

# BEST BUSINESS PRACTICES FROM AN ISLAMIC STANDPOINT

## “A 16-point Checklist for running a Successful Business”

The Islamic faith stresses a lot on planning. This is evident in a number of verses occurring throughout the Holy Scripture. God Almighty is said to be ‘The Best of Planners’ and the importance of planning is repeatedly emphasized both in the Qur’an and the Sayings of Prophet Muhammad (peace be upon him). We will in this article attempt to analyse best business practices in the light of Islamic religious teachings.

Looking at it from a macro level, the Holy Scripture often brings our attention to observe the universe we live in, urging us to see if there are any flaws in it. The Unity of the Divinity is vividly brought out through interesting anecdotes and parables among other things. Likewise the story of Creation is narrated in very telling terms that test one’s intelligence.

Take for example the verse from the Qur’an that states that God created all things in pairs (Surah Ya Sin Verse 36). This revelation that the Creator has created everything in pairs is something only now we are beginning to realize. Protons and Electrons and Positive and Negative particles are good examples of pairs we never knew of until fairly recently but the most exciting discovery was the positive and negative bit (binary numbers) which led to the creation of the Computer, the Mobile Phone, Robotics plus numerous other related modern tools, nearly all software driven. Even today 8 bits represents 255 characters including the alphabet and numerals 0 thru 9 upon which everything else in the e-domain is dependent on.

The Best of Planners narrative is also given expression at another level of creation where human embryology is described in the most scientific terms possible. So much so that Dr Keith Moore, a Global Leader in the field of Embryology upon discovering a Qur’anic verse stating that the embryo looks like a chewed up piece of leech-like clot found exactly this when he studied it in minute detail. When questioned he simply said “*Well folks there were no microscopes in the 7<sup>th</sup> century, so I guess the only conclusion is its information is Divine*”.

Similarly we read of the idea of a Larger Plan pervading a good part of Qur’anic Scripture from the Creation of Male and Female and the Creator’s instilling love in the hearts of one for the other, to the Creation of Humans with different skin pigmentation and speaking diverse tongues which we are told are among the Signs of God so that we may recognize one another. The Divine Plan is seen expressed in this manner throughout scripture, tellingly telling us puny humans to look at the larger picture and not get bogged down in this detail or that. After all, planning always has a larger scheme to consider with bits and pieces made to fit the whole. This is in essence what planning is all about and it starts with the Divinity Himself.

Many are the verses in the Qur’an that could be taken into consideration to deduce what Best Business Practices ought to be:

**Country Continuity Planning (CCP), Family Continuity Planning (FCP) & Business Continuity Planning (BCP)**

We read in the Qur'an: *"The good and the evil are not alike. Repel (evil) with that which is better. Then verily he between whom and you there was enmity, will become as though he was a close ally"* (Surah Al Fussilat: 34)

This one verse in the Quran inspires one to think long term and not act on impulse or spur of the moment, in effect ensuring the continuity of proper CCP, FCP & BCP.

Today many countries have become totally materialistic and sadly has no other objective other than accumulating, consuming and enjoying wealth short term, without thinking of longer term interests or the greater good. As a result parents are neglected and children regarded more as a burden than anything else. A hedonistic pursuit of pleasure seems to be the only goal with long term ill effects on the environment, those around them and finally oneself as a selfish lifestyle only brings destruction at the end of the day.

### **CCP (Country Continuity Planning)**

The commonly accepted Western-inspired CCP has resulted in country-wide negative population growth and an aging population to cope up with on top of it, the children grow up in an environment of instability and though intelligent are not stable in the organization they work in. This has resulted in the influx of mainly Indians where respect for parents, elders and family is paramount. Today the result is many fortune 500 organizations (US Based) CEOs are of South Asian origin.

In simple terms the "country continuity planning" of these countries depends very much on their migration policies and not on their Citizens which is a very sad state of affairs.

### **FCP (Family Continuity Planning)**

In the Qur'an we read very clearly that the God Most Merciful has put between husband and wife affection and mercy. When one ponders about it, this trait which we often take for granted, is actually a most unique one and ensures the continuity of the species. Families having close bonds between parents and children create a strong desire for marriage and procreation. Children are cherished and protected by parents and adored by grandparents, providing stability and self-confidence for a future generation which is not possible in a materialistic society.

