

## The Relationship Between Islamic Management And Organizational Entrepreneurship

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**Abstract:** The Holy Quran's emphasizes the necessity of entrepreneurship in Islam and this study is therefore aimed at examining the relationship between the implementation of Islamic management and organizational entrepreneurship in the private sector in the Gilan Province, Iran. In this study, the relationship between dimensions of Islamic management (Sincerity, Piety, Humility, Patience, Responsibility, and Justice) as independent variables and organizational entrepreneurship as a dependent variable is measured. A sample of 291 firms was randomly selected from Gilan, Iran. The organizational entrepreneurship was assessed by Entrepreneurial Orientation's Covin & Slevin Questionnaire as well as Entrepreneurial Management's Brown et al. Questionnaire, and dimensions of Islamic management were assessed using a 5-point Likert scale self-made questionnaire. The results of the present study indicate that there is a significant correlation between the Sincerity level of the Islamic manager and organizational entrepreneurship ( $r=.15$ ,  $p<.05$ ), the Piety of the Islamic manager and organizational entrepreneurship ( $r=.24$ ,  $p<.01$ ), the Humility of the Islamic manager and organizational entrepreneurship ( $r=.49$ ,  $p<.01$ ), the Patience of the Islamic manager and organizational entrepreneurship ( $r=.58$ ,  $p<.01$ ), the Responsibility of the Islamic manager and organizational entrepreneurship ( $r=.28$ ,  $p<.01$ ), the Justice of Islamic manager and organizational entrepreneurship ( $r=.25$ ,  $p<.01$ ). This study leads to the conclusion that there is a positive significant relationship between Islamic management dimensions and organizational entrepreneurship.

**Key words:** Iran, religious, Islamic management, Entrepreneurship.

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### INTRODUCTION

In the words of Stevenson and Jarillo (1990), corporate entrepreneurship is "a process by which individuals inside organizations pursue opportunities independent of the resources they currently control". Hisrich and Peters (2007) however define the term as "a spirit of entrepreneurship within the existing organization (Kearney, Hisrich, and Roche, 2008).

When there are deliberate efforts to instill entrepreneurial practices in an organization, it is for the purpose of improving its productivity in terms of goods or services and in the management of the innovation process. Such innovation in an organization is the result of a strategic management decision (Sebora and Theerapatvong, 2010).

Entrepreneurship and corporate management are two separate fields of expertise and it is necessary to establish a clear link between the two because some scholars tend to view entrepreneurship as being on the fringe of mainstream corporate management. In such a case therefore, generalizations about entrepreneurship and corporate management can lead to a blurring of the lines and result in the two being taken as synonymous when entrepreneurial management is more appropriately to be taken as a distinct and different specialization (Stevenson and Jarillo, 2007).

For entrepreneurship to emerge and succeed, there must be the existence of an environment of opportunities that entrepreneurial management can and will seize to the organization's advantage. Entrepreneurial management is a system of management that is different from traditional management, with significant differences in the way it manages the organization and people and how it motivates its workforce. So in order to consider the characteristics of the Islamic approach, this research will seek the impact of this type of management on corporate entrepreneurship.

The term "Islamic management" refers to a style of management that is in keeping with the dictates of Islam as provided for in the Holy Quran and the practices of Prophet Hazrat Mohammad. In a way, it is a style of management with its objectives, procedures, methods, tools and techniques approved and in keeping with the tenets of Islam. This Islamic approach also encompasses the members of the organization who work within Islamic boundaries and framework for the ultimate purpose as such an approach is to seek the blessings of Allah (Ather, Khan, and Hoque, 2011).

In Islamic management, there are the following characteristics:

**Sincerity:**

There is Sincerity if you have an honest belief in things and are sincere and truthful in what you say. Sincerity is shown in the way one performs a given task to the best of one's ability because such an attitude is the best way to show one's loyalty and gratitude to, and love for the organization. In serving the organization well, one serves Allah (*al-Quran* 39:14). What is important though is the way Sincerity can be contagious for when it is a part of the organizational culture, all stakeholders will willingly and therefore sincerely work towards enhancing the worth of the organization with their best and sincere contributions. The end result of all such sincere efforts is greater efficiency by people that leads to a more successful organization and eventually the making of better individuals (Abbasi, Rehman, and Bibi, 2010).

