

# Firm Level Decisions and Human Resource Development in an Islamic Economy

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Japan and Germany were totally destroyed during the Second World War. Their industrial complexes lay in ruins after the devastating Allied air bombardments. Both countries emerged from the war under Allied occupation and with almost all of their manufacturing facilities and infrastructures, such as transportation and telecommunications, paralyzed. A picture of war-ravaged Japan appeared in the *Nippon Times* of 23 September 1946:

In Tokyo, 70 percent of the area of the city was destroyed, in Osaka 80, in Nagoya 90. Transportation was limited to crowded, creaky trains, hand-pulled two-wheel 'rear cars' designed to be attached to bicycles and ox carts. At war's end, in all of Japan there were only 41,000 motor vehicles, half of them inoperable and almost all the rest powered by charcoal fumes. There were no street lights at night and very few house lights.

Germany's infrastructure suffered a similar fate:

The condition of Germany at the end of World War II was desperate. The country seemed to be one vast rubble dump. The economy was in ruins; factories, railroads, ports, and canals had been destroyed; and many millions had lost their homes. Many

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factories that had escaped destruction were being dismantled for reparation payments. (*Colliers Encyclopedia* 1986)

The only resource that these two countries still had was their people. Through effective use, within thirty years they became strong competitors of their erstwhile occupiers. Their example shows that human resources play a major part in the process of national development. Empirical research shows that both aggregate productivity and economic growth increase along with the development of indigenous human resources. Denison (1985) indicates that between 1929 and 1982, 73 percent of economic growth in the United States was due to human resource development. He adds that physical capital added only 17 percent, while land improvement added zero percent to long-term economic growth. Carnevale (1983) reports that "seventy-five percent of the improvement in productivity in the U.S. since 1929 can be attributed to human resource development activities such as on-the-job training, education, formal training and health."

In an emerging global economy, human resource development has assumed greater importance. Factors of production, such as money, factories, equipment, and technology can be moved easily from one country to another. Only human resources are relatively immobile. A nation's economic competitiveness depends upon the quality of this factor. With reference to the current economic problems of the United States and other countries, Reich (1991) expresses the following opinion:

The real economic challenge facing the United States in the years ahead—the same as facing every other nation—is to increase the potential value of what its citizens can add to the global economy, by enhancing their skills and capacities, and by improving their means of linking those skills and capacities to the world market.

The relevance of human resource development to economic growth only emerged as an important economic school of thought after the Second World War. Islam, however, emphasized the importance of this factor fourteen hundred years ago. At the present time, Muslim countries have abundant human resources. Their combined population is more than one billion. Unfortunately this resource remains undeveloped. "The present-day Muslim socioeconomic environment is such that it is unable to motivate people to render their best either in their own interest or in the interest of the society," writes Chapra (1988). Thus many Muslim countries, in spite of their huge human and material wealth, are forced to import goods—such as breakfast cereals—from non-Muslim countries. Almost all Muslim countries depend on non-Muslim nations for their

defense equipment, a development that has led them to be blackmailed and often humiliated. The development of indigenous human resources could put them on the world map as industrially advanced countries able to manufacture every item needed for both consumption and defense.

Human resource development requires action at both the macro- and microlevels. At the macrolevel, governments must provide infrastructures conducive to the development of this resource—the building of schools and universities, for example. Fiscal policies would have to be designed to channel resources to this end. Capital markets should be developed, for they would accelerate the growth rate of human capital (Levine 1991). At the microlevel, firms have to implement strategies, plans, policies, and practices designed to develop their employees' intellectual and technical skills and thereby improve their productivity and quality consciousness.

This paper will investigate various personnel- and production-related decisions made at the firm level in the light of Islamic teachings. It will also discuss the efficacy of these decisions vis-à-vis the development of human resources by Muslim nations seeking economic advancement. Before discussing the formulation of corporate strategies and policies, however, we must understand what is meant by the term "economic development," first as currently defined and then as defined from the Islamic viewpoint. In addition, similarities and differences in the two contexts should be explored. Based on this analysis, a case can be made for adopting and/or modifying current western-global strategies and, if necessary, designing entirely new techniques for human resource development.

