Leadership Ethics in the Formulation of Corporate Strategy with Special Reference to Ethical Systems of Imam Al-Ghazālī

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Abstract

Strategy formulation within the framework of corporate strategic management is a process to plan for long term organizational sustainability. To plan a strategy, an organization needs all the resources available and utilizes these resources to achieve its vision, mission and strategic objectives set out in the beginning. However, the use and utilization of resources without control will only lead to strategies designed to be a source of damages to the organization that eventually also involves stakeholders directly or otherwise. Thus, from the facets of strategic management, each level in the organizational leadership must have a value of embedded ethics as guidance in the decision making process. This paper will be referring extensively the work of Abu Hāmed Mohammad ibn Mohammad al-Ghazālī, particularly Iḥyā‘ Ulūmuddin within the scope of formulation stage of corporate strategy in the aspect of the formation of the vision and mission of the organization. In the framework of Imam al-Ghazālī’s ethics, critiques of the modern theory of motivation that moving psychological stimulus of employees from the modern perspective will also be explicated. Due to the Islamic worldview which recognizes that knowledge is all belongs to God, therefore, not all theoretical framework of the modern management science be relinquished if it noticeably leads to goodness from the perspective of the ummah development. Predicating from this worldview, al-Ghazālī’s framework of ethics can be an alternative guideline for strategic decision-making process to take place within the modern framework of modern strategic management theory.

Keywords: Vision, Mission, Ethics, Strategic Management, Iḥyā‘, al-Ghazālī
Introduction

Many issues involve ethics of today’s modern organization management. For instance, the decision-making process of the corporate organization always provokes the ethical issues like corruption,retchinement of workers, abuse of power, unjust actions, gender discrimination, environmental pollution, the issues of prioritizing own personal interest and others. All bring forth the intrests of scholars and academics to discuss these issues further in the scholastic mean and formulate it as one of the most important courses to be taught in various academic faculties. It even becomes a necessary agenda for non-academic organizations in the quest of preparing their internal human capital to be more responsible in their work, to lift up integrity level and trustworthiness, and, in a more professional way, it has always been taught through the customized short-courses training. Nevertheless, the fundamental question is that, whether all these approaches are effective in insilling ethical attitude for fulfilling tasks and responsibilities in the organization people work with.

In modern strategic management, the role of organizational leadership is very important in determining the future direction of an organization. Leader will plan and determine the vision and mission of an organization for attaining the organizational business and operational purposes. Nevertheless, if the vision and mission that emphasize mere attainment of worldly objectives and success and moreover, individualistic in nature, will only result psychological pressure to the employees in which, this pressure will lead employees incline to committing unethical conducts that may come in various forms. Therefore, the assimilation of ethical values in the process of making strategic decision at the vision and mission development stage is very crucial and important to be at the beginning stage.

However, the ethical values to be assimilated which are mere extrinsic such as financial rewards, recognition, promotion and the like, is not sufficient to ensure employees to possess high ethical values consistently in the future. Hence, the balance towards extrinsic attainment has to be come together with values that intrinsic in nature so that in the end, the strategic decisions made are the holistic decisions. Due to that, this paper will explicate the characteristics of the vision and mission development from the aspects of Islamic approach to organizational vision and mission by referring extensively to the writing of Imam al-Ghazâlî’s.a, particularly Bidy‘.

The purpose of Vision and Mission in Strategic Management

Vision is a clear statement about future achievement of an organization to be fulfilled and implemented. It is also a kind of inspiration, which determines and focuses the direction and work of an organization within a stipulated period of time. Vision is different with the goals that emphasizes on the planning steps towards achieving the objectives (Cartwright, 2006) whereas, mission is the high level statement of how organization plan in order to
achieve vision. Manass (2002) suggests, the importance of vision and mission in modern strategic management are as follows:

1. To ensure unanimity of purpose of an organization;
2. To prepare a basis or standard for resource distribution;
3. To create a 'general tone' or organizational climate;
4. To become focus for an individual to identify the purpose and objectives of organization;
5. To assist in translating objectives towards work structure that involve work allocation and responsibilities;
6. To specify organizational purposes and then translate those purposes into objective within the controlled form such as time, cost performance and parameter.

