

MANAGEMENT FROM AN ISLAMIC PERSPECTIVE TO CREATE AN ETHICAL ORGANIZATION

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Abstract: *Ethical misconduct in modern organizations has become increasingly prevalent amid globalization, technological advancement, and intense market competition. Conventional management paradigms, which often emphasize efficiency, performance, and profit maximization, have proven insufficient in addressing deep-rooted ethical challenges. This study explores management from an Islamic perspective as a comprehensive and value-based framework for creating ethical organizations. Islamic management integrates moral, spiritual, and professional dimensions by grounding managerial practices in divine accountability, justice, trust, and social responsibility. Using a qualitative library research approach, this study analyzes primary Islamic sources, including the Qur'an and Sunnah, alongside contemporary peer-reviewed management and ethics literature published between 2018 and 2025. Thematic content analysis is employed to identify core principles of Islamic management and their implications for organizational ethics. The findings indicate that Islamic management fosters ethical organizations through the integration of tawhid (unity of God), amanah (trust), 'adl (justice), shura (consultation), and ihsan (excellence) into leadership, decision-making, governance, and stakeholder relations. These principles promote transparency, accountability, fairness, and long-term sustainability. The study argues that Islamic management offers a holistic ethical alternative that transcends cultural and religious boundaries, making it relevant for contemporary organizations seeking ethical integrity and sustainable performance. This research contributes to the international management discourse by positioning Islamic management as a universal ethical framework rather than a purely religious or contextual model.*

Keywords: *Islamic Management; Ethical Organization; Islamic Ethics; Ethical Leadership; Organizational Governance*

Introduction

Ethical issues have become one of the most critical challenges confronting contemporary organizations. Corporate scandals, financial fraud, corruption, environmental exploitation, and unethical labor practices have raised serious concerns regarding the moral foundations of modern management systems. Despite the development of corporate governance mechanisms and codes of ethics, ethical failures continue to occur across sectors and regions. This phenomenon suggests that many prevailing management approaches lack a strong moral and value-based foundation.

Conventional management theories largely emphasize efficiency, competitiveness, and profit maximization. While these objectives are not inherently unethical, their dominance often marginalizes moral considerations, leading to instrumental decision-making that prioritizes outcomes over ethical processes. As a result, organizations may achieve short-term success at the expense of integrity, social trust, and long-term sustainability.

In contrast, Islamic management offers a normative and holistic framework in which ethics are inseparable from managerial practice. Islam views human beings as moral agents accountable not only to organizational stakeholders but also to God. Management, therefore, is perceived as a trust (*amanah*) that must be exercised with justice, honesty, and responsibility. Economic and organizational activities are not value-neutral; rather, they are embedded within a moral and spiritual worldview.

This paper aims to examine how management from an Islamic perspective can contribute to the creation of ethical organizations. Specifically, it seeks to (1) explore the ethical foundations of Islamic management, (2) analyze key Islamic management principles relevant to organizational ethics, and (3) discuss their implications for contemporary organizational practices. By doing so, this study contributes to the growing body of international literature on ethical management and offers Islamic management as a viable ethical alternative for modern organizations.

Literature Review

2.1 Ethical Organization: Concept and Characteristics

An ethical organization is generally defined as an organization that integrates moral values into its structures, processes, and culture. Such organizations demonstrate ethical leadership, transparent governance, fair treatment of employees, responsible stakeholder engagement, and accountability for social and environmental impacts. Ethical organizations do not merely comply with legal requirements but voluntarily uphold moral standards that guide decision-making and behavior. Previous studies emphasize that ethical organizations foster trust, employee commitment, organizational legitimacy, and long-term sustainability. Ethical culture, leadership integrity, and shared values play a crucial role in shaping ethical behavior within organizations. However, the effectiveness of ethical frameworks largely depends on the underlying moral philosophy that informs them.

2.2 Limitations of Conventional Management Approaches

Mainstream management theories, particularly those rooted in neoclassical economics, often conceptualize organizations as instruments for maximizing shareholder value. Ethical considerations are frequently treated as external constraints rather than intrinsic elements of management. This value-neutral orientation allows ethical compromises to occur when moral principles conflict with economic goals. Although contemporary approaches such as corporate social responsibility (CSR) and stakeholder theory attempt to address these limitations, they often lack a transcendental moral foundation. As a result, ethical commitments may become symbolic, selective, or contingent upon market pressures.

