

Islamic Strategic Management: Integrating Sharia Values in Business Decision-Making

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Abstract

In an increasingly competitive era of globalization, organizations are required not only to prioritize efficiency and profitability, but also integrity and sustainability. Islamic strategic management emerges as an alternative approach that not only relies on external and internal analysis, but also refers to sharia principles such as maqasid al-shariah, justice, trustworthiness, and shura. This study aims to formulate a conceptual framework for Islamic strategic management that integrates Sharia values into the business decision-making process. The methodology used is a qualitative approach through literature review and case studies of Sharia-based organizations. The results of the study indicate that the integration of Sharia values can enhance legitimacy, sustainable competitiveness, and foster more ethical and afterlife-oriented governance. This study contributes to the literature on strategic management and Islamic economics and provides recommendations for Sharia business practitioners in formulating strategic policies based on Islamic values.

Keywords: Islamic strategic management, Decision making, Sharia values, Business ethics

1. Introduction

In an increasingly complex and dynamic business environment, the challenges of strategic decision-making are becoming greater. Companies are not only faced with economic demands and market competition, but also with growing social expectations and ethical values (Hanafi, 2019; Wilson, 2006; Kayed & Hassan, 2011; Kamla, 2009; Graafland et al., 2006). In a modern business environment facing the challenges of digital disruption, global crises, and moral pressure from stakeholders, strategic decision-making cannot be based solely on economic rationality (Farook, Hassan, & Lanis, 2011).

Spiritual values such as tawakal and keikhlasan have psychological impacts in shaping resilience and long-term orientation in organizational leaders (Khaliq, 2009). In this context, the Islamic strategic management approach, which combines maqasid al-shariah, amanah, and social responsibility, becomes increasingly relevant.

Islamic strategic management, which is expressed in the form of maqasid al-shariah (Sharia objectives) such as hifz al-din (preserving religion), hifz al-nafs (preserving life), hifz al-'aql (preserving reason), hifz al-nasl (preserving lineage), and hifz al-mal (preserving wealth), is a synthesis of contemporary management concepts and Sharia values derived from the Qur'an and Hadith. (Dusuki & Abozaid, 2007; Mohammed, Tarique & Ramil, 2015).

Furthermore, decision-making in Islam is not only based on economic rationality but also considers moral and spiritual dimensions. Therefore, the strategies formulated must reflect justice, trustworthiness, and social responsibility (Asutay, 2007; Wilson, 2006). These values form an important foundation in creating

a company that is not only competitive but also brings blessings and sustainability. Studies by Arham (2010) and Beekun & Badawi (2005) show that Islamic ethical values, such as integrity, honesty, and justice, play an important role in shaping leadership behavior and organizational strategy. Furthermore, research by Ali & Al-Owaihan (2008) emphasizes the importance of Islamic organizational culture in creating an ethical and sustainable business environment.

Moreover, in the context of a global economy often dominated by materialistic capitalism, the Islamic strategic management approach offers an alternative paradigm that balances worldly and otherworldly interests. This is in line with Chapra's (2000) idea, which emphasizes that the Islamic economic system does not only focus on achieving material prosperity, but also on creating social justice and balance in the distribution of wealth. Organizations that adopt Islamic principles in their management can develop a more resilient and adaptive institutional character in the face of external challenges, such as global economic crises, technological disruption, and regulatory pressures. This is due to the long-term orientation and universal values of Islam, which emphasize moral responsibility, sustainability, and social engagement (Rice, 1999). The strengthening of spiritual values also plays an important role in the strategic decision-making process. Values such as Tawakal (surrender to Allah), Ikhlas (sincerity), and Istiqamah (consistency in goodness) are not only moral elements but also psycho-spiritual forces that shape Islamic-based transformational leadership (Khaliq, 2009).

From a practical perspective, the adoption of Islamic strategic management has been seen in various Islamic financial institutions, Islamic universities, and philanthropic institutions such as zakat and waqf, which are now beginning to integrate maqasid-based KPIs (key performance indicators) into their performance evaluations (Mohamad et al., 2018). This demonstrates that Islamic principles can be systematically applied in various aspects of modern organizational governance and strategy.

Thus, the urgency to formulate a theoretical and practical framework that integrates strategic management with Islamic values becomes increasingly important. This research aims to respond to this need, while enriching the body of management knowledge from an Islamic perspective, which is still relatively unexplored in international scientific literature.

2. Problem Formulation

1. How can sharia values be effectively integrated into the strategic decision-making process?
2. What managerial instruments can be used to apply sharia values in a strategic context?
3. What is the impact of applying Islamic strategic management on organizational performance and sustainability?

3. Research Objectives

1. Identify relevant sharia principles in strategic decision-making.
2. Formulate a conceptual framework for Islamic strategic management.
3. Evaluate the impact of integrating sharia values on organizational performance.

4. Literature Review and Theoretical Framework

The literature review serves as a theoretical basis for understanding the context and position of this study within the existing academic literature landscape. Studies on Islamic strategic management are still relatively rare and often conceptual in nature, thus requiring reinforcement from an empirical perspective and comprehensive theoretical synthesis.