Vision and mission are both very important within organizational setting because they differentiate the organization from each other, though the organization may be in a similar enterprise. There are business strategists that spend most of their working hours to plan strategy, and create objectives to be attained but ignored ethical aspects in vision and mission planning. Consequently, many of the businesses collapsed due to unethical proceedings of their leaders or employees.

Al-Ghazâlî’s Perspective of Ethics in Vision and Mission Development

The ethical problems occur to almost all corporate organizations in the world. Due to this, the organizational leaders must play an important role to assimilate ethical values to employees. One of the strategies to assimilate ethical values is through the organizational vision and mission.

In facing ethical issues in corporate organization, al-Ghazâlî (d.1111) outlines few guidelines in his magnum opus, Ihya which are also applicable within the context of modern corporate vision and mission and they are as follows:

i. Vision and mission that direct an organization towards well-being, not only for the organizations’ employees, but also to the overall society (ummah) is insisted.

The main essence of setting the vision and mission in the strategic management begins with the formulation of vision and mission that aim to attain highest felicity in the hereafter. This is the main objective of human life in this world. According to al-Ghazâlî, the highest pleasure of man is the vision of God. In order to attain the
vision of God, one must love God, and in order to love God, one must purify his heart. To purify one’s heart, one must strengthen his devotion towards God (‘iba‘, vol. 4, 483-486).

Therefore, vision is aimed at the attainment of highest pleasure in the hereafter whereas mission is aimed at the way of how to attain such pleasure. Both the vision and mission within the context of strategic management is related with the concept of ‘happiness’ discussed by al-Ghazālī in Iḥyā‘. Al-Ghazālī’s concept of happiness can be divided into two parts, positive and negative (AbuQuasim, 1978). Negative part deals with non-happiness which is a basis for preparation towards the positive part that which is known as real nature of happiness. Thus, according to al-Ghazālī, vision is supposed to be the real nature of happiness, whereas, mission is of the aspect of fulfilling the worldly demand in order to fulfill the requirement of vision as the main aim of life and/or in business activities.

In the modern strategic management, the philosophy of Maslow, Kant, and Mills for instance, greatly influence the development of vision and mission of an organization which, all the philosophies put forward by them are towards the fulfillment of happiness for the purpose of merely worldly life and not, by any means, discuss the happiness for the purpose of eternal life.  

Al-Ghazālī stresses, the pleasure in this world are temporal and impure which is not supposed to be the main objective of life. However, al-Ghazālī does not totally condemn all the pleasure in this world as something not to be carried out. This is because al-Ghazālī urges the pleasure of knowledge to be acquired and insisted for worldly affairs. According to al-Ghazālī, knowledge is very important in order to keep away from transgression, to do good, and as an effort for remembrance of God which, al-Ghazālī classifies those as the knowledge of God. Morality and good conduct are not possible without knowledge.

Al-Ghazālī urges to execute business practice in the way of God (Iḥyā‘, vol 4, 485). The relationship between, business and the highest pleasure in the hereafter becomes the essence of al-Ghazālī’s discussion in this respect. Hence, as an effort to generate business practices for the sake of hereafter, al-Ghazālī emphasizes possession of good intention at the beginning of business task (Iḥyā‘, vol 2, 121). This is a primary consideration when setting up the business vision and mission. The good intention in vision and mission of the business must be blended together such as self-indulgence, adhering to Islamic law (shari‘a) and simultaneously

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1 The term ‘vision of God’ means to see God with the sight of own eyes in reality in the hereafter.
2 For instance, Maslow on his ‘Hierarchy of Needs’ theory, Mill through his ‘Utilitarianism’ philosophy and Kant through his practical moral philosophy.
protecting the religion, family and property and through this we will protect the public interest and achieve justice and benevolence (husn) when we carry out business activities. Al-Ghazâlî also brings the hadith narrated by Abû-Syaikh and Al-Baihaqi from Abu Hârîrâh, “Whoever seeking for worldly affair through lawful means, protect him from begging, strives for family, and loves his neighbours, he will certainly see God, with his bright face like the moon that shines”(Ihya‘, vol 2, 125-131).

