Religion and Business Values for Muslimpreneurs

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Abstract: Religion and entrepreneurship have a complex interdependent relationship which explains why this issue has been ignored in the entrepreneurship literature. Religion provides opportunities for entrepreneurship while creeds (faiths) may benefit those who are doing business. This study is conducted to understand how Islam influences Malay entrepreneurs in their business practices, particularly in their business strategy formation and implementation by examining their entrepreneurial locus of control. This study utilises upon a qualitative research which employs a case study approach. Locus of control is examined and the findings indicated that the entrepreneurs demonstrated high external locus of control. This is in contrast with Western theories which claimed that successful entrepreneurs may have high internal locus of control. Hence, Islamic faith has influenced and shaped Malay entrepreneurs’ business practices. Lessons learned from the cases could provide guidelines for contemporary Muslim ummah especially for the potential Muslimpreneurs.

Key words: Religion - Case study - Entrepreneurship - Malay entrepreneur - Muslimpreneurs

INTRODUCTION

Religion is a belief, doctrine or creed which relates to a person’s interpretation of the sacred or divine and also influences one’s life [1]. According to Dodd and Seaman [2] and Anderson et al. [3], religion and entrepreneurship have a complex interdependent relationship. This may explain why Bellu and Fiume [1] claimed that this issue has been ignored by contemporary writers of entrepreneurship. However, Dana [4] argued that religions provide opportunities for entrepreneurship wherein creeds can be turned to one’s advantage, especially by people engaged in business. From the Islamic point of view, wealth creation must be in line with good intentions, good management and good use, which are important tenets according to Islamic teaching. Entrepreneur and entrepreneurship have a special place in Islam. An Islamic entrepreneurship model is sourced from the Quran and hadith. Islam sees everything as a comprehensive element in life, including entrepreneurship. Therefore, in Islam, entrepreneurship includes all aspects of life, whether it is for the world or the hereafter as illustrated by the hadith as “Nine out of 10 sources of income are coming from business activities.” This hadith narrated by al-Tirmidhi mentions that nine out of 10 sources of income are derived from business activities. Islam recognises and encourages entrepreneurial activity among Muslims. The above hadith calls on Muslims to become involved in business. Islamic business dimensions have gained interest lately, particularly in Islamic finance and accounting [5-8] areas. However, studies that concentrate on the business strategy undertaken by Muslimpreneurs are limited.

There are countless biographies of the Prophet Muhammad (pbuh) that have been published [9,10]. Those biographies remark that the Prophet himself was a successful entrepreneur. During his childhood, Prophet Muhammad (pbuh) was a shepherd looking after sheep. He was also trained to help his uncle managed his small business and eventually he became involved in trading activities and became a successful merchant in Mecca. The Prophet Muhammad (pbuh) had noble characteristics such as being polite, honest, truthful, amiable and kind. He was also modest, selfless and helpful. He was always just in his dealings with people; since he was trustworthy, he was addressed as al-’Amin (the trustworthy) by the
people around him. These characteristics have been discussed in his biographies [9, 10] as well as in the Quran and hadiths.

Muslimpreneurs’ can be described an entrepreneur as someone who searches for change, responds to it and exploits it as an opportunity [11]. Bygrave and Hofer [12] contributed to the definition of an entrepreneur as someone who perceives an opportunity and creates an organisation to pursue it. Essentially, entrepreneurs are agents of change, providing creative and innovative ideas for business enterprises; and helping businesses grow and become profitable [13]. For the purpose of this study, a Muslimpreneur is defined as someone (Muslim) who perceives an opportunity and creates an organisation to pursue it. Becoming involved in business is known as fard kifayah. A successful entrepreneur is someone who reaches al-Falah which means receiving a blessing from God in this world and the hereafter. Entrepreneurs should be ethical and this entails being trustworthy, tolerant and honest. In addition, entrepreneurs must have objectives and to a Muslim entrepreneur these are subservient to the ultimate objective of acquiring the blessing of God. The motivation might be similar for any other entrepreneur, which is to succeed. As cited in Hernandez [f], always make yourself available, spread the good news, the ultimate objective of acquiring the blessing of God in this world and the hereafter. Entrepreneurs should work to achieve the allowable return (halal) from the merciful Allah; b) qanaah (be pleased with one’s earnings); c) tauqiq (blessings of Allah in proportion to one’s expectations); d) sa’adah (happy); and e) jannah (heaven).