1. **Strategic Management** Strategic management is defined as a systematic approach to developing, implementing, and evaluating cross-functional policies aimed at realizing the organization's vision (David & David, 2017). The process includes analyzing the internal and external environment, setting strategies, implementation, and evaluating results. In general, the theoretical foundation of this approach refers to the theory of competitive advantage (Porter, 1985) and the theory of strategic resources (Barney, 1991).
2. **Strategy from an Islamic Perspective** From an Islamic perspective, organizational strategy is not only focused on achieving worldly results, but also considers the hereafter and blessings. Spiritual values such as sincere intention, trustworthiness, and sincerity are integral components in managerial decision-making (Beekun & Badawi, 2005). Principles such as justice ('adl), consultation (shura), and balance (mizan) form the foundation for designing strategies that align with Sharia principles (Asutay, 2007).
3. **Maqasid al-Shariah as a Strategic Pillar** Maqasid al-shariah are the main objectives of sharia used as a moral foundation and ethical direction in setting organizational policies (Dusuki & Abozaid, 2007). The five main maqasid—namely, the protection of religion, life, intellect, lineage, and property—are adopted in many contemporary sharia institutional practices as a measure of strategy and sustainability (Mohamed et al., 2018).
4. **Islamic Values in Organizational Culture** Islamic principles such as honesty, responsibility, and trustworthiness are highly relevant in shaping a healthy and integrity-driven organizational culture (Ali & Al-Owaihan, 2008). Internalizing these values can foster employee loyalty, strengthen ethical leadership, and enhance internal and external trust. Arham (2010) states that Muslim leaders need to emulate the character of the Prophet Muhammad SAW in developing a vision and managing a team.
5. **Theoretical Framework** This study combines modern strategic management theory (Porter and Barney) with Islamic principles based on maqasid. This integrative approach forms a dualistic framework that not only drives organizational performance but also ensures social and spiritual sustainability. This theoretical model is expected to make a significant contribution to the development of Islamic strategic management science.

5. Research Methodology

This study adopts a qualitative approach using library research and case study methods. The aim is to gain an in-depth understanding of the concept of Islamic strategic management and how sharia values are implemented in the strategic decision-making process in organizations.

1. **Research Approach** A qualitative approach was chosen because it is suitable for exploring complex and contextual phenomena, especially those related to religious values and ethics in a managerial context. This study focuses on interpreting the meaning of strategic practices based on Islamic values.
2. **Data Collection Methods** Data collection was conducted through two main sources:
 - Literature review of scientific journals, textbooks, and articles relevant to the topic of Islamic strategic management.
 - Case studies of sharia organizations (e.g., sharia banks, zakat institutions, and Islamic cooperatives) that have applied Islamic principles in strategic decision-making.
3. **Data Analysis Techniques** Data was analyzed using content analysis and interpretive methods. This analysis aimed to identify patterns, themes, and key principles that demonstrate the application of

sharia values in strategic managerial practices. Triangulation techniques were used to enhance data validity by comparing findings from various literature sources and case studies.

4. **Validity and Reliability** To ensure data validity, the researcher cross-checked sources and reinforced findings with credible scientific references. Credibility was maintained by ensuring that the data used came from reputable academic publications and real-world practices in relevant organizations.
5. **Research Limitations** This study has limitations in the number of cases observed, so the results are contextual and cannot be generalized broadly. However, this exploratory approach remains valuable for enriching theoretical understanding and providing a foundation for further research with a broader scope and quantitative approach.

6. Analysis and Discussion

The results of data analysis and literature review indicate that the application of sharia principles in organizational strategy can strengthen managerial effectiveness and integrity. One crucial point found is the strengthening of governance structures that not only emphasize economic efficiency but also pay attention to ethical values and social responsibility.

As an illustration, the practices of trustworthiness and transparency in information during the strategic formulation process in Islamic financial institutions have fostered a more transparent and accountable work culture. This aligns with the perspective of Beekun and Badawi (2005), who state that spiritual values provide the foundation for fair and responsible leadership.

The use of maqasid al-shariah as a guideline in setting strategic policies has also proven effective in aligning organizational goals with values of public interest. For example, Islamic banks that adopt maqasid-based performance measures tend to emphasize a balance between economic achievement and social responsibility. A study by Mohammed et al. (2015) shows that the maqasid-based model supports the alignment between efficiency and the principle of justice in strategic management.

Furthermore, a sharia-based strategic approach can increase public trust, especially among Muslim consumers who are increasingly aware of the integrity of business practices. Commitment to honesty and transparency strengthens a company's reputation and creates long-term mutually beneficial relationships, as stated by Ali and Al-Owaihian (2008).

The involvement of human resources in the strategic decision-making process through consultation mechanisms creates an inclusive work environment. The principle of shura in Islam has proven to strengthen participation, boost collective spirit, and strengthen relationships among stakeholders (Arham, 2010).

Overall, strategies designed based on Islamic principles serve not only as a means to achieve organizational success in material terms but also as a form of implementing moral and spiritual values in the context of modern management. Therefore, Islamic-based strategic management has the potential to create a competitive advantage that is not only economically sustainable but also widely accepted by society due to the values it upholds.

7. Conclusion and Recommendations

From the results of this study, it can be concluded that the application of strategic management based on Islamic values provides a new direction in business practices that not only focus on economic efficiency but also on achieving ethical, spiritual, and social values. Values such as honesty, trustworthiness, and

justice, which are rooted in Sharia principles, have proven to strengthen organizational culture and enhance stakeholder trust.

The integration of maqasid al-shariah into organizational strategy helps ensure that every decision made is not only financially beneficial but also brings widespread benefits. Islamic-based strategies are also able to encourage active participation from all elements of the organization through inclusive and transparent consultation mechanisms.

The implications of this research indicate that organizations that implement Islamic strategic management can achieve more sustainable competitive advantage because they are able to respond to market demands that increasingly prioritize ethics and social responsibility. Additionally, this approach provides an alternative framework that aligns with religious principles without compromising professionalism and organizational performance.

Recommendations for future research include expanding the study to more diverse industrial sectors and using quantitative approaches to empirically measure the impact of integrating Sharia values on organizational performance indicators. Furthermore, developing more operational strategic indicators based on maqasid will greatly assist in measuring the success of applying Islamic principles in modern managerial contexts.

8. References

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