This hadith act as the motivational insights to organizational leadership for setting up vision and mission, therefore the activities that organization undertakes will not violate the ṣiṣâr (ṣiṣâr) and becoming the corporate organization that continuously strives for excellence and success. Besides, the organization must also strive to avoid losses which would cause employees to suffer. At the same time, instill affection or love within the context of social and corporate responsibility such as concern for staff welfare, pay attention to customers by being sensitive to their needs and requirements, not to get involved in the doubtful (ṣahwahâd) or unlawful business. Furthermore, organization must not trade on interest (riba‘) or corruption (fisâd) and simultaneously, protect the public interest such as to not bring tribulations to the public and other stakeholders.

Al-Ghazâlî also asserts in seeking for profitability, traders must make greater effort for adequacy and fulfill people needs and wants. In fulfilling such needs and wants, al-Ghazâlî states through the hadith narrated by Ath-Thabrani from Kaab bin Ajrah that if the effort is taken for the purpose of self-pride and also to show-off, thus it is the way of evil(Ihya‘, vol 2, 97).

Al-Ghazâlî addresses this hadith particularly to the business leader within the context of developing vision and mission to not use their fiscal influence to carry out act of oppression toward others, but help those who are in need. In this hadith,

3 ḥusn is one of the three principles of the Islamic faith (Iṣâlah, Iman and Ḥusn) and means “to do beautiful things”. The concept of ḥusn according to al-Ghazâlî is compulsory in business but is something good to be practiced in order to attain God’s mercy in the next world. Business can be achieved through any one of six as follows; first, not to make much profit; second, to suffer loss when buyer buys from a poor man; third, to show good and to treat well at the time of acceptance of price and realization of dues; fourth, to do good at the time of payment of debt; fifth, to accept a thing sold if the buyer thinks that he has suffered; sixth, not to ask for a wrong thing from wrong persons.

4 A prominent contemporary western business and marketing scholar, Kotler, seems to be in line with al-Ghazâlî’s suggestion when he said that the main objective of marketing is marketing strategy to fulfill the needs and wants of the consumers. He also suggested that marketing activities should include fulfilling adequacy and necessities for life. Read Philip Kotler, Principles of Marketing, USA: Prentice Hall, 2001), 5-11. Unfortunately, he does not link his idea into any religious concept.
al-Ghazālī specifically refers help towards the parents, the poor and the needy. From the modern strategic management perspective, it refers to the society to develop the economy and simultaneously build up the well-being of the overall society, and consequently reduce the poverty at large. This is also mentioned by al-Ghazālī that disallowed individuals to seek only for his own adequacy to enhance his possession and keeping his wealth, because such actions are blinned (Ihya, vol 2, 97). Wealth resulted from business has to be reallocated for others to use or to those who are in need, which consequently will flourish their own economy, family and the society.

In this regard, al-Ghazālī reflects the emphasis that the economic well-being in Islam descends towards fair and just distribution. As a branch of ethics, economics relationship is based on the principles of fair dealing that comes from the sacred scripture, which becomes the basis for distribution and exchange of the limited goods (Ghazanfar, 2000). Thus, al-Ghazālī in this perspective suggests that the intended vision and mission should contain channeling back of the profits for the purpose of mutual progress and advances and not just for an organization or individual to possess such and it should become the essence when establishing organization’s vision and mission.

ii. Vision and mission that promote employees and organization to use and utilize all the available resources created by God which had being entrusted to mankind to use them carefully and wisely.

