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VALUE-BASED MANAGEMENT SYSTEMS - REQUIREMENTS FROM AN ISLAMIC PERSPECTIVE

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The Industry Standards Committee on Halal Standards (ISC I) under whose authority this Malaysian Standard was developed, comprises representatives from the following organisations:

Department of Islamic Development Malaysia
Department of Standards Malaysia
Department of Veterinary Services
Federation of Malaysian Manufacturers
Halal Industry Development Corporation Sdn Bhd
Institute of Islamic Understanding Malaysia
Institute of Quality Malaysia
International Islamic University Malaysia
Malaysian Agricultural Research and Development Institute
Malaysian Association of Standards Users
Ministry of Domestic Trade and Consumer Affairs
Ministry of Health Malaysia (Food Safety and Quality Division)
Ministry of Health Malaysia (National Pharmaceutical Control Bureau)
Ministry of International Trade and Industry
Muslim Consumers' Association of Malaysia

Co-opted member:

Yayasan Ilmuwan

The Technical Committee on Management Systems from Islamic Perspectives which supervised the development of this Malaysian Standard consists of representatives from the following organisations:

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Institute of Islamic Understanding Malaysia
International Islamic University Malaysia
Islamic Banking and Finance Institute Malaysia
Malaysia Productivity Corporation
Malaysian Administrative Modernisation and Management Planning Unit
Malaysian Anti-Corruption Commission
Ministry of Health Malaysia (National Pharmaceutical Control Bureau)
Muslim Consumers' Association of Malaysia
Research Institute of Standards in Islam
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SIRIM QAS International Sdn Bhd
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Institute of Islamic Understanding Malaysia
International Islamic University Malaysia
Malaysian Institute of Management
SIRIM Berhad (Secretariat)
SIRIM QAS International Sdn Bhd
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FOREWORD

This Malaysian Standard was developed by the Technical Committee on Management Systems from Islamic Perspectives under the authority of the Industry Standards Committee on Halal Standards.

Compliance with a Malaysian Standard does not of itself confer immunity from legal obligations.

VALUE-BASED MANAGEMENT SYSTEMS - REQUIREMENTS FROM AN ISLAMIC PERSPECTIVE

1 Scope

This Malaysian Standard consists of a guideline and a certifiable requirements standard which prescribes the framework for an organisation to establish a management system based on Islamic values.

The user of this standard should be able to meet the following expectations and benefits:

a) to inculcate religious requirements into the organisation's quality management practice with the emphasis on value-based management. It promotes good universal value, which can be readily acceptable to all;

b) to enhance the level of efficiency and effectiveness. This standard requires the practice of universal good conducts at all levels of the organisation that could lead to the improvement in the level of productivity and quality of output (goods and services); and

c) to enhance the level of compliance and confidence among all stakeholders.

2 Terms and definitions

For the purposes of this standard, the following terms and definitions apply.

2.1 Islamic worldview

The worldview of Islam is not merely the mind's view of the physical world as it is not based upon philosophical speculation formulated mainly from observation of the data of sensible experience. Unlike the secular Western scientific conception of the world that is restricted to the world of sense and sensible experience; the worldview of Islam encompasses both the physical world *(al-dunya)* and the Hereafter *(al-akhirah)*. In Islam, both *al-dunya* and *al-akhirah* are two fundamental elements in which everything of the former aspect should be related in a profound and inseparable way to the latter's. What Muslims need to know is that everything they do in this worldly life, whether it is a good or bad deed, will be reflected in the Hereafter and they will be rewarded or punished accordingly. *Al-dunya* in this context is the preparatory abode while *al-akhirah* is the last abode.

2.2 *Taqwa*

Taqwa is an Islamic term denoting piety. The word is derived from the root verb "*waqa*" which means self defense and avoidance. Depending on the context, the denotation of the term in classical Islamic religious literature includes godliness, devoutness, piety, God-fearing, pious abstinence and uprightness. One can establish *taqwa* by true *iman* (faith), which in return will cause great love and fear of Allah. *Taqwa* will purify one's heart and soul and will lead him to do righteous deeds and avoid the evil ones. In Islam, *taqwa* is the only and greatest standard of one's nobility and worth as Allah *s.w.t* says: *The noblest, most honourable of you in the sight of God is the most advanced of you in* taqwa (Surah al-Hujuraat: 49:13).

