

Contributions to Management Science

Baker Ahmad Alserhan
Veland Ramadani
Jusuf Zeqiri
Léo-Paul Dana *Editors*

Strategic Islamic Marketing

A Roadmap for Engaging Muslim
Consumers

 Springer

Contributions to Management Science

The series *Contributions to Management Science* contains research publications in all fields of business and management science. These publications are primarily monographs and multiple author works containing new research results, and also feature selected conference-based publications are also considered. The focus of the series lies in presenting the development of latest theoretical and empirical research across different viewpoints.

This book series is indexed in Scopus.

Baker Ahmad Alserhan • Veland Ramadani •
Jusuf Zeqiri • Léo-Paul Dana
Editors

Strategic Islamic Marketing

A Roadmap for Engaging Muslim Consumers

 Springer

Editors

Baker Ahmad Alserhan
King Talal School of Business Technology
Princess Sumaya University for
Technology (PSUT)
Amman, Jordan

Veland Ramadani 
Faculty of Business and Economics
South East European University
Tetovo, North Macedonia

Jusuf Zeqiri 
South East European University
Tetovo, North Macedonia

Léo-Paul Dana 
Rowe School of Business
Dalhousie University
Halifax, NS, Canada

ISSN 1431-1941

ISSN 2197-716X (electronic)

Contributions to Management Science

ISBN 978-3-030-98159-4

ISBN 978-3-030-98160-0 (eBook)

<https://doi.org/10.1007/978-3-030-98160-0>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer Nature Switzerland AG 2022

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Springer imprint is published by the registered company Springer Nature Switzerland AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

Contents

An Introduction to Strategic Islamic Marketing	1
Baker Ahmad Alserhan, Jusuf Zeqiri, Veland Ramadani, and Léo-Paul Dana	
Halal Industry: Threats and Barriers	7
Baker Ahmad Alserhan, Jusuf Zeqiri, Veland Ramadani, and Léo-Paul Dana	
Halal Service Marketing: A Strategic Perspective	11
Nurhafihz Noor	
Does the Non-Muslim Segment Matter in Strategic Islamic Marketing? A Literary Insight with Practical Implications	31
Rana Muhammad Ayyub	
Developing an Islamic Corporate Culture	45
Rodrigue Fontaine	
Small and Medium Enterprises and Strategic Marketing in an Emerging Muslim Country: The Case of Indonesia	63
Ahmad Rafiki, Miftahuddin, and Atika Rizki	
Consumption as a Way of Production	79
Hasan Terzi	
E-Governance Projects in Public Organizations: The Role of Project Manager’s Islamic Work Ethics in Accomplishing IT Project Performance	91
Ahmad Nabeel Siddiquei, Shafqat Hussain, Muhammad Ali Asadullah, and Fahad Asmi	
E-Marketing in Islamic Markets	109
A. K. M. Ahasanul Haque and S. M. H. Kabir	

Managing Halal Food Knowledge and Innovation: Small and Medium Food Enterprises’ (SMFEs) Performance	125
K. Noorliza	
Determinants of Islamic Banking Industry Performance: Does Economic Value Added (EVA) Matter?	139
Nadia Slimene and Hassan Obeid	
Halal Travel “2.0” and Beyond COVID-19	163
Asad Rehman	
Strategic Perspectives of Islamic Entrepreneurship and Marketing	183
Mohammad Mominul Islam	
Entrepreneurship Orientation, Practices, and Performance in Islam	203
Ahmad Rafiki, Miftahuddin, and Atika Rizki	
Entrepreneurial Fear of Failure during Crises: Some Insights from Opportunity-Driven Entrepreneurs in a Muslim Ethnic Group in Indonesia	229
Donard Games and Dessy Kurnia Sari	
Emerging Modest Fashion Industry: What Plays a Greater Role in Modest Dressing, Religion or Culture? Implications for Strategic Marketing	251
Nilufer Ajaib and Remzi Altunişik	
Halal Blockchain Technology Application: A Consumer Confidence and Competitive Advantage	269
K. Noorliza	

An Introduction to Strategic Islamic Marketing



**Baker Ahmad Alserhan, Jusuf Zeqiri, Veland Ramadani,
and Léo-Paul Dana**

Abstract This chapter discuss the Islamic marketing concept and its four distinct stages that form a logical sequence before Islamic marketing could attain the thought leadership position it is capable of. These stages are Islamic Marketing 1.0 (IM 1.0), awareness; Islamic Marketing 2.0 (IM 2.0), Islamization of existing theory; Islamic Marketing 3.0 (IM 3.0), theory making; and Islamic Marketing 4.0 (IM 4.0), thought leadership.

1 Introduction

Islamic marketing, a new member in the social sciences arena, has gained significant momentum in the decade 2010–2020 (Alserhan, 2010). In this short chapter, we will try to explain its current and possible stages of development over the foreseeable future. Although we will not be setting time frames for each of these stages, we can confidently say that stage one has been mostly completed and that Islamic marketing thought currently resides in the second stage which is related to the Islamization of traditional marketing theories. Moving into stage three where an independent body of Islamic marketing theories begins to evolve and stage four where Islamic

B. A. Alserhan (✉)

King Talal School of Business Technology, Princess Sumaya University for Technology (PSUT), Amman, Jordan

e-mail: alserhan@psut.edu.jo

J. Zeqiri

South East European University, Tetovo, North Macedonia

e-mail: j.zekiri@seeu.edu.mk

V. Ramadani

Faculty of Business and Economics, South East European University, Tetovo, North Macedonia

e-mail: v.ramadani@seeu.edu.mk

L.-P. Dana

Rowe School of Business, Dalhousie University, Halifax, NS, Canada

e-mail: lp762359@dal.ca

marketing theories are seen as an alternative theory realm will take some time to emerge. Although for stages three and four no time frame could be predicted, it is still reasonable to say it will happen within the decade 2020–2030 (Alserhan, 2011).

2 Islamic Marketing Stages

In the following section, the progress made so far in Islamic marketing will be reviewed. Generally speaking, there are four distinct stages that form a logical sequence before Islamic marketing could attain the thought leadership position it is capable of. These stages are (Fig. 1) as follows:

Islamic Marketing 1.0 (IM 1.0)—awareness

Islamic Marketing 2.0 (IM 2.0)—Islamization of existing theory

Islamic Marketing 3.0 (IM 3.0)—theory making

Islamic Marketing 4.0 (IM 4.0)—thought leadership

2.1 Islamic Marketing 1.0 (IM 1.0): Awareness

In this stage the terms Islamic marketing and Islamic branding came to existence. Starting from the year 2007, if you google these terms, you will get some results including work done in the United Arab Emirates University and also by the Said Business School at Oxford University. Both institutions started working on the topic almost simultaneously albeit independently without any prior knowledge of each other's work. Soon after that a journal by the name of *Journal of Islamic Marketing*

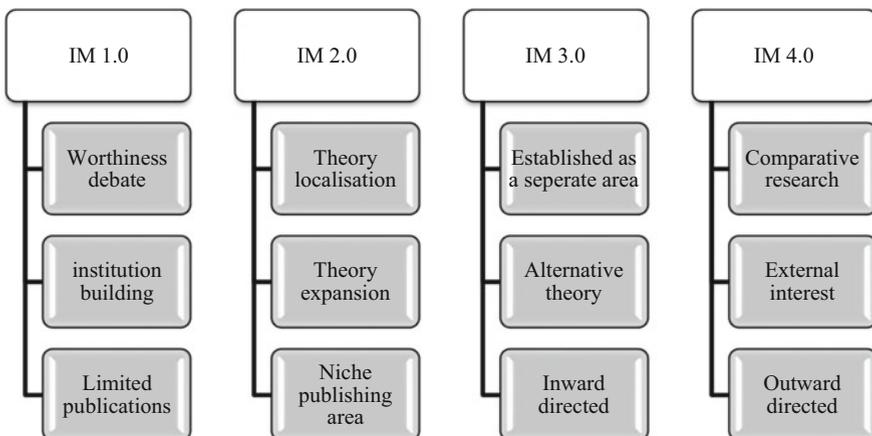


Fig. 1 Development stages in Islamic marketing thought

was established by Emerald Publishing; a conference was organized by Said Business School followed shortly by another conference by the University of Malaya. The field got a huge boost with the launch of the successful annual Global Islamic Marketing Conference in 2011 organized by the International Islamic Marketing Association (IIMA). In 2015 another journal was launched by Inderscience by the same founder of the first journal with Emerald. During the same year, another journal specializing in Islamic marketing was launched in Arabic by IIMA. Several books were also published and continue to be published starting from the year 2011. Some of these books have more than one edition.

These efforts played a crucial role in creating a wide spread awareness within the academic community resulting in the acceptance of the field as a legitimate area of inquiry. A number of papers addressing various areas in the field were published. These papers addressed issues related to Muslim consumers' behavior, the Islamic marketing mix, Islamic branding, Islamic promotions and advertising, Halal products, the Halal value chain, and other closely related issues.

It is important to note that the new Islamic marketing-related journals, books, and conferences were in part a response to the difficulty in publishing in mainstream journals, where editors were reluctant to acknowledge the worthiness of the field as an area of scientific inquiry. However, a quick survey of the number of articles published in mainstream journals addressing areas of Islamic marketing reveals a massive surge during the decade 2010–2020, which could be attributed at least in part the level of awareness created by the Islamic marketing books, journals, and conferences.

2.2 Islamic Marketing 2.0 (IM 2.0): Islamization of Existing Theory

At this stage, although the new generation of researchers will not have to endure the agony of trying to publish as the first generation did, they will also not experience the joy that was associated with introducing Islamic marketing to the world for the first time. Their contributions to Islamic marketing theory will revolve around traditional theory expansion to incorporate Islamic concepts or some type of theory localization where established traditional theories are modified to fit the needs and culture of the Muslim consumers.

The field at this stage, although established, remains an area of niche publishing. Many of the researchers who write and publish here are capitalizing on the publishing possibility in a new attractive area. The extent of the writings at this stage will revolve around adopting/adapting current theory. Many of the papers in this area are basically copying research models used in published papers and using the same independent/dependent variables but within a Muslim consumer context. Other studies might add moderators or mediators to the model. This stage could be seen

as outward directed since researchers rely on external resources, i.e., knowledge not created with an Islamic faith in mind.

2.3 Islamic Marketing 3.0 (IM 3.0): Theory Making

At this stage, a new generation of researchers who didn't witness the rise of Islamic marketing and didn't have to demonstrate its worthiness to the world will rise. To them, Islamic marketing is as real as other social sciences. Writing and publishing in the field became the normal thing to do. The field has passed a hard scientific scrutiny and prejudice, whether religious or cultural, and has been discredited. No criticisms will be made since the field has already been established and accepted within the scientific community. At this stage, the logical thing that researchers will do is engage in Islamic theory development in the same way they would in traditional marketing. They are highly skilled researchers with deep knowledge of the Islamic faith. Their contributions will be independent of traditional theory as it will be more inward directed. They will rely more on traditional Islamic thought, while incorporating sound research methods to create a new theory realm that is faith-based.

2.4 Islamic Marketing 4.0 (IM 4.0): Thought Leadership

IM 4.0 is the final stage of the development of the field of Islamic marketing. At this stage, a body of alternative theory has been developed, tested, and proven within an Islamic context. As a result researchers and institutions from outside of the Islamic world will take notice. They will be interested in testing Islamic marketing theories within their respective countries or cultures, and comparative studies will be carried out, furthering the faith-based/traditional marketing debate and advancing the field of marketing in its entirety.

References

- Alserhan, B. A. (2010). Islamic marketing: The birth of a new social science. *Journal of Islamic Marketing*, 1(1). <https://doi.org/10.1108/jima.2010.43201aaa.001>
- Alserhan, B. A. (2011). *The principles of Islamic marketing*. Gower.

Baker Ahmad Alserhan is a Professor in Business Administration at Princess Sumaya University for Technology in Amman, Jordan. Dr. Alserhan is the founder of the discipline of Islamic Marketing and authored the seminal book in the discipline: *The Principles of Islamic Marketing*. He is also the President of the International Islamic Marketing Association (IIMA) and Chair of the Annual Global Islamic Marketing Conference (GIMAC) and the Annual Halal Pharma Forum. He founded two academic journals for Emerald (*Journal of Islamic Marketing*) and 'Inderscience' (*Journal of Islamic Marketing and Branding*), and three in Arabic on the same topic. Dr. Alserhan is a prolific, published researcher of peer-reviewed scientific papers, public speaker, and consultant with research interests in Strategic Marketing, Business Strategy, Entrepreneurship, Islamic Marketing and Branding, Islamic Hospitality, Islamic Lifestyles, and Islamic business studies.

