ISLAMIC ETHICAL LEADERSHIP – A CONCEPTUAL DISCUSSION

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***Abstract**: The purpose of this paper is to explore the leaders' work ethics from Islamic perspectives towards sustaining the performance of the business organisations. A conceptual discussion based on the character of Prophet Muhammad (pbuh) which sourced mainly from Quran and Sunnah was provided, particularly from the prophetic character namely Siddiq (truthfulness). In addition, this paper also examines and reviews prior studies on directors' work ethics and ethics from various religious viewpoints. Based on Quran and Sunnah, this paper suggest that the current corporate governance and integrity problems among the directors of the corporate company can be resolved by focusing on the characters and virtues as guided by the Quran and shown by the life of the Prophet Muhammad (pbuh). The outcome of this paper contributes in way of it can be used and applied by the firm and policy makers to construct a comprehensive ethical guideline that based on the prophethood virtues and values.*

***Keywords**: ethics, leadership, Islamic ethics, accountability, integrity*

1. Introduction

The continuous occurrence of frauds and collapse of many international corporations around the world such as Enron, Tyco, Parmalat, World.com, AIA, 1MDB and many others have surprise the public and business community. These scandals have put directors under the microscope as everyone from shareholder to small retail investors look to board of directors for the answer. As the guardian of the company, the growing interest on the behaviour of the directors was not surprising as the ultimate task and duty of the directors is to plan, implement and oversee the activities of the company. Schwartz et al. (2005) state that as corporate agents at the most senior levels, chief executive officer (CEO) and directors have been accused of being key players in the corporate malfeasance. Schwartz et al. (2005) argued that Enron and WorldCom failures were not merely the result of senior executives engaging in inappropriate activity, but the fact that boards and directors responsible for monitoring senior management appear to have failed in fulfilling their responsibilities.

In a survey which involved 100 listed companies on Bursa Malaysia conducted by one of the big four international accounting firms namely KPMG (Malaysian Chapter) in 2013, 64 percent of the respondents believed that business cannot be done in Malaysia without paying bribes. More alarming is the fact that out of those that took part in the survey, a majority being top management, a whopping 90 percent opined that fraud is an inevitable cost of doing business, while 71 percent of them said the same about bribery and corruption. According to another survey conducted by also international accounting firm, Ernst & Young, 39 percent of the respondents which comprise of 681 executives, senior managers and working-level employees across eight countries, suggest that bribery or corrupt practices happen widely in Malaysia, nearly double the Asia Pacific average of 21 percent.

The recent report released by the Transparency International also provided the similar tone of findings. Based on their research, 62 percent of the Malaysian respondents felt that the current government is handling the fight against corruption badly and 41 percent opined that the Malaysian Anti-Corruption Commission is doing badly at fighting corruption. Also, 53 percent of the Malaysian respondents felt that the Government is ineffective in handling the fight against corruption. The survey also revealed that the police was noted as having the highest bribery risk and this would seriously undermine the quality and fairness of the law enforcement institution (Transparency International Malaysia Chapter, 2017).

Realising this situation, this paper intent to discuss the possible solution to solve this problem from the Islamic perspectives. Specifically, this paper aim to explore one of the important characters of the Prophet, specifically Prophet Muhammad (peace be upon him[pbuh]) namely Siddiq. This character is chosen because this is one of the important elements of expounding personalized morality which determine and influence many human activities in life. This character is highly related with truthfulness, legitimacy, honesty, trust, transparency and integrity. Although many leadership models such as transformational, transactional and responsible leadership models were proposed to define effective leaders, these models suffered from its inability to integrate behavioural ethicality and moral values in its characteristics (Groves & Larocca, 2011; Dubrin, 2012; Nonaka & Takeuchi, 2011; Beekun, 2012). This paper intent to bridge this gap.

2. Religion and Ethics

Individuals shape their action in line with their beliefs and dispositions. Yet, religion has played a crucial role to provide humanity with universal ethical norms and moral values without which humanity might have already exterminated itself. It is believes but seldom realised that ethical and values are a major concern of almost all religion. Arli (2017) posit that religion as an important factor that influences one's ethical judgement. He found that individuals with high intrinsic religiosity are more likely to behave ethically compared to individuals with high extrinsic religiosity. The extrinsically motivated person uses his religion whereas the intrinsically motivated person lives his religion.