In the West, economic development is concerned with increasing per capita income and seeking material advancement. According to Mishan (1973), economic growth refers to the increase in per capita income. Rostow (1960) explains economic development in terms of a number of propensities,<sup>1</sup> such as the propensity to develop fundamental science and the propensity to consume. According to such reasoning, an economy is said to be developed if the average per capita income is increasing and people are motivated to learn and apply sciences in order to maintain an increasing supply of consumer goods and services.

The Islamic concept of economic development is wider, for it includes and accords an important role to the moral and social dimensions that are absent from western economic concepts.<sup>2</sup> A person in the West works hard to increase his/her per capita income and consume or save

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<sup>1</sup>See Mannan (1986) for a detailed discussion of the concept of economic growth in the light of economic teachings.

<sup>2</sup>This argument is made with reference to western culture, not the religious teachings of Christianity and Judaism.

more, as does a Muslim. However, a Muslim also works with the intention of pleasing God. Such an attitude is found in the Qur'an: "When the prayer is finished then disperse in the land and seek the bounty of Allah, and remember Allah much that you may prosper" (62:10). According to a hadith, the Prophet kissed a woodcutter's hands and told him that Allah loved him for the hard work he did. Both the Qur'anic verse and the hadith stated above indicate that a Muslim who works is also actively seeking God's pleasure in addition to earning a living.

Also addressed in this article are: a) the development of the general educational background of the masses and the role of the firm in this process; b) specific personnel and production policies, such as staffing, wage setting, and health care; and c) conclusions and recommendations.

## General Education

*General Education of the Masses.* In addition to operating in an internal environment, a firm also operates in an external environment, for it is part of the community. It provides jobs to the community's members and, in turn, benefits from such local infrastructure as schools for its employees' children and electric and water utilities. As a good neighbor, a firm bears some of the responsibility for educating the local people.

In many contemporary Muslim communities, the illiteracy rate is very high. The pool of potential employees for local businesses is therefore full of uneducated people. If hired, such people would have little understanding of the firm's productivity and financial health or of the quality of its products. Their ability to handle complicated tasks would also be limited, which would force the business to spend a great deal of money on training costs. It is therefore essential that businesses actively participate in mass education programs, either through contributing to the government's attempts to develop indigenous infrastructure or through funding local schools. Even in-house programs for employees would contribute to an increase in knowledge.

*General Education of Workers.* An individual's educational background affects the type and quality of the work he/she can perform. A better educated worker can handle more complicated jobs and learns more quickly. Education becomes particularly critical as work becomes information-based and less agricultural. The importance of general education is the subject of the very first revelation of the Qur'an:

Read in the name of thy Lord Who created—created man from a clot. Recite, for thy Lord is Most Honorable, Who has taught by the pen, Who taught man what he knew not. (96:1-5)

The Qur'an, which stresses both reading and writing, speaks in this regard about the Lord of Honor. It implies that an individual can attain honor by reading and writing. This interpretation is strengthened by the verse: "Allah will exalt in rank those of you who believe and those to whom knowledge is given" (58:112). The importance of gaining knowledge is also stressed: "Say, Lord increase me in knowledge" (20:114) and "Whoever is given knowledge is given indeed abundant wealth" (2:269).

There are several prophetic *ahādīth* that emphasize the initial and the continued acquisition of knowledge. The Prophet once said: "The acquisition of knowledge is the duty of every Muslim man and woman, even if they have to go to China." At that time, China was considered a remote country that could only be reached by means of uncomfortable and hazardous travel. His words indicate that people should go to great lengths to acquire knowledge. On another occasion, the Prophet said: "One of the signs of the Hour [the doom of a nation or an individual] is that knowledge shall be taken away and ignorance shall reign supreme" (Ali n.d.).

Researchers in the West agree that the lack of knowledge among the masses is a dangerous situation. The National Commission on Excellence in Education, appointed by former president Reagan, commented on the seriousness of adult illiteracy in the United States by titling its report *A Nation at Risk*. The commission concluded its report by saying that the future welfare of the nation is "in peril" (National Commission 1983).

