

Education Strategies in Engaging Business Towards Syariah Compliance in As-Sofa Islamic College

Mohd Shahril Ahmad Razimi and Ahmad Khilmy Abd Rahim
Islamic Business School, College of Business, University Utara Malaysia, Kedah, Malaysia

Abstract: In the 20th, fundamental Islamic business witnessed resurgence practices around the world from the observation. However, the fact that business capitalism under unbridled and cannot be denied that Muslim world remains far from the Islamic ideal. Widening rapidly the gap between the reality and the ideal and the wellbeing of the masses has become a threat also to the stability and very peace of Muslim societies. This case study is to describe business entity based on Sharia compliance. Business characteristics and the concept of business will present as a basic understanding. Sharia compliance will be explores in form of business management model. Five aspects of business entity will be proposed a model of business in Sharia compliance on this study; the function of management, the process of business, corporate culture, corporate governance and corporate social responsibility that will be implemented by As-Sofa Islamic college.

Key words: Education strategies, business entity, syariah compliance, As-Sofa Islamic College, social responsibility

INTRODUCTION

Islam advocates productive work and efficiency and regards them as virtues. It encourages the physically capable to work and earn their living by being productive members of the society. Islam recognizes the private ownership, profit motive and the market to motivate the people in order to work hard and enjoy the fruits of their labor. To pursuit the wealth, it must follow the moral and ethical standards as it guided by permissible or prohibited.

These criteria are drawn from Islamic Law (Sharia) which includes the Qur'an, sunnah (the practice of Prophet Muhammad) and further opinions and deductions and logically applied principles from Islamic experts and adherents to the faith. Thus Sharia is at the root of Islamic business ethics.

Islamic business ethics recognizes profit as a motive for production but production and profit making are not the end but rather a means to achieve the objectives of Islamic law. The Sharia aims at achieving society's wellbeing as defined by *maslahah* (public interest). Public interest in Islam is regarded as seeking or promoting something which is useful, or removing something which is harmful. The objective of Islamic Law is to protect and promote public interest by ensuring the reservation of the following five things: religion, life, reason, descendants and property. If the nature of a business activity, product or service is such that it harms any of the above five, then it is considered to be harmful and unjust and is therefore

prohibited while a product, service or activity which protects and preserves the above five is permissible. Thus Islamic business ethics evaluates all the business decisions and activities on the criteria of public interest. As-Sofa Islamic College is an Islamic institution that offers studies in the field of Islamic studies in *Usuluddin*, Sharia, Islamic Finance and *Tahfiz Al-Quran and Qiraat*. This college has been established since 2012 and founded by Dato' Syekh Fuad bin Kamaluddin. The college keeps faith *Ahlu Sunnah Wal Jamaah*. From the above explanation, Islamic business can be defined as all kinds of business activities that cannot limited (in terms of quantity) the ownership of goods or services including the profits but can be limited in terms of the way it get and the way it use (according to Sharia law).

These studies try to describe the structure of Sharia compliant business entities in As-Sofa Islamic College. It presents the basic understanding of the concept of business in Islam and its business characteristics. It also explores the form of business in Islam and its business characteristic. It also explores the form of business management model that is Sharia compliant. This study will also propose a model of Sharia compliant of business that is focusing on five aspects of business entities; the functions of management, the process of business; and corporate culture from the Islamic perspectives.

Literature review: According to Sharia law, wealth is defined as everything that can be used, legally, to Sharia law, such as business, debt, consumption and gift.

Which is mean, wealth is everything that can be used in life whether they are goods or services. Sharia law is guidance for business organization and is a core value, strategically as well as tactically in Islamic practice. Four main thing can will get from business based on Sharia guide (Yusanto and Karebet, 2002):

- Target result: profit-material and benefit-non material
- Growth
- Continuity
- Allah blessing

Target result

Profit-material and benefit-non material: Based on the Islamic rules, business target is to achieve “keredhaan” Allah SWT. Nothing is higher than get blessing from Allah. Allah is a greater creator, from Allah it comes and for Allah it’s returned. Business is one of the ways to help another Muslim to fulfill their needs.

In As-Sofa Islamic College, the target is not just to gain highest profit but also to give and get non material as well as external environment to the internal company such as working condition, brotherhood, caring, social and so on.

Benefit here means is a give value something in nonmaterial, not only focus on material. To take a humanity action, the management of the company can give benefit through working opportunity, social aid and other kind of aid. In Islam, it is not just functional or professional relationship to create brotherhood relationship but the values of noble attitude is a must that should appear in company environment. There is a part of worship to Allah.

