

## Case Studies of Muslim Managed Organizations in Bangladesh

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### Introduction

It is essential for the Muslim managers of different countries to follow Islamic principles in managements in a globally competitive environment if they want to gain overall success.

It is observed from a study on Islamic Management conducted by Mohiuddin (2004) on the management affairs of mosque of Chittagong City, Bangladesh that 52.72% of imams of the study have received training within the country, and 83.64% of the respondents think that it is possible to prevent crimes in the area with the help of Dawa (preaching) and other activities. It is also observed that 60% of the locality of the study area obeys the Shariah rules (Islamic Rules) in marriage, divorce, remarriage other affairs. 98% of the Imams (Leaders) of the study area believe that it is essential for them to participate in political activities for the sake of Din (Islam).

In the present study the data collected from the executives of the managerial level of HJM(Hafez Jute Mills Ltd), Chittagong, and IBBL Chowk Bazar Branch, Chittagong, Bangladesh, with a view to judging whether the apply Islamic principles and other strategies in managing their organizations and the effects of these applications in organization growth.

### Objectives of the Study:

The main objectives of the study are as follows:

To study the development of two organizations (Hafez Jute Mills Ltd and Islami bank Bangladesh Limited) applying case study method.

To compare the effects of applications of Islamic principles in selected two organizations.

To identify some problems and suggest measures of the proper implications of Islamic principles & concepts in the organizations.

### Research Methodology:

The study was conducted among 50 (fifty) executives of managerial levels of HJM and one branch of IBBL (Chowk bazaar, Chittagong). Due to some constraints it was a purposive survey. Irrelevant questions were scrutinized after conducting a survey and questionnaire was developed. Apart from the primary survey, data were collected from the accounts section of both the organizations to supplement the primary data. Out of 25 executives of Islami Bank selected for the study, 4 (four) executives did not respond. Only one executive of HJM is non-Muslim. To analyse the data statistical tools have been used. The Questionnaire was designed covering the development of two organizations and application of a few Islamic Principles.

### Principles of Islamic Management:

Fayol (Ali, 1986) listed the principles of management as follows: Division of work,Unity of command, Remuneration, Equity, Unity of Direction, Centralization, Sub-ordination of individual interest to the general interest, Discipline ,Authority, Order, Stability of tenure of personnel, Initiative, Scalar Chain (Line of authority), Esprit de corps.

By formulating these principles of management Fayol believed that the state of the art of management practice could be improved (Ali, 1986). In this regard Ali mentioned 7 (seven) principles of the Islamic management model and Mohiuddin (2004) mentioned 16 (sixteen) principles of Islamic Management. Principles are not laws, these principles can be modified, if necessary. The important principles of Islamic Management may be the following; Tawakkul (faith in Allah), Accountability, Authority, Al-'Adl (The equilibrium of Justice), Preference of Organizational Interest to other Interests, Model behavior of the Muslim, Discipline, Division of work, Remuneration, United efforts, Right Man in the Right place, Gratefulness, Moderation, Patience.

The Principle of Islamic Management is Tawkkul. Allah said: “ *Say He is Allah, the one and only. Allah is independent of all and all are dependent on Him*” (Surah Al-Ikhlās).

It has been numerously pronounced in the holy Qur'an that Allah loves those who depend on Him. The prophet (SAW) of Allah says: "Allah *the Almighty is enough for us and He is our best administrator.*"

This is called Tawakkul which is the cardinal assistance for virtuous (Momin) in gaining their goal. It means in every sphere of activity or atmosphere, our aim should be established in faith and depend on Allah. The person who depends on Allah directly, succeeds to reach the goal with the help of Allah. This is the most important principle of Islamic Management. Managers of organizations should follow this principle in order to achieve organizational goals success fully(Mohiuddin,2004).

The second principle of Islamic management is accountability. Islam has made self and formal accountability mandatory. In Islamic management this accountability is to bifurcate, firstly, to Allah, secondly to higher official. Allah said: *Then shall anyone who has done anatomy's weight of good, see it an any one who has done an atom's weight of evil, shall see it.* (Surah al-Zalzalah 99:78). The third principle of IM is authority. Regarding authority, the Qur'an injunction is ;" O Ye who believe, obey Allah and obey the messenger and those of you who are in authority and if ye have a dispute concerning any matter, refer it to Allah and the messenger if ye are (truth) believers in Allah and the last day. That is the best and most suitable for final determination" (4:59) The fourth principle of IM is Al-Adl (The Equilibrium of Justice). It means putting things in its rightful place or treating people in a manner that benefits him. Islam is absolutely unambiguous about eradicating from human society all traces of zulm (All forms of injustice, exploitation, oppression).

