
**THE ROLE OF MANAGER: A COMMON PARADIGM ON
MANAGERIAL BEHAVIOUR IN THE LIGHT OF ISLAMIC PRINCIPLES**

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ABSTRACT

This study highlights the managerial characteristics that can be fitted in the overall role of manager from conventional and Islamic perspective. It is observed theoretically and empirically that a manager may deviate from the core objective of the firm and may adopt self- interested behaviour in decision making. This approach leads towards agency conflict in agency theory. We argue that managers may adopt such characteristics that might decrease the agency conflict among stakeholders. Wherefore, the study suggests the role of manager from the perspective of Islamic principles to enhance economic and social benefits avoiding self-interest or opportunism from managerial behaviour. This paper is conceptual in nature based on Islamic principles that a manager ought to be an honest and trustworthy person. We develop a model for such a reliable management that covers economic, moral and social benefits for all stakeholders and society. This aspect is rarely focused previously regarding the role of manager. This novel attempt may help the recruiting authority to select honest and trustworthy managers as well as train them accordingly. The role of manager affects the firm in maximizing the value and the society, in essence, all stakeholders including owners, suppliers, and consumers, make a society when combined. This research, thus, implies a productive effect on the firm in particular and society in general. The research has central importance for the Muslims and Shariah firms to follow the management activities applying this model for the effective role of manager due to growing number of Muslims worldwide.

Keywords: Ethical Management, Corporate Social Responsibility, Stakeholder Theory, Islamic Principles, Trustworthiness, Just and Fair Earnings.

INTRODUCTION

The role of manager for a firm has a great importance due to performing key job responsibilities to evolve an organization. The manager orchestrates and organizes all the momentous matters and various organizational issues even in complicated situations (Augier & Teece, 2009). Based on Islamic principles, the manager being an agent must be honest and trustworthy (Sarker, 1999). Manager being a responsible representative determines the survival and future of a firm by making tough decisions regarding business strategies for its growth and

value. Also, the manager plays a critical role in directing and allocating resources of the firm. Though managers are owners' agents, they often have the privilege to take decisions at their discretion, however, it depends on their knacks how to delegate and exercise their rights and authority to achieve the goal of firm and stakeholders. In this modern age of quick information and technology, specializations and the organizations are becoming the centre of the economy. Managers have authority and power due to nature of their role and responsibilities as compared to other stakeholders. So the manager's role has an unavoidable and significant impact on the benefits and costs of the firm and society (Segal *et.al.*, 2005).

LITERATURE REVIEW

Literature suggests that apart from economic theory, a manager may focus on behavioural theory, strategic management theory, dynamic capabilities, evolutionary, cognitive and entrepreneurial capabilities. For example, Adner & Helfat, 2003; Argote & Greve, 2007; Augier & Teece, 2006; Augier & Teece, 2007; Casson, 2000; and Coombs & Gilley, 2005) Researchers maintain that for economic development and growth, a manager should have dynamic capabilities, skills, innovative technological understanding with trust and ethical values. In brief, different aspects are discussed in the previous research highlighting key concepts regarding the managerial role, importance and capabilities (see for example, Augier & Teece, 2009; Porter, 1996; Winter, 2003). In this line, still some authors argue that both the firm theory and the economic models for managerial theory emphasize upon education and practice are focused but managerial entrepreneurial skills are given less focus (Teece & Winter, 1984). Others state that economic theory teachings in business have formed management behaviour towards incentives and opportunism and least focus on cultural, leadership and trust education (Miles, 2007). However, we argue that some other aspect still needs to be focused on making managers more trustworthy, reliable and efficient, for example, Islamic approach should be included along with conventional thought. Islamic economic system reduces the gap between the rich and the poor also increasing prosperity (Quran, 4:29). Unlike the capitalist or socialist way, Islamic advocates, revivalists, and activists consider Islam as "third way" having no drawback of either system (Davis & Robinson, 2004). Islam discourages hoarding of wealth and taxes the wealth by zakat rather than trade and it exposes lenders to risk by profit loss sharing and venture capital (Krichene, 2012). Islam also discourages food hoarding for

speculation and various other unlawful and sinful activities i.e. unlawful confiscation of land (Iqbal *et.al.*, 2010).

