

# Islamic Framework for Governing the Nexus of Individual and Organizational Behavior

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## Abstract

*Scholarship has asserted for deducing and decoding the nexus of individual and organizational behavior as an off shoot and reflection of the overall governance system. It is argued that the efficacy and universality of the governance system is the bedrock of the overall efficiency and sustainability of a successful organization. The same, in actuality, is no different from the overall societal behavioral. Consequently, the lack of understanding and hence attaining the same has resulted in mal-understanding of a just organizational behavior, leadership failure resources and expertise drain and misutilization. All in contrast to pareto superior aims. Different strand of theories were put forward in explaining the notions and the nexus of individual and organizational. Number of models and frameworks have been circulated, over the decades, to provide philosophical underpinnings. The current study, while resorting to historical, analytical and deductive approach, will not only dwell on the known theories with the aim to put forward a relevant framework from an Islamic perspective.*

**Key words:** Islamic Framework, Governance, Organizational Behavior

## 1. Introduction

The governance system and the religion structure not just participate but also encourage the innovation and idea. Likewise, akin the objective of new institutional economics, the emotional/motivational intelligence theorists and behavioral economics, an ethical driven infrastructure is essential. According to NIE the governance of economics/organizational behavior of the society is performed by institutions. The efficacy of the system depends decisively upon the way of governing collective and individual behavior. The basic softcore rules are rule of laws and procedures, well defined rights, and a high degree of trust, well defined rights, consultation, reciprocity, empathy, cooperation, risk sharing, efficient contract enforcement, and good governance. According to Dundon & Rollinson (2010: p4) "...The organizations possess a complex nature to be examined and studied and understanding them is really hard task which requires mindful efforts. But there exist two reasons why the organizations should be studied, to know the culture of organization and judging the behavior of people working there".

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Therefore, the strength of the organizational code and behavior relies upon the protection and stickiness of same in its particular rules, which produces the encouragement, results in the support of institutionalization, ideation and incentive models.

The way for sustainable organizational growth is to modify the behavior of employees in the direction of objectives. The big companies if are observed, the same behavioral philosophies are evidenced to be practiced because of their strength universality and objectivity. Thus the better results of behavioral coordination, actions reasoning and positive outcome are produced itself.

## **2. Gauging the Behavioral Dynamics**

As propounded by Shaukat & Shafique (2019) states that how a given rule can be judged that it in accordance with the objective and benefit of the organization. This topic is under top discussions of all the ethicists, philosophers, emotional intelligence and scientist. This aims to evaluate and explore whether such policies are ethical or not. Implementing ethics became a criterion to judge the approach of the company to be correct or not. Followed are among the theories of theories and justice. Ethics are linked with the expected criteria that the results acquired by the ethics are up to the criteria expectations or not. This structure of the governance overall describes and depicts the whole jargon of the organization (Rahman & Al-Buraey, 1992). The organization sets its rules and governance system to acquire the desired outcome from it. There is found no difference between the organization and the governance system of organization hence are named similar. Is it possible to run an organization without a governance system and if this happens will bring certain outcomes and haphazard behaviors. To follow the first one, it is mandatory that the employees in a company and individual works are willing to help and play a supportive and kind role with each other. This will help to know each other's need. This is in line with the given concept of behavioral and institutional economics. As a sprout of it, the indulging of cultural and socio fabric which is crocheted on the previous view.

## **3. Commonly Known Approaches**

Different approaches exist in the formation of rules including moral and ethical aspects. These all rules were set after analyzing the shortcomings in previous governance systems and some flaws in previous policies.

Thus, what made the judgement difficult was the dependence of selected criteria on the views of the ethicists, philosophers, behavioral economists or/and social scientists (Choudhury, 1991).

The major components in the rules formation is the Nexus between justice and ethics.