Jusuf Zeqiri is Associate Professor of Marketing and International Business at the Southeast European University, North Macedonia. He has more than 20 years of teaching experience at various institutions. He has been teaching for 18 years at undergraduate and graduate levels at South East European University and has held lectures as a visiting professor at many domestic and international educational institutions in Southeast Europe. He has supervised several master's and doctoral theses. His research interest includes marketing and international business. He has published many research papers in peer-reviewed scientific journals and is a reviewer for many international journals. Dr. Zeqiri is on the editorial board of the *Business System Research Journal* and is an associate editor for the *International Journal of Islamic Marketing and Branding*.

Veland Ramadani is a Professor of Entrepreneurship and Family Business at the Faculty of Business and Economics, South East European University, North Macedonia. His research interests include entrepreneurship, small business management, and family businesses. He authored or co-authored around 170 research articles, 12 textbooks, and 20 edited books. He has published in *Journal of Business Research*, *International Entrepreneurship and Management Journal*, *International Journal of Entrepreneurial Behavior and Research*, and *Technological Forecasting and Social Change*, among others. Dr. Ramadani has recently published the co-authored book *Entrepreneurial Family Business* (Springer). Dr. Ramadani is co-Editor-in-Chief of the *Journal of Enterprising Communities (JEC)*. He has received the Award for Excellence 2016—Outstanding Paper by Emerald Group Publishing. In addition, Dr. Ramadani was invited as a keynote speaker in several international conferences and as a guest lecturer by President University, Indonesia, and Telkom University, Indonesia. During 2017–2021, he served as a member of the Supervisory Board of Development Bank of North Macedonia, where for 10 months acted as Chief Operating Officer (COO), as well.

Léo-Paul Dana is Professor at Dalhousie University and Visiting Professor at Kingston University. He is also associated with the Chaire ETI at Sorbonne Business School. A graduate of McGill University and HEC-Montreal, he has served as Marie Curie Fellow at Princeton University and Visiting Professor at INSEAD. He has published extensively in a variety of journals including *Entrepreneurship: Theory and Practice*, *International Business Review*, *International Small Business Journal*, *Journal of Business Research*, *Journal of Small Business Management*, *Journal of World Business*, *Small Business Economics*, and *Technological Forecasting and Social Change*.

Halal Industry: Threats and Barriers



**Baker Ahmad Alserhan, Jusuf Zeqiri, Veland Ramadani,
and Léo-Paul Dana**

Abstract This chapter provides basic information on halal industry's threats and barriers. There are key issues that the halal industry needs to address before it can take its rightful place, such as the halal industry is dominated by non-Muslims; the halal industry in Muslim countries remains mostly fragmented, with numerous insignificant players; halal certification chaos; there is a clear lack of halal-qualified Muslim workforce to keep up with the rising demand for halal services and skills; and the different sectors and businesses in the halal industry seem to have embraced a "silo" mentality where each of these sectors or businesses seems to be developing independently.

Halal industry as we know it today is mostly a recent business development, and a direct result of internationalization, that has been multiplied even further by globalization. Before that, all products in Muslim countries were taken for granted as being "halal" (Alserhan et al., 2016).

As demand from the Islamic market increased, the halal industry responded. The response was unorganized, unregulated, and mostly profit-based rather than faith-based. As firms raced to capitalize on this massive demand, each wanting a bigger slice of the halal market cake, the soul of halal was compromised, if not lost all together. Halal became increasingly commercialized, very much like what happened in other religions, namely, Christianity and the commercialization of "Xmas."

B. A. Alserhan (✉)

King Talal School of Business Technology, Princess Sumaya University for Technology (PSUT), Amman, Jordan
e-mail: alserhan@psut.edu.jo

J. Zeqiri · V. Ramadani

Faculty of Business and Economics, South East European University, Tetovo, North Macedonia
e-mail: j.zekiri@seeu.edu.mk; v.ramadani@seeu.edu.mk

L.-P. Dana

Faculty of Management, Rowe School of Business, Dalhousie University, Halifax, NS, Canada
e-mail: lp762359@dal.ca

Since then, the halal industry seems to have lost its direction. It is now in a dire need to find its soul again. There are key issues that the halal industry needs to address before it can take its rightful place as a mainstream industry catering to both Muslims and non-Muslims alike. These issues are as follows:

1. *Currently*. The halal industry is dominated by non-Muslims, roughly 90% of it. Therefore, until this issue is resolved, the industry will remain bottom line-driven rather than faith-driven.
2. *Fragmented industry*. The halal industry in Muslim countries remains mostly fragmented, with numerous insignificant players. Until the industry concentrates, development and competencies will remain uncompetitive.
3. *Halal certification chaos*. There are hundreds of halal certification bodies in the world. Some of these are private, some are part of Islamic institutions, and a few are governmental. These bodies reflect different views and rarely agree on standards. This situation is damaging to the halal certification credibility. The solution to this mess lies in the establishment of an overarching framework that ensures professionalism and credibility.
4. *Human resources*. There is a clear lack of halal-qualified Muslim workforce to keep up with the rising demand for halal services and skills. As a result, staff are being hired from non-Islamic businesses into Islamic businesses. The case of the Islamic banks is a classic example. In these banks, employees were hired from riba-based banks (aka commercial banks and traditional banks). Those hired continue to bring with them the culture of their original banks. To those employees, it is just another transaction or business as usual, nothing related to faith.
5. *Silo mentality*. The different sectors and business in the halal industry seem to have embraced a “silo” mentality where each of these sectors or businesses seems to be developing independently. Not much recognition of the interdependence is being observed, therefore, a clear separation between halal- and Shariah-compliant. Halal is only a stage in compliance. For example, how would consumers perceive a halal product that has been financed by a traditional bank using non-Islamic financing or produced through the exploitation of women or children as cheap labor or with a negative environmental impact?
6. *Government engagement*. Muslim governments, aside from very few such as Malaysia, are not providing the necessary support needed to advance the halal industry in their respective countries. Unfortunately, most Muslim countries are not yet able to see the full potential of halal as an engine of growth. Until this potential is recognized, Muslim countries will remain reluctant in providing the needed support. A planned governmental intervention is a must since the industry cannot take off independently.
7. *Halal hubs*. A major action that has the potential to boost the competitiveness of the halal industry is the formation of halal hubs. Two regions are qualified to succeed in this; the South-East Asia hub comprising Malaysia, Pakistan, Bangladesh, and Indonesia. Malaysia could provide the much needed mentorship as a world leader in this industry. The other hub could include Turkey and

Azerbaijan. Turkish industrial and technological advancements aided by the prime location of Turkey are key success factors. Unfortunately, no such hub is possible in the Arab region, at least in the foreseeable future due to several factors including a high political risk.

Reference

Alserhan, B. A., Boulanouar, A., & Althawadi, O. (2016). Theories of Islamic marketing. *International Journal of Islamic Marketing and Branding*, 1(4), 297.

Baker Ahmad Alserhan is a Professor in Business Administration at Princess Sumaya University for Technology in Amman, Jordan. Dr. Alserhan is the founder of the discipline of Islamic Marketing and authored the seminal book in the discipline: *The Principles of Islamic Marketing*. He is also the President of the International Islamic Marketing Association (IIMA) and Chair of the Annual Global Islamic Marketing Conference (GIMAC) and the Annual Halal Pharma Forum. He founded two academic journals for Emerald (*Journal of Islamic Marketing*) and 'Inderscience' (*Journal of Islamic Marketing and Branding*), and three in Arabic on the same topic. Dr. Alserhan is a prolific, published researcher of peer-reviewed scientific papers, public speaker, and consultant with research interests in Strategic Marketing, Business Strategy, Entrepreneurship, Islamic Marketing and Branding, Islamic Hospitality, Islamic Lifestyles, and Islamic business studies.

Jusuf Zeqiri is Associate Professor of Marketing and International Business at the Southeast European University, North Macedonia. He has more than 20 years of teaching experience at various institutions. He has been teaching for 18 years at undergraduate and graduate levels at South East European University and has held lectures as a visiting professor at many domestic and international educational institutions in Southeast Europe. He has supervised several master's and doctoral theses. His research interest includes marketing and international business. He has published many research papers in peer-reviewed scientific journals and is a reviewer for many international journals. Dr. Zeqiri is on the editorial board of the *Business System Research Journal* and is an associate editor for the *International Journal of Islamic Marketing and Branding*.

Veland Ramadani is a Professor of Entrepreneurship and Family Business at the Faculty of Business and Economics, South East European University, North Macedonia. His research interests include entrepreneurship, small business management, and family businesses. He authored or co-authored around 170 research articles, 12 textbooks, and 20 edited books. He has published in *Journal of Business Research*, *International Entrepreneurship and Management Journal*, *International Journal of Entrepreneurial Behavior and Research*, and *Technological Forecasting and Social Change*, among others. Dr. Ramadani has recently published the co-authored book *Entrepreneurial Family Business* (Springer). Dr. Ramadani is co-Editor-in-Chief of the *Journal of Enterprising Communities* (JEC). He has received the Award for Excellence 2016—Outstanding Paper by Emerald Group Publishing. In addition, Dr. Ramadani was invited as a keynote speaker in several international conferences and as a guest lecturer by President University, Indonesia, and Telkom University, Indonesia. During 2017–2021, he served as a member of the Supervisory Board of Development Bank of North Macedonia, where for 10 months acted as Chief Operating Officer (COO), as well.

Léo-Paul Dana is Professor at Dalhousie University and Visiting Professor at Kingston University. He is also associated with the Chaire ETI at Sorbonne Business School. A graduate of McGill

University and HEC-Montreal, he has served as Marie Curie Fellow at Princeton University and Visiting Professor at INSEAD. He has published extensively in a variety of journals including *Entrepreneurship: Theory and Practice*, *International Business Review*, *International Small Business Journal*, *Journal of Business Research*, *Journal of Small Business Management*, *Journal of World Business*, *Small Business Economics*, and *Technological Forecasting and Social Change*.

Halal Service Marketing: A Strategic Perspective



Nurhafihz Noor

Abstract This chapter contributes to the nascent field of Halal service marketing and research. We begin by underscoring the importance of services for Halal markets and service marketing theory for Islamic marketing. Through a synthesis of emerging Halal service research and an adaptation of seminal marketing frameworks for Halal markets, this chapter offers a strategic guide for managers to design and deliver better services to Muslims. The role of digital technologies such as artificial intelligence in optimizing services for Halal markets is included in this chapter.

1 Background

Economies today are driven by services (Wirtz & Lovelock, 2022), and Halal markets are no exception. According to the annual State of the Global Islamic Economy Report (DinarStandard, 2020), in 2019, consumers spent an estimated \$1.58 trillion in industries associated with Muslim-friendly travel, Islamic media and recreation, and Halal food. These sectors are service economies and, in total, account for a significant 78% of the total \$2.02 trillion of consumer expenditure across key Halal markets. Another important economy and service sector, Islamic finance, is expected to grow at CAGR of 5% to \$3.69 trillion in 2024.

These Halal sectors can be mapped according to the four types of service categories—an established typology in service marketing used to classify service types (Lovelock, 1983)—as shown in Table 1.

Services clearly drive the Islamic economy, and Muslim consumers are active participants in shaping these service experiences. With servitization, product-selling companies are also changing their business models and focusing more on service provisioning (Kowalkowski et al., 2022). However, despite the clear and increasing importance of services, there is a lack of understanding as to how services can be performed effectively for Muslims.

