

Why Is This Book Important...?

When talking about human resource management, one can not simply abandon the discoveries experts had said about the matter. Over the years, studies had been conducted regarding human resource management, from all angles, with all kinds of pros and cons.

In reality, theories often cross the facts, but it still turns out as interesting research topic all over the world. However, looking at the human resource management in a religious light would be totally different. They said, "beauty is the eyes of the beholder".

To put it short, Islamic human resource management aims not only fulfillment in material forms, but also in spiritual form, which is happiness. While the Western one only aims for its greatest measurement of happiness, which is salary and incentives. No other mention about the employee being happy spiritually, only materially.

Everything that the employee does in Islamic human resource management leads to God's bless, which is the recognition that all Muslims seek out, essentially.

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Human Resources Management Based On Islam and Western View

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ACKNOWLEDGEMENT

This book is a phenomenal literature especially in the field of human resource development. The author is my student when he is taking the doctoral degree program of Management studies at the University of New England, Australia. Personally, I admit that the author has a high interest in the management human resources' topic so that I give a high appreciation with this book called Human Resources Management based on the Islamic and Western View. The author had found a theory of human resource management development in migration field which has been patented in the Ministry of Law and Human Rights of the Republic of Indonesia in 2012 with the serial number of C00201100505.

The metamorphosis of the scholarly trip of the authors has provided an enlightenment for the development of human resource management assessed in terms of Islam and the west. For that, I recommend the undergraduate, master, and doctoral students to read this book and takes the grand theory of this book.

The differences of human resource management in Western and Islam is described systematically in this book so that the each side of these perspectives can complement each other without judging which is right and what is wrong. The collaboration of Western and Islam perspective is expected can show more eccentric direction for the advancement of science in the era of globalization.

Happy reading

Armidale, NSW, Australia, April, 07th 2016 Zifirdaus

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PREFACE

This book focussed on human resources management based on Islam and Western view since the area study of human resources management in the Islamic countries (especially in Indonesia with the majority of the population is Muslim) has significantly increase. Therefore, it is the interesting research area for the students and researchers who learn this area. In the last decade, Islam consistent with the negative issue of terrorism and other negative propensity. We know that the western scientist already published a thousand books about human resources management since the emergence of the industrial revolution until nowadays. However, the literature of human resources management based on Islam is still slight. Based on this argumentation, the writer bound the knowledge of many sources from the Al-Quran and Al-Hadits and another prophet Mohammad perspective to create a special issue of the human resources management based on Islam and try to compare the potential perspective of the western scientist.

This final conclusion from the book argues that both of Islam and Western perspective has a significant contribution to enhancing the main knowledge of the human resources management. In the era of globalization, the systematic of the flow of the sciences on human resources management needs the collaboration from many perspectives to catch the goal of the productivity of the workers, companies, organizations, and other institutions. Thus, with the optimistic proposal of the author, it could be said that western and Islamic perspective has a high value for the improvement of the knowledge and research world of human resources management.

Finally, we need the opinions and the critics of the readers, researchers, scientist, lecturers, students who want to embrace a better book revision in the future. Hope this book will be able to give contribution in the field of human resources management and the productive work area.

Purwokerto, Indonesia, April, 06th 2016

Author

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GLOSSARY

Capitalism

is an economic system based on private ownership of the means of production and their operation for profit.

Compensation

is the total amount of the monetary and non-monetary pay provided to an employee by an employer in return for work performed as required. The compensation is given according to the skills of each employee and the situations they are around. Wage and salary vary depend on each employee and each case.

Contract

is a voluntary arrangement between two or more parties that is enforceable at law as a binding legal agreement. When a contract happens, it means that the employer has all the rights to hire a person and get his/her services (at work) as cited in the contract, and the employee has the same right to get the fortune of the employer as a payment (wage).

Evaluation

is a systematic determination of a subject's merit, worth and significance, using criteria establish by a set of standards. It can assist an organization, program, project or any other intervention or initiative to appraise any aim, realisable concept/proposal, or any alternative, to help in decision-making; or to ascertain the degree of achievement or value in regard to the aim and objectives and results of any such action that has been completed.

Human Capital Management

is an approach to employee staffing that perceives people as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment.

Islamic Boarding School

is the place that not only about formal education. Rather than as just a -boarding school, it is more like a -school of life, no joke intended. A place where the school-age students are cohered to learn about the same thing students are supposed to learn at normal formal school,

only more. They also study about Islamic values and rules, and how to implement it in real life. Mostly, Islamic boarding schools facilitate their students to run professional business, such as financial institutions (koperasi), stationary, restaurants, even convenience stores.

Khulafaur Rasyidin

is the successor leader of the Prophet Muhammad leadership after his death. There are four in closest friend of Prophet Muhammad whose known to teach what were he taught to his Prophethood. The four caliphs were chosen not by his descendants, but by the consensus of the Muslims.

Post Revolution—World War I

is an era after industrial revolution which gave quite pictures about the life after human resource management experienced a great deal of change in its history, which was the replacement of human workers with engines. The era came before World War took place, and after the industrial revolution's peak was sliding down.

Postmodernism

is one of the school of thoughts that is very critical about anything, particularly, and one of them is of course, human resource management in Islam.

Prophet Mohammad

is the central figure of Islam and widely regarded as its founder. He is known to Muslims as the "Holy Prophet", almost all of whom consider him to be the last prophet sent by God to mankind to restore Islam, which they believe to be the unaltered original monotheistic faith of Adam, Abraham, Moses, Isa,

and other prophets. He united Middle Eastian peninsula into a single Muslim polity and ensured that his taughts, practices, and the Quran, which Muslims believe was revealed to him by God, formed the basis of Islamic religious belief.

Recruitment

is the process of finding and hiring the best-qualified candidate (from within or outside of an organization) for a job opening, in a timely and cost effective manner. The recruitment process includes analyzing the requirements of a job, attracting employees to that job, screening and selecting applicants, hiring, and integrating the new employee to the organization. In Islam, recruitment process shall be done in honest and transparent way, far from corruption, collusion, and nepotism aspects that have become so much common in these days. Islam advocates people that only suitable person would deserve to be employed. The phrase *-the right man in the right place* is similar to this point.

Revolutional Industry

is the transition to new manufacturing processes in the period from about 1760 to sometime between 1820 and 1840. This transition included going from hand production methods to machines, new chemical manufacturing and iron production processes, improved efficiency of water power, the increasing use of steam power, the development of machine tools and the rise of the factory system.

Rewards

is something given in exchange for good behaviour or good work, etc. It is intended to make a better performance of the company both in the long and in the short term.

Selection

is the process of matching the human resources to get the job that they fit.

Sincerity (Ikhlas)

is the human services which established its worship sincerely towards Allah in their words, acts and their intentions. Sincerity and keeping promise are the important principles of Islamic management. One should fulfill his or her moral obligations with sincerity and should keep the promises.

Truthfulness (Sidq Sidq)

is the greatest of stations, sprout all the various stations of those traversing the path to Allâh from it; and from it sprouts the upright path which if not trodden, perdition is that persons fate. It can means saying sayings and actions what is right and at the best of someone's knowledge. Lie to cheat someone is strictly forbidden in Islam. The Holy Quran on many occasions abhors lying. Managers, leaders, owners and subordinates should be truthful and not be guided by his/her personal will or feelings.

CHAPTER I

ISLAMIC HUMAN RESOURCE MANAGEMENT: WHAT EXPERTS SAY

When talking about human resource management, one cannot simply abandon the experts' discovery about the matter. Over the years, studies have been conducted regarding human resource management, from all angles, with all kinds of pros and cons. In reality, theories often cross the facts, but it still turns out as an interesting research topic all over the world. However, looking at human resource management in a religious light would be totally different. They said, "beauty is in the eyes of the beholder". This section would mainly discuss human resource management in the eyes of three sides of the beholders: The Western, Islamic Countries, and Indonesian Scholars.

1.1 Western Perspective

Putting religion into a system that had already been built for years can be challenging and precarious as well. We can say that the Western perspective here is from 'the outside', as the system is foreign even for them. Applying religion means trying to construct something completely new out of the wall the Westerners already spent a lifetime carefully building. Some researchers even classified people as those who follow Marxism and those who don't, which of course can only mean, those who consider themselves neutral in any belief, and those who are religious. According to Einarsen and Hoel (1999), Tawney

(1926: 22), Brodsky (1976: 150), and Budd-Arvey (1996), in work ethics especially on human resource management area, discrimination indeed exists.

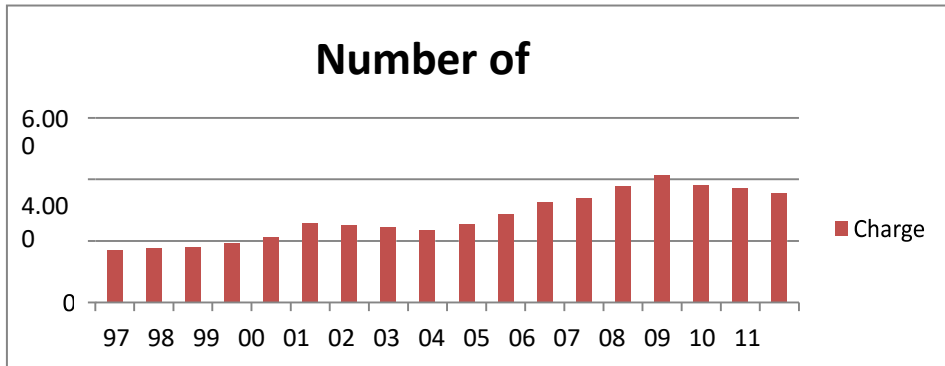


Figure 1.1: Religion-Based Discrimination Charges During 1997-2014 in the US (Source: Equal Employment Opportunity Commission Statistics, 2014)

From Figure 1.1 it was shown that discrimination charges over the last 17 years in the US have been doubling the initial amount. Religion is a big thing for the mankind, but unfortunately, either do for the companies. It is not the only religion that becomes the issue, but apparently so is for sexual preferences (LGBT communities, no less). It is explained through Figure 1.2 that discrimination in workplace does not, in fact, differentiate whether you are man or woman in the matter.

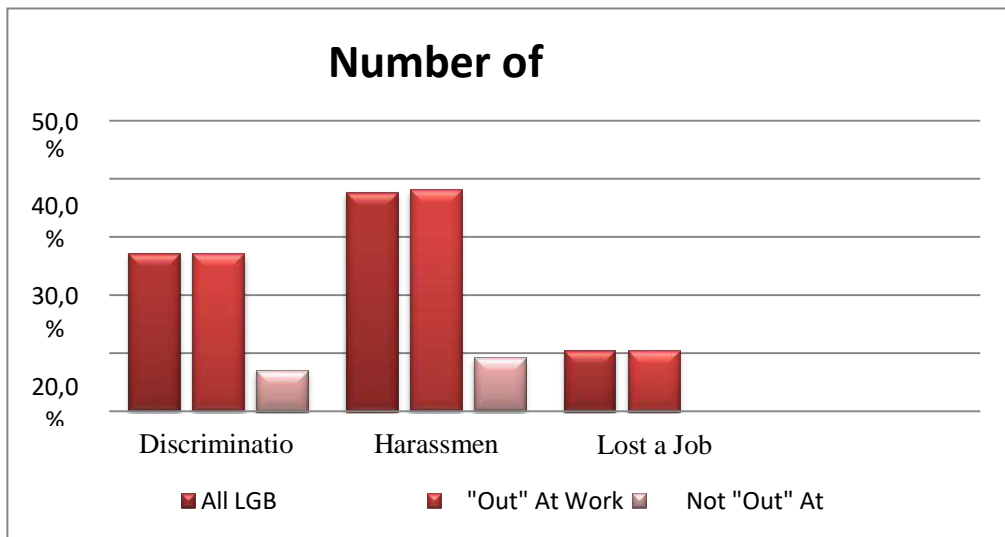


Figure 1.2: LGBT Communities' Discrimination Charges During 2007- 2011 in the US (Source: Sears and Mallory, 2011)

Other charges that often be found is discrimination in workplace regarded to gender differences matter. Gender pay gap often identified as myth by some groups of feminism haters, but in reality it does exist. Institute for Women's Policy Research (2015) found a discovery in terms of the specific issue. It is shown in Table 1.1 the annual earnings data including self-employed workers; weekly data are for wage and salary workers only. Annual earnings are for people 15 years old and older beginning in 1980 and people 14 years old and older for previous years.

Before 1989 annual earnings are for civilian workers only. Weekly earnings are for full-time workers aged 16 and older and are not restricted to full- year workers. The annual average of weekly median earnings is usually released in February by the U.S. Bureau of Labor Statistics. Annual median earnings data typically release in late summer or early fall by the U.S. Census Bureau. Both data series are derived from the Current Population Survey. Adjustments data from earlier years to 2014, dollars are computed on the basis of the Consumer Price Index Research Series (CPI-U) published by the U.S. Bureau of Labor Statistics. (U.S. Bureau of Labor Statistics, 2015).

Table 1.1: The Gender Wage Ratio and Real Earnings, 1955-2014, Full-Time Workers

Full-time, Year Round Workers				Full-time, Wage and Salary Workers		
Year	Women	Men	Female to Male Earnings Ratio (%)	Women	Men	Female to Male Earnings
1955			63.9%			
1960	\$ 22,783	\$ 37,549	60.7%			
1965	\$ 25,157	\$ 41,981	59.9%			
1970	\$ 28,960	\$ 48,780	59.4%			62.3
1975	\$ 30,020	\$ 51,040	58.8%			62.0
1980	\$ 30,627	\$ 50,909	60.2%	\$ 575	\$ 899	63.9%
1981	\$ 29,972	\$ 50,599	59.2%	\$ 568	\$ 883	64.3%
1982	\$ 30,652	\$ 49,643	61.7%	\$ 584	\$ 893	65.4%
1983	\$ 31,433	\$ 49,428	63.6%	\$ 599	\$ 898	66.7%

1984	\$ 32,074	\$ 50,385	63.7%	\$ 602	\$ 891	67.5%
1985	\$ 32,780	\$ 50,762	64.6%	\$ 609	\$ 893	68.2%
1986	\$ 33,450	\$ 52,047	64.3%	\$ 626	\$ 905	69.2%
1987	\$ 33,710	\$ 51,721	65.2%	\$ 631	\$ 904	69.8%
1988	\$ 33,853	\$ 51,255	66.1%	\$ 630	\$ 899	70.2%
1989	\$ 34,597	\$ 50,379	68.7%	\$ 628	\$ 895	70.1%
1990	\$ 34,804	\$ 48,597	71.6%	\$ 627	\$ 871	71.9%
1991	\$ 34,838	\$ 49,869	69.9%	\$ 636	\$ 857	74.2%
1992	\$ 35,335	\$ 49,919	70.8%	\$ 641	\$ 845	75.8%
1993	\$ 35,083	\$ 49,053	71.5%	\$ 645	\$ 836	77.3%
1994	\$ 35,073	\$ 48,734	72.0%	\$ 637	\$ 835	76.3%
1995	\$ 34,699	\$ 48,578	71.4%	\$ 631	\$ 836	75.5%
1996	\$ 35,622	\$ 48,292	73.8%	\$ 631	\$ 840	75.0%
1997	\$ 36,725	\$ 49,520	74.2%	\$ 636	\$ 853	74.6%
1998	\$ 37,509	\$ 51,262	73.2%	\$ 664	\$ 869	76.4%
1999	\$ 37,388	\$ 51,701	72.3%	\$ 672	\$ 880	76.4%
2000	\$ 37,751	\$ 51,208	73.7%	\$ 678	\$ 881	76.9%
2001	\$ 39,064	\$ 51,178	76.3%	\$ 684	\$ 896	76.4%
2002	\$ 39,742	\$ 51,883	76.6%	\$ 696	\$ 894	77.9%
2003	\$ 39,545	\$ 52,345	75.5%	\$ 710	\$ 894	79.4%
2004	\$ 39,151	\$ 51,127	76.6%	\$ 718	\$ 894	80.4%
2005	\$ 38,631	\$ 50,184	77.0%	\$ 709	\$ 875	81.0%
2006	\$ 38,175	\$ 49,618	76.9%	\$ 705	\$ 872	80.8%
2007	\$ 40,076	\$ 51,506	77.8%	\$ 701	\$ 875	80.2%
2008	\$ 39,300	\$ 50,979	77.1%	\$ 702	\$ 877	79.9%
2009	\$ 40,038	\$ 52,011	77.0%	\$ 725	\$ 904	80.2%
2010	\$ 40,050	\$ 52,062	77.4%	\$ 726	\$ 895	81.2%

2011	\$ 39,068	\$ 50,734	77.0%	\$ 720	\$ 876	82.2%
2012	\$ 38,962	\$ 50,929	76.5%	\$ 712	\$ 881	80.9%
2013	\$ 39,792	\$ 50,845	78.3%	\$ 717	\$ 874	82.1%
2014				\$ 719	\$ 871	82.5%

(Source: Institute for Women's Policy Research Fact Sheet, 2015)

One of the solutions that had been offered by researchers nowadays was going back old school—for example, using local culture. Thru studies conducted by Hofstede in Hollinshead (2009), advanced countries often economically turned out to be the ones that had those specific issues at hand, in human resource management. While Beekun (1997) found that in a particular religion, employees are considered not as servants or mere workers. Instead, they hold significant value for the company they work in. And that religion, in this case, is Islam.

Many debates had been taken place through the ages, but one thing many researchers are agreed upon: religion does take part in enhancing human resource management over the years. Jackson, Susan E, and Schuler (1995) stated that global corporations also encounter additional social and political realities. Some examples even offered that in some countries, civil laws and religious laws coexist and jointly define a legal context for human resource management (Florkowski & Nath 1993).

In an organization, the people are not always cut from the same cloth. That was said, not all people in the management are Muslims, or come from the same religion. Although Hofstede in Hollinshead (2009) suggested that individualistic is what brings a community down, and it would create the disintegration among the employees. Islamic human resource management tends to do just the opposite, as it brings out loyalties and responsibilities on the employees, with the religion being the core basis of everything.

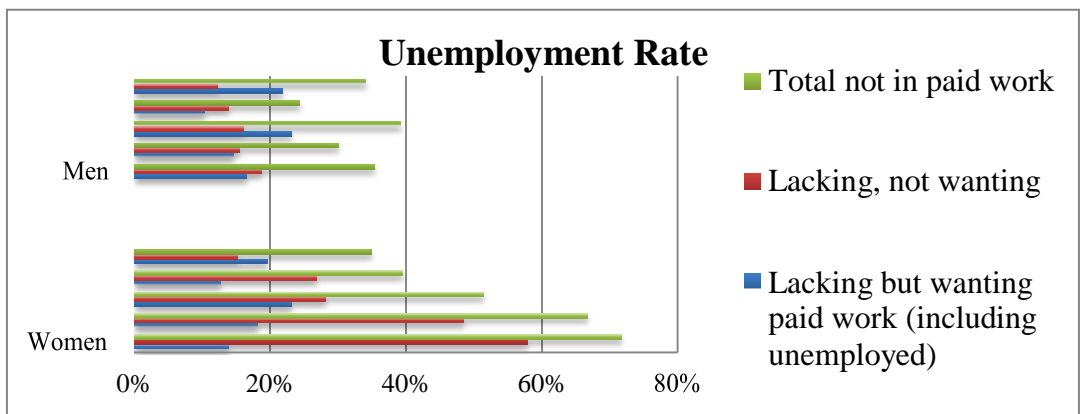


Figure 1.3: Worklessness For Muslim Men and Women in the UK

(Source: Labor Force Survey, ONS, 2011).

The use of human resource management lies heavily in enhancing the company's performance. Islamic human resource management does not only work in that scope but also believed to be able to help to maintain equality and thus boost firms' economic performance in a country (Caroline, et al, 2004). Although some doubts also voiced regarding putting religion into the system, as it might disrupt social ties.

Further, Branine (2011) put more additions into the discussion with a statement that management is more than a branch of knowledge. Human resource management in Islam is seen more like a moral ground, a limit where nobody could cross over. The strong belief of right and wrong, and how everything that Muslims do will eventually catch them up, both in the form of reward and punishment, which keep the management going. To put it simply, the relationship between employee and employer will have an unwritten contract in that manner.

The concept of leadership often brought upon any discussion with human resource management in it. It is undoubtable that leadership is, if not the main part, holds a very significant and important role in managing people at work. House, et al (2004) pointed out the fact that culture takes part in forming a good leader for any organization. Further, it is elaborated that similarities of leadership varieties differ among many societal cultures. Many of the highlights come from a comparison between the West and Muslim countries. The culture on both sides is very distinguished. Weir and Hutchings (2005), especially focused on how within the Islamic organizations, or in this case, in Middle Eastern countries, managers are only likely to participate in knowledge sharing with individuals with whom they have built up a firm relationship based on confidence and trust.

Trust is very crucial in Islam, as it builds the ground base of the religion, which is faith. Middle East has a tradition of sharing knowledge with those whom they are close and trust, rather than with strangers. Although this may seem trustful and respectable, Weir and Hutchings (2005) also worried that this may act a major hindrance informal knowledge sharing within Middle East organizations as the

high proportion of temporary immigrant workers may make it difficult for long-term trusting relationships to be formed. The highest and ultimate value in Islam is dominated by how hard Muslims' conscience in practicing every sharia law. It is, by any means, the peak of moral and ethical in Islam. Take a look how Smith (1965) whom word it perfectly, it is "the epitome of the true Islamic spirit, the most decisive expression of Islamic thought, the essential kernel of Islam".

Not only in Middle East countries, Islam is basically the same everywhere. The rules still stand the same, whether it is in a country with a majority of Muslim citizens or in West. The only thing differs between is the place. Wherever the work is taken place, Fontaine (2008) classified the need of Muslims have while running in a working environment, which as follow: the need for Muslims to adhere to religious values and principles at work; the need for social justice; and the need to compete successfully in a dynamic context. All those three requirements are typical, basic, yet sometimes still found inapplicable. By inapplicable, it doesn't mean the company could not manage it, only for some reasons, it doesn't happen. Equality in the workplace, which mainly patronized by human resource management, still could not exist fully in many countries in the world.

Mohannak (2011) stated that in Islamic organizations, that knowledge brings potential and ability to improve performance and reputation appeared, therefore there is a need for processes and practices that translate knowledge into action for desired outcomes. By knowledge, Mohannak meant that how Islam perceives human resource management regarding the leadership knowledge. This is evident in the fact that there have been traditionally several means of communicating the principles of Islam to the employees. The examples provided in the research were group activities involving discussions, speechmaking, and propagation of ideas have been practiced widely in Islamic countries. In all of those activities, Islamic values are being realized into actions, thus the importance of Muslim leaders in handling and managing human resources while putting Islamic values into consideration is beyond any doubt.

1.2 Islamic Countries Perspective

Learning what Islamic scholars had in mind about Islamic human resource management is surely different than reaching out to those of Western researcher communities. Both parties discussed the same thing, only the different perspective where it came from. One of the reasons offered by Ali (2008) was that Islam is not a mere belief of its followers; in fact, it's more like the only way for them to conduct everyday activities, from social to economic. According to Abbasi, Rehman and Abbasi (2010) and Asad (2007), Islam manages every single thing a Muslim has in existence: spiritual, intellectual, communal, and personal matters. For some people it might be a hindrance, but for the believers, it's obligatory (Rahman, Alias, Shahid, Hamid, and Alam, 2013). Nothing would make believers more

complete in life than obeying the leader, which is The God and The Prophet (Abuznaid, 2006).

Furthermore, it turned out that management is indeed an inseparable Middle East element in Islam. Yousef (2001) already stated that management is crucial in Islam and having a leader is obligatory in most circumstances of life. Leadership is a very common topic in the religion, as every household has one leader, let alone an institution or organization as a whole. Human resource management stands between what the employee desires and what the employer requires. Islam's role takes part in that area.

Islam emphasizes that the nature of relationships among people is egalitarian, and, further, urges leaders to consult their followers in the running of their affairs (Tayeb, 1997). With this definition taken into consideration, it can only mean that every decision-making process or every step in human resource management has to go under this behavior. A sense of justice is highly regarded in Islamic human resource management. A teamwork in the workplace should maintain relationships with those of family-members, not just strictly from employer to employee without mutual encouragement and cooperation. Table 1.2 showed notable Islamic companies that already established themselves with Islamic human resource management in the pulse of their system, and being Top Islamic Companies around the world, no less.

Table 1.2: Top 20 Islamic Companies in Islamic World

Rank	Company	Country
1	Saudi Middle Eastian Oil Co. (Saudi Aramco) 1	Saudi Arabia
2	National Iranian Oil Company 1	Iran
3	Petroliam Nasional Bhd. (Petronas)	Malaysia
4	Kuwait Petroleum Corp. 1	Kuwait
5	Sonatrach	Algeria
6	PT Pertamina (Persero) 1	Indonesia
7	Qatar Petroleum	Qatar
8	Nigerian National Petroleum Corp. 1	Nigeria
9	Abu Dhabi National Oil Co. 1	UAE
10	Koc Holding A.S.	Turkey
11	Saudi Basic Industries Corporation (SABIC)	Saudi Arabia
12	National Oil Company (NOC) 1	Libya
13	Saudi Telecom Company	Saudi Arabia
14	KazMunayGas	Kazakhstan
15	The Emirates Group	UAE
16	Sabanci Holding	Turkey
17	Astra International	Indonesia
18	Yildiz Holding/ Ulker	Turkey
19	Isbank	Turkey
20	Pakistan State Oil Co.	Pakistan

(Source: Irish Islamic Chamber of Commerce, 2013)

Work ethics are taken very seriously in Islam. Employees' satisfaction would end up being benefitable for the company as well. If the perceptions are leaving a good trace, the company would not appear unfair and strain away from justice in the employees' eyes. Therefore, a

conscientious approach to Islamic human resource management must be done. In that sense, an introduction to Quran-based human resource practices is offered. It highlights every attempt to provide managers with another effective way of managing people. How to apply an ideology without straying too much from the original source? The Qur'an- based human resource management was discovered by Hashim (2008) to solve that particular question.

If steps are taken even further, how exactly do we do that? Firstly, it must be carved into mind that as Qur'an only teaches good things and forbids bad things to people, the knowledge of Quran-based human resource management would be useful to even non-Muslim managers. Hashim emphasized that non- Muslim managers would benefit as well as they would have a better understanding of their Muslim employees' behavior at the workplace. With justice being held of the utmost importance in the system, it would be unlike for the employees to feel any kind of dissatisfaction towards the company. Razimi, et al (2014) also supported this theory with a belief that using Islamic approach in modern human resource management would bring the best out of people and deliver better human resource performance.

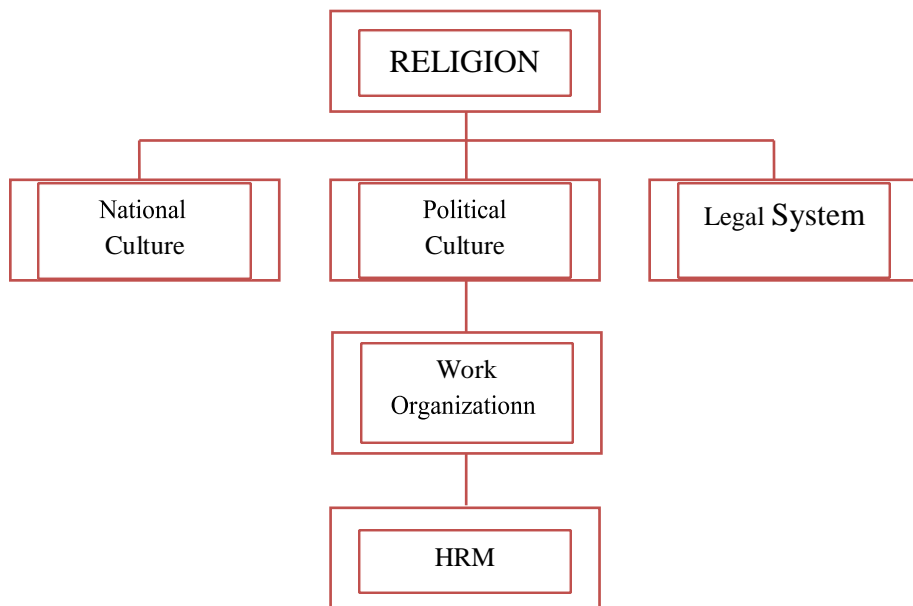


Figure 1.4: Religion-Induced Human Resourced Management in Societies (Source: Razimi, et al, 2014)

The equality that Islamic human resource management can be obtained through several quality of behavior and characteristics and the employers hold. Those roles are elaborated further in Gohar, et al (2008), which are as follow:

- Trust (Amana)

Trust is the core value of operating a social relationship and by this everyone, he or she is accountable for his actions and deeds. The Holy Quran says, –O you that believe! Betray not the Trust of God and the Apostle nor misappropriate knowingly things entrusted Youll, (Chapter-8, Verse- 27). Tayeb (1996) opines that by trust consultation and delegation of authority can be accomplished. Trust can be an organization for its owner and its employees.