Based upon the above analysis from the point of view of Islam, as well as the concern expressed by contemporary scholars, there is only one conclusion that can be drawn: the continual acquisition of knowledge is essential for the continued spiritual and material development of a nation.

There is another practical reason why firms should participate in educating their workers: the need to convey information about their activities, plans, policies, and operating procedures. This can be done in a cost-effective manner through the publication of newsletters. If many workers are illiterate, such a strategy would not be suitable. In this case, the firm could decide not to pass on any information to their workers. However, this would ultimately lead to the spreading of rumors which, in the long run, are harmful to both management and workers. Furthermore, ignorance of relevant procedures and policies contributes to accidents in the workplace, low quality products, and poor customer service.

The second possibility is to use more expensive methods. An example of this situation is provided by the United States Department of Defense. Due to the low level of literacy among some recruits, it had to spend thousands of dollars to convert its weapons manuals into easy-to-read comic books for those who would one day be expected to handle complicated equipment (Briggs 1987).

*Cooperative Educational Development.* As a general rule, firms are not in the business of teaching. However, Islam motivates them to get involved in this noble work by requiring Muslims to help each other develop to their fullest potential. In one prophetic hadith, it is reported that the Prophet said: "A Muslim owes a Muslim six duties to be bestowed liberally . . . and he should love for him what he loves for himself" (al Tirmidhī, as quoted in *Mishkāt al Maṣābiḥ* 24:1.). Everybody would agree that for oneself one desires success and happiness. This hadith suggests that in an Islamic society, people should not only work to enhance their own welfare but also the welfare of their fellow Muslims. A firm can encourage its workers to improve their literacy skills by pairing literate workers with their illiterate coworkers on a voluntary basis. Such programs may even be associated with such nonmonetary incentives as the election of an "educator-worker" of the month.

Nevertheless, monetary incentives are not un-Islamic. States could pitch in and provide such incentives. Tax shelters could be provided to those people who teach other Muslims. In the early period of Islam, the Prophet agreed to accept the implied wages earned by non-Muslim prisoners of war in teaching Muslims as ransom money to win their freedom. Similarly, 'Umar ibn al Khaṭṭāb remitted the *jizyah* payments for those non-Muslims who taught illiterate Muslims. However, the success of such programs is generally more dependent upon the commitment of individuals than the nature of the incentives.

## Personnel and Production Functions

*Staffing.* Firms hire workers for specific tasks. Workers who have been educated properly and who have an appropriate attitude can make the difference between an enterprise's success or failure. Marshall (1986) has observed that "developed, educated, motivated people are an unlimited resource . . . [while] undeveloped, uneducated, unmotivated people are a monumental drag on an economy in the internationalized information era." The personnel staff matches the job specifications with the applicants' abilities. The selection procedure is supposed to eliminate those who are, for one reason or another, relatively less desirable workers in terms of productivity and behavioral aspects. Two verses provide excellent guidance for those dealing with staffing considerations: "Allah commands you to make over the trusts to those best fitted to discharge them and that when you judge between the people, you do so with justice" (4:58) and "For the best man you can hire is the one who is strong and faithful" (28:26). Thus God says that the best and most trustworthy applicants are to be hired. Implementing such a program will minimize train-

ing costs, maximize productivity, and ensure that relevant talent will not be wasted.

An employer must also be conscious of the fact that not all people are the same, just as all raw materials are not the same. For example, it is easy to use steel and copper to manufacture weapons, whereas the use of wax for the manufacture of such goods may be possible but would require a lot of research and effort and would perhaps be wasteful. It is easier and more cost-effective to use materials for the purposes for which they are best endowed by nature or training.

Islam recognizes this difference in the capacities and talents by limiting the choice to the best and the faithful. However, it has connotations for such programs as equal employment opportunity and affirmative action. These verses definitely discourage the selection of workers on the basis of race, sex, religion, and national origin. Nevertheless, given the fact that previous policies of official neglect and injustice have been applied to certain groups, with the consequent result that such groups have been prevented from taking full advantage of educational, intellectual, and social developments, a way must be found to make amends.