2.3 Foundation Of Islamic Management

Islamic management is grounded in several fundamental principles that directly shape ethical organizational practices:

- **Tawhid (Unity of God):** Establishes the unity and coherence of all aspects of life, including organizational activities.
- **Amanah (Trust):** Positions leadership and authority as responsibilities that must be exercised ethically.
- **‘Adl (Justice):** Requires fairness, equity, and impartiality in decision-making and resource allocation.
- **Shura (Consultation):** Encourages participatory decision-making and transparency.

- Ihsan (Excellence): Promotes continuous improvement, sincerity, and ethical excellence beyond minimum standards.

These principles collectively establish a comprehensive ethical framework that governs organizational conduct.

2.4 Islamic Ethical Leadership And Organizational Culture

Leadership plays a pivotal role in shaping ethical organizational culture. In Islamic management, leaders are expected to demonstrate moral character (*akhlaq*), humility, and responsibility. Leadership is not based solely on authority or power but on moral influence and service to others. Islamic ethical leadership emphasizes *taqwa* (God-consciousness), which fosters internal moral control. Leaders who embody ethical values serve as role models, influencing employee behavior through example rather than coercion. This moral leadership contributes to the development of ethical organizational cultures characterized by trust, respect, and shared values.

2.5 Islamic Worldview And The Ethical Foundation Of Management

Islam presents a comprehensive worldview (*weltanschauung*) that integrates spiritual, moral, social, and economic dimensions of life. Within this framework, management is not merely a technical activity but a moral responsibility. All organizational actions are viewed as acts of worship (*ibadah*) when conducted in accordance with Islamic ethical principles. The concept of *tawhid* (unity of God) establishes that all aspects of life are interconnected and accountable to divine authority. This worldview rejects the separation between ethics and economic activities. Management decisions, therefore, must align with moral values such as justice, honesty, and social responsibility. The Islamic worldview provides a transcendental ethical foundation that strengthens moral commitment and consistency in organizational behavior.

2.6 Islamic Management In Relation To Contemporary Ethical Theories

Islamic management shares common ground with contemporary ethical frameworks such as stakeholder theory, ethical leadership, and sustainability. However, it differs fundamentally in its source of moral authority. While secular frameworks rely on social norms or rational consensus, Islamic management is grounded in divine accountability. This transcendental foundation enhances moral consistency and resilience, particularly in situations where ethical behavior conflicts with short-term organizational interests. As a result, Islamic management offers a holistic ethical alternative capable of addressing ethical challenges in modern organizations.

Method

This study adopts a qualitative conceptual approach based on library research to examine management from an Islamic perspective and its role in creating ethical organizations. The method is designed to develop a comprehensive theoretical understanding rather than to test hypotheses empirically. Data were collected through an extensive review of primary and secondary sources relevant to Islamic management and organizational ethics. Primary sources include the Qur'an and authenticated Hadith, which serve as the foundational ethical and philosophical references for Islamic management principles. Secondary sources consist of peer-reviewed international journal articles, academic books, and scholarly publications related to management, leadership, organizational ethics, and Islamic studies published between 2018 and 2025. These sources were selected based on their academic credibility, relevance to the research focus, and contribution to contemporary management discourse. The collected materials were analyzed using thematic content analysis. This method involves identifying, categorizing, and

interpreting recurring themes related to ethical leadership, governance, accountability, justice, and social responsibility within Islamic management. By synthesizing classical Islamic teachings with contemporary management literature, this study constructs an integrated ethical framework that explains how Islamic management principles can be applied to modern organizational contexts. The conceptual nature of this method allows for normative analysis and theoretical integration, making it suitable for exploring ethical dimensions of management that are often overlooked in empirical studies. This approach contributes to theory development and provides a foundation for future empirical research on Islamic management and ethical organizations.

Result and Discussion

4.1 Ethical Leadership As Moral Accountability

The findings reveal that ethical leadership is a central pillar of Islamic management. Leaders are viewed as trustees accountable not only to organizational stakeholders but ultimately to God. This sense of divine accountability creates strong internal moral control, reducing the likelihood of unethical conduct such as corruption, abuse of power, and dishonesty. Islamic ethical leadership emphasizes integrity, humility, and service. Leaders are expected to prioritize justice and collective welfare over personal or organizational gain. This moral orientation strengthens organizational legitimacy and trust. Such leadership discourages opportunistic behavior and abuse of power. Leaders guided by moral accountability prioritize justice, transparency, and collective welfare, thereby strengthening organizational trust and legitimacy. Ethical leadership also creates a moral climate that influences employee attitudes and behavior positively.