The manager is supposed to build a positive association with a firm and symbolize the firm as a whole for all stakeholders. However, it is observed that managers do not always play the required role in the interests of stakeholders and so they keep their preferences and self-interest ahead of all. Previous studies suggest that managerial opportunism is reflected in various corporate decisions such as during the initial public offerings (Chalmers *et.al.*, 2002) in setting dividend policy (Eisdorfer, *et.al.*, 2015 and Farinha, 2003), in deciding debt or capital structure (Brailsford *et.al.*, 2002; Florackis *et.al.*, 2009; Katper *et.al.*, 2015; Leykun, 2011; Pokharel, 2013) in choosing debt maturity structure (Berger *et.al.*, 2005; Datta *et.al.*, 2005; García-Teruel & Martínez-Solano, 2010). The most striking point here is to notice that managers deviate from their core responsibility and manipulate things while making a corporate decision for their personal motives indicating lack of managerial trustworthiness. Consequently, such untrustworthy managerial behaviour such as self-serving, opportunism and entrenchment, leads to conflict among stakeholders and decreases the value of the firm. Thus, the literature suggests that pursuing self-interest exerts the negative impacts on the value of the firm which results in the shrinkage of shareholders' wealth. The firm's objective to maximize the shareholders' wealth, therefore, cannot be achieved without management's moral uprightness; this is the reason why the ethically responsible role of managers is emphasized.

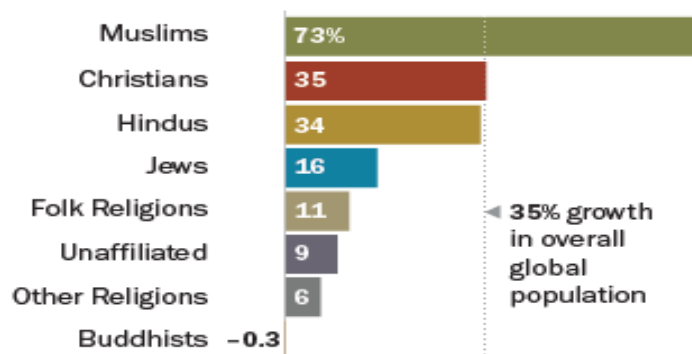
Though some studies exist in the Islamic literature regarding different areas such as economics, finance, ethics and other issues but the role of managers under Islamic principles has been given least focus. In this vein Azid *et.al.*, (2008) elaborate the need for exploring ethical, moral and principles based research according to Islamic economic system. Previously, some writers also emphasize social and moral obligations of the firm and manager to some extent (see Boatright, 2002; Sen, 1993; Zaman, 2005 and Mannan, 1982). The need for such research is being felt because of the growing number of Shariah- compliance business with the firm belief of second largest Muslim population in the world. It is reported that there were 1.8 billion Muslims in the world in 2015 and are expected to proliferate in size to cross the Christianity by 2050 and would be first largest Muslim population in the world. For such fast-growing Islamic business activities, it is necessary for managers to perform their duties according to Shariah-compliance along with

supportive conventional concepts discussed below. This study, therefore, spotlights and emphasizes those factors which are highly significant for the role of manager but are rarely mentioned and practised all together to cover two schools of thoughts (conventional and Islamic). For the implication of such principle based characteristics we combine them to develop a reliable model for a manager commonly fitting to all types of firms.

Islam Growing Fastest

Muslims are the only major religious group projected to increase faster than the world's population as a whole.

Estimated change in population size, 2010-2050



Source: The Future of World Religions: Population Growth Projections, 2010-2050

PEW RESEARCH CENTER

CORPORATE SOCIAL RESPONSIBILITY VIEW

The Corporate Social Responsibility (CSR) is one of the closely connecting views on the moral and ethical teachings of Islam. According to Carroll (1979) CSR consists of four important elements or responsibilities such as economic, legal, ethical and philanthropic responsibilities thus CSR is considered as a multi-dimensional format. Under the economic responsibility, managers are accountable to investors to strive to be competitively profitable. Under legal responsibility, managers are accountable to the government or the law to obey as law codifies about the right and wrong. Moreover, economic and legal responsibilities integrate and incorporate moral and ethical norms

regarding justice and fairness. The activities prohibited by society are avoided in ethical responsibility not even interpreted by law. Carroll says “Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the society regards as fair, just and protection of stakeholders’ moral rights”. Therefore, under ethical responsibilities, managers are accountable to the society to fulfill the obligations being fair and just avoiding harm. Similarly, under philanthropic responsibilities, them anager is accountable to be a good corporate citizen, contribute resources to the community and improve the quality of life. Specifically, in a managerial sense, CSR-oriented firm along with profit should be ethical and legal with the good corporate citizen.

Categories of Managers on the Moral Basis: For a firm, components of ethics and morality are important, without adopting these fundamentals, the interests of stakeholders and society are never served (Carroll, 1991). The author further divides managers in three forms, i.e. immoral, amoral and moral management as descriptive types of managers:

(i) Immoral Management: Immoral managers’ actions, decisions, and behaviors are actively against norms of ethics. Immoral managers’ decisions are dissonant with the principles of ethics and suggest the denial of morality. These managers only care about their success or profit of the firm. These managers consider law and legal obligations as hurdle or barriers. Their strategies are to exploit opportunities for personal benefits.