The fifth principle of IM is preference to the organizational interest. In Islamic management the interest of an organization should be given priority above the interest of an individual. If personal interest gets preference to organizational interest it will bring danger to the organization. In Surah Baqarah and Qasas preference has been given on the interest of the owner and management. 'Omar Ibn Abdul Aziz (RA.) recognized as the 5<sup>th</sup> khalifah of Islam, when the would receive any application from his officers asking various facilities, he would write the corner of the application.

"Write less with public papers and pen, waste less ink and such illegal facilities will be achieved by no means" (Mohiuddin, 2004).

The sixth principle of Islamic management is model behavior of the Muslim. The actions of Muslim in the organization should follow the Qur'anic principles and teachings. The individual should eat and drink what God has provided and not act corruptly or make mischief in the world.

The committed Muslims Knows that Allah knows What in open and What is hidden. Thus an individual in an organization should not cheat or act badly whether they are supervised or not. Worker will accomplish his or her work according to the position in a Proper way in order to avoid Allah's punishment of supervisor As Allah said : "*it is he who knows what is open speech and what ye hide(in your heart )*"(21:110).

The seventh principle of IM is discipline. Managers should obey the principle of discipline very rigorously. The provision of five times prayer punctuality, fasting in the definite month of Ramadan, performing Hajj in the month of Zilhaj and other Islamic activities are the elevated instances of discipline in Islam. The entire 63 years of the Prophet (SAW) of Allah filtered under the superintendence of a fixed discipline. No instance of disorder was found in his life.

The eighth principle of IM is the division of work. In the history of state philosophy, the state established at Madina by the Holy prophet (SAW) is a unique example of division of work. In the strong parliament of Madina the names of 24 divisions are detected. For example, president's personal division, sealing division, Ohei(divine verse) composing division, reception division, defense division etc.

Apart from this in the management of Allah (SWT) also we find the exemplification of division of labor. For instance four chief angels are assigned to four important responsibilities (Mohiuddin,2004).

The ninth principle of IM is remuneration. No economy has so far been able to indicate such a perfect principle in matters of remuneration of labor as Islam. Mohammed (SAW) has accredited: *Pay the labour his wage before his sweat dries up* (Bayhaqi). Hadrat 'Umar Faroque (RA) would pay high salary to his Government employees so that they might not be induced to take bribe (Mohiuddin,2004).

The tenth principle of IM is united efforts. It has been cited in Surah al-Saff: "*Truly Allah loves those who fight in his cause in battle array, as if they were a solid cemented structure* (The Quran 61:4). In another Surah it has been cited: "*And hold fast all together by the rope which Allah (stretches out for you) and be not divided among yourselves*" (The Quran 3:103).

The eleventh principle of IM is the right man in the right place. The prophet (SAW) said: *“One who appointed an incompetent person to a responsible post as though has betrayed with Allah & the prophet.”*

The twelfth principle is gratefulness. A good product cannot result from a half-hearted worker. A worker would work whole heartedly if he is satisfied with his job. But satisfaction is something objective and relative. Thus Islam teaches the principle of gratefulness, the spirit of which can be derived from the Qur’an. *“O ye who believe, eat of the good things that we have provided for you and be grateful to Allah, it is Him ye worship.”* (2:172). *“And remember, your Lord caused to be declared (publicly). If ye are grateful, I will add more (favours) unto you. But if ye show ingratitude, truly my punishment is terrible indeed.”* (14:7).

The thirteenth principle of IM is moderation. Islam is against extremism. All decisions and actions should be taken on the basis of moderation (Alhabshi & Ghazali,1994). As the Quran says: *“Those who , when they spend are not extravagant and not niggardly but hold a just (balance) between those (extremes)”* (25:67).

