Importance of Management and Administrative Ethics on Corporate Success, and Sustainability

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Abstract

This paper is intended to highlight the importance of management and administrative ethics in the inception and sustainability of a profound construction company in the Arab world. Osman Ahmed Osman & Co^{TM} was established in 1947 as a local construction company. The company has gone through 4 pertinent change management phases that shaped and demonstrated its sustainability. It currently exists in 29 countries covering 4 continents with approximately 75 thousand employees (Arab Contractors, 2014). This study hypothesized that management and administrative ethics would lead to success, sustainability, and continuous growth.

The research methodology used in this study was a mixed methods approach. A qualitative case study and quantitative survey analyzed the effect of management and administrative ethics on success and sustainability. The findings of this study have been limited to present the continuous growth of the company due to the consistency in applying management and administrative ethics. The study concluded by proposing applying management and administrative ethics to assure the growth and sustainability of any regional or global company.

Keywords: Management/Administrative Ethics; Osman Ahmed Osman and CoTM; change management; work ethics; construction company; Arab-World; Africa; Near East; success and sustainability, training.

Purpose of Study

This paper is intended to highlight the importance of Islamic management and administrative ethics in the inception and sustainability of one of the biggest construction companies in the Arab world.

Methodology

The research methodology used in this study is a qualitative case study approach analyzing the effect of Islamic management and administrative ethics on historic success and sustainability. The study has emphasized and focused specifically on the performance of a selected case in the Arab world, Near East, Africa, and other regions: Arab Contractors-Osman Ahmed Osman & Co.TM.

Historical background

Geographically (World Atlas), Egypt, heretofore also called Misr, is located at a central point between three continents of the old world: Africa, Asia, and Europe. That fact alone may indicate why this society has been able to survive so many upheavals throughout its rich history and renounced civilizations. Misr repeatedly has been described as the cradle of civilization since the dawn of history.

According to Deming (2000), in the early 1950s after WWII, Dr. W. Edwards Deming (1900-1993) warned corporate America and the corporate west in general of their declining performance due to relaxed ethical and management standards. Dr. Deming is sometimes described as the father of production, operations, and total quality management of the 20th century. Dr. Deming's visions were recognized marginally by only a few until the entire world faced one of its worst economic and financial crises in the first decade of the 21st century. The administrative and management styles applied by Dr. Deming in the second half of the 20th century may constitute the basis for economic stability in any society.

According to Spuler (n.d.), as of the 10th century, a unique Islamic civilization, applying several new administrative and management models unknown to most of the world, began to emerge via an aggressive revolution. In parallel with the Abbasid civilization, another strong Islamic civilization, Afro-Arab-Euro Islamic civilization, emerged in Andalusia in southwestern Europe. Hourani (1991) noted that Andalusia was able to host and recruit a few of the scholars who fled Baghdad due to the defeat of the Abbasid State that was conquered and massacred by the famous Mongol leader, Genghis Khan. The main commodity that the Andalusian civilization donated to the European communities and, ultimately the rest of the world, was "Islamic corporate ethics" in management, trade, and beyond (Sirgany, 2012). The success of the Ottoman State was based on Islamic management and administrative Islamic ethics.

Misr Industrial Revolutions

As Mansour (2013) noted, the first modern industrial revolution in Misr occurred in the 19th century during the rule of Muhammad Ali (1805-1848). Muhammad Ali has also been known as the founder of modern Misr.

Rokhman (2010) investigated the effect of Islamic work ethics on work outcomes, emphasizing job satisfaction, organizational commitment, and turnover intention. Rokhman's empirical testing showed that job satisfaction and organizational commitment have been positively affected by applying Islamic work ethics.

