



Ethical Governance: Insight from the Islamic Perspective and an Empirical Enquiry

Chaudhry Ghafran¹ · Sofia Yasmin²

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Abstract

Charity governance is undergoing a crisis of confidence. In this paper, we suggest an alternative approach to how governance could be perceived and conceptualized by considering the ethical notions of governance embedded in religious enquiry, with a specific focus on the Islamic perspective of governance. We firstly develop an ethical framework for charity governance, utilizing insight from the Islamic perspective. Secondly, we undertake an empirical study to assess the experience of governance within Islamic charity organizations. Our theoretical framework provides a comprehensive approach to viewing organizational governance with an emphasis on governance as a mechanism for working towards social justice and the public good. However, our empirical findings reveal an ‘ethical gap’ between the ideals of the Islamic Ethical Framework and the reality of governance practice within Muslim charity organizations. We consider the implications of these findings and outline avenues for future research.

Keywords Charity · Governance · Religion · Islam · Ethics · Social Justice

Abbreviation

IEF Islamic ethical framework

Introduction

Instances of poor governance, accusations of financial mismanagement and counter-terror concerns within the charity sector have eroded public trust in charity organizations over recent years (Hind 2017; Maunaguru and Spencer 2018; Yasmin and Ghafran 2019). The literature suggests that charity organizations rarely have the requisite governance mechanisms for members and supporters to hold them accountable for their activities (Weidenbaum 2009). Consequently, there has been an increased impetus in recent times on improving the governance of charity organizations,

especially in the UK (Hyndman and McConville 2018). Governance issues have also become an important concern for religious charities. An analysis of the use of investigatory powers by the Charity Commission [for England Wales] in 2014–2015 reveals that 30% of religious charities faced statutory inquiries or operational compliance cases (Akpeki and Eze 2016). A recent survey also found that religious charities enjoy the least trust in the sector, with only 6% of respondents stating they trusted them a great deal (Davies 2018). The issue of governance is especially pertinent for Muslim charities given the sensitive and volatile political environment in which they currently operate (Cordier 2009; Benthall and Bellion-Jourdan 2009; Yasmin and Ghafran 2019). These sensitivities include the link often emphasized between Muslim charitable organizations and issues of terrorist funding in areas of conflict, particularly across the Middle East and Syria (Benthall 2016). Given these concerns, we believe it is important to bring new insight into the debate surrounding charity governance and we do this by taking inspiration from the emerging literature on organizational religious ethics.

We seek to address two research aims. Firstly, utilizing insight from the Islamic perspective, we develop an ethical framework for charity governance that could help to improve organizational governance practice beyond the current UK charity legislative frameworks. Secondly, we assess the

✉ Chaudhry Ghafran
chaudhry.ghafran@brunel.ac.uk
Sofia Yasmin
Sofia.yasmin@manchester.ac.uk

¹ Brunel Business School, Brunel University London, Uxbridge UB8 3PH, UK

² Alliance Manchester Business School, University of Manchester, Manchester M15 6PB, UK

actual experience of governance within Muslim charities operating in the UK, by undertaking an empirical study. This allows us to assess the extent of applicability of the developed Islamic Ethical Framework [IEF] for governance, as well as highlighting the current situation with regard to organizational governance practice within the sector. Tricker (1984, p. 7) suggests that "... governance is about seeing that it [an organization] is run properly". In this regard, we conceptualize organizational governance as a steering mechanism, where the purpose of governance is to 'steer' or direct the organization in the most appropriate way¹ (Hyndman and McDonnell 2009). For a charity organization, this responsibility lies with the board of trustees and senior management. Thus, the concept of governance utilized in this paper focuses specifically on the role, decision-making processes and interactions of the board of trustees and management in ensuring that the strategic direction, policy and structures in place are conducive to the overall objectives of the organization (Wieland 2001).

To further our aims, we also seek to bring insight from the notions of governance embedded in religious enquiry. Insight from religion can be important as it is often claimed that organized religion can have a significant impact on organizational behaviour and decision-making (Pace 2013; Phipps 2012; Williams and Zinkin 2010), with empirical research finding evidence of links between religious values and managerial attitudes and decision-making (Longenecker et al. 2004). In particular, many studies have examined the way in which the Abrahamic faiths expect business to be undertaken (Epstein 2002; Sacks 2004; Stackhouse et al. 1995; Tamari 1990; Zinkin 2004). Of these, there has been a growing interest in the way the Islamic ethical values can and do influence organizational behaviour (Beekun and Badawi 2005; Iqbal and Lewis 2009). A small body of research has therefore emerged that examines how various tenets of the Islamic faith could be used to enhance organizational behaviour and provide a more ethical way to conduct business (Ali and Al-Aali 2015; Beekun 1996; Gambling and Karim 1991; Rice 1999). For example, recent studies have examined the link between Islamic ethics and environmental stewardship (Abdelzaher et al. 2017), between Quranic ethics and environmental responsibility (Helfaya et al. 2018), and the ethical identity of Islamic banks (Haniffa and Hudaib 2007). We seek to add to this scarce but

growing body of literature by examining how the Islamic code of ethics could influence organizational behaviour with regard to governance.

We seek to contribute to the organizational ethics literature in four ways. First, while existing literature generally links Islamic ethics with social accountability and social environmental responsibility, this study focuses on Islamic ethics and governance, and specifically develops a framework for ethical governance using insight from the IEF. This adds to the small but growing body of literature which seeks to acquaint organizational ethics with its religious dimensions or affinities. Second, we aim to enrich the scant literature examining Islamic ethical governance by providing the much-needed empirical evidence on the actual practice of Islamic governance within organizations. Third, the focus of our analysis on Muslim charities presents a new perspective for examining organizational ethics, using insight from a non-business entity, thus providing a more holistic understanding of the governance experiences of different types of organization. Finally, while prior empirical studies examining religious ethics seek to do so within the same religious context, we choose to base our research on Islamic organizations operating in the UK. This allows us to see if a different religious/secular context has any effect on ethical organizational practice.

The paper proceeds as follows. The next section locates our study within the scant research existing in this area, specifically focusing on research within Muslim charities and research on ethical religious governance. We then provide an introduction to Islamic ethics and in order to better contextualize our study, we compare the underlying maxims of Islamic ethics with the 'neo-classical' approach to organizational governance. We then discuss the implications of this for organizational governance and present our framework articulating how the IEF extends and helps to improve the current UK regulatory guidance for charity governance. The data collection process is subsequently discussed, followed by the findings from the study, and the final section concludes.

Literature Review

Muslim Charities and Organizational Governance

Scholars within the development studies field have paid limited attention to the issues of governance within religious charities, with their focus largely being on developing an instrumental understanding of how religion can improve development practice rather than on organizational practice per se (Jones and Juul Petersen 2011). The organizational literature also provides limited evidence on the governance debate surrounding religious charities (Islamic or

¹ Kooiman (1999, p.68) notes that other definitions of governance in the wider literature include (1) "a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken", (2) "Self-organizing, inter-organizational networks characterized by interdependence, resource exchange, rules of the game and significant autonomy from the state", and (3) "conscious management of regime structures with a view of enhancing the legitimacy of the public realm".

otherwise), with only a small number of studies considering issues of control and planning within general religious organizations (see, for example, Booth 1993; Laughlin 1988, 1990; Lightbody 2000; Parker 2001, 2002). Studies specifically examining governance in charities issues tend to focus largely on the charity sector as a whole rather than on sub-sectors within it (see, for example, Bradshaw 2009, Cornforth, 2001, 2003; Hyndman and McDonnell 2009). Hence, studies specifically examining organizational governance issues within Muslim charities are particularly scarce.

The vast majority of literature on Muslim charitable organizations sits within the anthropological and social studies domain. This literature, while acknowledging the role and importance of such organizations, does not explicitly focus on empirical examinations of organizational governance. For example, Tuğal (2013) has examined pro-market tendencies within Egyptian charitable organizations, while Herrold and Atia (2016) explore the role of the state in fragmenting and weakening Islamic charities to prevent them from becoming a force for collective empowerment or a voice for societal change. Focusing specifically on the UK, Benthall (2016) suggests the war on terror and subsequent discussion surrounding terrorism, anti-terror initiatives and counter-terror legislation has had a substantial effect on the governance debate surrounding Muslim charities. For Benthall and Bellion-Jourdan (2009), the events of 9/11 were a turning point for Muslim charities in that it caused a sharp increase in focus on all Muslim-specific organizations. Subsequently, the rise in Islamist-related terrorist activity, as well as an increase in right-wing populist politics, has created a situation where concerns over governance and accountability of religious² and Muslim charities³ are becoming increasingly important (Cordier 2009; Juul Petersen 2012).

Yet, despite this added scrutiny, the organizational ethics literature has not given much attention to Muslim charities.

² It should also be noted, however, that the issue of concerns related to the link between religious charities and terrorist funding are not explicitly linked to Muslim organizations (see for example the study by Maunaguru and Spencer 2018).