### **BCP (Business Continuity Planning)**

Stable families enable us to hand over our businesses to future generations. Thus the struggle of the family head to create the first business through sheer grit and hard work yield dividends for whole families to benefit from through successive generations. But for this to happen, the foundation has to be strong and stable.

To fully comprehend this idea, we need to understand BBP i.e. Best Business Practices from the standpoint of revealed scripture, the Qur'an and supporting narratives by way of the Hadiths.

=====SO LET OUR JOURNEY BEGIN=====

## 1) Importance of Knowledge Management

Islam lays a high premium on knowledge. The Quran itself contains the prayer My Lord, Increase me in Knowledge. Islam has throughout its history stressed much on preserving and transmitting knowledge. In fact those who have memorized the Qur'an are known as *Huffaz* or 'Protectors' because they protect the Divine Revelation by preserving it in their hearts. Not a word or jot of the Qur'an has been changed ever since it was revealed more than 1400 years ago. The Hadiths or Sayings of the Prophet Muhammad (peace be upon him) have also been assiduously preserved through well documented chains of narration that support one another and lend authority to its authenticity. It is also a well-known fact that it was Islamdom that preserved ancient Greek knowledge from philosophy to medicine when Europe was overrun by the barbarian hordes that brought about the dark ages. In fact it was Islam's Conquest of Constantinople in 1453 that brought an end to the Dark or Middle Ages and ushered in the Modern Age.

Today, knowledge management and importance of documenting and transmitting knowledge has become a mission critical in all organizations, regardless of size. There are specialized MBA programs on the subject of Knowledge Management today. Specialized knowledge management software is also available for organizations to record and document their business processes and secrets. Such a document when prepared by an Organization is referred to as the Standards & Operations Manual (SOP)

In our day to day business too we must have all our business processes documented (rules of our business) so that all staff work according to the rules. If new staff join the company, we can induct them rapidly using this manual. As a result, businesses become less people-dependent and more system-driven, negating human errors and optimizing productivity. Implementing a computerized system (ERP) to cover your entire operation thus makes good business sense. Besides, you can keep on updating the system, further enhancing productivity and minimizing errors.

## 2) Importance of Seeking Professional Knowledge

Islam stresses a lot on mutual consultation. This is known as *Mashoora* in Arabic. The Qur'an itself speaks about it in very telling terms as follows: "*Who conduct their affairs by mutual consultation*" in the 42<sup>nd</sup> verse of a Chapter titled Surah Ash-Shura (The Chapter of Mutual Consultation). It is this same process of consultation that we call in today's terms 'Brainstorming' where people meet and exchange their thoughts and ideas about an issue, take well informed decisions and come up with an action plan.

When engaging in consultation, it is best to consult specialists in any given area. A good leader will know to reach out to the best experts in any field and put together the best possible action plan which takes into consideration all possible factors and scenarios. There is so much specialized knowledge available on every subject out there and we must know to tap the right people. To take an example from the early days of Islam, the Prophet (Peace Be Upon Him) lent his ear to a Persian companion named Salman Al Farsi who suggested digging a trench in the most exposed and vulnerable part of the town of Medina to keep in check inimical Arab and Jewish tribes that had joined forces to destroy the newly emerging Islamic state. Salman was of course suggesting something that the Arabs knew nothing of but which the Persians were well aware of as a war strategy. The Prophet immediately agreed to the suggestion and urged his men to dig the trench, he himself joining in the diggings. Salman's idea saved the day and the encounter has passed down in history as 'The Battle of the Trench'. This shows how important it is to consult the right people.

Compensating the experts for their expertise is very important because very often it is their sole source of income. Most of us feel obliged to pay Lawyers and Architects for their specialized knowledge. Similarly we need to invest in Professional Knowledge in areas like Strategy, Branding and Digital Marketing. Small and Medium Enterprises who don't have a Senior Finance Person can opt for Financial Consultants to advice in managing working capital, where money is tied up in inventory, debtors and managing creditors.

### 3) **Business Continuity and Contingency Planning**

The Qur'an when dwelling on the story of Joseph's exile in the Land of Egypt states how he was vested with the responsibility of managing the storehouses of grain and he ensured that during seven difficult lean years there was no food shortage among so vast a nation as the Egyptians. This is one of the best examples of Forecasting and Business Continuity Planning in the Quran. This story teaches us the importance of forecasting our business considering natural growth with all things being equal.