Similarly, Adnan et al. [16] explained that the qualities encouraged in Muslim entrepreneurs are: a) entrepreneurs should work to achieve the allowable return (halal) from the merciful Allah; b) entrepreneurs are involved in business activities based on Islamic principles; c) entrepreneurs who do not forget the merciful Allah due to too much focusing on their business activities, they perform their obligation as a Muslim and run their business at the same time; and d) entrepreneurs who are patient, open-minded and self-disciplined. Entrepreneurial success in Islam is not confined to maximizing profits. Nonetheless, material wealth has never been forbidden in Islam. Indeed, Muslims are urged to strive for comfort. The pursuit of wealth must be accompanied by intention, means, management and usage as stipulated by Islam (An-Nisaa’: 95; As-Saaf: 11) [17]. On the one hand, the Prophet himself was a self-taught to be an entrepreneur. His excellent entrepreneurial skills have been discussed in the literature [9-10] such as started a business for himself, risk-taker, realised ambition, action-oriented and never gave up.

In addition, Gymnastiar and Kartajaya [18] described spiritually-based business concepts. The authors believed that trustworthy is an important quality for an entrepreneur. They see a transformation in business practices in terms of moving from intellectual to emotional and ultimately spiritual. The authors illustrated current business practices in Western countries and claimed that big United States companies such as Enron, Qwest Communications, Global Crossing, Tyco and World Com have lost their credibility because of unethical business practices. They proposed for the entrepreneurs to instil both functional and spiritual values in their products or services, thus creating an appropriate and trustworthy link between their brands and customers. In addition, Kartajaya [19] listed 10 marketing credos (faith) for spiritual marketers, namely (a) love your customers, respect your competitors, (b) be sensitive to change, be ready to transform, (c) guard your name, be clear on who you are, (d) customers are diverse, go first to who really needs you, (e) always offer a good package at a fair price, (f) always make yourself available, spread the good news, (g) Get your customers, keep and grow them, (h) whatever your business is, it is a service business, (i) always refine your business process, in terms of quality, cost and delivery and (j) gather relevant information, but use wisdom in making your final decision. Kartajaya [19] argued that the credos are consistent with Prophet’s characteristics as a successful entrepreneur and calls this as a form of spiritual marketing.

The concept of locus of control may be influenced by an individual’s religious beliefs. According to Rotter [20], individuals with a strong external locus of control believe that their own wishes, intentions and actions have less effect on their lives than do external factors which are beyond their control. Otherwise, individuals with a strong internal locus of control believe that internal factors influence their own lives to a greater degree than do external factors. Theoretically, entrepreneurs have a positive relationship with high internal locus of control and many studies have supported this theory empirically [21-25], as it is consistent with an orientation to high achievement [20, 27]. Borland [28], in contrast, suggested that locus of control is a better predictor of entrepreneurial intentions rather than the need for achievement. These studies found that high internal locus of control is one of the key characteristics of the entrepreneurs as they are less likely to let external events
dominate their lives and are more likely to be proactive rather than reactive in coping with their environment [25].