Growth: Company target can be achieved from profit material and benefit nonmaterial, from profit as well as benefit also the company can achieve growth or constant development. The company has to make sure the development and growing the outcome for every year. Growing process should be in line with the Sharia area, such as innovation development, market expansion by increasing the amount of production, to create new product and so on.

Continuity: Achieve target result and growth is not yet perfect for the management. It has to continue maintain in long term by always increase the target result. To maintain continuing all activities must be in Sharia area.

Allah blessing: Every Muslim wants to gain Allah blessing is the factor highest contentment. The element of

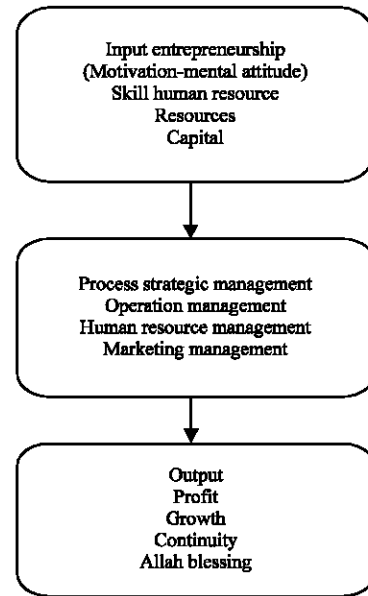


Fig. 1: Business anatomy

sincerity and the way or the process it shows the accomplishment of two conditions for every men action when the company get Allah blessing and in line with Sharia cor ridor. That is why; blessing from Allah should have been applied consistently with all managers, so, to get blessing from Allah, all orientations must be achieve in line with Sharia guarantees (Fig. 1).

Islamic business anatomy: As-Sofa Islamic College that controlled by Sharia law are pretty much different with non-Islamic business in terms of the way to get wealth and how to use it. With secularism as foundation which consist of material values, non-Islamic business does not concern with Sharia law in every planning, executing and all effort that has been done to reach business goals.

The commitment of Islamic business ethics to the criteria of public interest and justice leads to the distinction between the ends and the means. In a market economy where the invisible hand is sovereign, the pursuit of profit maximization knows no bounds and may even lead the business to undertake economic activities that are harmful to public interest. On the other hand in an Islamic economy, where the invisible hand is guided by the objectives of Sharia, the market will channel the business to pursue profit-maximization through only those economic activities that are in line with public interest. Thus Islamic business ethics accepts the profit motive as the goal of the producer but rejects all those means (to achieve this goal) that may harm the public

Table 1: Business characteristic

As-Sofa Islamic College	Business characteristic	Conventional
Transcendental value	Foundation	Secularism (material value)
Here and hereafter	Motivation	Here in this world only
Profit and benefit (nonmaterial), growth, continuity, Allah blessing	Orientation	Profit, growth, continuity
High, business is part of worship to Allah	Work ethos	High, business is only daily needs
Productive, manifestation as a Muslim	Mental attitude	Mental attitude productive and consumptive at the same time, part of self-actualization
Skillful, consequences from obligation as Muslim	Skill	Skillful, consequences from reward and punishment motivation
Trusty and responsible, ends does not justify the means	Trust	Depend on the willingness of individual (capital owner), ends justify the means
Halal (according to Sharia law)	Capital	Does not care about Sharia
Based on working agreement	Human resources	Based on working agreement or based on capital owner decision
Halal (according to Sharia law)	Resources	Does not care about Sharia

Adaptation of Yusanto and Karebet (2002)

interest in any way. The protection and promotion of public interest as the criteria of economic activities elevates the business entities from being (potentially) reckless profit-seekers to socially responsible profit-seekers.

Hence, Islamic business ethics that it is not enough to have goals; the means adopted to achieve those goals must also be right (i.e., permissible). If the means adopted to achieve noble goals is not permissible, then the project will not be implemented. On the other hand, if both the goals and means to achieve them are permissible, then the effort spent to achieve those goals in its importance of earning a living through Halal means goes to the extent that acceptance of one's prayers is conditional upon Halal earnings (Table 1). Table 1 shows the differences of business characteristics between As-Sofa Islamic College and conventional business.

Objective: The objective of this study is to see the business entity, As-Sofa Islamic College whether the management will follow the Sharia law and suitable with the environment, the government and the society. From this study also will look the flow that Sharia law has been provided to all Muslim and the comparison between As-Sofa Islamic College management and conventional management.