Another lesson we can learn from this is to prepare for contingencies where we should keep money aside in liquid assets while keeping in mind that only very few businesses can generate positive cash flow month in month out.

### 4) **Planning is the best form of Intelligence**

Islam stresses a lot on the importance of planning. This is not only reflected in the Qur'an, but also in the Prophetic Tradition, such as in the statement of the Prophet of Islam: "*There is no Intelligence like Planning*". Planning ahead and for all contingencies is truly a form of intelligence. This is something humans have been blessed with and found nowhere else in nature except perhaps in the case of Ants, Bees and Spiders, creatures which interestingly form the titles of chapters in the Qur'an.

Today Planning has become a key tool in business. Project Planning is also conducted at Masters' level and there is a globally recognized program called PMP (Project Management & Planning). Project Managers are in high demand globally and can work in any industry from construction to software with the PMP or Master's qualification. They do not have to be experts in Construction or software.

Planning for us as businessmen is an essential part of our life. Many organizations come up with an annual plan prior to the end of the financial year. This includes budgeting, sales forecast etc. Their annual plan is divided into 12 months. Each month's work is divided into weekly achievements and to ensure successful execution a weekly performance review is conducted.

God says very clearly "*He is the best of Planners*" This alone goes to show how important planning is.

### 5) **Time Management**

The Prophet Muhammad (peace be upon him) is considered to be the most influential person who ever lived by Michael Hart, the author of 100 Great Lives, and not for nothing. How one man could have devoted his energies to multiple roles as a spiritual leader, a lawgiver, a ruler, an army commander and a family man among other responsibilities was amazing.

If there's one thing the Prophet knew well, it was the importance of time management. Time was of the essence to his mission which despite great odds finally ended in success. Time is the only thing in our short lifespan which we cannot increase, which makes it all the more important why we should spend it wisely, both for spiritual upliftment and worldly gain. Ensuring all employees are effectively utilized in any business is important especially in the service industry, where the employee man hour rate is the basis upon which it earns.

To give an example, the software industry uses resource management optimizer software (JIRA) to ensure all employees time is put to good use and maximum efficiency. Employees are assigned multiple tasks and each task has budgeted hours and completion date. During the daily performance review, the Team Leader ensures that the employees have completed each task on the scheduled date within the budgeted hours. Indeed, ensuring employee productivity in any organization is a priority, not just in the service industry, but elsewhere as well where productivity really matters. Thus it is recommended that resource management software is applied across all white collar employees.

## **6) Sense of Urgency and Execution Skills**

The Prophet Muhammed (peace be upon him) was a very efficient leader. He had excellent XQ (Execution Quotient) i.e. ability to get things done. The secret of his efficiency was his sense of urgency. Once a task was decided he would formulate a plan with relevant parties and execute it as fast as possible. This was evident in his many actions from winning over tribal chiefs to the many campaigns he led to ensure Islam triumphed and a commonwealth based on the brotherhood of man finally emerged. That he was supremely successful in this nobody will deny.

We know in our personal life that anything we decide to do later, rarely gets done. One delay leads to another, which is why procrastination is regarded almost as a sin in Islam.

## **7) Why Patience is important at All Times**

Patience is mentioned as many as 90 times in the Qur'an and is mostly associated with times of difficulty. The Holy Book repeats there is relief after hardship, to console the believers that hard times will always be followed with better times by the Grace of God. This gives hope to the believers and help them cope with lean times.

The Quranic story of Moses encounter with the mystical personality Al Khidr (The Green One) in the Chapter of the Cave (Surah Kahf) brings out vividly the need to trust in the Plan of God. In this story we read that Khidr built a wall for a most inhospitable people who had refused them food. Moses protested why he did not charge them for it, only to be told by the wise one that he did so because buried under it was a treasure that belonged to some orphans, so that they would be able to retrieve their treasure when

they reached age. The lesson to be learnt here is that there are many things beyond the knowledge of man which is why we need to have patience throughout our lives and take things in our stride.