Common Behavioral Rules to establish Operational Limits for organization behavior and unified growth culture. Among the common strands are the following 'just behavior' theories:

- ❖ **Pareto** (Benn, & Paul, 1967) – “Distinction between participant’s welfare & wellbeing - Governance can help in redistribution of goods via incentive tilts”.
- ❖ **Jeremy Bentham** (Kelly, 1990) – “Believes in lassies-faire system but with certain burden of the legal contingencies to deter weakening or abusing the set institutional order”.
- ❖ **Nozick** – “Theory of entitlement & Distributive Justice - Governance support is allowed only when injustice occurs i.e., minimal governance”.
- ❖ **John Rawl** – “Theory of Justice; the Veil of Ignorance”
- ❖ **Amartya Sen** – “Justice is comparative, plural in valuation and focuses on human behaviour and capabilities. Supported the governance models in place” (Shaukat & Shafique, 2019).
- ❖ **James Buchanan** – “Public Choice Theory- Rejected the idea that governance can correct complex behavioural systems”.

It can be summarized that:

- ❖ The governance system of a particular organization is controlled by the values considered in set of rules and principles. This also determine the preferences in decision making and the collective attitude of individuals.
- ❖ ‘Rational performers’: arguing that people perform rationally i.e., their actions are ‘reasoned based

#### 4. The Islamic Framework

All in all, from Buchanan to Rawls to Nozick and to Sen, brings out that if every kind of pressure of institutional governance is escaped from the employees and individuals and enforcement is there rather the natural and self-willing bond among employees is emerged, it will establish their own social contract, ending up having a ‘Minimal state’.

It also says that if someone in the society handover his share to another and inequality is occurred, there is no issue in that and the government cannot involve in it because it happened with the mutual consent of both parties. This also involve a thing that under this system idea a person can willingly submit to be a slave of another The ethics on the time will be specified via considering the liberty and rights and liberty of individuals See (Shaukat, 2016).

The efficiency of the above concept completely based upon how the idea is worked. If it is studied from the Islamic context it is very interesting to know that the concept is derived from behavioral sciences which is based upon the concept of justice

in Quran. Hence the origin of corporate governance exists in Quran Chapter no 31 & verse 17:

"Establish worship and enjoin kindness and forbid iniquity and persevere whatever may befall thee. Lo! that is of the steadfast heart of things." 31:17 (Glorious Quran).

Seeing just behaviors in the other spots of the Quran provides an example and way of automatically improving personality, perception, ability, socio cultural factors, motivation and stories of success. The cerebral justice behavior means to "give everyone their determined right and place everything on its right place"

Elucidating the above notion with other behaviors and codification of justice lead to an ideal recipe for developing personality and enhancing perception, ability, socio-cultural factors and motivation. The cognitive justice behavior rule: "Give everyone their right due and put everything in its rightful place". The practicality and universality could be judged given the trueness of the outcomes debar of Teleological' or a 'Deontological' approach for governance (Shaukat. & Shafique, 2019).

It is possibly can be discussed that the previously mentioned organizational behavior will also cover multiple kinds of behavioral theories. For Example, McClelland's Theory of Needs, Humanistic, Trait, and Psychoanalytic.

Thus, the problems of inequality and equity will be aided. In the result the separation and lack of ownership along with demotivation of employees will thus resulted in team building, consultation, cooperation, improved coordination from top to down level, speeding up the efficiency, more innovation and ideas as well as dedication.

Resultantly, equity rather than equality will be achieved. It will be translated into lack of ownership, demotivation and alienation among employees that will lead to team building, unification, cooperation, reciprocity, consultation and increased coordination from top down to bottom up, enhancing ideas generation, efficiency, innovation, dedication and creativity. Indigenously, institutionalism and idealism both will be embedded in the mission, vision and values of any organizational behavior. Likewise, it also provides better insights for an ideal management and leadership regimes for a well-developed organization. According to Shaukat & Alhabshi (2015), it also assists in deciding for self-accountability of their own actions and shaping their anticipations of other's responses when faced with individual or collective risks.