N. Noor (✉)
Curtin University Singapore, Singapore, Singapore
e-mail: nurhafihz.noor@curtin.edu.au

Table 1 A classification of key Halal sectors by service types

	Direct recipient of service	
Nature of service act	People	Possessions
Tangible actions	Muslim-friendly travel	Halal food logistics
Intangible actions	Islamic media and recreation	Islamic finance services

Table 2 Implications of key service features for Halal markets

Service vs. product	Implication for Halal market
Services are intangible in nature	Identifying physical cues and brand associations acceptable to Muslims
Consumers are co-creators of service	Deeper understanding Muslim consumers beyond geographic and demographic segmentation data
Services are heterogenous	Optimizing service experience by managing Halal brand with personalization in service positioning

Much of the current discussion on Islamic marketing conflates products and services. While products and services share characteristics, services are fundamentally different from products. Services are acts or performances provided by a service provider to the customer (Wirtz & Lovelock, 2022). In the context of this chapter, these service performances are done by Muslim or non-Muslim service providers to Muslim consumers as the primary target market, although the Halal market can comprise of non-Muslim consumers (Kadirov et al., 2020). Non-Muslim service providers serving Muslims can come in the form of artificial intelligence service agents such as chatbots (Noor et al., 2021).

Indeed, there is much difference between services and products (Wirtz & Lovelock, 2022) which gives rise to several strategic implications as shown in Table 2.

Insights from Tables 1 and 2 represent a fragment of the potential contribution of service marketing to Islamic marketing. Indeed, the service marketing literature is a rich and established research stream that has illuminated service knowledge. Within this marketing stream, scholars have developed theories which enable service managers to strategically manage service delivery.

Few scholars have attempted to address the relevance of service marketing to Islamic marketing. In his seminal book *The Principles of Islamic Marketing*, Alserhan (2016) adopted the traditional 4Ps product-centric marketing mix (i.e., product, price, place, promotion) and discussed the relevance of models which are product-centric in nature (e.g., three product levels) to Islamic marketing. Wilson (2012) proposed seven new Ps for Islamic marketing: pragmatism, pertinence, palliation, peer support, pedagogy, persistence, and patience. Hashim and Hamzah (2014) extended Wilson's 7Ps by pairing each P with the traditional service marketing mix of product, price, place, promotion, people, process, and physical evidence. Despite these advances in Islamic marketing, discussions remain product-centric with little accompanying discussions of service theories to Halal markets.

In a promising development, the *Journal of Halal Service Research* was established in 2020 to advance the domain of service research in Halal markets (Kadirov et al., 2020). Indeed, important questions remain on the applicability of key service marketing theories to Halal markets and whether Islamic marketing can offer fresh perspectives to service marketing. The answers to these questions will provide valuable research insights as well as crucial strategic lenses for service managers to tap on the potential of Halal markets.

This chapter aims to contribute to this endeavor. We provide strategic insights for service professionals in Halal markets as well as highlight key research opportunities for scholars in the field. The flow of discussion is based on the marketing research-marketing strategy-marketing action framework (Huang & Rust, 2021).

2 Market Research for Halal Service

The development of good marketing strategies for Halal markets begins with rich insights derived from quality research data. As consumers are key in shaping service experiences, having a deep understanding of Muslim consumers is crucial. Primary research accomplishes this. However, one of the challenges of conducting primary research for Muslim consumers is that respondents may provide inaccurate feedback of their service expectations and experiences. These inaccuracies are not due to their eagerness to please the service provider but the need to feel gratitude (shukr) for the service rendered. While a praiseworthy value in Islam (Ali et al., 2020), this orientation can lead to erroneous survey findings as many key instruments used to diagnose and improve service, such as service quality, rely on self-administered surveys from respondents. Consequentially, Muslim consumers may report higher levels of service satisfaction than what they experienced. Similarly, they may underreport their service expectations as they feel obliged to be more contented (redha) with the standards of service provisioned to them.

To gather more accurate insights from Muslims, qualitative research techniques such as consumer observations and interviews are key for both service managers and researchers. The further development of scales to measure shukr and redha will also be useful for researchers to use as control variables for their empirical studies. Finally, the use of artificial intelligence techniques such as data mining can assist the Halal service industry to gather deeper insights into the meanings of services to consumers (Huang & Rust, 2021). More accurate research data about Muslim consumers in service will assist service providers to subsequently formulate better segmentation, targeting, and positioning strategies.

3 Marketing Strategy for Halal Service

The size of the global Muslim population and its continued growth rate are statistics that are regularly cited as indicators of the potential of the Halal market. However, segmentation based on geographic and demographic techniques alone cannot conclude the existence of a market. This is because it is unclear if the aggregate group of people who merely share similar geographic and demographic traits will think, feel, and react in the same way to the service offering. Accordingly, deeper insights of the target audience based on psychographic and behavioral data is key to ascertaining if indeed there is a segment of Muslims who have similar service expectations and who will respond in an equivalent way to the communications messages and eventual service performance.

A variety of typologies have been proposed to segment Muslim consumers. These include gummies (global urban Muslim consumers), hijabsters (young Muslims who wear the hijab), mipsterz (Muslim hipsters), and Gen M (Muslim millennials). Other research points to segments such as religious conservatives (extremely religious and conservative), pragmatic strivers (nontraditional and ambitious), extreme liberals (liberal, independent, and assertive), new age Muslims (somewhat traditional and religious), and social conformists (preferring social norms over personal choice) (Temporal, 2011). On a different note, beyond religious compliance, consumers may associate Halal services with attributes such as quality and assurance (Shah et al., 2020). Specific actions that can contribute to this positioning in the minds of consumers include Halal certifications and standards (Islam, 2020).

Indeed, the array of possible Muslim consumer segments and positioning strategies can seem daunting. To give greater clarity on Halal service positioning, we adapt a positioning framework from another emerging field in marketing: sustainability marketing. From a strategic perspective, Halal may be positioned together with service performance/price, as a driver of service performance with price or as an attribute not communicated upfront with the service as shown in Fig. 1.

Further research is needed to shed light on Muslim consumer segments. In addition, a better understanding is required as to how religiosity levels among Muslims can differ for each service industry and phase and its implications for Halal service performance. Insights on the perceptual associations of Halal in different services industries among Muslims and non-Muslims can contribute to

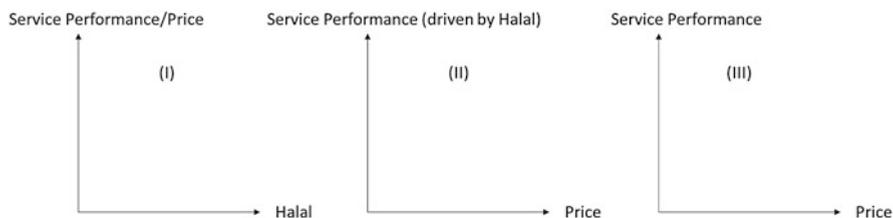


Fig. 1 Positioning Halal in services, adapted from sustainability positioning strategies by Belz and Peattie (2012)

better branding and positioning strategies. Finally, advancements in artificial intelligence can significantly assist service managers to identify new and more accurate Halal market segments and develop better positioning strategies to cater to them (Huang & Rust, 2021).

With clearer segmentation and positioning strategies, the next phase involves setting the right tactics for Muslim consumers. Accordingly, the next section of this chapter analyzes key theories in service marketing and discusses their relevance for Halal markets.

4 Service Marketing Mix and Islamic Marketing

The literature on service marketing has produced a wealth of theoretical insights and models (Wirtz & Lovelock, 2022). A key model underpins each service marketing mix as shown in Table 3.

Table 3 Implications of key service marketing mix models for Halal markets

Strategic decision	Key service marketing model	Description	Implication for Halal market
Product	Flower of service	Services comprise of a core service and supporting supplementary services	Important Islamic perspectives embed the core and supplementary services
Price	Perceived service costs	Consumers weigh perceived costs when evaluating the overall service value	Muslim consumers may factor spiritual rewards associated with the service when deciding to consume the service
Place	Service delivery modes	Service managers need to respond to four questions—What? How? Where? When?—For effective service distribution	Each question category contains peculiar distribution considerations for Halal markets in service
Promotion	Service touchpoints as promotional channels	In addition to traditional promotional channels, consumers can learn more about the service from the service touchpoints	Service touchpoints can be empowered to promote the Halal benefits that the service brand offers to Muslim consumers
People	Training	Training of service professionals are key to effective service performance	Muslim service professionals can deliver good service due to faith-based service motivators
Process	Service blueprint	The service process, touchpoints, and actions performed by the customer and service provider can be managed using a blueprint	Service managers need to manage potential fail points unique to Muslim consumers
Physical evidence	Servicescape	A framework which highlights the impact of the service environment in shaping behaviors	It is important to design a service environment optimized for Muslims

This chapter proceeds to elaborate on the impact that the Islamic tradition and Halal markets have on each key model and discusses its implications for service professionals and scholars in the field.

4.1 *Product: Halal Flower of Service*

A service can be described as comprising of a core service (i.e., the fundamental service offering) and supplementary services that facilitate and add value to the core service (Wirtz & Lovelock, 2022). Supplementary services which facilitate the core service include information, order-taking, billing, and payment, whereas those which enhance the core service include consultation, hospitality, exceptions, and safekeeping. These supplementary services are petals which surround the core and together form the flower of service. Table 4 summarizes key implications of each flower of service component for the Halal market.

4.1.1 Core Service and Muslims

By default, all services (and its activities and tangibles) are permissible to Muslims except for those which contain haram or non-permissible elements as stipulated in the Islamic law (Al-Qaradawi, 2001). Such non-permissible service activities include gambling and the serving of alcohol and non-Halal meat. In Halal markets, a greater emphasis is placed on the display of the Halal label, despite the fact that what should technically be considered is whether the service contains non-Halal elements (Wilson, 2018). The importance of Halal in the fundamental service offering is highlighted in Fig. 2.

Table 4 Implications of flower of service components for Halal markets

Service component	Description	Implication for Halal market
Core service	The core service is the fundamental service benefit to the consumer	The core service must be Halal and not perceived to contain any non-permissible elements
Information	Facilitating supplementary services assist in the performance of the core service	Methods in providing facilitating supplementary services need to be in accordance with the Islamic law
Order-taking		
Billing		
Payment		
Consultation	Enhancing supplementary services add value to the core service	Enhancing supplementary services are praiseworthy actions in the Islamic tradition
Hospitality		
Safekeeping		
Exceptions		

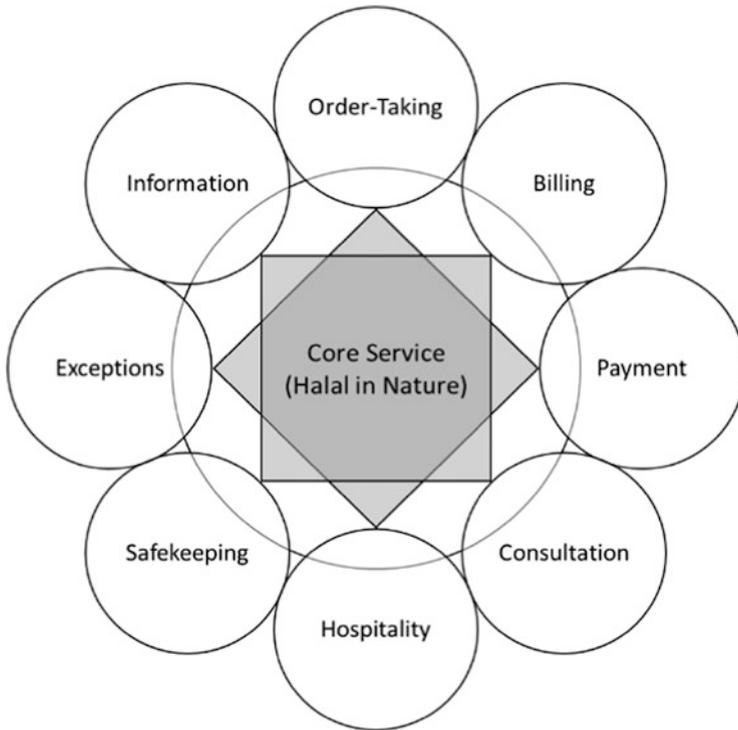


Fig. 2 Importance of a Halal core service in flower of service

As the number of prohibitions are minuscule in relation to the number of permissible acts in Islamic law, service managers may conduct their own research to ensure that the fundamental service offering is Halal in nature. Alternatively, they can seek the advice from religious scholars for assurance that their services are permissible or Halal. This assurance can be conveyed to consumers and subsequently increase the perceived service quality of the service (Parasuraman et al., 1988).

4.1.2 Facilitating Supplementary Services and Muslims

Reliable and accurate information should be provided to Muslim consumers and in a manner that is free from temptation (Alserhan, 2016). Together with order-taking, billing, and payments, these processes must be done using methods which are permissible according to Islamic law, particularly Islamic finance. This is highlighted in Fig. 3.