However, the use of an explicit or implicit quota system and the policy of affirmative action, as currently practiced in some Muslim and non-Muslim countries, are not right approaches, for they result in hiring employees who might not satisfy the Qur'anic requirements. A better approach would be a two-tier employment system. In the first tier would be the employees best qualified for the job. In the second tier would be those trainees selected from the less-developed groups. Members of this group should compete with future job applicants at a later date. Funding for such training should be provided, either directly or indirectly, by the state or through subsidies to firms participating in the program.

*Job Specialization for Men and Women.* This area needs careful consideration. Women in most societies have not been allowed to contribute to national progress. This has resulted in the promulgation of "equal opportunity" and "affirmative action" policies. To develop appropriate personnel policies, Muslim nations must follow the relevant Qur'anic guidelines. For instance, the job must be offered to the most suitable person. In business, suitability implies improvement in cost, quality, reliability, and productivity consequent to hiring the employee.

Any environmental constraints placed on an employee should also be taken into consideration. In the case of women, Islam tells men to treat them with respect and restraint. It requires men to lower their gaze when approaching women and also requires women to dress modestly. These are the only restrictions Islam imposes on the employment of women.

However, as Muslim countries are in the initial stages of development, they must follow policies that will enable them to become competitive with other nations as quickly as possible. In areas of employment where women excel men, they should be preferred. The same is true for men. In areas where superiority based on gender is not apparent, both sexes should be given an equal opportunity.

Women are a vital human resource that should not be neglected. They must be allowed to contribute fully to their country's national development. However, Muslims should learn from the experience of the West and its policy of free mixing of the sexes on the job. Qur'anic guidelines in this area must be enforced. In addition, very strict laws designed to curb sexual harassment must be devised and their implementation ensured.

*Wage Setting.* One's wage is a reward for work done. A fair wage will encourage workers to put in their best efforts, whereas an unfair wage may lower worker morale and ultimately lead to strikes. The best wage rate is the one which takes into consideration job requirements and the varying productivity of workers. This can be seen in the following verse:

Covet not that whereby Allah has made some of you excel others. Men shall have a share of that which they earn, and women shall have a share of that which they earn. Ask Allah alone of His bounty. Surely Allah has perfect knowledge of all. (4:32)

This verse states the basic principle regarding wage setting: men and women are to be paid according to their productivity. Wages are independent of the worker's sex, race, religion, or any other characteristic.

The current economic rationale of wages is based on the principle of the marginal productivity of workers. An additional worker is hired (or a current worker is retained) as long as the marginal productivity is greater than the marginal wage. This principle results in the long-term financial viability of a firm.

A number of Muslim economists, for example Khan (1981), criticize this principle by expressing doubt as to whether it is in accordance with the Islamic teachings of *ukhūwwah*, *ta'āwun*, and *ihsān*. Its application in a time of slack markets will hurt workers. Employers' efforts to retain workers during short economic downturns conform to Islamic teachings as well as to the concept of marginal productivity. Laying off workers for very short periods can result not only in their economic dislocation, but also in increased restart costs and a loss of trained workers. However, if there is a long-term reduction in the demand for the product/service, to retain a worker is neither in line with Islamic teachings nor with the marginal productivity principle. The concept of *ihsān*, however, suggests that



workers be given a sufficiently advanced notice of layoff. Also, they should be retrained if they have the requisite knowledge and motivation for other available jobs within the firm.

The Islamic teaching of hiring the best available worker and paying wages according to his/her production should not be ignored; otherwise, the firm's long-term survival will be jeopardized by the uncompetitive nature of its operations. Thus the critics view the employee-employer relationship, as described by the principle of marginal productivity and marginal wages, as not sustainable and worthy of reexamination. Nonetheless, Islam teaches the care of workers who are laid off due to a depressed economy or some form of disability.