- Truthfulness (Sidq)

Sidq means saying sayings and actions what is right and at the best of someone's knowledge. Lie to cheat someone is strictly forbidden in Islam. The Holy Quran on many occasions abhors lying. Managers, leaders, owners and subordinates should be truthful and not be guided by his/her personal will or feelings. They should perform their duties with honesty and trustworthiness. The center of effective management is honesty and trustworthiness. By trust resources cannot be misused, hence, everyone would perform his/ her job with responsibility.

- Sincerity (Ikhlas)

Sincerity and keeping promise are the important principles of Islamic management. One should fulfill his or her moral obligations with sincerity and should keep the promises. The Holy Quran states, -O you who believe! fulfill (all) obligations!. Hence, sincerity tries to infuse a culture of trust, confidence truthfulness, and cooperation among managers and subordinates.

An empirical study in Bangladesh explained how Islamic human resource has already been applied in the companies there. Around 7 Islamic Banks were selected and a total of 236 respondents were chosen to explain the application of Islamic human resource management in the country (Rahman, et al 2013). The findings showed that the Holy Qur'an and Hadith are a source of the sound and qualitative values, moral standards, concepts and fundamental guides for good and strong harmony between human beings and organization without discrimination.

Therefore, knowledge, understanding, & practices of Islamic HRM principles

positively enlighten employee trust in the organization (Seidu, 2006). Recruitment and selection process can enhance trust in the organization. The Shariah law strictly prohibited favoritism and nepotism, and select merit and competence candidate only with full trustworthiness in recruitment and selection process, which directly influence employees' to enhance their trust in management and organization (Ali, Gibbs & Camp, 2000).

Table 1.3: The Respondents From Islamic Banks in Bangladesh

Name of the Organization	Frequency	Percent
Islami Bank Bangladesh Limited (IBBL)	57	24.2
Al-Arafah Islami Bank Limited (AIBL)	58	24.6
Shahjalal Islamic Bank Limited	29	12.3
First Security Islami Bank Limited	15	6.4
Social Islami Bank Limited	21	8.9
ICB Islami Bank Limited	22	9.3
Exim Bank Limited	34	14.4
Gender	Frequency	Percent
Male	201	85.2
Female	35	14.8
Age	Frequency	Percent
26 to 30	76	32.2
31 to 35	71	30.1

36 to 40	30	12.7
41 to 45	16	6.8
46 to 50	13	5.5
51 to 55	16	6.8
56 and above	14	5.9
Highest Level of Education	Frequency	Percent
Graduate	37	15.7
Post Graduate	198	83.9
Others	1	.4
Position/ Designation	Frequency	Percent
Officer/ Senior Officer	120	50.8
Mid-level Executive (PO/SPO/SAVP)	83	35.2
Senior Executive (VP & above)	33	14.0
Years of Experience in the Organization	Frequency	Percent
Up to 5 Years	124	52.5
Six to 10 Years	78	33.1
More than 10 Years	34	14.4

(Source: Rahman, et al, 2013)

1.3 Indonesian Scholars

In previous sub-chapters, we already figured out about Islamic human resource management in both Western and Islamic countries' perspective. This section will discuss mainly how Indonesian scholars and researchers find Islamic human resource management in their eyes. Though Islam is a religion,

and religion is definitely not the same with culture in any way (religion and culture are like apples and oranges, no pun intended), it can not be denied that Indonesia is a country formed by so many islands with so many cultures. Thus, culture is very important part in Islamic human resource management in Indonesian scholars' eyes. Just like how they always stated, a perfect society is one that takes Islamic rules and values very deeply to the heart while embracing the culture of the locals and the knowledge of human beings (Daradjat, 1996: 3; Gazalba, 1987: 162).

Pasaribu, et al (2011) confirmed that in Islam there is no dichotomy or secularization, between the values of Islam, prayer, and work. Bottom line, work, and religion do not stand in two different poles, but instead, they stand together in one place. That remark had already proven multiple times that Islamic values, including the form of sharia, like prayer can strengthen corporate culture and improve the performance of human resource. This becomes evident that Islamic values, when applied to the economy can be accepted in various circles because it is universal and not exclusive (Amiri, 1997). Just like how Islamic economics differs only in the area of Islamic rules application in its system, so does the Islamic human resource management takes the position regarding the conventional (not Islamic) human resource management: whether they adapt Islamic rules or not. Just that simple.

Simple, but alas, not fully comprehended by world

companies. It must be taken into mind that Islamic values had significant and positive effects on the meaning of prayer, corporate culture, job satisfaction, and organization commitment. According to Pasaribu (2011), the explanation of all of the above is like this: concentration, understanding, respect, fear and admiration, indicated the meaning of prayer which were valid and reliable providing significant contributions directly to the formation of corporate culture, job satisfaction, and organization commitment. Thus, the corporate culture had the significant and positive impact on job satisfaction and organization commitment. All things being equal, putting Islamic values (which linked very heavily with faith and prayer), could conduct a better work performance.

The employment process in Islamic human resource management might as well be as similar as the conventional (or capitalist) one as it can be. There are certain things that are altered, of course, but in a simple line, it is a human resource management that is obeying Islamic rules and, protecting people with Islamic laws, which the purpose is to serve God and not to hurt other people at all costs.

1.3.1 Recruitment and Selection

In Islam, recruitment process shall be done in honest and transparent way, far from corruption, collusion, and nepotism aspects that have become so much common in these days. Islam advocates people that only suitable person would deserve to be employed. The phrase *–the right man in the right place* is similar to this point. Ahmad (in Hasyim, 2009) elaborated that managers

should present

Islamic rules to all candidates, such as prayer, generous acts, and many others. All recruitment process must be done in a fair way and transparent.

Just as God declared in Holy Quran, during An-Nisa chapter 8 pp.12:

-Indeed, Allah ordered you to put the responsibility to those who deserve, and if you decide things between them, you should be doing it fairly and injustice. Indeed, Allah is The Best Teacher in giving you knowledge.¶ All Muslim employees are expected to have the huge sense of responsibility in doing everything at work, and always follow the guide of God and His Messenger, The Prophet, in every single thing (Oktina, 2012). In selecting employees, there are four things that must be taken into consideration:

- a. Fairness
- b. Competency
- c. Honesty
- d. Burdens of work are not too high (Hashim, 2009: Oktina, 2012).

1.3.2 The Contract

Islam allowed people to hire other people to become their employees, or to work with them. When a contract happens, it means that the employer has all the rights to hire a person and get his/her services (at work) as cited in the contract, and the employee has the same right to get the fortune of the employer as a payment (wage). When a person is under a contract as an

employee, he/she has responsibility and bound to certain things in the contract, such as follow:

- a. Job description
- b. Job varieties
- c. Working time
- d. Wage/salary
- e. Efforts in fulfilling the job (An-Nabhani, 2009: Oktina, 2012).

1.3.3 Evaluation

Employees' performance shows just how much target have been obtained during a certain amount of period. It also shows how well the employees match the job requirements and it reflects on the efforts and results the employees have

done (Simamora, 2006). A good Muslim, according to Hasyim (2009), will always look after him/herself to keep walking in Islam's paths. Everything that God and The Prophet asked to do must be done without whining, and whatever humans have been doing all their life will someday be evaluated in The Judgement Day, for the best or the worse.

1.3.4 Compensation

In Islam, compensation is based on five important things:

- a. A job is a contract in which some certain responsibilities must be fulfilled by two parties that create the contract in the first place. Efforts to make sure the targets can be achieved have to be just the same hard as ones to make sure nothing fly too far away from it.

- b. Compensation is given according to the skills of each employee and the situations they are around. Wage and salary vary depend on each employee, and are different each case (Hasyim, 2009).
- c. Compensation information must be given in the beginning, and wage/salary must be delivered in time, right away after the work is done. Compensation can be in the form of immaterial things.
- d. Islam forbids any wrongdoings or the use of employer's properties in faulty ways. Any kind of dishonesty is highly forbidden, and wage/salary must be given in exact amount, not any lower or higher. Employers must be fair in giving the right amount of wage/salary to the employees (Fauroni, 2002).

The employees in Islam does not just being there and receiving equal pay and mutual understanding in the workplace, but they also have their share of responsibilities to do. In Islam, the qualities that employees have to possess as the follows are: professionalism, diligence, honesty, creativity, and trustful trait. The main points in Islamic human resource management lays on its core problems, which are the behavior of the employees, the organization's structure, and the system. It elaborated further that firstly, by the behavior it means that it is highly

forbidden and restricted to the employees to have such a disadvantaging manner, such as out of control attitude, corruption and nepotism, and many others.

For organization's structure, it pointed out the remark that the right man in the right place'. The smarter the people, the higher the position, the higher the responsibilities they hold. And the last, about the system. It means that sharia law takes a role as the judge in every action. All activities conducted must be done inside the fortress', not outside. Every single step, even just a toe, must not cross the sharia limit. That way, Islamic human resource management can truly be applied while grasping the whole idea of the system (Zarkasi, 2011: 32; Hafidhuddin and Tanjung, 2003: 5-10).

The differences between Islamic human resource management and conventional (or capitalist) human resource management is shown in Table 1.4:

Table 1.4: The Differences Between Western and Islamic Human Resource Management

Differences	Western	Islamic
Concept	<ul style="list-style-type: none"> a. Take advantage of the human resource to gain maximum benefit b. Separate professional and private lives (especially regarding religion and prayer acts) 	<ul style="list-style-type: none"> a. Make use of the human resource while still following Islam's values, such as fairness and family-like relationship) b. Work and private lives (in regards of prayer or religious matters) are not being apart
Source	<ul style="list-style-type: none"> a. Rationalism b. Empirism 	<ul style="list-style-type: none"> a. Holy Quran b. Al-Hadits c. Rasionalism
Recruitment	<ul style="list-style-type: none"> a. Finding candidates who fit the requirements in qualities. 	<ul style="list-style-type: none"> a. Finding candidates who fit the requirements in qualities and in religious manners
Selection	<ul style="list-style-type: none"> a. The selection process is being held with some tests to learn the skills and competency of the candidates 	<ul style="list-style-type: none"> a. The selection process doesn't only to learn the skills and competency of the candidates in term of the job requirements, but also to figure out the religious side of them, how they value Islamic values (no pun intended)

Contract	a. Job contract is only a form of legalized agreement between employee and employer.	a. The agreement includes the work time, salary, job description, and any other important information.
Evaluation	a. The evaluation is only to look at the result of the employee's work.	<p>a. Evaluation criteria includes two points, which are the work's result and the Islamic values in attitudes.</p> <p>b. Evaluation comes from three sides: the employer, the employee itself, and God</p>
Training and Development	a. The training and development are only limited to job requirements and skills needed in the work.	a. The training and development also include Islamic soft skills.
Compensation	a. The same amount of the minimum wage in the country (or in the town)	<p>a. The amount isn't only fit the amount of the minimum wage in there, but as much as —possiblel.</p> <p>b. Long Life Worker, which means almost all aspects are being covered in compensation, such as transportation cost, health cost, meals cost, and scholarships.</p>

Satisfaction	a. The satisfaction gained comes from the wage/salary, workplace condition, and coworkers	a. The satisfaction gained comes from life fulfillment, both physically and spiritually (religiously)
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(Source: Oktina, 2012)

Question

1. Do you think that Islamic human resource management is applicable in a practical work in your country?
2. How do you find Islamic human resource management to be practiced in Western countries, and what are the difficulties that might follow up afterwards?
3. Do you believe in the Western perspective regarding Islamic human resource management system definition, and what the benefit that they bring while discussing the very spiritual topic?
4. In terms of the leadership, what is the main difference between Islamic human resource management and the Western one?
5. What can the Islamic companies in Table 1.2 bring into a positive light, supposed they had been built in your country?

CHAPTER II

CAPITALIST HUMAN RESOURCE MANAGEMENT: THE OTHER SIDE OF THE STORY

2.1 Western Perspective

Holbeche (2004: 166) once stated: –Ask leaders what their biggest challenge is, and you get the same answer: finding attracting and keeping talented people. Ask talented people that what their biggest career challenge is and you will hear the same refrain: finding good people to work with - and to work for. |

In chapter 1, we already discussed about how the Islamic human resource management portrayed themselves from the perspective of three most important views: Western, Islamic countries, and Indonesian scholars. In this chapter, we will dig even deeper before that, by asking this question once and for all: what is exactly human resource management, without any religion in it? Calling it _conventional human resource management_ wouldn't work, because while comparing it with Islamic human resource management would justify it being called as one, it doesn't explain clearly what this session would want to bring. Thus, we call it _capitalist human resource management_.

Why capitalist?

Human resource management is no longer just a form of strategy in dealing with people. In the present era, it is more like an art of human and human- management, and not just a technology. That is what academic thinkers might have thought otherwise, for executives in the 21st century. It was even pointed out that –future economic and strategic advantage will rest with the organizations that can most effectively attract, develop and retain a diverse group of the best and the brightest human talent in the marketplace (Drucker, Dyson, Handy, Saffo, & Senge, 1997; Smith and Kelly, 1997: 200). Those lines alone would tell a tale of why it is being called a capitalist human resource management. Maximizing profit and minimizing cost are the epitome of the ideology. In capitalism, whoever wins,

rules. Only they who are strong will win the game. It is basically like a zero-sum game, where nobody wins without anyone else loses (Wallerstein, 1980).

Human resource management is like an ideology, that can be regarded as a

‘set of interrelated policies with an ideological and philosophical underpinning’. That being said, many researchers defined it as a strategic and coherent approach to the management of an organization’s most valued assets - the people working there who individually and collectively contribute to the achievement of its objectives. Just as any other division in a company, human resource management department aims to conduct an effective and efficient performance of the employees. The effective management of human resources is to gain a competitive advantage in the marketplace, and it obviously requires the full knowledge of the employees, in regards of their skills and future potentials (Storey, 1989; Kavanagh, 2012:6).

Human resource department varies in several companies, and they act differently regarding the work atmosphere they have. Still, there are the best companies in the world that manage to work on their human resource department even better than the other competitors, that can be seen in Table 2.1.

Table 2.1: Top Companies With Best HR Practices

Company	Explanation
1. FedEx Corporation	FedEx Corporation is a company with a successful track record. FedEx believes that its success lies in the hands of how efficient its employees perform. The company discovered that well-treated employees are top producers, resulting in positive company growth. In 1973, FedEx developed, and still practices, its "People-Service-Profit" philosophy denoting excellent care of its employees. The company tracks employee satisfaction with its annual Survey-Feedback-Action, or SFA, program. Post-survey, management and employees meet to discuss the survey results, address problems and decipher how to resolve them.
2. Sage Products, Inc	Sage Products, Inc., a healthcare and medical sales and distribution company, incorporates profit sharing as part of its business model. This HR best practice is a tangible way Sage Products, Inc., demonstrates employee appreciation. The company offers numerous other employee benefits as well, such as free onsite mammograms. Sage employee benefits also extend to the families of its employees, who can take advantage of the fitness center and sports fields, among other benefits.

3. The Integer Group	<p>The Integer Group's focus is advertising and marketing. As such, the company requires high levels of creativity from its staff. According to Integer's HR professional, Nancy Svoboda, "Happy employees keep clients happy." The company strives to keep its employees calm and focused by providing them with ample time off, fun resort outings, sports activities and awards. Employee input is valued and opportunities for idea-sharing are facilitated through frequent meetings and group discussions.</p>
4. Eileen Fisher	<p>Clothing retailer Eileen Fisher relies on the high-end customer service provided by its employees. To reward employees for successful team-focused performance, the company provides generous employee discounts and monetary clothing allowances. Employees enjoy annual bonuses equaling four weeks of pay and financial remuneration for wellness and personal education. The company's focus on happy employees has nurture the growth of loyal employee support and continue high levels of customer service.</p>
5. AMX	<p>AMX is in the highly competitive and fluctuating field of electronics. AMX promotes trust and communication throughout its staff, accomplished in part by an open-space work area. It prides itself on conscientious hiring and layoff</p>

	practices. HR best practices include providing numerous interviews for potential employees, who are encouraged to research the company thoroughly before hire. AMX offers a generous severance package and helps place employees in new companies in the event of layoff.
6. Hilcorp Energy Company	Hilcorp Energy Company manufactures, produces and distributes energy. Its employees value and believe in the company's focus. Hilcorp's staff is encouraged to take an interest in new employees by mentoring them. The company engages in an HR best practice of paying its interns and making job offers to many when the internship has ended. Hilcorp believes in philanthropy and will pay up to \$1,000 to match charitable contributions made by its employees.

(Source: Small Business, 2015)

2. 1. 1 The Model

Many discoveries were dig down regarding the model of human resource management. The most common on, also the simplest model, is usually derived from the Michigan School (Fombrun, et al, 1984; Armstrong, 2006:4). There is a human resource cycle that consists of what the resources (or in this case, employees) normally experienced under the general process in all organizations. The process is as follows:

- a. Selection : the process of matching the human resources to get the job that they fit
- b. Appraisal : performance management
- c. Rewards : this process is intended to make a better performance of the company both in the long and in the short term
- d. Development : developing high quality employees, in order to reach the goal of the company (Bontis, et al, 1999)

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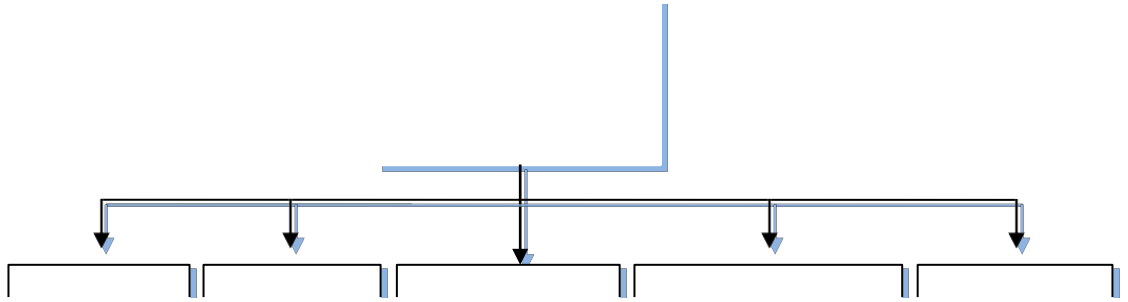


Figure 2.1 Human Resource Management Activities (modified from Becker and Gerhart, 1997)

There is another model that developed by Beer, et al (1984) that Boxall (1992) loved to call as ‘The Harvard Framework’ that implies that all problems in human resource management can be solved:

–...when general managers develop a viewpoint of how they wish to see employees involved in and developed by the enterprise, and of what HRM policies and practices may achieve those goals. Without either a central philosophy or a strategic vision –which can be provided *only* by general managers—HRM is likely to remain a set of independent activities, each guided by its own practice tradition...||

In other words, the Harvard Framework suggested that managers are the ones who wave the magic wands. We do not try to imply that what they do is very simple tasks, but it’s by their hands that all the management decisions regarding human resources are managed and developed. In short, human resource

management belongs to line managers. The Harvard Framework stated that human resource management had two characteristic features:

- a. line managers accepts more responsibility for ensuring the alignment of competitive strategy and personnel policies;
- b. personnel has the mission of setting policies that govern how personnel activities are developed and implemented in ways that make them more mutually reinforcing (Armstrong, 2006:7).

The points and the elaboration between the critical factors that formed capitalist human resource management can be seen through Table 2.2 below.

Table 2.2: The Focal Points of Capitalist Human Resource Management
(Source: modified from Zakaria and Yusoff, 2011)

Points	Elaboration
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1. The Concept of People

In any organization, the role of people is very important and crucial in determining its success or failure. As one of the factors of production, people or the human capital complements and manages the other inputs which include financial resources and physical resources to achieve its goals. Too often, managers forget how important the people factor is to the success of an organization (Robbins, 1978). Many managers have failed to understand this statement because they themselves have taken its human resources for granted. However, this phenomenon gradually changed when many organizations have begun to focus on human capital and put it as a top priority in their strategic plans. With the current business environment being so competitive, a company which has successfully maximized its human resources often becomes the market leader.

In the era of globalization and the concept of privatizations where profit is the only vocabulary; it has been observed that the role of people is not merely as a factor of productions but has become the tools to justify the means. As a result, in the absence of knowledge within the employees or workers themselves, the element of exploitation may continue to exist in day-to-day process of production, although not in the true sense of Marx's interpretations because in return they were paid handsomely. However, Steven Warburg, the founder of Warburg implied that people in organization has been

	<p>managed and treated like cows in order to attained production targets. He believes this kind of treatment of people is inappropriate especially in the ways to manage and to lead them. The reason being, people are different from cows where in the present context, the new breed of workers expect more from their job (Robbins, 1978). They are willing to fight back rather than being used as economic tools, what matters is to see the increased efforts being made toward improving their job contents.</p>
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<p>2.</p> <p>Organizational Motive</p>	<p>No doubt, the existence of organization is to attained goal (Robbins, 1978). An organization without goals has no sense of purpose. This has been the motives for many organizations to initiate profits, and in any corporate objectives or in formulation of strategy to fit the environment; the goals of achieving profits remain the ultimate target. Therefore, when the actual strategy is implemented, the utilization of the resources must be up to the maximum level. In doing so, the management remain the essential elements of maximizing the use of the resources. In today's business world, management is very crucial. By definition, management is the process of working with and through others to achieve organizational objectives in a changing environment (Kreitner, 1995). However, there are many incidents where the performance of an organization is questionable; poor productivity, losses to company, incompetent workers, no commitment, low moral are a few of the signs which implied poor management. Organizations can have the capital, the assets and other resources, but if the management fails to lead their workers, the bottom-line is that what they have is a mediocre or under-utilized labor. On the other hand, some organizations may be able to achieve high productivity and good performance, but</p>
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then the way they treat their workers with authority and power to focus on production by denying their rights and voices has been disapproved by many human resource experts.

Productivity in any types of organization is very important as it measures the economic health (Kreitner, 2006). For managers, who are the leaders in an organization, organizational productivity is more relevant. Organizational productivity is the ratio of an organization's total output to total input, adjusted for inflation, for a specified of time (Kreitner, 2006). Given this common goal, a manager has the responsibility to ensure that during his/her tenor to give the utmost output at the end of the day. How the manager achieves this objective is secondary. Therefore, the situation where a worker has been exploited indirectly to attain the goals is obvious at times. Extended working hours, meeting deadline, review of targets, appearance of stress among staff, job changing, yearly leave not fully utilized and staff low motivation are signs where working people has been pressured to give more in their works.

3. Productivity

How much is a productive worker worth? A lot of indigenous effort has gone into putting a cash value on the production worker (Cook, 1993). Even though accountants have tried to do it through human resource accounting, they were not successful. Defining productivity is not easy; it is complex and can pose great problems. The most common indicator especially in the private sector such as banking, insurance or other manufacturing firm is the use of profit to measure level of productivity. However, this measurement is still subjective as it is not reflective of the overall contribution of every worker.

A person as a human being is emotional and subjected to a lot

of needs and wants and differs in many ways from animal as they are able to think and objected to being used and abused. As Maslow aptly states in his hierarchy of needs theory where he pointed out that there are five level of work motivation; basic needs, security needs, social needs, esteem needs, and self actualization needs (Luthans, 1995). Therefore, if a person is being treated as a 'cow', milking them non-stop, by end of the day even with the basic needs that they have may not be able to motivate them. The outcomes will create a group of workers which have the attitude of working 'nine to five' without the zest of improving organizational objectives. The freedom or the understanding of both physical and emotional needs of the workers has not been recognized by the organizations. In the end, they view their work as meaningless, and perceive themselves as powerless to correct this situation (Robbins, 1978). Rather than create 'robots' in a working environment, organizations do have the responsibility to develop a more useful, meaningful and competent workers. How can these demanding objectives can be achieved? The most common approach as perceived by

many organisations is to have a good leadership. Organizations, especially the business-motivated ones, recognize the need for leadership as the only way employees can ever have the satisfaction of really feeling they are identified with the enterprise for which they work (Collier, 1968). In reality, what happened without realizing it is that many organizations have failed to exploit the usefulness of leadership and tie it up with the development of the workers and their importance. Business leadership can be democratic in the sense of providing the maximum opportunity for growth to each worker without creating anarchy (Collier, 1968).

2.1.2 The Aims of Human Resource Management

It's basically like this. The human resource management attempts to work with people, deal with them, and ensure that the company could gain benefit in hiring those people. The human resource management exists to help the company to reach the goal by mobilizing the employees. Just as commonly remarked before, that 'human resource management systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities' (Ulrich and Lake, 1990; Amrstrong, 2006: 7). By order, the aims of human resource management are as follows:

- a. Organizational effectiveness
- b. Human capital management
- c. Knowledge management
- d. Reward management
- e. Employee relations
- f. Meeting diverse needs
- g. Bridging the gap between rhetoric and reality

Holding, the responsibility in managing the human resources in a company never comes without risks. There are always some, especially a responsibility this big. The engine that keeps the company going are the people, the employees. They are the assets, ones valuable enough for the company to suffer a great loss when resignation letters keep piling up. When the decisions the human resource managers fail to get the initial goal of the company, while still increasing the employees' satisfaction, it fails to comply the very reason they were born: to help reach the company's targets, not only to meet the employees' demands.

2.1.3 Characteristics of Human Resource Management

The characteristics of the human resource management that are being discovered and elaborated through the years at the hand of many researchers are as follows:

- a. diverse;

- b. strategic with an emphasis on integration;
- c. commitment-oriented;
- d. based on the belief that people should be treated as assets (human capital);
- e. unitarist rather than pluralist, individualistic rather than collective in its approach to employee relations;
- f. a management-driven activity – the delivery of HRM is a line management responsibility;
- g. focused on business values (Armstrong, 2006: 11).

2.1.4 Human Capital Management

Bontis, et al (1999) defined human capital as follows:

–Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that give the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which, if properly motivated can ensure the long-term survival of the organization.¶

Human capital is commonly regarded as the prime asset of an organization and businesses need to invest in that asset to ensure their survival and growth. Human capital is capital to the next level. When a company loses a certain amount of assets, it can be replaced by other assets as long as they have access to it. But human capital is not that simple. Human resource management aims to ensure that the organization obtains and retains the skilled, committed and well-motivated workforce it needs. This means taking steps to assess and satisfy future peoples' needs and to enhance and develop the inherent capacities of the people-their contributions, potential and employability-by providing learning and continuous development opportunities. It involves the operation of _rigorous recruitment and selection procedures, performance-contingent incentive compensation systems, and management development and training activities linked to the needs of the business' (Becker *et al*, 1997; Armstrong, 2006: 9).

The thought that people should be regarded as assets rather than variable costs, in other words, treated as human capital, was originally advanced by Beer *et al* (1984). Human resource management philosophy, as mentioned by Legge (1995), holds that ‘human resources are valuable and a source of competitive advantage’ (Armstrong, 2006: 14). That means that human holds a very significant part in fulfilling the benefit of the company, any company. When there is less in term of human capital, it is not so easy to find a replacement, with the same skill, work effort, and determination in a short amount of time.

2.1.5 Human Research Management and Personnel Management

Both focus on human management, both aim for the benefit of the company while using humans as important assets. Human resource management and personnel management have their own debates over the definition and differences in ages. There are opinions about the matter (Hope-Hailey *et al*, 1998; Keenoy, 1990b; Legge, 1989, 1995; Sisson, 1990; Storey, 1993) that particularly highlighted the revolutionary nature of human resource management. Others have denied that there is any significant difference in the concepts of personnel management and human resource management. Torrington (1989) suggested that personnel management is digging deeper than human resource management in its practical, while Gennard and Kelly (1994; Armstrong, 2006: 18) remarked that ‘it is six of one and half a dozen of the other and it is a sterile debate’.

Table 2.3: The Similarities and Differences Between HRM And Personnel Management

(Source: Armstrong, 2006: 19)

Similarities	Differences
1. Personnel management strategies, like HRM strategies, flow from the business strategy.	1. HRM places more emphasis on strategic fit and integration.
2. Personnel management, like HRM, recognizes that line managers are responsible for managing people. The	2. HRM is based on a management and business orientated philosophy.
	3. HRM attaches more importance to the management of culture and the achievement of

- personnel function provides the necessary advice and support services to enable managers to carry out their responsibilities.
3. The values of personnel management and at least the ‘soft’ version of HRM are identical with regard to ‘respect for the individual’, balancing organizational and individual needs, and developing people to achieve their maximum level of competence both for their own satisfaction and to facilitate the achievement of organizational objectives.
 4. Both personnel management and HRM recognize that one of their most essential functions is that of matching people to ever-changing organizational requirements – placing and developing the right people in and for the right jobs.
 5. The same range of selection, competence analysis, performance management, training, management development and reward management techniques are used both in HRM and personnel management.
 6. Personnel management, like the ‘soft’ version of HRM, attaches importance to the processes of communication and participation within an employee relations system.
4. HRM places greater emphasis on the role of line managers as the implementers of HR policies.
 5. HRM is a holistic approach concerned with the total interests of the business – the interests of the members of the organization are recognized but subordinated to those of the enterprise.
 6. HR specialists are expected to be business partners rather than personnel administrators.
 7. HRM treats employees as assets not costs.

