TAWHIDIC PARADIGM AND ORGANIZATIONAL POLICY AND STRATEGY PRACTICES

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ABSTRACT

This study explores the practice of Tawhidic Paradigm in organizational policy and strategy of small and medium enterprises (SMEs) in Malaysia. Tawhidic paradigm (TP) is an understanding to perform deeds in line with faith ('aqīdāh), worship ('ibādāh), and ethics (akhlāq) in the life as servant and vicegerent of Allah. In everyday life, one has to earn good value, which is compounded into the value of life as servant and vicegerent of Allah, enhances value in life, bottom line in the worldly and the Hereafter. TP is a guideline that based on Shari'ah, Islamic ethics and teaching principles for managing companies in the contemporary age. The TP is an addition to the existing standards and guidelines that produced by various agencies in Malaysia. The rigorous, comprehensive, and complete nature of TP contributes to beyond triple bottom line concerns of today's companies for the sake of sustainability. This study uses personal interview with entrepreneurs of selected enterprises of SMEs in Malaysia. The entrepreneurs argued that they practiced TP according to teachings of Islam in terms of sincere, honest, truthful, and always abide by the teachings of Islam. Yet, they are still facing severe challenges to sustain their enterprises. However, they have strong dependency in Allah, and always reminding themselves to work hard as it is part of worshipping Allah. TP in OPS could bring significant practical implications in strategic management in enhancing efficiency, effectiveness, and sustainability of the companies. In conclusion, while the aware of TP in OPS significant theoretically, but in practice it has to be proven due to no such practices.

Key words: Tawhidic paradigm, Strategic management, Organizational practices.

Introduction

Dynamism of organizations allows them to address changes and challenges in attaining goals of organizations. The management of organizations decides whether to react dynamically or otherwise. This is related to the function of management as a mean to get things, objectives, purposes and reasons for organizations to exist materialized and attained. The function of management includes planning, organizing, leading, and controlling activities as discussed in the management textbooks. The persons that manage the organizations must be able to plan activities that can be done by people in the organizations to achieve goals in terms of profitability and other advantages.

The planners, organizers, leaders, and controllers are human indeed, have feeling, thinking, and behavior that shape the management. Conventional managers are those applying reasoning and rational thinking in managing the organizations. When they craft strategies, they use any logic to rationalize the strategies. They are likely to use profit motives as the basis to formulate strategies as they used to believe the slogan "maximize profit, minimize cost." Any action to be taken must be able to generate maximum profit at the least cost possible.

People in the organizations are trained to minimize cost and they have no choice but to display the minimization cost behavior. Like it or not everyone must abide by to this idea. The use of resources, efforts, and time must be optimized for the sake of efficiency, least cost, but to generate huge profit ever. Efficiency and effectiveness are the guiding idea that managers and employees must adhere to in the organizations. Organizational policy makers must formulate strategies, policies, and guidelines that generating the maximum profit at the minimize cost possible. Strategy must be grand; the outcome also must be huge to meet the shareholders' expectations. There is least concern to think about the welfare of the managers and employees. Essentially, conventional believers argued that these managers and employees are paid to perform the task and they are employed on the freewill basis. They are not forced to except the employment contract if they find it contradicts to the welfare concern or if they find it harsh to serve their welfare and wellbeing. Organizations are not real human but just artificial person.