MATERIALS AND METHODS

To obtain nature study is from library research. This case study is to critically aim to analyze about current business model that has been practice at As-Sofa Islamic College. Islamic principles and values is a fundamental source also will be look from various sources (journal and books) to find how Islam perceives business and gives guidelines. To extract necessary information materials it

intends to use content analysis as key tools. Explanatory methods will be using to extract any necessary information.

RESULTS AND DISCUSSION

Sharia compliance model in business entity: Sharia compliance business can be applied if it can follow most of business that practicing current business form. The basic of rules and principles value is the differences on the business activities. In any situation, business entities still implemented in the modern world we live in now such as networking and collaboration between human, nations even it was very important to mankind development. Even have differences between religion, values and culture but it still need to respect in terms of networking and collaboration crossing with the religion background, values and culture.

Business entity that follow Sharia compliance need to cooperate with conventional business entity (which is not Sharia compliance), as long as not have conflict issues in the Islamic rules and values in return, the society and mankind will get the benefits. Other business should accept the Sharia compliance of business entity model. Without it, collaboration is difficult to achieve. To merge the Islamic rules and value and business entity in the modern form is not only to follow the Islamic principles but need to synchronize with modern business, without change any of fundamental of principles and values.

There is the challenge for Islamic brand in business entity such as Islamic capital market, Islamic insurance, Islamic banking and other Islamic non-financial institution conduct by Islamic rules and values in their transaction and practice to follow in the form of current business and entity. In the reality, the business entity only follow the and companies. All business from Islamic brand has to

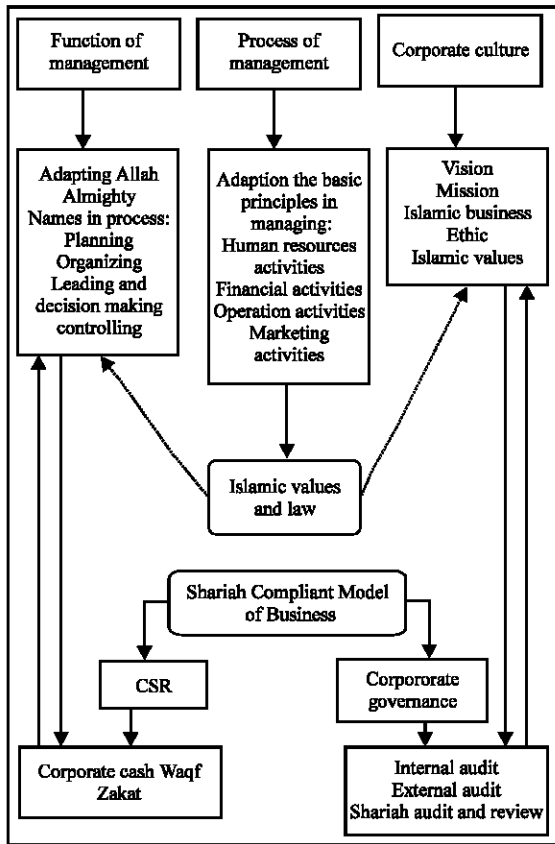


Fig. 2: Business entity in Sharia Model (Febianto and Kasri, 2007)

certain aspects of Islamic rules and values but not follow for the other aspects because they only want modern form to suit with their business form.

Five elements that sharia compliance model focusing in the business which is, corporate social responsibility, corporate governance, corporate culture, the process of business and function of management (Fig. 2).

Business entity in Sharia model

Management functions: Functions of management are to solve the problem with creative answer. There are four functions of management in order to accomplish the creative problem solving which is planning, organizing, leading (decision making) and controlling. The organization must use the resources to accomplish the mission and objectives to get the intended result.

Abuznaid (2006) introduced Islamic principles which is has the interesting model of management function. Hold on Allah Almighty Names he based on the four management function.

Planning: The Qur’an verse said:

“Against them make ready your strength to the utmost of your power including steeds of war, to strike terror into (the hearts of) the enemies of Allah and your enemies and others besides, whom ye may not know but whom Allah doth know”

Islam tell the believers to plan first and then put their trust in God. “Or your world, act as if you live externally and for your hereafter, act as if you will die tomorrow”, said Imam Ali one of the successors of the prophet Mohammed. Muslim managers trust the administrator is Allah the Almighty. Allah knows all the consequences and runs all knowing in control of things and correct in every estimate; from that, Muslim was apply the meanings of God’s names and quality to get the incentives.

God the Almighty has the best, greatest, highest and most honorable names which he gave to himself and ordered. Abuznaid (2006) said, God should not be called and named by other names that are not mentioned in the sharia to avoid attributing to him meanings unfitting for his highness and greatness.