³ Muslim charities account for approximately 6% of all religious charities registered in the UK. They have a combined annual income of more than £275 million (Charity Commission 2009) and the largest of the charities has an income greater than £60 million. The growth in the Muslim population in the UK has led to a greater requirement for specific Muslim charitable giving, directly connected with the tenets of the religion. In the UK, which has a population of over five million Muslims, over £100 million is donated by Muslims to charity during the month of Ramadhan alone (The Times 2018). Thus, the role of the Muslim charity organization should not be understated.

Yasmin et al. (2014) explored communicated accountability in the annual reports of Muslim charities and found patchy compliance to reporting requirements. They outline a number of possible reasons for this, including greater donor trust which meant the charities did not feel the need to provide additional reporting information. They also cited a lack of expertise and the additional costs associated with providing enhanced disclosures as an issue, as well as informal organizational structures preventing adequate disclosure from occurring. This study, while not specifically examining organizational governance, did allude to a lack of organizational capacity hindering growth. This may point to possible concerns over the effectiveness of governance mechanisms.

Ethical Governance and Religious Ethics

The governance of organizations (and the lack of ethics) has been at the forefront of public policy and academic debate over the past few decades.⁴ Subsequent academic research has sought to understand this phenomenon, with findings pointing to the relative ease at which corporate governance mechanisms can be undermined (Clarke et al. 2018; Marnet 2007; Shrivies and Brennan 2017). Banerjee (2010) argues that this is because a particular kind of discursive rationality is encouraged that only allows for certain problems to be articulated and particular solutions to be followed, limiting its application in wider contexts (see also Reed 2002). To overcome this hurdle, Banerjee (2010, 2014) suggests that scholars provide more culturally inclusive and politically empowering perspectives when engaging in analysis of organizational frameworks. In this regard, we suggest there is much to learn from religion, both as an ethical and cultural construct, in terms of its application and its implications for governance.

Prior literature examining religious ethics has found a link between ethical behaviour and religious belief systems (Agle and Van Buren 1999; Brammer et al. 2007; Rest 1986; Weaver and Agle 2002). While formal regulation is important, Brammer et al. (2007) suggest that religious belief systems can also offer influential guidance to shape individual attitudes towards governance. Research examining Islamic business ethics has furthered this discussion to show how different tenets of the IEF can help ethical organizational practice. For example, research suggests that Islamic ethical guidance on caring for the environment can

⁴ High-profile corporate collapses, such as that of Enron, the Libor scandal and the financial crises of 2008 have caused great concern (at government as well as societal level) that the ethical aspect of corporate governance is somewhat lacking.

help to advance corporate governance and social responsibility practice (Abdelzaher et al. 2017; Helfaya et al. 2018; Kamla et al. 2006). In particular, Kamla et al. (2006) suggest that the Islamic notion of trusteeship is closely intertwined with notions of governance due to their emphasis on safeguarding as well as cultivating. In this respect they argue that organizational reality has much to learn from the core values of the IEF. Following this, Abdelzaher et al. (2017) undertake a qualitative content analysis of the Quran in order to understand how the conceptual idea of an 'Eco-Islam' can actually guide behaviours and outcomes in particular business contexts. In a similar vein, Helfaya et al. (2018) also analyse the Quran to provide an in-depth understanding of the various environmental themes important in Islam. These studies, however, do not provide any empirical analysis of organizational behaviour in these respects.

Despite this growing interest, published studies examining governance from the Islamic perspective are few. Abu-Tapanjeh (2009) compared the nature and applications of Islamic principles of corporate governance with conventional principles of corporate governance, making special reference to the Organization of Economic Co-operation and Development (OECD). Similarly, Iqbal and Lewis (2009) provide a useful and highly relevant discussion on the topic of Islamic governance from a normative perspective. Their analysis reveals the importance of utilizing insight from Islam into issues concerning political governance to overcome corruption and tax evasion concerns. However, neither of these studies, although highly insightful, provide any empirical data on the actual practice of governance within Muslim-specific organizations, nor do they attempt to understand if and how Islamic principles of governance are evident, or not, within organizations. Given that some prior empirical research has found Muslim organizations not to be concerned about ethical business behaviour (Brammer et al. 2007; Guiso et al. 2003; Williams and Zinkin 2010), we suggest that an investigation into effective governance practices of Muslim charities would provide useful insight into whether this is the case for all Muslim organizations. Our study is therefore an important and timely endeavour to add richness to our present understanding of Islamic ethical governance and governance practices within charity organizations.

Before presenting the IEF for charity governance, the following section provides an introduction to Islamic ethics and presents a comparison with the "neo-classical" approach to organizational governance. This is important as it allows us to better contextualize our study and highlight how the underlying maxims of Islamic ethics differ from the traditionally accepted notions of organizational governance.

Islamic Ethics⁵ and a Comparison with the Neo-Classical Approach to Governance

The central tenets of the Islamic worldview are based on the five pillars of Islam (*Rukn Islam*)⁶ and the six articles of faith (*Rukn Iman*).⁷ The pillars of Islam and articles of faith provide the basic belief system of Islam that helps Muslims to please Allah (*abtigha' mirdat Allah*). The practical guidance which helps Muslims to attain success in the hereafter (*falah*) is derived from the Quran⁸ (the Muslim holy book) and the *hadith*⁹ (the sayings and teachings of the Prophet Muhammad ﷺ may peace and blessings be upon him). The Quran itself notes in many places that the life and

⁵ In this paper, we have sought to build a holistic picture of the Islamic ethical perspective and we have resisted using sources which could be seen to be overly concerned with one particular strand of Islamic thought. We have sought to maintain a neutral balance by only referring to the core religious text adhered to by all people of Muslim faith, i.e. the Quran. We supplement this core source by contemporary academic works.

⁶ The five pillars of Islam are obligatory acts of worship: *Shahadah*: Faith or belief in the oneness of Allah and the recitation of the profession of faith, *Salaat*: performing ritual prayers five times each day, *Zakah*: paying alms to benefit the poor and the needy, *Sawm*: fasting during the month of Ramadan for the purpose of self-purification and *Hajj*: pilgrimage to Mecca (Chapra 1992; Naqvi 2003).

⁷ In addition to these aspects of worship, which all Muslims must adhere to, Islam also stresses the importance of faith (*iman*), in particular the six articles of faith that shape the belief of a Muslim: The belief in one Allah (*tawhid*), belief in the angels of Allah (*malaika*), belief in all the books of Allah (*kuutub*), belief in all the messengers of Allah (*rasul*), belief in the Day of Judgment and the resurrection (*qiyama*), and belief in destiny and the supremacy of Allah's will (*qadar*) (Chapra 1992; Lewis 2006; Naqvi 2003).

⁸ The Holy Quran gives a number of rulings, some specific and some general, and is the most important source of inspiration and guidance for the IEF. The Holy Quran comprises 114 chapters (*surah*); each chapter is made up of a number of verses (*ayahs*), totalling 6200 verses. The chapters and verses are not chronologically ordered, which implicitly asserts that the universal guidance of the Quran is "free from the bounds of time and space" (Iqbal and Lewis 2009, p.29). According to Kamali (1989), 350 of these verses are of a legal nature covering three critical areas: faith (*aqidah*), worship (*ibadat*) and social transactions (*mu'amalat*).

⁹ Those rulings not found in the Quran can be found in the rules, principles and injunctions applied by the Prophet Muhammad ﷺ (may peace and blessings be upon him) (the *hadith*). The *hadith* is the second most important source of inspiration and guidance for the IEF. It relates to the Sunnah or life and teachings of the Prophet Muhammad ﷺ (may peace and blessings be upon him). The *hadith* is often regarded as the 'hidden' revelation as it encompasses rules and guidance not explicitly stated in the Quran but which have been strengthened through the actions of the Prophet ﷺ (may peace and blessings be upon him).

teachings of the Prophet ﷺ (may peace and blessings be upon him) are exemplars for humanity to follow and his rulings are binding on all Muslims:

And We have revealed to thee (Muhammad) the message that thou may make clear to men what has been sent for them and that they may reflect (16:44).

For Choudhury (1990), one has to strive to attain favour from Allah so as to be rewarded with a just and easy life in the hereafter (*al-falah*) (Kamali 1989). This belief entails that man makes his own wishes subservient to the wishes of Allah. Accordingly, in Islam humans are considered as vicegerents of Allah on the Earth (*khalifah*), whereby they are entrusted with family, resources, knowledge and property by Allah (*amanah*) (Murtaza 2002). Along with the management of this wealth, humans must also act and make decisions that are to the benefit of the wider society (Al-Qaradawi 2000; Kamla et al. 2006; Rice 1999; Rizk 2014). Hence, Islam places great emphasis on social justice, ethics (*akhlaq*) and the “right thing to do”, which should permeate all spheres of human life.

Beekun (1996) and Naqvi (2003, p. 150) argue that a complete and consistent Islamic ethical system is based on five elements: unity (*tawhid*), equilibrium (*tawazun*), free will (*ikhtyar*), responsibility (*fard*) and benevolence (*ihsan*). Unity refers to the belief in the oneness of Allah. Equilibrium refers to justice and maintaining a balance in all actions. The Quran places emphasis on following the ‘middle path’ (*al-wasatiyah*) and avoiding extremism:

Thus, have We made of you an Ummat justly balanced, that ye might be witnesses over the nations, and the Messenger a witness over yourselves (2: 143).