The process to formulate strategies requires rational managers to perform extensive analysis, external and internal environmental scanning to ensure there are sufficient opportunities to generate profit and to be aware of threats so that they could minimize cost.
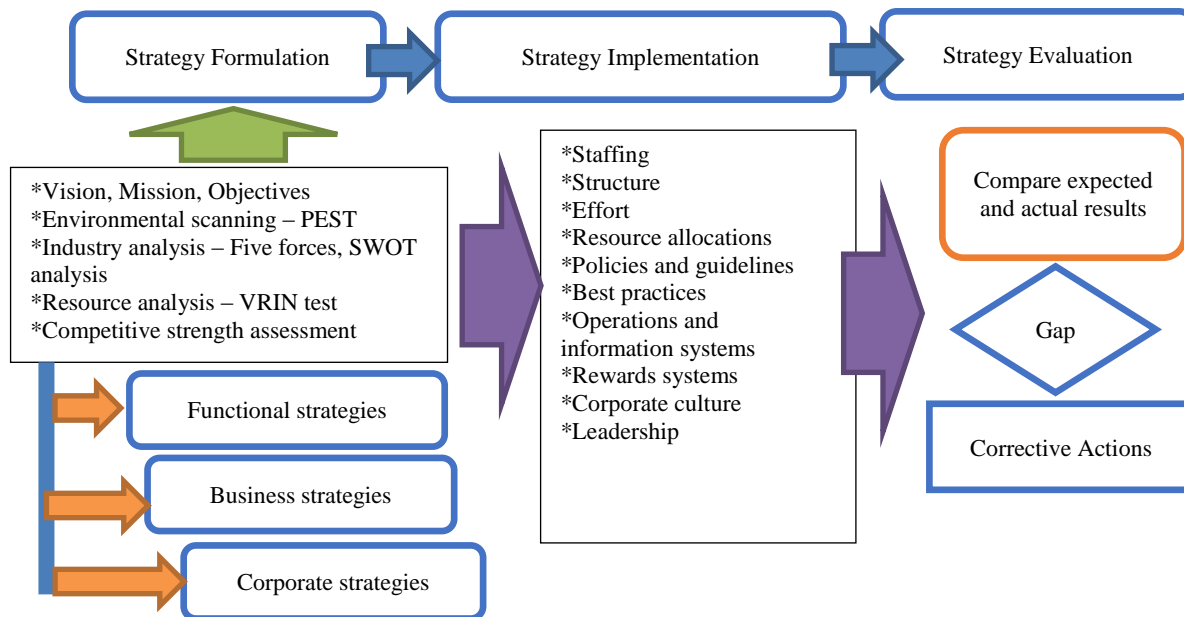
The process of organizational policy and strategy follows three major stages, namely strategy formulation, strategy implementation and strategy evaluation. The process is guided by profit maximization and cost minimization thinking. Strategists at all levels in organizations are trained and indoctrinated to understand these formulae and bring in the formulae in the strategy formulation process. In this situation every unit in the organization must work diligently to show the performance of the past before.

Literature Review

Tawhidic paradigm provides the basic principles of Islamic teaching into organizational activities. The Islamic way of life is embedded in any activity as in the form of doing good deeds to the individual and the community. Both tasks, individual interest and community interest, must be integrated as act of worship to please Allah. While human can use their reasoning to formulate, implement and evaluate organizational strategy, the revelations from the Quran and the *sunnah* of the prophet PBUH guides human reasoning.

In conventional, reasoning plays significant role in determining the process. Organizational policy and strategy process follows three steps – formulation, implementation and evaluation. Figure 1summarizes the three steps for organizational policy and strategy process.

Figure 1: Three steps of organizational policy and strategy process.

The basis for organizational policy and strategy process follows three steps – formulation, implementation and evaluation is based on the theory of the firm by Coase (1937) that being subscribed by the economists and business educationists as bounded rationality approach process (Kay, 1992). The basis is unable to provide clear direction to the role of institutional environment that affect the firm's decision. In fact, Coase's theory of the firm is very simplistic in which it assumed that the existence of the firm is due to the existence of transaction costs, and the firm's boundaries are defined by a simple calculus of transaction costs that are related to the Property Rights Theory and the Incentive Theory.

Indeed, Coase's theory of the firm and it formalized theories are unable to offer a comprehensive, dynamic and contemporary theory of the firm due to lack learning processes both at the individual and organizational levels. Thus, the alternative theory of the firm that based on evolutionary theory and resource-based view of the firm can fill in the gap of learning and capacity building in the firm (Nelson & Winter, 1982; Kogut & Zander, 1996; Langlois & Garrouste, 1997).