However, there is a scarcity of findings that demonstrate low internal locus of control among entrepreneurs. A study by Kaufmann et al. [29] in Russia showed a prevalence of low internal locus of control among some Russian entrepreneurs. This might be due to adjusting from the Soviet’s planned economy to a private enterprise republic. In a similar vein, Cheung and Chow [30] investigated the success factors of young Chinese entrepreneurs in Hong Kong. Apart from other common success factors, they found that spiritual factors and values such as luck and fate, religion, life philosophy and ultimate life values help explained their success. Building on this theme, Dana [31] and Lumpkin and Dess [32] advocated that a small firm’s orientation is grounded in the values of its entrepreneurs. This study examined Islamic business values demonstrated by two successful Malay entrepreneurs in their business practices. Lessons learned from them are invaluable and can be used as role models for the ummah. In addition, this paper highlights personality theory may be influenced by an individual’s religious beliefs. Accordingly, this study is conducted to understand how Islam influences Malay entrepreneurs in their business practices, particularly in their business strategy formation and implementation by examining their entrepreneurial locus of control.

**MATERIALS AND METHODS**

This paper employed a case study approach following Yin [33] to understand how Islamic values shape business practices of Malay entrepreneurs. King [34] suggested a semi-structured qualitative approach to explore the underlying (subjective) reasons for entrepreneurs’ particular decisions. This approach enables the researchers to address process-based issues concerning why events happened and how they unfolded over time [35]. This study conducted an in-depth case analysis on two successful Malay entrepreneurs operating small and medium enterprises (SME) of food manufacturing in Malaysia. Interviewees have been selected on a purposeful sampling basis [36]. This requires selection of entrepreneurs who will provide clear demonstrations of how they strategized their business and sustained the company structure.

Interviewee selection criteria are as follow: (a) The interviewee must demonstrate a fit between as an entrepreneur and a definition of entrepreneurship encompassing the concept of successful and unique opportunity exploitation leading to significant economic benefits, as well as significant involvement in subsequent and ongoing management of the enterprise [37]; (b) the interviewee must be recognised as a serial, habitual, or portfolio entrepreneur [38-40] and not simply a one-off risk-taker; (c) firms with an annual growth rate of not less than 20% following Westhead and Cowling [38]; (d) the companies have been in existence for at least ten years [39]; and (e) conduct interviews and site visits as opposed to surveys and questionnaires as suggested by Pech [41].

The cases were selected based on SME company lists in government agencies such as SME Corporation and Companies Commission of Malaysia [42]. This database lists all required information. Several companies were shortlisted and letters of invitation to participate were sent via email. To gain more information, the companies’ websites were reviewed. Open-ended questions were prepared for the interview, for example “Tell me how you started as an entrepreneur.” Continuance from the initial enquiry on the highlights of the background, familiarity etc, more probing was done to explore specific issues of interest to the study [43]. Each interview session lasted for an average of two hours and was audio-taped with the permission of the participant. The interviews were then transcribed for analysis and sent to the participants for an authentication. Besides the interviews with the entrepreneurs, the principle researcher also interviewed secondary informants such as staff and family to counter-check the information [32]. In addition, information from annual reports and company’s publications; regulatory authorities, magazine and newspaper articles are also collected [32]. Subsequently, data were analysed recursively following Yin’s [44] five-phased cycle, namely compiling, disassembling, reassembling (and arraying), interpreting and concluding.

**RESULTS AND DISCUSSION**

**Islamic Business Values:** Based on the primary and secondary data collected, the following are the histories of the entrepreneurs. Due to ethical considerations, the actual names and facts are disguised and subsequently coded as E1 and E2.

**Case E1:** Uddin [45] summarises some of the Islamic principles concerning modern business practices which include honesty and directness in all dealings.
According to the Holy Quran, “…and speak always the truth” (Al-Ahzab: 70) [17]. This means that as a Muslim, being truthful and honest are vital. In the business context, a Muslim entrepreneur should show his business counterparts and stakeholders that they are trustworthy. For instance, E1 publishes the financial reports of his company on the website. Despite being a private limited company, E1 believes that he should be transparent in business through his practices. He also emphasises the importance of transparency in his products’ ingredients. He ensures that all of his products are made from the best and of only halal ingredients. E1’s company has been accredited by ISO9001:2000, Hazard Analysis and Critical Control Point (HACCP) and Good Manufacturing Practice (GMP).