But it is righteousness to believe in Allah . . . To spend of your substance out of love for Him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask, and for the ransom of slaves. (2:177)

The above verse clearly places the responsibility of maintaining laid-off (needy) workers on the community, not just on the employer. It is a common practice among western nations to provide unemployment benefits for a limited period to workers who are temporarily out of work. This practice could be slightly modified to conform to Islamic norms. For example, unemployed workers should receive benefits for an unlimited period,<sup>3</sup> and their society should require them to engage in some sort of social or community work (i.e., helping senior citizens or undertaking tasks in schools that cannot be carried out due to budget shortages). It is common knowledge that many individuals misuse unemployment benefit policies, since the benefits for not working are more palatable than for working. This is neither Islamic nor in the best long-term interest of the individual. Requiring the unemployed to work will enhance their self-esteem and also help some sectors escape the pains of budgetary woes.

*Worker Participation in Management.* In reality, workers are partners in any business. To a greater or lesser degree, they are either direct or indirect owners of their company's shares. While in some cases they hold these shares on their own account, it is more common for them to do so through such company-sponsored programs as pension plans and stock options (Scholes 1991). In addition to human capital, they provide short-term financing, as they are paid at weekly, biweekly, or monthly inter-

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<sup>3</sup>This does not contradict the principle of marginal productivity, because unemployment benefits will be paid by the state, not the firm.

vals for their production. These delayed payments represent accruals that firms use to finance their short-term needs. There is no cost to the firms for using these funds, for no returns are paid to workers. Firms can reduce their short-term financial costs simply by extending the pay period.

However, according to one hadith, a worker should be paid before his/her sweat dries. Another hadith implies that wages not paid to workers after the completion of the day's work should be invested and that the investment and returns be returned to the worker on his/her demand.

Current textbooks on corporate finance, such as Brigham (1990) and Gitman (1991), consider accrued wages as short-term funds provided by workers to the firm. Since these funds are an investment, they must generate a rate of return. Also, if these funds are to be considered as an investment made by the firm's workers, they are actual partners and deserve to be treated as such.

The Islamic view of workers as partners is now being applied by many progressive businesses. Several methods to involve workers in the management of firms have been devised. Two examples are Employee Stock Ownership Plans (ESOPs) and membership of workers on the firm's board of directors. The effectiveness of the ESOPs in the United States is indicated by the fact that in 1988, more than 10 million workers and 10 thousand companies were covered by them, figures that represent increases, over a ten-year period, of 260 percent and 150 percent respectively. Current research shows that these methods are highly beneficial for both firms and employees. Productivity has increased, workers are happier at their workplace, and customer satisfaction has improved (Henry 1989).

If workers are to be considered genuine partners, they should be allowed to participate effectively in the management of the business. For this, they have to be knowledgeable enough to contribute to the formulation of the firm's strategy and understand the philosophy behind managerial actions to avoid any mistrust. Currently, companies in the West permit workers to participate in management, but provide no training to help them participate effectively (this violates Islamic norms). Muslim countries, in their quest to improve the quality of human resources, should encourage participative management and provide basic conceptual training for this function. In addition to training workers for specific job management, they should be trained in the basics of investment. This will enable employees, who have equity participation in the firm, to steer the firm's future investment activities in a productive and safe direction.

*Health Care.* The physical health of workers mainly depends upon the food they eat and their working conditions. Current statistics about worker health, even in the wealthy western nations, are very disappointing. According to various surveys, about 30 to 40 million Americans do

not have access to health insurance. A recent Rand Corporation report reveals that accidents cost the United States \$176 billion annually. Assaults, drug abuse, unsafe sex, and unintentional injuries cost additional billions of dollars each year. An application of Islamic principles could ameliorate this situation. The Prophet exhorted employers and masters to take care of those who are in their charge. He once said to Abū Dharr:

Your slaves are your brethren. Allah has placed them under your control: so whoever has his/her brother under his/her control should feed him from what he eats and should give him clothes to wear from what he wears, and do not impose on them a task which should overpower them, and if you impose on them such a task then help them in doing it.

This hadith requires employers to feed and clothe their workers in the best possible way. This will result in physically and mentally healthy workers. In addition, the Prophet tells employers not to impose stressful working conditions upon workers. Work that overpowers workers causes work-related stress, which gives rise to poor morale, workplace accidents, and lower productivity. Many white-collar workers in the United States have taken to drinking and using drugs because of excessive work loads.