An Islamic scholar or auditor may be engaged to ensure that the facilitating supplementary services which have been set up adhere to the regulations under the Islamic law. On the research front, scholars need keep up to date with rapidly

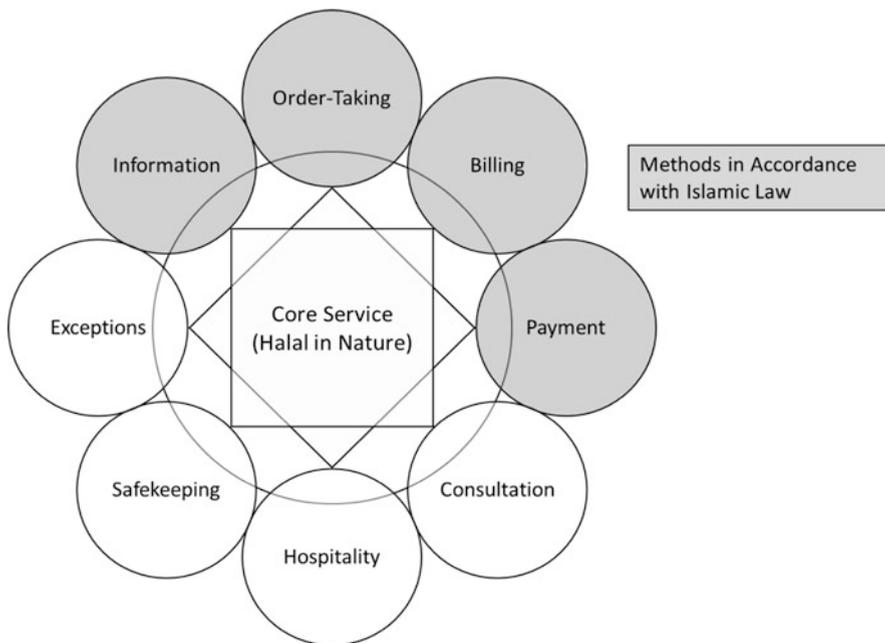


Fig. 3 Role of performing facilitating supplementary services in accordance with Islamic law in flower of service

emerging technologies (e.g., artificial intelligence, bitcoin, blockchain) which can affect the way in which facilitating supplementary services are performed and assess the impact of these innovation on Halal services.

4.1.3 Enhancing Supplementary Services and Muslims

It is praiseworthy in the Islamic tradition to consult one another, to honor customers as guests and be hospitable towards them (Alserhan, 2016), to take care of each other’s rights including possessions, and to give special assistance to those in need. These are desired attributes as indicated in the Quran and by Prophet Muhammad:

- Consultation: “who respond to their Lord, establish prayer, conduct their affairs by mutual consultation, and donate from what We have provided for them” (Quran 42:38).
- Hospitality: “He who believes in Allah and the Last Day, let him show hospitality to his guest. . .” (Prophet Muhammad).
- Safekeeping: “Indeed, Allah commands you to return trusts to their rightful owners. . .” (Quran 4:58).

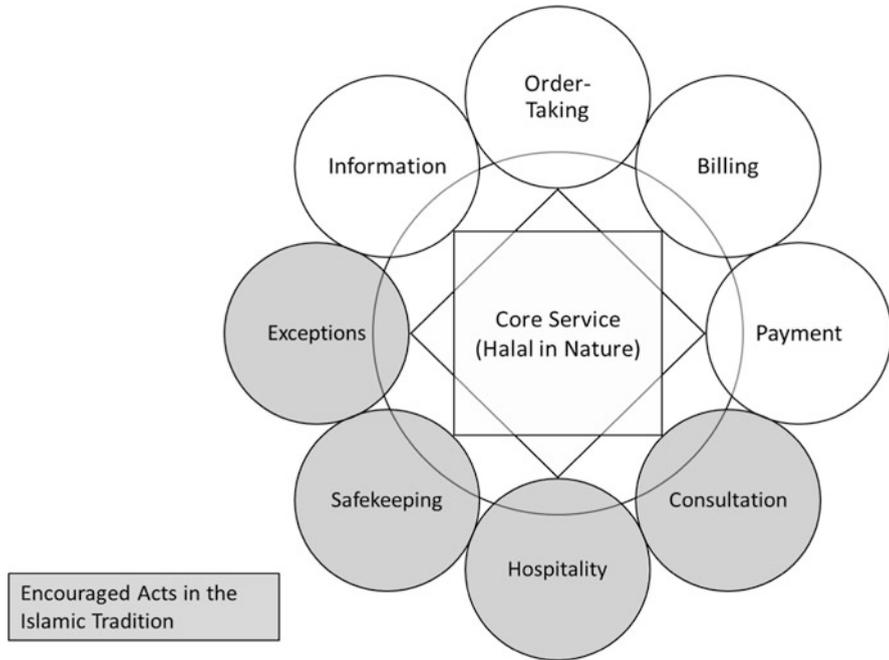


Fig. 4 Encouraged acts in Islam and enhancing supplementary services in flower of service

- Exceptions: “. . .And whoever helps ease a difficulty in the world, Allah will grant him ease from a difficulty in the world and in the Hereafter. . .” (Prophet Muhammad).

The relevance of enhancing supplementary services being praiseworthy acts in Islam is highlighted in Fig. 4.

The link between the performance of enhancing supplementary services and spiritual rewards has implications. First, Muslim consumers may prefer such enhancing supplementary services due to the inherent goodness contained in these actions. This benefits the service manager as the core service is now being supplemented by services which are sought after by Muslim consumers. Second, Muslim service professionals will look forward to performing these enhancing supplementary services to increase their own spiritual rewards. Thus, the overall value proposition of the service can be strengthened based on the actualization of these enhancing supplementary services by intrinsically motivated Muslim service professionals.

Despite the underlying noteworthiness of these enhancing supplementary services in the Islamic tradition, Halal services have yet to truly optimize these traits as true value propositions; in reality, most global service brands today are non-Muslim. While service managers adopt western standards and practices of hospitality and other enhancing supplementary services to Muslim cultures, research is needed to uncover the novel theories that the Islamic tradition can offer to service marketing in this area.

4.2 *Price: Value of Good Deeds*

One of the ways in which consumers evaluate the value of the service is to compare the service benefits against the perceived costs associated with the service. Service managers would aim to minimize the nonmonetary costs such as effort, time, and perceived risks to increase the perceived value of the service. This can translate to higher prices and profits for the service brand. Service managers serving Halal markets should also weigh other intangible benefits such as the perceived spiritual rewards associated with the service when Muslim consumers evaluate the overall value of the service:

$$\text{perceived value of service} = [\text{service benefits} - \text{monetary costs} \\ - \text{nonmonetary costs}] + \text{net spiritual rewards from service}$$

An example of such an evaluation will be the Muslim who decides to bring his family to the movies. Beyond mere entertainment, his conclusion is that the net spiritual rewards from the service, such as the post-service benefit associated with a healthy well-being of the family members, are positive. Therefore, he decides to proceed with the service.

While raising the awareness of the presence of such spiritual rewards in the service seems reasonable, commoditizing and profiteering from the religion are contentious. Thus, such marketing communication messages to consumers need be evaluated to better understand how consumers value such spiritual rewards vis-à-vis the corresponding prices set for such services.

4.3 *Place: Halal Service Distribution Considerations*

It is essential for service managers to respond to four key questions—What? How? Where? When?—to create an effective service distribution strategy (Wirtz & Lovelock, 2022). The implications of these questions for Halal markets in service is shown in Table 5.

Service managers must do a thorough analysis based on these four questions before deciding on the distribution of the service. The ability to offer convenience as well as a care for the faith-based needs of Muslim consumers can help the service to gain a competitive advantage in service delivery and consequentially improve its overall performance.

Table 5 Implications of key service distribution questions for Halal markets

Key service distribution question	Implication for Halal market
What flows through the channel?	<ul style="list-style-type: none"> • Information related to the Halal service must be trustworthy • Negotiations on the service agreement need to consider strong cultural influences which may affect outcome • Conditions of physical facilities used for distribution need to be in accordance with Islamic law
How should the service reach the customer?	<ul style="list-style-type: none"> • A physical service site is in a more favorable position to welcome Muslim customers if there is a provisioning of Halal food and prayer facilities • An online service site should translate both words and images (i.e., suitable to the norms of the culture) when serving Muslims from different regions • For service providers going to Muslim customers and meeting individuals of the opposite gender, they should attempt to avoid a situation where both are alone at the site • When transacting via intermediaries, it is important to assess if the intermediary has non-Halal associations (e.g., gambling ads, non-Halal digital services)
Where should the service be delivered?	<ul style="list-style-type: none"> • The site vicinity should be free of non-Halal elements. • While Muslim consumers would appreciate personalization, they do not want to feel unnecessarily segregated from the rest to enjoy the service
When should the service be delivered?	<ul style="list-style-type: none"> • The service provider should avoid prayer time periods. • The service provider needs to consider changes in lifestyles and schedules during Ramadan

4.4 Promotion: Touchpoints as Halal Service Ambassadors

Unlike product promotions which rely on the traditional promotional mix such as advertising, direct marketing, personal selling, public relations, and sales promotions, services can also count on their service touchpoints—points in which the service brand is making contact with the customer for service delivery—to promote the service. For Halal markets, this means that the service staff can promote the ways in which the brand caters to the needs of Muslims. In addition, Muslim customers may expect service staff to have a degree of knowledge over the Halal aspects of the service. Examples include:

- Waiters may be asked on the possible Halal food options at the restaurant.
- Hotel receptionists can highlight that prayer rooms are available for Muslim guests.
- Hiring managers can inform Muslim staff on the availability of Halal food in the canteen.
- The Mosque Imam can inform the congregation that special Ramadan services are provided.
- The chatbot recommends to the Muslim traveler a suitable trip itinerary while factoring prayer times.

To enable service touchpoints to become effective Halal service ambassadors, service managers need to work together with brand managers to ensure that the brand is optimized at every touchpoint. Service staff need to be well-trained and be aware of such information which they may not initially perceive as being essential to their core duties. Part of this training includes empowering service touchpoints with the right promotional skills and guidelines for them to advocate effectively. Further market research can also shed light on the Muslim consumers' customer journey and optimal points to promote the brand and raise its Halal differentiation to consumers.

4.5 People: Training with Faith-Based Service Drivers

Muslim professionals tasked with delivering services to Halal markets (Muslims or non-Muslims) may be motivated to perform their roles well due to three faith-based service drivers. First, Muslims may perform the service due to a genuine sincerity (khidmah). Second, they may perform the service as a form of worship with the hope of a spiritual reward (khidmah lil'ajr). Third, Muslim professionals may perform the service as an obligation to ensure that there is communal representation with an accompanying spiritual reward for the service professional (fardul kifaya) (Kadirov et al., 2020). The influence of these three motivational drivers on the Muslim service professional is shown in Fig. 5.

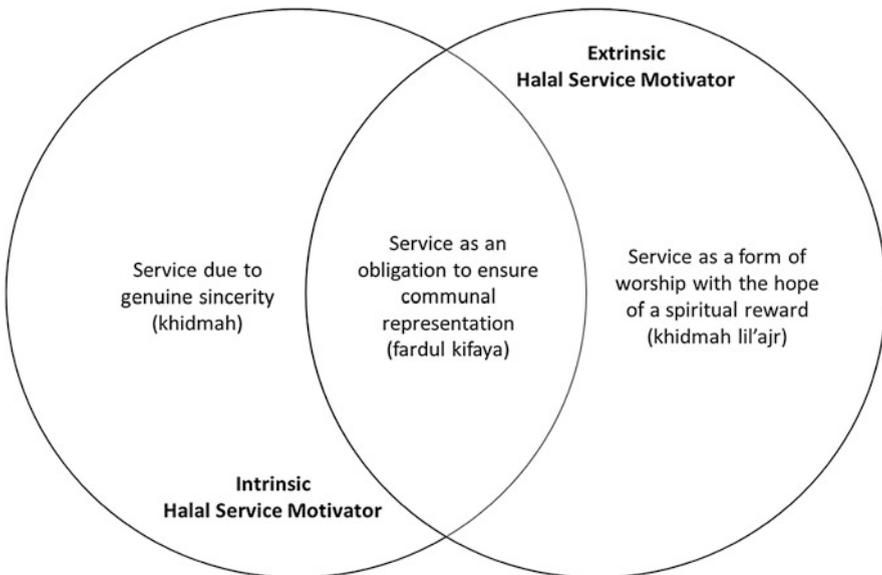


Fig. 5 Faith-based motivational drivers as a source of service competitive advantage

Training programs designed for Muslim service professionals should remind Muslims of these faith-based service drivers which function as motivators to help push service delivery toward excellence. Reminders of these drivers can be included in new training modules and appended to existing learning materials to reduce the costs of redesigning training programs. The result is that motivated Muslim service professionals can become a source of competitive advantage for the service brand.