Organizing: The Qur’an verse says:

“[The Lord] surrounds (all the mysteries) that are with them and takes account of every single thing”

The important of organizing were discussed by Abuznaid (2006) which is there is much in God’s name in one’s life like the wise, the chosen, the calculator and others.

Leading and decision making: According to Abuznaid (2006) the ability to make decisions is not easy task. Refer with Qur’an (28:68):

“The Lord does create and choose” that is why god is named the chooser in Islam

Controlling and evaluating: To success in any business, functions like performance evaluation and managerial control are necessary, Abuznaid (2006). The function is important to organization because it was connected to the name of God, Al-Rageeb (means controller). Refer to verse Holy Quran, 22:61” and verily it is:

“Allah who hears and sees [all things], verse 33:52, “Allah doth watch over all things” and verse 4:1, “for Allah ever watches over you”

Table 2: Islamic business process

As-Sofa Islamic College	Business process	Non-islamic
Vision and mission of the organization are interconnected with mission of men's creation in the world	Strategic management	Vision and mission of the organization are based on material interest only
Halal guarantee for every input, process and output. Prioritize productivity in Sharia corridor	Operation management	There is no halal guarantee for every input, process and output. Prioritize productivity in benefit corridor only
Halal guarantee for every financial input, process and output	Financial management	There is no halal guarantee for every financial input, process and output
Marketing in corridor of halal guarantee	Marketing management	There is no halal guarantee in marketing
Professional Human Resource and have Islamic personality Responsible to himself, employer and Allah	Human resource management	Professional human resources. Responsible to himself and employer

Adaptation of Yusanto and Karabet (2002)

Business process: Sharia concerned about every activity of business management process. A sharia rule which is called, Fiqh Muamalah must be obeyed during the activity including marketing, financial, operations management and human resources. Fiqh Muamalah is the Islamic laws that regulate the relations among humans being and all their acts and interconnections. (Everything is permissible until some provisions are forbid it). In Fiqh Muamalah, it was related to all aspects of human life and indirectly the law is related to financial activities (Table 2).

Financial management: In sharia law, all the transaction is permissible except have the several elements included in the transaction which is riba (interest and all margins that have no right), Maysir (gambling) and gharar (uncertainty). In As-Sofa Islamic College, the income totally is from tuition fee that will be paid by students when he register at As-Sofa Islamic College.

Human Resources Management. In Islamic business, human resources must be considered wisely and there is a crucial aspect. One of the key success factors is when human capital understands sharia in Islamic based business. The following characteristic needed for human capital that involved in the business (Najma, 2007):

- Has adequate knowledge of Sharia
- Skillful in his/her field
- Honest and trustworthy
- Diligence, persistency and dedicated in work

Employee empowerment must have to achieve human capital. Empowerment has two types in Islam which is knowledge empowerment and Islamic personality and skill (Najma, 2007).

Marketing management: Physically, conventional marketing and sharia have the permissions or similarities but there are several aspects to be aware especially in selling activities, Muslims need to emphasize ethical marketing. To attract potential buyers interest to purchasing them, the products and services must be marketed effectively (Taufiq, 2004). The potential market

should be converted into the buyer market (Najma, 2007). To keep pace with other companies, the business entity must compete ethically.

Operation management: During innovations, quality management and quality in consistency it is obligation of business entity to aware the operation activities. To achieving customer satisfaction in line with quality assurance in Islam while reaching for "redha" Allah (Taufiq, 2004).

Corporate culture: Corporate culture is a basic principle in developing organization to increase its comparative and competitive advantage. Organization culture represents a similar perception of the members of the organization or in other words, culture is a system of shared meaning, therefore, expectations built from this is that individuals who have different backgrounds or are not the same level in the organization will understand the culture of an organization with a similar sense.

According Gornaz Sadri and Brian Lees, as quoted from Goffe and Jones, an organization that is able to maintain a positive culture is likely to enjoy many benefits. When organization member's identity with the culture, the work environment tends to be more enjoyable, this boosts morale. This leads to increase levels of team work, sharing information and openness to new ideas. Based on the following below, there is corporate culture in Muslim setting (Ahmad, 2007):

- Tawheed and its implication on man, that is in terms of viewing work as an act of ibadat and an approach to be rebuilding of Islam
- Islamic brotherhood
- Islamic social guidelines, such as no backbiting, no spreading rumors and evils
- Islamic enhancement of the skills of the employees in term of, for example, training and upgrading of knowledge as well as other skills