2.1.6 Research Outcomes on Human Resource Management

The initial goal of human resource management is to create benefit for the company. It is the main idea behind it, and what drives the system into a better performance. Research has been conducted through the years, and the link between human resource management and company performances can be as shown in Table 2.2 below.

Table 2.4: Research Outcomes on Human Resource Management's Role (Source: Armstrong, 2006: 21)

Researcher(s)	Methodology	Outcomes
Arthur (1990, 1992, 1994)	Data from 30 US strip mills used to assess impact on labour efficiency and scrap rate by reference to the existence of either a high commitment strategy* or a control strategy*.	Firms with a high commitment strategy had significantly higher levels of both productivity and quality than those with a control strategy.
Huselid (1995)	Analysis of the responses of 968 US firms to a questionnaire exploring the use of high performance work practices*, the development of synergies between them and the alignment of these practices with the competitive strategy.	Productivity is influenced by employee motivation; financial performance is influenced by employee skills, motivation and organizational structures.
Huselid and Becker	An index of HR systems	Firms with high values on

(1996)	in 740 firms was created to indicate the degree to which each firm adopted a high performance work system.	the index had economically and statistically higher levels of performance.
Becker <i>et al</i> (1997)	Outcomes of a number of research projects were analysed to assess the strategic impact on shareholder value of high performance work systems.	High performance systems make an impact as long as they are embedded in the management infrastructure.
Patterson <i>et al</i> (1997)	The research examined the link between business performance and organization culture and the use of a number of HR practices.	HR practices explained significant variations in profitability and productivity (19% and 18% respectively). Two HR practices were particularly significant: (1) the acquisition and development of employee skills and (2) job design including flexibility, responsibility, variety and the use of formal teams. Performance of the company is being held with the system of the human resource management in the firm.
Thompson (1998)	A study of the impact of high performance work	The number of HR practices and the

	practices such as teamworking, appraisal, job rotation, broad-banded grade structures and sharing of business information in 623 UK aerospace establishments.	proportion of the workforce covered appeared to be the key differentiating factor between more and less successful firms.
The 1998 Workplace Employee Relations Survey (as analysed by Guest <i>et al</i> 2000a)	An analysis of the survey which sampled some 2,000 workplaces and obtained the views of about 28,000 employees.	A strong association exists between HRM and both employee attitudes and workplace performance.
The Future of Work Survey, Guest <i>et al</i> (2000b)	835 private sector organizations were surveyed and interviews were carried out with 610 HR professionals and 462 chief executives.	A greater use of HR practices is associated with higher levels of employee commitment and contribution and is in turn linked to higher levels of productivity and quality of services.
Purcell <i>et al</i> (2003)	A University of Bath longitudinal study of 12 companies to establish how people management impacts on organizational performance.	The most successful companies had what the researchers called ‘the big idea’. The companies had a clear vision and a set of integrated values which were embedded, enduring, collective, measured and managed. They were concerned with sustaining performance and

		<p>flexibility. Clear evidence existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance. Policy and practice implementation (not the number of HR practices adopted) is the vital ingredient in linking people management to business performance and this is primarily the task of line managers.</p>
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Research has been conducted, evidences have been presented about the relationship between human resource management and company performances. The messages from research, especially that carried out by Purcell *et al* (2003), are that human resource can make an impact by leading or contributing to:

- the development and successful implementation of high performance work practices, particularly those concerned with job and work design, flexible working, resourcing (recruitment and selection and talent management), employee development (increasing skills and extending the skills base), reward, and giving employees a voice;
- the formulation and embedding of a clear vision and set of values (the big idea);
- the development of a positive psychological contract and means of increasing the motivation and commitment of employees;

- the formulation *and* implementation of policies which, in the words of Purcell *et al* (2003) meet the needs of individuals and ‘create a great place to work’;
- the provision of support and advice to line managers on their role in implementing human resource policies and practices;
- the effective management of change (Armstrong, 2006: 24).

The message that carried out by Purcell *et al* (2003) could be explained further through Figure 2.1 below, that emphasized the relationship between human resource management and the company performances, and how the process could go there, action by action (Armstrong, 2006: 23).

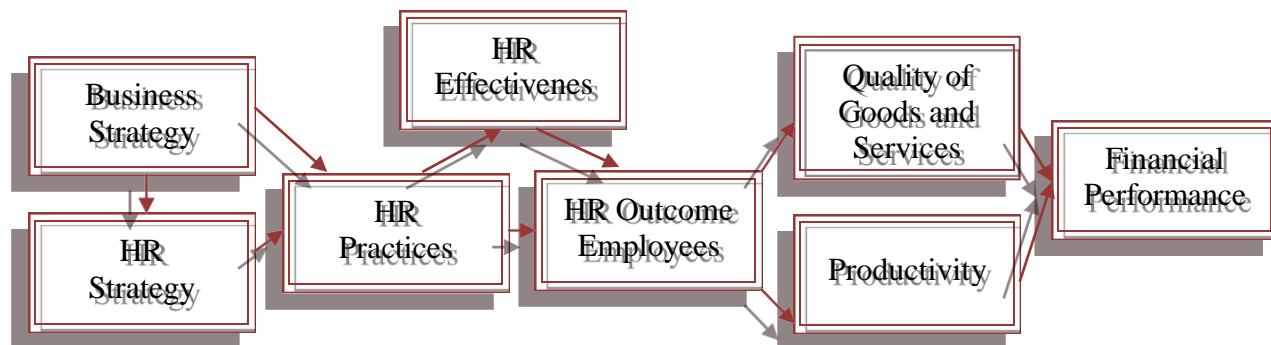


Figure 2.1: The Link Process Between Human Resource Management and Company Performances (Source: Guest, *et al*, 2000; Armstrong, 2006: 23)

2.1.7 The Challenges

Human resource management does not go without challenges tailing behind. Ulrich (1998) suggests that environmental and contextual changes present a number of competitive challenges to organizations that mean that human resource has to be involved in helping to build new capabilities. The challenges are as follows:

- *Globalization*, which requires organizations to move people, ideas, products and information around the world to meet local needs. New and important ingredients must be added to the mix when making strategy:

volatile political situations, contentious global trade issues, fluctuating exchange rates and unfamiliar cultures.

- *Profitability through growth* – the drive for revenue growth means that companies must be creative and innovative and this means encouraging the free flow of information and shared learning among employees.
- *Technology* – the challenge is to make technology a viable, productive part of the work setting.
- *Intellectual capital* – this is the source of competitive advantage for organizations. The challenge is to ensure that firms have the capability to find, assimilate, compensate and retain human capital in the shape of the talented individuals they need who can drive a global organization that is both responsive to its customers and ‘the burgeoning opportunities of technology’. They have also to consider how the social capital of the organization – the ways in which people interact – can be developed. Importantly, organizations have to focus on organizational capital – the knowledge they own and how it should be managed.
- *Change, change and more change* – the greatest challenge companies face is adjusting to – indeed, embracing – non-stop change. They must be able to ‘learn rapidly and continuously, and take on new strategic imperatives faster and more comfortably’ (Armstrong, 2006: 27).

2.2 Islamic Countries

The previous section already displayed so many views about capitalist human resource management from various researchers, in the views of Western ones. What makes this interesting is that the Islamic scholars are known to be religious, or at least, as Islamic as they could be (no pun intended). Thus, it’s safe to say that the capitalist system is not the way of life that they are used to follow through. Despite this, Islamic scholars could be as neutral as they could be, as shown in this section.

2.2.1 What Is Capitalist Human Resource Management

It’s basically the same side of the coin of human resource management from the Islamic countries’ perspective. What distinguishes it is that the

companies they are dealing with tend to have Muslim employees, as workers. But the basic idea is still the same. Aziri, et al (2013) stated that human resource management relates heavily to personnel management. After all, it's people that they are handling about, and every personal matter of the employees could more or less impact the company in some ways. Below is the differences between human resource management and personnel management.

Table 2.5: The Differences Between Human Resource Management and Personnel Management (Torrington, et al, 2011: 11; Aziri, et al: 2013)

Criteria	Personnel management	Human Resource Management
Time and planning perspective	Short term, reactive, ad hoc, marginal	Long term, proactive, strategic, integrated
Psychological contract	Compliance	Commitment
Control systems	External controls	Self-control
Employee relations perspective	Pluralist, collective, low trust	Unitarist, individual, high trust
Preferred structures/systems	Bureaucratic/mechanistic, centralized, formal defined roles	Organic, devolved, flexible roles
Roles	Specialist/professional	Largely integrated into line management
Evaluation criteria	Cost minimization	Maximum utilization (human asset accounting)

Coyle-Shapiro, et al (2013: 12) stated that how some economic activities are most efficiently coordinated within firms, while others are most efficiently coordinated by markets, as originally remarked by Ronald Coase in 1937. The term management itself therefore be defined as the art and science of coordinating

activities within a firm, via a process of managerial decision-making, including areas such as finance, operations, sales and marketing, and human resources. In short, human science management is not only to satisfy the employees' needs, but also to gain the ultimate goal of all: the company's benefits (Hellriegel, Jackson, Slocum and Staude, 2009).

As mentioned in the previous chapter, the goal of human resource management is to help an organization to meet strategic goals by attracting, and retaining employees and also to manage them effectively so that they **can** deliver productive outputs. The role of the human resource managers is to make sure the employees would not only meet the target, but also fit the position they are in. Just like the infamous statement we all already heard, *–The right man in the right place.* The goal of the company is, of course, to maximize the profit and to reduce the cost as much as possible. But a win-win relationship between the employees and the employer is also a must, as the company could not survive without workers, and vice versa (Zakaria, et al, 2011; Syed and Ali, 2010).

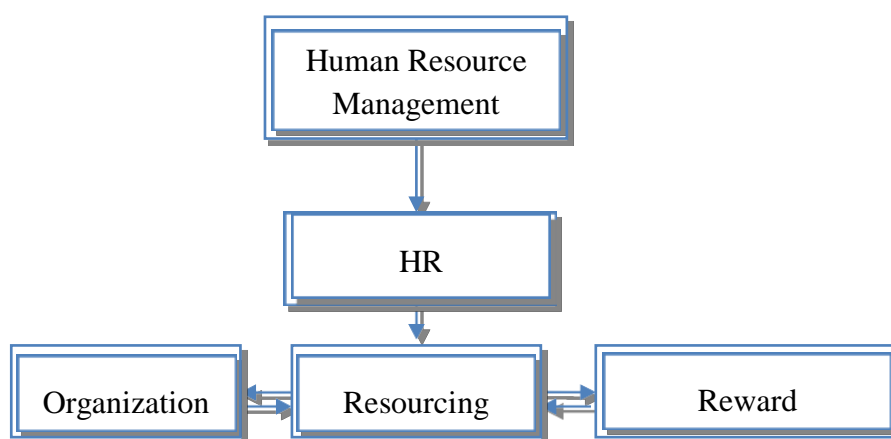


Figure 2.2: The Capitalist Human Resource Management Model (Aziri, et al, 2013)

2.2.2 What Makes Human Resource Management So Important

As quoted by Ahmad (2008):

-Workers are treated as value in the marketplace. Workers are at the center of economic activities and without them there will be no value or wealth creation.¶

Workers are assets, as in very valuable possession of the company. But they are people, not machines, so the treatment towards them becomes undeniably paramount. For capitalist human resource management, the utmost importance is the well-being of the company, and nothing else. This is where it's different from Chapter 1, which was about adding religion into the system. In capitalist one, there is no such thing. Some Islamic researchers even stated that human resource management in a company is separated from both practices and literature. Organizations-or in this case, companies-require their employees perform at optimum level and to perform their utmost best when they work, which is only natural at its most (Hashim, 2010; Mellahi, 2010; Syed and Ali, 2010).

The evidences that human resource management is the most difficult, most complex, most ambiguous, yet most important task that managers face is argued through four reasons below:

- a. Human resource policies deal with many complex, unexpected, and culturally diverse human beings, or more exact, human behaviors.
- b. Human resource policy instrument and practices are numerous, and make things harder by that.
- c. Every single workers' successor plans and programs are difficult to evaluate.
- d. It is a common belief among many managers that people management is just a matter of common sense (Coyle-Shapiro, et al, 2013: 13).

It also helps companies to gather information about the company's to for doing business. Human resource management is distinctive in at least three ways. First, personnel management focuses on the management and control of subordinates, HRM concentrates on the management team. Second, line managers play a key role in HRM in coordinating resources towards achieving profit, which is not the case under personnel management. Finally, the management of

organizational culture is an important aspect of HRM, but plays no role in personnel management (Tayeb, 1997; Shafique, 2012).

2.3 Indonesian Scholars

In Indonesia, capitalist human resource management is treated as the ‘common human resource management’, as in ‘the human resource management that people are already get used to’. It comes off as no shock at all, really, because belief is believed (no pun intended) as unfit to be put into the already established system. It comes so much from 1981 as an old branch of knowledge, which Manullang elaborated about the best way to manage employees, including the selection process, the matching management, and so on. Human resource management holds a very important role in assisting the company in facing head-to-head with global markets and competitions. The human resource itself is a key for the company, because the company itself is built, managed, and maintained using the efforts and works of its employees (Manullang, 1981: 117; Nasution, 2008; Widarsono, 2009; Tulus, 1992: 60).

Employees are the ones who create goods and services, and ensure the survival of a company, so it’s not a surprise at all that it is regarded very highly in so many research about firms. Mental health is as strong and important as physical health of the employees, because a bad mental health condition can result in high rates of accidental incident at workplace, or at the amount of total leave among the workers. This makes human resource management to be the most necessity department in the company. To put it simple, it works like a lego chain. Once the human resource department is collapsed, the effect would not just be big; it would be catastrophe (Samsudin, 2006: 21; Moekijat, 1995: 202; Handal, 1999: 223).



Figure 2.3: The Human Resource Model Framework (modified from Pasaribu, et al, 2013)

Figure 2.3 more or less explains why human resource management is so important. It drives the employees' commitment to the organization. Loyalty has proved itself as a strive powerful enough to create history, thus it becomes this crucial in company's book of human resource goals. The coordination where people put all efforts and time to strike for the same goal and target is what's called human resource management. That being said, no personal attachments or benefits would be placed above any company's interests (Munir and Wahyu, 2006: 6; Sihotang, 2006: 9).

Unfortunately, most organizations often fail to capitalize on the collective learning ability of their people. People are valuable, not just bring value. Organizations that value the knowledge and experience of their staff and see that as central to their progress will value the role of learning in the work they do. How to manage and build an effective organizational learning? It's, of course, by applying a range of learning concepts is the foundation for building and managing effective organizational learning. However, it must however be noted in mind that organizational learning and learning organizations are similar learning concepts which are related to organizational setting, but are very distinct in nature (Dartey-Baah, et al, 2011).

But how to evaluate such performance? Is there any hard or fast rule about that? Since the initial intention is to make the company as efficient as possible, then the management control of the company is conducted by comparing and evaluating between the targets and plans with every progress and reduction happened during some certain period of time, and analyze those altogether to make it a better system (Dharma and Sunatrio, 2011; Rusidyanto, 2012). This could as well explain productivity. A company's productivity is highly depending on the employees. The more satisfied the employees are, the more efficient and productive the company's performance would be. It's a matter of fact that is

agreed among almost all human resource management researchers (Hasibuan, 2007: 244; Wibowo and Phil, 2009: 275).

This is when the happiness of the employees plays its part. It's not only by boosting the personal satisfaction of the employees, but also how the managers could handle it excellently. It's not always by fulfilling every employees' wishes, but by right motivation and gestures the same thing could achieved without the company gains much liabilities. Again, it's a win-win agreement. Both parties (the employees and the employers) have to get the satisfaction they need. It is, if not the only way, the right path to go through in order to get the best results for the sake of the company (Husain, 1998: 3; Suhendra, 2006: 91).

Questions

1. What distinguishes capitalist human resource management and Islamic human resource management?
2. Company's performance evaluation is not an easy task to do. How is the best way to do the evaluation?
3. Give the examples of human resource management system result in your country.
4. What are the differences between human resource management and human capital management?
5. Why common human resource management is being addressed as –capitalist human resource management? Give your thought in the discussion.

CHAPTER III

ISLAMIC HUMAN RESOURCE MANAGEMENT: THE HISTORY

When discussing about Islamic human resource management, it doesn't suffice if we are just talking about it on the surface. To love things, we have to get to know them. We have to dig deeper, from way back, from the beginning of the story. What initiated Islamic human resource management? Who first discovered about it? And how, until now, people could make it work? The journey of Islamic human resource management from the very start point of its life until the recent days, will all be elaborated thoroughly in this chapter.

3.1 The First Era (The Prophet)

Who is exactly The Prophet that we keep bringing about in almost every chapter in this book? Fear not, the explanation is not as long as we might imagined. The Prophet is Muhammad, the one who received messages from Muslim's God (Allah Subhanahu wa Ta'ala), who lived for about 1400 years ago. He is the one whose whole life has been guiding the way of millions Muslims all around the world up to this moment. The history of Islamic human resource management, of course, started from the beginning of Islam itself, which was in his era. In regards of human resource management, Muhammad took the matter very seriously. Prophet Muhammad once stated, *One must give a worker his wage before his sweat dries (should be given on time)*.^{||} Selecting process and the employment process is based on the values of trust and responsibility, as he instructed Muslims to be fair and just and prompt in compensating workers (Ali and Al Owaihan, 2008; Rahman, et al, 2013). The notable points of The Prophet's way of managing people are shown below.

Table 3.1: Human Resource Management According to The Prophet (modified from Haryanto, 2009)

Characteristics	Explanation
God oriented	By knowing that God is monitoring humans 24/7

	without a rest, people would have more sense of responsibility in every actions they conduct
Universality	It is meant to be applied whenever, wherever, by whomever, without a limit to age or place
Humanistics	Because The Prophet himself is a human, he treats everybody like how all humans are supposed to get treated with, equally
Realistics	Ideally good, and realistically fits. That's what The Prophet wanted to deliver with this way of management.
Hamony	Teamwork is something Islam really regards highly, not just individual matters.
Fair	By fair it means knowing the rights and responsibilities and working on both things in equal efforts, and gaining whatever we deserve
Easy	If it's applicable in whatever fields and era we are living in, then it's safe to say that the keyword in doing it is –easy
Dynamics	Being able to tackle 1001 complicated problems every time it rises up on the surface is a must

Muslims hold a strong belief that Islam is fitting in any kind of era and age, whichever situation might take place by then. That is the foundation of Islamic human resource management (Haryanto, 2009). The epitome of human resource management is the selection/recruitment process. Islamic human resource management in The Prophet's era went beyond a mere concept or ideology. It is being said that the main factor in determining the employment selection in Islam is not through friendship or network. During his lifetime, The Prophet refused to accept the request of his close friend, Abu Zarr, who sought to work as a governor, and told him kindly that Abu Zarr was weak (not suitable for work), and the employment process is based on the values of trust and responsibility (Ali, 2005;

Rahman, et al, 2013). In Islam, quality of work stands at the same height with wages (or rewards).

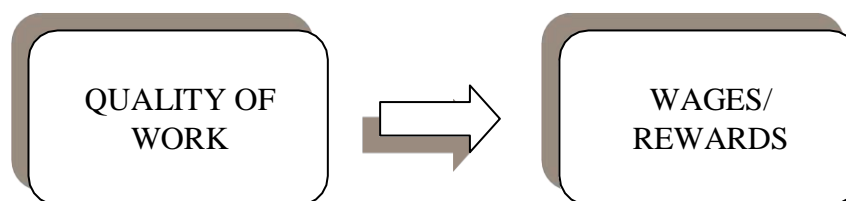


Figure 3.1: The Positive Relationship Between Quality of Work and Wages/Rewards (modified from Ali and Al-Owaihan, 2008)

The explanation is simply like this. Good job, good rewards. The work we have done would determine how much we actually deserve. Quality of work has a positive relationship with wage. The one goes up, the other follows. But once the other declines in performance, the former one would also go down in smoke. The network plays nothing on the stage. The Prophet once declared, *“One must give a worker his wage before his sweat dries (should be given on time)”* and *“...your wage should be based on your effort and spending”*. That means that payment for wages should be timely, fair and adequate. We get it when we deserve it. The Prophet himself stated that he would personally plead against, *“He who received work from a laborer and did not pay him in full”* (Ali, 2005; Ali and Al-Owaihan, 2008; Rahman, et al, 2013). Ali and Al-Owaihan (2008) noted in their works:

-The pre-Islam Middle Easts lacked discipline and their commitment mostly revolved around a primary group. The Prophet understood this fact as a statesman and reformer and he attempted to transform the Middle East communities into a functional society. His emphasis on discipline and commitment intended not only to highlight the essence of work, but also to draw a link between faith and work and to eventually steer the Muslim community towards becoming an economically and politically viable entity. In this context, he reiterated, *“God blesses a person who perfects his craft (does the job right)”* and *“God loves a person who learns precisely how to perform his work and does it right”*.||

The Prophet lived over a thousand years ago, but his goodwill lives profoundly even in these days. His way of managing people was elaborated

further by Haryanto (2009), who cited it as –The Prophet’s Secrets in Managing People Successfullyl.

Table 3.2: The Prophet’s Secrets in Managing People Successfully (modified from Haryanto, 2009

The Quality	Explanation
Confidence	Strongly believe that the success is there, ready to grab for
Clear Vision	Clear and systematically planned vision would help the employees to picture the targets they have to aim
Brainstorming	The Prophet urged the employees to speak up and express their opinions in the management matters
Open Discussion	Dictatorship is really not the way to do it
Established Planning	Efficient plans would help the targets to be reached effectively
Strong Leadership	The leaders is the edge of the sword; the key
Agents	Putting the right agents in the right mission would increase the success probability in the work
Teamwork	Falling apart teamwork would only cause catastrophe. The strong teamwork skills must be possessed in every team The Prophet lead in
Communication	Good communication is always a must. Delivering ideas is not the only purpose of this. Every communication The Prophet perceived had been done gently, kindly, and sensitively

Being professional is what Islamic human resource management in The Prophet’s era really all about. The concept *–the right man in the right place*l is the epitome in recruiting employees. The Prophet declared, *–If a case is being transferred to someone not suitable for the matter, then it is only time for catastrophe to be happening*l. Not only that, The Prophet mastered the

participative management and the concept of immaterial compensation giveaway well. Khandaq War was one of the examples, when he included the army's opinion in making decisions regarding the strategy gaming. Constant motivations and appreciations are also what he always delivered to his followers, as immaterial compensations of their belief (Ali, 2005: 190; Haluty, 2014). Islam's perspectives in compensation based on some principles, such as follow:

a. Wages

It must be determined with mutual consultation and consent before they (worker) start work (*Qur'an* 28: 26-28)

b. Proportional

It should be proportional based on the amount of work done, capabilities, and competencies (*Sunan Ahmed, Surah al-Yasin: 54; Surah an-Najm: 39*)

c. Market rate

The amount of salary should be fixed according to current market rates (*Sunan Ahmed, Surah al-Syua'ra: 183*)

d. Rewards

The employees should be rewarded as soon as their work done and completed (*Sunan Ibn Majah*)

e. Discrimination

There is no discrimination in rewarding workers in an Islamic law no matter the gender of the worker is (*Surah an-Nahl: 97; Surah al-Kahfi: 30; Surah al-A'raf: 85; Rahman, et al, 2013*).

The practice of Islamic human resource management based on the Holy Quran and Hadiths Islamic ideas emphasize on superior trust, honesty and reliability concerning overall behavior. In fact, for practicing Islamic values it is obvious to have a rigorous understanding of the basic Islamic principles, ideology, guidance, and strictly follow up every day in one's both personal and working life as explained in the Holy Quran and Hadiths. Consequently, the organization should have knowledge that a pious Muslim is proficient or efficient to his/her task and feel high trust in the organization (Rahman, et al, 2013).

Training refers the process of increasing knowledge, skill, attitude, abilities, aptitude, and potentials of employee for better job performance and accomplishes the organizational goals (Flippo, 1984). Islamic training and development focuses on purifying one's soul. The holy Quran encourages human being to acquire knowledge, skills and technology, and highly praises those who strive in order to earn a living. Indeed, man's basic qualification for being the representative of Allah on earth is to process knowledge. Mostly, training is the process of developing qualities in human resource management that will able them to be more knowledgeable, and skilled this enable them to be more productive (Rahman, et al, 2013).

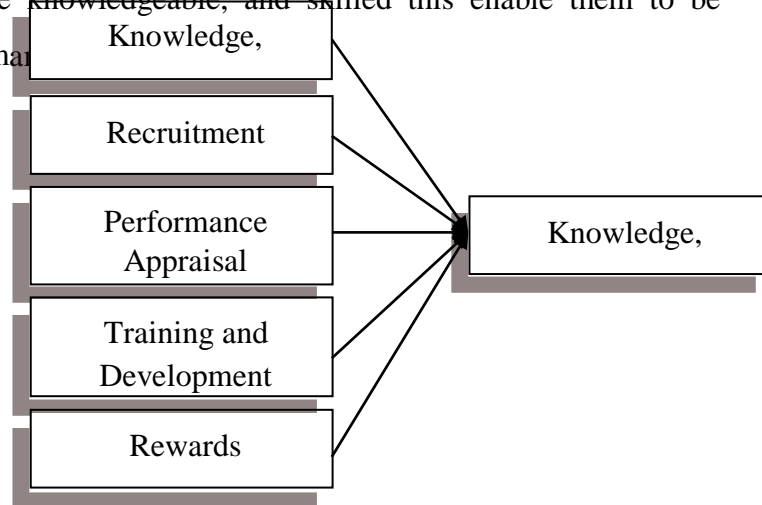


Figure 3.2: Relationship Between Trust and Islamic Human Resource Management

(Source: Rahman, et al, 2013)

The Prophet, both deliberately and extensively, addressed issues related to work and business set out the above instructions. His directives were numerous and innovatively challenged the existing practices. Ali (2005: 53) categorized the work related sayings of The Prophet. These are grouped as follows:

- (1) Pursuing legitimate business. The Prophet explicitly instructed followers that useful work is that which benefits others and society. Subsequently, those who work hard are acknowledged and are rewarded. He stated Worshipping has seventy avenues; the best of them is the involvement in

an honestly earned living““. That is, work is the best form of worshipping. He elevated people and their work to the highest rank if their deeds benefited people: __The best work is the one that results in benefit““ and __The best of people are those who benefit others““.

- (2) Wealth must be earned. In the Islamic faith, it is acknowledged that people have different capacities. It is these capacities and existing opportunities that enable them to acquire wealth. Pursuing economic activities, however, must be based on moral and legitimate foundations. The Quran states (4:29-32): __Oh ye believers! Devour not each other's property among yourselves unlawfully save that by trading by mutual consent; and kill not your (own) selves; Verily, God is Merciful unto you. And whoever shall do this in aggression and injustice, soon shall We cast him into the (Hell) fire; for this is (very) easy for God. If ye avoid the great sins which ye are forbidden, We will expiate from your (smaller) misdeeds, and We will admit you (to Paradise) an honorable (place of) entry (it is indeed). And covet not that by which God hath raised some of you above others; for men shall have of what they earn; and for women shall have of what they earn; and ask God of His Grace; Verily, God is in the Know of all things““.
- (3) Quality of work. The pre-Islam Middle East lacked discipline and their commitment mostly revolved around a primary group. The Prophet understood this fact, as a statesman and reformer and he attempted to transform the Middle East communities into a functional society. His emphasis on discipline and commitment intended not only to highlight the essence of work, but also to draw a link between faith and work and to eventually steer the Muslim community towards becoming an economically and politically viable entity. In this context, he reiterated, __God blesses a person who perfects his craft (does the job right)““ and __God loves a person who learns precisely how to perform his work and does it right““.
- (4) Wages. The Prophet instructed Muslims to be fair and just and prompt in compensating workers. He declared, __One must give a worker his wage

before his sweat dries (should be given on time)“ and __your wage should be based on your effort and spending“. That is, payment for wages should be timely, fair and adequate. In fact, The Prophet considered denying a worker his/her full wage to be an immoral act. He was quoted saying that he would personally plead against, __He who received work from a laborer and did not pay him in full“.