E1 himself argues that he is conscious of products that do not have proper ingredient information.

- “How am I going to buy a product without ingredients on the packaging? As a consumer, we should be aware of what we are consuming and moreover in Islam what we consume is very important.”

Besides this, the importance of searching for knowledge, scientific inquiry, research and development, training and empowerment are also emphasised in the Quran: “…say, my Lord! Increase me in knowledge” (Ta Ha: 114) [17]. In this case, E1 clearly demonstrates his enthusiasm for knowledge through research and development (RandD) activities and does not rely solely on his reading habits. His company also allocates a Human Development Training Fund to enhance knowledge among his staff. According to Taharem and Abdullah [46], from the Islamic perspective, employees are more than just business tools. Employers have the responsibility to prioritize their employees’ welfare, not only by giving them their monthly salary, but also by improving their quality.

E1 believes that all throughout his journey to achieve great things, he has been supported by God. In addition, his other companions such as family and friends have contributed much in terms of moral support:

- “My family is not wealthy but they support me by moral support. So I have to support myself independently. Yes and of course Allah supports me a lot.”

Judging by E1’s description and what he said during the interview, he represents the characteristics of a good Muslim in his daily business activities.

Case E2:

- “O mankind! We have created you from a male and a female and made you into nations and tribes, that you may know each other” (Al-Hujurat: 13) [17].

The above Qur'anic verse mentions globalisation, multiculturalism, international trade and business, groups and team work. E2 initiated a business consortium that could provide a platform for small business entrepreneurs to market their products globally. The firm has been in existence for more than 60 years and has been doing relatively well over these years. The demands of the new challenges in the recent era have made E2 to take the challenges to new heights in ensuring the continued survival and success of the business enterprise. His enthusiasm and passion for business shows as he does not want people to have a bad impression of Islamic brand as he aptly said:

- “I wanted to make Muslims products not only as halal product, but also clean and high quality. All products should be produced better than HACCP standard. I want to make it a global brand. I don’t want people to see the Muslim brand as a second class brand.”

Currently, E2’s company is managed by him and his cousin. When asked about his future plan and whether he will engage other family members, especially his children, he answered:

- “I believe in qadha and taqdir. There will be a time which is determined by Allah. If my children are interested in joining the company, Alhamdulillah (thank to God). Business is not for inheritance. This is not their responsibility. After all, I cannot determine their fate.”

Other parts of his personality that have made E2 very successful today include his ability to maintain networks with key people who have helped him in his business endeavours. In Islam, being good to others is encouraged because this is a way to spread the good value of Islamic faith:
“Sometimes people are surprised at how I can get help or assistance easily. What I did was, every time I went overseas, I would have a list of 80 to 100 people who had helped me before. I would buy each of them a souvenir albeit they may not be helping me anymore. We have to learn to give more, build a good relationship and thank people for the good things they have done for us.”

“Verily! God commands that you should render back the trusts to those to whom they are due” (An-Nisaa’: 58) [17].

As noted in the above Quranic verse, in business, Islam calls for fulfilling obligations and trust in business relationships. Following the findings and discussion above, the influence of religion to the Malay entrepreneurs’ locus of control is discussed next.

The Influence of Religion on Malay Entrepreneurs’ Locus of Control: In the context of locus of control among Malay entrepreneurs, the previous findings suggested that the two entrepreneurs demonstrated a high external locus of control. This is concluded from their commentaries and remarks regarding their belief in the influence of external factors in their business growth. The results are similar to studies by Patai [47] and Farid [48] and recent study by Pistrui and Fahed-Sreih [49] in Arab society. This belief is exhibited in expressions such as “InsyaAllah” (Allah’s willing) used in conversation. However, Anastos et al. [50] claimed that in a business context, this orientation may limit personal responsibility and accountability. This is due to the expression sounds unsure and anxious indicating that the speaker does not believe in him/herself.