2.3 Akhlaq

The word *akhlaq* is the plural for the word *khulq* which means innate disposition, inner thought, feeling and attitudes. Akhlaq or moral is an important aspect of Islam and this could be implicitly understood through the mission of the Prophet Muhammad s.a.w itself that is to perfect morality and mannerism (makarim al-akhlaq). Islamic education provides great emphasis on good morals and character, making it a comprehensive mode of living. The model for Muslims in this regard is the Prophet Muhammad *s.a.w* himself whom Allah *s.w.t* has addressed: *Indeed, you have such a great character (*Surah al-Qalam: 68:4).

2.4 Itqan

The term *itqan* derived from the root word "*atqana*" which means to make things thoroughly or to dispose of things in perfect order. In Arabic, the word "*itqan*" is used to indicate the level of quality.

The only place in the Quran whereby Allah *s.w.t* specifically uses the word "*atqana*" is in *Surah an-Naml*. The word is used to describe a scene in the Hereafter, which says: "And you see the mountains and think them firmly fixed, but they shall pass away as the clouds pass away. (Such is) the artistry of Allah, who disposes of all things in perfect order, for He is well acquainted with all that you do." (Surah an-Naml: 27:88).

The verse explicitly indicates that Allah's work is done with *itqan*. In view of the fact that the concept of *itqan* or quality work has a direct association with Allah *s.w.t*, Muslims are required to ensure that all activities in their daily life are planned and executed at the best level of performance. Moreover, the Prophet *s.a.w* said: "Allah loves to see one's job done at the level of *itqan*" (Narrated by Al-Baihaqi).

2.5 Value

A numerical quantity measured or assigned or computed.

2.6 Values

Beliefs of a person or social group in which they have an emotional investment (either for or against something).

2.7 Shura

It is a principle of decision making process rooted in the Quran. Based on mutual consultation approach, the principle is considered either obligatory or desirable by Islamic scholars. The Prophet s.a.w for example was asked by the Quran to consult his companions in the affairs concerning the community. The holy Quran commands: *and consult them in affairs (of moment)*. The commandment rules out the principle of absolutism from the body politic of Islam. This seems to be the reason why the Prophet s.a.w. consulted the companions in many occasions and people sometimes even disagreed with him. In addition to the commandment to follow the principle of *shura*, the Quran also praises the true believers in the following words: *who (conduct) their affairs by mutual consultation*. Perhaps this is the reason why some Islamic scholars have never considered *shura* as a legitimising element in decision making, yet it is desirable.

In the early days of Islam, the method of conducting the *shura* seemed to be very informal and simple. However, due to complexities of current governance arrangement, it therefore should be properly planned and well organised. Particular emphasis should be placed on the selection of representatives of the ummah who sit in the Shura council. This is to ensure due participation and an effective measure of checks and balances.

3   Value-based management system

Value-based management system model as shown in Figure 1 requires the definition of universal purpose and human values consistent with the Islamic worldview. The management shall establish the standards in the organisation to ensure good governance based on these core purpose and values.