These two views have a common assumption, namely the behavioral assumptions (learning and rule-guided behavior) and assumed that knowledge and capabilities represent the firm's critical and distinctive resources (Foss, 1996; Poppo & Zenger, 1999). They argued that the resource-based and knowledge-based views of theory of the firm are more unified and comprehensive due to three arguments, namely knowledge is generated as the result of learning and experience; the result of learning, it is context (local) and path-dependent (historical), and it is partly tacit, and the organization is partly unaware of its existence because it is embedded in organizational routines and individual skills (Garrouste & Saussier, 2005).

There are flaws in the conventional approach to organizational policy and strategy process. From economic production-based, it moved to the resource-based and knowledge-based theory of the firm, they attempted to offer an evolutionary perspective; however, given the background of the contemporary business world that is full with uncertainty due to the globalization process, rapid changes are rampant due to the fast paced of technological development, high mobility of society, and high intensity in competition (Mahutga & Smith, 2011; Vergragt, 2012).

This situation makes the business world competitive due to the increasing of enterprises that are competing on the uniqueness (Liu, Chen, & Tsai, 2004). The evolutionary perspectives emphasized on the importance of knowledge and innovation in facing the still competition to achieve sustainable competitive advantage (Karim & Hussein, 2008), but the firms are not able to do so

with the increasing moral hazard events that hampered firms to create and sustain competitive advantage. There is increasing need to go back to the root of intellectual development, which lies in the soul of human. Lewis (2006) argues that the current business world can gain and sustain its competitive advantage when it is imbued with the soul (spirituality). Osman-Gani and Sarif (2011) argued that the excellence in spirituality leads to better worldview, far sighted and continuous improvement that guided by commendable values.
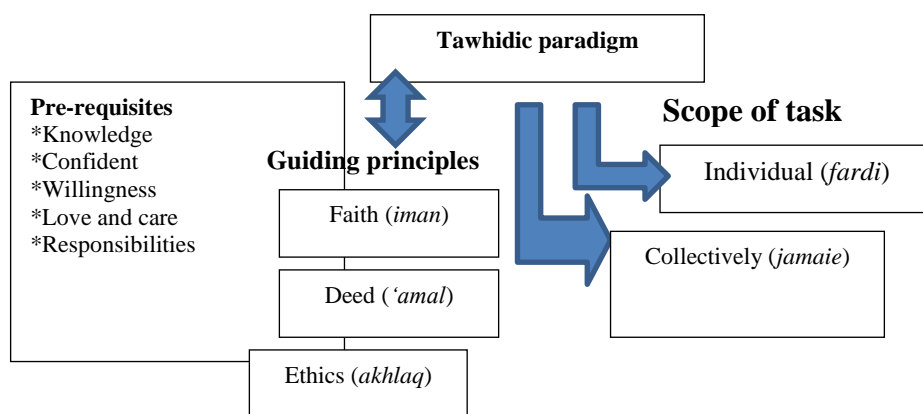
Tawhidic Paradigm Framework

The *Tawhidic* paradigm framework or the Islamic monotheism thinking is about linking the two dimensional of life the worldly (*al Dunya*) and the Hereafter (*al Akhirah*) in the context of organizational policy making, activating business processes, deciding actions and creating decisions (Rahman, 1995; Hamid, 1999). The immediate impact for Tawhidic paradigm is to execute a trust to promote goodness and prevent evil (Hamid, 1999). This understanding is based on a few concepts, namely knowledge (*al 'ilm*), true conviction (*al iman*), and integrity (*al ihsan*) (Mawdudi, 1991; Laming, 2002; Ismail, 2004). The understanding of goodness *(al ma'ruf)* is paramount because it includes good deed (*al khayr*), righteousness (*al birr*) and lawful (*halal*) which deserve positive rewards (*ajr*) (Mawdudi, 1991; Qardawi, 2007). *Munkar* includes bad (*sharr*), sins (*ithm*) and prohibited (*haram*), which are related to corresponding punishment (*al 'idam*) (Mawdudi, 1991; Qardawi, 2007). Sarif and Ismail (2011) summarize the essential elements of *Tawhidic* paradigm in business management studies in Figure 2.