**Piety:**

True Piety is seen in respect for God and religion, and shown in our behavior. Piety among Muslims in many Muslim societies and communities has been on the rise and this is encouraging because piety is a tool that can be used to foster good and prevent evil ways in the lives of Muslims (Ali, 2011). In fact, it can be seen that Piety has become a new symbol of elitism (Hasan, 2009).

**Humility:**

The most charismatic leaders of the world have always had exceptional self confidence and yet they have been shown to possess the quality of humility. An example is the case of Musa (AS) who shows his humility in seeking the help of Allah in the performance of his task; or the case of Moses who similarly seeks the help of the Lord that he may be able to fulfil his task. Such leaders, even in their greatness, admit that they cannot know everything to do everything and have the humility to seek learning in order to be even better individuals (Abbasi, *et al.*, 2010).

**Patience:**

The Holy Quran specifically indicates Patience as one of the desirable virtues of all Muslims. There are two aspects of Patience: mental patience and bodily patience. The first is the control of carnal desires and emotions such as anger while the second is the will to bear physical pain in situations when performing devotional or non-devotional acts or in disease and in injury (Abbasi, *et al.*, 2010).

**Responsibility:**

Responsibility comes with leadership and a good leader in Islamic management should be fully aware of the required responsibilities, the desired targets, the rewards of success and the consequences of failure or mistakes (Abbasi, *et al.*, 2010). By promoting modern education among Muslims, entrepreneurs seek to promote economic development while also embedding economic practices within a framework of ethics and moral responsibilities deemed to be Islamic (Osella and Osella, 2009).

**Justice:**

In the Islamic value system, it is explicit that all should act fairly and with justice because it is commanded by Allah (*al-Qur'an* 16:90). As Justice is the very cornerstone of the Islamic value system, an Islamic management system cannot be without Justice. Islam is against and will eradicate all forms of injustice, unfairness, exploitation, oppression, and wrongdoings from the management process and in society. Thus, in Islam, one cannot deny others their right and the Islamic management system inculcates the sense of satisfaction and protection arising from the practice of Justice by all and for all in an organization (Abbasi, *et al.*, 2010).

In this research, corporate entrepreneurship is defined as entrepreneurship within an existing private sector organization. It refers to the process that exists within a private sector organization that results in innovative or creative activities such as the development of new and existing services, technologies, administrative techniques, and new improved strategies.

## **MATERIALS AND METHODS**

The main objective of the present study is to discover the relationship between Islamic management and entrepreneurship in private firms.

**Sample and procedure:**

A total of 291 firms, each with three or more employees, was selected at random from Gilan, a northern province of Iran located in the south and south-west of the Caspian Sea, to participate in the study.

The Manager and all employees of the firms were Muslims and all the firms taking part complied with the governmental regulations on matters like minimum wage, Insurance, and workplace conditions but they varied in the application of Islamic management concepts.

### Measures:

The instrument used to collect data for analysis of the research hypothesis was a questionnaire, designed in two main parts: the first part with 16 questions, measures the value of practicing Islamic management. A 5-point Likert type scale ranging from 1=strongly disagree to 5=strongly agree is used. A sample item in this part is "Employees in this organization are treated fairly by the manager". The second part is an organizational-level scale for Organizational Entrepreneurship, which includes both the popularly-used measure of Entrepreneurial Orientation by Covin and Slevin (1989), and a scale for Entrepreneurial Management based on a modified instrument developed by Brown *et al.*, (2001) (Brown, Davidsson, and Wiklund, 2001) that operationalizes Stevenson's (1983) concept of entrepreneurship (Fox, 2005) with the same measures for respondents. A sample item for this part is "Our organization frequently markets new products or services". The first part of the questionnaire has been tested by professors and specialists in this field to provide the best types of Validity including Face Content Criterion, and Concurrent Validity. For the second part of the questionnaire, a previous study by Fox (2005) provided support for the validity. Cronbach's alpha was used to illustrate reliability of the questionnaire table (1).