Everybody faces challenges in some form or other and this we need to take as a test from God. Very often one sees this at play in the workplace. Employees are affected by bad management decisions or to do away with their services. Likewise employers are affected when a key employee leaves them high and dry in the middle of a project or a major financial loss results in companies having to wind up their business, affecting both employers and employees. But after a few months or years we find that everything has changed and that we are in a much better position.

In these difficult times, we need to exercise restraint and hold back any statement or decision we may feel compelled to take on impulse or the spur of the moment. We also need to consult relevant people who can be relied to give sound advice. Only then should we take a decision or implement a plan on how to move forward.

### **8) Make decisions after ascertaining all the facts**

How important it is to know the facts of a matter is illustrated in the Qur'anic advice: "O you who believe if a sinful person brings you a report verify its correctness lest you should harm a people out of ignorance and then regret on what you did". The message is very clear. Most of us are guilty of making wrong decisions or judgements based on hearing one side of the story. This counsel is more relevant today more than ever before in the wake of fake news becoming prevalent in our times.

People have various interests and agendas. One cannot simply be a good judge of character to simply believe what somebody says based on assumptions, but must go out of the way to verify it, especially if it has potential to harm another human being or organization.

### **9) Importance of Skillful Negotiations**

Navigating problems that arise every now and then requires careful thought. The Prophet himself faced such a situation when he was in a weaker position vis a vis the Meccans who were demanding him to sign a treaty which was not fair by the Muslims and which many of his companions were not happy about. However he went ahead and signed the treaty which finally turned out to be a great victory for Islam.

Lessons learnt:

- 1) Leaders must make informed decisions even if they may not be popular. However when making such decisions the leader must have all the facts in front of him. This is what we call informed decision-making.
- 2) Leaders must be able to think outside the box and have the ability to see beyond the obvious.
- 3) Leaders must have the guts to make decisions which may be temporarily disadvantageous to the organization though they anticipate long or mid-term benefits based on their gut feeling combined with all

available evidence. It takes guts to take hard decisions, but with risk comes a lot of benefit too. Nobody ever prospered without taking risks.

The bottom line is anyone can make the right decision when it's a win-win situation, but the most successful people are those with a vision who can see what others cannot and willing to take the risk

### **Leaders must take responsibility, even when there is a loss or defeat**

There were times in the early history of Islam where the Prophet, took decisions based on his companions' opinion. One such was when he wanted to fight a particular battle in Medina but his companions, collectively known as the Sahabah wanted to fight it in Uhud. The battle was lost, but the Prophet never even once told the Sahabah that had they taken his advice and fought in Medina, they would have won and not got into the mess they were in. He simply remained silent and took the responsibility.

Leaders sadly tend to pass the blame when they fail, very often to subordinates. This does not change the result but instead makes subordinates lose confidence in their leadership and brings about a reluctance among them to make suggestions in the future for fear of criticism. In other words, passing blame on others without taking responsibility ourselves reflects a lack of confidence in ourselves and only results in the people we deal with losing confidence in us.

### **10) Marketing – Ensuring your business is well branded and continuity is established**

Businesses today depend heavily on creating awareness of products through digital marketing and media advertising. Their vision and mission statements are focused on growth, profitability, employee empowerment etc. Very rarely do you see emphasis on Trust, Honesty and Justice. The best marketing tool is creating a USP (Unique Selling Proposition) and what better USP than “TRUST” and “PASSION” which is in such short supply in this materialistic world.

Islam spread in many parts of the world for many reasons. The Sahabah and the many generations thereafter conducted their business dealings as per the Quran and Sunnah of their beloved Prophet. They were absolutely honest and just in their dealings. They were passionate about observing the Quran and Hadiths in all their dealings. Given below are very few direct examples from Quran and Hadiths on the above subject:

The Qur'an ordains: “Successful are the believers... Those who are the keepers of their trusts and their covenants”. He further says: “And to Madyan we sent their brother Shuayb. He said “O my people, give full measure and weigh with justice. Do not defraud people of their property and do not act wickedly on earth by spreading corruption”.

Proof of how the early Muslims followed this to the letter is seen in the conversion of people to Islam due to the honest trading practices and good behaviour (akhlaq) of the Muslims who dealt with them. A good part of the Muslim world today has people whose ancestors embraced Islam without any Muslim army setting foot on their shores, whether it be Indonesia, Malaysia, Philippines, Maldives etc. These countries as a group, equal 50% of the population of Muslims globally.