Free will refers to the choice that humans have been given in their actions. It also encompasses the need for humans to act for their own betterment and the betterment of their community, taking into consideration the notion of the individual and the collective and emphasizing a balance between the two. Responsibility is linked to free will as it makes individuals responsible for their actions in relation to the choices they make. This aspect is multi-layered and includes both personal responsibility and organizational responsibility. Benevolence refers to acts of kindness which are done without any obligation. Such deeds are highly encouraged in Islam. In addition to rights and responsibilities over individual actions and wealth, Muslims are also accountable for the contractual dealings they undertake (*uqud*). In fact, one *surah* (chapter) of the Quran, known as *Al-Maidah* or ‘the contracts’, details with various kinds of contracts and how these contracts should be fulfilled:

And fulfil your contracts, verily the fulfilment of contracts will be questioned on the day of reckoning (17:34).

The essence of the Islamic ethical system therefore places an obligation on Muslims to continually enjoin what the Quran recognizes to be right and forbid what it considers to be wrong, as well as striving for the good of humanity (Haniffa and Hudaib 2002). In his final sermon the Prophet Muhammad ﷺ (may peace and blessings be upon him) explicitly stated: “Hurt no one so that no one may hurt you. Remember that you will indeed meet your Lord, and that He will indeed reckon your deeds”. (quoted in Al-Barai and Abdeen 1987, p. 70). It is also important to note that while the Quran instructs believers to do good, the Prophet Muhammad ﷺ (may peace and blessings be upon him) made it clear that judging whether any action or conduct is right or wrong must stem primarily from its benefit to the people and society (Aydin and Alquayid 2017). For example, he emphasized “*Al-Din Al-Maamala*”, that is, religion is found in the way of dealing with other people. He also stated: “He who does not thank the people, does not thank God” (quoted in Al-Barai and Abdeen 1987, p. 70). Thus, in Islamic ethics, the interests of the society should be situated at the heart of organizational life. Not only should morality transcend any principal-agent concern, but social dimensions are an integral part of organizational life and activities.¹⁰

The preceding discussion highlights how Islamic ethics is focused towards Allah and then to society as a whole, suggesting governance relationships in Islam extend beyond legal and moral duties to also encompass the spiritual. This is in contrast to the neo-classical economic perspectives of governance. For example, the most widely accepted principal-agent position on organizations views governance as a checks and balances mechanism (Jensen and Meckling

¹⁰ These ideal dimensions of the Islamic ethical framework were heavily present in the early years after the formation of Islam. During this time, ethics was made the foundation of business activities (see Al-Mawardi 2002, p. 335). Business conduct had to be morally driven and ethics and business affairs were inextricably entwined. Both governments and Muslim scholars underscored ethical conduct, especially in areas of business and trade, as ethical guidelines were specified and ethical practices were sanctioned (Ali and al-Aali 2015). However, over the centuries, this focus on “the right thing to do” has been considerably watered down. Ali and al-Aali (2015) note how by the tenth and the twelfth centuries A.D., substantive unethical conduct was beginning to be seen, although it was fiercely rejected by most governments. However, by the thirteenth and fourteenth centuries, violation of Islamic ethical guidance at both organizational and political levels was rife. Since then, corruption and clear violation of Islamic ethics in Muslim majority countries is ever-present.

Table 1 A comparison of Islamic and Neo-classical perspectives

	Islamic perspective	Neo-classical perspective
Worldview		
Underlying framework	Based on divine law and prescribed moral, spiritual and religious obligations	Based on man-made law and societal moral judgement
Scope of religious duties	All aspects of life, including business, social and contractual dealings covered by Islam	Separation of temporal and spiritual
Purpose of accountability and governance	Primarily to Allah as part of an act of worship Secondary to discharge responsibility to wider stakeholders	Primarily to discharge responsibility to resource providers and secondary to wider stakeholders
Organizational focus		
Underlying maxim	Social justice and the public good	Protecting shareholder/funder interests
Resource expenditure	Resources are a trust from Allah and executed to benefit owners and society	Resources from owners funders must be executed to maximize utility
Scope of accountability	Accountable for all actions to Allah	Accountable only for those items relevant to stakeholders
Consequences of (non) accountability	The wrath of Allah on the day of judgement and sanctions from regulator and wider public	Sanctions from regulator, funders and wider public

1976). As principals (i.e. the shareholders) do not run the organization, they need to incorporate mechanisms into the organization to limit self-interested behaviours on the part of the agents (the board of directors of the firm). This assumption has been criticized by organization studies scholars as portraying a “morally bankrupt view of the world” (Gray et al. 1996, p. 75), as it disregards the human notions of loyalty and morality. The idea that individuals pursue wealth with no regard to religious or moral concerns is also problematic. This amoral view of the organization has led to a climate of distrust and suspicion about the way organizations are run, causing a growth in corporate governance mechanisms which has, however, still not been successful in reducing business fraud or bankruptcies (Haniffa and Hudaib 2002).

Given the transcendental nature of one’s relationship with God, Islamic ethics suggests this accountability could be fulfilled through an effective relationship with secondary stakeholders. This secondary accountability would reflect the worldly relationships of the organization. For a charity organization this could encompass funders, donors, government and regulators (*upward* stakeholders), employees and volunteers (*lateral*), and beneficiaries and society (*downward*) (Najam 1996). By adequately fulfilling responsibility to their stakeholders, an organization would thus be able to fulfil its responsibility and their higher moral accountability. We present an overview of this discussion in Table 1.

This has important implications for organizational governance, as the core object of governance is reoriented towards maintaining social justice and equity within and outside the organization and in its activities.

Ethical Organizational Governance: A Framework for Charity Governance from the Islamic Perspective

Furthering the first aim of our study, in this section of the paper, we use insight from Islamic ethics to present a framework for ethical organizational governance.¹¹ We pay particular attention to our conceptualization of charity governance as a “steering mechanism” (Hyndman and McDonnell 2009) and the importance of the role of trustees and management in this regard.

The closest equivalent Arabic word to governance is *al-hakimiya* (Iqbal and Lewis 2009). This has a wider remit than the traditional understanding of governance in contemporary economics. As Islam commands authority over the totality of a Muslim’s being (not accepting any distinction between the sacred and the secular), *al-hakimiya* refers to the higher social and moral order towards which all organizational decision-making structures or authorities should strive. Given the strong Islamic ethical belief in the notions of *vicegerency* and *trust*, the primary focus of governance (i.e. the core stakeholder) from the organizational perspective would ultimately be towards Allah. Given that all resources are being held in trust from Allah, individuals as well as organizations must act in a way that utilizes the resources fairly, honestly and in keeping with the moral

¹¹ It is also important to note here that while it is not expected that modern-day capitalistic societies completely embrace such viewpoints, there exists an immense opportunity to enrich the role of organizations and how they need to operate vis-a-vis other stakeholders.

objectives of the IEF.¹² Consistent with this idea of being ethically and morally good in Islam, the earlier discussion on core Islamic ethical values suggests that trustees and senior management need to display a certain level of individual ethics for the effective discharge of governance. These key personal characteristics would enable them to act as ethical agents within the governance framework and strive towards maintaining an equitable and just organization and set of activities. These characteristics, also virtues of having a good moral character, include being honest (*siddique*) and trustworthy individuals, who should be consistent and steadfast (*istiqamah*) in their ability to deliver (*tabligh*) organizational goals. These latter values suggest that trustees and senior management should be adequately skilled and experienced to be able to undertake their role effectively. Individuals must always act in a professional manner, taking responsibility (*masuliyah*) for their actions and keeping kindness-par-excellence (*Ihsan*) at the heart of their individual conduct. These personal values and attributes would then aid the ethical governance within the organization as a whole.

To understand how Islamic ethical governance frameworks can be enacted in practice, and who would be responsible for their development and enactment, we consider the Islamic principles of *shura* and *hisba*. Historically, these two governance frameworks were prominent within Islamic societies to ensure governance and oversight (*hisba*) and consultative decision-making (*shura*) at the political level (Tayimiya 1982). This institution was responsible for maintaining the codes of conduct within society. It had an appointed officer (*muhtasib*) whose job was to ensure the codes of conduct were being followed in community affairs, in market trading and business dealings and in municipal administration (Iqbal and Lewis 2009). Duties traditionally carried out by the *muhtasib* include checking correct weights and measures, implementing fair trading rules, checking for business frauds, auditing illegal contracts, keeping the market free and preventing hoarding of necessities (Lewis 2006). The Prophet ﷺ (may peace and blessings be upon him) called for transparent market conduct stating, “Truthfulness leads to good deeds and the latter guides to heaven” (Quoted in Al-Hashimi 2001, p. 209) and “Those who declare things frankly will not lead to each other’s destruction”. He went as far as to only select those *muhtasibs* who were known for their piety and sound judgement to supervise market transactions and prevent manipulation.

¹² It should also be noted here that Islam does not discount private ownership and nor does it discount making a profit. Rather, it means that businesses should not be driven solely by profit maximization, but by the “pursuit of ultimate happiness in this life and in the Hereafter” (Dusuki and Abdullah 2007).