Qadha and qadar represent one of the pillars of iman in which Muslims have to believe in. In Islam, the actions that have been determined by God are separated from the actions resulting from a person’s own efforts. For example, the birth and death of a human are events in life that a person has no control over. However, people do have a choice in making either good or bad decisions. As mentioned in the verse from the Quran below, people can take one of two paths:

“Verily, We showed him the way whether he is grateful or ungrateful” (Al-Insaan: 3) [17].

In other explanation, Muslim can change him/herself internally in terms of intention, values and behaviour but the external outcome may or may not be under his or her control. As stated in the Quran:

“Lo! Allah changeth not the condition of a folk until they (first) change that which is in their hearts” (Ar-Radd: 11) [17].

The two Malay entrepreneurs chose to involve in business and believed that there is an external power guiding their lives. They also believed that their business success was influenced by the ‘divine’ power, hence demonstrating a high external locus of control in their entrepreneurial behaviour. This is contrary to Western theories that claimed successful entrepreneurs may have high internal locus of control [21-26]. Entrepreneurship is better understood within the society in which it takes place [51] and lessons derived from their experiences should be shared with others [52]. The lessons learned from E1 and E2 cases are described below:

Entrepreneurial Learning as a Continuous and an Ongoing Process: Deakins and Freel [53] identified learning as a crucial process for an entrepreneur. A large part of entrepreneurial learning is experiential [54]. For an SME to grow, an entrepreneur must be able to learn from decisions, mistakes, experience and their networks. The entrepreneurship and growth process is essentially non-linear and discontinuous. It is a process that is characterised by significant and critical learning events. The ability of E1 to maximise his knowledge is a result of experiencing these learning events which have determined his firm’s success. This inclination to gain knowledge is an example of continuous and ongoing learning processes. The al-Quran has clearly stated “…say, my Lord! Increase me in knowledge” (Ta Ha: 114) [17].

Business Consortium Networks: Based on Quranic verse (Al-Hujurat: 13) [17] which has similar meaning to globalisation, multiculturalism, international trade and business, groups and team work, E2 initiated a business consortium that could provide a platform for small business entrepreneurs to market their products globally. E2’s company has been operating for nearly 60 years, yet the company only achieved much when E2 took over its management. His good networking with government agencies has led him to chair KOMITA, a business consortium that supports Malay entrepreneurs. This consortium is a platform for them to take on potential overseas markets. Their collaboration is essential to ensure everyone benefits by it. As asserted by E2, “United we stand, divided we fall.” According to Bergh et al. [54], when entrepreneurs build trust with one another, they can experience cognitive, emotional and social changes by participating in a network. Such
business consortium and social networks may have positive potential outcomes for Malay entrepreneurs especially in terms of marketing strategy [55]. A study conducted by Franco and Haase [56] found that one factor that contributes to SME failure is the lack of cooperation and networking.

The above lessons should be taken into consideration by contemporary Muslim ummah particularly the potential Muslimpreneurs. The cases could serve as guidelines for them to incorporate strategic Islamic business values. For the policy makers, they could instil Islamic entrepreneurship values by organizing relevant courses and seminars for both Muslimpreneurs and non-Muslimpreneurs.

CONCLUSION

This study concluded that religiosity, or Islamic faith has influenced and shaped the entrepreneurs’ business strategy in the two cases being selected. For the two successful entrepreneurs, religion influences their high external locus of control. This can be seen from their business practices that are highly supported by their belief that there is a ‘divine’ power that controls their lives and entrepreneurial actions. Therefore, despite the Western entrepreneurial personality theory mentioned about successful entrepreneurship with high internal locus of control, these are very unlikely to be implemented and adopted in Malaysia presently, due to cultural and religious differences. It is therefore, the intentions of this paper to suggest for future studies, researchers could be recommended to investigate the trend and profile of successful Muslimpreneurs and eventually, develop global Muslimpreneurs Successful 500, or even 1000 Index Companies.

REFERENCES