Basically, religion produces norms, guidance and has profound relationship with ethics and governance. Hinduism for example, applied the concept of dharma or righteousness, demand directing possession and passion towards a spiritual end. Dharma concept teaches Hindu followers not only to discharge faithfully the duties in life and spiritual development, but also to cultivate the essential virtues and become thoroughly pure and virtuous in characters (Rajendran, 2009). In Buddhism, the Buddha taught the principles of good conduct and ethical living. Recognition of the importance of freedom of expression is also one of the attributes of the religion. Buddhist also concern for life and non-violence cannot be divorced from its commitment to human dignity.

From Jewish and Christian perspective, ethically rights are something commanded by God and ethically wrong means something forbidden by God. This means, ethical and religion always come together. The Torah's Ten Commandment represents Judaism's most significant contribution to ethics. Christianity also viewed moral goodness and virtue as conduct conducive to the true end of man to see God (Rizk, 2008). Benefiel et al. (2014) stated that during the Industrial Revolution, Protestants developed a work ethic that aims to spiritualize the workplace. This work ethic held people responsible for doing their best in their worldly stations rather than disengaging from the world in a quest for perfection.

3. Ethics from Islamic Perspectives

Ethics from Islamic perspectives can be described as as the set of moral principles that distinguish what is right from what is wrong (Beekun, 1996) in the Islamic context. For Muslim, Prophet is the best person to learn ethics because as the appointed messenger of God, Prophet has superior quality of a mankind. Therefore, Muslim should take Prophet as *qudwah* (role model) in all aspects of life including in the business and economic aspects (Salin et al., 2020). Salin et al. (2017) suggest that Islamic ethics is the possible alternative solution that can be applied by the regulator to combat continuous fraud and corruption that occur in the public sector although may rules and regulation that originally from western philosophy had been adopted by the regulators.

In Islam, the ethical issue is based on the main sources of Islam which is Quran and Sunnah. Quran is a revelation from God that becomes the central religious text of Islam. As the guidance provided by Quran is general in nature, the Messenger of God, Prophet Muhammad (pbuh) becomes the secondary source of teaching. All the body of customs and practices based on his words and deeds called Sunnah, which is important to guide the followers on the right way in practicing Islam in their life. In short, Sunnah is a record of teachings, deeds, sayings and silent of approvals or disapprovals by the Prophet as well as His companions.

The Prophet had special characters that distinguished him from the rest of the human, consistent with his duty not only as a messenger of God but also as the role model of the whole nation. One of the special characters is called *Siddiq*, meaning truthfulness. The other characters are *amanah, tabligh* and *fatanah*. *Amanah* is a trust, meaning the prophets are reliable and trustworthy in fulfilling their duties and tasks. *Tabligh* in other hand is similar to conveying, meaning the prophets will deliver and convey the orders or information that are revealed to them by God. The information that is delivered is original without amendment either adding or deleting, worst off manipulating. Prophets also do not hide or mislead the information. The last character is *fatanah*, meaning intelligence. The prophets need to have a superior mind and intelligence, strong memory, better logic thinking and good ability of persuasion.

All these four characters can be the capstone characters to instil ethical values among human. In Islam, good ethics and moral values are important as foundation for human success in the world and hereafter. There are many examples of the fall of human dynasty and civilization due to too much development of wealth and property but ignoring the importance of moral values.

4. The Concept of Siddiq

"Siddiq" derives from Arabic and carries a profound meaning in Islamic tradition. Siddiq is often translated as "truthful" or "one who speaks the truth." In the context of Islamic history, it refers specifically to Abu Bakr, the first caliph of Islam, who was known as "Siddiq" due to his unwavering commitment to truth, unshakeable faith, integrity, and loyalty to Prophet Muhammad. As the first caliph of Islam, Abu Bakr As-Siddiq played a crucial role in the establishment and consolidation of the nascent Muslim community, contributing to its moral and spiritual development. He was known for his moral integrity, wisdom, and leadership qualities, which greatly contributed to the establishment and consolidation of the Islamic community.