(ii) Amoral Management: Amoral managers are not on the two extremes, they are neither immoral nor moral, but they are insensitive or indifferent to the fact that their routine business activities or decisions may have dangerous effects on others. They do not care, their direction may hurt even those with whom they interact and transact business activities. Hence, these managers lack ethical awareness and perception. They may be inattentive and careless in implying their effect or actions on stakeholders. These managers are also called unintentional amoral type of managers. Other than unintentional amoral managers some intentional amoral managers think that ethical considerations are for the private lives and not for the business. They believe that business is out of these moral obligations. Out of the subcategories of amoral managers, though most of them are unintentional yet intentional amoral managers also exist who do not consider the role of ethics in business.

(iii) Moral Management: These managers contrast from above categories as they employ high ethical standards of right behavior. Along

with the high level of professional conduct, they also possess exemplified leadership attributes on ethics. Moral managers always attempt to gain profits within the limits of law and ethics (i.e. validity, fairness and justice, legal and sound procedure). Through this approach, their orientation is towards both words and spirit of the law. Legal considerations are prioritized. Moral managers strive to seek and use all sound ethical principles i.e. fairness, justice, rights of others, utilitarianism and the golden laws for their guidance in decision making. They assume ethics at leading position among the firms and industries whenever such situation arises in their role. Moral managers feel responsibility, they are appreciated in building firm- stakeholder relationship according to their needs and this is most important thus, the focus of the whole discussion. If managers realize the need to develop a good society, this objective can be achieved by such spirit of management (Carroll, 1991).

STAKEHOLDER THEORY VIEW

Stakeholders are defined as individuals or group who may be benefitted or harmed for their rights, either respected (served) or violated by the decision or action taken by the firm managers. In literature, stakeholder theory focuses the core issue by which a firm is being run and also raises a question that do managers work for achieving the interests of stakeholders in response to the control of firm (Freeman, 2001). For the role of manager, the stakeholder theory emphasizes on the ethics and moral as important factors i.e. Hummels (1998) focuses on this aspect of the managerial stakeholder theory (principal-agent theory). The writer mentions “the role of management in balancing all the (moral) rights and interests involved, while at the same time safeguarding the objectives of the firm”. Various authors Hitt, (1990); Minkes *et.al.*, (1999); Punter and Gangneux (1998) and McAdam & Leonard (2003) consider manager (leadership) as an important factor for a firm because the stakeholders are affected by managerial decisions. They focus the significance of the role and power of the leader (manager) in the firm specifically, on the moral and ethical basis. Managers should be ethical, just, and trustworthy with a sense of CSR and maintain these features are equally important for all levels of management (Minkes *et.al.*, 1999).

Key stakeholders are: “shareholder, employees, suppliers, customers, other local communities and interest groups also civil societies, media, to exist” (Freeman, 1984; Clarkson, 1995; Donaldson and Preston, 1995 and Carroll, 1991). “Any group or individual who can affect or is affected by the achievement of the organization’s objectives”

Freeman and McVea (2001) Jones and Wicks (1999) explain four categories: first, firms and stakeholders have the integral relationship with each other; second, this relationship is based on interests; third, these interests are related to all legal and real stakeholders' value; and finally the stakeholders' theory faces the decision making of managers. In the Islamic view, primary stakeholders are financiers/owners and employees and at second are suppliers and customers then at third and last are all other groups, for example, external parties. Moreover, the basic philosophy of stakeholders' theory is normative thus it adopts the idea that this group of stakeholders possesses genuine and valid/real interests in ritual and consequential facets of firm's activities (Thomas & Simerly, 1995 and Thomas, 1995). Advocating stakeholders' interests, the stakeholder theory supports their interests and goes beyond where firm and managers should take care of them and not earn on the loss of stakeholders (Donaldson & Preston, 1995). Focusing the stakeholder concept, Goodpaster (1991) asks about the duty of law to respond the fiduciary interests of shareholders that may be violated, the author mentions that stakeholder concept creates an understanding of connection (relationship) between management and stakeholders which leads to safeguard the interests of stakeholders with suitable results (Freeman, 1999). The instrumental stakeholder theory connects stakeholders' interests to the performance of firm that comprises both financial performance and stakeholder-specific performance. It is also argued that stakeholder theory has practicality feature to serve in a manner to recognize the needs of stakeholders and firm to be profitable (Jones & Wicks, 1999).