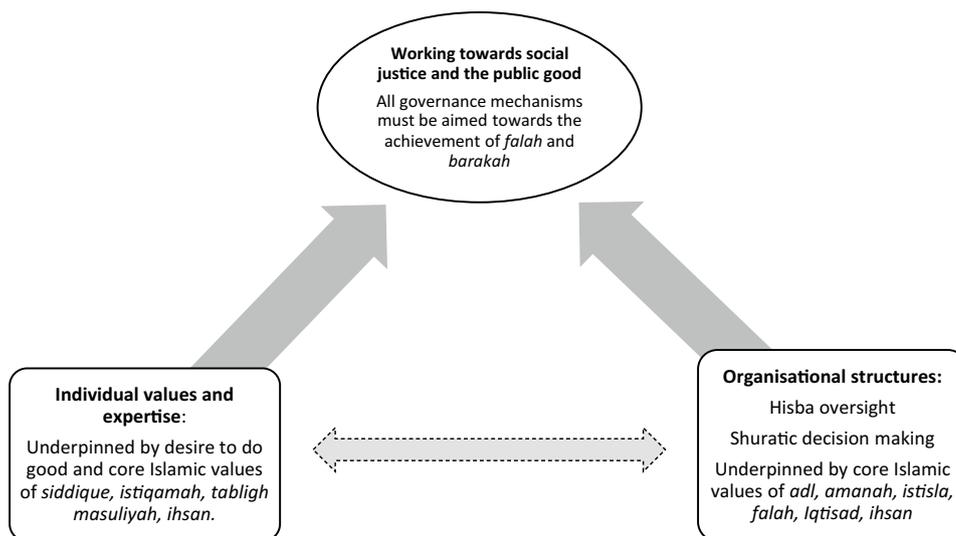
Despite arguments that the complexities of modern organizations make the application of *hisba* to modern-day organizations problematic (Lewis 2006), the institution can still be found within some Islamic organizations, for example, in the form of *Shariah* Supervisory Boards in Islamic banks. In fact, Gambling and Karim (1991) find that the concept of *hisba* provides inspiration for accounting today, and can help to develop the debates surrounding social accountability, including faithful and transparent corporate reporting on financial, social and environmental impacts underpinned by an emphasis on the religious. The *shura* is a decision-making process through which all members have to reach a consensus of views. This means all participants are included in the final decision made and the burden of responsibility is equally shared by all (Iqbal and Lewis 2009). Islamic precepts of justice and truthfulness also favour this approach as it allows all people affected by a decision to be involved in making it (Mawdudi 1974). This process limits the possibility that a decision will be taken which ignores the views of other stakeholders or a decision will be taken by an individual who has an ulterior motive in imposing his opinions. For Mawdudi (1974), the making of decisions is a trust from God and as Lewis (2006, p. 7) states: “Islam demands from those holding this trust to engender truthfulness, justice, consultation and a spirit of consensus-seeking among participants during group decision-making”. If the principles of *shura* are applied to charities, then consultative procedures should be applied for all decision-making and include all affected stakeholders. This would ensure all charity activities and strategies are fully discussed and that a consensus-seeking consultative process is applied. Trustees and senior managers would be expected to listen to the opinions of other executives before making a decision. In addition, the persons involved in the *shuratic* decision-making process should include, as far as possible, representatives of employees, members, beneficiaries and other interested parties (Iqbal and Lewis 2009).

We represent this discussion in Fig. 1.

Enriching the UK Charity Governance Requirements

As the empirical focus of our paper is on charities based in the UK, it is important to highlight the governance frameworks that are required by UK law in order to explain how the IEF can enrich this understanding. All charities in England and Wales, including religious charities, are regulated by the Charity Commission for England and Wales and they have to abide by the Charities Act (2011) as well as the Statement of Recommended Practice [SORP] 2015. This legislation provides some specific requirements around the accounting and reporting responsibilities of charities. However, these mandatory regulations are largely silent on

Fig. 1 An Islamic ethical framework for organizational governance. *Source* Authors



governance requirements.¹³ This is in contrast to the corporate sector, which is highly regulated and has clear guidance in the form of the UK Corporate Governance Code (2016). The Charity Commission does provide various good governance guides and recommended practice from time to time. It has most recently endorsed a voluntary Charity Governance Code (2017), put together by a number of leading membership bodies in the UK, including the Charity Leaders Network (ACEVO), The Governance Institute (ICSA) and the National Council for Voluntary Organizations (NCVO).

Despite these endeavours, the concept of what is meant by governance is unclear and a myriad of ideas are placed under the umbrella of “good governance” (Hyndman and McDonnell 2009). The core understanding, however, is that for charities, governance is a term used to describe the trustees’ role. Charity law is based upon the principle of the trust. Under trust law, the trustees are responsible for the proper administration of the trust, whose benefits must be applied to the users, or beneficiaries. In this respect, the members of the governing body of a charity (the trustees) are appointed to ensure that the money and resources donated to the organization are used to serve the charity’s intended beneficiaries.

Hence, governance from the perspective of UK regulatory frameworks is explicitly concerned with the trustee board

and how well they execute their roles and responsibilities, but no explicit guidelines exist in legislation to outline what this should entail. One of the major aspects of a trustee’s role is to ensure that management of the organization carries out the objectives of the charity. We envisage the IEF for governance could provide greater clarity in this regard and help Muslim charities to develop more specific internal frameworks that would help them strengthen, not only the role of the trustees and senior management, but also the culture within the charities themselves. In this regard, we outline how the institutions of *shura* and *hisba* can help to establish these basic building blocks. The IEF for governance suggests that organizations should have justice (*adl*) and trust (*amanah*) at the heart of their operations. There should also be a culture of moderation (*al-etidal*) and kindness-par excellence (*ihsan*) within the organization. Therefore, it is the responsibility of both trustees (as decision-makers) and management (as executors of trustee decision-making) to create a climate of integrity, transparency, social responsibility and compliance within the organization (Hassan and Christopher 2005).

Although UK charity law is silent on the specific processes by which charity governance can be enacted, the IEF suggests that a focus on consultative decision-making (*shura*) is extremely important for organizational strategy. The IEF also suggests that the existence of a *hisba*-equivalent committee could be useful for charities, to provide specific oversight and guidance for issues of social accountability underpinned by a religious emphasis. Furthermore, the IEF for governance requires working towards public interest (*istislah*) to be seen as a way of achieving reward in the hereafter (*falah*). This extension of organizational activities, from self-interest to public interest to a higher purpose, is a key characteristic of Islamic ethics. This would mean having trustees and management who not only have the requisite

¹³ Those charities with more complex operations can be set up as charitable companies limited by guarantee [CCLG]. The structure of a CCLG is similar to that of a company limited by shares, but instead of shareholders the company has members, who guarantee to contribute a nominal amount if the company is wound up. The CCLG must comply with company law, in particular the Companies Acts. The directors are directors for company law purposes and trustees for charity law purposes, with legal obligations in each capacity, so that a CCLG is highly regulated.

Table 2 Interviewee details

Position	Senior management role	Income level of their organization	Interview Duration (min)	Gender	Code
Trustee		£500k–£1m	100	Female	T1
Trustee		£250–£500k	110	Male	T2
Trustee		£1m–£5m	85	Male	T3
Trustee		£500k–£1m	120	Male	T4
Trustee		£5m+	90	Male	T5
Senior Management	Communication	£5m+	73	Male	SM1
Senior Management	Communication	£250–£500k	65	Male	SM2
Senior Management	Finance	£5m+	65	Female	SM3
Senior Management	CEO	£5m+	60	Male	SM4
Senior Management	CEO	£5m+	60	Male	SM5
Senior Management	Assistant CEO	£5m+	75	Male	SM6
Senior Management	Finance	£5m+	40	Male	SM7
Senior Management	Head of operations	£500k–£1m	60	Male	SM8
Senior Management	Finance	£1m–£5m	90	Male	SM9

operational skills and expertise, but following the IEF they would also require strong belief in advancing social justice. This builds on the UK legislative requirements, where currently charities must only provide a statement of how their work advances the ‘public benefit’ in their annual reports. The IEF for governance on the other hand takes this further to suggest that all charities should have the furthering of social justice as a core charity objective. This requires a proactive approach on part of the trustees, to actively consider the role of their organization as part of the social fabric of society. In this way, the institutions of *shura* and *hisba* could ensure the actions of the charities not only help their core stakeholder but also contribute to the betterment of society as a whole.

Research Method

The purpose of our study is to assess the experience of governance in Islamic organizations by focusing on the specific context of Muslim charities¹⁴ operating in the UK. The empirical data for this study focus specifically on the drivers of governance within charity organizations, the board of trustees and their relationship with management (Cornforth 2001, 2003). We employ a sequential mixed methods approach to address our aims, which involved collecting data in an iterative process whereby the data collected in one

phase contribute to the data collected in the next (Creswell and Clark 2007). Firstly, in-depth interviews were undertaken with trustees and senior management of Muslim charities operating in the UK. This allowed us to gain a deep understanding of the governance practices within the organizations. We also obtained useful insight into the values held by organizational members. However, we also wanted to understand at this stage how the role and responsibilities of the trustee and management, as well as the trustee–management relationship, were viewed across a greater range of organizations. We therefore sought to complement our interview data with a postal survey. The data collection process for both these methods is explained below. The findings from the survey have been used as a process of triangulation to confirm and elaborate our interview findings (Seale 1999).