- (5) Reliance on self. One of the most important functions of work is that it sustains confidence and self-reliance. The Prophet stated, __No one eats better food than that which he eats out of the work of his hand“ and __No earnings are better than that of one's own effort“.
- (6) Monopoly. In Islam, monopoly is considered a great fault that produces suffering, unlawful profit and ensures inequality. The Prophet, therefore, forbade it stating, __The supplier is blessed and the monopolist is cursed“ and __whoever withholds commodities, is a sinner“.
- (7) Bribery. Like monopoly and cheating, bribery is strongly condemned in Islam. The Prophet declared, __God cursed the one who gives and the one who receives bribery“.
- (8) Deeds and intentions. These constitute significant pillars in the IWE. They clearly differentiate the IWE from the work ethics of other faiths. One of the fundamental assumptions in Islam is that intention rather than the result is the criterion upon which work is evaluated in terms of benefit to the community. Any activity that is perceived to do harm, even though it results in significant wealth to those who undertake it, is considered unlawful. The Prophet stated, __God does not look at your matters [shapes or forms] and wealth, rather God examines your intentions and actions“.
- (9) Transparency. Business and work in general have to rest on ethical and moral foundations. The precondition for propagating and realizing this goal is transparency. It was reported that The Prophet once inspected a bin for dates and found that those that were not good were hidden underneath the fresh dates. The prophet ordered the merchant to differentiate between the quality of the dates saying, __He who cheated us

is not one of us“ and if buyers and sellers ___conceal and tell lies, the blessing of their transaction shall be obliterated“. He's saying ___Those who declare things frankly, will not lead to each other destruction“ underlies the significance of transparency in any business transaction, and the necessity for enhancing trust and reducing problems in the marketplace.

- (10) Greed. In Islam, greed is considered a threat to social and economic justice. The Prophet in his struggle against the elite of Mecca consistently and tirelessly criticized their greediness. He stated, ___Be aware of greediness; it is the living poverty“ and ___Two qualities are not found in a believer: greediness and immorality“.
- (11) Generosity. Generosity is a virtue in Islam. The Prophet stated that ___There is nothing worse than avariciousness“. He declared, ___The generous person is closest to God, heaven, people and far from hell“ and ___He who removes a distress, God blesses in this world and the hereafter“ (Ali, 2005: 53; Ali and Al-Owaihian, 2008).

3.2 The Second Era (Khulafaur Rasyidin)

After the death of The Prophet (June, 632), Islam was once living without its ultimate leader. But there are these people called *Khulafaur Rasyidin* that literally means -The Early Caliphate. Some people were chosen as Muslim's leader after the absence of The Prophet, but not as -the next Prophet, but only as the -Leader of People or, what we would call here, The Caliph. When the first Caliph exhaled his last breath, the next Caliph would be chosen, and so on. In history, there are only 4 Caliphs. The next leader after this early Caliphs would be called as Caliph, no longer *Khulafaur Rasyidin* (Ali, 2007: 11).

3.2.1 The First Caliph (Abu Bakr)

Abu Bakr was among the first ones to believe the prophecy of Muhammad. He was called the first mate of The Prophet, the very person with whom The Prophet put a complete faith on. Bakr was infamous at his gentle heart and leadership. The Prophet was gentle, but Bakr's gentleness went so much to the point that tears would always stream down his face every time the message of

God (Holy Qur'an) is leaving his lips (Ali, 2007: 11). Bakr won the acclamation as the First Caliph after The Prophet, and began his leadership throughout the Muslim country during 2 years of his regime (from 632-634), that marked the end of his life (p.60).

Each Caliph differs in their style of leadership. In the case of Bakr, the rise of vendetta and rebellions were started to spark. It was not so much of a rebellion as in revolution to oppose the government, but people who started calling themselves –the next Prophet, as in hoax. There were people who started to bail Islamic rules and slack off in managing the country, unlike the era where The Prophet lived before. Therefore, Abu Bakr was among the first ones to really deal with such rebellion movements, however little.

The achievements and projects during two years of his reign are as follow in Table 3.3 below.

Table 3.3: The Achievements During Abu Bakr's Regime (modified from Ali, 2007: 64).

Achievements/Project	The Story
1. The compilation of The Holy Quran	God's message was only being able to be jotted in papyrus or animal's skin after The Prophet passed away, because there would be no more message to add afterwards, that <i>that</i> would be all. During Abu Bakr's reign, he ordered Zaid bin Tsabit to be the frontman in the work of the writing of all the messages to papers, and to be binded as one whole book.
2. Tax system	Abu Bakr was one of the most strict Caliph regarding tax payment. It was called <i>zakat</i> , not a real tax, but worked similarly. He was so determined when monitoring where the money went, and what it would make the most out of it for.

3. The voting system

Transparency and open discussion are the strongest leadership style in Islam, and Abu Bakr did it just as much. He initiated what it is called as voting nowadays, which counted the majority of votes in every decision making, but not blindly, as many considerations were still being put in the matter in the end.

4. The non-dictatorship
at its most

Abu Bakr emphasized that leaders are servants for citizens. A country is its people. No special treatments or prestige for a president or king; on the contrary, one should make sure all the special treatments go to every living person in the country.

3.2.2 The Second Caliph (Omar)

The Second Caliph, Omar (Omar bin Khattab), was once one of the deadliest enemy The Prophet had faced. He was a raging man whose life purpose seemed to be hating on Islam and fighting to destroy it for dear life. Omar read God's messages (part of the Holy Quran), which was Ta Ha chapter, and melted immediately by the words. He was touched and then vowed to convert to Islam at that time. Afterwards, Omar was one of the forefront men beside The Prophet to fight for protecting Islam and its prophecy (Ali, 2007: 71). After the death of Abu Bakr in year 634, Omar was chosen as the next Caliph.

Omar was quoted saying, *“I would prefer dying while struggling for my sustenance and the sustenance of my children, to dying while fighting in the defense of faith”* and *“The strength of any deed, is not to postpone today's work to tomorrow”*. Much on the contrary, to Abu Bakr, Omar was fierce, strong, and stern. He was very devoted to Islam and its way of life, including the management system. Omar, just as Abu Bakr, treated his leadership very seriously. The Prophet himself already prepared him to be a Caliph someday, as Omar was never once being chosen as a leader of the army in wars, despite the fact that he was the strongest and the most powerful man among them. Instead, a 16 years old

boy, Usamah, was pointed to lead the army. It was because aside from wars, The Prophet acknowledges Omar's competency in leading his people (Abdul-Rauf, 1984: 23, Ali and Al-Owaihan, 2008; Haluty, 2014). The notable achievements during his reign were shown in Table 3.4 below.

Table 3.4: The Achievements During Omar's Regime (modified from Ali, 2007: 150)

Achievements/Project	The Story
1. The abolition of slavery	Slavery was once a common culture in Middle East. Omar had been ordering through his leadership that slavery have to come to an end. No Middle Eastian could end up be a slave, and that movement was a very vital regarding the abolition of slave system in there.
2. Women's rights	In that era, women were treated quite poorly in Middle East. It was believed that women were of no value. Men were in a higher position than women, both in education and society. Omar changed that paradigm by giving women an order to pursue education, and made that as an obligation. Omar also gave women many responsibilities and important roles in managing the country, including leading the market, joining the battle at wars, and assisting medical support. He once even admitted himself, that women in Madina were -in a wider perception of things than Omar.
3. Egalitarianism	The equality of human's rights was one thing that left deep impression during Omar's regime. Omar never treated people differently by their genders, upbringings, or political stance. He fought for the equality between his citizens, and objected the habits of government officers to live an expensive lifestyle.

3.2.3 The Third Caliph (Ustman)

Ustman (Ustman bin Affan) was known as someone very generous. He was very rich and considered well-loaded at that era. He bought land, a well, and even financed a war that was considered very expensive at that time, with 10.000 dinar (gold coins) and 1.000 camels to support Muslims in battles. Even before he was elected as Caliph, Ustman already played a great role in the government. He was very opinionated about things, and was gaining people's trust long before his regime (Ali, 2007: 160).

The Caliph who was known as a person with whom The Prophet himself felt very shy to be around, achieved great works during his reign, which was shown in Table 3.5 below:

Table 3.5: The Achievements During Ustman's Reign (modified from Ali, 2007: 207)

Achievements/Project	The Story
1. The making of Holy Quran copies	The writings of Holy Quran had already been done in Abu Bakr's era, but only in Ustman's regime that they were reset, bound, and made into copies and delivered to other countries for original references afterwards. The original Quran could then pass over the ages that way.
2. Administration	Ustman organized the finance of the country very well and he could manage the poor society to be supported financially and spiritually.
3. The kingdom expansion	The expansion of Islam by taking over countries such as Armenia, Cyprus, and Alexandria.

3.2.4 The Fourth Caliph (Ali)

The Fourth Caliph, Imam Ali (Ali, 1989: 469) stated, *“Do not be one of those who hope for a better world to come without working for it”* and *“He, who*

does not perfect his/her work, will bring confusion to self“. Work spirit is regarded very highly by Caliph Ali. The perfection of every work that people do is the ultimate ethos of his. In Islam effort is linked to knowledge and the spirit of discovery. The Quran (25:67) instructs believers, *“pursue not that of which thou hast no knowledge”* (Hambali, 2011). And Imam Ali stated that a person (p. 550) *“who acts according to knowledge is like one whose road is clear”*. In regards of employment, especially about remuneration and rewards, Caliph Ali gave specific instructions to his officers; *“be kind and affectionate to your subjects, observe Allah’s right and people’s right in own behavior and in that of your close relatives, your employees and those who have access to you. Otherwise, you will fail; not be given them decent remuneration that will give the power to resist temptation”* (Rahman, et al, 2013). These days, corruption is no longer a new term everywhere in the world, and employees who neglect things at work because they don’t find the job rewarding anymore. To prevent that to happen, Ali wanted to give incentives to the employees, by rewarding them fairly. Regarding employee selection, in Islamic law there are three principles, such as follow:

- a. The principle is justice; according to Syed Agil, Jasin and Pa‘wan (2007), wrote from Ali Ibn Talib; *“does not nominate them (officer) an account of favoritism or egoism. These two attributes reflect injustice and treachery.”*
- b. An employee is selected based on his competency. The individual is not to be appointed based on kinship or blood relationship, friendship, wealth, age, race, and political power or alike.
- c. The principle is honesty; both the applicant and recruiter have to be honest. Islam forbids assignment of work that will exceed the individual’s capacity (Rahman, et al, 2013).

3.3 The Third Era (Post-Khulafaur Rasyidin To 20th Century)

The era after Khulafaur Rasyidin (Four Caliphates), Islamic scholars were building Islamic human resource management, more in the focus of recruitment and selection process, even though not limited to that. Ibn Taimiya (1263-1328) argued that in selecting an employee, task requirements should be taken into consideration. Again, *“the right man in the right place”* phrase reappears. In a

situation where the primary job involves maintaining wealth or treasury, then the appointed person must be trustworthy. We don't want any corrupt people to be in charge. Not only trustworthy, competency is also a requirement in the case of generating and maintaining wealth. In another example, such as in case of war or national instability, a decisive rather than a pious leader is recommended (Ali, 2005: 191).

However, by the thirteenth and fourteenth century, violation of Islamic prescriptions for the marketplace became commonplace. By marketplace here does not only mean the economy, but also the rules as a whole management concept. Just like how Ali and Al-Ali (2014) stated in the journal:

-Al-Maqrizi, (died 1442) documented the rise of monopolistic practices and exploitation of the market in the fourteenth and fifteenth centuries in Egypt. Since then, violations of Islamic ethics in different countries where Muslims are the majority have been regularly denounced by learned scholars and the public. Essentially, Islamic ethics took shape in the early years of Islam and were the product of several factors, chief among them were the stages of economic development, religion, and openness. The interplay of these factors shapes how informed Muslims across the centuries have dealt with business issues and emerging or pressing events. Religion, however, remains a determining force in ethics formation and application. During the formative period, the state was in the early stage of inception where economic and social openness were instrumental in ensuring the survival and growth of the new faith which was facing mounting challenges from formidable adversaries. Likewise, the state was determined to build a foundation for a thriving economy to confront powerful rivals and attract new followers to the emerging faith.

After that, Ibn Khaldun and Abd al-Rahman (1989: 273), the medieval Middle East sociologist, came into the surface to add more to Islamic human

resource management field. They argued that engaging in business serves four objectives:

- a. Facilitating cooperation and mutual understanding among people
- b. Satisfying the needs of people
- c. Increasing wealth and influence
- d. Spurning the growth of cities.

Previously in the tenth century, the Ikhwan-us-Safa (1999) have used terms corresponding to contemporary categorization of management and organizational behavior in describing the centrality and meaning of work. Ikhwan-us-Safa not only stressed that the benefits from work differ across industry and profession, but also offered a strong rationale for treating any type of work as an honorable task and the perfection of work as the most blessed action of God (Ali and Al-Owaihan, 2008; Hambali, 2011). Many Muslim scholars have touched on aspects of work ethics and regulation to clarify and explain the Qur'an and Sunnah in relation to quality and good work.

- a. Abu al-Hassan al-Mawardi: ethics and jurisprudence

Abu al-Hassan al-Mawardi was an Middle East Muslim jurist. He made contributions to Qur'anic interpretations, philology, ethics and literature. He was born in Basrah in Iraq (972-1058 CE). He wrote several books in political science and sociology, like *Al-Ahkam al-Sultania wal-Wilayat al-Diniyya* (The Ordinances of Government) and *Kitab Aadam al-Dunya wal Din* (The Ethics of Religion and World Affairs).

- b. Ibn Taymiyah, Taqi al-Din Abu al-Abbas: Following the Righteous Path
Ibn Taymiyah, Taqi al-Din Abu al-Abbas (1263-1323 CE) was a Muslim scholar born in Harran, located in what is now Turkey. He held that much of the Islamic scholarship of his time had declined into modes that were inherently against the proper understanding of the Qur'an and the Sunnah. He strove to revive the Islamic faith's understanding of 'true' adherence to *Tawheed*, eradicate beliefs and customs that he held to be foreign to Islam,

and rejuvenate correct Islamic thought and its related sciences and systems such as *Al Hisbah* (Quality Control).

In his book *Kitab Iqtida al-Sirat al-Mustaqim* (On Following the Righteous Path), Ibn Taymiyah maintained that the first three generations of Muslims were the best role models for Islamic life. In his book *Al-Jihad*, he answered and explained all questions put to him relating to the Qur'an and Sunnah, and covered such dimensions in life (Aljazar, 1998).

c. Abu Hamid Al-Ghazali: towards the perfect market

Abu Hamid Al-Ghazali (1058-1111 CE) was one of the greatest Islamic jurists, theologians and mystical thinkers. He was appointed head of the Nizamiyyah College in Baghdad in 1091. In Book 1 of his series of volumes *Ihya' Oloum Al-Deen* (Revival of Religious Sciences), Abu Hamid Al-Ghazali defined the criteria of the perfect market in Islam as follows:

- Free from monopoly
- Free from fraud or under-standardized commodities with defects (promoting such material is forbidden).
- Equitable and fair prices.
- Prudent behavior by purchasers and Merchandisers or traders (to be honest and fair in any deal).
- Transparent dealings with no deception - with forgiveness being the rule.
- Any dealing with forbidden commodities or materials banned by the controller (*Al-Muhtaseb*) is considered illegal. The *Al-Muhtaseb* is also responsible for assuring compliance with the above criteria and standards. The *Al-Muhtaseb* issue penalties in cases of deviation from the approved standards.

d. Al-Shizary: the end does not justify the means

Al-Shizary, a twelfth-century Muslim scholar, indicated that the *Al Muhtaseb* or his deputy, as a quality inspector, must be knowledgeable in Islamic legislation and jurisdiction, in addition to being a *Faqih* (scholar in Islamic teachings), in order to be able to make informed decisions regarding what people need to do or avoid. The philosophy of the end

justifying the means is forbidden by Islamic ethical standards. Any person who follows this principle must be punished because it is contrary to Islamic teachings. By contrast, honorable principles call for righteousness, equality and beneficence. The qualifications set for the *Al-Muhtaseb* established very high criteria. They required the *Al-Muhtaseb* to work within his knowledge and job description, to appreciate the limitations of his duties and consult with other legislators, and to practice what he preached (Al-Daher, 1997). All of the above and many other philosophers have explored values, ethics and the standards of good work as a kind of quality. We now turn to quality control, and specifically to self-control, in Islam (Hammoudeh, 2012: 67-68).

3.4 The Recent Days (20th Century Until Now)

Human resource management is no longer going forward only gain benefit as efficiently as possible for the company without caring much about the employees, because it is already proven nowadays that by putting ethics into the system, it could bring market and corporate to be as functional as possible, which in the end create social welfare. It is shown through Figure 3.3 below how the whole thing actually works.

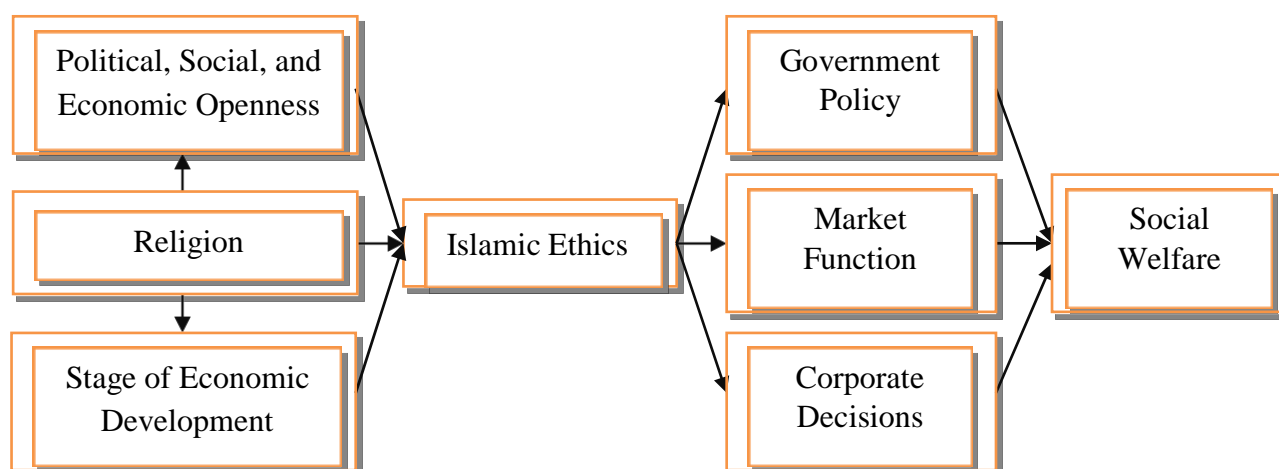


Figure 3.3: Islamic Ethics and The Impact on The Social Welfare (modified from Ali and Al-Aali, 2014)

Islamic human resource management has since evolved and flourished in many countries, including Iran, Malaysia, and other Middle East countries. Tayeb (1997) discovered that employment was still the main issue being discussed in almost all Islamic human resource management applications throughout the world.

a. Iran

In Iran, a sample of Iranian managers at work over a period of time has been observed closely. It is later discovered that even in Iran, traces of Islamic values in Iranian manager's human resource management style are still left on the ground. Rather uniquely, Iranian employees viewed their managers as sympathetic brothers and sisters or compassionate fathers and mothers. Not only they have some sort of -family-like situation at work, the relationship appears to have been extended to include "social" and "teacher" roles for the managers. This method is seen as a part of the managers' (or rather, the companies') responsibility to the society and to the next generation of managers (Latifi, 1997; Tayeb, 1997).

b. Malaysia

Malaysia has been one of the Muslim countries that consistently implements Islamic values and norms in managing the nation. Endot (1995) elaborated that all organizations placed a great emphasis on worship and had a prayer room. The focus of Islamic human resource management in Malaysia has been the workplace. There are certain religious sermons and activities that only Muslims would do, but it is applied in almost every company and organizations there. In one company the practice of prayer was conducted daily before and after working hours. It is understandable by the employees in those companies, because in their belief, work was considered as a form of God-worshipping.

c. Middle East countries

Unlike the contemporary way in the human resource management world all this time, Middle East executives generally seem to dislike committee or group meetings. In case of discussing decisions concerning more than one subordinate, the executives seem to prefer one-to-one consultation with each subordinate. Indeed, Middle East executives have a strong preference for personalized and informal methods of conducting interpersonal business affairs (Tayeb, 1997). While consultation with subordinates occurs in Middle East organizations, Muna (1980) argues that joint decision making is rare. This, according to Muna, may be for a number of reasons. First, subordinates might view joint decision making as an indication of management weakness; second, both executives and subordinates dislike teamwork; and third, there is an expectation by subordinates to be consulted about decisions, but not to participate in making those decisions.

In a survey of executives in six countries, Muna (1980) reports that the Asia and importance of consultation was emphasized by the interviewees. He argues that human resource management there are strong expectations among senior managers, partners, and even some friends and relatives to be consulted on organizational or daily issues. Further, consultation, for some managers, seems to be an effective "human relations" technique. It is used to avoid potential conflicts between executives and their subordinates; to please, to placate, or to win over people who might be potential obstacles to one's ideas or actions; and to provide the person consulted with a "face saving" mechanism. Also, consultation is seen as an information gathering mechanism. However, in any given situation a few selected people are merely consulted, and the selected few are determined by the circumstances. Moreover, although consultation can occur, decisions are never made jointly and are not delegated down the hierarchy.

At present, the global economic crisis is also said to be a causal effect from a misconduct of at least 10 percent of graduates from top level universities in the US (Dzulkifli, 2009). Henceforth, learning from past leaders, their legacy has been left with much to be desired by shortcomings, conflicts of interest and at

times, destruction, must not be left in the history books. Life application in particular in the business worlds in which the lifeline of existence is based upon requires the guidelines of human values. Thus, this is further reminded by Bill George, the former CEO of Medtronics USA, who wrote in his book *–Authentic Leadership, the following: We need authentic leaders, people of the highest integrity, Committed to building enduring organizations; We need leaders who have a deep sense of purpose and are true to their core values; We need leaders with the courage to build their companies to meet the needs of all their stakeholders, and who recognize the importance of their service to society.* (Abu Samah, et al, 2011).

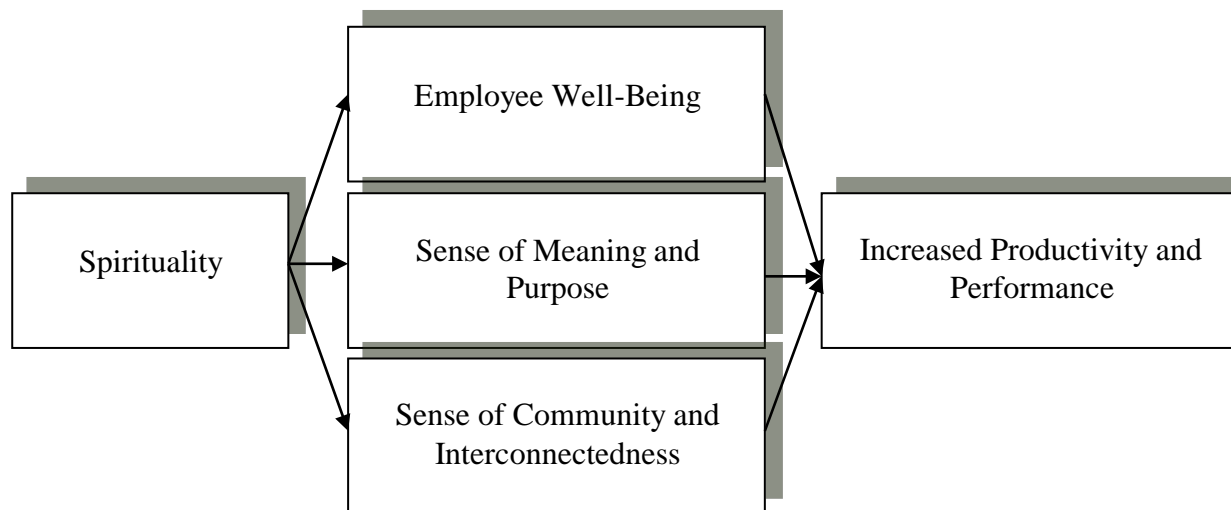


Figure 3.4: Three Perspective of Spirituality and Performance
(Source: Karakas, 2010; Abu Samah, et al, 2011)

In his work, Karakas (2010) introduced three perspectives on how spirituality benefits the organization as an individual and as a unit by itself. He listed that spirituality has its impact on the following by the fact that it enhances employee well-being and quality of life, provides employees a sense of purpose and meaning at work, and provides employees a sense of interconnectedness and community. In promoting the virtuous awareness, education has to take the lead through human capital development. In the attempt to apply such landmark practices of Prophet Muhammad (peace be upon him), and his management principles, this discursive overview intends to provide the application of the

prophetic tradition in the management field as the foundation for the various activities in life that spurn economics and social values. Additionally, in the inculcation of these values there has to be comprehensive education for human capital development (Karakas, 2010; Abu Samah, et al, 2011).



Figure 3.5: A Holistic Model of Manpower Creation of Knowledge and Skills
(Source: Sembuk, et al, 1999; Abu Samah, et al, 2011)

The knowledge-based human capital that has acquired the appropriate education would not only have up-to-date competencies, but also develop a holistic person. Goleman on EQ and Ary on ESQ, are business and leadership gurus that concur that business with ethics sustains. Additionally, Sembuk et al. (1999) put forth a triangular holistic curriculum that fits in developing human capital of all fields. The proposed model attempts to create wholesome and rounded workers who are knowledgeable, skilful and possess professional ability. Besides, he too possesses strong spiritual, ethical and social awareness in conducting his duties (Goleman, 1995; Ary, 2009).

Questions

1. What differentiates Islamic human resource management practice in the third era (the Post-Khulafaur Rasyidin) with The Caliphates era?
2. Who is the Caliph who emphasized the role of women in his reign?
3. Explain the notable achievements of The First Caliph Abu Bakr and how it relates to human resource management.
4. Is there any changes in Islamic human resource management before The Prophet's passing and after the regime of Four Caliphs? And if yes, explain.
5. Explain Islamic human resource management in your country and how The Four Caliphs influenced the system.

CHAPTER IV

CAPITALIST HUMAN RESOURCE MANAGEMENT: THE HISTORY

The previous chapter already elaborated about the history of Islamic human resource management, from the very beginning of the story until the recent days. This chapter will limit itself in the area of the history of capitalist human resource management. How it first emerged, who discovered it, how it grew in each era, and how it managed to survive up until this moment. Just as Michael Crichton had perfectly worded,

“If you don’t know history, then you don’t know anything. You are a leaf that doesn’t know it is part of a tree.”

4.1 Revolutionary Industry

The discovery of human resource management started with the origin of the name, which is human resource. Human resource was a very vital standpoint in the Industrial Revolution, if not the main thing. One could say millions about the historical phenomenon happened in the Industrial Revolution, but one word that would describe the event best out of all is: human resource. The difference between the revolution took place and after that is how human resource managed to matter less in the latter rather than the former. Maybe it’s not quite how the movie Terminator quite phrased it, that –machine takes over, but it was the first step.

It was not since the first discovery of steam Watt’s steam engine in 1765 that the fuel began to trigger the machine to run, all puns intended. Before, as early as 1705, coal miners were using steam powered pumps to remove water from deep mine shafts. But this early model of a steam engine gobbled great quantities of fuel, making it expensive to run. In short, Watt’s steam engine makes things easier to handle, but of course nothing on earth comes without a cost, and the cost in all this simpler life is the reduced amount of human employment. Hence, human resource experienced a big transition that changes basically, everything (Ashton, 1998: 61; Nuvolari, 2004a). The industrial revolution was

fundamentally a technological revolution, and progress in understanding it can be made by focussing on the sources of invention (Mokyr, 1990, 2002).

During 1600s to 1700s, workers were guided by a craft system. They do practically everything by themselves. Collective invention was important before private invention took off in the eighteenth century and has remained a complement to the present day (Allen, 1983; Epstein, 1998, 2004; Nuvolari 2004a, 2004b). In that era, the production of goods and services was generated by small groups of workers in relatively small workplaces, usually in a home. But as there is no history without changes, in the early 1900s, many changes occurred in the work place. After industrial revolution, machines and factory methods that increased production were introduced. One would think immediately that this way, numerous amount of people's jobs was replaced by the machines. That is true, partly, because not only the reduced task of workers that these machines result in, the efficiency of production was also increased.

Thus, with the increase efficiency, came along the increased production. Since the machines required several people to operate them, the number of workers increased dramatically. It was more like before-after effect. Although, at that time, workers were treated more like machines, not human beings. This happened mostly because managers ruled rules (no pun intended) about job specialization, which led to boring, monotonous jobs (Anthony, Perrewe, and Kacmar, 1996). All the jobs were broken into specific tasks. Expanding on the human relations school of thought including academic findings from various disciplines such as psychology, political science, sociology and biology, the behavioral science era was born. This era focused more on the total organization and less on the individual. It examined how the workplace affected the individual worker and how the individual worker affected the workplace. Many believe that the modern day fields of organizational behavior and human resource management grew out of the behavioral science.

Table 4.1 would be a great help for anyone trying to keep up with the changes that human resource management underwent through the ages. Not only the names that were changed, the business realities and the issues faced by it also transformed, however lightly. From the pre 1990 until 2010, it was clear that

many changes occurred in terms of technology. Sure, technology changes over time, but the scale of it also changes along with it. Or, as Crafts (1977) phrased it, —the rise of science.