Thus for a business to survive, Trust, Honesty, Keeping commitments and Delivering Justice and fair play must be our first priority and the very foundation of our business. We must make effort to create awareness of our products and services by informing the potential clients the purpose of our business and the benefits we provide, thus winning their long-term trust and confidence. For this we may use digital or mass media but what is important is that we are honest in our claims

### **11) How to Recruit the Right Employees**

The Qur'an in relating the story of Moses has his future wife to be, telling her father to recruit Moses because of his Ability and Trustworthiness. What is key here is that "Ability gets priority over Trust"

Compare this to our recruitment policies for our businesses where the priority is to give jobs and top positions to our family members, without even proper training. There are many family run companies that have actually taken a hard fall due to this shortsighted policy. All employees joining reputed firms should have their IQ tested before they are employed. It is a simple 15-30 minute test. Employees in the Finance sector and other trades also have specific tests. This enables them to recruit competent people at a reasonable cost.

Hiring the right person is one of the most important things in our business, so let us invest time in choosing the right candidate.

### **12) Understanding Space Management to Retain the Right Employees**

It is very important to give some leeway to one's employees while ensuring they learn from past mistakes and shortcomings. There was a companion named Anas who served the Prophet for ten long years and never did he once utter "uff" to him. However the Prophet got the desired results from him, despite the mistakes he used to make.

Space management means giving room for reasonable error or mistakes of employees and time to understand their own mistakes. Competent employees who serve us for long period have the business domain and experience to look after our business without too much involvement ourselves. They also take ownership and act independently with very little supervision. This gives us peace of mind and more time for our other activities.

### **13) Finding Trustworthy Business Partners**

In the story of David and the Two Angels mentioned in the Qur'an we have David saying after the encounter: "Truly, many are the partners in business who wrong each other: not so those who believe and work deeds of righteousness, and how few are they?" This was stated over 3000 years ago and still holds true to this day. How many business partners fall out due to pride, greed and dishonesty?

To overcome this problem, the Qur'an advises us in Surah Baqarah, verse 282: "Oh you who believe when you contract a debt for a fixed term record it in writing". The word debt also means obligation or responsibility and fixed term means to ensure the contract has a period of validity.



All business agreements must have a signed off memorandum of understanding and even simple promises to employees we must give in writing and instruct them to invoke it once they achieve their targets.

This is because man is by nature forgetful, which is why the Qur'an contains so many reminders to the children of Adam. After all, the very reason why we are on earth is Adam's forgetting his promise to God not to eat of the forbidden tree. How easy indeed it is for us to forget our promises.

### 15) **How to overcome dependence on Usury (also known as Interest or Riba)**

Islam prohibits usury or interest, condemning it in the strongest terms.

Usury known as Riba in Arabic creates a false sense of complacency as opposed to functioning on our own cash flow that is generated from the business, thus making us financially undisciplined and ending up in overtrading and utilizing essential working capital on fixed assets. Many business owners do not possess a financial background and become dependent on their Finance Head. As a result they do not understand the gravity of the actual financial position but just carry on day to day having to cope up with payments to banks, suppliers etc without proper planning. This results not only in a potential danger to the continuity of the business long term, but also leads to unnecessary worries and sleepless nights. Such interest-dependent businesses may not go bankrupt during their lifetime but they tend to leave their heirs with an unexpected burden to meet.

But let's face it: The reality is we all want to expand our businesses and we need capital. So where do we source capital other than Banks??

We do have options and one is equity funding through angel investors or strategic investors. Another is an Islamic finance model based on the principle of profit-sharing. Yet another option is going public to raise the required funds by offering a good proposition for shareholders, in other words a dividend.

But first we must have proof of profitability of our existing enterprise. For this we must have information that is up to date. To give an example from the early history of Islam. When the Prophet reached Medina following the flight from Mecca, the first thing he did was to conduct a census of the population. This is how the early Islamic state was founded, from an alliance of the migrants from Mecca (The Muhajireen) and the inhabitants of Medina (The Ansar).

The Dawoodi Borah community which is a strong mercantile community has also taken a commendable stance in this regard. Their leader many years ago, made a pronouncement that all their businesses must not use any form of Riba and stressed that it was better for his followers to sleep on the road, if necessary, than to do businesses with Riba. This sort of strong statement prompted businessmen dealing in Riba to give it up altogether and resort to alternative avenues of raising funds for their businesses.