Resources in the modern framework of strategic management are a commodity, human capital, natural resources, financial, economic, technology and also a major source for organizational profitability - consumer. Non-utilization of these gifts to gain benefits for individuals and society equals to recklessness and dissipation of these resources (Massoud, 2000). Al-Ghazālī emphasizes this through connotation that God commands man to find sources for living with justice and fairness. In addition, al-Ghazālī explains that the market is a place where varieties of food created by God can be found. Whoever visits the market will get whatever he needs (Ihya, vol 2, 98).

Market in modern economics term is the place where the transaction of goods and commodity, possessions and transaction take place in which the practices and setting of such exchanges are made in a regular and organized fashioned (Metcalfe, 2003). In the modern strategic management perspective, commodity can be traded in order to produce profitability. This commodity is not only in the form of food, but also non-food. In the modern international trade, the commodity other than food products includes raw materials and half-finished goods, and those will be traded
for further processing or mixed together to becoming finished-goods. For instance, crude oil, cotton, rubber, and steel are all in the forms of minerals. The commodity and commodity market are the terms used as synonyms for primary goods and the markets of such goods (Britannica, 2012).

In searching for industrial and individual markets, an organization should utilize the non-commodity resources such as technology, human capital, financial and also users or consumers wisely. Utilization of such resources according to al-Ghazâlî is a strategy to avoid poverty and preventing life’s adversity from occurrence. Al-Ghazâlî also emphasizes that life’s adversities may cause someone to begging, and those who are begging for life without any effort to withdraw from this, are the key to deep shortage of religious practices, weakness in intellectuality, and also loss of manliness (Iyyâr, vol. 2, 99). The begging condition manifest serious poverty situation which explains the people’s incapability to be independent to search for livelihood. For this reason, the usage of these commodity and non-commodity resources must be balanced in the context of social and nature.

All these non-commodity and commodity resources are interconnected between one another that subsequently shape significant social and economics chain within the organizational business activities. This social and economic chain possesses different significant interest. The dependency of this chain is based on knowledge, skills, and capability in the different capacity. The distortion or damage in any of this chain will ruin other chains because of its nature of reliance. This chain is such as the leader in a family who is searching for livelihood by working in an organization in order to gain income for his family and avoid poverty. But if something detrimental takes place in the organization he work with, the entire family chain that depends on the family leader who works in such organization will also be affected. Likewise, the source of organizational resources that shape the complicated economic chain such as supplier, users or consumers, financial institutions and so on will also be affected financially and economically. The wreckage chain system will subsequently affect the micro and macro-economic factors in a larger context. The collapse of any of this chain system will affect other chains through the same way or different (Drucker, 2007).

In the modern economic system, its economic policy is fundamentally based on hedonistic, utilitarian and material values which are prevalent within this system. This can be seen in the modern capitalist system itself in which, all the resources in this system must be fully exploited for profitability purpose through capitalistic strategy. Over time, all non-capital resources have been transformed into capital resources. This has caused economy to become a capital-based economy, and controlled by the capitalists.
The natural resources become ecological assets, educated labors become human capital, and knowledge become intellectual property (Mehmet, 1977). All these capture turn into the major source of profitability for the capitalist crowd.

Conversely, al-Ghazâlî urges human activities in the trade and commerce activities to devote to the purpose of fulfilling material needs of the households, with reasonable return to the trader’s capital. Al-Ghazâlî criticizes capitalist strategy in searching profitability. In the western capitalist economic system, realization of profit maximization becomes the main objective in business activities. All the capital resources must be utilized to produce financial profitability. This practice contradicts with al-Ghazâlî’s concept of utilization. Although al-Ghazâlî urges to utilize the available resources to gain profitability and consequently avoid deficiency, al-Ghazâlî also insists on the concept of ḫiṣâḥ to be assimilated in performing business activities. According to al-Ghazâlî, through the ḫiṣâḥ concept, one might be able to turn away from any bînshî. Besides, business activities blended with ḫiṣâḥ, will be able to keep away from danger and act as a blockade from suffering in the hereafter.