Figure 2. Roles, duties and core values under *Tawhidic* Paradigm
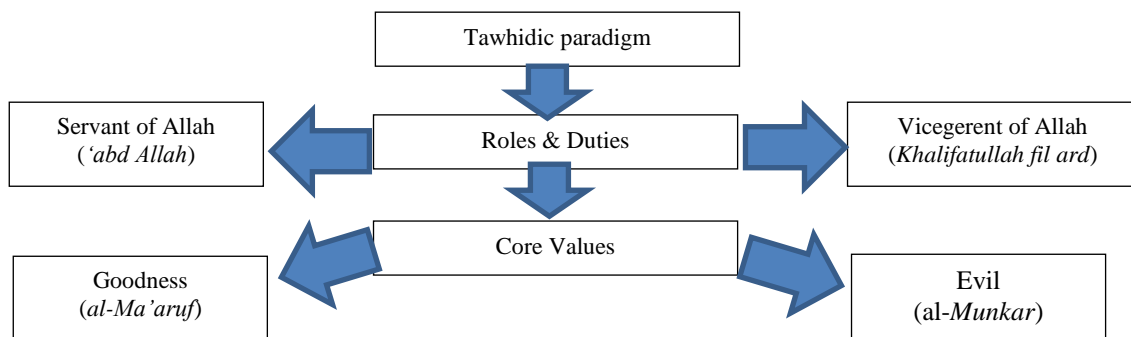
For the organizational policy and strategy process, *Tawhidic* paradigm reflects the use of thinking in formulating, implementing and evaluating strategies with the intention to execute the trust as servant and vicegerent of Allah in the best possible manner. Figure 3 provides important elements in *Tawhidic* paradigm framework.

Figure 3: Pre-requisites, guiding principles and scope of task under *Tawhidic* paradigm framework


While Figure 2 illustrates the essential elements of *Tawhidic* paradigm, which reflects the roles and duties with the guiding core values, Figure 3 highlights the framework of Tawhidic paradigm that reflects the pre-requisites for *Tawhidic* paradigm for individuals and society to discharge the duties with faith, conscious, and ethics.

There is a need for integrating *Tawhidic* paradigm with organizational policy and strategy process framework. Firstly, there are flaws in conventional organizational policy and strategy process due to emphasis on efficiency, effectiveness, optimization, profit maximization and cost minimization, which are very mechanical to human life that is full with arts, dynamism and flexibility (Ambrosini & Bowman, 2009; Calabrese, Costa, Menichini, & Rosati, 2013). Secondly, sustainability in the existence is

necessary and it has to continue so that it will be relevant in the market (Cricelli, Grimaldi, & Greco, 2014). Finally, there is a need for greater benefit to be extended from the worldly to the hereafter. Figure 4 provides the *Tawhidic* paradigm integrated with organizational policy and strategy process framework.

Figure 4: *Tawhidic* paradigm with three steps of organizational policy and strategy process.
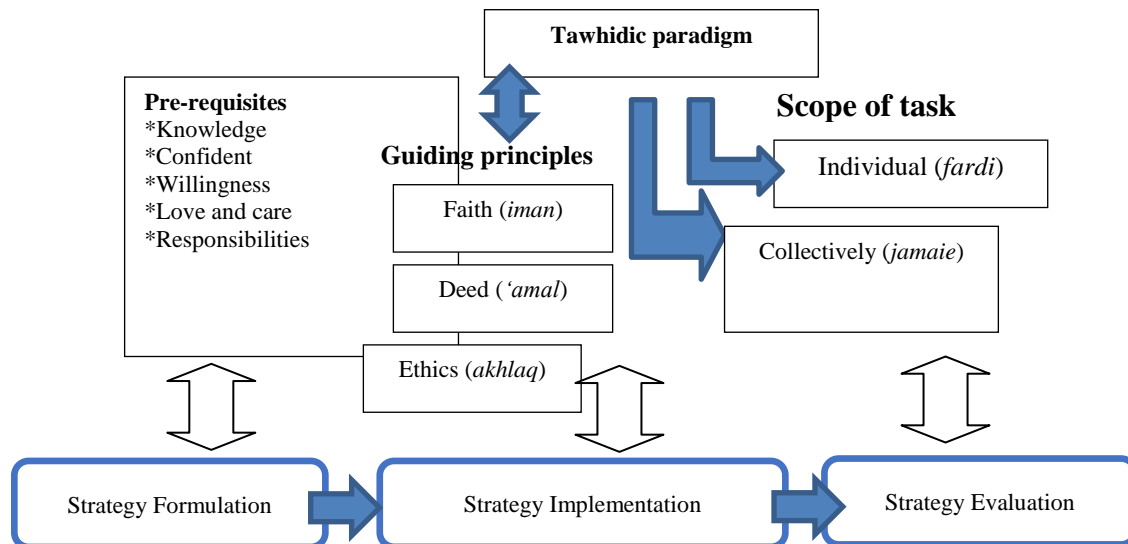
Methodology