## **5. Managing Behavioral risks and Uncertainty**

The uncertainty and risk cannot be escaped be from life. As per previous discussion it is understood that uncertainty not only occurs due to less information but also due to unawareness of people's reaction on certain conditions. Here the question is present that why the uncertainty does occur. This is most strongly believed among those who have faith that is some supreme power and creator between every act of the

universe. The existence of uncertainty is though not an easy thing for humans, but a point of supreme center creator is existing on the same place that why uncertainty is necessarily present for all humans?

Here the Quran delivers a more interesting explanation: Every human in the world has to pass a test in their entire life which is a criterion to know their submission to the rules sent by the creator. Each individual and human collectively are responsible for their compliance with rules sent by Allah. (see for example, chapter 7 verse 130; chapter 2 verse 155; chapter 29 verse 2; chapter 11 verse 7; chapter 76 verse 2; chapter 9 verse 126).

The humans cannot be judged unless passing them through the test (Mirakhor, 2011). To reduce the level of anxiety in managing with the test will also lessen ease the human's ability of reasoning with uncertainty. It is suggested to follow the principles of making behavior sent by the Quran will lessen uncertainty and risk. The ultimate result of this will be emergence of good coordination among people of society. Following the principles sent in Quran will produce many positive outcomes in society such as reduction of disputes, eliminate differences, encourage cooperation among society and make the social order stronger. In this way the level of uncertainty is also reduces in organizations as following the Islamic commandments will provide positivity outcomes hence the results will tend to be more predictable to be controlled better (Khan et al., 2010).

## **6. Rule Compliance**

This strictly prescribed and collaborative model to run governance, is essentially made to find out a universal pareto superior and natural equilibrium through an exhaustive set of Quranic guidelines governing the operations and structure of an economy; covering guidelines that extend well beyond what the New Institutional Economics (Shaukat & Alhabshi, 2015) would declare needed for a good and well-functioning organization.

The Quran also provides the guarantee of better and positive in the result of following its guidance. The society will become free of cohesion and justice will be observed more. The unity will be evidenced more, and people will live collectively and mutual cooperation which will thus also lead to good growth of economy. (see: chapter 3 verse 103; chapter 5 verse 2; chapter 8 verse 46). The promise made in the verse 96 of chapter 7 of the Qur'ān (see also chapter 65 verse 2; chapter 65 verse 3; chapter 5 verse 65-66; chapter 12 verse 90' chapter 5 verse 66; chapter 8 verse 53; chapter 10 verse 9; chapter 2 verse 25; chapter 16 verse 97; chapter 24 verse 55; chapter 40 verse 40) (Mirakhor et al., 2012).

Conversely to this if the commandants prescribed in Quran are not followed will lead to negative results such as unjust societal environment and collapse of society.

The main important rules other than the regarding Gharar and no interest (Riba), which are essential for an organization in Islamic Economic system are as follow.

- Full and transparent observance of Property rights. Islam has given two rights under which an individual can possess legal property rights. First one is by the efforts such as income, business the second one is which is transferred such as grants, exchange and inheritance by others who own the property. (see chapter 53 verse 40; chapter 17 verse 26; chapter 24 verse 22; chapter 30 verse 38; chapter 4 verses 11-12).

Basically, hence work efforts are very necessary for gaining the property rights. The gaining of any property right without performing the matching work is against the rule of Islam. The case of gift is exempted from the above rule as taking gift by the choice of the giver is allowed in Islam. The prohibition is applied on the illegitimate activities such as bribery, theft, gambling, Riba and whole money which is gained through any kind of activity that is not allowed according to Shariah (for example chapter 2 verse 188; chapter 5 verse 38; and 275; chapter 5 verse 90).

- Faithfulness to terms and conditions of contracts.

Islam is the religion which address all the political, social and economic problems of the contracts. The religion Islam presents everything joined in contract, whether it is formation, understanding or its implementation. The first and major primitive bond is between a human and the creator (Allah Almighty) (Mirakhor, 2011) [see chapter 7 verses 172-173].