According to Rizk (2008), Islamic work ethics views serve as a virtue in human's lives. Islamic work ethics in principle are based on the *Quran and* sunnah, or teachings of Prophet Muhammad. Yousef (2001) concluded that Islamic work ethics have a positive effect on organizational commitment and job satisfaction in UAE. Ali (2005) mentioned that application of Islamic ethics brought Muslims to the golden ages from the 8th to the 14th century. Abuznaid (2009) highlighted the common moral factors between Islam and other beliefs such as no lying, stealing, fraud, or deceit. Beekun (1996) correlated halal and haram concepts pertaining to business ethics. Beekun referred to the Quranic ayah or verse indicating that "you

are the best of peoples, evolved for mankind, enjoying what is right, forbidding what is wrong, and believing in Allah" (Al-Imran: 3: 110). Beekun's interpretation indicates that the civility of mankind, or any society, depends on the degree that that society forbids vice and spreads virtue. Beekun also referred to the teaching of Prophet Muhammad in which he indicated that all mankind should be treated equally no matter what their physical differences might be: "There is no difference between an Arab over a non-Arab, or a white over a black,... except by their degree of piety – respect to Allah's creatures" (Bukhary and Muslim).

According to Bloomberg's company overview, the Arab Contractors Osman Ahmed Osman & Co was officially registered in 1955 and operates as a construction company. It offers monument restoration, dredging and marine construction, pipe jacking, ready-mixed concrete, steelyard, scaffolding, metal molds, concrete products, and concrete manholes. The company also provides blocks and interlocks, repair units, wood products, portable cabins, ship building and repair, manufacturing, equipment hiring, laboratory, engineering consultancy and technical, and networking and information systems services, as well as integrated systems for bridge construction. Its projects include administrative buildings, cultural buildings, educational buildings, hotels and touristic buildings, hospitals, religious buildings, sports buildings, commercial buildings, housing, water and wastewater, bridges and flyovers, roads, airports, tunnels, ports and marine works, industrial plants, power stations, agriculture and irrigation, and real estate projects. The Arab Contractors Osman Ahmed Osman & Co. is based in Cairo, Egypt. The company has locations in Egypt, Africa, and Asia (www.arabcont.com).

Osman Group (OG)

The Osman Group is a group of companies founded by Engineer Osman A. Osman (1917-1999) in 1974. The activities of OG include construction, real estate, manufacturing, trading, agricultural, information technology, and logistical activities. Although based in Misr, OG conducts many activities overseas.

International Rankings and Awards

Arab-Contractors, Arab Contractors-Osman Ahmed Osman & Co., ranked 83/250 among best selected construction and building companies on the international level according to ENR specialized magazine, August, 2013 (http://enr.construction.com).

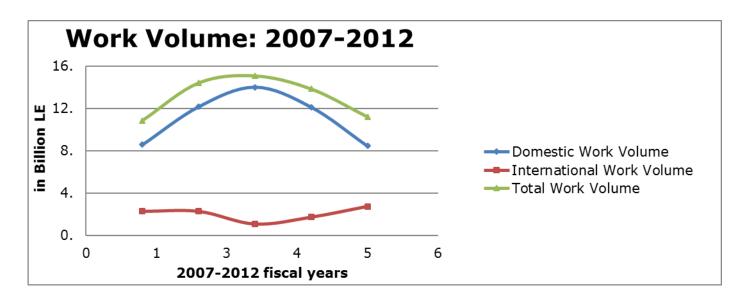
Arab-Contractors, Arab Contractors-Osman Ahmed Osman & Co., was awarded the First Degree Award, Republic of Misr, in 2012 for completing two tunnels in record time at two of the worst bottlenecks in northern Cairo despite all harsh circumstances (http://www.arabcont.com/about-us/records.aspx).

Arab-Contractors Company was awarded the Guinea Achievement Award, Republic of Guinea, in 2012 for accomplishing infrastructure projects, hospitals, and housing projects (http://www.arabcont.com/about-us/records.aspx).