Research opportunities in this regard include the development of scales which better define and measure these different faith-based service drivers. These scales can be used to assess the impact of the faith-based service drivers on Muslim employees and the nature of their interaction with traditional constructs such as service quality and employee loyalty.

4.6 Process: Halal Service Blueprint

Services are performances. Thus, it is important for the service provider to deliver a great performance for the customer throughout the customer's journey with the service. To do this effectively, service managers can map the various touchpoints in the customer journey onto a service blueprint (Bitner et al., 2008).

Like a performance, the service blueprint includes a front stage where the actions of the service provider are visible to the consumer as well as a back stage where invisible actions by the service provider are supporting the customer. This is separated by a line of visibility which helps service managers to strategically send the appropriate visible cues and quality signals to consumers (Wirtz & Lovelock, 2022). Figure 6 shows an example of a generic service blueprint applicable for most Halal markets in offline, online, or omnichannel contexts.

One of the functions of the service blueprint is for service managers to identify critical failure points in the customer's journey. Traditionally, these potential service failure points include touchpoint delays or system malfunctions. For Halal markets, these failure points can mean:

- Lack of privacy for Muslim women.
- Serving non-Halal food to Muslims.
- Inappropriate entertainment for Muslims such as gambling and nightclubs.

The service blueprint can also help to highlight moments that can delight Muslim consumers. This includes using Islamic greetings at the reception to the offering of dates during the holy Islamic month of Ramadan. It is important to design the basic service blueprint with a degree of flexibility to enable the service provider to customize the blueprint to cater to the needs of Muslims when required.

Figure 6 above represents a generic strategic blueprint for Halal markets. However, each specific Halal industry will have its own distinct service blueprint. Accordingly, consumers may put more emphasis on service excellence in certain service touchpoints over others. For instance, according to Mastercard and CrescentRating (2019), in the Muslim-friendly travel sector, Muslims will look for

--- Front-stage ---	Physical Evidence	Relevant physical/digital signs, symbols (e.g. Halal logo) and artifacts. Includes visual and auditory cues by service provider.					
	Customer Actions	Arrives at service site	Asks for information	Makes payment	Experiences service	Leaves service premise	
	Visible Service Provider Actions	Welcomes customer with Islamic greeting	Provides information on Halal-related services	Receives payment	Performs service	Asks customer feedback	
--- Line of Visibility ---							
--- Back-stage ---	Invisible Service Provider Actions	Looks up customer details	Customizes service based on Halal requirements	Prepares service	Monitors service	Prepares for next customer	
	Support Processes	System captures new/returning customer	System records customer preferences	System records payment	System tracks performance against operational standards	System records customer perceptions of service performance	

Fig. 6 A service blueprint for Halal markets

faith-based services primarily in transport terminals and accommodations. This means that the service blueprints in these touchpoints hold greater weight in ensuring that the Muslim travelers’ faith-based needs are taken care of.

Service interactions between the service provider and customer will become increasingly automated, served by innovative technologies including artificial intelligence and performed in new service environments such as the metaverse. The front stage of a service blueprint in the metaverse may only involve a perceived line of visibility since there is no actual face-to-face interaction with the service provider. Thus, further research is required to better understand the level of Muslim acceptance of the use of such technologies in various touchpoints and service contexts. As these technologies are designed to be more humanlike, it is important for scholars to discuss factors such as anthropomorphism and for practitioners to assess their role the industry.

4.7 Physical Evidence: Halal Servicescape

The elements in a service environment in which service interactions occur can affect customer behaviors such as purchasing intentions. This model is known as the servicescape. For the physical service environment, the servicescape consists of ambient conditions (e.g., music, odor), space functionality (e.g., layout, furnishings), and signs, symbols, and artifacts (Bitner, 1992). For online servicescapes, the key digital environmental elements include aesthetic appeal (e.g., design of website), site layout, and security (Harris & Goode, 2010). Early research suggests that the servicescape for Halal markets can include a pleasant odor and acceptable noise level and has been shown to influence the service experience of Muslim consumers (Alhothali et al., 2021). Figure 7 shows a conceptual framework of a Halal servicescape inspired by the saying of the Prophet Muhammad.

It is important to highlight that culture plays a significant role in Islam. Consequentially, Muslims of diverse cultures may react to servicescapes differently. In auditing the service environments, service managers need to understand and be aware of such nuances. They can collaborate with local experts who are familiar with the customs and traditions in the region to design a service environment suitable for Muslims in the area.

For service environments in religious services such as those in mosques, questions remain as to how professionals in these settings can optimize online servicescapes for traditional offline religious services. Digital platforms such as mobile or the metaverse may affect such servicescapes. As for general service environments targeting Muslim consumers, it is important to understand which service touchpoints are most important for Muslims in order to prioritize the servicescapes in these touchpoints. The identification of servicescape elements

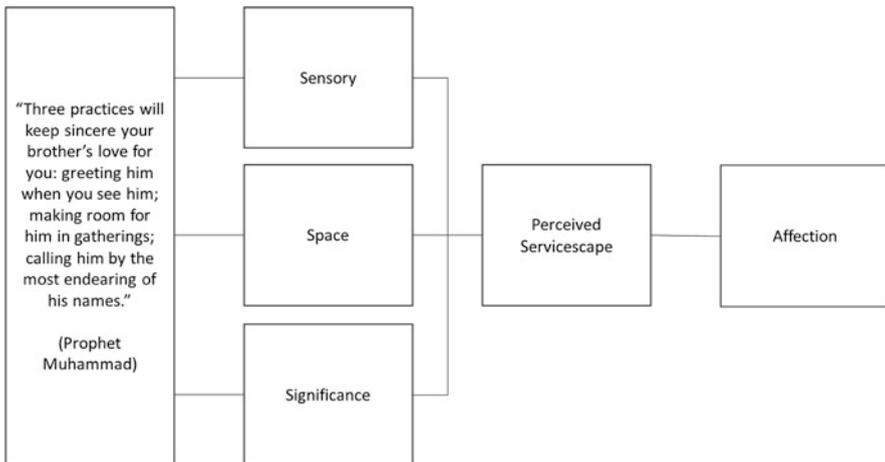


Fig. 7 A conceptual servicescape framework for Halal markets

accepted by most Muslims cultures, as well as the impact of a Halal servicescape on non-Muslim consumers, will be key for a more effective global brand management of Halal markets.

5 Integrating Halal Service Industry with Research

It is vital that Halal service professionals and researchers work together to advance the field. Research insights can help service managers to prioritize their actions and resources based on empirical evidence. Conversely, phenomenon observed in the Halal industry is invaluable feedback for theory development and validation in Halal service research. Here are some suggestions for a further integration of theory and practice (Benoit et al., 2019):

- Investigate managerially relevant research problems together.
- Create a network of academics/practitioners and engage them as speakers/advisors.
- Find avenues to share insights and collaborate with one another (e.g., LinkedIn, social media groups, conferences, publications).

Greater data sharing between Halal service researchers and managers can result in a virtuous cycle in the marketing research-marketing strategy-marketing action framework and accelerate the development of Halal service marketing.

6 Islamic Principles of Service Ethics

A discussion on Halal service marketing will not be complete without a mention of the importance of service ethics and the Islamic perspectives surrounding the topic. Recently, there has been increasing interest in service ethics in both the mainstream service marketing research (Raciti et al., 2021) and emerging Halal service research streams (Kadirov et al., 2020).

Indeed, the Islamic tradition is rich in moral codes. Table 6 shows a selection of moral codes from the ethical sayings of the Prophet Muhammad (Yusuf, 2005) that have relevance to the strategic service marketing areas described in this chapter.

It is clear from these prophetic sayings that the balance between service marketing and morality is not without its possible tensions (Raciti et al., 2021). For instance, how do service marketers balance the need to make profits from recurring customers with the goal of improving the lives of the customer via contentment? Nonetheless, we hope the above information spurs the necessary debate and leads to valuable insights. This can guide further transformative service research on the development of a moral compass that is beneficial for service brands, practitioners, and consumers.

Table 6 Selected prophetic sayings illustrating Islamic principles of service ethics

Ethical saying of the Prophet Muhammad	Applicable service marketing area
“Pursue knowledge even to China, for its pursuance is the sacred duty of every Muslim.”	Research
“Should you wish to act, ponder well the consequences. If good, carry on; if not, desist.”	Strategy
“Fulfillment is not plenty of goods; rather, it is self-fulfillment.”	Product
“Avoid cupidity, for it is instant poverty.”	Price
“If one of you requests permission to enter a place and, after three requests, permission is yet not granted, he should leave.”	Place
“The characteristics of a hypocrite are three: when he speaks, he lies; when he gives his word, he breaks it; and when he is given a trust, he is unfaithful.”	Promotion
“The servants God loves most are those most sincere with God’s servants.”	People
“God loves a servant who when performing a task does so skillfully.”	Process
“God is Beautiful and loves beauty.”	Physical evidence
“Whoever uses sophistical arguments knowingly continues to be the object of God’s wrath until he desists.”	Practitioner-academic integration

7 Summary

This chapter has provided a strategic discussion on Halal service marketing. While we attempted to focus on key service marketing frameworks for the purpose of this chapter, other theories (e.g., service quality, service-dominant logic) require a deeper investigation as to their relevance to Halal markets. Personal and situational factors such as upbringing and culture may also affect the degree to which Muslim consumers would be impacted by the strategies featured in this chapter. Finally, it remains unclear as to how central concepts in Islam, such as the Maqasid Al Shariah (Alserhan, 2016), can truly affect service performance and if novel service marketing theories rooted in the Islamic tradition can be born from such analysis.

The future of Halal service marketing and research looks dynamic and promising. While we wait for further studies to illuminate the field of Halal service marketing, we hope this chapter has served both service professionals and researchers and provided them with the key strategic insights they need to continue to successfully advance Halal markets in service.

References

- Al-Qaradawi, Y. (2001). *The lawful and the prohibited in Islam*. Islamic Book Trust.
- Alhothali, G. T., Elgammal, I., & Mavondo, F. T. (2021). Religious servicescape and intention to revisit: Potential mediators and moderators. *Asia Pacific Journal of Tourism Research*, 26(3), 308–328. <https://doi.org/10.1080/10941665.2020.1862885>