The fourteenth principle IM is patience. Patience has two aspects. Firstly, it is called mental patience which is restraint on demands of carnal desires and anger. Mental patience is required against excessive desire for food and other needs. In misfortune, it is required against violent outbursts in the form of crying, tearing of cloth etc. Firmness of mind is required in controlling anger and greed for wealth. Secondly, it is called bodily patience which is the endurance of physical pain felt in performing devotional or non-devotional acts, and in disease and injury. Patience is very much required in business because one will somehow encounter something that is disagreeable(Alhabshi & Ghajali,1994).

#### **Hafiz Jute Mills Limited (HJM)**

Hafiz Jute Mills Ltd.(HJM) of Bara-Awolia, Chittagong started production in the year of 1962. Hafaz Wali Mahmood was the founder director of HJM. He was blind but an honest administrator. He instructed all the executives and staffs to follow the path of Islam. Raw materials are specially collected from Dinajpur, Rajshahi, Bogra, Comilla and finished products (Hessian & Sacking)are exported to Iran, Iraq, Turkey and other countries of the world. The production process are a) Raw goods assortment, b) Basin, c)Drawing, d) Preparing, e) Spinning, f) Repairing, h) Calendaring, i) Capping, j) Bailing.

One general manager, 59 executives and 204 other staffs are engaged in managing a large number of workers of the organization. The firm was nationalized in 1972. Before liberation there was no trade union. There are three trade unions, namely Jatiotabadi Sramik Leage, Sramik leage and Sramik federation. There are lot of conflicts between the workers and management. From 1962 to 1971 it was a profit earning organization. But since 1972 it has been sustaining loses every year. The audited statements of Accounts of this organization indicate that the organization’s liability stands at Taka (Bangladesi currency):

2001-2002	Taka 152,358,862
2003-2004	Taka 181,575,292
2004-2006	Taka 220,000,000
Total interest liability to Bank-Taka	200,000,000
Total	Taka420,000,000

HJM is over staffed.

The major problems of HJM as identified by the executives are financial crises, labor unrest, absence of commitment and other corrupt practices of management and employees do not get their salary in due time.

*HJM= Hafiz Jute Mills*

#### **B. Islmi Bank Bangladesh Limited (IBBL)**

Islami Bank Bangladesh Limited (IBBL) is a financial institution whose statutes, rules and procedures expressly state its commitment to the principles of Islamic Shariah and to the banning of receipt and payment of interest or any of its operations. Islamic Shariah is one of parts of Islamic Management. The former Governor of the State Bank of Bangladesh declared in a Seminar (1983) that one Islamic Bank would be established in Bangladesh on experimental basis. The seminar was organized by the Islamic Economics Research Bureau, Dhaka. The Governor was on confusion whether the Islamic Bank would run in the modern economic system. By the grace of Almighty, the most power and compassionate Allah (SWT) the development of IBBL is remarkable and praise worthy. Among the commercial banks in Bangladesh its performance is highest. Managers of IBBL are more committed than the managers of interest based banks (Hossain, 1991). They get their remuneration in due time.

Problems of Islamic Bank as identified by the respondents are the want of modern equipment, online banking system,

proper computerization and appropriate manpower for proper service to customers. Proper evaluation of executives and staffs are not done. The Chawk Bazar branch of IBBL was established in the year 1984. Executives of IBBL are overloaded with different tasks but they are well behaved and their efforts are united.

**INCREASE OF DEPOSIT AND PROFIT EARNED BY IBBL, IBBL, Chawk Bazar Branch 2001-2004**

Year	Deposit (Figure in '000')	Profit (figurein'000')
2001	Taka 492,122	Taka 6,241
2002	Taka 685,035	Taka 8,950
2003	Taka 891,496	Taka 11,428
2004	Taka 1,088,839	Taka 7,668

Source: Islami Bank Bangladesh Ltd., Chawk Bazar Branch.

**5. Analysis of Findings: Data collected from primary sources are summarized below.**

**5.1: Educational Qualification:**

Table I : scores Respondents Towards Educational Qualification of respondents

Qualification	Islamic Bank	Hafez Jute Mills		
	Number of respondents	Perchantage of total	Number of responders	Perchantage of Total
Master degree	18	85.71%	4	15.38%
Graduation	2	9.52%	5	19.23%

From the study conducted on 25 respondents of IBBL , it is evident that most of the respondents (85.71%) are master degree holders. The respondents of IBBL do not accept interest at any time, they (76.8%) allow time to the borrowers till the borrowers attain capacity to repay the loan (Appendix 1), they (100% ) show respect to non-Muslims.