The financial performance is also one of the indicators of judging the performance of managers (Hillman *et.al.*, 2001). It is observed in the past that in sudden gush and burst of big firms' takeover in the period of 1980s, the share price increased for the acquired firms and decreased for acquiring firms. Therefore, it was observed and speculated the accounts of self-serving management resulted in taking over. The reason for the increase in the value of acquiring firms was, as, before the takeover, firms were burdened by inefficient and self-interested managers. And the acquiring firms decrease in value due to the motivation of acquisition was not the return on investment for owners but ego satisfaction and career development for their top management (Jensen, 1989; Weidenbaum & Vogt, 1987). Inferring from this analysis, managers are usually paid with benefits i.e. salaries and bonuses at the cost of the stockholders and they prefer their own interests over stakeholders. Therefore, it is essentially

required that managers should take care of stakeholders' interests and pay proper attention to them. Likewise, Kakabadse *et.al.*, (2005) state that: "the focus of stakeholder theory is on managerial decision making". Writers somehow relate the stakeholders' theory with corporate social responsibility (Kakabadse *et.al.*, 2005). Hillman and Keim (2001) also observe a positive relationship between firm's management with effective abilities and creating value for stakeholders. They mention that studying the link between stakeholders and management performance may provide a link to the financial performance of the firm. In their empirical study, they find that shareholders wealth is improved by the stakeholder supportive management. Authors, considering the overall betterment, argue that recognizing the responsibility of the firm and justifiable growth, the managers may serve all the stakeholders and society not only shareholders (Kakabadse *et.al.*, 2005). So, to deal with stakeholders it is needed to use the principle of fairness (Phillips, 1997). Thus, the role of firm and managers is not only profit accomplishment (fulfilling the economic goal) but also to look after the rights of all stakeholders by focusing on both economic and social obligations.

ISLAMIC VIEW

In the conventional system, the construction of an objective function primarily emanates from the maximization of profit and minimization of the cost. Seldom do they include social, ethical and moral components in this objective function. Firms enter the market when they are observing a higher profit and exit the market when they observe losses in economic terms. Opportunity cost is a purely economic phenomenon. Conversely, the objective of Shariah-compliant firm and responsibility of a manager is both to maximize the profit of the firm and to protect the interests of stakeholders as well as society (Azid *et.al.*, 2007).

From the Islamic perspective, the difference is clearly identified for *Mudarib* (manager/agent) and the *Rabb-ul-mal* (owner). The separation of control and owner is according to the concept of trustworthiness (*Amanah*). The Manager is supposed to provide services on behalf of the owner in their interest more than his self-benefit. In this system, the role of the manager is obligatory to fulfill duties according to the principles of Shariah. Many scholars support protecting the interest of stakeholders and environment, by arguing that firm managers should look beyond the profit maximization and their personal interest i.e. (Jones, 1995; Turnbull, 1997). Therefore, the manager should adopt as elfless approach in decision making, as the manager in this system is required to fulfill the

moral and ethical obligation, which is highly emphasized and considered inevitable in the social and economic way of earnings (Sen, 1993; Boatright, 2002; Zaman 2005). Islamic teachings are well defined in Quran, Hadiths, and literature for business firms. This factor may be avoided by prevailing economic system and business activities but not in Islamic economic, business and social system. For Muslims, to understand and to practice this system is compulsory, it also contains its own enforcement mechanisms. Moreover, in Islamic economy, the principle of trusteeship markedly contrasted to the principle of manager's self-interest in the free market economies of non-Islamic communities. From this it is clear that the primary objective of an Islamic firm or manager would not be only profit maximization, rather, firm's focus will be on the fair or reasonable profit along with societal welfare and the pleasure of God, that is more important. For, Islam teaches an entrepreneur for the betterment of humanity and overcome self and shifts from the selfishness to the altruistic approach persistently.

Quran says, a man is God's agent on the earth as vicegerent and this should not be forgotten by him at all times. Islamic system is balanced and perfect with divinely power tailored to the rights and needs of the mankind calling human as the *khalifa* (trustee) of God. There is a "test" on earth for mankind (Quran, 67:2). To prove as God's trustee, man as a believer must correspond the Prophet as his role model. The word *khuluq* is a derivative of the word *akhlaq* that is the comparable word for ethics in Islam (Siddiqui, 1997). Logically, if a man is an agent or vicegerent of God, so He demands just, fairness and trust in dealings towards Him. So a manager has the dual responsibility, one as a common individual (an agent of God) and second, an agent of firm's owner. In this way, the manager is bound to work according to the guidelines given by God in the format of Islamic principles. "In fact, the concept of *ibadah* (worship) is all-inclusive in Islam," says (Al-Faruqi, 1992). Any work, when done with purity and positive intention, with limits described in Quran by Allah, is a potential act of worship. Accordingly, in the light of Allah's teachings *amal* (act) at every place including business activities may be counted as worship, if it meets the fair conditions. In Quran, *amal* is mentioned in more than 50 verses along with *iman* (faith) (Ahmad, 1995).