This study explores the practice of *Tawhidic* Paradigm in organizational policy and strategy of small and medium enterprises (SMEs) in Malaysia. *Tawhidic* paradigm is an understanding to perform deeds in line with faith (*'aqīdāh*), worship (*'ibādāh*), and ethics (*akhlāq*) in the life as servant and vicegerent of Allah. In everyday life, one has to earn good value, which is compounded into the value of life as servant and vicegerent of Allah, enhances value in life, bottom line in the worldly and the Hereafter. TP is a guideline that based on *Shari'ah*, Islamic ethics and teaching principles for managing companies in the contemporary age. The TPI is an addition to the existing standards and guidelines that produced by various agencies in Malaysia. The rigorous, comprehensive, and complete nature of TPI contributes to beyond triple bottom line concerns of today's companies for the sake of sustainability.

The study used qualitative method via personal interview with 10 managers from small and medium enterprises (SMEs) in Malaysia that practice management system from Islamic perspective in Malaysia. The use qualitative method in this study to obtain detailed explanation from the informants regarding the nature, factors, incentives, boundaries, details of business activities in Malaysia that leading to offer a contemporary theory of the firm based on Malaysian context.

The use of qualitative method through personal interviews is appropriate for exploratory nature of studies. Miles and Huberman (1994) argued that qualitative method is appropriate to examine complex and difficult contexts of study because they can put the situation/s in question into the right perspective. In addition, Marshall and Rossman (1989) recommended the use of qualitative methods to enable researchers to ask more questions in order to explore the context of the study in greater detail. The nature of business activity is dynamic because it involves different perspectives and understanding of different individuals. Such situations are best understood utilising qualitative method (Ezzy, 2002; Lee, 1999).

Further, qualitative method also enables the researcher to identify and understand the complex relationships in knowledge transfer between firms (Lee, 1999; Rist, 1994). By asking questions in personal interviews, the researcher will get varieties of answers that are relevant to the interview questions (Patton, 2002; Silverman, 1993). There are many techniques to obtain data using qualitative method, such as active or passive participation and observation, personal interviews, content analysis on various documents, and case study (Patton, 2002; Lee, 1999; Creswell, 1998). The study obtained views through personal interview with 10 managers from small and medium enterprises (SMEs) in Malaysia of various business activities that practice Islamic management system.

Findings and discussion

This part presents the feedback from the personal interview with 10 managers of small and medium enterprises (SMEs) in Malaysia on the practice of *Tawhidic* paradigm into the organizational policy and strategy with the theory of the firm at their organizations. Table 1 summarizes the profile of the informants. The informants were asked questions pertaining to the practice of Islam in formulating, implementing and evaluating strategies.