**5.2. Shariah Council**

Table II: Scores of Respondents towards Shari'ah Council and Consultation with subordinates for Decision Making

Particulars	Islami Bank		Hafez Jute Mills	
	Number of Respondents	Perchantage of Total	Number of Respondents	Perchantage of Total
Consultation Made	21	100%	8	32.00%
No consultation	0	0%	17	68.00%
Existence of Shari'ah council	21	100%	0	0%
No Shari'ah council	0	0%	25	100%

From the Table it can be seen that respondents (100%) of IBBL make consultation with subordinated in taking decision and respondent express their opinion that the Shari'ah council exists in their organization. On the other hand no Shari'ah council exists in HJM, Chittagong. HJM executives do not follow the order of Allah because Allah's (SWT) order is to make decision in Shura. It means they o not follow the first principle of IM.

**5.3 Storage System**

Table III : Scores of Respondents Towards Storage System

Particulars	Islami Bank		Hafez Jute Mills	
	Number of Respondents	Percentage of Total	Number of Respondents	Percentage of Total
Generally stored for	8	38.09%	18	72.00%
More than 40 days				
Generally not stored for more than 40 days	8	38.09%	3	12.00%
No comment	5	23.81%	4	16.00%

The above table indicates that out of 21 respondents of IBBL scores of 8 respondents express the view that products are not stored for more than 40 days in their stores and 8 respondents (38.09%) express that products are stored for more than 40 days in IBBL store. In the store of HJM the products are stored for more than 40 days as per opinion survey of the respondents (72%). Here also HJM managers do not obey the first principle of IM.

5.4 Performance of Salah: Table IV: Scores of respondents Towards Performance of Salah by Respondents

Particulars	Islami Bank		Hafez Jute Mills	
	Number of Respondents	Percentage of Total	Number of Respondents	Percentage of Total
5 times in Jama'ah	6	28.57%	2	8.00%
4 times in Jama'ah	9	42.86%	4	16.00%
3 times in Jama'ah	4	19.05%	5	20.00%
Below 3 times in Jama'ah	0	0%	5	20%
Only on Friday(Jama'ah)	0	0%	1	4.00%
No comment	2	9.52%	8	32.00%

The above Table indicates that most of the respondents (42.86%) of IBBL perform Salah 4 times (daily ) in Jama'ah and respondents of HJM(30.77%) made no comment regarding Salah. It is an important evident that executives of HJM show negligence to the important principle of IM (Seventh principle). Salah is an elevated instance of discipline in Islam.

5.5 Acceptance of Bribe:Table IV: Scores of Respondents towards Acceptance of Bribe by Top Level Executives

Item	Islami Bank		Hafez Jute Mills	
	Number of respondents	Percentage of Total	Number of respondents	Percentage of Total
No executive Receives	18	85.71%	2	7.69%
No comment	2	9.52%	10	38.46%
50% and below Receive	1	4.76%	14	53.85%

From the Table IV, it can be seen that most of respondents of IBBL (85.71%) express their view that there is no executive at the top level who accepts bribe, but the respondents (53.85%) of HJM express their view that 50% of top level executives take bribe.

The tremendous growth of IBBL is the result of the applications of some of the principles of Islamic management in their affairs. From the study it is learnt that the executives of IBBL allow time to the borrowers till borrowers attain capacity to repay, they show respect to the non-Muslim , Shari'ah council exists in IBBL& all the executives consult the employees in decision making.

Table V : Inter Correlations Among Some Variables (Salah ,Bribe, Interest,Justice,Storage and Education)of Respondents of IBBL.

	1	2	3	4	5	6
Salah	1.000					
Bribe	-.816(**)	1.000				
Interest	.(a)	.(a)	.(a)			

Justice	.770(**)	-.665(**)	.(a)	1.000		
Storage	-.793(**)	.563(**)	.(a)	-.779(**)	1.000	
Education	.816(**)	1.000	.(a)	.665(**)	-.563(**)	1.000

Correlation is significant at the 0.01 level.