Interviews

Access was negotiated through informal contacts in the first instance via telephone and email. Further interviews were then initiated with trustees and senior management across the Muslim charity sector through a process of snowballing (Robson 2002), where informal networks of interviewees helped the identification of new contacts for interviewing. The interviewees were purposely chosen (Patton 1990) to ensure that key informants within the organizations were interviewed. The interviews were conducted until data saturation was reached. This meant that a total of 14 senior managers and trustees were identified and interviewed across a number of organizations. See Table 2 for an overview of the interviewees.

All of the interviews were conducted in the participants’ own offices or meeting rooms within the charity offices and

¹⁴ We define a Muslim/Islamic charity as one that professes to ‘advance the Islamic faith’ as one of its charitable objectives. All those taking part in the study (both survey and interview) have this as a core objective in their registration with the Charity Commission.

Table 3 Personal information on respondents

Job title	Gender		Age range		Highest qualification		Length of tenure		
	<i>N</i>	<i>N</i>	<i>N</i>	<i>N</i>	<i>N</i>	<i>N</i>	Years		
Senior Management	30	Male	68	16–24	2	School level	14	Min	0.9
Trustee	23	Female	3	25–34	9	Undergraduate	20	Max	41
Admin officer	5			35–49	21	Postgraduate	33	Mean	14
Treasurer	8			50–64	20	None	1		
				65+	18				
Not provided	9	Not provided	4	Not provided	5	Not provided	7	Not provided	7

N=75

were held over a period of 2 years from 2011 to 2013. The interviews lasted between 40 and 120 min. The specific purpose of these interviews was to record experiences and thoughts about how the interviewees viewed and responded to governance mechanisms, the relationship between trustees and senior management within the organization and their own personal values in relation to their governance responsibilities.¹⁵ The interviews allowed the building of a picture of whether (and how) religious ethical values are embedded at the organizational level. As such, questions are primarily focused on gaining interviewee perceptions and experiences of governance as well as trying to understand if and how their religious beliefs guide their governance behaviour. We do not bring any preconceived notions of the religiousness of organizational members. Rather we allow the participants themselves to explain how their decision-making and organizational structures are shaped. Interviewees were promised confidentiality for the comments they provided and signed a consent form agreeing to be recorded. All of the interviews were digitally recorded and transcribed as soon as possible after the interview. The NVivo software package was used to catalogue, collect and sort the interview transcripts and interview notes for analysis.

Data were analysed on a thematic basis, with key issues of interest being identified from the data (Crabtree and Miller 1992). These key issues were subsequently re-analysed and eventually collapsed into the following nine broad themes: desire to do good, awareness of Islamic ethical perspective, formalized governance mechanisms, policies not being implemented, focus on ability of trustee, stakeholder engagement, issues in finding qualified personnel, donor concerns and desire to improve. The coded data were then subsequently analysed using narrative analysis techniques, which included identifying commonalities and differences, exploring recurring themes and patterns, and making notes of particular key words and phrases. Following O'Dwyer (2004), the data analysis was undertaken in an iterative

manner, alongside data collection (after the first two interviews had been undertaken) as this enabled further exploration of emerging themes in subsequent interviews. The empirical findings section that follows is organized around these patterns. Quotations from transcripts were selected to illustrate themes and to reflect a range of opinions. The extensive use of quotes provides a rich narrative of how governance is experienced within Muslim organizations, and aims to contribute to our limited knowledge in this area.

Survey Design

The population of the study consisted of Muslim charities registered with the Charity Commission for England and Wales. There were 1551 Muslim non-profits registered with the Charity Commission, of which 332 had an income greater than £100,000 and were therefore expected to have established governance frameworks,¹⁶ and had contact details available online. Using the address and contact details available on the Charity Commission register, all these organizations were contacted by post over a three-month period in early 2013 and asked to complete the questionnaire. The covering letter requested that a trustee or senior manager completed the questionnaire and also assured confidentiality of responses and the anonymity of respondents. Table 3 provides an overview of the personal information of the respondents. From this it can be seen that the majority of respondents (80%) were trustees or senior managers, 96% were male and 83% were over the age of 35. Furthermore, the respondents were highly educated, with over 76% having an undergraduate degree or higher. The respondents also had a long association with their respective organizations at an average of 14 years. This suggests they would have the required knowledge of the organization to complete the questionnaire accurately.

¹⁵ The interview questions are available from authors upon request.

¹⁶ The governance requirements for charities are more stringent for those organizations with an income greater than £100,000.

Table 4 Response rates

Questionnaires sent	First wave	Second wave	Third wave	Total received	Response rate
332	24	37	12	75	23%

The survey questions focused specifically on the role of trustees and management and their relationship with each other. This reflects Drucker (1990) and Locke et al. (2003) who suggest that to uncover the key mechanisms of governance within a charity organization a survey should focus on the role of the person responsible for the governance of the organization, the performance of the board, and how the relationship between board and management is managed. We did not seek to collect any data on specific ethical values at this stage of the data collection as this was collected as part of the interviews. Further, we did not ask any questions regarding *hisba* or *shuratic* decision-making as we did not think it could adequately be captured within a survey response framework. Table 4 provides an overview of the questions asked.¹⁷

The questionnaire comprised primarily close-ended questions, offering either a yes/no answer or a choice on a rating scale. A five-point Likert scale was used in the questionnaire (Saunders et al. 2007), from a scale of 1 for 'strongly agree' to 5 signifying 'strongly disagree'. Close-ended questions allow a numerical value to be given to an opinion and are easier for respondents to complete and for the researcher to code and analyse. Close-ended questions do have inherent limitations as they do not allow for any flexibility in responses or a chance to fully express opinions (Robson 2002). To overcome this, a half-page space was left at the end of the questionnaire for the respondents to provide further comments they considered relevant to the study topic, although this section was poorly completed. Reminder questionnaires were sent out to those not responding within 4 weeks of the last reminder. This resulted in the questionnaire being sent out in three waves at four-week intervals. Table 4 reports the number of responses received after each wave.

The 23% response rate was considered appropriate given response rates in prior similar studies in the field (Cornforth 2001; Cornforth and Simpson 2002). We tested for non-response bias using the test devised by Wallace and Mellor (1988, p. 133) and found no evidence of any bias.¹⁸ The validity and reliability of the questionnaire was assessed

using a pilot test. We asked five interviewees to complete the questionnaire and any discrepancies or issues arising were fixed prior to the postal survey being undertaken. These responses are not included in the final results but would not alter the substance of the findings.

The Actual Experience of Governance in Muslim Organizations

This section of the paper presents our empirical findings in relation to the second aim of the paper, to explore the actual governance mechanisms within Islamic organizations. The narrative in this section is structured according to the objectives of the study and the themes emerging from the data analysis process described earlier. We firstly highlight how a strong desire to do good, consistent with the IEF, was found to be underpinning organizational members' actions and behaviour. We then go on to describe the inadequacies we found in the organizational governance from the perspective of the IEF. Finally, we explore how the organizations themselves realize that change is needed in order for them to improve their governance, but find that their ability to change is being constrained by various factors.

Religious Belief Underpinning Individual Actions

For organizational members, working for a charity was viewed as fulfilling religious obligations. The belief that all individuals will be accountable for their own actions or inactions on the day of judgement was found to heavily influence all those interviewed. This ranged from their conduct at work to the way the organization handled donor funds. In particular, values of integrity and honesty (*siddique and amanah*) were described as being important in conduct. Individuals were aware of the need to work to the best of their ability as they were using other people's money to deliver support to beneficiaries and hence they felt they had to do things effectively:

So for me when there's a big decision or even a small one, I have to really toy with the idea in my head. If I'm honest with you, I have had sleepless nights thinking... if I pull out of that contract, am I doing the right

¹⁷ The full questionnaire is available from the authors upon request.