Table 1: Informants' Brief Profile

Code	Position	Principal activity
TF1	Senior manager	Entertainment
TF2	Managing Director	Food
TF3	General Manager	Plantation
TF4	Branch Manager	Construction
TF5	Manager	Corporate banking
TF6	Senior General Manager	Agriculture
TF7	Vice President	Food
TF8	Senior Manager	Construction
TF9	Managing Director	Landscape
TF10	General Manager	Tourism

TF 1 argued that the company decided to subscribe quality standard on management system from Islamic perspective as a part of the effort for good corporate governance. TF 1 said:

> My company decided to get Islamic management certification after obtaining information about the quality system or ISO from Islamic perspective by the Standards Department of Malaysia. That's really awesome when Malaysia produces its own ISO system based on Islamic philosophy. The most interesting part, the ISO is not meant for Muslims only, but also for any company who is interested to get ISO certification based on Islamic system. All this while, the non-Muslims though being certified with Islamic system is automatically converted to be Muslims.

TF 2 contended that the practice of Islam on the management of the company has been part of the business creed due to the religious background of the founders. TF 2 uttered:

> Our founders are very religious and committed professional Muslims. They wanted the business to be devoted to Islamic teachings. They keep reminding us, all the managers and workers, the quality of work in this company should be equivalent to the obligatory prayers that we perform five times a day. The reason for this is that both working and performing prayers are regarded as worshipping Allah. If one steadfast and committed in worshipping Allah, one will produce best quality of work. The logic is simple – to enter into the paradise of Allah, one must be of the highest quality.

TF 3 decided to use Islamic management system because the company believes that it can contribute to the human wellbeing. TF 3 pointed out:

> Doing business is about making a value in the interactions with and through people. Our customers are human being who wanted to satisfy their mind, soul and physical. Similarly, our employees, suppliers, partners, and the stakeholders are also wanted to have more values in the transactions. People have been talking about good relationships with the stakeholders yield long term revenue and customer loyalty. Not to pretend or making false impressions to customers just to lure them. If we treated customers as objects, we have denied their basic human rights to be respected.

TF 4 emphasised that the company has been complying with many construction management standards as a mean to gain confidence from the public. TF 5 argued that the company practices Islamic management standard due to its nature in Islamic banking and finance. TF 6 argued that the Islamic practice in managing the company can increase productivity and company's financial performance. Moreover, TF 6 believed that the soul aspect of human also needs nourishment.

TF 7 pointed out that efficiency and effectiveness are very important in managing of a company and the practice of Islam reinforces human soul to devote in the process to achieve goals of a company as well as personal goal in the form of worship to Allah. TF 7 said:

> Today, we can see many corporate managers practice Islamic code of conduct even though some of them are not Muslims. They impressed with the attitude and manners shown by Muslim corporate leaders. Even now we can see a CEO of a big company becomes chairman of mosque. He used his corporate experience in making the mosque very active in organizing spiritual and professional events.

TF 8 argued that the practice of Islamic management approach is not about influencing or an attempt to convert non-Muslim to become Muslim. TF 8 emphasised that the Islamic management approach promotes universal values in managing people and organizations.

TF 9 contended that the tragedy of 911 in the United States of America has attracted many people to understand Islam and appreciate the good universal values preach in Islam. TF 9 articulated:

Most of my business partners and associates are non-Muslims and I have been in this landscape business for more than 20 years. In the past, they were not interested to talk about Islam in business dealings. But, now they are very interested to know about Islam not only in business, but also in political, social, and in all human activities. They even wanted to get the Islamic Quality System by SIRIM, halal and toyyiban certifications and so on.

TF 10 argued that the practice of Islam in managing a business is not about having a label of Islam. It should be beyond merely compliance. TF 10 said:

In tourism business, people always thought about halal food, no gambling, no prostitution, and everything must be free from vices. In my opinion, tourism and hospitality are about giving services to customers on how they can spend their vacation and to appreciate the time they spent with friends and family members. When I brought my customers to see the nature of wildlife, the rain forest, the waterfalls, live in the forest, they became appreciative to the nature and some of them joined clubs or associations that advocating the protection of the rain forest and the wild life. This is really win-win situation. I got my business continues, and my customers obtained very good lessons about being friendly and ethical to the natural environment.