- Ali, S. A., Ahmed, M., Bhatti, O. K., & Farooq, W. (2020). Gratitude and its conceptualization: An Islamic perspective. *Journal of Religion and Health, 59*(4), 1740–1753. <https://doi.org/10.1007/s10943-019-00850-6>
- Alserhan, B. A. (2016). *The principles of Islamic marketing* (2nd ed.). Routledge.
- Belz, F.-M., & Peattie, K. (2012). *Sustainability marketing: A global perspective* (2nd ed.). Wiley.
- Benoit, S., Klose, S., Wirtz, J., Andreasen, T. W., & Keiningham, T. L. (2019). Bridging the data-divide between practitioners and academics: Approaches to collaborating better to leverage each Other's resources. *Journal of Service Management, 30*(5), 524–548. <https://doi.org/10.1108/JOSM-05-2019-0158>
- Bitner, M. J. (1992). Servicescapes: The impact of physical surroundings on customers and employees. *Journal of Marketing, 56*(2), 57–71.
- Bitner, M. J., Ostrom, A. L., & Morgan, F. N. (2008). Service blueprinting: A practical technique for service innovation. *California Management Review, 50*(3), 66–94. <https://doi.org/10.2307/41166446>
- DinarStandard. (2020). *State of the global Islamic economy report 2020/21*. Retrieved from <https://salaamgateway.com/reports/state-of-the-global-islamic-economy-202021-report-english-executive-summary>
- Harris, L. C., & Goode, M. M. (2010). Online servicescapes, trust, and purchase intentions. *Journal of Services Marketing, 24*(3), 230–243. <https://doi.org/10.1108/08876041011040631>
- Hashim, N., & Hamzah, M. I. (2014). 7P's: A literature review of Islamic marketing and contemporary marketing mix. *Procedia-Social and Behavioral Sciences, 130*, 155–159. <https://doi.org/10.1016/j.sbspro.2014.04.019>
- Huang, M.-H., & Rust, R. T. (2021). A strategic framework for artificial intelligence in marketing. *Journal of the Academy of Marketing Science, 49*, 30–50. <https://doi.org/10.1007/s11747-020-00749-9>
- Islam, M. M. (2020). Segmenting, targeting and positioning in Islamic marketing. *Journal of Islamic Marketing, 12*(7), 1385–1404. <https://doi.org/10.1108/JIMA-10-2018-0181>
- Kadirov, D., Tjiptono, F., & Fam, K.-S. (2020). Halal service research: Definition, domain and dynamics. *Journal of Halal Service Research, 1*(1), 1–10.
- Kowalkowski, C., Bigdeli, A. Z., & Baines, T. (2022). Guest editorial: The future of servitization in a digital era. *Journal of Service Management, 33*(1), 59–69. <https://doi.org/10.1108/JOSM-01-2022-450>
- Lovelock, C. H. (1983). Classifying services to gain strategic marketing insights. *Journal of Marketing, 47*(3), 9–20. <https://doi.org/10.2307/1251193>
- Mastercard, & CrescentRating. (2019). *Global Muslim travel index 2019*. Retrieved from <https://www.crescentrating.com/reports/global-muslim-travel-index-2019.html>
- Noor, N., Rao Hill, S., & Troshani, I. (2021). Recasting service quality for AI-based service. *Australasian Marketing Journal, https://doi.org/10.1177/18393349211005056*
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing, 64*(1), 12.
- Raciti, M., Badejo, F. A., Previte, J., & Schuetz, M. (2021). Commentary: The moral limits of service markets—just because we can, should we? *Journal of Services Marketing, https://doi.org/10.1108/JSM-06-2021-0212*
- Shah, S. A., Azhar, S. M., & Bhutto, N. A. (2020). Halal marketing: A marketing strategy perspective. *Journal of Islamic Marketing, 11*(6), 1641–1655. <https://doi.org/10.1108/JIMA-11-2018-0211>
- Temporal, P. (2011). *Islamic branding and marketing: Creating a global Islamic business*. Wiley.

- Wilson, J. (2012). Looking at Islamic marketing, branding and Muslim consumer behaviour beyond the 7P's: The call for supportive course content and more P's please. *Journal of Islamic Marketing*, 3(3), 212–216. <https://doi.org/10.1108/17590831211259718>
- Wilson, J. (2018). *Halal branding*. Claritas Books.
- Wirtz, J., & Lovelock, C. (2022). *Services marketing: People, technology, strategy* (9th ed.). World Scientific.
- Yusuf, H. (2005). *The content of character: Ethical sayings of the Prophet Muhammad*. Sandala.

Nurhafizh Noor teaches services marketing at Curtin University Singapore. His PhD investigated the impact of artificial intelligence on service quality and consumer well-being. He has published in the *European Journal of Marketing*, the *Australasian Marketing Journal*, the *Journal of Computer Information Systems*, and the *International Journal of Islamic Marketing and Branding*. Further, he has a decade of public and private sector experience in various Halal markets. He serves as an editorial board member for the *Journal of Islamic Marketing*.

Does the Non-Muslim Segment Matter in Strategic Islamic Marketing? A Literary Insight with Practical Implications



Rana Muhammad Ayyub

Abstract While strategizing Islamic marketing, it is pertinent to mention that strategic decisions are done keeping in mind the ultimate benefit for any business organization or product/service. Thus, it is argued that, under the current marketing scenario of Islamic marketing, the acceptance and usage of Islamic products and services have been witnessed on a continuous rise in non-Muslim cultures and societies. Thus, it is argued that the concept of strategic Islamic marketing and its planning can never be completed without embedding these latest Islamic marketing trends of Islamic products and services among non-Muslims segments, which make another big segment to be pursued. Firstly, this chapter establishes the importance of non-Muslim segment for Strategic Islamic Marketing. Secondly, it gives a brief account of main studies which have used major marketing theories and constructs while studying this segment. Thirdly, it highlights the need of using other latest marketing theories and constructs which should be used in this context to develop the theoretical foundations which will further open new horizons for future marketing researchers for conceptualizing and developing theories in multiculturalism and related consumer behavior with respect to major minority ethnic groups (MMEG) in multicultural societies. Thus, this chapter will cover these dimensions to enlighten our readers about the latest marketing trends of Islamic marketing among non-Muslims segment of multicultural societies and the extent of literary inquiries about it. It is further claimed that during the conceptualization of strategic Islamic marketing, this chapter will shed necessary light on this very important dimension.

R. M. Ayyub (✉)

Department of Economics and Business Management, Faculty of Life Sciences Business Management, UVAS Business School, University of Veterinary and Animal Sciences, Lahore, Punjab, Pakistan

e-mail: dranaayyub@uvas.edu.pk

1 Islamic Products/Services Among Non-Muslims

Halal is a word derived from Quran which means allowed, permitted, or legal (Alserhan, 2010b) and is an opposite word to haram which means unlawful, illegal, or forbidden in Islam (Alserhan, 2010a; Azhar Rosly, 2010; Muhammad et al., 2009). The Muslims practice Halal the most but it is spreading in non-Muslims too with an amazing speed. As compared to 1.5 billion Muslims, the segment of non-Muslims is bigger which is comprised of the rest of 7.5 billion of the total world population.

Due to increasing immigration trends among Muslims of various developing countries, their presence is on the continuous rise primarily in Western developed countries which results in the emergence of multicultural societies (Olivotti, 2016). This trend is not restricted only to Western countries; rather they are also migrating and immigrating to other countries as well based on multifarious reasons. These reasons include seeking better economic opportunities, political asylum, social bondages, etc. In this way, they carry their lifestyle along with them and result in the acculturation of their products and services in majority ethnic groups in these countries. This all result in the emergence of ethnic cultures and ethnic marketing which is a recent topic of interest to marketing researchers (Grier et al., 2019; Olivotti, 2016; Veresiu & Giesler, 2016; Walsh, 2014).

This scenario results in an obvious marketing reality that Islamic products/services have been increasing their presence in non-Muslim majority countries since the early 1990s of the last century. However, in the last decade, it has been witnessed at its peak. The detailed account of marketing statistics substantiating increased demand for Islamic products and Halal foods among non-Muslims has been given in few previous studies (e.g., see Ayyub, 2015a, 2015b; Naeem et al., 2019). These products include Halal foods, Islamic banking services/products, Islamic hoteling/restaurant facilities, etc. This has been based on many attributes of these products and services which are being liked by non-Muslims who consider these as PODs (points of differences) of such products and services. A decade ago, Halal meat was only sold in traditional corner shops and at the shop of butchers. Now the Halal meat is making its inroads in all other stores like Western-style grocery stores and supermarkets. According to the US reports, 84% of cattle, 88% of chickens, and 81% of sheep were stunned before slaughter. For the sake of clarity, the focus of this chapter will be on up-to-date research done on consumer behavioral dimensions of non-Muslims toward Halal foods and linking it to the importance of inclusion of this segment during planning for strategic Islamic marketing.

It is pertinent to explain how this immigration pattern results in the spread of Islamic products/services among non-Muslim cultures. *Firstly*, Muslims are a bit stricter and practice their religion more than the followers of other religions. Thus, they remain stick to their consumption patterns based on their religious beliefs. These products and services include Halal foods and religious practices, etc. Furthermore, they not only use Islamic products but rather consider it their religious obligation to preach and teach other fellows to use these as well. This results in easy

availability of such Islamic products/services in their new home countries. *Secondly*, these Muslims usually start their businesses in non-Muslim countries on a small level, which are mainly regarding offerings of Halal foods, restaurants, and Islamic services based on the reason that it is easy to start such low-cost startups. These Halal foods and services are easy to reach not only for their fellow Muslims but rather to non-Muslim fellows as well which become the easy point of contact with non-Muslims. *Thirdly*, Halal foods and services are liked by non-Muslims based on their quality, taste, and hygienic parameters (Alam & Sayuti, 2011). *Fourthly*, non-Muslims use such products and services under the influence of acculturation and based on their openness to other cultures (Ayyub, 2015b).

2 Growth of Halal Markets in Non-Muslim Countries

The demand for Halal branded products is not only increasing because there is a growing number Muslim population in the non-Muslim countries, but this demand is also increasing among non-Muslim customers (cited in Ayyub, 2015a, 2015b; Campbell et al., 2011; Qataweh, 2010). Halal foods have been an emerging market in several non-Muslim countries which is evident from the following facts and figures extracted from multiple sources.

- In 2015, revenues amassed from sales of Halal nutraceuticals and vaccines in APEJ, as well as the MEA region, surpassed over US\$30 billion.
- The global Halal nutraceuticals and vaccines market is projected to expand, CAGR, and reach over the forecast period, 2016–2026, 7.7% US\$82,207 million.
- More than 80% of global Halal nutraceuticals and vaccines revenues will be accounted for by the MEA and APEJ region collectively.
- The export of Halal meat is exceeding US\$500 billion.
- Current global Halal pharmaceuticals prospect valued at US\$75 billion (RM331.9 billion).
- The global Halal pharmaceuticals is estimated to reach US\$132 billion by 2021.
- Kenya is developing Halal rules with an eye on Muslim tourists and received in 2015 40,875 tourists from the United Arab Emirates, 24,828 up from the previous year.

Thus, the demand for Halal branded food products has increased in several non-Muslims countries (Berry, 2008; Lever & Miele, 2012). Given this increasing demand, the majority of the multinational companies has started preparing Halal food products for their customers. These companies include KFC, Subways, and McDonald's, which have increased the range of their products by introducing Halal-branded food products (Bonne et al., 2007).

Halal is not only a brand for Muslim customers, but it is a proper lifestyle that includes ethics, rules, and laws for them. That is why the food which is becoming increasingly popular in Western countries is Halal food (Ahmed, 2008). Halal is not just a food chain, but at the same time, Halal services include many more things like

Halal cosmetics and banking services, etc. These banks include HSBC and TSB Lloyds which are providing Halal account services to their customers. It is quite interesting to note that several non-Muslims are also getting their account in Islamic accounts (Knight, 2006). Halal product business is entering into the mainstream business in the USA because nowadays customers are more attracted to ethical foods and services. For example, in Dubai, the Al-Jawahar hotel chain, which is the first Islamic hotel, has most of its clients, i.e., around 60%, as non-Muslims (Asif, 2011). It has been reported that the sale of superstores has increased by 20% in all big stores when they started Halal products which include Burger King and KFC (Sabri, 2006). The growth of Halal food products is impressive in recent times; currently, the growth of Halal meat products is 17% and is expected to rise more in the future (Berry, 2011). The global Halal industry is estimated to be worth USD 2.6 trillion. The annual growth rate of the Halal industry is 20% which makes this segment one of the fastest growing segment of the world.

The demand for Halal foods is increasing day by day in non-Muslims countries (Lever & Miele, 2012). The Islamic Council of Food and Nutrition America predicted the total revenue of Halal-branded food/drinks and supermarket products to swell by a third this year as compared with 2010 reaching \$20 billion. As per the recent estimates, there is worth \$3 trillion Halal-branded food market. The appetite for Halal-branded food products is expected to reach \$1.9 trillion by 2021 (Odeh, 2016). The Halal food industry is not limited to Muslims or Muslim economies, and the numbers have shown it; according to reports, the number of Halal-branded food courts in the US jumped from 200 in 1998 to 7600 now for which the customers are Muslims and non-Muslims both.