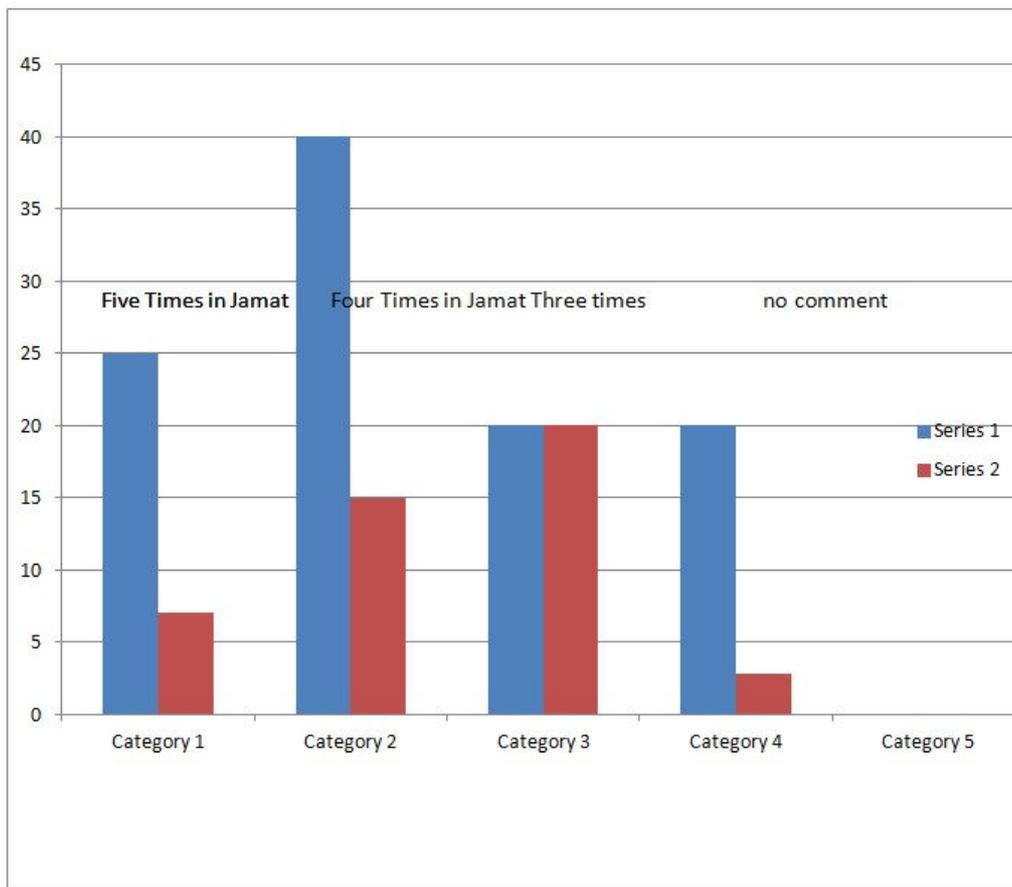
The interpretation of results in the table reveals the following features. In IBBL (Islami Bank Bangladesh Ltd.), there are negatively significant correlations between Salah and bribe, Salah and interest and Salah and storage.

Table VI : Correlations Among Some Variables (Salah, Bribe, Interest, Justice, Storage and Education) of Respondents of HJM.

	1	2	3	4	5	6
Salah	1.000					
Bribe	-.870(**)	1.000				
Interest	.867(**)	-.814(**)	1.000			
Justice	.(a)	.(a)	.(a)	.(a)		
Storage	-.647(**)	.424	-.801(**)	.(a)	1.000	
Education	.899(**)	-.800(**)	.800(**)	.(a)	-.630(**)	1.000

\*\* Correlation is significant at the 0.01 level.

The interpretation of results in the table- reveals the following features. In HJM (Hafez Jute Mills) there are negatively significant correlations between Salah and bribe, Salah and storage.