Islam requires true professionalism from the businessmen (entrepreneurs), it also guides them not to deceive in profession only for profit (Azid *et.al.*, 2008; Iqbal & Mirakhor, 2004; Kahf, 1992). In this vein, Quran narrates the unfair business dealing of the people of *Hazrat Shuaib* (PBUH), the dwellers of Al Aiyka (near *Midian*, or *Madyan*).

They were untrustworthy, unjust, dishonest, greedy and cheaters. They gave short measure, praised their commodity beyond their worth hiding their defects. They lied to their customers by cheating. When *Shu'aib* said to them: "Will you not fear Allah and obey Him? I am a trustworthy Messenger to you. So fear Allah, keep your duty to Him, and obey me. No reward do I ask of you for it, my reward is only from the Lord. Give full measure, and cause no loss to others. And weigh with the true and straight balance. Defraud not people by reducing their things nor do evil making corruption and mischief in the land. Fear Him Who created you and the generations of the men of old." But they denied and refused to follow. *Hazrat Shuaib* (PBUH) said: "My Lord is the Best Knower of what you do". "But, they belied him, so the torment of the day of shadow (a gloomy cloud) seized them, indeed the torment of a Great Day. Verily, in this is a sign yet most of them are not believers. And verily! Your Lord, He is indeed the All-Mighty, the Most Merciful" (Quran, 26:176-191). Allah was aware of the *Shuaib* and his followers' righteous behaviour and all the efforts made to discourage the disbelievers from their dishonest and untrustworthy or ungrateful behaviour. Quran mentions this punishment of the unrepentant people. "We saved *Shuaib* and those who believed in him, by mercy from Us. And an awful cry seized the wrong-doers, and they lay (dead), prostrate in their homes". (Quran 11:94). "Those who denied *Shuaib*, (they) were the losers" (Quran 7:92).

Managerial Trustworthiness: According to Islamic principles, an individual must be honest and trustworthy (*Ameen*) in his personal or business activity. *Ameen* refers to trustworthy and honest person guardian of property (wealth) of the owner (*Rabul Mal*). For the Islamic firm, the word *Ameen* also refers to the manager (agent) to handle owners' wealth fairly and honestly protecting the interests of shareholders. Trustworthiness refers to the Arabic word *Amanah* and in Islam financial issues, earnings and business dealings are theoretically based on the principle of *Amanah* (Sarker, 1999). All the activities by manager should be under the Islamic law ensuring the moral and ethical obligations. If managers are not trustworthy; they would act according to their own interests and would exploit the wealth of the owners who trusted them. Thus, the great loss can occur from the dishonest behaviour of the managers that may lose their trustworthiness among the stakeholders (Ahmad, 1995). Manipulation of earnings occurs by the decision of the management which results in loss of billions to its stakeholders (Ahmed, 2007; Brailsford *et.al.*, 2002).

It is imperious that manager fulfils the trust in his work that the owner has conferred to him, and that he does his best (*Ihsaan*). The Prophet Muhammad (PBUH) himself was known as *Ameen* (trustworthy) and *Siddique* due to honestly safeguarding the wealth of people. Muhammad (PBUH) says “an office is a trust; it is a humiliation except for those who raise equal to the task”. It is commonly understood that noneconomic treatment or immorally wasteful use of the property is considered as oppression. A worker or a manager should be the protector and guard against the harm of the property of his employer or owner with truthfulness and honesty. Managers should not misuse or exploit the resources and do not let others do it without owners’/employers’ permission. Allah says “Do not betray nor misappropriate knowingly things entrusted to you” (Quran, 8:27). Islam does not allow a Muslim employee/manager to steal the rights of ownership and also time to cheat or deceive the owner of the firm. According to Hadith “whosoever deceives is not one of us”. Allah warns them clearly by mentioning in Quran that great sin is to snatch the rights and belongings of others which result in great punishment (*azab*) on the Day of Judgment.