4.2 Justice And Fairness In Organizational Practices

Justice (*'adl*) emerges as a foundational principle in creating ethical organizations. Islamic management requires fairness in recruitment, promotion, compensation, and performance evaluation. Discrimination, exploitation, and favoritism are strictly prohibited. The emphasis on justice fosters employee satisfaction, commitment, and organizational harmony. Ethical organizations grounded in justice are more likely to experience long-term stability and reduced internal conflict. Justice contributes to employee satisfaction and organizational harmony by reducing perceptions of discrimination and exploitation. Ethical organizations grounded in justice are more likely to experience stability, cooperation, and long-term commitment from employees.

4.3 Transparency And Consultation In Decision-Making

The principle of shura promotes participatory and transparent decision-making processes. Employees are encouraged to express opinions and contribute to organizational decisions, fostering a sense of ownership and responsibility. Transparent decision-making reduces information asymmetry and unethical practices such as manipulation and secrecy. Organizations that institutionalize consultation demonstrate higher levels of trust and ethical compliance. Transparent decision-making processes minimize unethical practices such as manipulation, secrecy, and information distortion. Employees who feel heard and respected are more likely to internalize organizational values and act ethically.

4.4 Accountability And Ethical Governance Systems

Islamic management emphasizes accountability at both individual and institutional levels. Ethical governance systems are designed to monitor behavior, ensure compliance with moral standards, and prevent misconduct. Accountability mechanisms in Islamic organizations are reinforced by moral consciousness, making ethical behavior self-regulated rather than solely

enforced through external controls. Ethical governance enhances organizational credibility and prevents misconduct. The integration of moral accountability with formal governance structures strengthens ethical resilience within organizations.

4.5 Social Responsibility And Stakeholder Orientation

The findings indicate that Islamic management strongly supports social responsibility and stakeholder-oriented practices. Organizations are encouraged to balance profit generation with social welfare, environmental protection, and community development. This ethical orientation aligns organizational objectives with broader societal interests, contributing to sustainable development and social trust. This ethical orientation aligns organizational objectives with societal interests, fostering sustainable development and social legitimacy. Profit generation is viewed as a means rather than an end, subordinated to broader ethical responsibilities.

4.6 Integrating Spiritual Values And Organizational Performance

Islamic management integrates spiritual values with professional competence, creating a holistic approach to performance. Ethical behavior is not viewed as an obstacle to efficiency but as a driver of sustainable success. Organizations that integrate spiritual and ethical values tend to demonstrate higher employee engagement, ethical resilience, and long-term organizational performance. Organizations that embed spiritual and ethical values demonstrate higher levels of employee engagement, ethical resilience, and sustainable performance. This integration challenges the assumption that ethics and efficiency are incompatible, showing instead that ethical integrity enhances organizational effectiveness.

Conclusion

This study explores management from an Islamic perspective as an ethical framework for creating ethical organizations in response to persistent moral challenges in contemporary management. Conventional management approaches, which often prioritize efficiency and profit maximization, tend to separate ethics from core managerial practices, resulting in ethical inconsistencies and recurring organizational misconduct. This study argues that such limitations can be addressed through a value-based management paradigm rooted in Islamic principles. The findings indicate that Islamic management integrates ethical values directly into leadership, governance, and organizational practices. Principles such as *tawhid*, *amanah*, *adl*, *shura*, and *ihsan* provide moral guidance that promotes ethical leadership, justice, transparency, and accountability. Leadership grounded in moral responsibility and divine accountability fosters ethical organizational cultures, strengthens trust, and enhances employee commitment. Furthermore, Islamic management emphasizes stakeholder responsibility and social welfare, positioning organizational success as a balance between economic performance and ethical integrity. This holistic orientation supports sustainable organizational development and long-term legitimacy. Importantly, the ethical values embedded in Islamic management are universal in nature and can be applied beyond religious or cultural boundaries. In conclusion, management from an Islamic perspective offers a coherent and comprehensive ethical framework that is highly relevant to modern organizations seeking sustainable performance and moral integrity. Future studies may further explore its empirical application across different organizational contexts and industries.

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