Five-Year Indicators of Arab-Contractors' (Osman Ahmed Osman & Co.) Sustainability:

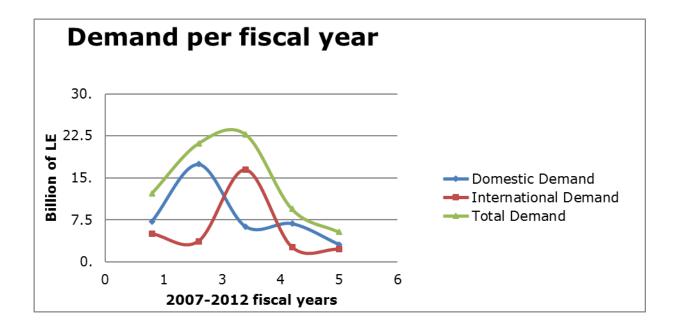
1. Work Volume

Year	Domestic work volume in billion LE	International work volume in billion LE	Total work volume in billion LE
2007-08	8.588	2.276	10.864
2008-09	12.163	2.273	14.436
2009-10	14.003	1.089	15.101
2010-11	12.122	1.733	13.855
2011-12	8.464	2.742	11.206



2. Future Contracts

Year	Domestic demand in billion LE	International demand in billion LE	Total demand in billion LE
2007-08	7.195	5.032	12.227
2008-09	17.444	3.690	21.134
2009-10	6.329	16.463	22.792
2010-11	6.810	2.619	9.429
2011-12	3.100	2.250	5.350



Based upon the previous figure, according to Jawady (2013), the fall in domestic demand of Arab Contractors-Osman Ahmed Osman & Co. projects may be justified by the political instability that followed the January Revolution in 2011. Misr was transferred to the military junta from February 11, 2011 until June 30, 2012. After a short, one-year democratic system, the military junta returned to power via a military coup to cause another cycle of political and economic instability (Personal communication, M. Jawady, July 20, 2013).

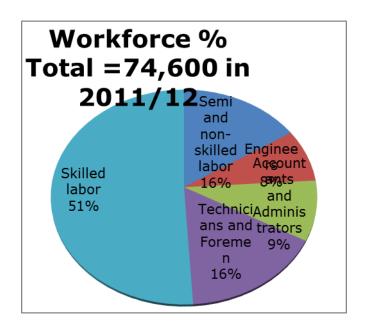
3. Fixed Assets

Year	Fixed assets in billion LE
2007-08	2.849
2008-09	3.468
2009-10	4.610
2010-11	4.714
2011-12	4.855

Human Resources

Type of labor	%
Semi and non-skilled labor	16%
Engineers	8%
Accountants and administrators	9%
Technicians and foremen	16%
Skilled labor	51%

Arab Contractors-Osman Ahmed Osman & CoTM considers its real strength to be its human resources due to the unity and sharing of a common vision that always puts the customers' needs among its top priorities. Arab Contractors-Osman Ahmed Osman & CoTM rewards all talented employees and workers for their dedicated efforts to fulfill the company's vision. In addition, the systematic formation of work teams facilitates solving any problems that might obstruct the process of production. That common vision, coupled with Arab Contractors-Osman Ahmed Osman & CoTM strong values, has been the greatest support to the company since its establishment. Having such a vision along with restructuring upper management, Arab Contractors-Osman Ahmed Osman & CoTM aspires to continue to realize all infrastructure needs for their customers worldwide. AC also continues to match international market standards. Moreover Arab Contractors-Osman Ahmed Osman & CoTM continues building, acquiring, and attaining necessary resources to fulfill the advanced needs for their working teams, partners, and customers. The total workforce in 2011-2012 was 74,600 (www.arabcont.com).