Islam emphasizes the inner trustworthiness in human behaviour. The importance of trustworthiness is thus, embedded in the concept of property and ownership. This idea in its every form i.e. physical, human property, machine-power and brain-power property is a trust (*Amanah*) and should be fulfilled. Muhammad (PBUH) also forbids people from wasting the resources and followed the rules of Allah and He was the best *Ameen* of the wealth of the people. Also, Iqbal and Mirakhor (2004) describe the basic conditions to maintain legal property i.e. to avoid unlawful, harm, invalidity and misuse according to Shariah rules. In Islamic rules, it is not defensible or justified if the loss occurs due to the negligence of managers. Labour loss also depends on the condition if the manager has worked with honesty and due diligence required for the business otherwise the manager will be responsible for the loss due to his misconduct and dishonesty (Uusmani & Taqī Ṣ Usṣmānī, 2002). In Islam, contrary to the conventional approach, the responsibility of owners and their agents for their activities cannot be shifted in case of default. As the representatives of the shareholders, managers are fiduciary responsible for safeguarding the investments of the shareholders because of the *Amanah* (trust) (Beekun & Badawi, 2005).

Economic and Social Benefits of Managerial Trustworthiness: Research on business and economic benefits of trustworthiness abounds. It is observed that the factor of trustworthiness has played an important

role in the success and failure of a business (Glover, 1994). Authors realize the value of trustworthiness i.e. Greenspan (1999) says trust is the root of any economic system. It is lubricant of an economic system (Arrow, 1974). It is observed that high trust markets would facilitate more exchange and economic activity. The countries with high trust level gain competitive advantage even in an uncertain world economy (Fukuyama, 1995). Thus trustworthiness boosts and promotes a fair environment for business, risk-taking and entrepreneurial development. Trust creates strategic advantage by reducing interaction cost of doing business and risk. As Bromiley and Cummings (1995) maintain that without trust, firms have to spend substantially in monitoring, control, and enforcement mechanisms. Thus, transaction costs are negatively correlated with trust, these costs decrease as the trust between the groups increase which leads to increase efficiency at the firm and market level. It is also observed that in business trustworthy employees and stakeholders create a fair environment with decreasing risk of self-interest by opportunism. Through the trustworthy business activities, the costs of transaction and monitoring for their partners decrease which leads to gain profits (Burchell & Wilkinson, 1997; Handy, 1995; Nooteboom *et.al.*, 1997).

Trustworthiness can also be described as the reliability or dependability of someone deserving the trust. Trustworthiness, being a moral commitment among parties to protect interests of all by providing benefit, is the first step. The trustworthy managers will never compromise on reputation so would avoid profits which harm the concerned parties and their respect. If they do otherwise, they would feel shame and humility for losing trust. After mutual agreement trust is a general element that may deviate from real objective if controlling party is not trustworthy so in perusing self-interest, managers create distrust. Organizations, where managers are separate from the owners, bear such manipulation. In actual fact, the corporate theory still struggles to provide effective means to overcome agency conflicts. In this context, Eisenhardt (1989) says “theories of economic exchange, like agency theory, place little emphasis on trust, but they do offer explanations for managerial behaviour, such as monitoring and control, that are commonplace in organizations and that affect employees' perceptions of trust”. If duties are sorted by Islamic teachings, there would be rare conflict among parties i.e. management and other stakeholders. “The prime responsibility of a manager is to build and develop trust as an initiative way” (Whitener *et.al.*, 1998). Scholars also describe that ethical objectives are the objectives of Shariah (Ahmad, 2004). The traditional fixes of mitigating

agency conflicts such as: the use of leverage dividend and rising managerial ownership fall short to meet the desired objectives effectively. Trustworthiness, here, could play an important role to reduce agency conflicts and costs monitoring and controlling. Identifying the shortcomings of traditional mechanisms, Berle and Gardiner (1932) also recognized the significance of ethics as a fix to the problems of interest clashes. The advocates of ethics, therefore, have highlighted the need for cultivating and deeply ingraining moral and ethical values based on trustworthiness within the organization as an alternative measure to reduce agency conflicts between all the stakeholders.

Trustworthiness also plays an important role in financing and investing as collateral (Ottati, 1994). Applying simple game models Dasgupta (1988) illustrated that trustworthiness has value like any other intangible assets such as information and knowledge. Thus, high trust firms grow more productive and profitable than low trust firms, holding other things constant. Consistently, Katper *et.al.*, (2015) concluded empirically that the managers in Shariah-compliant firms seem more trustworthy, also more profitable firms as compared to those of Non-Shariah-compliant firms with self-interest motives and exploit the capital structure for their own benefits. Nevertheless, trustworthiness may also provide self-benefit if it is in a positive approach (Hausman, 2002). Further, even the positive self-interest could be better pursued by being trustworthy, which may not necessarily mean altruism (Hardin, 1991). Trustworthy organizations succeed to build a better reputation among their peers earning softer and more cooperative responses from the other stakeholders. Practicing trustworthiness especially by the management would eventually drive out the costs of distrust within the organization and could arguably enhance the value of the firm (Hausman, 2002). Therefore, the trust is a most important factor for the business having various dimensions that cover social and economic sciences (Blomqvist, 1997).

