim countries and will obviously affect their HRM systems and practices. Ali (1998:13) argued that in the Arab world 'multinational corporations (MNCs) should identify those areas most likely to cause friction and misunderstandings (e.g. religious or political issues)', a view supported by Robertson et al (2002). It seems desirable, therefore, that MNC executives should possess the interpersonal skills necessary to modify their management style and behaviour; and to appreciate differences between themselves and the locals. This is especially

important in the case of Arab values (e.g. centrality of religious beliefs, respect for the elderly, privacy of family affairs) and the possession of networking skills, as personal interaction plays a significant role in Arabic society.

The current lack of economic progress in Arab countries and the difficulties that may be encountered by foreign investors in Arab countries may be because of not implementing Islamic management principles and depending heavily on Western management principles. It may be that, in using Western management thought, the ability to integrate this with local ways of working will be made much more difficult because the means of building integration are absent. We suggest that the development of management systems that are based on Islamic management principles would be more appropriate and that reverse diffusion of management knowledge and skills would more fully inform management practices in MNCs, as well as in local enterprises and this might lead to faster economic development in the countries concerned. It should be noted that the Japanese developed their economy by adopting Western management practices to their cultural norms and values. The same can be said about the Chinese and the South Koreans 'why not the Arabs?'. This paper calls upon Arab managers and international investors' managers (expatriates) to learn and implement the principles of Islamic management while learning and adopting the theories and practices of Western management. It is possible to integrate the two sets of knowledge because they are more complementary than contradictory. There are fewer differences between Western management and Islamic management than between the latter and the current management in Arab countries. However this statement needs to be supported by empirical research.

## Conclusion

In Islam, management as a function is a process of coordinating activities according to a set of principles derived from the Holy *Quran* and the *Sunnah*. Management is, therefore, a moral, spiritual and physical function which is not driven only by earthly objectives but also by rewards in the after-life. Employment relationships go beyond the written and the psychological contracts between an individual and an employer by having a religious dimension. Both parties are responsible before God for their actions and are God's

covenanters or trustees on earth. In an Islamic organizational context, the moral and spiritual dimension is always the most important in making decisions and carrying them out. In Western management thinking, however, the technical and material objectives are very often, though not always, the most important. By understanding such principles and the distinctive characteristics of each system, it is possible to develop a blend of Western and Islamic management, which could be implemented in Islamic and non-Islamic countries, where morally- and spiritually-based decisions override the materially guided ones. This paper is expected to contribute to the comparatively sparse literature on Islamic management and its applications by identifying key issues for HRM implementation and also by helping to develop Western understanding of Islamic management systems. Further research is needed on the issue of morality versus instrumentality in management and on creating a balance between forward diffusion of western management to Arab and Islamic countries and reverse diffusion of Islamic management principles to the west, especially to the managers of multinational and transnational companies.

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