Based on this, the concept of Siddiq can be translated into a symbol of honesty, integrity, and moral uprightness. It is a devotion to truth, righteousness, and steadfastness in

the face of challenges. Arguably, the best modern management philosophy that can be associated with the concept of Siddiq is truthfulness. The etymology of the term Siddiq itself means "truthful" in Arabic. Siddiq, as a moral character, exemplifies the virtue of personal truthfulness. Siddiq's association with truthfulness extends beyond personal honesty. It also encompasses a deep commitment to the truth of faith and belief.

Truth is what is just, morally good, ethically right and conforms to fact, reason or some standard or principle (Chaudry, 2006). Prophet Muhammad (pbuh) is well known as a very truthful person. He even called as Al-Amin (truth person) by the believers and non-believers. His truthfulness was so well known that even his enemies would still not accuse him for lying (Beekun, 2012).

Truth leads to piety and piety leads to Jannah. A man persists in speaking the truth till he is enrolled with Allah as a truthful. Falsehood leads to vice and vice leads to the Fire (Hell) and a person persists on telling lies until he is enrolled as a liar (Muslim; 6306).

And when the believers saw the confederates, they said: This is what Allah and His Messenger promised us, and Allah and His Messenger spoke the truth. And it increased them in nothing but faith and obedience (Quran; 33:22).

By embodying the spirit of Siddiq, individuals strive to be truthful in their interactions, uphold moral integrity, and remain steadfast in their commitment to the truth, both in their personal conduct and in their faith. The relationship between Siddiq and truthfulness serves as a reminder of the importance of honesty, authenticity, and unwavering dedication to truth in one's character and beliefs.

5. Application of Siddiq by the Leaders

The application of Siddiq's qualities and principles by leaders can greatly contribute to their effectiveness and the well-being of their organizations or communities. Here are some ways in which leaders can draw inspiration and apply the concept of Siddiq in their management philosophy and style of management to combat fraud and unethical practices.

First, truthfulness and integrity. Leaders should prioritize truthfulness and integrity in their words and actions (Malik et al., 2023). By being honest, transparent, and accountable, leaders establish a foundation of trust with their team members, fostering a culture of openness and ethical behavior. During the pandemic, there are some companies that take a pay cut to ensure company has a surplus cash for remuneration. For example, the founder and Executive Chairman of AirAsia do not take their salary while the employee accepted for pay reduction during the pandemic. This will increase the sustainability of the company and remain solvent.

Second, loyalty and support. Leaders can demonstrate loyalty and support to their team members by standing by them during challenging times, offering guidance, and providing resources for their personal and professional growth. For an organization, upskilling and reskilling is important as business environment is dynamic and fast changing. With the breakthrough of artificial intelligent technology, companies generally and their employees particularly have no choice but to accept this technology revolution as new ball game to remain competitive. This fosters a sense of belonging, motivation, and dedication within the team (Mata et al., 2023).

Third is wise decision-making. Siddiq's wisdom and ability to make sound decisions can guide leaders in their decision-making processes. Leaders should consider various perspectives, seek input from others, and evaluate the potential impacts of their decisions. Wise decision-making promotes fairness, inclusivity, and long-term success (Philip et al., 2023). This includes by do not excluding the right of minority in business implication and concern the effect of business operation to environment and social community. In addition, the leader also can construct consensus and consult others to foster inclusive decision-making processes. Leaders should encourage diverse perspectives, value constructive feedback, and involve team members in the decision-making process. This approach promotes ownership, collaboration, and innovation within the organization.

Fourt is a spirit of servant leadership. Siddiq's humility and selflessness exemplify the concept of servant leadership in which the leader will interact and communicate with others to achieve respect and authority rather than showing his or her power. Leaders who adopt this approach prioritize the well-being and development of their team members. They actively listen, empower others, and work collaboratively to achieve shared goals, creating a positive and productive work environment (Neill & Meng, 2023). Besides, leaders also can draw from Siddiq's compassionate nature by developing emotional intelligence and empathy. Understanding and addressing the needs and concerns of team members fosters positive relationships, boosts morale, and creates a supportive work environment where individuals can thrive.

Fifth is ethical conduct. Following Siddiq's moral virtues, leaders should adhere to a strong ethical framework, above and beyond laws and regulation. They should promote fairness, justice, and respect for others while upholding high ethical standards in their decision-making processes (Malik et al., 2023). Ethical conduct sets the tone for the organization and inspires trust and respect not only from internal but also external stakeholders.