Table 4.1: The Evolution of Human Resource Management (Source: Vosburgh, 2010)

Decade	Business Realities	HR Name Changes	Issues
Pre-1990	Small Business & Guilds	Did not yet even exist	Owners owned the HR issues
1990	Industrial Revolution	Labor Relations	People as interchangeable parts
1920	Civil Service & WWI	Industrial Relations	Workers' rights and more formalized processes
1940	Scientific Management & WWII	Personnel Administration	Efficiency experts and more highly evolved HR processes
1960	Civil Rights & Compliance	Personnel	Legal compliance and reporting; –policy police
1980	Human Relations, the Knowledge/ Service Economy, and Mergers & Acquisitions	Human Resources People	Relevance in a fast-changing world; motivation and –human relations theories abound
2000	Modern Organizations	Organization Effectiveness?	No new official names, but lots of –morphing

		Human Capital? Organizational Capability?	as the transactional parts get outsourced and the transformational parts get defined
2010	Global Economy and E-Enabled Technologies	TBD	Still Evolving, Focus on Talent; Capability; Culture; Consulting— Challenged to Be an Effective Internal Consulting Organization

What can we take from Table 4.1 is that the nature, status and role of human resource management have progressively become broader and strategic since the days of the industrial revolution. It is no longer all about hiring and firing people, managing payrolls, administering benefit programs and implementing the strategic intention of the top management rather it is playing an active role in formulating the business strategies. Maids aren't that much needed anymore in England, as it was before. Technology revolution helped transform the world into an era of globalization and liberalization. This has made possible the free flow of people, technology and goods across the globe. Business activities are no more limited and confined to the geographical boundaries of the countries (Bahuguna, et al, 2009; Vosburgh, 2010).

Figure 4.1 told us how employees' wages changed over the years, before and during the industrial revolution. It showed the history of nominal wages of building laborers in leading European and Asian cities from the middle ages to the industrial revolution. The most significant changes were Britain (London) and Netherlands (Amsterdam), which rose to prominence since 1575, and reached the peak in the industrial revolution. The other countries, especially Asian ones, all experienced a decline in the wage rate, though not as drastically. Thereafter, there was a three way split with silver wages falling in southern Europe, levelling out in the Low Countries, and continuing to rise in London. From the late seventeenth century onwards, London wages were the highest recorded (Allen, 2006).

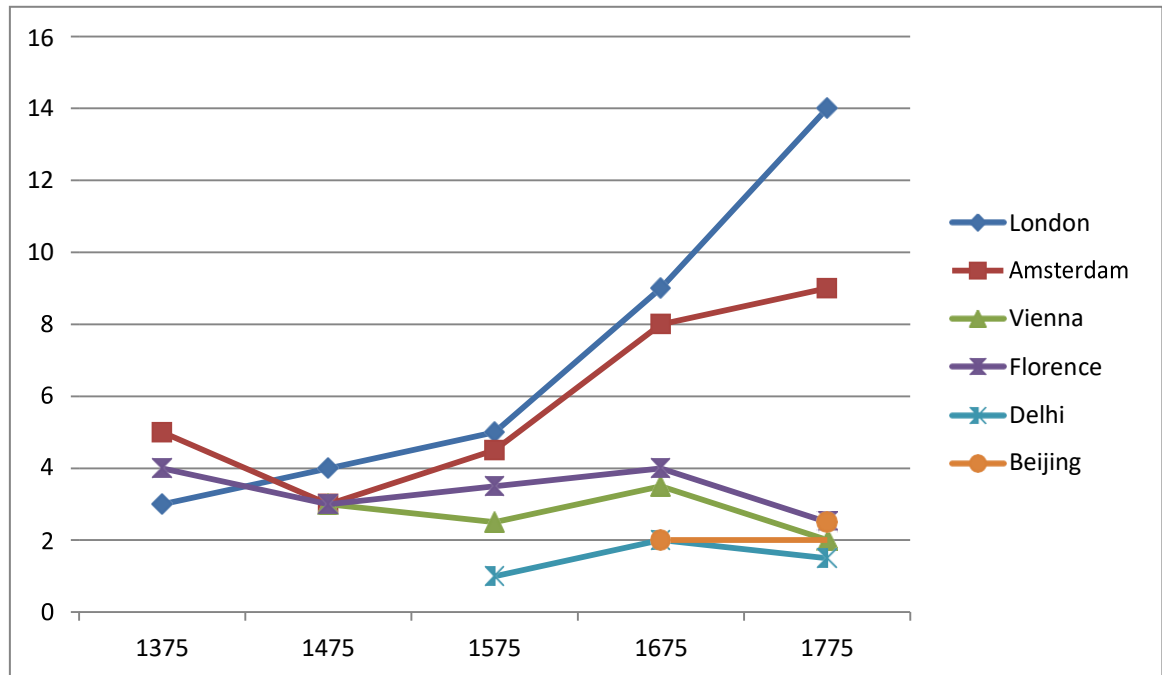


Figure 4.1: Employees' Wages Around The World Since 1375-1775 (Source: Allen, 2006)

So, why Europe and Asia, precisely? This is why. Comparisons with Asia further emphasize the high wages in eighteenth century Britain. As mentioned above, Asian countries, reflected by Delhi and Beijing in this case, did not undergo an increase in the workers' wages, especially around the time of the industrial revolution. In Beijing, Canton, Japan, and Bengal, laborers earned between one and two grams of silver per day-less than half the wages in central or eastern Europe and a smaller fraction of earnings in the advanced economies of the northwest of the continent (Özmucur and Pamuk, 2002; Allen, 2005; Allen, Bassino, Ma, Moll-Murata, van Zanden 2005; Allen, Bengtsson, Dribe, 2005).

As previously stated, the industrial revolution pushed back the muscle power behind the curtain and brings the power of automation into the stage of the manufacturing process during 1600-1700. Having the efficiency on top of the game, customer satisfaction became one of the most important points taken into consideration. However, human labors were seen as important assets again after the initial shock wave came ashore. The importance of human resources can be traced back to ancient Hindu texts such as the Kautilya's Arthashastra, which

provides the evidence of existence of systematic management of people as early as 320 B.C. (Khanka, 2003). The higher service, the higher the customer's satisfaction. Hence, human resource management came into the spotlight again.

It was remarked by Adam Smith (1776) in his book –An Enquiry into Nature and Causes of Wealth of Nations that employees (or worker, labor, whichever fits) bring advantages into the economy. Smith proposed that work could be made more efficient through specialization. There are three advantages from the employee's department, such as: the development of skills, time saving, and the possibility of using specialized tools. Robert Owen (1789) also poured in some ideas about the importance of people in the business performance. Owen argued that money spent on improving labor was one of the best investments that business executives can make. Regarding of specialization, Charles Babbage (1832) agreed that it allows a more careful matching of people's skills and physical abilities with specific tasks.

All this time, all we ever discussed about regarding revolution is, the technology, while there is another form of revolution that took place in the story. Landmark revolution came in the field of management and human resource management when Taylor (1911) attempted to formalize the processes, methods, workers' experiences and tacit skills into objective rules and formulae. Another jaw dropping discovery came into surface when studies about people management practices were conducted from 1927 - 1932 by Elton Mayo and his associates to study the relationship between productivity and the working environment, which followed by the studies carried out by Barnard (1938), and others. Several key points have been identified by all these studies, which are: commitment, communication, employee motivation, and leadership (Allen, 2006).

Since then, there have been considerable changes in both theory and practice of capitalist human resource management. People started to realize the importance of human resource, unlike before. How to manage people gradually became more important because many other sources of competitive success are less powerful than they once ever (Pfeffer, 1994). Since it's first official naming as human resource management, which was in 1920 as many researchers believed to be so, then it is possible to think that the field is over 100 years old. During this

100-year period, there have been considerable changes in both science and practice of human resource management. Its function, once responsible for record keeping and maintenance, has evolved into a strategic partner (Ferris et al., 1999).

4.2 Post Revolution—World War I

There was an era after industrial revolution that gave quite a picture about the life after human resource management experienced a great deal of change in its history, which was the replacement of human workers with engines. The era came before World War took place, and after the industrial revolution's peak was sliding down. To say that this was a crucial moment was quite a trick in itself, since nothing particularly remarkable happened during the time, and it could be called as —the gap age.

The ratio of labor was slightly different than the industrial revolution era (1600-1700), because of many incidents that had overtaken. We know from part 4.1 that human resource was rapidly growing down and climbing up again in almost one take of breath, because of the transition happened. Initially, human resource or labor was trailing behind its usual amount of demands because of the discovery of new inventions (the engines). When the shock subsided and people slowly started to learn that with efficiency comes a great product to be produced (no pun intended), then the need for human resource was coming back up to the top (Khanka, 2003).

Figure 4.2 showed a different kind of story compared to Figure 4.1. The one that is being talked here is the labor ratio, which is the amount of employed people taken into the workplace. It can be seen that in Figure 1.2, England was the only country in Europe, with London as proxies, to have a rising movement in the chart. Beside England, China (with Beijing as proxy) also had an increase in the ratio. Things were not as fortunate in other countries, such as Netherlands (Amsterdam), Vienna, Florence, and India (Delhi). One country that particularly had a huge drop in the ratio was India, but this might or might not be caused by the Industrial Revolution, as the data only shown from 1675 until 1875, without any recollection from the era before that (McKendrick, Brewer, and Plumb, 1982; Shamma, 1990).

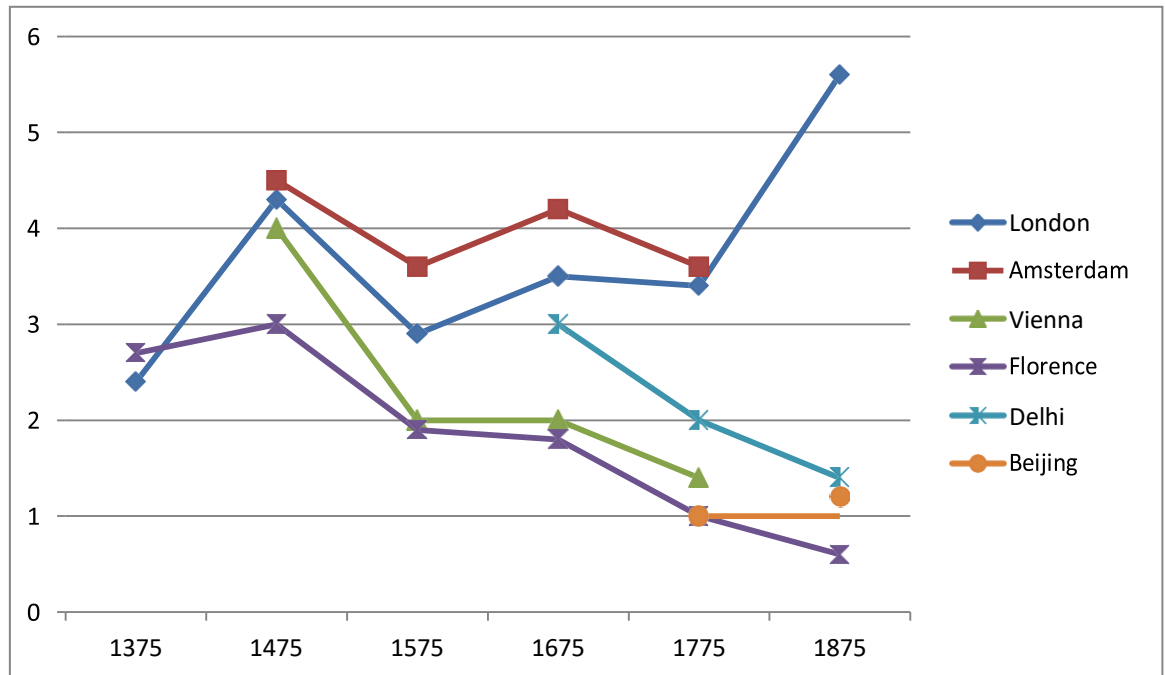


Figure 4.2: Labor Ratio Before and After Industrial Revolution (Source: Allen, 2006)

Another thought that came into mind when discussing Figure 4.2 is that the population decline caused by the Black Death that means that real incomes were high everywhere in the fifteenth century. During the optimal time of the ‘Black Death’, in the fourteenth century, around 75 million people globally perished, mainly through lymphadenitis. Around 30-60% of the European population was wiped out (Haensch, 2010). Fewer people means: extra income to bring back home. Because of this, fully employed workers in these regions earned three to five times the cost of the subsistence lifestyle. They spent their extra income on a superior diet (with bread, beer, and much more meat) and more non-food consumer goods including some of the luxuries of the ‘consumer revolution’ of the eighteenth century (de Vries, 1993; Fairchilds, 1993; Weatherill, 1996; Berg and Clifford, 1999; Berg, 2005).

Despite that, real living standards fell dramatically across the continent, reaching a level of about one. In eighteenth century Florence and Vienna, fully employed building workers earned only enough to maintain their families at rock bottom subsistence. There was no surplus for bread, meat, beer, or wine let's along

imported luxuries. Real wages also fell sharply in provincial England in the sixteenth century, but even at the trough laborers in Oxford earned at least 50% more than bare bones subsistence (Allen, 2006). It could only mean that, despite the wage in that era, and the decreasing human labor in the workplace, the welfare of the employees was still far from ideal.

According to Silva (1997), traditional industrial relation and human resource management were viewed as:

“...A context of mass manufacturing, is viewed by many employers as less appropriate to the growing service sector, the emerging knowledge workers, and the proliferation of work performed outside the enterprise, under arrangements which do not fit the traditional industrial related concepts of standardized employment terms and conditions for people working within an enterprise. The diminishing role of the State as employer (still important as it is in several countries) may correspondingly reduce the State's interest in intervening in the industry.”

Prior to World War, human resource management-or what previously called as personnel function-was primarily involved in record keeping of employee information; in other words, it fulfilled a –caretaker function. During this period of time, the prevailing management philosophy was called –scientific management. The central thrust of scientific management was to maximize employee productivity. It was thought that there was one best way to do some work, and this best way was determined through time and motion studies that determined the most efficient use of human capabilities in the production process. Then, the work could be divided into pieces, and the number of tasks to be completed by a worker during an average workday could be computed. These findings formed the basis of piece-rate pay systems, which were seen as the most efficient way to motivate employees (Kavanagh, Thite, and Johnson, 2012: 7).

At this point in history, there were very few government influences in employment relations, and thus, employment terms, practices, and conditions were left to the owners of the firm. As a result, an employee abuses such as child labor and unsafe working conditions were common. Some employers set up labor,

welfare and administration departments to look after the interests of workers by maintaining records on health and safety as well as recording hours worked and payroll. It is interesting to note that record keeping is one of the major functions built into the design of a human resource management today (Kavanagh, Thite, and Johnson, 2012: 7).

4.3 World War II—Before Internet Era

World War II brought about limitless amount of casualties all around the world, in different kinds. Beside the substantial number of dead civilians in World War II (which later be mentioned as WWII), the existing evidence also indicates that cities went back to old population growth paths in West Germany and Japan (Brakman et al., 2004), while the city growth, but also economic growth was permanently depressed in Eastern Germany and the Soviet Union (Acemoglu et al., 2011; Kesternich et al., 2012). Long story short, WWII brought much damage to the world, from Europe to Asia, in ways we could never imagine. But what about the human resources?

It was almost the same with what happened in the first WW. Deaths. Death was what happened. Reduction in population leads to a reduction in the labourforce. Although, despite the fact that the population decreased because of the war, there was one kind of labor who got affected in the opposite manner. It increased rather than decreased. That special labourforce was female labors. Akbulut-Yuksel (2009), Ichino and Winter-Ebmer (2004), and Jürges (2011) studied the impact of WWII on education and future labor market outcomes. The discovery showed that there was in increase amount of female labor after WWII. Now how did it happen?

It particularly did because all soldiers and most pre-war workers were men, and with the amount of death occurred pasca WWII, most of the people the country's got left were women. The impact of the war on women's labor supply on the structure of wages in the labor market had already been researched before. WWII military mobilization of state showed that these exogenous increases in

female labor supply lowered both female and male wages with more of an effect on the former and increased the wage gap between college and high school male grads (Kesternich, et al, 2012). Goldin's (1990) research suggested that half the entry of women into the labor force during the war remained at the war's end providing an arguably exogenous increase in female labor supply.

The absence of the fathers can be seen through Table 4.3. Among the countries in Europe, Austria and Germany were the most children-with-no-father populated during the WWII. We can see that before and after WWII, the number of children with their fathers absent was definitely lower than those during the war. For some countries, it even doubled the initial amount, such as Austria, Germany, Greece, and Belgium. The respondents in the data were children around the age of 10, with the father absent, and the period was before, during, and after WWII took place (Kesternich, et al, 2012).

Table 4.2: Percent of Children With Father Absent Before, During, and After WWII

(Source: Kesternich, et al, 2012)

Country	Pre 1939	1939-1955	After 1955
Austria	0.198	0.244	0.151
Germany	0.113	0.279	0.099
Sweden	0.114	0.130	0.123
Netherlands	0.076	0.073	0.045
Spain	0.118	0.089	0.055
Italy	0.045	0.070	0.046
France	0.109	0.131	0.055
Denmark	0.073	0.105	0.077
Greece	0.019	0.053	0.013
Switzerland	0.068	0.039	0.046
Belgium	0.048	0.082	0.055
Czechia	0.081	0.100	0.081
Poland	0.080	0.153	0.082

Still in the labourforce, Kavanagh, Thite, and Johnson (2012: 7) got something to add up to the matter:

–...The mobilization and utilization of it during the war had a great impact on the development of the personnel function. Managers realized that employee productivity and motivation had a significant impact on the profitability of the firm. The human relations movement after the war emphasized that employees were motivated not just by money, but also by social and psychological factors, such as recognition of work achievements and work norms. Due to the need for classification of large numbers of individuals in military service during the war, systematic efforts began to classify workers around occupational categories in order to improve recruitment and selection procedures. The central aspect of these classification systems was the job description, which listed the tasks, duties, and responsibilities of any individual who held the job in question. These job description, classification systems could also be used to design appropriate compensation programs, evaluate individual employee performance, and provide a basis for termination.¶

Because of the abusive worker practices prior to the war, employees started forming trade unions, which played an important role in bargaining for better employment terms and conditions. There were a significant number of employment laws enacted that allowed the establishment of labor unions and define their scope in relationship with management. Thus, personnel departments had to assume considerably more record keeping and reporting to governmental agencies. Because of these trends, the personnel department had to establish specialist divisions, such as recruitment, labor relations, training and benefits, and government relations.

Table 4.3: Percent of Children With Father Absent Before, During, and After WWII

(Source: Kavanagh, Thite, and Johnson, 2012: 7)

Industry	Departments	What They Do
Defense Industry	Information Technology (IT)	<p>Job analysis and classification data were inputted into computers to better understand, plan, and use employee skills against needs.</p> <p>Example:</p> <p>U.S. Air Force conducted a thorough and systematic job analysis and classification through its Air Force Human Resources Laboratory (AFHRL), which resulted in a comprehensive occupational structure. The AFHRL collected data from thousands of airmen in jobs within the Air Force, and through the use of a computer software program called the Comprehensive Occupational Data Analysis Program (CODAP), it was able to more accurately establish a job description classification system for Air Force jobs</p>
Outside of Defense Industry	<ul style="list-style-type: none"> - Personnel (HR) - Industrial Relation (IR) - Information Technology (IT) 	<ul style="list-style-type: none"> - Biling/Inventory Control: <p>Computers were being used for billing and inventory control, and there was very little use in the personnel function except for payroll.</p>

The payroll function was the first to be automated.

- **Employee Compensation:**

Large firms began harvesting the benefits of new computer technology to keep track of employee compensation, but this function was usually outsourced to vendors since it was still extremely expensive for a firm to acquire or develop the software for payroll.

There were several types of generations of workers who possess different characteristics, based on the era they were born, respectively. The classifications of those types were created by Allen (2010) in the following:

- a. *Baby boomers*; who are those who were born after 1946 or around 1948. This group currently amounts to 30% of employees and it is claimed that they are loyal and long-serving.
- b. *Generation X*; consists of those born between 1964 and 1978 and amounts to 32% of the workforce. They are supposed to be used to uncertainty as they moved into the workforce at the worst time for jobs since the Depression. It is claimed that they are very focused on achieving results.
- c. *Generation Y*; were born between 1979 and 1991 and amounts to 27% of the UK workforce. This generation is the most technologically aware and they are highly desirable to employers. Penna and CIPD (2008) also found this generation to be more technologically aware and more ethnically diverse than previous

generations and they are also multi-taskers who like to work collaboratively. They also need rapid two-ways communications, fairness and flexibility and are concerned about the organization having a meaningful policy for corporate and social responsibility (Allen, 2010).

In Soviet, human resource management also already began since before the WWII and the era after. In terms of the salaries and all other work matters, Suutari (1998) mentioned that Soviet firms provided their employees with stable salaries and good social benefits, in particular, the following:

Table 4.4: Benefits Provided by Soviet Firms For The Employees (Source: Suutari, 1998)

Benefits Provided	Explanations
Salary	Salaries were increased only by promotion to higher positions. Bonuses were occasionally paid for ideological holidays (e.g. Lenin's birthday on April 22 and the anniversary of the Great October Socialistic Revolution on November 7), for professional holidays, for winning in socialistic competitions, or for length of service (five, ten, or fifteen years of service, for example).
Non-monetary Compensation	It included subsidized meals at companies' canteens, which were open twenty-four hours a day, seven days a week (at companies with shift schedules), short- (one week) and long-term (six months) gift loans, subsidized vacation trips for employees and their dependents, and products sold at cost (if applicable).
Company Loyalty	'Team spirit' was created by Komsomol and communist organizations inside the company. A newspaper and a radio channel published and/or made reports on the best workers of the month or year and informed employees about the company's strategies and plans.
Recruitment	A large company usually worked closely with high schools and universities, allowing students to make an internship or write their research theses in the company. School and university students could occasionally visit a company at open house events. Moreover, there

was a system of *raspredelenie* ('distribution'): a special agreement between factories and universities and/or technical schools for employing graduates. Each graduate had a guarantee to be hired by a certain company. Only graduates with the best academic records or those who were married had the privilege of choosing between offers or even refusing universities' offers – so called *svobodnyi diplom* ('free diploma').

Qualified workers were more highly paid than engineers (from ca.170-180 Roubles up to 300 Roubles vs. 110-115 Roubles); in addition to the salary, all employees were paid a so-called *raionnyi coefficient* ('area coefficient')-an additional percentage for living and working under specific geographical conditions-e. g., 15% for living and working in the Ural Region. This coefficient was applicable, however, only for industrial workers; academic institutions, for example, were not included. Employees had a limited career progression and thereby decreased incentives to work hard. But recognition through badges, medals and official mention was more common and more desirable (cf. Suutari 1998).

A large company usually had its own hospital and numerous health centers, and all employees were regularly provided with subsidized medical care at these centers. Soviet companies took 'social responsibility' and supported day care, kindergartens, schools, and different leisure and sports activities for children and teenagers in the area. Young families were provided with hostels and apartments. A Soviet industrial company usually had two veterans' clubs: veterans of the company and veterans of World War II. Trips or special events in these clubs were organized and financed by the company.

All adults were expected to have a job in the Soviet Union, and many jobs were created to ensure full employment. Unemployed people were subject to prosecution. Additionally, the ineffectiveness of the Russian labor market was made worse by poor labor mobility due to the legal requirement to have town's *propiska* ('formal permit to live in it') and the high importance of social networks

for Russians (Alexashin and Blenkinsopp 2005, Ledeneva 2006). Neither high employee turnover or retention initiatives existed.

4.4 Internet Era—Globalization

The world after the internet emerged on the surface was an entire different one than its former self. The internet is a key that open many doors, and many opportunities along the way. One of the opportunities to be opened is what we know now as globalization. The economic landscape underwent radical changes throughout the 1990s with increasing globalization, technological breakthroughs (particularly Internet-enabled Web services), and hypercompetition. With the same speed, comes the same kind of opportunity. The competition now spikes higher than before. Business process reengineering exercises became more common and frequent, with several initiatives, such as right sizing of employee numbers, reducing the layers of management, reducing the bureaucracy of organizational structures, autonomous work teams, and outsourcing (Kavanagh, Thite, and Johnson, 2012: 10).

Efficiency becomes essential in the industrial revolution, and in the internet era, it just blows over tenfold. Speed is not necessary anymore; it's a must. Companies begin to realize that human resources can provide intellectual skills such as creative innovations are irreplaceable today. They become such important assets of the company in order to sustain competitive advantage. Intellectual skills are difficult to imitate, even with the magic of the internet and technology these days. Thus, human resource management holds a very significant role in maintaining the life of the companies (Becker, Huselid, & Ulrich, 2001; Huselid, Becker, & Beatty, 2005). Investments into the human resource department and its program become less and less irrelevant (Cascio, 2000; Fitz-Enz, 2000, 2002).

As mentioned above, this era particularly enhances the use of technology and its function of the company, which ultimately leads to the importance and significance of the human resource department as a strategic partner. People become more and more advance with the ever growing need of them as resources. With the growing importance and recognition of people and people management

in contemporary organizations, strategic human resource management (strategic human resource management) has become critically important in management thinking and practice. Strategic human resource management derives its theoretical significance of the resource-based view of the firm that treats human capital as a strategic asset and a competitive advantage in improving organizational performance (Becker & Huselid, 2006).

Reflecting the systems view, Becker and Huselid (2006, p. 899) stress the importance of human resource structure—that is, the –systems, practices, competencies, and employee performance behaviors that reflect the development and management of the firm’s strategic human capital—for organizational performance. Context is a crucial element in strategic human resource management, and therefore, researchers increasingly emphasize the –best-fit approach to strategic human resource management as opposed to the –best-practice approach. The success of strategic human resource management is contingent on several factors, such as national and organizational culture, size, industry type, occupational category, and business strategy. Accordingly, Becker and Huselid (2006) argued that –it is the fit between the human resource architecture and the strategic capabilities and business processes that implement strategy that is the basis of human resource’s contribution to competitive advantage (p. 899).

4.4.1 Electronic Human Resource Management (E-HRM)

In the advance era of technology and efficiency, there is another branch of human resource management born in the middle of it. That is, electronic human resource management. The term electronic human resource management (which later will be called as E-HRM) first came into use in the 1990s when e-commerce started dominating the business world (Kovach, et al, 2002; Husain, Wallace, and Cornelius, 2007). The term ‘paperless office’ is no longer a mere imagination these days, and with all aspects being affected by this technological changes, so is the human resource management department. The biggest point that distinguishes E-HRM and the common human resource management is the system in which all

human resource related data, information, services, databases, tools, applications, and transactions that are generally accessible at any time by the employees, and managers (Martinsons, 1996).

Table 4.5 lists the types of E-HRM and each specific task that follows:

Table 4.5 Types of Electronic Human Resource Management
(Source: Lepak and Snell, 1998)

Types of HRM	Description
Operational E-HRM	The first area, operational E-HRM, concerns the basic HR activities in the administrative area. One could think of salary administration (payroll) and personnel data administration.
Relational E-HRM	The second area, relational E-HRM, concerns more advanced HRM activities. The emphasis here is not on administering, but on HR tools that support basic business processes such as recruiting and the selection of new personnel, training, performance management and appraisal, and rewards. For relational e-HRM there is the choice between supporting recruitment and selection through a web-based application or using a paper-based approach (through advertisements, paperbased application forms and letters etc).
Transformational E-HRM	Transformational e-HRM, the third area, concerns HRM activities with a strategic character. Here we are talking about activities regarding organizational change processes, strategic reorientation, strategic competence management, and strategic knowledge management. In terms of transformational e-HRM, it is possible to create a change-ready workforce through an integrated set of web-based tools that enables the workforce to develop in line with the company's strategic choices.

E-HRM is a way of thinking about and implementing HRM strategies, policies, and practices. As organizations attempt to achieve certain objectives by following a specific E-HRM direction. Beer et al. (1984: 1-10) identified four objectives of E-HRM as follows:

1. High commitment
2. High competence
3. Cost effectiveness
4. Higher congruence

E-HRM has its perks and benefits to the new system compared to its former one (as in the common human resource management). Those benefits, according to previous researches are as follows:

1. The generation of HR metrics to support strategic decision making (Hendrikson, 2003; Lengnick-Hall & Moritz, 2003; Lawler et al., 2004; Hussain et al., 2007; Bondarouk & Ruël, 2009).
2. The automation of routine HR tasks and replacing –filing cabinets (Martinsons, 1994; Brown, 2002; Parry et al., 2007).
3. The branding of organizations (Lawler & Mohrman, 2003; Martin et al., 2008).
4. Freeing HR staff from administrative burdens and allowing them to undertake strategic people-management activities (Lepak & Snell, 1998; Ruel et al., 2004; Shrivastava & Shaw, 2004; Martin et al., 2008).
5. Improving talent management through e-selection, self-assessment, e-performance management (Martin et al., 2008)
6. Transforming HR professionals from administrative paper handlers to strategic partners (Broderick & Boudreau, 1992, Burbach & Dundon, 2005; Bell et al., 2006; Voermans and Veldhoven, 2007; Keegan & Francis, 2008; Haines and Lafleur, 2008)

According to Kariznoe, et al (2012), all organizational activities tends to manage their finance, business and personal activities in addition to saving resources using a web-based system. It can be organized through that way more efficiently and effectively. Another scholar and researchers who studied about E-HRM were mostly from USA and Europe (Yusliza and Ramayah, 2011; Rawash and Saydam, 2012). Among all definitions of E-HRM, the most cited ones are provided by Strohmeier and Ruël and colleagues (2009). Ruël, Bondarouk and Looise (2007) proposed an early popular definition in which E-HRM was defined

as a way of implementing HRM strategies, policies and practices in organizations through the conscious and direct support of and the full use of channels based on web technology (Fisher, 2010).