5 There is opinion that says Islamic economic system does not prohibit capitalist economic system due to an understanding that capitalist economic system was practiced by the Muslim traders during the medieval age of Islam that saw Islam was spread unanimously to most part of the world through trade, commerce and war. For instance, findings of MaxWeber in his book ‘Islam and Capitalism’ which he pointed out that Islam did not prohibit the development of capitalist economic system, and he in fact, argued that Islam was not inherently antinomic to capitalism. See:Albert Hourani, Europe and the Middle East, (US:University of California Press, 1980), 14-15, and Leonard Binder, Islamic Liberation: A Critique of Development Ideologies, (US:The University of Chicago Press, 1988), 206. However, this does not mean that Islamic economic system inherits or based on capitalist economic system. Capitalist economic system allows usury and interest in its financial system, whereas Islamic economic system prohibits usury and interest at all but at the same time encourages and promotes the economic development and taking financial profits and imposes tax in the form of zakāt in order to protect the well-being of ummah at large. Contrary with that of the opinion of capitalist put forward by Rodinson, a socialists who referred most of his writing in “Islam and Capitalism” from Max Weber’s “The Protestant Ethics and the Spirit of Capitalism”, many aspects of capitalism is not in line with the Islamic economic principles. RezaMizrahiTahir Ahmad, Islam’s response to contemporary issues, (UK:Islam International Publications Ltd., 1992), 165-169.

6 The main characteristic of ḫiṣâḥ with this context based on al-Qur’ân and Sunnah are first, strive for doing good (al-Baqara: 149); second, improve self or raise self-quality to becoming good human capital resources (al-Manâthir: 39); third, must do good to those who are closed to us and perform good deeds upon us (al-Ahzaq: 13); fourth, the success man is the man with good practice (al-Fîrâq: 8); fifth, all deeds are aims (hadith narrated by Bukhari and Muslim); sixth, give good examples will get reward from God as we do good (hadith narrated by Muslim); and finally, man who produce or brings benefits to others is the most good man (hadith narrated by Imam al-Qudra). GhafarAwangTeh, “PenerapanKonsepIsuaniMantapkanHidayaKerja,” JurnalKemajuanIslamIsmaîl. Yakubus (JAKISI), April 27, 2007. <http://www.islam.gov.my> (accessed July 5, 2012).
iii. Vision and mission must be conveyed to the employees and subordinates effectively and noticeably in order for them to perform the productive approach of work and act as motivational force to work ethically.

At the very foundation level, most people want to feel that they are informed and actively involved in charting the organization’s future, especially when they are the ones who the organization consigns expectation to turn the vision and mission into reality. They need to get clear description of important elements in work activities, therefore, involving themselves efficiently and effectively in such efforts. They must know what they work on and the final result that must be accomplished (Duke Corporate Education, 2005).

In an organization that comprises of multiple levels of hierarchy and positions, vision and mission that is not well communicated clearly and accurately to the subordinates, can cause different interpretation towards the intended vision and mission. It will subsequently create mutual gap between subordinates and further shape the condition where employees have different and hidden individual agenda to be fulfilled because of they do not have a clear and unified vision and mission in their work tasks and responsibilities. This hidden agenda will next be translated into individual work scope in which, unethical actions will take place in order to fulfill their own hidden plan. For instance, employees that uses up office time to do the job that are not related to their actual responsibilities like doing business and gaining income for the benefit to only themselves and disregarding employer’s interest. This is because they do not have a comprehensible focus of what they are supposed to do and accomplish. This state leaves employees to distrust their employer consciously or otherwise. In another quiet example, the employees who do not have clear and unified vision and mission for themselves, will produce low productivity, as a result of failing to understand the requirement to fulfill vision and mission for the survival of themselves, the organization they work with, and for the social interest that make up the continuous and interrelated economic claims. To add to that, employees will tend to isolate themselves and will not amalgamate themselves with others in the quest of attaining vision and mission due to failure to obtain clear description from the top.