¹⁸ Wallace and Mellor (1988) constructed a statistical technique for comparing answers provided by early respondents to those provided by late respondents to ascertain whether a significant difference was present. The underlying notion is that late respondents are proxies

Footnote 18 (continued)

of non-respondents. Therefore, the responses of 10 early and 10 late respondents were compared. Subsequently, the Mann–Whitney test was applied as a statistical technique to investigate any difference between the two groups. We found no statistical differences between the responses.

thing for the organization or is it because I want to do it? [SM1]

There was also a belief that charity work being undertaken would intercede on the day of judgement, with individuals commenting on the need to do ‘*dua*’ or engage in prayer for their deeds to be accepted and for the activities of the organization to have some societal impact. This belief was inextricably linked to the concept of being rewarded or punished in the hereafter:

You know charity is one of those things that will provide you shade on the day of judgement. [T2]

All interviewees highlighted the importance of creating trust and having empathy as important aspects of internal and external relations. In particular, given the social and humanitarian nature of the organizations, interviewees expressed a strong belief in preserving human dignity, and in particular treating beneficiaries as they would expect to be treated themselves, if they were faced with such unfortunate circumstances. For example, interviewees highlighted the need to understand suffering and feel the pain (*ihsan*) of those they were trying to help:

...all charity work is helping the underprivileged. Until you understand their condition, until you fully understand you can't really do this work. You can't force people to do this work, they have to be committed and you can only be committed if you believe in the work you are doing... [T3]

If you ask someone to do some work and that person has never seen hunger and pain then he won't understand. If someone tries to explain the pain and suffering of the people he is trying to help he won't understand it. You have to have seen firsthand the pain and suffering, until you understand the real situation of the people you are trying to help, you can never be a committed worker in a charity. [T4]

Hence, the ability to deliver on promises made to beneficiaries and professionalism was found to be an important value espoused by interviewees. These findings are consistent with those found in the public sector, with public sector employees more likely than private sector employees to possess attitudes of social trust, altruism, equality, tolerance and humanitarianism (Brewer 2003; Rainey 1997). However, in our case this desire to help humanity stemmed from interviewees' Islamic belief that there was blessing in the work they were doing and it would be accepted by Allah as a good deed in the hereafter.

Both trustees and senior management expressed strong commitment to the mission and values of their organizations and viewed helping humanity (*istislah*) as one of the main reasons for them working for a charity organization. The

majority of those interviewed began their association with their organizations as volunteers, with all the senior managers and trustees interviewed having a lengthy association with their organization. The survey findings yielded similar results, with the mean tenure of those responding being 14 years (Table 3). In fact, all those interviewed were highly qualified professionals, with nearly all stating they had some form of postgraduate qualification. Two trustees interviewed also had honorary doctorates. The survey findings paint a similar picture, with over 71% of respondents having at least an undergraduate level qualification (Table 3). Consistent with the understanding that employment in the charity sector is usually portrayed as a “calling rather than a job” (Houston 2006), some interviewees described how they were trained in a different profession and gave up these jobs to work full-time within the sector. There was a feeling amongst interviewees that by working for a charity, they were not wasting their time and their work had greater impact on humanity (*istislah*) than if they worked in the corporate sector.

Some of the founding trustees interviewed suggested that other organizations were doing things wrong and the lack of transparency in other organizations became a motivating factor for them to set up their own charity, in order to enhance social responsibility (*masuliyah*) and consistency and steadfastness (*istiqamah*) in the sector:

...it was a big black hole that the money went into and it was the first time I realized... where is this £100,000 going? The answer was ‘Oh we can't tell you – it's going to the UN! That was a lot of money raised and we didn't have any say over where it went. I could understand they may not know exactly, but you still want to know which project it's gone into but they couldn't tell me. So that sat a bit uncomfortable with me. [T1]

This also meant that some of the trustees interviewed put a lot of their personal money into ensuring the organization survived and activities/projects were completed:

...because sometimes it comes out of my personal costs or project costs and you constantly pray - please deliver, just please deliver. Just do something because I have made promises in my heart. I've seen these people, I've seen their suffering. [T1]

You see my car, it's a £1000 Peugeot. I could have a BMW for £15,000 and chill but I didn't. I thought the rest of the money will be better spent on poor orphaned children. So due to this sacrifice that I have given, I owe it to myself to make sure the money goes to the right place and people. [T4]

One trustee acknowledged that 20% of his personal business was owned by the charity, resulting in profits being directly put into running the charity organization. In another

instance, one of the charity trustees, despite being recently diagnosed with a serious illness, still continued to devote time to the charity while undergoing treatment. This was all driven by strong Islamic ethical beliefs.

Inadequacies in Organizational Governance

Notwithstanding the highly religiously motivated values held by individual organizational actors, our findings indicate a lack of understanding and implementation surrounding the organizational structures that are required as part of the IEF for organizational governance.

The trustees and senior management form the core of the governance function within charity organizations, with the UK regulatory framework placing a heavy emphasis on having trustees with the right skills and abilities. In our case, we found interviewees were not very clear in their understanding that governance in charities related to the role of trustee. For example, when asked about their governance function, interviewees felt this largely related to having a clear communication and organizational framework, rather than specifically focusing on the role of the trustees. For example:

Yes, we've got a clear governance framework. It's documented, it's written, it's on every job advert that goes out. [T4]

We're going through a global governance implementation right now but the structure itself is quite clear, we know who reports to who and how everything works. [SM3]

Despite this, we found that all interviewees had a strong awareness that trustees should have the right skills, time and dedication to undertake their role. A clear and reputable background was also deemed important as this had a direct effect on the reputation of the organization. It was felt to be very important for trustees to have specific areas of expertise which could then be used to plan the strategic direction of the organization:

Somebody on international development, somebody on finance, somebody in business, somebody on strategy, somebody on processes and somebody on communication. [SM5]

Yet, although trustees were highly regarded in the organization and all members spoke of the specific skills needed by trustees, they seemed to have a predominantly ceremonial role, especially in the larger organizations. In these organizations, trustees played a more "hands-off" role [SM6], by delegating the overall broad targets of the organization to the executive and leaving it up to the directors to decide how these are implemented. Some of this stems from the difficulty in separating the trustee board from its legal and strategic obligations. For example, senior management viewed

trustees as guardians providing oversight and a second layer of vigilance over the organization but at the same time felt trustees should not interfere in the day to day running of the organization:

But I think my experience compared to other organizations is that our trustees are not bad. I mean some charity trustees are very, very hands-on on a daily basis. I don't think that's the right way, so our trustees are not like that, they are not hands-on on a daily basis which is what I prefer. [SM9]

One interviewee suggested that trustees should "look at the organization from an outsider's perspective" [SM2]. Another suggested they chose their trustees from prominent members of the community to give the organization greater exposure and publicity, rather than to help the organization improve its governance per se. Buse (1993, pp. 43–44) suggests that "trustees are guardians of the values of the charity, and the values driven by the charity's planning". However, a trustee is unable to drive the values of the organization without having detailed understanding of decisions being made internally within the organization. In addition, from the perspective of the IEF, the trustee board should also be responsible for ensuring the required *hisba* functions operate effectively and *shuratic* decision-making is being undertaken.

However, despite having complex 'secular' oversight and monitoring arrangement, we did not find much evidence of religious monitoring committees and only limited understanding of *shuratic* decision-making. Almost all organizations had complex financial controls and oversight frameworks, incorporating budgetary review committees, separate accounts departments, separate departments/individuals to evaluate programs and budgets and separate compliance officers/departments for internal governance monitoring. The survey findings in Appendix 1, suggest on the whole that 61% of organizations had an internal audit function, 58% had governance subcommittees and 58% had some form of a religious oversight board. However, the interviews indicate that these mechanisms are informal in most organizations and not reflective of the more formal governance and oversight functions found in the corporate world¹⁹ nor are they reflective of those required within the IEF.

For example, our interviewees did not refer to any specific *hisba* function in their respective organizations. The institution of *hisba* offers a framework for the monitoring of organizations, but the remit of this institution should be

¹⁹ For example, only one organization noted that they had an internal audit function and a functioning audit committee. Although other interviewees did state they had some form of informal internal evaluation of organizational and financial performance, these still fell short of formal frameworks such as those of an internal audit function and/or audit committee.

much greater than conventional monitoring committees. This function needs to ensure that the conduct of the organization, both internally and externally, is in line with Islamic ethical governance. In particular, the institution needs to ensure that organizations maintain social justice principles in their internal and external activities (Baydoun et al. 1999) and as such the remit of the *hisba* function is much wider than the traditional internal audit function.

On the other hand, we did find evidence of some limited engagement with *shuratic* decision-making principles. *Shuratic* decision-making requires engagement with all the stakeholders of an organization. Charities have many different stakeholders; in the UK they comprise mainly of upward stakeholders (the government, the Charity Commission, funders (both institutional and local), standard setting bodies), and some lateral stakeholders such as employees, volunteers and other charities (Connolly et al. 2009). In the areas where they conduct activities, the stakeholders can include the host government (upward), field agents, partner organizations (lateral) and most importantly the beneficiaries (downward). We found the extent of stakeholder engagement in the decision-making process is largely dependent on organizational capacity, which therefore varied across the different organizations.

Strategic decisions were essentially focused on two core areas: internal operations and external service delivery. In terms of internal operations, the decision-making was ad hoc and very much dependent on the internal capacity of the organization. For example, some interviewees suggested they could not engage with wider stakeholders on internal strategic decisions largely due to capacity and resource constraints:

We avoid going down that route because we know we are a small organization and in the voluntary set-up so we don't have the capacity to deal with this. [T4]

These organizations relied heavily on individual donations for their survival and sustainability and as such, their core stakeholder base was limited. On the other hand, those organizations with adequate resources highlighted that consultation with key stakeholders was important when it came to making strategic change decisions. These organizations had a larger stakeholder base due to their reliance on government and institutional funding, and this often came with specific contractual obligations. Within this consensus approach, they took the advice of different department heads and experts in the field. In some cases, even junior staff were encouraged to put ideas forward that would help improve organizational performance:

.... with the help of the whole team because we took one year developing the strategic programme and we took input from our country directors and from all our

staff members, input from our trustees and input from our donors and volunteers. [SM2]

This involved what others thought about us... from the government, to DFID [Department for International Development], peers, Christian Aid, Oxfam. So it was a massive big consultation project and it took about 18 months on the whole strategy process exercise. [SM7]

In contrast, all interviewees reported that they undertook active stakeholder engagement when it came to external service delivery. All interviewees stated how they began projects with a needs assessment, by using project staff to assess the situation on the ground and asking beneficiaries what they required. This was a crucial process through which organizations were able to categorize the needs of different people and then tailor their activities accordingly; without it, organizations found there was a risk of duplication and possible mismanagement of resources.