By incorporating these principles and qualities into their leadership approach, leaders can inspire and motivate their team members, promote a positive organizational culture, and achieve sustainable success while upholding ethical and moral standards and hence, avoiding all other form of fraud, corruption and unethical practices.

6. Siddiq from the Perspective of Corporate Governance

Corporate governance can be described as how a company is directed and controlled. Nurturing the spirit of *Siddiq* can have a significant impact on corporate governance as organizations can foster a culture of transparency, accountability, and responsible leadership. One of the reasons why corporate scandals and malpractices continue to occur is due to the absence of soul or spiritual elements in the corporate governance policy and practice. There are a few ways in which the spirit of Siddiq can be associated with corporate governance.

First is transparency and disclosure. Siddiq's commitment to truthfulness emphasizes the importance of transparency in corporate governance. Organizations should strive to provide accurate and timely information to stakeholders, including shareholders, employees, and customers. Transparent disclosure of financial information, corporate policies, and decision-making processes not only promotes trust and accountability but also is in accordance with Shari'a principles (Shahar et al., 2020). For example, disclosing potential conflict of interest transactions ensures the shareholders will be treated fairly in their investment decision.

Second, good accountability. Siddiq's unwavering dedication to truth and accountability can guide organizations in their governance practices. Establishing clear lines of responsibility, implementing robust internal control systems, and holding individuals accountable for their actions and decisions fosters a culture of responsibility and ensures adherence to ethical standards (Salin et al., 2020) and hence, prevent fraud to occur.

Third is compliance and risk management. The principles of truthfulness and integrity emphasized by Siddiq are closely linked to compliance and risk management in corporate governance. Organizations should establish effective compliance programs to ensure adherence to legal and regulatory requirements. Additionally, a robust risk management framework helps identify and address potential risks, promoting a culture of risk-aware decision-making to avoid abuse of power (Umar et. al., 2023).

Fourth is stakeholder engagement. The spirit of Siddiq encourages organizations to engage with their stakeholders in an open and honest manner. By actively seeking and considering different perspectives, organizations can make informed decisions that take into account the interests of various stakeholders (Bonetti & Stacchezzini, 2023). This approach promotes inclusivity, fairness, and balanced decision-making in corporate governance and thus, avoid company to serve their interest by misappropriate asset and cash for personal use.

Fifth is ethical leadership. The spirit of Siddiq promotes ethical leadership in corporate governance. Leaders should prioritize moral values, act with integrity, and set an example for ethical behavior within the organization. By upholding high ethical standards, leaders can build trust, inspire employees, and promote a culture of ethical conduct throughout the organization which will aid in resisting fraud, corruption and malpractices (Malik et al., 2023).

Finally, business sustainability. The spirit of Siddiq emphasizes the importance of long-term sustainability in corporate governance. Organizations should consider the social, environmental, and ethical implications of their actions and decisions. By adopting sustainable practices, organizations can contribute to the well-being of society and future generations while ensuring long-term business success (Dominguez-Escrig & Mallen-Broch, 2023). Prior study shows that company that involved in corporate social responsibility has a lower probability in committing corporate fraud (Hu et. al, 2019).

7. Conclusion

Siddiq's portrayal as a moral character within the context of Prophet Muhammad's life highlights his exceptional qualities of truthfulness, loyalty, wisdom, and leadership. By embodying the spirit of Siddiq, individuals strive to be truthful in their interactions, uphold moral integrity, and remain steadfast in their commitment to the truth, both in their personal conduct and in their faith. The relationship between Siddiq and truthfulness serves as a reminder of the importance of honesty, authenticity, and unwavering dedication to truth in one's character and beliefs. For leaders, incorporating Siddiq principles and qualities into their leadership approach can inspire and motivate their team members, promote a positive organizational culture, and achieve sustainable success while upholding ethical and moral standards. For companies, integrating the spirit of Siddiq into corporate governance practices, organizations can foster a culture of transparency, integrity, and ethical behavior. This not only enhances trust and credibility but also contributes to long-term sustainability, stakeholder satisfaction, and overall organizational success.

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