Legend for DAEI

D = discover
A = action
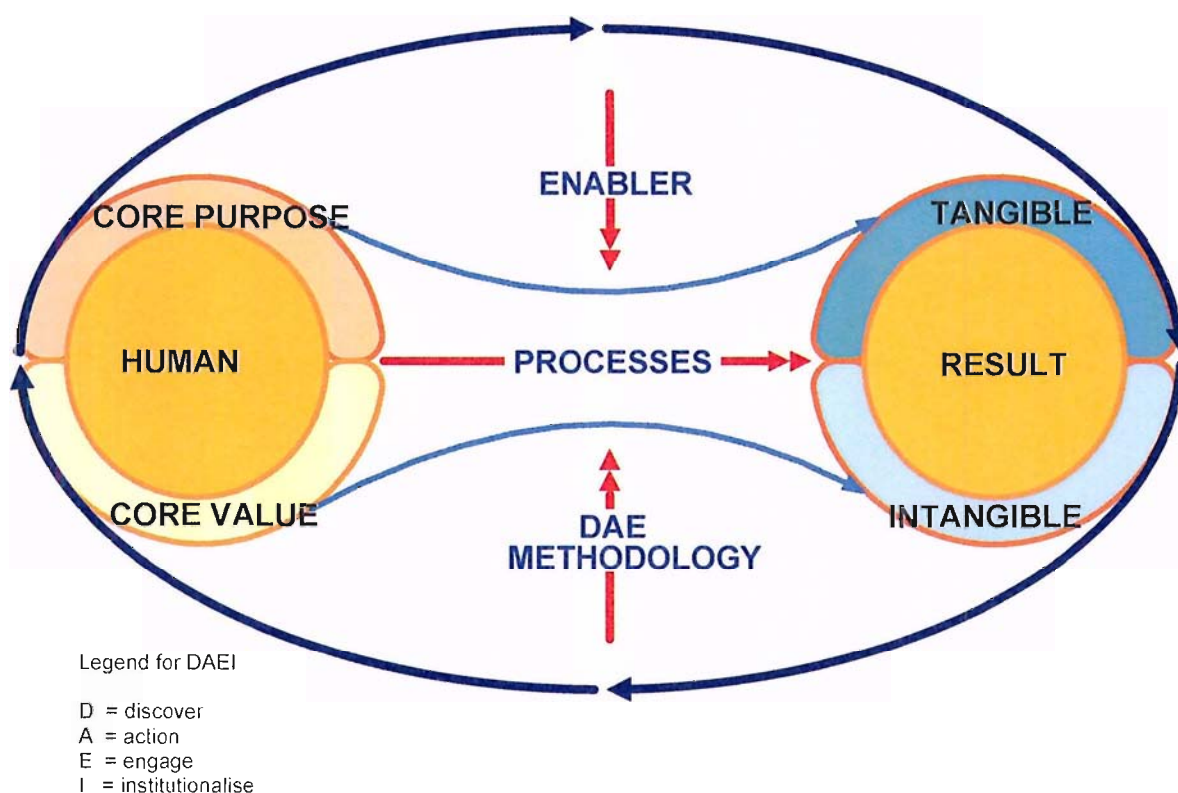E = engage
I   = institutionalise

Figure 1. Value-based management system model

4   Components of value-based management system

The organisation shall establish these interrelated components on value-based management system and shall operate in an integrated manner.

4.1 Human

Human resource, guided by the core purpose and imbued with core values, is a major asset for the organisation and the main driver to achieve performance excellence. The organisation shall focus its efforts on human capital development.

4.1.1 Core purpose

The organisation shall:

a) encourage employees to act as servant and vicegerent of All-Mighty *Allah* as the highest stakeholder;

b) demonstrate ethical behaviours in all undertakings; and

c) achieve optimum performances through all levels of employee.

4.1.2 Core values

4.1.2.1 The organisation shall ensure that core values are:

a) defined, documented, implemented and maintained at the personal and organisational levels; and

b) manifested through observable behaviours.

4.1.2.2 Examples of core values are shown in Table 1. However, the examples in this table are by no means exhaustive.

Table 1. Examples of core values

Piety (*Taqwa*)	Moral (*Akhlaq*)	Quality *(Itqan)*
Trustworthiness (*I'timaniyyah*)	Caring (*Ihtimam*)	Learning (*Ta'allum*)
Justice (*'Adalah*)	Cooperation (*Ta'awun /Musa'adah*)	Discipline (*Intidzam*)
Sincerity (*Ikhlas*)	Courtesy (*Mulathofah/Adab*)	Commitment (*Iltizam/Iida'*)
Honesty (*Amanah*)	Humility (*Tawaduk/Wadho'ah*)	Innovativeness (*Tajdid/Ihdath*)
Gratefulness (*Shukur*)	Tolerance (*Tasaamuh*)	Efficiency (*Iqtidar/Fa'aliyyah*)
Courage *(Shuja'ah)*	Respect (*Ihtiram/Ri'ayah*)	Effectiveness (*Syiddah al-Maf'ul*)

4.1.2.3 Values policy

The organisation shall:

a) define and develop a values policy leading to achievement of the organisational goals;

b) ensure that the values policy is based on the value management system;

c) ensure that the values policy is understood at all levels of the organisation; and

d) ensure that *shura* is practised.

4.1.2.4 Values objectives

The organisation shall:

a) define values objectives based on the values policy;

b) facilitate implementation of the values objectives; and

c) ensure that continual efforts are undertaken to sustain good values and practices at all levels of the organisation.