Vocational and Work Safety, Health, Environment, and Quality

Training policy

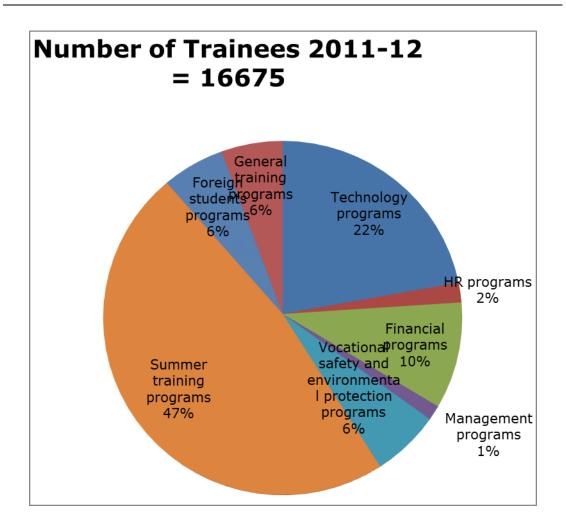
Arab Contractors-Osman Ahmed Osman & Co. firmly believes in the importance of training in addition to the importance of research and development. Those factors constitute the cornerstone for AC to enhance its competitive and sustainable abilities.

Based on a recommendation from the specialized International Consultants Group in managing human resources, an Engineering Technology Institute (ETI) was established in 1979 to reach the highest levels of development sustainability, especially in marketing, corporate management, corporate planning, IS, and electro-mechanical jobs, as well as vocational training. ETI also cooperates in that respect with UNIDO, UNDP, and ILO (www.icmet-arabcont.com). ETI services also cover construction industry education and training in Africa, Near and Middle East.

AC (Osman Ahmed Osman) ETI (Engineering Technology Institute) Training Programs Offered in 2011-12

Type of program	Number of trainees
Technology programs	3694
HR programs	301
Financial programs	1616
Management programs	224
Vocational safety and environmental protection programs	1011
Summer training programs	7927
Foreign students programs	957
General training programs	945

Total 16675



Arab Contractors-Osman Ahmed Osman & CoTM and OGTM: A success story

According to the autobiography of Osman Ahmed Osman, founder of Arab Contractors-Osman Ahmed Osman & Co., the principles that were ingrained in him as a child, and to which he devoted his whole life to, were: honesty, perfectionism, and punctuality (Osman, 1981). Osman's mother taught him that "loss of money is small, no matter how large; but loss of men is large, no matter how small" (Osman, 1981, p.61).

Based on Islamic work ethics and morals, good human relations and loyalty were the foundations of building the gigantic Arab Contractors-Osman Ahmed Osman & Co.TM. The company was built not by money but by the human and humane relations built over the years before Arab Contractors-Osman Ahmed Osman & Co.TM even started. Osman asserted that good leadership, role models, and distribution of responsibilities are the basis for success in any teamwork. Osman noted that one of his practices since his beginning as an assistant in his uncle's small construction company, the preparation of all needed equipment and tools, had proven over the years to save exactly 20% of the cost of production. As a PE (project engineer), Osman made sure to be the first one on site, which ensured that all workers and engineers would show up on time. His presence among the workers and engineers all day also would

motivate them and increase their productivity. Support and care resulted in all workers' producing with the highest quality and dedication (Osman, 1981).

Employee satisfaction, services, and social dimension are part and parcel of the company's fringe benefits for their workers and employees. Arab Contractors-Osman Ahmed Osman & Co. has built hospitals, social and sports clubs, banks, education allowances, transportation, and housing to serve their employees, workers, and the general public wherever their projects exist (Personal communication, M. Yaseen, April 28, 2012).

\Box Operational solutions

As noted on the Web site www.osman.net (2014), integrity amongst their working partners and internally within the companies has led to their success. The initial team started in a small office in Ismailia City; the same team stayed together until they passed away and transferred one of the most successful companies in the Arab world region, as well as worldwide, to their heirs and the rest of their society. Loyalty of employees and workers became the norm of the company (Personal communication, M. Yaseen, April 28, 2014).

Integrated projects in the Arab world, Africa, Europe, and North America

The operational solutions included the integrated projects in the Arab world region that started in the early 1950s. According to Osman Ahmed Osman's autobiography (1981), due to political and British influence, national contracting construction companies were deprived of all government bids. Osman Ahmed Osman & Co.TM applied for bids in Saudi Arabia to build their first higher education institutions to rescue the company from going bankrupt. From the early 1950s to the early 1960s, Osman Ahmed Osman & Co.TM built several projects in Saudi Arabia, including roads, hospitals, and educational institutions.