Current western research also shows that the health of workers should be one of the firm's top priorities. In a recent study published in the *Journal of the American Medical Association*, it was reported that a firm offering counseling to its workers on appropriate nutrition, weight loss, and smoking cessation saw a 75 percent reduction in claims paid regarding cardiovascular disease and a 78 percent drop in total health-care claims paid (*Prevention* 1991). No doubt there are initial costs associated with such programs, but they pay off amply in the end. The study quoted above indicates that for each dollar of investment in this program the savings range from \$1.89 to \$2.72. These savings arise from boosted morale, lowered absenteeism, better health, and improved productivity.

*Quality Control and Quality Consciousness.* Islam lays great stress upon the quality of the goods sold. One important aspect of quality control in a manufacturing process is the weight and the characteristics of the product in its package. A Qur'anic verse dealing with one of these aspects of quality is: "Give a full measure when you measure out and weigh with a true balance; that is most commendable at the end" (17:35).

In the present circumstances both the domestic and international competition has made it essential that firms ensure the quality of their products or else they will lose their market share. For example, American companies have lost a significant portion of their erstwhile market share

to the Japanese and the Germans due to their lackadaisical attitude towards quality during the 1960s and 1970s.

Based on Islamic teachings and the current validity of these ideas, as shown by the shifting market share of nations, Muslim countries must develop their human resources in this sphere. In order to create quality-consciousness among workers and managers, firms should design appropriate plans and policies. However, it should be kept in mind that Islam does not insist upon excellence in quality, for that may not be what the customer is willing to pay for. It simply demands that the customer should be aware of the quality of the item being purchased and that he/she should examine it carefully, as evidenced by the following hadith: "The Messenger of Allah forbade *munābadhah* (throwing the person his/her cloth in sale to another before he/she had examined it or looked at it) and forbade *mulāmasah* (touching of a cloth without looking at it)."

The first part of the hadith requires the seller to let the buyer inspect the product being sold, while the last part shows that the Prophet stressed that the customer should check its quality carefully. However, the Prophet did not leave the matter of the product's quality to the buyer alone. He wanted the seller, who generally has a better knowledge of the product's quality, to show it to buyer willingly. He indicated this by his own behavior. One day when he was in the market, the Prophet saw a man selling a heap of corn. He put his hand into the corn and found that the corn inside was wet, while the corn outside was dry. The seller told the Prophet that it had rained and that he had turned the inside of the heap out. The Prophet responded that he should have left the corn as it was (i.e., the wet corn on the outside) so that the buyer would know its condition.

Current mass production techniques often require firms to advertise certain product characteristics, and customers must rely on these claims. For example the quality of an automobile, the potency of a particular medicine, and the weight of cereals in a carton cannot be checked by a customer while making purchases. It is also not possible for the manufacturers to check each and every unit produced.

There are two methods available to manufacturers to overcome these problems. One is that they follow zero-defect manufacturing procedures. This requires training production workers to make quality checks during the manufacturing process. The second is the application of Statistical Quality Control. Both of these methods are currently in vogue and have helped firms minimize the production of defective products. Firms in Muslim countries must stress such training and the application thereof. Not only will it help them carry out the teachings of Islam to win Allah's pleasure, but it will also enhance their competitiveness through greater customer satisfaction. These factors will also lead to their increased material welfare and technological advancement.

## Islamic Economics vs. Traditional Economics

The application of traditional economics has not solved the economic problems of the modern world. The following quotation from the *Wall Street Journal* (27 June 1991) supports this contention:

The Cold War is behind us. Communism is a failed experience. Around the world we see nothing but economic distress. Why is the U.S. in recession? Why are Canada, England, Australia and Sweden in recession? Most of Europe is suddenly struggling to stay on a growth track. Japan's stock market is in steady retreat and its dizzy economic growth has slowed. And how is it that so much poverty, unemployment, inflation and debt plague the Third World countries of Asia, Africa and Latin America?