Innovation can lead to other innovations, and with technologies being involved, it basically becomes unavoidable. The evolution of E-HRM was already being discussed by Ibrahim and Yusoff (2013), which stated that generally, E-HRM is the application of information technology for both networking and supporting at least two individual or collective actors in their shared performance of human resource activities (Strohmeier and Ruel, 2009). Regarding its efficient value, E-HRM was considered as a good way to deliver human resource management system results (Swaroop, 2012). Although, no feat was accepted without any defeat. Zafar (2010) claimed that the use of E-HRM only touches the applicants step, not until back office processes (selection, training, etc).

The driving force behind human resource management value creation is believed to be E-HRM itself (Ruël & van der Kaap, 2012). Boundarouk and Ruël (2009) argued that E-HRM focuses on targeted employees and managers, and even used an analogy of an umbrella:

-An umbrella term covering all possible integration mechanisms and contents between human resource management and Information Technologies (IT) aiming at creating value within and across organizations for targeted employees & management.¶

Being the strategic player as it is now for human resource management, it has to be valued by its role in adding real, measurable economic value as a business partner. The human resource function and its processes now must become a strategic player (Beatty and Schneier, 1997). The factors required by human resource management nowadays were explained by Ruona and Gibson through their studies (2004):

- *Increased Centrality of People to Organizational Success:* Undoubtedly the most powerful force affecting the evolution of human resource management is the increased centrality of people to organizational success.

The emergence of resource based views of organizations has placed increasing importance on intellectual and social capital.

- *Focus on Whole Systems and Integrated Solutions:* It is clear that human resource management has become increasingly systematic during their evolutions. With the strategic proactive role of human resource management, the challenge for human resource management is to continue to develop innovative systems by focusing on the integrated functions and systems of organization.
- *Strategic Alignment and Impact:* 21st century human resource has become more integrated by its measurement efforts and it is expected that the importance of these efforts will increase in the coming years. This is all being driven by increased pressure to work on issues that are most important to the business and to provide organizational leaders with understandable information that helps them to make better and more strategic decisions about the workforce. Ultimately, it is essential to work together to enhance human resource's capacity to contribute to organizational and financial performance.
- *Capacity for Change:* Today's organizations must thrive in complex and unpredictable environments and must be extremely agile. This demands the development and implementation of structures and processes that facilitate incremental change.

Question

1. Describe capitalist human resource management before the industrial revolution era, and explain how it distinguishes itself with the age after the industrial revolution took place.
2. Why E-HRM is considered a giant leap in human resource management field study?
3. Mention the notable characteristics of E-HRM that do not appear in other era.
4. What impacts did World War I and World War II bring to human resource management practices throughout the world, and which one was worse?
5. What is, in your opinion, the biggest evolution in capitalist human resource management through the ages, from the very beginning until nowadays? Explain why.

CHAPTER VI

ISLAMIC HUMAN RESOURCE MANAGEMENT: APPLICATION IN ISLAMIC COUNTRIES

While the previous chapter already presented us with stories regarding the implementation of Islamic human resource management in Western countries, chapter 6 will discuss blatantly about it in case of Islamic countries. Islamic countries do not necessarily stand for all countries with majority of Muslims, as that's the case with Indonesia. Being the most Muslim-populated country in the world, Indonesia is a liberal country, not falls under the category of an Islamic country. The aspects of human resource management that will be covered in this chapter are: the recruitment, the training, the reward/punishment system, the promotion, and the career path. Thus, the journey begins.

There are five Islamic countries that will be taken as examples here, including Pakistan, Malaysia, Turkey, Egypt, and Saudi Middle Eastia (in which the latter stands for most Middle East countries in the middle-East). The first journey begins with Pakistan.

6.1 Recruitment

6.1.1 Pakistan

Pakistan is one of the most standout Islamic countries in the world's eyes. Despite the fact that the country remains to keep a low-profile, especially regarding the relationship with other countries, it has its own side that still be unheard by most people. As confirmed in the research conducted by Mangi, et al (2012), nepotism and dishonesty are the malaise culture in Pakistan. It grows uncontrollable as one of the country's strongest characteristics. Thoughts were shared by a human resource manager and an employee, which stated:

-The dishonest culture, sycophancy, cronyism and corruption are deeply rooted in society, and our organization is part of this society, so we can't escape. Sifarish can come from any quarters of civil-military, landed or political person in recruitment, selection,

promotion, transfer and reward. Nevertheless, we have to run the show and merit is also done so that good people are selected. But that depends again on the political era. That's very important because political regimes have roots deep in [the] masses and people expect jobs from them so whenever there is recruitment and selection, HR manager under stress (Mangi, et al, 2012).

The possibility of nepotism, cronyism (as in the network of power relationship, or relational favors), and favoritism can not be ruled out of the country's system simply because they are the cultural malaise in Pakistan. Just like the infamous phrase stated, *–A tree cannot abandon its own roots.* Every employee still has to go through the proper procedure of recruitment and selection as it's usually been done in other countries, but the norm still hasn't changed a blink. It proved to be quite a shame for a seemingly quiet, peaceful, and low-key country, with Muslims as the most population, while the religion itself never taught the followers about any of those dark sides.

We have to go back to the history to learn more about this matter. One can not inherit things that are not legacies. It appears that the network of power relationships in Pakistani society that is reflected in organizational settings has roots in the colonial legacy of the civil-military and landed elite. Alavi (1990) and Siddiqua (2007) found that in the era after independence, in 1947, the momentum of transformation was checked by hegemonic particular ethnic groups in the civil-military services. The result of all this transformation was tribal, clannish, linguistic and regional (ethno-national) affiliations that influenced the governance and management of the country and enterprises in Pakistan (Alavi, 1990; Siddiqua, 2007).

As mentioned before, cronyism became a regular characteristic that runs in the blood of Pakistani, and it was one of the results of the successive military regimes in the country. It was supported by the United States, as they also encouraged cronyism, 'yes-man' character tendencies, subservience and obedience (Mangi, et al, 2012). It gave a snowball effect of the civil-military elite bureaucratic and hierarchical administrative style, in organizational settings. The

tight culture also includes a harsh system in its merit-based recruitment and selection, promotion, appraisal, training seem alien concepts in many Pakistani organizations (Hussain 1999; Ismail 1999; Khilji 2003; Islam 2005).

Relevant with these discoveries, other studies conducted by Khilji (2002, 2003, 2006) found how British colonial employment policies inherited from postcolonial Pakistan and also the role of colonial legacy-civil-military and landed elites have been unclear. It was also discovered that the non-meritocratic behavioral traits of sycophancy (a.k.a excessive obedience) have evolved (Hussain 1999; Islam 2004) and these particularly happened in government organizations, private sector enterprises and multinational corporations in Pakistan. We know what might happen afterwards, as a result. Efficiency would be a long way to go if we include the N-twins, which are nepotism and non-meritocratic behavioral in the recruitment and selection process.

These factors obviously brought about a negative impact to human resource management policies and practices, with nepotism does not come too far behind. In this kind of culture, success is predominantly linked to *sifarish* (a.k.a recommendation), sycophancy, intrigue, duplicity and unquestioning obedience to authority (Khilji 2003; Islam 2004). The government and most of the private sector still maintain colonial structured hierarchies, bureaucratic management systems and have high power distance with a large communication gap between management and employees (Khilji 2003; Islam 2004). When the gap between those two sides gets wider, misunderstandings tend to arise.

6.1.2 Malaysia

As recruitment is described as the process of finding and selecting the people the organization needs, it becomes one of the most important agenda in the company's list of schedules in a year. After recruiting, comes the selecting step. It does not only about choosing people to hire, but also about appointing which task or job is better suited with the applicant in question (Mathis and Jackson, 2009). However, this is the part where discrimination usually takes place. One of the issues in the organization is discrimination during recruitment and selection process (Armstrong, 2009). It was noted by Alorfi (2012) that in hiring employees,

favoritism has usually influenced selection decisions. Islamic principles make sure to avoid such issues by objectively letting the people know the benefits (Razimi, et al, 2014).

Regarding the process of recruitment and selection Islam emphasizes only and only merit. As it was once remarked, *–Indeed, the best one you can hire is the strong and the trustworthy* (Razimi, et al, 2014). Only those who have the competencies required are selected to be employed. Islamic principles make sure that it is not only the qualification-related competencies that becomes one of the considerations, but also whether or not the applicants are trustworthy, and have Islamic qualities in their characters. Only they who deserve, not about who-knows-who anymore (Alorfi, 2012). It is important the employer considers it as an *amanah* (trust) that he/she will be questioned about and thus make sure that the company should inform the prospective employees about their pay packages, responsibility and recruits only qualified employees.

Regarding the recruitment process, in Malaysia there isn't any notable difference that distinguishes the system with the one in other countries. The only difference is that in every interview session to recruit new employees, a member from *Shariah* (Islamic rules) department will sit as one of the interviewers. The questions that are being asked to the candidates are not only the usual ones, but also basic questions that are being set to see their level of understanding and willingness to be committed to the Islamic principles, rules and regulations. Not only to recruit and select employees, the *Shariah* department also be able to conduct internal audit on the selected department every month to ensure the work decision and process comply with the *Shariah* (Sulaiman, Sabian, Othman, 2013).

Different countries, different rules. In every household, there must a unique characteristic that stands out differently compared to other family. They can be good or bad, depends on the actions being taken afterwards, and the situations being implied. Malaysia is no exception. Unlike Pakistan, even though they have the same Islamic rules throughout the country, nepotism and dishonesty are not a cultural thing there. Instead, there are not many differences than any

other capitalist country regarding their human resource management, except the existence of the *Shariah* department.

6.1.3 Egypt

Egypt has many strong and unidentical characteristics than other Islamic countries. There are seniority and loyalty that run deep through the citizen's veins. Nydell (1996) referred to respect for seniority in Middle East countries and in Egypt, and Parnell and Hatem (1999) also noted that employees often tended to agree with their supervisors and that seeking subordinate participation is regarded as weak management. Supervisors are seniors, hence they are highly respected. Parnell and Hatem (1999) also confirmed the importance of relationships over the task and the importance of loyalty to the group.

Besides seniority and loyalty, friendship is highlighted as one of the most profound character lies there. There is a tendency to avoid uncertainty as well, with the people there prefers to work in the same business doing the same jobs over time Al-Faleh (1987). Compared to other western-structured companies, job descriptions and responsibilities assigned are not specifically defined. This highlighted the fact that there is a discretion between the authority and the workers in personal manner. The distance just becomes even wider with the superiority character exists in the country, where employees are likely to do what they are told, partly out of respect for authority and also given their loyalty to the organization Hickson and Pugh (1995).

How the country regards seniority and loyalty very highly was considered as the socio-cultural environment, and is consistent with that identified by Kanungo and Jaeger (1990) as being an important characteristic of developing countries (Leat and El Kot, 2007). When vacancies are opened, two criteria that are more important than fitting in with the organizational structure are job skill and qualification required. Egypt employers tend to have a preference for using the internal labor market when it is necessary to fill vacancies is consistent with both the cultural profile identified by Hofstede (1980) and the influence of Islam. Since unity is everything, there is a low individualism in the country.

6.1.4 Turkey

From the research conducted by Aycan (2001), it was found that less than half the organization population in the country among the participating organizations, less than half of them reported that they engage in human resource planning and successfully implement it. Was it a shock for the country? Seeing how Turkey has turned out since Mustafa Kemal Pasha revolution, it became a half Muslim-half European. Another notable difference in the recruitment is the heavy reliance on one-on-one interview as the most frequently used methods of selection (almost 90 percent of them). Not many of those companies use questions and tests that are objective and standardized. In Turkey, interviews are unstructured and heavily influenced by the interviewer's subjective evaluation and intuition. Once again, non-meritocratic system being used. A few popular "objective" tests are just translated from English to Turkish without a proper adaptation and standardization procedure (Aycan, 2001).

Though references on Islamic human resource management application in Turkey is not as much as the other countries, it is still being counted as an important input in this chapter, as a transition country from a pure Islamic one to a more Europeans country. It cannot be denied that Muslims still fill more than half the population in the country, and that the Islamic human resource management system, especially the recruitment, is undoubtedly very interesting subject to research further.

6.1.5 Middle Easts

This part will discuss mainly about the Middle East countries in general. Why them, one might ask? Why not just take one as an example and be done with it? Can we really speak of all those countries collectively as the Middle East world? The answer is yes, because the key reason lies in Middle East identity. Middle East countries are practically one identity and the same (Lawler, 2008). To understand it, we have to go back to the initial definition of identity, which is made of things that people share that help them define themselves and give them a sense of belonging to a group (Barakat, 1993; De Vos, 1995; Lawler, 2008). The

characteristics often include common history, language, cause, religion, values and beliefs, needs, interests, and kinship (Barakat, 1993; De Vos, 1995).

Differences still exist, of course, but that doesn't mean it defines themselves as identity. Only differences, that does not really matter that much. As Lawler stated (2008), identity combines both notions of sameness and difference. *-Heterogeneity and plurality can best be perceived as another layer within identity*ll, says Barakat (1993). About the recruitment process, Middle East shared the same ideology basis. This means that they share the same or common identity despite their differences and even their antagonistic relations (Barakat, 1993). Since the social formations, the economic interests, and the external challenges and conflicts are similar, the recruitment also doesn't differ that much. The similarity in Middle East elements of culture was also supported by other researchers (Ali, 1990; Dirani, 2006; Dirani, 2009; Kabasakal & Bodur, 2002).

6.2 Training

The same as the sub chapter before, this session will be divided into different country's implementation of training system in the companies. There are 4 countries as a whole, which are Pakistan, Malaysia, Turkey, and Middle East countries.

6.2.1 Pakistan

As theories had stated restlessly, to perform assigned task effectively, employees need to go through proper training and development courses conducted by trained employees (Baldwin and Padgett, 1994). Besides recruitment, training is essential to help the company perform the best performance and better yet, to achieve the company's goal (Barney, 1991). As Dobson and Tosh (1998) also implied, training is the best human resource management practice when it comes to bringing out the best in reaching the company's goal. Proper training leads to high organizational efficiency and effectiveness as remarked by Noe (1986). Organizations which invest in training have a competitive advantage over organizations lacking trained and skilled workforce.

Rather than an expense, training should be considered more of an investment. It was discovered that training actually gives a favorable results and maximizes output (Elangovan and Karakowsky, 1999). Training is very important for the improvement of employee's skills. The workforce in an organization determines the market share and profitability of the company, in order to attain sustainable competitive advantage (Booth and Snower, 1996). Of course, it all doesn't go without any tradeoff. The training and development program will be compared with the management of the organization with the costs of it all and the productivity resulted afterwards (Elangovan and Karakowsky, 1999). If it brings benefits, it can go on. If not, then the game ends there.

The more skillful the employers are, the more they can help develop and achieving strategic position over competitors and improved level of performance (Brown, 2005). In banks in Pakistan, it can be generalized that variation in perceived performance of Islamic banks was explained by post-selection human resource management practices. In the contemporary world, successful organizations consider training expenses as investment having a higher return in the shape of improved customer services, profitability or other financial indicators. Skillful employees are prerequisite to accomplish the organizational goals, in example for improving customer services and profit maximization etc. (Dar, et al, 2014).

Still in the banking sector in Pakistan, there was a positive relationship between employee training and employee performance. As employees get more training schedule, their performance tends to increase in the same manner. In short, training brought a positive impact to the company to the workforce, for real. The ones that were very popular among all the employees were extensive training programs, yearly training programs and new knowledge training programs. Training on new work force also extends the level of employee performance. Hence, there is a well-built association between training and performance (Rizwan, et al, 2013). Training and development had been treated as expenditure, but management perception is changing to consider its importance as an investment (Mangi, et al, 2012).

6.2.2 Malaysia

In Malaysia, training and development programmes are run using the training participation theory as a basis. Al Yahya included the basic theory in his research (2010), in which we can see in Figure 6.1 below:

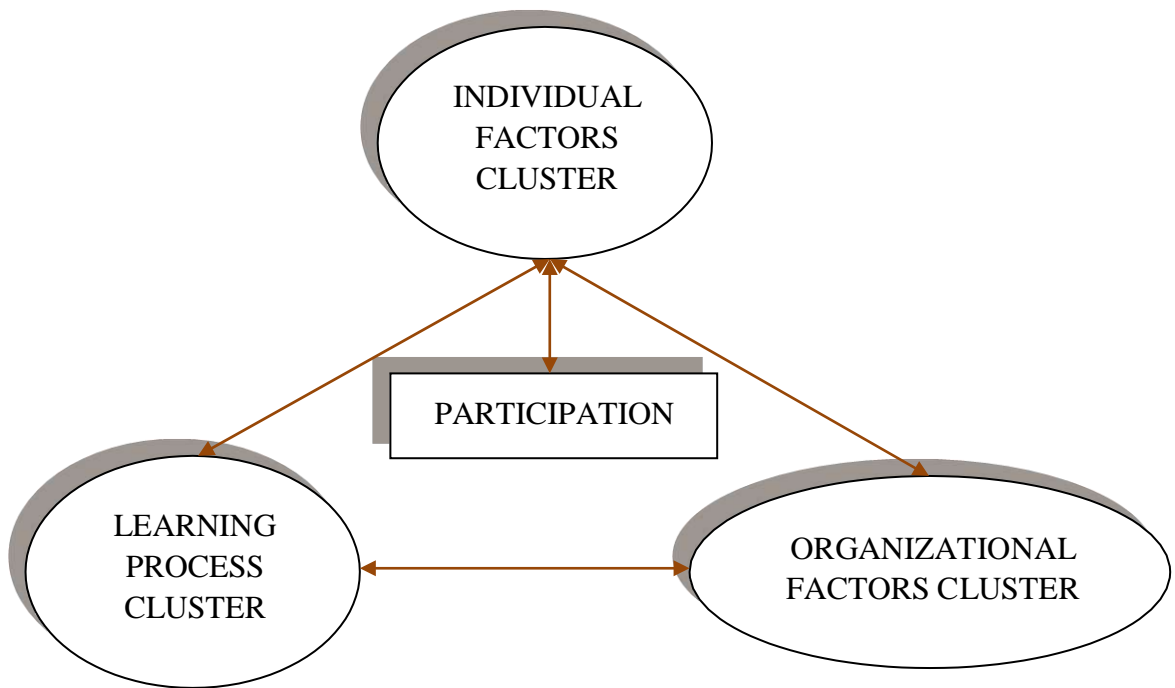


Figure 6.1: Training Participation Theory (Source: Al-Yahya, et al, 2013)

6.2.3 Turkey

Turkey is once again included in the story. It just comes naturally, as training and development are among the most important functions of the human resource management department in Turkey. One of the major challenges in training and development is the evaluation of training effectiveness. In the process, there is heavy reliance on the evaluation of the trainer, and the rest is about evaluating the trainees. There is a term commonly used in evaluating the training, and that is –happy sheets‖. It is the term to describe how the trainees are usually –happier‖ after the training takes place. Of course, that only applies to those who don’t give any bad record during the training (Aycan, 2001).

6.2.4 Middle East Countries

In a study conducted by Ismail (2010: 60), in some random company (which will be addressed as company Y) offered several and various courses, including: general core consulting courses in teaching core consulting skills and other courses for soft skills. Yes, there are a lot of courses. New employees, or in this case, the trainees, started with on-boarding courses and then they take on a proactive role in signing up for courses to address their developmental needs as identified in their performance assessments. For a broader audience, for example non-native speakers, the material of the courses and the approach used to deliver them are the same worldwide with slight modifications (Ismail, 2010: 60).

6.3 Reward/Punishment

6.3.1 Iran

Iran might or might not fit the criteria of being the Islamic country, but it is still included in this chapter because the location of it, which in the Middle East. Iran is used to be an Islamic country until the rise of *Syiah* communities there, which practically runs the country now. According to Karami, et al (2013), reward management system has a positive and significant effect on employee motivation. Unfortunately, the motivation's of the employees did not have a positive and significant effect on employees' performance. The reward management system has a positive and significant effect on employee performance (by the presence of motivation as the mediating variable).

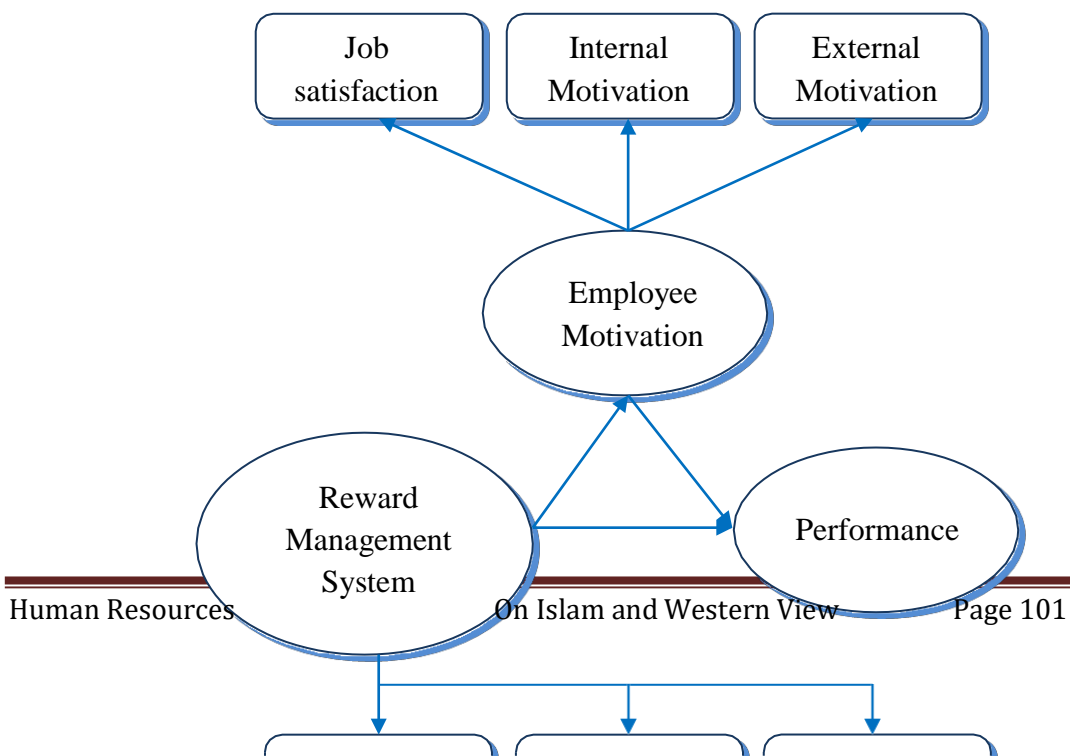


Figure 6.2: The Effectiveness of Reward Management System Through Motivation

(Source: Karami, et al, 2013)

6.3.2 Malaysia

The tourism industry is one with the most potential industries in Malaysia. It is already a well-known fact that Malaysia is one of the front-runners when it comes to tourism. People all around the globe have chosen Malaysia as one of the destinations to go in the holidays. Therefore, motivating the industry employees will impact a lot on the whole income of the country if it is positive. Malaysia is much less fortunate when it comes to natural resources such as oil, unlike many others. Thus, this country has chosen tourism industry as the main source of income and it has been successful until now (Gohari, et al, 2013).

Regarding differences such as categories of gender, age, work experience, job position, marital status and education of the employees, there are not any differences between their performances. Since the reward and punishment come after the performance evaluation, this fact means that the demographic elements in Malaysia does not really matter much to the work field perform. Although, still there is a positive relationship between employees' performances and pay, bonus, fringe benefits, promotion, appreciation, empowerment, and delegation in one hand and employees' performance on the other hand.

How to know the strength and weakness of the workforce in the organization, if not by reward and punishment given through time? So, the detail of the information regarding the employees becomes a substantial reason for the company to keep, because it gives a good picture of what is going on in the company. For example, the culture, income, and the family situation of the

employees have an effect on their preferences of the reward kinds. One type of reward does not bring the same effect to one employee as well as the other. Therefore, personal background of each employee does matter.

6.3.3 Egypt

Culture is a big thing in Egypt, as explained in the previous sub chapter. Therefore, it's no longer a surprise when Trompenaars (1993) found in his research that culture plays a big role in reward and punishment system in the country's workfield. The culture holds a significant impact on determining the reward and punishment that the employees get. A relationship is formed through the culture, and like a domino effect, it eventually determines the employees' status and how things such as age, seniority, and the social status of the employee in question affect the reward that will be given. The stability of career paths and longevity and security of employment also included in those factors.

Another evidence that showed how culture plays a big role in Egypt was elaborated through the original work of Hofstede (1980) as suggested by Rahmati (2000). Leat and El Kot (2007) also pointed out to the same direction as those researchers, while suggesting that it might be appropriate for materialism and individual reward to play a stronger role in reward management. In order to be competitive, the influence of Western management practices and recent exhortations for Egyptian organizations to pay much more attention to improving productivity and increasing efficiency competitive (Nydell, 1996; Parnell and Hatem, 1999).

Regarding the wage structures, job evaluation is the ultimate basis in the consideration process, and the increasing in payment is highly related to the performance rather than seniority. This comes as a good light, considering how thick the seniority culture in Egypt. Although that is the case, there is another characteristic that adds up to the culture of the country, which are low individualism, strong desire to avoid uncertainty, moderate masculinity and strong power distance. Those qualities balanced up the qualities that bring the equality in the workplace down, and created a more comfortable situation at work.

6.3.4 Turkey

Unfortunately, the efficiency of the reward giving system in two-thirds of the organizations in Turkey are doubtful. Although, there are some systems that are going smoothly, especially for the performance-based reward allocation for white-collar employees, but not so for blue-collar ones (Aycan, 2001). The rewards come in the form of bonuses and an increase in salary. Another non-material rewards, such as an award presented for the best employee, which usually labeled as –employee of the month are not given in Turkey, because it is believed that this will hurt other employees’ feelings and disturb grouped harmony. Salary is personal, thus less complicated issues will arise afterwards.

Another reason that determines the level in salary increase is the inflation rate, afterwards it all comes from the performance of the employees. There is also a report that stated an increase in salary level through –network power. Other benefits that the employees get are cafeteria benefits, health insurance, company car, mobile phone, fuel-oil for commuting employees. Those are not the form of reward or anything. Instead, it reflects the paternalism culture in the country, and they include cafeteria benefits, health insurance, pocket money for religious holidays, fuel or firewood for heating, contribution to children’s educational expenses (Aycan, 2001).

6.3.5 Bangladesh

In Bangladesh, fair compensation system is considered hard to be held, and time consuming as well. The companies still respect, compensation and its regard to employees’ commitment, as reasonable as it can be, but facts tell otherwise. Although, the theories still speak out the same words. The more competitive employee performances are, the higher the efficiency and the commitment that they hold in the company. Islamic knowledge and understanding should be the basic principle in running the human resource management functions in Bangladesh, as Islamic rules (*shariah*) should be the core principle as well with the companies in the country. In reality, companies in Bangladesh still had not fully cooperated with Islamic laws as a whole.

6.3.6 Pakistan

It is not denied that employee compensation is one of the important factors that influences employees' performance. The compensations are as follows: job incentives, employees' increase in salary, and other kinds of benefits. All employees in Pakistan are keen about all those kinds of compensations. The human resource management branch knows what it takes to pump up the employees' performances, which is through compensation (Rizwan, et al, 2013). The research conducted by Rizwan, et al found a positive significant linkage between employee compensation and employee performance.

6.4 Promotion

Promotion is not commonly found in many researches as much as its former factors. Most of the literatures usually focus mainly on reward/punishment and recruitment process, and pass the promotion step on. Only two countries that will be discussed in this sub chapter, and those are Egypt and Bangladesh.

6.4.1 Egypt

Besides compensation, commitment is one of the key factors that determines the quality of a company through its management side, because it reflects the dedication and hard work of the employees. The more qualified the employees, the higher the quality of the company. Management sector in the company acts as a –full partner, not just some random department there. The human resource department has a high influence to the company's goals and objectives. Promotion is being taken care of by a human resource department, with almost at the same level as a vice-president in the company. Usually the department reports any promotion to higher ups, but in the case with Egypt, since the human resource department becomes more important by the day, the bureaucracy is not exactly the same (Aycan, 2001).