This covenant bounds a human to strictly comply with rules sent by Allah the creator to show his strong faith and relation with Him. In verse 152 of chapter 6, the Quran has strictly instructed a believer to follow the rulings of Shariah and fulfil the contract with Allah. This implies on each and every kind of contract as mentioned in chapter 5 verse 1 of the Quran. The believers are asked to follow the rules to such an extent that a believer should confirm its obedience to the laws sent by creator and protect his bond as a shepherd protects his sheep (see chapter 23 verse 8; also chapter 17 verse 34; chapter 2 verse 2; chapter 16 verse 91-92; chapter 3 verse 61). It can be confirmed by having the longest of Quran on the contract importance and its fulfillment (see chapter 2 verse 282). Thus, it is observed that believers donot take the bonds with lightly and strictly follow them. The believers make contracts only if they are able to follow them completely. Hence believers are very good in fulfilling their contracts and commitments (Mirakhor, 2011).

- Islamic teachings have approved selected sources of products before they enter the market.

- It is necessary to provide true information regarding the quality, quantity, the features of products, the means of production and every information regarding products before starting any discussion regarding making contract and price
- The product information shall be free from any kind of any “Ghash”, which mean any kind of fake representation of products.
- There should not be any kind of ambiguity in product regarding the product termed as “Gharar” and “Maysir”.
- The complete and correct information of the product shall be provided, there is not any permission to hide any information of the product from the customers. Whoever comes market shall be informed each and everything.
- The shariah rulings also address the distribution and redistribution of wealth. The reason behind is this is that no one should be left with his right to gain property. Everyone shall be given his allocated right of holding the property resulting in no inequalities in the society (see chapter 6 verse 165; chapter 43 verse 23; chapter 16 verse 71). The inequalities could also arise due to the presence of the idiosyncratic risks which when materialize play havoc with people’s income and wealth.
- One of the most prominent economic institutions is that which process the operation to achieve the goal of managing and handling any kind of inequalities is the notion of distribution/re-distribution in the paradigm of Islamic economy. For example, the Mechanism for redeeming the rights of the less able in the income and wealth of the more able are the network of mandatory and voluntary payments such as Zakat (2.5% on wealth) and payment referred to as ‘sadaqāt’ (see chapter 9 verse 60; chapter 22 verse 41; chapter 2 verse 110, 261; chapter 34 verse 39; chapter 57 verse 18; chapter 73 verse 20) (Shaukat & Al Raisi, 2017).

Islamic economic system provides such guidelines and governance systems which will eliminate the moral hazards from the society. Islam has presented guidelines in such a way that it covers and protects all the property rights of a human and all the money exchange activities become clear because of rules regarding being faithful to contracts, The hazards can occur if the rules are not properly followed. All the rules which are discuss above give guarantee of no negligence in contract and rendering one’s right.

All in all, any form of conduct leading to instantaneous property rights without commensurate equity created by individual’s own labor is prohibited. The organizations which follow the mentioned rules of prices deal with that price truly based upon the outcomes and factors of products. It is done during the phase of bargaining between stakeholders. If the said rules are missing, will make the contract very difficult to execute and leading to dispute as well.

“A further implication of the compliance with the above rule is the possibility of coming up with a contract where the parties to a contract trust each other. They can agree to enter into a simple contract and commit to revising its terms and conditions as contingencies arise” (Mirakhor, 2011).

## **7. Enhanced Coordination and Predictability**

It is proved by the entire discussion above that the Islamic governance system and its institutional framework means gathering institutions at a place, principles of making conduct with each other, implementing same universal and common behavioral norms and rules. Awareness of the rules which will provide equal benefit to all societies, communities and institutions. The purpose of the institutions is to acquire social justice along with the economic development and prosperity too. The major task of institutions is to minimize the level of uncertainty and reduce the obstacles in their way for its employees which is occurred due to the scarcity of knowledge. Rules is a set of guidelines that force the individuals and employees to perform specific act with no choice. Rules also act as a restriction for the employees to perform act of their choice freely rather have to comply with rules to ensure the social order to not be disturbed. These rules also help to keep some expectation regarding uncertainty in the outputs.



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