For the cultivation of an Islamic corporate culture, Syed Othman, as explained by Khaliq Ahmad in management from Islamic perspective, listed numbers of values to be applied in an organization:

- Every action should be based on a stated intention
- Conscientious and good knowledge to be applied in all endeavors (Itqan)
- Proficiency and efficiency (Ihsan) to be practiced
- Sincerity (Ikhlas)
- Passion for excellence
- Continuous self-evaluation (similar to the Japanese Kaizen)
- Being forever mindful of Allah (SWT)
- Justice
- Truthfulness
- Patience and perseverance (Sabr); it should be underline in this regard, that Sabr is always translated as “patience” but its meaning goes beyond that if something does not go according to expectations one should not only accept it with patience but should also make new attempts and work harder
- Moderation to be applied in all matters including food, health, work, ibadat
- Keeping promises
- Prohibition of loving thing world excessively
- Prohibition of loving wealth excessively
- Being miserly
- Prohibition of excessively love of power and influence
- Avoidance of pride

Syed Othman further pointed out at a fact that many “modern” management techniques are based on these values. To implement TQM, for example one needs to combine the Islamic term of itqan, ihsan, passion for excellence and continuous self-evaluation. A businessman noted that many organizations are dysfunctional (i.e., not operating well) due to the fact that people inherently motivated by selfish greed. He argued that if all Muslims employed in an organization could really be motivated to give priority to their society and place themselves as second, a most effective corporate culture could be established.

In As-Sofa Islamic College, corporate culture will be implemented by kuliyyah for every night and has a special day for selected day per week such as night of Thursday, Friday evening. In islamic calendar, there are has a few of Islamic festivals; many events will be prepared to celebrate such as Ramadhan, Syawal, Isra’ Mikraj and so on.

To make the program were success, everyone in As-Sofa wajib to attend the event. All the staff will get the memo and need to sign the memo. There are also blasting in many areas where the technology was everywhere and the delivery of information is in the many shape to let the people know. The implementation of the program is

non-stop and everyone in the As-Sofa College is no probability to unknown the program. A writer on the concept of motivation, Dennis Waitley, said, his experience in developing people in USA had told him that one would need 2 year of regular sessions to really bring out a change in a person (Ahmad, 2000).

CONCLUSSION

Based on the research, it shows the Islamic business ethics that apply in As-Sofa Islamic college are not create external problem; rather they are natural component of the Muslim way of intellect and thinking that teaching by Qur’an and practice by Prophet Muhammad. Rationally, Islamic business rooted in the sharia, is committed to the promotion and preservation of public interest and it was a “mature rationally” under the sharia guided market paradigm.

Today in the modern economic and business daily life, the sharia compliant business model are mostly practice by the Islamic financial institution even though it still relatively limited to the transaction or finance part, not in the business model as a still relatively limited to the transaction or finance part, not in the business model as a whole. We should move further to other part of business aspects such as human resource management, marketing management, operational management and other part of business management from the perspective of Islam teachings. Every business that has Islamic brand should follow the Islamic rules and values in all aspects of its activities as well as from themselves in the form of current business practices and entities. The model of Sharia compliant of business entities: the functions of management, the process of business, corporate culture, corporate governance and corporate social responsibility. This study is still at the early stage of conceptualization a business entity that can meet sharia requirement. A further empirical studies needs to be done to develop more comprehensive model in this matter, especially in the modern world where there are many challenges and issues that need to be solved.

REFERENCES

- Abuznaid, S., 2006. Islam and management: What can be learned?. *Thunderbird Int. Bus. Rev.*, 48: 125-139.
- Ahmad, K., 2000. Islamic finance and banking: The challenge and prospects. *Rev. Islamic Econ.*, 9: 57-82.
- Ahmad, K., 2007. *Management from Islamic Perspective: Principles and Practices*. Research Center International Islamic University Malaysia, Malaysia, Kuala Lumpur,.

- Febianto, I. and R. Kasri, 2007. Why do islamic banks tend to avoid profit and loss sharing arrangements?. Master Thesis, Faculty of Economics, Department Management and Business, Padjadjaran University, Jakarta, Indonesia. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1672127.
- Najma, S., 2007. *Bisnis Syariah Dari No 1*. Hikmah Publisher, Jakarta, Indonesia.
- Taufiq, A.M., 2004. *Praktik Manajemen Berbasis Al-Quran*. Gema Insani, Jakarta, Indonesia.
- Yusanto, M.I. and W.M. Karebet, 2002. *Menggagas Bisnis Islami*. Gema Insani Press, Jakarta, Indonesia.