A Focus on Improving Governance

The organizations themselves realize that change is needed. For example, interviewees discussed various initiatives that they were undertaking to improve their oversight and governance mechanisms. These included increasing the representation of women on their executive and trustee boards, and the implementation of compliance audits. All interviewees agreed there was substantial room for improvement within their current working practice. However, these initiatives were largely focused on the current UK regulatory understanding of governance improvements and were not specifically Islamic orientated. Having said this, our findings also suggest that some organizations would like to try to be Islamic in their governance but do not really know what this means for them. For example, some interviewees highlighted how they were beginning to think more carefully about the wider impact of their mission and were starting to re-evaluate their activities. Interviewees from one organization were keen to point out how they were in the early stages of designing their own Islamically defined governance framework. The CEO felt this would allow the organization to be accountable to Allah in the form of their Islamic values and mission. Their reasons for doing this were linked to creating a distinct brand for their organization and to create a unifying organizational culture based on the Islamic ethos:

We are trying to introduce this element of Islamic principles which makes us say that being a Muslim charity we regard, that in addition to the Charity Commission, and in addition to the trustee mechanisms, our beneficiaries and our donors, we also have a responsibility to our Creator. [SM5]

We want to introduce some Islamic characteristic in our accountability. From the Islamic perspective... sovereignty is with Allah, people just have delegated power and we need to show this in our accountability frameworks. [SM6]

This framework was largely going to be a guiding framework and there was no mention of oversight and decision-making within this document. A reason for this lack of attention to structures such as *shura* and *hisba* could be due to a lack of awareness of what exactly an IEF-inspired governance framework entails. It could also be that given the loose regulatory requirements upon these organizations, they have not felt the need to introduce an alternative governance framework. In this regard, having trustees with the drive and expertise to recognize the importance of an IEF-led governance framework is important.

A significant concern raised by all interviewees was the difficulty in building internal organizational capacity, both in terms of finding the right people and in terms of building internal infrastructure, as both require funds. However, interviewees suggested their donor base (largely the Muslim community) did not like them to use donations for infrastructure building and that they should do the work for as “little as possible” [SM4]. The concern was greatest in the larger organizations as they inevitably used a greater percentage of donations to cover overheads. Interviewees felt this was not right, but they had no choice:

In the Quran it says the administrators of the *zakah* can take one-eighth, however we are not taking it because of the donors. [SM4]

Consequently, another obstacle facing Muslim charities was recruiting new trustees and senior management with the right expertise:

It’s just taking a little time to actually find the right person because the people are just not there. [SM5]

Prior research has shown paid employment within the charity sector is “more work for less pay” (Cunningham and Harris 2001) and finding trustees to work in a voluntary capacity was an even more difficult undertaking. There was a desire in some cases to appoint those people already known to present trustees, and not look at their expertise, as they preferred to work with people they already knew:

When I wanted to register the charity, I just asked these people if they wanted to be my trustees and they said yes. I don’t think they realized that I was going to take it global. [T1]

The trustees nominate other trustees in the general meetings. [SM5]

Well they are definitely known through somebody or directly known to the founder. But we are thinking of

putting onto our website where people who are qualified and have something to offer they can apply too. [SM6]

However, Tandon (1995) notes that such family-orientated non-profit boards are sometimes unable to provide a competent governing mechanism as members are not experienced or independent enough to critically challenge decision-making. This difficulty has been compounded by the desire for the organizations to appoint trustees specifically from within the British Muslim community, who would be more empathic to the Islamic ethos of the organization:

I think the most important one is reputation and Islamic faith because as a trustee of an Islamic organization you need to have this experience and knowledge. [T5]

Because even if I have all the skills, I’ll not be able to add any value to the work if I do not agree with the values of the organization. So I think reputation and values is the most important and then comes the rest. [T4]

Interviewees even stated that they were having difficulty in finding non-executive directors to sit on the audit committee due to a lack of willingness and experience amongst members of the Muslim community: “It is about finding quality people who can be on the audit committee” [SM7]. This was despite interviewees noting they employed junior staff members from different religious backgrounds. However, these members do not have a say in the running and strategy of the organizations. This therefore suggests that although there is an appreciation of the principle of appointing the right type of person on the basis of ability, the reality of this is problematic due to the desire to only appoint within the Muslim community. This is a specific consequence of operating within a non-Islamic context as there is a limited pool of potential applicants that can become trustees.

Discussion and Complementary Survey Analysis

Our interview findings suggest that individuals working in Islamic charity organizations have strong values that resonate with the Islamic ethical belief system. These values help to motivate and drive individuals to continually do good in their work and keep the Islamic concept of social justice at the heart of their work. We find individuals working in Muslim charity organizations to be highly qualified people who viewed the trustee board as the backbone of governance within the organizations. However, there was a lack of clarity over the role of the trustee board in terms of their decision-making authority and internal

Table 5 Survey response

N=75	% of organizations strongly agree			Strongly disagree		Mean
	1	2	3	4	5	
Panel A: Trustee characteristics						
Trustees have the right mix of skills and experience	38	34	19	9	1	2.04
Trustees have the time to do the job well	27	34	23	16	0	2.28
Trustees have a clear understanding of their role and responsibilities	45	31	16	8	0	1.88
Trustees resolve any conflicts between themselves constructively	59	27	8	5	1	1.64
Trustee board meetings have a clear structured agenda	58	19	14	4	5	1.80
Panel B: Trustee and management relationship						
Trustees and management share a common vision on organizational goals	50	32	12	4	1	1.74
Trustees and management periodically review how they are working together	36	38	15	7	3	2.00
Communication between the trustees and management is good	51	31	8	7	1	1.74
Misunderstandings between trustees and management are rare	22	41	16	9	8	2.39
Trustees and management resolve conflicts between themselves constructively	50	36	5	5	1	1.70
Panel C: The board of trustees is effective in						
Setting the organization's mission and values	41	32	22	4	3	1.97
Deciding the organization's strategic direction	41	30	23	7	1	2.00
Overseeing the financial management of the organization	51	34	8	5	3	1.76
Ensuring the organization has adequate financial systems and procedures	51	34	9	3	4	1.76
Monitoring organizational performance	32	38	18	9	3	2.12
Taking action to resolve problems	39	42	12	4	3	1.89
Monitoring the organization's chief executive or senior staff	41	27	19	3	5	2.00
Advising management	36	35	14	8	1	1.97
Reviewing board performance	23	31	19	16	1	2.36
Ensuring that the organization fulfils its legal obligations	64	24	7	1	4	1.58
Panel D: The management is effective in						
Implementing the organization's mission and values	36	49	9	7	0	1.87
Implementing the organization's strategic direction	41	38	11	9	0	1.89
Overseeing the financial management of the organization	53	28	16	3	1	1.73
Ensuring the organization has adequate financial systems and procedures	51	35	7	7	1	1.73
Monitoring organizational performance	42	38	12	7	1	1.88
Taking action to resolve problems	43	38	11	5	1	1.82

vs external focus of their activities. Thus, the interviews suggest that although the Islamic ethical values are represented in individual views, there is some disparity when it comes to organizational governance. In reality, the trustee board of some of the organizations was based on personal and family relationships and not based on ability. Prior research suggests that having a diverse range of people on the board of trustees not only serves to improve the performance of the organizations (Brown 2005; Cornforth 2001, 2003), but also provides greater legitimacy, as suggestions of insular boards are counteracted. Some organizations were therefore taking steps to improve their board diversity, but these endeavours were largely ineffectual because finding new trustees was proving to be difficult given the desire to appoint from a small pool of people.

In terms of the IEF for governance, our interview findings suggest that although no formal *hisba* committee was evident some organizations were beginning to see the importance of having an Islamically driven guide and framework for their conduct and were keen to develop this. Our findings do not provide specific evidence of *shuratic* decision-making systems within our sample of Muslim organizations. Although consultative decision-making was evident, this was very much focused on external service delivery rather than on internal operations, with a longer term societal focus.

We now turn to our survey findings to confirm and elaborate our interview findings (Seale 1999). The survey was important in helping us to understand how the role and responsibilities of the trustee and management, as well as the trustee–management relationship, were viewed across a greater range of organizations. We find these

practical concerns not to be heavily reflected in the survey results, even taking into consideration the mean size of respondent organizations. Table 5 presents the results of the survey.