According to the OGTM (Osman Group) Web site (2013), Saudi Contracting Co.TM was founded in the 2nd decade of the 21st century by OGTM for industrial investment and general contracting. Saudi Contracting Co.TM specializes in the construction of buildings, roads, bridges, and marine structures in Saudi Arabia. In 1954, Osman Ahmed Osman & Co.TM entered the Kuwaiti construction market by winning bids in a highly competitive market with five other British construction companies. Osman Ahmed Osman & Co.TM built the Kuwaiti Parliament, one of the most magnificent wonders of Kuwait. The Kuwaiti Municipality building was also built in Kuwait in the late 1950s (Osman, 1981). As of 2014, Arab Contractors-Osman Ahmed Osman & Co.TM was building Jaber Al-Sabah Hospital and Al-Jahra Highway connecting east and west Kuwaiti roads (www.osman.net, 2014).

In the early 1960s, Arab Contractors-Osman Ahmed Osman & Co.™ dedicated most of its activities to building the Aswan High-Dam in Upper-Southern Misr. Aswan High-Dam is considered one of the biggest dams in the world. The Aswan High-Dam Lake is the biggest manmade freshwater lake in the world. Also in the 1960s, the company completed projects in Libya as it built most of the highway roads as well as Tripoli University (Osman, 1981).

In the late 1960s, Lebanon was hit by an earthquake that destroyed thousands of houses. Arab Contractors-Osman Ahmed Osman & Co.TM was recruited to reconstruct and develop the area affected by the earthquake. The company built 20,000 houses in a record time in less than 6 months with the help of 1000 Misry construction workers. Since 2013, Arab Contractors-Osman Ahmed Osman & Co.TM has been working on sewage networks and treatment plants in Lebanon.

Since the 1970s, Arab Contractors-Osman Ahmed Osman & Co.TM has accomplished several important projects in Qatar. In 2006, OG-QatarTM was established in Qatar to execute construction projects including deep foundations, dewatering, and oilfield services. OG-QatarTM also provides trading services for construction materials including construction equipment and waterproofing. OG-QatarTM built Bin-Samikh Residential Complex, the most prestigious residential complex in Doha, Qatar's capital. In 2007, Raymond Qatar FoundationTM was founded as a joint venture between OG-QatarTM and SBS group in Qatar. Raymond Qatar FoundationTM is a piling company. Recently, Qatari-Gypsum was founded as a branch of OG-QatarTM to manufacture prefab walls in Qatar.

According to the OGTM Web site (2013), Cal Southwest ConstructionTM, Inc. was incorporated by OGTM in 1985 and licensed in 1996 in San Diego, California. The company has participated in general engineering construction including sewage and water treatment plants, pumping stations, water distribution systems, and water reservoir and chlorination facilities. The company accomplished more than 50 projects in the State of California. Cal Southwest ConstructionTM has been awarded Contractor of the Year twice by the City of San Diego. The company is achieving annual gross sales of approximately US\$5M within San Diego County.

Arab Contractors-Osman Ahmed Osman & Co.TM has numerous projects in Africa. The company built highways and entire districts' infrastructure in Chad, Cameron, and Nigeria.

The aforementioned projects represent just a sample of regional and worldwide projects in almost 29 countries on 4 continents.

☐ Marketing strategy

According to the autobiography of Osman Ahmad Osman (1981), founder of Arab Contractors-Osman Ahmed Osman & Co.TM, he made careful study of all bids and offered proposals with marginal profits for sustainability of the company. High profits were not a goal; rather, the company's sustainability was the main goal for Arab Contractors-Osman Ahmed Osman & Co.TM. Arab Contractors-Osman Ahmed Osman & Co. focused on quality control and quality performance to keep the company's reputation always at its highest standards.