6.4.2 Bangladesh

Promotion and performance appraisal are regarded quite highly in Bangladesh. It all depends entirely on their performance. There is a balanced system of promotion in Bangladesh. The better the performance is, the more promotion and performance appraisal that the employees would get. One of the

so-called performance that is being evaluated is presence. Lazy employees would not get the prize. In contrary, as how it should be, the productive ones are generally committed to the organizations. This way, there would be no excuse or other options for the organization to establish an effective and productive work environment in the company (Rahman and Shahid, 2010).

6.5 Career Path

6.5.1. Pakistan

Career Development System in Pakistan is found to be positively correlated with the employees' performances in most of Islamic banks in Pakistan. The career ups and downs are determined by how well the career paths, transparent internal hiring, succession planning and equal employment opportunity in the company. The companies are well aware of the fact that employees' dissatisfaction comes from how the company fails to manage the reward/punishment and the promotion during their career lifetime.

Promotion is one of the way the company use to achieve organizational goals, because performances that are based on rewards or motivations such as promotion. The result between those two variables are found to be positively correlated in previous studies conducted in the same domain by other researchers (Huselid, 1995; Wan, et al. 2002; Sels et al., 2003; Singh, 2004; Katou and Budhwar, 2010; Masood, 2010; Razimi, et al, 2014). In short, promotion, even though it seems to benefit the employees rather than the employer, it actually is being used as a tool to boost the employees' performance during their career timespan.

6.5.2 Turkey

In Turkey, career management and planning is very important in organizations where the employees had to make career choices very haphazardly. This happened mainly because the education system as well as the cultural norms in Turkey. Human resource department in this country acts more like a career consultants rather than an actual human resource department. Among 100 percents of the companies, around 72 percents managed their promotions based

purely on the employees' performance. Another reasons are by completion of required training, fulfilment of required service years in a particular position, and competencies (Aycan, 2011). Although, there are still several organizations exist that do not inform their employees regarding the terms of promotions.

Question

1. What is the biggest difference in term of training and development program in Islamic countries? Explain why.
2. What distinguishes Islamic human resource management application in Islamic countries and in your country, if any?
3. How does Islamic human resource management manage the reward and punishment system differently than those of capitalists?
4. In which country, specifically, does nepotism grow the most as country's culture for ages?
5. Describe the recruitment process in Egypt, and how it differs in the way it is handled in Pakistan.

CHAPTER VII

ISLAMIC HUMAN RESOURCE MANAGEMENT: APPLICATION IN INDONESIA

Indonesia is one the most Muslim-populated countries in the world, and the implementation of Islamic human resource management becomes very interesting in that sense. This chapter will discuss further about Islamic human resource management application in two kinds of workplace: Islamic banks and Islamic boarding school. Don't frown your eyebrows quite yet, reading the latter (Really? School?), because this chapter will answer all your questions. So, here we go.

7.1 Islamic Banks

Islamic banks are the representatives of how Islamic human resource management is being held in Indonesian companies. Of course, by representatives, they are by no means reflect the implementation of Islamic human resource management for companies as a whole, only in parts. There were two banks that are being the examples of this chapter, as follow:

7.1.1 Sumatra Barat Bank (Subar Bank)

Islamic government banks have been established for around 3 years until now, which was 33% of them. They have also been running for 6-7 years with full-time employees around 11-20 people, and part-time employees around 1-11 people (Kenedi, 2013). Islamic government bank can only have maximum 5 units in North Sumatra, where in the head office the human resources can be up to 66,7%, and in branch offices the number is around 33,3%. Subar Bank is one of those Islamic government banks, which the profile quite fits the name itself. Islamic government banks are banks in which the government are the -top employerl, or in this case, the CEO. Islamic government banks already established their way of recruitment process, training and development, evaluation, reward and punishment, and even pension system.

1. Recruitment

Job vacancy announcement was not only published secretly, but it was spread widely so that other candidates could get the information as well. Chances were for everyone, sound and fair. Regarding the central database of the employees, Islamic government banks, including Subar Bank, still don't have the possession of such thing. Subar Bank tends to not favor anyone inside the company regarding their job vacancies, so applicants from outside the bank could get the same opportunity with others, based on their skills and competence.

2. Training

Subar Bank used to hold an orientation for new employees in order to introduce the work environment there. Different house, different rules, and that was what the company intended for the employees to learn. The orientation was not only be done by the employers, but by the more senior employees as well. It was already proven that training did have a positive relationship with human resource career enhancement. With training, employees could give maximum performance despite the fact that the employees in question did not have full information regarding the subject before.

3. Evaluation

Performance evaluation in Subar Bank still hasn't been as focused as the other human resource management programs. It was already intended for the best, only the implementation wasn't quite upto the expectations. In practice, evaluation system was only be held in order to be the basic consideration for promotion, career enhancement, salary decision, and reward giving.

4. Reward/punishment

Regarding reward/punishment and salary, Islamic government banks already managed the tasks quite well for ages. The variable that they intended to look the most was the position. Salaries were given depends on which position the employees were currently in. The involvement of the top management regarding remuneration was still high, and it was given to give more power to whichever employee was

given (no pun intended). The turnover level of Islamic government banks' human resources was still considered low, which could only mean that the flow in and flow out of the employees wasn't so high. Therefore, it was becoming more crucial for the banks to boost each employee's performance to counter that fact. In keeping the employees loyal to the company, fair and decent salaries and bonuses are important. It was essential for Islamic banks, including Subar Bank, to train their employees real hard in order to survive in these days' harsh competition with conventional banks (Kenedi, 2013).

7.1.2 National Bank of Indonesia (BNI)

National Bank of Indonesia, or what we will address later as BNI (*Bank Nasional Indonesia*), was located in Padang City, West Sumatra. It was the same island with Subar Bank before, only it was on the north, not west. Islamic human resource management practice that will be presented by BNI here is from recruitment process. As for any other human resource management programs, the information was not explained further by Septeriana (2009). One of the most important aspects in recruitment is the information of job vacancies, and in BNI Padang, it seems that the announcement was made such as:

1. Career Day Campaign/Opportunity Day Campaign
2. Q&A Session
3. University Campaign
4. Industry Campaign

The steps in recruitment process:

1. The applicants would send their CVs and application letters to the human resource department in BNI
2. The branch would send the applications over to the region banks
3. The first step of selection would choose some candidates to be tested in English proficiency, psychological test, general knowledge test, and interview.

4. The region banks would send the recommendation out to the head office
 5. The decision would be made out and be sent to the branch office
- (Septeriana, 2009).

7.2 Islamic Boarding School

Islamic boarding school in Indonesia is not only about formal education. Rather than as just all boarding school, it is more like a –school of life, no joke intended. A place where the school-age students are gathered together to learn about the same thing students are supposed to learn at normal formal school, only more. They also study about Islamic values and rules, and how to implement it in real life. Mostly, Islamic boarding schools facilitate their students to run professional business, such as financial institutions (koperasi), copy shop, restaurants, even convenience stores (Zuhriy, 2011).

Islamic boarding schools in Indonesia which found implementing Islamic human resource management in their daily routines are several, but in this chapter we will only discuss two of them. The first one is located in Bandung, West Java, and the second one is, funny enough, also located in Bandung, West Java. Both schools were considered big and respectable in the country, as they also contributed a lot to the society around them. The first one is called Al-Ittifaq Rancabali, and it was known for being advanced in entrepreneurship, especially regarding their students (Affandi, 2006: 6; Fauzi, 2002).

7.2.1 Al-Ittifaq Rancabali

Since 1970, Fu'ad Affandi, had been trying to infuse a religion activities into entrepreneurship activities which mostly moved in agricultural sector, in his Islamic boarding school, as natural resources were abundant in the location (Fauzi, 2011). The entrepreneurship activities are stilling strong until this minute, even managed itself to be the backbone of the school. Skills training outside of the agricultural sector were construction craft, wood craft (furnitures) such as tables, cupboards, windows, etc. In running the human resource management department, the school applied the system that already helped establish the agricultural sector there.

In managing its entrepreneurship program, especially in agricultural sector, Al-Ittifaq involved its own students. The students did not only learn about religious subjects, but also agribusiness sector. Therefore, many of the graduates run their own business in agricultural sector in the end, and usually are successful. Al-Ittifaq in this recent days also becomes a place for internship program or agribusiness training from students outside the area, college students, and farmers from all kinds of locations, inside and outside the country. To enhance the performance of the students, Al-Ittifaq boarding school also created a work relationship with many partners, such as:

1. The society and farmers near the school (surrounding it), in the form of a training regarding the distribution of farm's crops by the school.
2. Government institution and State Companies (BUMN), in the form of a relationship in enhancing human resource management, capital support, and infrastructure improvement.
3. Educational institutions, such as agricultural technology improvement through researches, and internship. Other institutions that have been maintaining a work relationship with Al-Ittifaq are IPB (Institute of Bogor's Agriculture), UNPAD Bandung (Padjajaran University), UNWIM Bandung, UNSIL Tasikmalaya, ITB Bandung (Bandung's Institute of Technology), IKOPIN Sumedang, UMY Yogyakarta, UNS Solo (State University of Solo), UNIBRAW Malang (Brawijaya University), Satyagama University of Jakarta, and many others.
4. Financial institutions and business institutions.
5. Other parties that are likely to be able to give benefits to business improvement and education in regards to maintain Islam's rules to polish Muslims' welfare (Affandi, 2006: 6).

In managing the agribusiness sector, the students were divided into several groups, that fall into some categories, such as interest, educational level, and special skills of the students. The job description of the teachers are as follow:

1. Agribusiness organization committee
2. Office

3. Chief of field
4. Packaging
5. Marketing
6. Field officer
7. Inventories

7.2.2 Daarut Tauhiid

The human resource management improvement was also held by Society Improvement and Service Department. The difference was that this activity especially works to improve society, in economics sector. Society that were being the target are the poor, abandoned children, and juveniles. The material that was being discussed also did not stray too far away to the targets, which were around religions, morals, knowledge, and entrepreneurship as fundamental issues. The material that was given was adjusted to the initial goal of the activity itself. For example, there were programs that were intended to give people more knowledge in the scope of natural disaster prevention, and many others (Bappenas, 2004: 35).

Daarut Tauhiid boarding school tends to popularize some methods that they invented on their own, regarding human resource management development program:

1. 3M : Start from ourselves, Start from little things, and Start right away (*Mulai dari diri sendiri, Mulai dari hal yang kecil, and Mulai saat ini juga*)
2. 7B : Pray right, Act morally right, Learn right on, Work right hard and sincere, Humble in life, Help each other, and Purify the heart (*Beribadah dengan benar dan istiqamah, Berakhlak baik, Belajar tiada henti, Bekerja keras dengan cerdas dan ikhlas, Bersahaja dalam hidup, Bantu sesama, dan Bersihkan hati selalu*)
3. 3S : Family spirit, Solution-finding spirit, and Togetherness Spirit (*Semangat bersaudara, Semangat mencari solusi, dan Semangat maslahat bersama*)
4. 5S : Smile, Say hello, Say hi, Polite, and Proper Manner (*Senyum, Salam, Sapa, Sopan, dan Santun*)

There was a training that was held by Daarut Tauhid boarding school, which were:

1. Frequent Praying Program
2. Digital Praying Program
3. Wall Decoration Design Program

CHAPTER VIII

CAPITALIST HUMAN RESOURCE MANAGEMENT APPLICATION: CASE IN INDONESIA

Chapter 8 will elaborate further on the discussion of capitalist human resource management, in practice. The second chapter in this book has introduced about capitalist human resource management, and why it is called –capitalist. Chapter 4 already explained about the history of the practices of capitalist human resource management, only not specifically where. In this chapter, we will discuss the practice in Indonesia, divided by 4 sub chapters: in conventional banks, manufacture industries, small enterprises, and family businesses. The first sub chapter will talk about the perspective of capitalist human resource management through the eyes of conventional banks.

8.1. Conventional Banks

Rather than dividing the parts into human resource management system categories, there will be parts that each will represent each bank that is being discussed about. There are totals of 6 banks all around the country, which are Mandiri Bank, BCA, XYZ Bank, Windu Bank, BNI46, and BRI Pasuruan. All the banks do not have the same method in managing human resource department, and not everyone could show all human resource management process, start from recruitment until the evaluation. Some of them even only has one program in this chapter, i.e only the recruitment process, or the training and development program.

8.1.1 Mandiri Bank

In case of career development, Mandiri Bank showed quite a list of categories that need to be fulfilled before the employees can even spell the word –promotion. Those categories are education, working period, gender, marital status, horizontal moves, and the amount of rewards the employees are honoured during their worktime. Employees can get a rise both in salary and in job position (or anything that would follow along –promotion) by fulfilling one of those categories, but not in the same level. It means that one category can help them get

promoted faster than the other, thus the higher probability issues ensue (Muis, 2012).

We start with the first requirement: education. It does not necessarily mean formal education such as master or doctoral degree, but can also apply to informal ones, such as educational classes the employees have undertaken inside the bank. Obligational training is not included in this case, as every employee has to go under one everytime they began their career in the bank. This demand of a higher education actually makes sense, as a rise in position means that the employee in question will hold a higher and more important job specification, a situation where more knowledge is needed to assure that the work will go to the right way.

The second requirement, the working period, is one of the fairest variable among all, regarding promotion/career development. Not everyone can fulfill demands such as having accepted many awards, or undergoing top international seminar/workshop, but everyone can –have timell. By spending their life working in the bank as any other employee would, the clock’s ticking and the time will run as naturally as it is usually, and by the time the managers feel like it’s the right moment, the employees will eventually get a promotion. That’s why it’s called the fairest: everyone has the same chance. But alas, this variable was not significantly influence the promotion consideration in Mandiri Bank.

Gender, as it’s surprising as it might turn out, indeed plays a role in the career development for employees. It’s already proved that in order to get promotion, gender is one of the –requirementsll managers take a look to review. As it might expected, women are the ones on the disadvantage position this time around. Women in Mandiri Bank only get 7,6% probability to have promotion compared to the chance that men would get. It indicates a gender discrimination still exists, safe and sound, in the workfield especially in banks. Catalyst (in Burgess, 2003) found the same discovery as well in US, and the same phenomenon also happened in Australia under Kom/Ferry International Research Center, which further underlines the fact that there is a gender inequality in term of promotion in the work environment around us.

Meanwhile, marital status excluded itself to be one of the significant factors for employees in Mandiri Bank in order to get promotion or to develop their career. That means, spoken for or not, it does not really matter for the company. Other factors, such as horizontal movement, also proved itself to not be the factor that influences the company to promote employees or not. In the employees' career development, a movement from one department to another department is not really important. In some cases, some employees even move frequently from one department to other, without a promotion at hands (Muis, 2012).

The last variable is the amount of award that the employees have gotten during their worktime. It actually makes sense, because the awards could be the reflection of the employees' performance in the company. Managers would not want to raise an employee to a higher position if the employee itself never showed any improvement regarding the job that is given during his/her time in the company. What's best for the top management in the company to evaluate their employees not just for this month, but for the last ten years, other than looking at who's the most standout among them?

8.1.2 Bank Central Asia (BCA)

The same as the previous bank, Bank Central Asia, which later will be called as BCA, it is the career development a.k.a the promotion that is being the center of discussion regarding human resource management in banks. Muis (2012) also presented the same variables, which are education, working period, gender, marital status, horizontal moves, and the amount of rewards the employees are honoured during their worktime. Not all variables are significant, there are the ones that did not support the management's consideration in evaluating which employee to promote.

Table 8.1: Factors That Influence The Promotion in BCA (Source: Muis, 2012)

Variable	Significancy	Explanation
Education	Significant	- Obligational training is not included as

		-additional education - The higher the position, the higher education that is required to do the job exactly the way the company wants
Working Period	Not Significant	- No matter how long the employees spend their lifetime working in the company, BCA management would still look at other factors in order to give them promotion
Gender	Significant	- Women are on the -lower position below men in this case - Discrimination regarding gender still haunts the corner in the company - Men have a higher probability of getting promoted in BCA
Marital Status	Not Significant	- Married or Single does not have much differences for BCA in evaluating their employees to get a promotion
Horizontal Movement	Not Significant	- A movement to other department does not mean an instant promotion is getting closer at hands
Employees' Awards	Significant	- The more the employees prove themselves to be benefitable for the company, the more chance they will get to get promoted - Award records are one of the consideration for BCA management to give their employees a raise in position and of course, salary that follows

The same with Mandiri Bank, BCA management also did not regard marital status and worktime as the consideration for employees' promotion. Both banks (Mandiri and BCA) honors much the fact of whether or not the employees are benefitable for the company. Although there is still inequality issue going on in the company. Discrimination towards gender, is unfortunately still faced by

BCA, the same as Mandiri Bank. Men are likely to get promotion more than women. Women, once again, find themselves to stand in a disadvantage position compared to their opposite gender (Muis, 2012).

8.1.3 XYZ Bank

The bank that was being the object of the research conducted by Mardatillah, Nasution, and Ishak (2013) was located in Sumatera Island, Indonesia. The exact place was North Sumatera. XYZ was not the real name of the bank; it's just the alias. The bank itself did not feel it's the best if the researcher revealed their real name, so it was being left out on purpose. Different than the previous banks, XYZ Bank's human resource management application was evaluated in one sector only: their evaluation program (Mardatillah, Nasution, and Ishak, 2013).

The evaluation of employees' performance is one of the most crucial part in human resource management system, beside recruitment. It is basically the tool for the company to discover whether or not the human resources that they invented in, are benefitable. Like any other bank, XYZ Bank regards evaluation quite seriously. There are two indicators in evaluating employees' performance: lagging and leading. Both indicators were used to observe the balance of efforts and target achievement. This way, the company could improve the performance of their employees to give a better result in the future.

According to the measurement, XYZ Bank's employees' performance showed around 16,67% employees that are included to the category -excellent, 44,44% employees fell into the category -quite good, and the rest, 38, 89% were -averagell. This evaluation gave the top management in the company the consideration to decide whether or not the employees are benefitable. The performance that was being evaluated was not only limited to the work result, but also how good the teamwork skills of the employees. This is different with other criteria in other company's evaluation list.

8.1.4 Windu Bank

Still in Sumatera Island, now in far South, Windu Bank came as the representative of how capitalist human resource management system works in banks. There are several aspects that are being highlighted, which are the recruitment process, the training and development program, and the performance evaluation. The recruitment process was basically like this: candidates must have a minimum working experience for 2 years in the same field they are applying into. In some rare cases, such as when Windu Bank was short of employees in a certain department, candidates that didn't fit the requirement could still get in.

Moreover, employees from the finance department were hired because of their family connection with the finance department manager. A case of nepotism that was able to be discovered, and it was clearly out of the normal procedure where candidates could not have any family relationship with any of the employees in the company, because it could trigger a dishonesty behaviour between them. As for the training, it only lasted for a day. The very short time was not managed to fit the requirement that the -normal training would have, and the learning material also was too much for only one day.

Windu Bank also already delegated its human resource employees to evaluate every employee that underwent the training and development program, but they did not do as they're told. Windu Bank did not do a frequent evaluation or monitoring system to its employees, and even though it is very important for the company to learn the competency of their employees, Windu Bank did not do so. It gave a space and chance for the employees to move their thumbs outside the line (Hidayat and Kharlina, 2013).

8.1.5 BRI Pasuruan

BRI, which is an abbreviation for Bank Rakyat Indonesia, was located in Pasuruan. The human resource management system application that is being discussed in this section is quite complete, compared with the previous banks above. The recruitment and selection process was being held to ensure that BRI in Pasuruan branch could have efficient and capable employees, which fulfill the

requirement of the company, through a standard procedure. Regarding the hiring process, BRI already maintained a wholesome good procedure so far, but the case is not the same with their placement system. It was rather hurried, not effectively done (Hariyanto, 2013).

After the recruitment, comes the training. BRI aimed to have its employees to have the required skill and fully-trained work performance during their contract with the company. Unlike the placement system, the training program was done effectively. The program was done using the company's procedure as it should be, and it was supported by the evidences afterwards that showed a positive result between the training and development program and the improved performance of the employees.

Regarding the career development, BRI already provided a manual guide and standard procedure from the company. It was documented through the whole process. From the training, planning, and career developing, BRI made sure to leave nothing out of it, for each employee. It was also effectively done, and showed a positive relationship as well with the employees' performance. Because of its well-documented method, very little of the process that was missed or not brilliantly implemented.

The evaluation and the compensation both showed a positive result towards employees' performances. Both were implemented quite well, and they covered the requirements from the company. Same with the career development and training program, the evaluation and compensation in BRI were documented throughout the whole process. From the record, the company could effectively select employees that fit the criteria of either punishment or reward. From all the explanations above, it can be concluded that BRI from Pasuruan branch already managed its human resource management department quite well (Hariyanto, 2013).

8.1.6 BNI46 (Bank Nasional Indonesia 46)

Unlike its previous competitors, Bank Nasional Indonesia 46—or which will be addressed later as BNI46—held its recruitment quite ineffectively, and it could be seen from how long the time it took for them to hire new employees. It was explained through Table 8.2 the complete process and the aftermath of the recruitment system in BNI46.

Table 8.2: Recruitment Process in BNI46 (Source: Yudhistira, 2013)

Process	Explanation
Condition	The recruitment process did not go efficiently and took much longer than anticipated (2 months).
Criteria	There was not any time limit for recruiting candidates, from the first step of the process, the placement system, until the end when the candidates were hired.
Problem	The company did not have a proper SOP (Standardized Operational Procedure) for the recruitment process, hence the inefficient application.
Aftermath	The recruitment process, which could go smoothly and efficiently, did not go as expected because there was not any proper or standardized procedure, such as time limitation for the whole process.

8.2. Manufacture Industries

Manufacture industries in Indonesia were going as strong as other big industries, especially in big city such as Surabaya. Surabaya is the capital of East Java province, and the industries that were built there for years are one of biggest in the country. UD Puyuh Plastik was the one that was being the central topic in the research conducted by Soegianto and Sutanto (2013), which was located in Surabaya. It was one of the middle-size manufacture industries which goes under the wings of a big legal company (PT. Karya Gemilang Abadi).

The recruitment process in UD Puyuh Plastik was very organized and structured, as well as its hiring and selecting process. The company prepared a

seemingly trial-training program for new employees, which was more like a training program with a probability of not getting hired for the next period afterwards, if the employees in question could not live up the company's expectations. The non-trial program (but seemingly one) did not come just out of the blue, but it was based on a legal document and regulation from the government. It was the Government Regulation no. 13, sub number 58 (1st and 2nd), which was cited as follow:

1. The company could not require a trial program for their employees.
2. Suppose there is a trial program that is being practiced, the trial program itself will soon be annihilated legally and technically.

UD Puyuh Plastik did not practice any trial program, only a training program for 3 months long. Only, the training program was not the kind that we are familiar with, which commonly takes place after the candidates get hired. The training held by UD Puyuh Plastik took place *before* the contract was signed. It was almost like a trial program, in which the aim is to see whether or not the candidates are capable to do the job in the future. The only difference, and the biggest out of it, is the fact that the trainee—as in the candidates—could get a salary which based on the city's Minimum Wage regulation. Overtime was also paid by the company, even though technically the trainees were officially not employees there.

The employees would get all rights that all other employees in the nation would get. They are protected under the regulation conducted by the government, which was the Worker Regulation 3/2012 Number 29 (sub number 3). The regulations and rights that the employees are entitled to have, and were practiced by UD Puyuh Plastik are as follow:

1. The employees are entitled to have their day leave for 12 days a year, but it was given only after the employee in question already fulfilled a 12 months full of working there in UD Puyuh Plastik.
2. The worker insurance under the national organization namely Jamsostek (Jaminan Sosial Tenaga Kerja), which is a government organization and it

was covered by UD Puhuh Plastik as much as 98% and the employees for as much as 2%.

3. For religious big days, UD Puyuh Plastik gives their employees a bonus, which is called as THR (Tunjangan Hari Raya), which basically a big pay for the employees as a gift from the company. Just the same as the day leave given by the company, THR is given only to employees that already work for UD Puyuh Plastik for at least 3 months long. The exact amount of THR is as big as a normal salary. This –gift‖ is also protected by government laws, under the Worker Regulation 04/MEN/1994 Number 2 (sub number 1).
4. Every employee could get a day off on Sunday.
5. If there is a contract annulment from the employer's side, the employee would get a compensation for any harm that the company has done because of the annulment. On the other side, if there is a contract cancellation because of the employee, he/she must pay the penalties to the company, or discuss any kind of retribution agreed by both parties.
6. Overtime would be paid by the company, and it would only if the employees work over the shift schedule. The shift schedule is divided in three parts: 07.00 AM-03.00 PM, 03.00 PM-11.00 PM, 11.00 PM-07.00 AM (Soegianto and Sutanto, 2013).

8.3. Small Enterprises

Small enterprises that are being discussed in this chapter are located in two place, East Java and Bali. We will first discuss about the small enterprise in Gianyar, Bali (Wahyuni, 2009). It was a small homemade woodcraft enterprise, which was bigger than family business but still not included in the category of middle-size enterprises. It was the recruitment system that was being the focus of the research regarding the business, and it was found that the method they were using was called –selective staffing‖. It was a method of hiring employees that depend solely on the selection process of the recruitment.

The selective staffing allowed the handcraft company to boost its marketing performance (Wahyuni, 2009). Workers are treated as production

factors and the recruitment process helped to instill that idea even deeper to the system. The relationship between the workers and the employer were quite distant, as there was a vivid gap between the workers' job description and the employer's responsibility. Regarding compensation and performance appraisal, around 83,7% of decision was made based on the benefit of the employer, and the rest was from the workers' perspective. Although, the performance evaluation did not bring much impact to the company's marketing performance in the industry.

Another small enterprise that will be discussed in this section were several small-to-middle formal and informal companies in East Java, which located in Banyuwangi, Bojonegoro, Gresik, Jember, Kediri, Malang, Mojokerto, Nganjuk, Pamekasan, Pasuruan, Sidoarjo, Situbondo, and Surabaya (Esay and Ardianti, 2013). The human resource management's application that were being the center of the research were recruitment, training, evaluation, career development program, and compensation. It can be shown through Table 8.3 about each step's elaboration.

Table 8.3: Small Enterprise in East Java's HRM Application (Source: Esay and Ardianti, 2013)

The Program	Explanation
Recruitment	The companies published the job vacancies on the media, and described the job requirement to the candidates. It was also explained to the candidates about the job description.
Training and Development	The companies gave a training and development for the employees.
Evaluation	The points that were being evaluated are absence, disciplinary, and motivation of the employees.
Career Development	The companies made a movement and changes in position and work position in order to improve and develop their employees' performance.
Compensation	The salary that is given is based on the burden and

responsibility of each job.

8.4. Family Business

Family business that is being the highlight of this section are divided into two companies. First is PT. Politama Pakindo and second is PT Bandeng Juwana, both in Semarang City. We will discuss the first small business, PT. Politama Pakindo. The requirements for PT. Politama Pakindo's recruitment are quite hard, because the company needs employees that are capable to do their job. The requirements are minimum age, such as anyone under 22 and above 35 can not apply for any job in Politama Pakindo. Another requirement is a college certificate, in which the GPA can not be under 2,75.

According to Amellia and Praptiningsih (2013), training that was given for employees in Politama Pakindo was mostly directed for production and operational department. The training courses are about using the machines and other technicalities. Employees would be given a training program for three months after they are hired. Regarding the rewards, the company gives the employees incentives and other kind of overtime bonuses. The main goal of it was for the employees to boost their performance and to give a better result regarding the company's output. There was also a motivational training for the employees to trigger their work results.

In PT. Bandeng Juwana, the evaluation and punishment system was not quite different than what was given in other normal companies, even though it only counts as a family business. Because of the nature of the employees that are not quite truthful to the company, PT. Bandeng Juwana's manager applied a punishment for the employees which could end in them getting fired. Everyone that comes to the office late would be given a notice and a warning, and when the warning papers are already piled up frequently, eventually the employees' contract would be terminated. PT. Bandeng Juwana also gave a motivational training for the employees in order to trigger their motivation for work, so that any harm would not be done again in repetition (Amellia and Praptiningsih, 2013).

CHAPTER IX

THE CLOSING WORDS:

ISLAMIC HUMAN RESOURCE MANAGEMENT MODEL

All the previous chapters already brought just about everything we need to know regarding Islamic human resource management versus Capitalist human resource management. Chapter 9 will highlight those two systems in only two aspects: recruitment and training program. Those two have already been discussed in chapter 1, 2, 4, and 6, respectively. In this chapter, it will also be pointed out about how the evolution of recruitment and training process look like through the ages, and how they reflect to today's human resource management system. It's not only a theoretical study; it's a theoretical study of an evolution through time.