3 Research on Halal Foods in Multicultural Societies

The marketing literature has discussed the consumption pattern of minority ethnic groups in multicultural societies at length which is evident from abundant studies on acculturation and ethnocentrism in various contexts. However, the changes in consumption patterns of majority ethnic groups have not been adequately studied so far. The first empirical inquiry on this majority ethnic group can be traced back in literature in the form of a prominent work of Ouellet (2007), and this group was termed as MEG (majority ethnic group) and the major minority ethnic group as MMEG by Ayyub (2015a, 2015b). Due to changing dynamics of multicultural societies, many researchers have developed their interest from marketing and public policy fields in this area, though all products, which are directly related to minority ethnic groups of multicultural societies, influence majority ethnic groups in one way or another. However, it has been witnessed that Halal foods, which is tagged to Muslim ethnic group as minority ethnic group in many multicultural societies, are given much importance particularly amid ongoing political, religious and social turmoil in recent times since the start of this century. Many researchers have tried to empirically study various marketing aspects of Halal foods. A couple of studies

have tried to give an overview of all related studies and present a very interesting dimension or guidelines for future researchers. For instance, Naeem et al. (2019) presented a systematic literature review of Halal food consumption and focused only on qualitative studies during 1990–2017. Similarly, Ishaq (2017) did a meta-analysis of quantitative studies on Halal foods using TPB (theory of planned behavior) from 1990 to 2017. Another notable work was done by Raza (2020) in which all ethnic foods including Halal foods were studied as a systematic literature review and meta-analysis.

Some researchers have studied this phenomenon from the perspective of society, some with marketing, some with quality of food, some with politics (Bergeaud-Blackler et al., 2016), etc. In the subscript, we will try to see how various aspects or constructs of marketing have been studied concerning majority ethnic groups, i.e., non-Muslims of multicultural societies, and how these are important as far as strategic planning of Islamic products/Halal products is concerned.

The major constructs which have been empirically studied so far in Halal foods among non-Muslim majority societies include those which have either a positive or negative impact on Halal food consumption. Here is a brief account of all those constructs, which give an overview of literature developed on the Halal food consumption behavioral dimensions of non-Muslim.

Consumer Animosity Animosity is a marketing construct, which shows the negative sentiments shown by one group to another group about ongoing or previous military, economic, social, or religious happenings. Klein et al. (1998) has defined it as a “remnant of antipathy related to previous or ongoing military, political or economic events.” This construct has been extensively studied concerning other nations, but in home front/domestic market, it is equally important and operational; thus it must be given due attention. In multicultural societies, people are unable to show their dismay of Islam, and they don’t speak against Islamization because they fear Muslim violence or have fear to lose their jobs. It is claimed that Halal food-related consumption has been facing active consumer animosity which has been established as an active ongoing marketing reality in multicultural societies of the West. Ayyub (2013) studied how consumer animosity of non-Muslims of the UK contributes to consumer alienation toward Halal foods. Another classical study that studied ongoing consumer animosity with religious-labeled Halal products in Austria was done by Schlegelmilch et al. (2016). They studied how in-groups perceive religious endorsements related to out-groups with a negative prism. In this study, it was found that religious labeling brings negative connotations to majority ethnic groups in Austria. Likewise, Ayyub (2015a, 2015b) modeled that consumer animosity among non-Muslims of the UK hurts their willingness to buy Halal foods/products. Moreover, Sodiq (2018) and Ayyub and Naeem (2018) found similar results for non-Muslims of the USA. Based on the given marketing literature, it is evident that if non-Muslims, a big segment of multicultural societies, is harboring consumer animosity toward Halal foods while strategizing marketing of Islamic products and services, the marketers need to focus on this market reality and make

appropriate strategies to combat with it. Furthermore, there is a dire need to find out antecedents of this consumer animosity from context to context.

Consumer Racism Racism was defined by Potvin (2000) as “usually the reaction of ethnically dominant groups toward ethnic minorities having inassimilable culture, to which they perceive as a threat to the accomplishment of history, the order of things, national identity, and its supposed unity.” Such racism has been witnessed in the marketing context and is termed as consumer racism where majority ethnic groups show their negative consumption behavior toward products related to or offered by minority ethnic groups, particularly in multicultural societies. Ayyub (2015a) and Sodiq (2018) empirically established that such consumer racism is going on regarding Halal foods among non-Muslims of the UK and USA, respectively. Likewise, Schlegelmilch et al. (2016) also confirmed the same consumer racism among groups of Austria regarding Halal endorsed products of out-groups. Thus, it is suggested that during the process of strategic Islamic marketing, this aspect must be given due consideration.

Consumer Alienation Consumer alienation is another marketing construct that refers to the phenomenon of active consumer disengagement toward a consumption context (Allison, 1978). Allison (1978) and Lambert (1980) noted that alienated consumers limit their interaction with the marketplace since they don't feel any fulfillment can be derived from marketplace consumption. Regarding Halal consumption in a non-Muslim context, this becomes a very pertinent construct to properly understand and apprise the consumption behavior. Thus, Ayyub (2013) studied this construct in Halal consumption and found that non-Muslims of the UK are alienated toward Halal foods. Furthermore, it was reiterated that this construct gives a fresh and very comprehensive understanding of non-Muslims' consumption behavior toward Halal foods. In this study, it was used as a mediator in a conceptual model. It is further proposed that our strategic marketing should keep this construct in mind to tap this very important segment.

Islamophobia The construct of Islamophobia describes affective, behavioral, and cognitive dimensions of fear-related attitudes toward Muslims and the religion of Islam. Allen (2005) had defined Islamophobia as “Islamophobia is an ideology that radiates negative meanings to Muslims and Islam, thereby giving rise to negative attitudes and discriminatory practices against Muslims and Islam.” Sheridan and Gillett (2005) have cited that according to the Federal Bureau of Investigation crime statistics, hate crimes against Muslims and Arabs increased by 1700% after September 2001 in the USA. Similarly, Allen and Nielsen (2002) have reported a significant increase in anti-Islamic prejudice in all the countries in Europe. Regarding Halal food consumption, it was found that this Islamophobia has a significant effect on non-Muslims, while making them alienated toward Halal foods. Similarly, non-Muslims consider that the money generated from Halal-branded food products and related businesses is strengthening the terrorist/terrorist activities in their own countries (Ayyub, 2013). The same kind of reservations has explicitly been reported that the trade of Halal food products is strengthening Muslims in non-Muslim

societies (Wilson & Liu, 2010). Thus, this scenario attracts the attention of strategic Islamic marketers toward this very important concept to delineate Halal brand and marketing from Islamophobia-related conceptualization.

Relational Self-construal The construct of relational self-construal was defined by Singelis (1994) as the “conceptualization and constellation of thoughts, feelings, and actions concerning one’s relationship to others and the self as distinct from others.” This construct has been extensively studied in the psychology field. However, many studies have linked it with consumption patterns too. For instance, Ayyub (2013) found that relational self-construal reduces consumer alienation as a moderator among its relationship with willingness to buy Halal foods among non-Muslims in the UK context. Thus, it is claimed that a similar construct, i.e., subjective norms, has been studied by few researchers but in Muslims (Ishaq, 2017). However, Halal food marketers should make use of the related marketing strategies to reduce various kinds of negativity going on among non-Muslims.

Animal Welfare Issues Non-Muslims consider that Halal products are inflicting harm to them and Halal slaughtering of an animal is a cruel method whereas non-Halal ways of slaughtering are said to be humane ways (cited in Ayyub, 2015a). Halal food production and consumption are seen directly related to animal welfare issues. Most animal welfare organizations use this or related slogans to raise their stance and spread negativity for Halal foods, particularly in non-Muslim multicultural societies. In a qualitative study, Ayyub (2015b) found that animal welfare issues help in making the perception of non-Muslims about Halal foods in the UK. It was found that it harms making perceptions of non-Muslims toward Halal foods. Later on, Sodiq (2018) empirically studied that animal welfare concerns negatively affect perceptions of non-Muslims about Halal foods in the USA. Some countries are banning religious slaughter, but the government of the USA has no such plan to ban Halal slaughter (Eardley, 2014), but significant resentment is evident. As the non-Muslims do not like the slaughtering of an animal in that cruel way, as they perceive it as an individual, the government of the USA has no plan to ban such slaughtering. Thus, for strategic marketing of Halal foods, it will be an uphill task to deconstruct Halal foods with animal welfare concerns/issues specifically for non-Muslim segments. There is a dearth of scientific studies which can explain how Islamic/Halal slaughtering incurs less pain as compared to non-Halal slaughtering of animals (e.g., see Ali, 2009). Thus, it is suggested that medical, veterinary, and food science researchers along with marketing and psychological researchers should plan experimental research projects with which can substantiate the level of pain during Halal slaughtering versus non-Halal slaughtering. Likewise, other parameters must also be included like food quality and shelf life, etc. the results of such studies will help to give a scientific basis to such emotional perceptions related to such animal welfare issues.

Stereotype Threat The construct of stereotype threat was defined by Steele and Aronson (1995, p. 797) as “being at risk of confirming, as self-characteristic, a negative stereotype about one’s group.” Furthermore, this psychological

phenomenon usually involved an entire group of people based on ethnicity, gender, sexuality, religion, or race. In multicultural societies, this stereotype threat comes into action between MEG and MMEG regarding Halal food consumption among non-Muslims. Thus, it is suggested that if Halal food marketers want to promote Halal foods among non-Muslims, they need to reduce this stereotype threat from them. Thus, there is a dire need to dig out phenomena for better understanding context-wise.

Ethical Consideration Halal is an Arabic word that means permissible as per Islam (Alserhan, 2012), and if translated its meaning is lawful. In Halal slaughtering, all the blood is drained from the body of the animal; thus it is healthier than stunned meat. The market of Halal-branded food products is not exclusive for Muslims; rather it has got wide acceptance among some of the non-Muslim consumers because they associate it with ethical consumption.

Food Neophobia Choosing a variety of food is not only part of human nature but also is considered necessary for a prudent diet (Drewnowski et al., 1997). However, at the same time, the need to seek variety in our food contrasts with the concern about unknown and unfamiliar foods. In multicultural societies, food neophobia comes into play which is defined as “a reluctance to eat and/or avoid novel foods” (Pliner & Yates, 1992). In the context of Halal food consumption, Sodiq (2018) studied this construct in non-Muslims of the USA and found that it has a positive impact on intention to choose Halal foods. However, some more research is needed to understand it in the consumption context of Halal food consumption and related strategic marketing.

Acculturation Once the different ethnic groups start living together, they result in multicultural societies. These ethnic consumers belonging to various ethnic groups try to construct, express, and respond to their culturally, socially, and politically defined identities. This multiculturalism brings many interesting dimensions of consumer behavior to the notice of marketers, which has recently become a topic of interest for marketing researchers and academics (Grier et al., 2019; Ouellet, 2007; Peracchio et al., 2014). Regarding these multicultural societies, much of the marketing research is available on the aspect of acculturation which mainly focusses on minority ethnic groups (Adekunle et al., 2013; Berry, 1997, 2006; Brittin & Obeidat, 2011; Chattaraman et al., 2010; Luedicke, 2015; Ogden et al., 2004). However, consumer research on majority ethnic groups (MEG) about major minority ethnic groups (MMEG) is scarce to date. The prominent study which started this stream of research is the work of Ouellet (2007). Since then such consumer research remained limited to only a few studies in multicultural societies (Ayyub, 2015a, 2015b; Johnson et al., 2017; Schlegelmilch et al., 2015; Schlegelmilch & Khan, 2012).

The concept of acculturation given by Berry (1980) has mostly been studied for minority ethnic groups in almost all parts of the world. In these studies, it was shown how minority groups go into the process of acculturation in countries where they migrate and how they lead to adaptation and assimilation. However, a similar kind of

concept is also operational in majority ethnic groups of these countries which has not been given attention and only limited to few studies (e.g., see Jamal, 1996; Kipnis et al., 2013; Luedicke, 2011). Specifically talking about ethnic food acculturation among majority ethnic groups, Jamal (1996) studied how it is going on in the UK. According to recent reports, the line between mainstream food and ethnic foods has been blurred with time in Western multicultural markets. It is claimed that such acculturation regarding Halal foods is prevalent among non-Muslims in Western countries. These non-Muslims like Halal foods based on their taste, healthiness, and quality (Alam & Sayuti, 2011). Now funneling it to the acculturation of Halal foods, it was studied as a moderator where it reduces ongoing negativity among non-Muslims regarding Halal foods (Ayyub, 2013, 2015a). Likewise, some studies have shown that it has a positive impact on the formation of perception among non-Muslims about Halal foods (Ayyub, 2015b; Ayyub & Naeem, 2018). Now, it is claimed that marketers should make use of this construct to either develop a positive image or reduce negativity toward Halal foods among non-Muslims, which must be an integral part of the strategic planning of Islamic marketing.