In fact, human beings can flourish only in societies where people are trustworthy and trusting, in contrast, dishonesty threatens one's position and livelihood. Profession-oriented societies think that open betrayal of trust generates risk and suspicion (Hausman, 2002). The trustworthy and honest person believes in morality and decency but if the situation goes opposite, he feels the fear of reputation loss, imperils identity, regards, self-respect and social recognition (Hausman, 2002). However, if managers earn the trustworthiness, it will be beneficial for a firm in all directions by the fairness of activities. Conversely, untrustworthy people

may explain their acts and decisions in terms of their self-interests that will lead ultimately to the harm and losses in long run. Such continuing practices will be the cause of the declining value and worth of firm in the market. It can also be inferred that the effect of trust or distrust starts from individuals' mind that indulges in their whole life also affecting the job/workplace and then it spreads to the overall environment/society.

The Importance of Rizq-e-Halal: The importance of trustworthy behaviour can also be highlighted by the Islamic principle of *Rizq-e-Halal*, which refers to making a livelihood through permissible means as guided by Islam. "In Western economies, all those activities which are worthwhile on a utilitarian matrix of pleasure and pain can be undertaken by an individual of the society. There is no moral restraint in their pursuit, in the Islamic economy, this cannot be so. All the activities have been divided into two main categories of halal and haram" (Khan, 1989).

The concept of *Rizq-e-Halal* governs the practice of earnings and thus it is directly related to all job holders and the business persons. Muslims are guided to earn legally and purely for their livelihood, so are managers, thus, Islam emphasizes on *halal* earning, and Managers may not suppress the rights or exploit the wealth of their employers or owners in an organization. A number of *Quranic* verses and *Hadiths* focus on this issue i.e. "And eat up not one another's property unjustly (in any illegal way e.g. stealing, robbing, betraying, deceiving, etc.), nor give bribery to the rulers (judges before presenting your cases) that you may knowingly eat up a part of the property of others sinfully" (*Surah- Al-Baqarah* Verse 188).

Muslims do not use unfair means to earn that are against Islam instead, they are encouraged to benefit from the opportunities of business and trade that *Allah* has allowed for them but by mutual understanding rather than force or coerce and unlawful ways. Hadith narrates "Everyone of you is a guardian and he is accountable for his charge". Therefore, earning the profit by the unfair way is prohibited anyways. Moreover, in Islam, the word "*Tayyab*" (pure) is used in a very broad meaning. It includes both non-spending on prohibited things and the *halal* means of earnings. Similarly, any activity by management which damages the real spirit of *Rizq-e-halal* is strongly prohibited. Moreover, if any firm is used to grab and exploit the rights of stakeholders can be said as convoluted in *Zulm* (oppression) and practice against Islamic teachings.

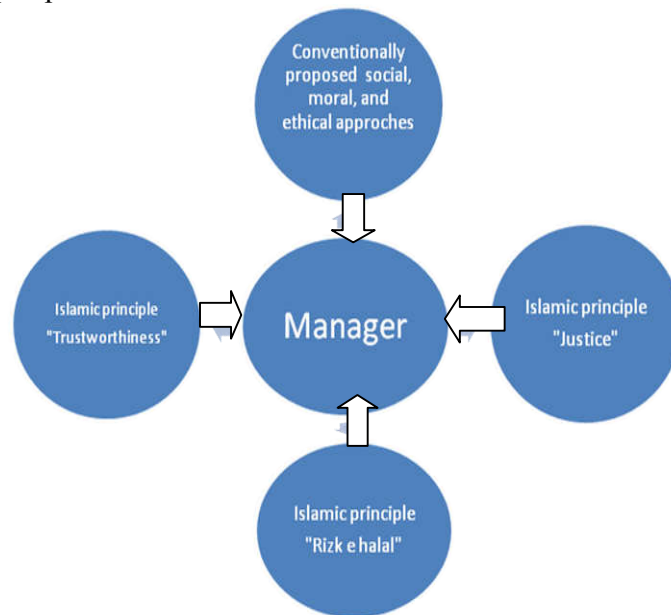
Adl (Justice), Ihsan and Benevolence: In Islamic value system, honesty and trustworthiness are preached as core elements of Justice (*Adl*) and Kindness (*Ihsan*). *Adl* means "equity and balance" and *Ihsaan* is