During the era of Sayidun Abu Bakr, he, as a caliph, took great initiative to clearly explain the rules of war to theUsamah army. He commanded his army not to betray and break the promises, not against the limit, not to kill the children and the elderly. He also prohibited his army from cutting the fruiting tree and slaughtering their livestock except if it is necessary for provisions (Abu Sin, 1984). This event portrays the model of the Muslim leader that when giving orders or instructions, it must be made clearly and be understood intensely.
In other narration within this perspective, al-Ghazālī reported that Omār had visited a market and ordered those who did not have knowledge in business not to continue their attempt (Iḥṣāʾ, vol. 2, 102). Knowledge in business is very important because without the necessary knowledge in business, organization’s attempts will enclose a potential of serious losses.

Within the framework of vision and mission, without knowledge toward achieving organization’s aspiration, is a ground for various drawbacks to occur in a range of business. Therefore, knowledge about vision and mission must be conveyed clearly and effectively to the employees and subordinates at every level and hierarchy in order for them to get a clear picture of the organization’s requirement and aspiration, and consequently exercise their knowledge and ability to realize the organization’s vision and mission.

Besides promoting knowledge and ability possessed by an organization in vision and mission, effective communication between top management and employees in conveying intended vision and mission is also mentioned by al-Ghazālī. He points out that there are two groups of people that he feels unsympathetic to; first is the group of people who seek knowledge but do not understand it, and the second group, those who understand such knowledge, but do not search for it (Iḥṣāʾ, vol. 1, 21).

In the context of organization’s vision and mission, the first group is those who possess sufficient knowledge but not able to integrate their knowledge to understand the aspiration contained in vision and mission and also not able to contribute to the organizational advantages, but instead use their knowledge for the purpose of immoral and unethical purpose. The second group is those who understand the aspiration of organization’s vision and mission, but do not put effort to enhance their knowledge and skill to fulfill the organization’s aspiration and help to contribute in producing the expected output and productivity required due to their personal interests which is more significant than the organization’s interests. Without such knowledge, hence, they tend to violate moral and ethical limits when executing vision and mission. Only through an effective communication, continuous training and unification of knowledge can shape employee’s inner motivation in understanding and accomplishing aspiration with full sense of responsibility.
Conclusion

The development of vision and mission is the most fundamental aspect in the organizational strategic planning. It determines the future direction of an organization and also acts as motivational agent and source of inspiration for employees to work together by holding to a similar future objectives and purposes. The clear vision and mission communicated to all level of employees enables the organization’s leadership to assemble and unite all of their workers to work as a team and share similar understanding and working spirit and simultaneously, the planning and distribution of the organizational resources can be done effectively.

Nevertheless, the formation of vision and mission that focuses mere worldly attainment and material in nature is not sufficient to ensure the employees to be ethically responsible to the tasks and obligations. Attempts to assimilate ethics in vision and mission must be initiated from the beginning of the planning stage and must not stop only at this level, but be extended to the overall aspects of the strategic management process including in the setting of strategic objectives, strategy implementation and strategy evaluation. Previous studies found that the ethical propositions of al-Ghazali in Ifta’ covers a large spectrum of the modern strategic management process mentioned above.

Although assimilation of ethics in the vision and mission planning stage becomes a responsibility of the top leadership, but the success of its overall implementation also depends much on subordinates because they are the largest group to implement the set vision and mission. Therefore, the implementation and assimilation of ethics not only become the responsibility of the top leadership, but including middle and lower level of management. In other words, the implementation and assimilation of ethics should become the responsibility to all employees in the organization. The ethics training must be planned and implemented constantly and continuously at every level of organization management to ensure the effective assimilation of ethics can be fulfilled.
References


