Exploring Ethics & Governance Issues in Operations Management in Islamic Business Entities

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ABSTRACT

The purpose of this study is to elaborate current issues surrounding ethics and governance in the field of operations management in the context of Islamic entities. For a company, ethical and important issues become vital in the business to achieve long term success, no exception for Islamic entities. Islamic ethical and governance system is formed based ethical teaching of the Quran and explained by prophet Muhammad. The method used in this study is the nominal group technique (NGT). This technique is very useful in brainstorming session in order to explore fresh ideas by placing participant in equal position. We find that the most important issue arises is putting profits more important than halal haram and benefit of people. With these findings the Islamic entities need to be careful and wary in their operations so not trapped on this issue. Moreover, this study also produced many other issues.

Keywords: ethics, governance, operations management.

INTRODUCTION

Ethics and governance become important discussion today. Good ethics and governance are necessary to build a solid business and to achieve success in the long term. When the company only focusing on growth and ignoring ethics and governance, then any growth achieved just a short-term nature. There have been many examples occur, such as Enron, that the company seemed to grow big but it included a scandal that hit the norms of ethics and governance can be destroyed instantly Ethics and governance issues can occur in a variety of functions within the company. It can be happen in operations, finance, marketing, human resources and other functions.

These discussions also important to note in Islamic business organizations. Islamic ethical system is formed based ethical teaching of the Quran and explained by the Prophet Muhammad (PBUH) through the behavior and kalam. Conceptually, ethics includes two meanings: first, which means the science of ethics relating to the standard of right and wrong of human conduct, especially "what people do". Ethics as a science refers to the study of codes of ethics and conduct, and in this case, means the ethics of human effort to learn moral standards and to ensure that people have a real understanding of moral and behavior. Second, manners means "good character" or whether human behavior (Amin et al., 2009).

Quite often public criticize the Islamic business entities because although they, sometimes, use Islamic label in its operations but sometimes also break the good ethics and governance are justified by Islam. Operation is one of the three essential functions of the various business functions, beside finance and marketing. Operations, as the core of the business should received great attention. Exploration of what things are important to get attention of ethics and governance in Islamic business organizations apparently not been widely explored scientifically. Therefore the purpose of this study is to elaborate the current issues surrounding ethics and governance in the field of operations management in the context of Islamic business entities.