Before the turn of the century, Arab Contractors-Osman Ahmed Osman & Co.TM did not need to continue to invest in classic marketing strategies, but rather they needed to update their portfolios and Web sites with their continuous high-quality performance projects.

As a result of the company's high-quality performance, Arab Contractors-Osman Ahmed Osman & Co.TM was offered projects in various provinces of Misr and the Arab world region. Arab Contractors-Osman Ahmed Osman & Co.TM started in the early 1950s to build the first higher education

institutes in Saudi Arabia. Since the mid-1950s, major construction projects have been performed by Arab Contractors-Osman Ahmed Osman & CoTM in Kuwait.

☐ Financial structure

The financial 2011-12 report for Arab Contractors-Osman Ahmed Osman & Co.TM probably best reflects the financial structure of that company. The following table from the company Web site summarizes the company's activities for the fiscal year starting June 30, 2011 and ending June 30, 2012. It is worth noting that Misr was under a military rule from February 11, 2011 until June 30, 2012, resuming its military rule after June 30, 2013.

Long-term assets		
Fixed Assets	LE in millions	Totals
Real estate	45.8	
Buildings	262.3	
Equipment and machinery	1216.7	
Transportation and shipping facilities	414.4	
Tools	336.2	
Office furniture and Office supplies	23.6	2299
Projects in process	LE in millions	
Investment equity	263.6	
Investment liability	27.2	290.8
Long-term Investments	LE in Millions	
Investment in stocks of sister companies	293.7	
Investment in stocks of other companies	687	
Investment in government bonds	23	1003.7
Available assets		
Inventory	LE in Millions	
Raw materials, spare parts, and fuel	1010	
Unfinished products	143.3	

Finished products	18.4	
Credit accounts	143.8	1315.5
Debts	LE in Millions	
Clients	5655	
Accounts receivable	40.9	
Debit accounts: government agencies, regional, & international organizations	107.6	
Revenues to be collected	4.7	
Expenses	460.4	
Creditors	1101	
Other debts	2221	9592
Available cash	LE in Millions	
Time deposits	1079	
Letters of credit	50	
Current bank accounts	746.6	
Cash in trust accounts	7.4	1883
Total available assets		12790.5

Mansour (2013) wrote that although the country experienced a healthy rate of GDP growth between 1993 and 2011, economists asserted that only a small proportion of Egyptians actually benefited from this economic growth (Euromonitor International, 2012,), citing the use of "political connections" as a typical business practice that carries major economic advantages for those who are well connected professionally. In contradiction with Osman's Islamic ethical practices, the elite that have been benefiting from corruption for several decades lack Islamic ethics and a sense of belonging to their own society.

Survey:

A survey was distributed to 200 employees. 25% of each of the following categories: professional, technical supervisors, skilled & unskilled laborers. Only 90 employees responded, of which 43.33% were skilled laborers, 26.6% professionals, 23.3% unskilled laborers and 6.6% technical supervisors. 63.33% were male and the rest females. 33 respondents were below 30, another 33 were over 50 and the rest were

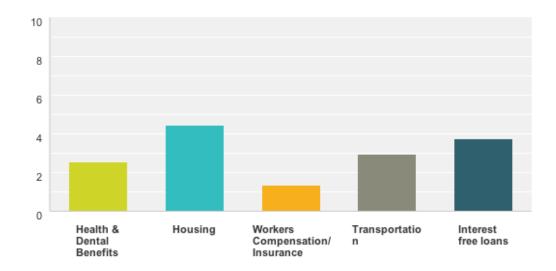
in between. 53. 3% had relatives working in the company. Those relatives either recruited them, or helped them get the job.