9.1 Recruitment

9.1.1 Recruitment Evolution in Islam

Among all other aspects in human resource management, recruitment process is one of the most important part in it. In managing human resource, one should consider –how and –what. How to get the human resource in the first place, that match the requirement qualities, and what to do afterwards, for them to help the company to achieve its goal. In order to really manage the employees, one should pay attention to the process before, and after. Before, as in the recruitment process, and after, as in the training process.

When we talk about comparison between the recruitment process in Islam and in capitalism (as commonly practiced in Western countries), we try to find as many differences as possible. In fact, in order to discover an evolution that contributes to the management practice, we shall look after everything that could enhance the system. One thing that never changed through the ages regarding Islamic human resource management in recruitment process is the concept of –the right man in the right place.

Islam regards employment very highly. That concept really fits the nature of Islam, which really appreciates the –right man in the –right place, literally. Islam takes recruitment very seriously. Not only in regards to finding the right

employee to the job that fits the person the most, but also regarding the contract/agreement while taking people into the workplace. Promises are very important in Islam. People will not be granted a truly peaceful afterlife when they still have promises unfulfilled. The case is the same in recruitment.

When both parties—which are the employer and the employee, respectively—close the deal, there has to be a written contract and witnesses involved. The written contract itself has to be taken very seriously. While in other recruitment system it might also be applied as well, Islam particularly goes against untrue objectives. Any kind of loophole and possibility for any party to dishonor the agreement or to try to avoid some of the responsibilities assigned, will be banished immediately by this system. It's not only a legal contract that binds those parties together, but also witnesses that witness it (no pun intended).

Islam is a religion of peace. Therefore, any kind of dispute is seen as disgraceful for the believer. To prevent that to happen in the future, there needs to be an agreement that both parties could agree with (again, no pun intended).

Discussion about the matter should be held in the beginning of the employment.

Points in the contract must be reviewed one by one, if necessary. After the signature has been forged, there is no way back. Contract is a promise, and any promise must be fulfilled. Any act of untruthfulness does not have any place in Islam.

As explained back in Chapter 1 and 6, the candidates or applicants must fit the requirement of the job that the employer wants. Kindship, family network, and nepotism is strongly forbidden in the process. Only the qualified ones are chosen, and not the others. It has to be as objective as possible, with no possible ill intention involved. Placing people that don't fit the criteria of the job will only bring chaos and disaster, as The Prophet always stated.

Once the chosen ones are chosen, there comes the contract discussion. The duties and rights of the employer and the employees must be openly discussed and evaluated point by point, whenever necessary. Suppose there is any disagreement in any of the terms written, it can be solved through mutual understanding, and both parties have the right to negotiate about such matter. One can not oppress the

other, and neither parties should be forced to do anything under any false pretenses. If conformity can not be achieved, it's better to have the employment cancelled rather than the opposite.

The employer has the right to demand duties from the employee to be completed, and to determine not only the job description, but also the work time, and other rules similar. At the same time, the employee has the right to demand the compensation for all the work he would do to the employer, such as the salary/wage. The wage can be decided by the employer or the employee, as long as both parties agree to it. Neither one is —below the other, and vice versa.

Qualification that is particularly discussed here is not only limited to the job specification area, that the candidates must be able to do the work, but also Islamic qualities. By that, it does not necessarily that the candidates have to be Muslim, only as long as the people in question have the character qualities that Islam approves. Honesty, good attitude, friendly manner, and faithful characteristics are the ones that should be considered in hiring candidates, Muslim or not.

9.1.2 Recruitment Evolution in Capitalism

Quite the contrary with Islamic principles, capitalism recruitment does not require any Islamic qualities. As long as the candidates can live up the expectations of the job requirement, they are soon to be hired. Whether afterwards there will be any disagreement regarding the characteristics of the employee with other employee or even with the employer itself, it would be another story. Of course, the human resource department also consider characteristics when hiring candidates, as they also have psychologists to do the job, but not as specific as Islam would be.

As previously explained in Chapter 4, industrial revolution was where everything began. Obviously, hiring and recruiting people already took place even long before that era. The evolution started to show its tail particularly in the era of industrial revolution. Before, human resource were seen as very important production factors for companies. After the discovery of several inventions that

made efficient production process possible, people began to realize that humans are actually replaceable.

Although, with the more efficient production process, came the needs to have even more human employee to handle the doubled amount of output, and here human resource mattered again. People started to see human resources as irreplaceable assets. In the era such as industrial revolution or internet age (as nowadays), companies realize that they can not solely depend on technology only. Everyone can own technology, everybody can possess the same gadget along with all its perks. What people can not duplicate that easily is, of course, human resource.

Intelligence is something that machine can not understand. They only do what they're told, never surpass it. Only humans can do things that are unexpected, and exceed many kind of expectations. Creativity does not belong to technology; it's to people that create the technology itself. The more companies hire employees with creativity and intelligence that are irreplaceable, the more benefits they gain from the recruitment process. Hence, recruitment becomes as important as air would. All in day's work!

Loyalty, honesty... those kind of things are included in companies' consideration while recruiting employees, but one thing that they have in mind: company's goal. What good would those people bring, suppose we hire them? What benefit will they add up to the company? What kind of contribution can they make to help ensure the company's targets to be finished on time, or even better, before the due time? These kinds of questions are what really in the interviewers' mind every time they face new sets of candidates.

9.1.3 An Insight: A Touch of Postmodernism?

Talking about postmodernism will be quite time-consuming and surely, take us nowhere. Firstly we have to note that postmodernism can not be defined as exact words. Some researchers even stated that we should not even look for the exact meaning of -postmodernism. Because of its unusual behaviour, some researchers decided on it as just about another unimportant or meaningless term

(Davari, 1999). Indeed, we can at least –make something out of it, or looking at the topics that postmodernism commonly covers, which are: all aspects of life, politics, economics, religions, morals, and even the structure of human relations (Gharebaghi, 2001).

A way of thinking in which one of its goals is to criticize those topics is a safe definition of postmodernism. Cahoon (1995) remarked that some groups even stated that postmodernism is a label for a bunch of dull obscure writers who are talking about nothing, but each to their own. For now, it is safe to say that postmodernism is one of the school of thoughts that is very critical about anything, particularly, and one of them is of course, human resource management in Islam.

One thing that should be cleared from the start, this book is not postmodernism. We cover none of postmodernist intentions, not once. So, why the need to compare Islamic human resource management and Capitalist human resource management to the point of making it into a whole book? Our goals are to see what benefits that both systems bring regarding human resource management efficiency, both in theoretical framework and in practice, and let the readers decide which system is better than the other (in terms of which one is having more benefit than the other) at the end of the day.

9.2 Training

As we all agree, training is the process of developing qualities in human resources that will enable them to be more knowledgeable, skillful, and productive. Training is a win-win strategy for both the company and the employees, as neither party gains disadvantages from the training. Employees can develop and challenge themselves to be better than before, and the company can obviously gain benefit from now more efficient and effective workers. From chapter 1, 3, and 6, we already learned how Islam manages training, and from chapter 2 and 4 there were already explanations from the perspective of the Capitalists. But how do these things really comply to the evolution of training through the ages? And what does that mean?

9.2.1 Training Evolution in Islam

In Islam, training is not all about enhancing the skill of the employees. It is, indeed, but not limited to only that. Islamic human resource management department handles training quite differently with those of Capitalists. It's about Islamic training and development, which mainly focuses on purifying one's soul. Holy Quran encourages human being to acquire knowledge, skills and technology, and highly praises those who strive in order to earn a living. Indeed, man's basic qualification for being the representative of Allah on earth is to process knowledge. Hence, in order to process knowledge and get the training done, one should purify its soul first.

It makes sense, in a sense (no pun intended). For non believers it might be hard to understand why on earth, in order to increase the skill and knowledge, a person has to pray to God first, or do a thorough soul-cleanse? In Islam, everything happens by God's will, including the success of any activity in life. And that does not exclude training and development. Of course, the professional qualities, as in the skills needed for the company to gain more benefit and reach its goals are also the ones the training program aims from the start to focus on, but the qualities in question do not stop there.

What is the exact meaning of qualities in Islam? The answer is simple; it's Islamic qualities. Honesty, loyalty, the willingness to help other people, mercifulness, and the sole purpose of living the life to worship The God Almighty. One question that might appear in one's mind is how exactly do those so-called qualities help the work in reality? Can they really help to get the work done, or not? The answer is once again quite short: yes. Islam honors hardworking people, and the more skillful, the better. Not only that the company would get more efficient employees, but also better mannered ones.

In Turkey, happiness is one of the main outputs resulted from the training program. It is believed (and proved, no less) that not only improvement in skill, but also an increase in happiness for employees that underwent the company's training and development program. Happy employees are hardworking employees. The ultimate happiness for Islamic believers is when one can have God's blessing. In

other word, worshipping God or praying is one of the tools of happiness for believers. Thus, in order to get the best result, the company includes the Islamic qualities and values in the training program.

Long story short, the evolution of training in Islam does not really show much differences through the ages. The same things apply on the process: how to produce not only more skillful employees, but also an Islamic qualities as well. Managers believe that by improving the Islamic qualities, it will create a snowball effect for the work results and performances. No sweat for the evidences, because in some countries, this practices go just as smoothly. Happiness does bring more benefitable effect for the company's performance, which comes from the Islamic training program and development.

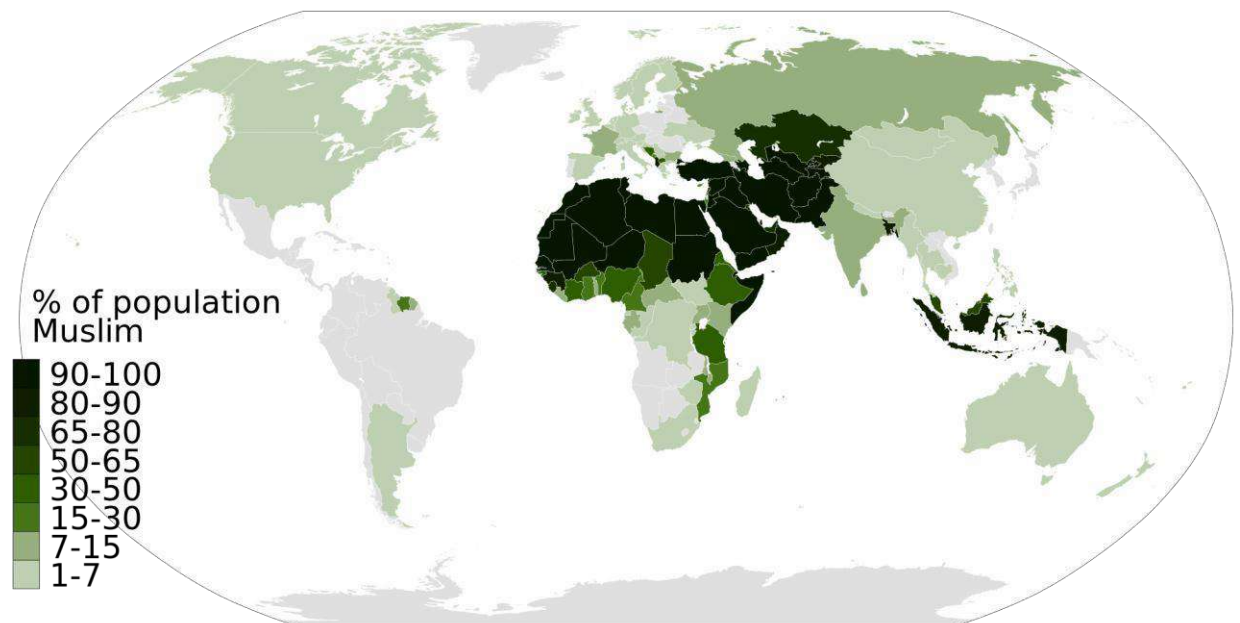


Figure 9.1: World Muslim Population by Percentage (Source: Pew Research Center, 2014)

Until 2014, the number of Muslim population in the world grew even bigger. Figure 9.1 showed us in which country Muslims reside the most. Beside Middle East, Indonesia still holds the position as one of the most Muslim-populated countries on earth. Around 90-100% of total population in the country, Muslim stands in the highest rank in Indonesia as the most practiced religion there.

It is not surprising that Islamic values began to spread itself in companies, through many aspects especially recruitment and training development program. In improving company's performance, in Islamic countries (and countries with most Muslim population), Islamic values do matter.

9.2.2 Training Evolution in Capitalism

In Capitalism, it is the same pattern as we already discussed back in part 9.1. Before, and after the industrial revolution, and after internet took place are the era where significant differences emerged on the surface. The idea behind the program is still the same, which is to improve employees' performance that would undoubtedly leads to obtaining company's goals and targets. Training and development could vary from time to time, in term of the way the managers (or employers) deal with it, but so far, the intention and goal behind the program are still showing no differences.

The happiness of the employees does not only prove its importance in Islamic countries, but in Indonesia, the well-beings of the employees are already proven to play a big part in managing the company's best performances. Happiness counts. It's not all about the personal satisfaction of the employees, but it depends on how excellent the managers could handle it. High salary, generous bonuses, or frequent holidays do not always equal with employees' happiness. Other things can add to the equation as well, such as good work environment, understanding and friendly manager, and so on.

Once again, boosting the happiness of the employees does not always mean that the company needs to fulfill every employees' wishes, but by the right motivation and gestures the same thing could be achieved without the company gains much liabilities. Win-win agreement, all the way. Creating a work environment that is healthy, competitive, fair, and friendly is one of the greatest achievements a manager could work into. Salary that is given on time, bonuses that arrive unexpectedly, or manager's behaviour that is not condescending to the employees are usually enough to keep them happy.

9.2.3 Coffee Break: What Do You Think?

It was already mentioned that in Islamic human resource management, purifying one's soul by worshipping God and asking His forgiveness are essential in training and development program. It's not only limited to theory, anyway, evidences already showed themselves left and right. However, do all Islamic countries think likewise? Let alone Indonesia—which even holds a position as a country with the most Muslim population in the world, and still can not be categorized as one of the Muslim countries, Muslim countries, even while using the same religious principles in everyday life, still could vary in term of opinions regarding the matter.

It was shown in Figure 9.2 that Muslim countries, from Southeast Asia, Middle East-North Africa, South Asia, Sub-Saharan Africa, Central Asia, and Southern Eastern Europe, all gave generally positive answer to the question of whether or not believing in God would help with moral issues. In order to fall into the category of people with high moral, ones need to have a faith in God first. Non God-believers, not necessarily non Muslims, but basically atheists, are considered to stand at the opposite spektrum of moral ground.

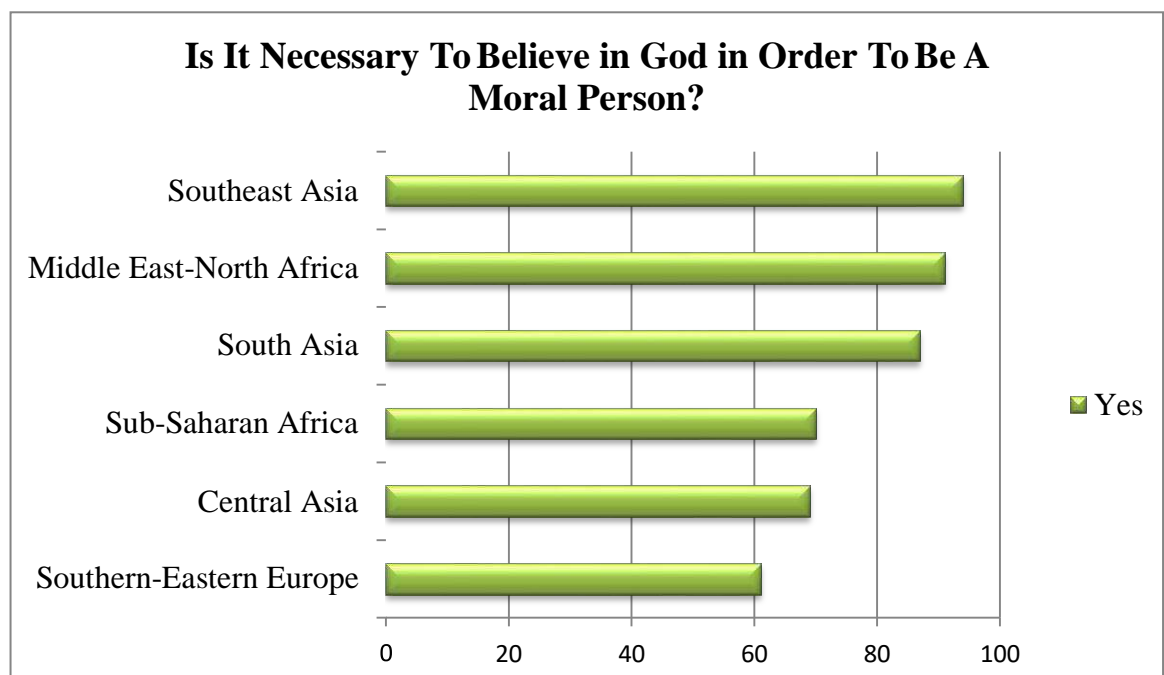


Figure 9.2: Countries' Opinions Regarding Moral and Religions (Source: Pew Research Center, 2014)

Regarding the next question of whether or not Islamic values and principles only need to be applied to Muslims and not to non Muslims, the answer came out as positive, once again. In Figure 9.3, Southern Eastern Europe, South Asia, Central Asia, Southeast Asia, and Middle-East North Africa generally had the same answer: yes. Although the percentage was a little bit lower than in Figure 9.2, it is mostly still above 50%, moving towards the full percentage of agreement. It was already explained before that Muslim managers/employers do not have to hire only Muslim employees, but can also apply the rules and system to non Muslim ones as well, but in this case, Muslim countries tend to disagree about the matter.

Islam is considered an ageless religion, in which its rules and values are applicable in any kind of era. It has no limits in term of the application of the principles, but here opinions are varying. Some countries said that it is indeed applicable to everyone, Muslim or not. More than half of them agreed to the opposite. Only Muslims are allowed to apply Islamic rules and laws in their perspectives. One is entitled to each opinions, but regarding the religion's rules, the principles still stand the same. Only the applications that are not cited in the Holy Quran is debatable even until the recent days.

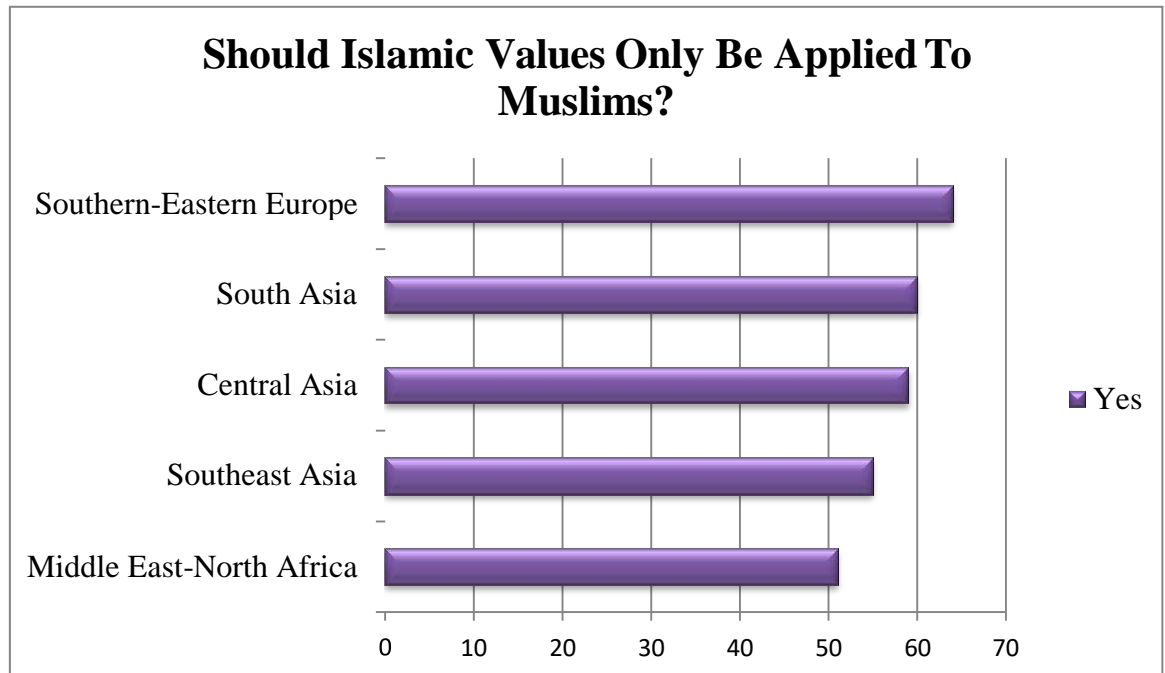


Figure 9.3: Countries' Opinions Regarding Islamic Values Applications
(Source: Pew Research Center, 2014)

So, what do you think?

Question

1. Give your opinion regarding the matters in sub chapter 9.3, briefly mentioned the figure you are referencing to.
2. Summarize your final thought regarding Islamic human resource management versus Capitalist human resource management in term of two most important aspects: recruitment process and training/development program.

CHAPTER X

THE CLOSING WORDS:

ISLAMIC HUMAN RESOURCE MANAGEMENT MODEL

At the beginning of the book, it was already mentioned that Islamic human resource management has been seen as an alternative, if not a solution regarding capitalist human resource management. There were some debates about the

effectiveness of capitalist human resource management for ages, because of its fortune-seeking nature. In previous chapters, evidences were thrown left and right about Islamic human resource management, both in theory and practices.

It is shown through Figure 10.1 that Islamic and Western human resource management are different even from the very beginning: the core value itself.

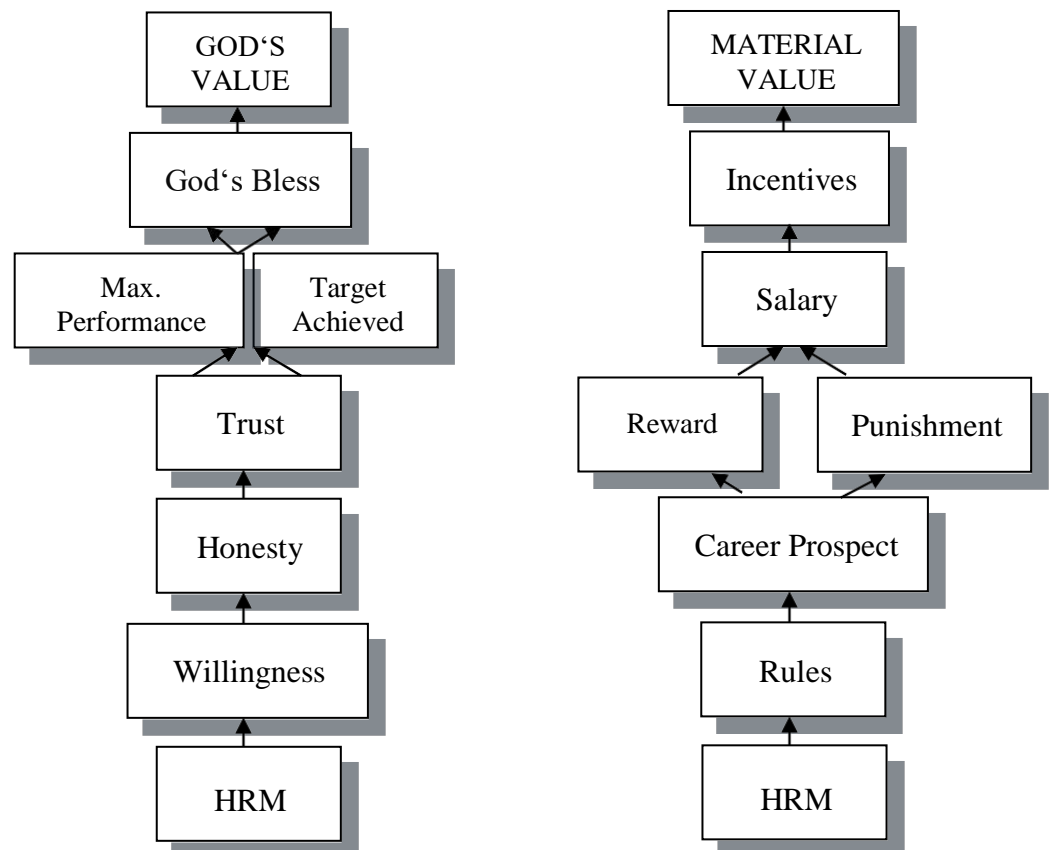


Figure 10.1: Islamic VS Western HRM Framework

(Source: Author, 2015)

With all the references about Islamic human resource management and the backstory is being discussed here, the author intends to create a framework about Islamic human resource management and the differences it has, compared with Western human resource management. The ultimate goal in Western human resource management is incentive which obtained through salary, while in Islamic human resource management, it's God's *ridha* or bless. It was also shown from

the beginning that the value they hold are very different: God-oriented and material-oriented.

To put it short, Islamic human resource management aims not only fulfillment in material forms, but also in spiritual form, which is happiness. While the Western one only aims for its greatest measurement of happiness, which is salary and incentives. No other mention about the employee being happy spiritually, only materially. Everything that the employee does in Islamic human resource management leads to God's blessing, which is the recognition that all Muslims seek out, essentially.

It does not mean that Islamic human resource management does not regard job performance and professionalism as important aspects. No, it's even quite the opposite. On the top, just before God's blessing, there are maximum performance and the amount of targets achieved. That means that Islamic human resource management takes job performance and company's benefit even seriously than capitalist human resource management, so much that they place the employees' maximum performance on the top of their objectives, only behind God's blessing, which is the ultimate intention of Islamic human resource management.

Regarding the quality of the employees, Islamic human resource management tends to look at different directions than the capitalist one. If the capitalists tend to look more at skills and employees' improvement regarding their job performance, Islamic human resource managers tend to place their attention to –human qualities‖ in their employees. By –human qualities‖, it means qualities that make a human, human. The qualities include trust, honesty, willingness, etc.

There is this belief in Islamic human resource management that the more the employees are improved both spiritually and skillfully, the more the company will gain benefit from them. Benefits for them of course mean the goal and targets of the company. In that case, the Islamic human resource managers aim not only to focus on the employees' skills, but also in their spiritual and behaviour. The better the spiritual and behaviour of the employees, it is believed (and proved, no less) that the company's performance would also get better and better.

In Islamic human resource management, material value is not the ultimate goal of the system, but instead, it is God's bless. It does not necessarily mean that material is not on the mind's of Islamic human resource managers, but it is not the main goal or the main objective of them. Of course, Islamic human resource managers also think about worldly things, such as the company's advantages or benefits. It was already proved in some countries through several researches that motivation that comes from the intention of having God's bless will boost the employees' work performance even better.

By implementing Islamic human resource management, it does not mean that the system abandons old ways completely. The old school, which is the capitalist human resource management, is not entirely forgotten even though the managers use very different approach in their practice. As explained in Chapter 1, 3, and 6, what differentiate Islamic human resource management with the capitalist system is the basic value, which is the ultimate goal of the practitioners. God's bless. Not to confuse it with *that* legendary rock band, since the highest target of them is God's bless, everything will follow suit in the same sense, like a rolling dice.

Recruitment? The requirements are not only limited to work-related ones. Of course, the candidates must be capable of doing the job, but also the behaviour and the Islamic qualities of them are being the ones the human resource managers seek for. The intention of evaluating not only work-related qualities in the candidates is to make sure that the work environment and the work performance go as they should. By that, it means that everything should be going within Islamic laws' limit, not crossing it even just one toe. Well then, what makes ensurement more convincing rather than starting the selection right from the start?

After recruitment, comes the training and development. The skills that the company needs from the employees are not only in work-related area, per se. If the individuals aren't living up to their expectations, the training and development program comes as a booster for the employees' performance. Training is not limited to work-related skills, but also Islamic qualities. Behaviour does not only reflect the Islamic values of the employees, but also how the work ethic of the

employees work during the time of their work performance. Work performance in Islamic human resource management based on Islamic values and norms. Best performance, which means performance that brings best benefit for the company, is also supported by Islamic norms, which reflect on the employees' work.

Training and development program are followed by reward and punishment system. In Islamic human resource management, reward and punishment are given by criterias that are not the same with capitalist human resource management. In capitalist system, they are only work performance, which limited in work performance a.k.a how well the employees do the job that is given to them. In Islamic human resource management, the criterias that are being evaluated are also behaviour and attitudes. By Islamic behaviour or attitudes, it does not mean that only Muslims can have those qualities. Non-Muslims also can perform Islamic behaviour and attitudes, because honesty, trust, loyalty, can be practiced by anyone.

The last one is about evaluation of performance. In Islam, one should be better today than yesterday, tomorrow than today, etc. Evaluation in Islamic human resource management means just as important as in conventional one (or capitalist, as the way we address it in this book). The purpose of this step is to observe each employee's performance, and to introspect every little thing that they've done, for the sake of the company, and the employee itself. Just as in training before, the good of the employees would also bring the good in the company as well.

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