Based on the informants' feedback, the practice of Islam in the companies reinforces the mind, soul and body of people in the companies to be reflective on human values, corporate governance, efficiency, and effectiveness. Table 2 summarizes the informants' feedback into several key values, namely good corporate governance, good human wellbeing, and company's effectiveness and efficiency.

Table 2: Summary of Informants' Feedback

Code	Main points	Key values
TF1	subscribe quality standard on management system from Islamic perspective as a part of the effort for good corporate governance	Good corporate governance
TF2	practice of Islam on the management of the company has been part of the business creed due to the religious background of the founders	Human and society well being
TF3	contribute to the human wellbeing	Human well being
TF4	complying with many construction management standards	Good corporate governance
TF5	increase productivity and company's financial performance	Company's effectiveness and efficiency
TF6	soul aspect of human	Human well being
TF7	reinforces human soul to devote in the process to achieve goals of a company	Human well being
TF8	promotes universal values in managing people and organizations	Human well being
TF9	to understand Islam and appreciate the good universal values	Good corporate governance
TF10	beyond merely compliance	Good corporate governance

In other words, the integration of Tawhidic paradigm into organizational policy and strategy with theory of the firm reinforces good human and organization governance for the sake of producing benefits to individual human, organizations, and the society. The informants argued that the current practice emphasized on profit maximization and competitive advantage at the cost of human spirituality development. The Islamic approach to theory of the firm includes a comprehensive view on the organizational driven objectives (Garrouste & Saussier, 2005).

The typical indicators of theory of the firm on the transactional aspect, contracts, boundaries, and relationships with the stakeholders (Aghion & Tirole, 1997) are inadequate to cope with internal and external organizational choices (Garrouste & Saussier, 2005). The role of the stakeholders is essential to fill in the gap of learning and capacity building in the firm (Nelson & Winter, 1982; Kogut & Zander, 1996; Langlois & Garrouste, 1997) with several themes namely, good corporate governance, good human wellbeing, and company's effectiveness and efficiency.

Freeman (2010) argued that a stakeholder approach is necessary in organizational policy and strategy process for its sustainability. Firms need to be more humane instead of robotic and mechanistic. This approach is not deviated from the original framework of business of result oriented (Locke & Latham, 1990; Campbell-Hunt, 2000). More importantly, every action must make sense. Weich, Sutcliffe and Obsfeld (2005) contended that sense-making is necessary despite the advancement in the modern statistical methods. Sonenshein (2007) argued it as part of constructive alignment process between the mechanistic processes with the organic nature of human life together with the eco-systems.

Conclusion

The impact of *Tawhidic* Paradigm in organizational policy and strategy of small and medium enterprises (SMEs) in Malaysia is significantly important to sustain its dynamism for long term from the world to the Hereafter. *Tawhidic* paradigm provides an understanding to perform deeds in line with faith (*'aqīdāh*), worship (*'ibādāh*), and ethics (*akhlāq*) in the life as servant and

vicegerent of Allah. In everyday life, one has to earn good value, which is compounded into the value of life as servant and vicegerent of Allah, enhances value in life, bottom line in the worldly and the Hereafter. TP is a guideline that based on *Shari'ah*, Islamic ethics and teaching principles for managing companies in the contemporary age.

The TPI is an addition to the existing standards and guidelines that produced by various agencies in Malaysia. The rigorous, comprehensive, and complete nature of TPI contributes to beyond triple bottom line concerns of today's companies for the sake of sustainability. The used of personal enriched the understanding on the process of formulating, implementing and evaluating strategies with SME entrepreneurs of selected enterprises of SMEs in Malaysia. The managers cum entrepreneurs argued that they practiced TP in OPS according to teachings of Islam in terms of sincere, honest, truthful, and always abide by the teachings of Islam. Yet, they are still facing severe challenges to sustain their enterprises. However, they have strong dependency in Allah, and always reminding themselves to work hard as it is part of worshipping Allah. TP in OPS could bring significant practical implications in strategic management in enhancing efficiency, effectiveness, and sustainability of the companies. While the aware of TP in OPS significant theoretically, but in practice it has to be proven due to no such practices.

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