The competitive salary offered was either the primary or secondary reason for applying to the company for 80% of the respondents

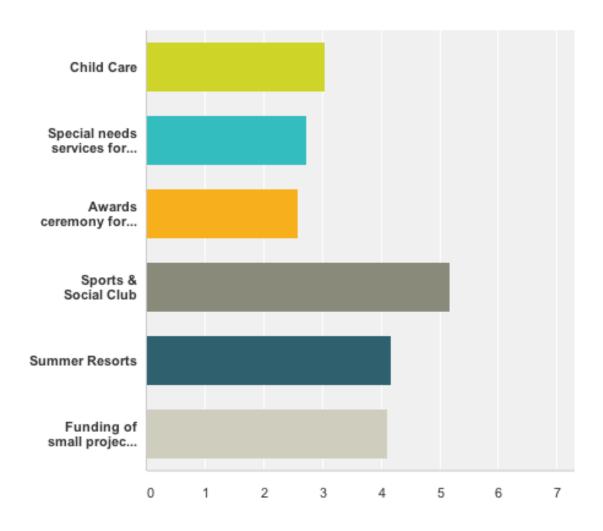
When asked to prioritize what primarily attracted them to apply to the company, these were their responses:



When asked which of the following Fringe benefits were found to be most important for the employees. 66.6% or 60 respondents chose housing as their first priority, whereas 80% agreed that workers compensation insurance was their least priority.



Finally when asked which Fringe Benefit was most important for their family 83.33% of the respondents picked the Sports and Social Club, whereas 50% found the summer resorts to be their 3rd choice. Child care was chosen only by females, special needs services by those who needed them. Awards ceremonies were never the first choice.



Conclusion

The case study of Osman Ahmed Osman & Co.TM marks the importance of Islamic management and administrative ethics in the workplace of any company or business. In his childhood, Engineer Osman was brought up according to a fair understanding and implementation of Islamic ethics within his own household. His mother taught him and his siblings strong Islamic ethics to live by regarding punctuality, self-dignity, honesty, hard work, sense of belonging to their society, helping the needy, caring for their family, respecting the elderly, and politely defending their rights, among other traits Muslim mothers implant in their children throughout the Muslim world. In addition, Engineer Osman also was brought up within a rather Muslim-oriented school in which his teachers had been adhering to Islamic ethics both in and out of class. His teachers motivated students not only to excel academically but also to never to abandon their Islamic ethics, values, and principles (Osman, 1981).

In his adolescence, Engineer Osman continued his college education with the same high academic achievement that he had always accomplished since his early childhood due to his Islamic rearing. Upon graduation with the highest honors from the College of Engineering, Fuad First University, known now as Cairo University, he was appointed as a lecturer in his college. Despite the prestige and temptation, Osman preferred to work as a contractor to benefit his society better—a reflection of the Islamic ethics in which he believed (Osman, 1981).

In his adulthood, Engineer Osman's Islamic lifestyle helped his company grow from fewer than 100 employees in 1947 to more than 85,000 employees in 2010. He never abandoned quality standards, performance, punctuality, or finishing a project on time. Engineer Osman never lost a bid; when asked about the reason, his response was that his bids were always for the least profit but with the highest standards (Arab Contractors, 2014).

Engineer Osman filed for bankruptcy in 1951 and was nationalized in 1961, but he always believed that Allah (SWT) would save him if he continued to work hard and never abandon his Islamic ethics or principles. He started from scratch each time, when he almost went bankrupt and when he was nationalized, but he was able to rebuild an even greater company step by step. He believed that experience coupled with high Islamic moral and ethical standards was worth much more than any materialistic assets or gains (Osman, 1981).

Engineer Osman Ahmad Osman passed away in 1999, leaving behind a wealth of ethics, values, and principles derived from his Islamic ethical rearing since he was a child in Ismailia in Misr. It is true that Engineer Osman's company had assets of almost US\$500B when he passed away; yet, his ethical heritage is more valuable than all the materialistic assets that the company owns.

We, the authors, hope that this study will present an example to motivate new entrepreneurs—Muslims and non-Muslims alike—to adhere to Islamic ethics to enhance their projects and benefit their societies

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