**Table 1:** Cronbach's alpha for the dimensions of independent and dependent variables.

Dimension	N				Cronbach's alpha
		component	N	Cronbach's alpha	
Organizational Entrepreneurship	25	Entrepreneurial Orientation	7	0.737	0.926
		Entrepreneurial Management	18	0.919	
Islamic management	14	Sincerity	2	0.738	0.815
		Piety	2	0.822	
		Humility	3	0.602	
		Patience	3	0.801	
		Responsibility	2	0.611	
		Justice	2	0.737	

**Table 2:** Mean and Std.Deviation of variables.

Variables	Mean	Std.Deviation
Organizational Entrepreneurship	35.80	5.50
Islamic management	3.95	2.10

## RESULTS AND DISCUSSION

The results indicated that there was a significant correlation between Islamic management and organizational entrepreneurship. The mean and standard deviation for organizational entrepreneurship were (M=35.80, SD=5.50), and for Islamic management they were (M=3.95, SD=2.10). The Sincerity level of the Islamic manager had a positively significant correlation with organizational entrepreneurship [ $r=.15$ ,  $n=261$ ,  $p<.05$ ]. Therefore, the higher the Sincerity of the Islamic manager, the higher the organizational entrepreneurship. In the case of the Piety level of the Islamic manager, there was a positively significant correlation with organizational entrepreneurship [ $r=.24$ ,  $n=261$ ,  $p<.01$ ] and it can be said that the high level of the Piety of the Islamic manager will lead to high level in the organizational entrepreneurship. It was also shown that the Humility level of the Islamic manager had a positively significant correlation with organizational entrepreneurship [ $r=.49$ ,  $n=261$ ,  $p<.01$ ], thus indicating that the higher the level of Humility of the Islamic manager a higher organizational entrepreneurship. Also the results illustrated that the Patience level of the Islamic manager had a positively significant correlation with the organizational entrepreneurship [ $r=.58$ ,  $n=261$ ,  $p<.01$ ] and as such, the high level of the Patience of the Islamic manager will lead to higher organizational entrepreneurship. In the case of the Responsibility level of the Islamic manager, it was indicated to have a positively significant correlation with organizational entrepreneurship [ $r=.28$ ,  $n=261$ ,  $p<.01$ ] and therefore, a high level of Responsibility of the Islamic manager will lead to high organizational entrepreneurship. The final

result also showed that the Justice level of the Islamic manager was also seen to have a positively significant correlation with organizational entrepreneurship [ $r=.25$ ,  $n=261$ ,  $p<.01$ ] and thus, the higher the Justice level of the Islamic manager, the higher the organizational entrepreneurship.

### **Discussion:**

The findings of present study highlighted significant relationships between Islamic management and organizational entrepreneurship. This study therefore supports the findings of various other studies which have shown the relationship between religious belief and organizational entrepreneurship (Anderson, Drakopoulou-Dodd, and Scott, 2000; Hunt-Oxendine, 2009; Noble, Galbraith, Singh, and Curt H. Stiles, 2007; Pio, 2010). Although some of the above-mentioned authors did not use purely Islamic management as a variable there were some of the dimensions of Islamic management used in each research. Generally speaking, religious characteristics have many similarities in different religions but the common and significant point in this matter is the positive effect of religious beliefs on entrepreneurial behavior.

### **Conclusion:**

The findings from this study have revealed that different dimensions of Islamic management are associated with organizational entrepreneurship. The above results indicate that the most associated relationship was that of Patience and entrepreneurship. Patience is not only emphasized in Islam but is also an important virtue in other religions, and it is easily visible. In the Quran and hadith, there is also a strong internal communication between Patience and other dimensions of Islam as has been mentioned. Humility, shown in this study to be the second highest relationship independent variable, is highly emphasized in the Quran and was one of the most important characteristics of Prophet Mohammad.

In general, organizational entrepreneurship is by nature, complicated. If therefore there appears to be an absence of Patience, this is because Patience in organizational entrepreneurship takes time to emerge and be visible. In the case of Humility of management, it must be considered that employees need to first develop self confidence and feel secure before there can be any visible show of Humility. It is therefore very difficult for an organization to actualize its organizational entrepreneurship. This could be due to the lack of some moderator variables such as size of organization, level of manager's education, and location, which limit the scope and accuracy of this study and as such it is recommended that these moderator variables be studied in future research

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