Summary

- i) Out of 14 principles of IM this study covered only a few.
- ii) The person who depends on Allah, directly succeeds to reach the goal with the help of Allah. This Tawakkul is the most important principle of IM. Management of organization should follow all the principles of IM including Tawakkul to achieve organizational goals.
- iii) In Hafiz Jute Mills 32% do not perform Salah and 24% perform Salah from 1-2 times daily. Majority of them (56%) show negligence in performing Salah. As a result of which the respondents (Executives) of HJM do not know how to maintain discipline in life. The executives of HJM also fail to follow other principles of management in controlling their day to day affairs. As a result a good number of conflicts between the management and the workers of the organization exist (Appendix Table -5). This organization has been sustaining losses and creating liabilities of thousands of Bangladeshi Taka.
- iv) The executives of IBBL are very much regular in performing Salah (Tawakkul principle-1). They also do not take any interest for any deposit and do not keep any product in their store for more than 40 days (Tawakkul principle-1). They pay the remuneration to their employees in due time (principle -IX). They divided the work systematically and make united efforts (principle). This organization (IBBL) has been gaining profit for the last several years and its performance is highest among the commercial banks in Bangladesh.
- v) Executives of IBBL are overloaded with different tasks but they are well behaved (principle-vii) and more executives are to be deputed from Head office to ensure customer service.
- vi) It is assumed that bribe taking by top executives will decrease in HJM if the executives of HJM can be motivated to perform Salah. If the respondents of Hafez Jute Mills increase Salah, bribe taking will decrease. In HJM relation with Salah and storing after 40 days is insignificant. If the respondents increase Salah, storing after 40 days will automatically decrease. As a result it will not affect the market price.
- vii) Every year one International Seminar on IM is to be organized by the management experts of the country where it will be held. Management experts of Malaysia extend cooperation to organize it successfully.
- viii) Muslim managers and experts are required to contribute more to the development of concepts on IM on the basis of the holy Qur'an & Hadith.
- ix) It is observed from the study that the growth of an organization depends on the educational Qualification of executives, discipline (through Salah), united efforts, Al-Adal, payment of remuneration and some other principles of IM. The correlation between performance and educational qualification and principles of IM is positive.
- x) This study reveals that it is possible to prevent crimes in any area with the help of Da'wah (preaching) and other Islamic activities.
- xii) Muslim academician should discover new layers of the patterns created by Allah (SWT) and a new ordering of thought in IM deriving from Tawhid. Muslims of to-day have poor sense of the concepts of IM in an operational form and hence they become confused. This confusion will go if management experts can contribute by their hard labor. Managers of Muslim managed organizations will surely not sustain loss at any time if they follow the path of Islam.

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Table 1: Scores of Respondents towards Time period for Repayment.

Activities	Islamic Bank		Hafez Jute Mills	
	Number of Respondents	Percentage of total	Number of Respondent	Percentage of Total
Provide reasonable time top borrowers for repayment of debt	8	76.8%	5	50%
Not provide reasonable time to borrowers for repayment of debt	1	11.12%	5	50%

**Source:** Information from the field survey of HJM & IBBL.

Table 2: Scores of Respondents Towards Islamic Activities

Activities	Islamic Bank		Hafez Jute Mills	
	Number of Respondents	Percentage of Total	Number of Respondents	Percentage of Total
Showing honor to non-muslim	21	100%	21	81%
Showing dishonor to non-muslim	0	0%	4	19%

**Source:** Information from the field survey of HJM & IBBL.

Table 3: Scores Respondents Towards Justice Maintained by Higher Authority with in the organization.

Particulars	Islamic Bank		Hafez Jute Mills	
	Number of respondents	Perchantage of Total	Number of Respondents	Number of Total
Strongly Agree	12	57.14%	13	50%
Agree	8	38.09%	6	23.07%
No comment	1	4.76%	7	26.92%
Disagree	0	0%	0	0%
Strongly Disagree	0	0%	0	0%

**Source:** Information from the field survey of HJM & IBBL.

Table 4: Scores of Respondents Towards Receiving Interest

Activities	Islamic Bank		Hafez Jute Mills	
	Number of respondents	Percentage of Total	Number of Respondents	Percentage of Total
Interest not received	21	100%		0%
Interest received	0	0%	25	100%

**Source:** Information from the field survey of HJM& IBBL.

Table 5: Scores of Respondents Towards Conflicts during 1947-2005

Period	Islamic Bank		Hafez Jute Mills	
	Number of Respondents	Percentage of Total	Number of Respondents	Percentage of Total
No conflict took place	21	90.48%	4	16%
Conflicts took place	2	9.52%	21	84%

**Source:** Information from the field survey of HJM & IBBL.