### 16) **To operate a "Successful Business" we need Faith-based Discipline**

Our spiritual life must be given priority over material things. To maintain faith in the face of worldly pressures and temptations, we have to control and discipline our thoughts and all other senses. Likewise in

business too we must maintain focus and ensure we control our moods and possess a high EQ to manage customers, employees and suppliers.

In this connection, the pillars of Islam- Salat (Prayer), Zakat (Alms Tax), Fasting and Hajj (Pilgrimage) all contribute to making us better people not only in spiritual matters, but also in our worldly life.

Prayers encourage mindfulness and wards away distracting thoughts especially during prayer times. One who regularly prays in congregation on time gets imbued with a sense of discipline and completing one's tasks with a sense of urgency.

Zakat or mandatory charity ensures we keep records of our financial assets throughout the year so as to pay Zakat. We also have to ensure we have excess liquidity during the Month of Ramadan to pay Zakat. For this we need to be proficient in proper cash flow management.

Fasting creates empathy towards employees' difficulties (on account of the hunger we undergo) and helps us understand the reality of this world where poverty is rife and our role in alleviating the sufferings of the needy.

The Hajj or Pilgrimage to Mecca requires making effort and sacrifice in both our time and money. It also teaches us some great lessons including tolerance and patience which often comes into play during the Hajj. The challenge of being accommodative towards large crowds in close proximity and from different backgrounds and countries with different behaviours, mannerisms and language peculiarities is both a lesson and a challenge as any good Muslim who has performed the Hajj would tell you. Hajj also ensures completely forgetting our status back home and keeping our egos in check. It underscores the importance of humility in everything we do.

A practical example of Discipline during the Hajj could be seen during the commencement of five times prayer at the Kaaba. Initially we see a large mingling crowd of people (2.5 million pilgrims or more) jostling with each other and circumambulating the Kaaba in a more or less disorganized manner, but no sooner they hear the Adhan (Call to Prayer) within a period of 5 minutes you will see them all neatly arranged in rows, ready for the prayer. This discipline is purely an act of faith.

How important discipline and self-control is, is tellingly illustrated by what the Prophet told his companions after returning from a military campaign: The Prophet told his companions, you have just finished one battle but there is a greater battle. The surprised companions asked the Prophet what he meant The Prophet said "The Battle of disciplining yourself"

An excellent example of well-disciplined and consistently successful enterprise modules are Multinational Corporations. They prosper in any country and continuously expand, despite being driven by CEOs who are not even Shareholders. They consistently invest and leverage state of the art technology in all areas of the business. However their main tool to create positive cash flow growth is based on the right information on time all the time.

### **Multi-National Corporations & Best Business Practices – What they practice & what they don't practice:**

- 1) They preserve the entire organization's knowledge using a Standards & Operations Manual

- 2) They use planning in the form of Annual Plan, Marketing Plans, Sales forecast & Budgeting. They also use Project Managers to ensure that projects are delivered on time
- 3) Time management in the form of scheduling all activities to ensure all tasks are done on time
- 4) Multinationals hire employees only based on ability to deliver. They have a diversified board of directors with different skills and consult professionals to make decisions
- 5) Make decisions after you ascertain all the facts – MNC use 360 degree assessment & balance score cards plus risk identification tools and SWOT analysis prior to making decisions.
- 6) Skillful Negotiations are heavily factored in when hiring CEOs.
- 7) Finding Trustworthy Business partners is difficult – They overcome this issue by establishing a comprehensive contract with the Business Partner, Supplier, Banker & all providers of services
- 8) Leaders must take responsibility – The US president has a message at the Oval Office – The buck stops here, indicating that eventually the responsibility must be shouldered at the highest level.
- 9) They keep finance cost to the minimum by managing their working capital using the suppliers credit, sometimes over 90 days, just in time inventory both raw materials & finish goods and giving just 15 days or below credit limit to debtors with a bank guarantee.

In conclusion, we would find that many of the teachings embodied in both the Qur'an and Hadiths are actually followed by multinationals in spirit. Islam has the added advantage of providing a religious basis to these practices while at the same time giving it a spiritual dimension.