driven from an Arabic word “*husn*” which means “beautiful (suitable, fitting proper) also excellence” (Siddiqui, 1997). *Ihsan* emphasizes the ethical behaviour of an individual to seek God’s love, and the reward is given accordingly on fair behaviour and efforts with excellence and productive work at the workplace (Quran). Where, the reward refers not only in this world but also hereafter because performance is judged by not only human but also by God Himself (Quran 18:30). Prophet Muhammad (PBUH) taught: “God has ordained excellence in everything” and “God loves, when one of you is doing something and in the most excellent manner” (Al-Qaradawi, 1995). Justice is important and mandatory in Islamic teachings, without which no fair work can be performed. *Adl* refers to the inner feelings and intentions should align with the actions and words spoken. However, *Ihsaan* means inner beauty or individual’s inner feelings and intentions should be better than that of outer actions and words (Al-Qurtubi, 1966). Justice is discussed by two words in the book of God i.e. *adl* and *qist*. *Qist* gives the meaning of portion, amount, allotment, share or measure. “So, justice is also described by the word *qist* means to give every one his proper due” (Siddiqui, 2002). Quran mentions “and be fair for God loves those who are fair and just” (Quran, 49:9). Thus generally, by the meaning of *adl* and *qist* we understand the justice which maintains the overall needs of soul, body, and mind through giving out the due rights to everyone in everything. Managers should be just and ensure that all the business activities are going along with *adl*, *qist* and *ihsan* in an ethical manner. Shariah law in this regard gives a set of ethical principles that are guidelines for dealing with the firm managers and stakeholders reciprocally in all decisions without exploiting and deceiving (Beekun & Badawi, 2005). The unjust individual is accountable before God on the Day of Judgment for doing unlawful deeds and getting the property or profit by unfair means and the decision of authority cannot change the reality (Quran).

Further, Muslims are encouraged to deal with *Adl* (justice) to all human beings as mentioned in Quran: “be just! For justice is nearest to piety” (Quran 5:8). To behave with just in this life will be rewarded similarly in the hereafter by God, as He says: “Deal not unjustly and ye shall not be dealt with unjustly” (Quran 2:279). *Adl* as equilibrium belongs to harmony in the universe, therefore, the transaction if balanced, is just. This concept is parallel to the idea of equity and justice (Gibson *et.al.*, 2001). Normative Islamic teachings focus on just in life every time at all levels. “God commands you to render back your trusts to those whom they are due; and when you judge between man and man, that you

judge with justice” (Quran). Therefore, there is inevitable need to ensure the presence of basic Islamic principles (especially in Shariah-compliant firms), in the behaviour of management to safeguard the interests of stakeholders being trustworthy, just and honest in duty. Also, Beekun and Badawi (2005) explain the ethics balancing the needs of different stakeholders that is focusing the common approach in stakeholders’ theory like justice, balancing and also includes the criteria of trust and benevolence. Therefore, the manager is one who serves the interests of stakeholders rather than his own opportunistic and self-serving motive.

Diagram: The role of the manager based on conventional and Islamic perspective.



CONCLUSION

Though considerable research on the role of manager and firm already exists highlighting the different aspects of it, the most important aspect is yet missing to focus. For the strategic change and development of an organization, the manager being an agent of owner, is highly responsible for all the activities performed in the firm which affect all the stakeholders and society at large. In the conventional literature, different concepts and approaches regarding managers exist such as capabilities, competencies, specializations, entrepreneurial skills, and leadership, CSR, stakeholders, management and firm theories; however, Islamic principles are rarely focused. Though stakeholder theories and CSR concepts are very close to Islamic principles yet the majority of the conventional firms

are not following these concepts/principles strictly and obligatory. Thus the previous research is conducted on different theories/concepts to provide handsome literature in the area still missing an essential part. The contributing part of this study is to present a model for the manager by which all behavioural aspects of an agent are covered that may help to reduce agency conflict. Specifically, a Muslim manager cannot deny all of these responsibilities due to the follower of the Islamic religion. Therefore, this study, beyond the existing concepts presents a suitable paradigm (best fit model) on managerial behaviour that may commonly be adopted by all managers in all type of firms. Our study attempts to divert the attention towards such managerial characteristics that contain all fixings for being a trustworthy agent of an owner, other stakeholders, and society at large. This conceptual study focuses on the role of the manager based on conventional and Shariah principles specifically. The related concept is also focused and tested empirically by Katper *et.al.*, (2015). Moreover, this is the need of our due to the fast-growing Shariah-compliance business under Islamic religion which is currently the second largest religion of the world. This study discusses how Islam sees a manager as an individual to perform his/her duties in the light of Shariah law (*Quran, Hadith, and Sunnah*). Along with conventional concepts (purely economic or profit approach), a manager should work and earn fairly and justly (*Rizk-e-Halal*) be *Ameen*, trustworthy, just and honest following ethical and moral education.

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