The anticipated results of applying Islamic economic principles (IEPs) is not likely to be an automatic cure-all. Timur Kuran (1989) has expressed strong concerns about the applicability and the outcome of IEPs. He cites discord among Islamic economists on interpretations of such basic concepts as justice and equality. He also cites innumerable examples of disastrous outcomes of applying these principles (i.e., zakah collection in Pakistan, Malaysia, and Sudan). He even fears that the push to enforce IEPs may end up with the Muslim world being governed by inefficient zealots and tyrants.

Such concerns cannot and should not be dismissed lightly. Research needs to be conducted into the interpretation of Islamic principles. Are these differences so vital that they effectively rule out the applicability of Islamic economics, or are these such that different interpretations are likely to create trivial marginal results? Empirical research should also be undertaken to ascertain why various Muslim economies have failed to respond to the application of IEPs. From my experience of having lived in both Muslim and non-Muslim economies, I am almost certain that the reason for the lack of response of Muslim economies to the application of IEPs is the fraud, inefficiency, and nepotism of the influential sectors (i.e., the bureaucratic and political institutions). Just as bad money chases out good money from an economy and interest-free banks fail to perform well in competition with traditional banks, the same applies to the total economic environment.

People by nature are greedy, as the Qur'an states very clearly: "The mind of man is ever ready to incite to evil" (12:54). An untrained and unregulated mind opposes humanity's attempts to attain moral perfection and urges individuals towards undesirable and evil ways. Unless religious education and training is universally provided, and a system of rewards

and punishment instituted to motivate people to adhere to the principles of justice, self sacrifice, and honesty, there is every possibility that the results of IEPs will be undermined.

This applies to IEPs as well as to traditional western economic principles. Western countries have found that without the backing of regulations, it is impossible to carry out economic activities smoothly. The expectation that IEPs will operate successfully without proper regulations is naive. However, the application of the Islamic laws of reward and punishment will be more acceptable to the masses, as shown currently by the ease with which the establishment of the Sharī'ah has been enacted by various Muslim countries. The real problem is the enforcement of its rules. This is where corruption among government officials and politicians has created roadblocks. Favoritism limits the implementation of strict code. Whereas the Prophet said, "Even if Fātimah, the daughter of the Prophet, steals, her hand will be severed," we have yet to find an example of such an undertaking against any of the influential thieves and thugs in the modern Muslim world.

These essentially macroenvironmental observations are equally applicable at the microlevel. If some employers, in the light of Islamic teachings, provide desirable benefits to workers and others do not, the problem of cost competitiveness could thwart the results of applying IEPs. In addition, there should be no sacred cows in the application of these rules. While management is expected to show a benevolent attitude towards workers, the latter are also required to observe honest working practices. Examples of dishonest work attitudes are theft of inventory and sub-optimal production. Rewards and punishments in accordance with Islamic laws must be established, and mechanisms must be put in place to implement them before the expected results at the decision-making level can materialize. According to the principles of successful strategic management (David 1991), it is not enough to formulate right strategies: managers and employees must be motivated to implement them. This is where the Muslim state's and firm's efforts need to be concentrated.

## Conclusions and Recommendations

In order to bring about the economic development of the Muslim world, the most vital element is the development of human resources. The principles and techniques required for this task are stated in the Qur'an and the hadith. Western practices have steadily gravitated towards Islamic teachings through trial and error. However, they have not fully succeeded in attaining the objective of committed, loyal, and dedicated employees.

One apparent reason is the western adherence to materialistic values and the consequent absence of the spiritual factor. Muslims fortunately

attach great significance to the spiritual component. Due to this advantage, they are more likely to achieve their goal of economic growth and development. But they must start human resource development programs immediately. The highest priority should be given to general education of the masses. At the same time, firms should establish independent departments to develop and institute plans, policies, and methods designed to ensure the application of Islamic teachings with regards to various commercial practices, particularly in the area of personnel and production management. Additionally, decisions made at the firm level should be coordinated with national policies. National, regional, and local work ethics councils should be instituted and charged with the responsibility of training workers in productivity, quality control, and general work principles. Above all, universities, colleges, and schools should add a required course in religious studies to their curricula. Governments should establish rules and regulatory bodies to oversee the business sector's implementation of the relevant rules set forth in the Qur'an and the hadith.

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