Panel A, Table 5, shows that the majority of respondents agree or strongly agree with the statements in relations to the trustee board. Although 16% of respondents suggested trustees “did not have the time to do their job well” (mean: 2.28), all other statements showing disagreement were below 10%. Our interview findings suggest that these issues are symptomatic of a lack of capacity: due to lack of resources some organizations are not able to bring in more expertise. In terms of “trustees having the right mix of skills and expertise” (mean: 2.04), the mean score showed agreement with this statement with only 10% either disagreeing or strongly disagreeing with the statement, although 19% remained neutral.

Similarly, moving to Panel B, neutral responses were found in relation to the statement “misunderstandings between trustees and management are rare” (mean: 2.39), while 17% of respondents either disagreed or strongly disagreed with this statement.

Panel C, Table 5, suggests some neutrality in responses in relation to statements on the effectiveness of the trustee board. Two statements that stand out here concern “monitoring organizational performance” (mean: 2.12) and “reviewing board performance” (mean: 2.36). In the case of these latter statements, 17% of respondents either disagreed or strongly disagreed. Panel D, Table 5, suggests that on average there is strong agreement with the view that there is management effectiveness in conducting their activities. Overall, the survey responses suggest a positive working relationship between trustees and management.

In summary, most trustees and senior management have the correct skills to do their job well, although the detailed interviews suggest that the findings are slightly more nuanced than this. All individuals have good motivation and ethical understanding, yet they are constrained by what they can achieve. In terms of the Islamic ethical principles, we find individual Muslim values being actively lived within Muslim charities. However, there is a difference between what the organizations should be doing in terms of Islamic ethical oversight and what they are actually doing. For example, although the individual ethical values are present, these are not being fully realized at the organizational level and evidenced in organizational structures, although some of the organizations were taking tentative steps to overcome this. Our findings indicate this could be due to three main reasons, as outlined below.

Lack of knowledge and Expertise of Islamic Governance

Firstly, there was a general lack of knowledge around what an Islamic governance framework entails. To implement such a framework requires specific expertise and knowledge of the wider IEF. Despite organizational members being highly qualified and espousing strong Islamic ethical values in their motivation and individual action, there was a general lack of awareness in relation to Islamic ethical governance. Due to a predominant focus on fulfilling regulatory governance requirements, the organizations were not specifically looking to hire individuals with such knowledge on their trustee board, and thus this issue was not at the forefront of organizational hiring decisions. This situation was compounded by the difficulties the organizations were facing in hiring/appointing new trustees, and the desire in some cases to appoint from a small pool of people. Without a trustee board that appreciates the necessity of an IEF-driven governance framework, regulatory governance frameworks will always take precedence, because of their mandatory nature. In those organizations that were attempting to bring some sort of IEF framework into the organization, the focus was largely on mission and vision statements, rather than core structural change.

To the best of our knowledge, our study is the first to examine the IEF for governance in depth and as such one core contribution of our study is to present this framework as a starting point for charity organizations to build their own governance arrangements. The first step would be for organizations to appreciate the role of trustees not only in legal terms, but also as a pivotal governance function. Adding to the UK regulatory understanding, the IEF requires trustees to ensure that their organizations are engaging with social justice principles at both local and societal levels. In practice, this could mean examining more closely the role of the organizations in the local communities in which they are headquartered, especially since the charities largely engage in international aid activities. In this way, the organizations could make the trustee board take a more *hisba* focus to organizational governance, by ensuring not only that regulatory requirements are met, but also that ethical requirements become encapsulated within the IEF.

Lack of Willingness Due to Donor Concerns

In some instances, we find a lack of willingness to undergo the changes required to implement such a framework, largely due to resource constraints. To institute a *hisba* committee or engage with consultative decision-making,

organizations need greater resources. This means a diversion of resources intended for beneficiaries. Muslim donors and funders, however, require the majority of funds to be spent on the intended beneficiaries. Therefore, the organizations have limited flexibility and capacity to actually engage with such changes, even if in the long run these changes would have a positive impact on governance. To overcome these concerns, organizations could engage more closely with their donors to educate them on the permissibility of retaining funds for organizational capacity building. Yasmin et al. (2014) find that Muslim charities rely on both knowledge-based and identity-based trust from their donors, where knowledge-based trust is developed through knowledge and familiarity with the organization's activities and identity-based trust is based on the reputation of individuals running the charities. Both these avenues could be utilized by Muslim charities seeking to strengthen their governance.

An alternative approach would be for Muslim charities to pool their resources and come together at sector level to formulate common governance principles based on the IEF, which all could utilize. This could be based on the IEF we outline in this study. The *hisba* structures we outlined earlier do not necessarily need to be implemented at individual organization level. They could also operate at the societal level, similar to the structures of a regulatory or advisory body such as the Muslim Council of Britain. In this regard, perhaps there is a need for a national level body to specifically focus on these concerns and help Muslim charities to implement the correct IEF-inspired structures and further their social justice agenda at the local community level.

Non-Islamic Context of Operation

We also find the lack of IEF-inspired frameworks could be due, in some part, to the non-Islamic country context in which the organizations are operating, as the focus of their daily governance interactions is reduced to regulatory frameworks. While organizations examined in the study are Muslim in identity, they are based within a non-Muslim society and therefore secular governance concerns take precedence over religious concerns, especially with limited resources, as the interview findings highlight. In such a situation, there may be added difficulty in implementing an IEF-inspired framework. However, it is also important to note here that the limited research in this area points to a lack of Islamic-inspired governance frameworks in Muslim societies as well (Iqbal and Lewis 2009). Although the UK may be a largely Christian country (60% according to the 2011 Census), it does have an active Muslim community (6% according to the 2011 Census). Furthermore, given the

growth and success of Islamic-inspired financial institutions in the UK recent times,²⁰ there is definite scope to develop and extend such a framework within this context. Thus, we suggest that while it is not expected that modern-day societies completely embrace the viewpoints encompassed within the IEF, the opportunity to enrich the role of organizations and society is immense.

Conclusions, Implications and Directions for Future Research

In this paper, we sought firstly to develop an ethical framework for charity governance, utilizing insight from the Islamic perspective. Secondly, we undertook an empirical study on Islamic charity organizations operating in the UK, to assess their experience of governance. Following Hyndman and McDonnell (2009), we conceptualized the notion of governance as a steering mechanism and as such the focus of our paper was on the role played by trustees and management in helping to steer the organization and the functions and structures that would help improve their role. Our theoretical framework presents a comprehensive approach to viewing organizational governance that extends beyond the UK regulatory guidance, encouraging a greater emphasis on social justice and providing greater clarity on the roles and responsibilities of the trustees. The IEF places a heavy emphasis on the character of individuals working within organizations as well as expecting Islamic ethical beliefs to permeate organizational oversight and decision-making processes.

Our findings shed light on the importance of viewing governance within an ethically derived framework. Our empirical findings show an "ethical gap" between the "ideals" of the IEF and the reality of organizational structures within Islamic organizations operating in the UK. We find that while religious beliefs and values are often closely held at the individual level, the application of an IEF-inspired framework at the organization level is limited. We suggest that this could be due to a lack of awareness of what an IEF framework for governance entails, or a lack of willingness to implement such a framework because of capacity/demand issues. In addition, we suggest that these issues are sometimes given added weight due to the non-Islamic context in which they operate, as the focus of their daily interactions is on concerns imposed by the regulatory environment.

These findings may also be applicable to other religious denominations and morally/ethically aware organizations.

²⁰ More than twenty banks across the UK offer Islamic finance services, double the number located in the US. Five banks in the UK are fully Sharia compliant.

For example, the notion that organizations should take a more holistic approach to governance by focusing on both moral character and organizational structure is a specific insight our study brings. Second, we believe a focus on social justice and furthering the public good should be a key defining goal of all charity organizations. Given the altruistic notions on which charity organizations are established, this wider societal perspective would ensure organizations provide greater societal and public benefit, outside of the organizations core beneficiaries. Thirdly, our findings also point to the “ethical” gap that can sometimes arise between religious belief and organizational practice. Thus, just because an organization professes to belong to a specific religious denomination, this does not mean its structures will be a reflection of those beliefs.

While the present study specifically focused on Islamic organizations, we suggest a more comprehensive understanding of ethical governance can be developed if insight from other religious denominations can be gained, together with an understanding of how these values impact organizational practice. Given the crisis of confidence in organizational governance at the moment, we call for future research to develop an alternative outlook to shape how governance could be perceived and conceptualized for organizations.

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Compliance with Ethical Standards

Conflict of interest The authors declare that they have no conflict of interest.

Ethical Approval All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional and/or national research committee and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards.

Informed Consent Informed consent was obtained from all individual participants included in the study.

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Appendix 1

See Table 6.

Table 6 Background information on organizations

<i>N</i> = 75	Min	Max	Mean
Income (£)	102,487	47,657,407	209,133 ^a
Age (years)	4.51	44.94	19.75
No of volunteers	0	200	23
No of employees	0	217	15
No of trustees	3	28	8
No of trustee meetings in a year	1	52	9.4
Average attendance at trustee meetings per year (%)	50	100	83.66
Written job description for trustees %			47.29
Formal subcommittees %			58.11
Internal audit function %			61.64
Religious oversight board %			58.10

^aMedian income

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