4.1.2.5 Values planning

The organisation shall establish a values planning process, which:

a) defines the values requirements, practices and resources;

b) coordinates the activities needed to meet the values objectives; and

c) is always consistent with the values policy and objectives.

4.1.2.6 Values implementation

The organisation shall internalise the core values for successful implementation by:

a) starting from top management to the lowest level of the organisation;

b) understanding, communicating, and showing commitment through practices;

c) enhancing and strengthening the spiritual exercises for personal development;

d) establishing a values evaluation plan and procedure; and

e) considering work as an act of worship (*ibadah*);

4.1.2.7 Values system manual

The organisation shall:

a) prepare a values system manual as a document for reference; and

b) implement the values system manual effectively.

4.1.2.8 Values management representative

The organisation shall appoint a representative responsible for:

a) ensuring that the value-based management system is established, implemented and maintained;

b) reporting on the implementation of the value-based management system;

c) suggesting areas for continuous improvement;

d) coordinating the organisation's values activities; and

e) being a reference point for matters related to values system.

4.2 Processes

The organisation shall establish appropriate processes that deliver results that meet the stakeholders' requirements.

4.2.1 Enablers

The management shall establish the following enabling mechanisms in the organisation in order to develop a value-based management system.

4.2.1.1 Leadership

The top management shall:

a) establish direction;

b) prioritise the needs of the stakeholders;

c) set targets;

d) lead by example; and

e) ensure alignment of the organisational vision and mission with the personal values system.

4.2.1.2 Resources

The organisation shall utilise resources with accountability in order to achieve optimum effectiveness.

4.2.1.3 Strategy

The organisation shall formulate value-based strategies and ensure implementation that contributes towards the desired results.

4.2.1.4 Technology

The organisation shall adopt appropriate technologies to develop an integrated and user friendly system which enhances the efficiency and effectiveness of the processes.

4.2.1.5 Organisational structure

The management shall design an appropriate organisation structure in order to expedite the implementation of policies, strategies and objectives.

4.2.1.6 Performance management

The organisation shall implement a performance management system that

a) is just and equitable;

b) rewards the right behaviours based on the core values; and

c) focuses on the right results and thereby creating stakeholders value.

4.2.1.7   Training

The organisation shall embark on values training, morale rejuvenation programmes discover-action-engage-institutionalise (DAEI) methodology training (see 4.2.2) across the organisation. Procedures and records related to training shall be documented.

4.2.2   Methodology

The organisation shall establish the DAEI methodology for analysis and continuous improvement of all levels - individual, processes and organisation. The DAEI shall be as follows:

4.2.2.1   Discover

This initial step will reveal the variance existing between planned objectives versus actual result at the various levels. This will encourage the next course of action which is to study the "gap" or situation.

4.2.2.2   Action

The situation needs to be clearly defined, data to be gathered, measured and analysed for diagnosing the problem.

4.2.2.3   Engage

The above problem needs to be resolved by developing, implementing and monitoring the solution by engaging with the owners of processes for continual improvement.

4.2.2.4   Institutionalise

This is the stabilising phase where sustaining the desired result is necessary. The existing condition is controlled, institutionalised and the knowledge gained is documented.

4.3   Results

The organisation shall continually review the tangible and intangible results:

a) in achieving organisational objectives;

b) from the stakeholder's perspective; and

c) that serve public good and humanity's needs.

4.4   Internal values audit

The organisation shall establish and maintain documented procedures for the planning and implementation of internal values audits, including:

a) personal and interpersonal actions based on core values; and

b) periodic audits by independent auditors.

4.5   Documentation

The organisation shall establish documentation system that implements and maintain the value-based system.

The documents shall be:

a) controlled and maintained by relevant authority in the organisation; and

b) reviewed for continual improvement.

4.6   Management review

4.6.1   Top management shall review the organisation's value-based management system, at planned intervals, to ensure its continuing suitability, adequacy and effectiveness. This review shall include assessing opportunities for improvement and the need for changes to the value-based management system, including the quality policy and quality objectives.

The input to management review shall include information on:

a) findings of internal values audits;

b) findings of values evaluation report;

c) organisational performance results (intangible and tangible);

d) practices; and

e) all relevant records and documents.

4.6.2   Records of such management reviews shall be documented.

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