Quality of Halal Foods In the past decade, Halal food industry flourished at a magnificent rate, and at this time, Halal food industry is worth US\$667 million (Ben-berry, 2011). The demand for Halal food is very strong that there will be a 70% increase in the demand for Halal food by 2050. Halal is not only about what the food is; rather it is also about how the food is prepared (Abdul Latiff et al., 2013) and includes many more dimensions. However, one of the main reasons that Halal-branded food products have increased in demand is that this type of food is regarded as the most healthier, cleaner, and tastier (Alam & Sayuti, 2011). Halal product is not just a surety that this food product is permissible for the Islamists, but other than that, it has become now a sign of quality assurance and a proper choice of lifestyle.

Anti-consumption Out of these, the most emerging type of ethnic food is Halal-branded foods which have emerged as one of the most noticeable brands in recent times (Wilson & Liu, 2010). Likewise, it is apparent from the fact that non-Muslim customers are often visiting the restaurants of Muslims (Schlegelmilch et al., 2015). Thus, the Halal food industry is the fastest-growing food industry in the world with a 20% annual growth. However, there is an equal wave of resistance against Halal-branded food products among non-Muslims of developed countries like the USA as evident from ongoing market happenings and negative media campaigns (e.g., see Johnson et al., 2017).

The recent marketing literature has started literacy inquiries on empirical investigations regarding these ongoing realities (Ayyub, 2013, 2015a, 2015b; Johnson et al., 2017; Ouellet, 2007; Schlegelmilch et al., 2015; Schlegelmilch & Khan, 2012) about Halal foods among non-Muslims. The focus of these studies has been on Halal consumption in non-Muslim countries with the perspective of various negative influencers out of which anti-consumption is one.

Previously, the main focus of research on anti-consumption has been on general reduction in consumer activities; however Craig-Lees and Hill (2006) suggested that its focus should now be diverted on specific brands and products. Lee et al. (2009)

also indicated that specific brand research is scarce; however only a few studies have focused anti-consumption on brand level (Carty, 2002; Klein et al., 2004; Lee et al., 2009; Penaloza & Price, 1993; Sen et al., 2001). Furthermore, Craig-Lees and Hill (2006) has been a big advocate that motivations behind anti-consumption vary among personal, political, and environmental concerns. The Halal type of slaughtering and steps involved in preparing Halal food are different from their identity and morality, so people are leading toward anti-consumption. Thus, on the importance of these studies, there is a need to design empirical studies to evaluate the level of anti-consumption toward Halal foods in majority ethnic groups (MEG) of multicultural societies.

4 Recommendations

To reap the actual benefits of strategic Islamic marketing, the following recommendations are made:

1. The segment of non-Muslim must be included in all kinds of planning related to strategic Islamic marketing with true letter and spirit by considering it an emerging, vibrant, bigger, and profitable segment.
2. The market strategies must be devised to reduce the influence of negative consumption behavioral dimensions of non-Muslims toward Halal foods including consumer animosity, consumer racism, consumer alienation, stereotype threat, and animal welfare issues.
3. Adequate measures must be taken to make effective use of positive influencers among non-Muslims toward Halal food consumption. These include acculturation, relational self-construal, food quality, food neophobia, knowledge about Halal, etc. All the market campaigns must use these factors to increase positivity among this segment.
4. Some constructs like consumer motivation and consumer boycott must also be studied in the Halal food consumption context among non-Muslims.
5. A variety of new consumption theories must be used to study the consumption behavior of non-Muslim segments. So far only a few studies are extensively used in this context which is limiting the understanding of researchers, practitioners, and scholars.
6. There is a dire need to extend research streams in knowing various kinds of further positive influencers, particularly among the non-Muslim segment.
7. There is a need of designing exploratory studies by using qualitative methodologies to get a deeper understanding of various consumption dimensions of non-Muslims toward Halal foods.

References

- Abdul Latiff, Z., Mohamed, Z., Rezai, G., & Kamaruzzaman, N. (2013). The impact of food labeling on purchasing behavior among non-Muslim consumers in Klang Valley. *Australian Journal of Basic and Applied Sciences*, 7(1), 124–128.
- Adekunle, B., Filson, G., & Sethuratnam, S. (2013). Immigration and Chinese food preferences in the Greater Toronto Area. *International Journal of Consumer Studies*, 37(6), 658–665. <https://doi.org/10.1111/ijcs.12051>
- Ahmed, A. (2008). Marketing of halal meat in the United Kingdom: Supermarkets versus local shops. *British Food Journal*, 110(7), 655–670.
- Alam, S. S., & Sayuti, N. M. (2011). Applying the Theory of Planned Behaviour (TPB) in Halal food purchasing. *International Journal of Commerce and Management*, 21(1), 8–20.
- Ali, S. A. (2009). Halal: The most humane slaughter. *The Halal Journal*. Retrieved from <http://www.halaljournal.com/article/3360/halal-the-most-humane-slaughter>
- Allen, C. (Ed.). (2005). *From race to religion: The new face of discrimination*. Zed Books.
- Allen, C., & Nielsen, J. (2002). *Summary report on Islamophobia in the EU after 9/11*. European Monitoring Centre on Racism and Xenophobia (EUMC).
- Allison, N. K. (1978). A psychometric development of a test for consumer alienation from the marketplace. *Journal of Marketing Research*, 15(4), 565–575.
- Alserhan, B. A. (2010a). Islamic branding: A conceptualization of related terms. *The Journal of Brand Management*, 18(1), 34–48.
- Alserhan, B. A. (2010b). On Islamic branding: Brands as good deeds. *Journal of Islamic Marketing*, 1(2), 101–106.
- Alserhan, B. A. (2012). Researching Muslim consumers: Do they represent the fourth-billion consumer segment? *Journal of Islamic Marketing*, 3(2), 121–138.
- Asif, A. (2011). *Pakistan export potential in global halal market*. Retrieved June 8, 2012, from <http://www.halalfocus.net>
- Ayyub, R. M. (2013). *Determining antecedents and consequences of consumer alienation towards Halal*. (PhD (Marketing) Hard copy). University of Hull.
- Ayyub, R. M. (2015a). An empirical investigation of ethnic food consumption. *British Food Journal*, 117(4), 1239–1255. <https://doi.org/10.1108/BFJ-12-2013-0373>
- Ayyub, R. M. (2015b). Exploring perceptions of non-Muslims towards Halal foods in UK. *British Food Journal*, 117(9), 2328–2343.
- Ayyub, R. M., & Naeem, S. (2018). *Ethnic food consumption-experiencing consumer animosity and racism on the front*. Manuscript unpublished. Department of Economics and Business Management. University of Veterinary and Animal Sciences, Lahore, Punjab, Pakistan.
- Azhar Rosly, S. (2010). Shariah parameters reconsidered. *International Journal of Islamic and Middle Eastern Finance and Management*, 3(2), 132–146.
- Ben-berry. (2011). *Global halal food market*. Agriculture and Agri-food Canada.
- Bergeaud-Blackler, F., Fischer, J., & Lever, J. (2016). Islam, politics and markets in global perspective. In J. Fischer (Ed.), *Halal Matters*. Taylor & Francis.
- Berry, J. W. (1980). Acculturation as varieties of adaptation. In A. M. Padilla (Ed.), *Acculturation: Theory, models, and some new findings* (pp. 9–25). Westview.
- Berry, J. W. (1997). Immigration, acculturation, and adaptation. *Applied Psychology*, 46(1), 5–34. <https://doi.org/10.1111/j.1464-0597.1997.tb01087.x>
- Berry, J. W. (2006). Mutual attitudes among immigrants and ethnocultural groups in Canada. *International Journal of Intercultural Relations*, 30(6), 719–734. <https://doi.org/10.1016/j.ijintrel.2006.06.004>
- Berry, B. (2008). *Global Halal food market brief: Government of Canada report*.
- Berry, B. (2011). Health and wellness trends for Canada and the world. *Agriculture and Agri-food Canada*. Retrieved December, 10, 2013.
- Bonne, K., Vermeir, I., Bergeaud-Blackler, F., & Verbeke, W. (2007). Determinants of halal meat consumption in France. *British Food Journal*, 109(5), 367–386.

- Brittin, H. C., & Obeidat, B. A. (2011). Food practices, changes, preferences and acculturation of Arab students in US universities. *International Journal of Consumer Studies*, 35(5), 552–559. <https://doi.org/10.1111/j.1470-6431.2011.01023.x>
- Campbell, H., Murcott, A., & MacKenzie, A. (2011). Kosher in New York City, halal in Aquitaine: Challenging the relationship between neoliberalism and food auditing. *Agriculture and Human Values*, 28(1), 67–79.
- Carty, V. (2002). Technology and counter-hegemonic movements: The case of Nike Corporation. *Social Movement Studies*, 1(2), 129–146.
- Chattaraman, V., Lennon, S. J., & Rudd, N. A. (2010). Social identity salience: Effects on identity-based brand choices of Hispanic consumers. *Psychology and Marketing*, 27(3), 263–284. <https://doi.org/10.1002/mar.20331>
- Craig-Lees, M., & Hill, C. (2006). Anti-consumption: Concept clarification and changing consumption behaviour. In *Proceedings of the International Centre for Anti-Consumption Research (ICAR) Symposium* (pp. 20–21).
- Drewnowski, A., Renderson, S. A., Driscoll, A., & Rolls, B. J. (1997). The dietary variety score: Assessing diet quality in healthy young and older adults. *Journal of the American Dietetic Association*, 97(3), 266–271. [https://doi.org/10.1016/S0002-8223\(97\)00070-9](https://doi.org/10.1016/S0002-8223(97)00070-9)
- Eardley, N. (2014). What is halal meat? *British Broadcasting Corporation (BBC)*. <http://www.bbc.com/news/uk-27324224>.
- Grier, S. A., Thomas, K. D., & Johnson, G. D. (2019). Re-imagining the marketplace: Addressing race in academic marketing research. *Consumption Markets and Culture*, 22(1), 91–100.
- Ishaq, I. (2017). *Theory of Planned Behavior (TPB)—A meta analysis in Halal food consumption*. MPhil (business management), University of Veterinary and Animal Sciences Lahore.
- Jamal, A. (1996). Acculturation: The symbolism of ethnic eating among contemporary British consumers. *British Food Journal*, 98(10), 12–26.
- Johnson, G. D., Thomas, K. D., & Grier, S. A. (2017). When the burger becomes halal: A critical discourse analysis of privilege and marketplace inclusion. *Consumption Markets and Culture*, 20, 1–26.
- Kipnis, E., Broderick, A. J., & Demangeot, C. (2013). Consumer multiculturalism: Consequences of multi-cultural identification for brand knowledge. *Consumption Markets and Culture* (Online published on 28th March), 1–23.
- Klein, J. G., Ettenson, R., & Morris, M. D. (1998). The animosity model of foreign product purchase: An empirical test in the People's Republic of China. *Journal of Marketing*, 62(1), 89–100.
- Klein, J., Smith, N., & John, A. (2004). Why we boycott: Consumer motivations for boycott participation. *Journal of Marketing*, 68, 92–109.
- Knight, J. (2006, December, 17, Sunday). Non-Muslims snap up Islamic accounts. *BBC News Online Business Section*, pp. 23–24.
- Lambert, Z. V. (1980). Consumer alienation, general dissatisfaction, and consumerism issues: Conceptual and managerial perspectives. *Journal of Retailing*, 56(2), 3–24.
- Lee, M. S., Motion, J., & Conroy, D. (2009). Anti-consumption and brand avoidance. *Journal of Business Research*, 62(2), 169–180.
- Lever, J., & Miele, M. (2012). The growth of halal meat markets in Europe: An exploration of the supply side theory of religion. *Journal of Rural Studies*, 28(4), 528–537.
- Luedicke, M. K. (2011). Consumer acculturation theory:(crossing) conceptual boundaries. *Consumption Markets & Culture*, 14(3), 223–244.
- Luedicke, M. K. (2015). Indigenes' responses to immigrants' consumer acculturation: A relational configuration analysis. *Journal of Consumer Research*, 42(1), 109–129.
- Muhammad, N. M. N., Isa, F. M., & Kifli, B. C. (2009). Positioning Malaysia as halal-hub: Integration role of supply chain strategy and halal assurance system. *Asian Social Science*, 5(7), 44.

- Naeem, S., Ayyub, R. M., Ishaq, I., Sadiq, S., & Mahmood, T. (2019). Systematic literature review of halal food consumption qualitative research era 1990–2017. *Journal of Islamic Marketing, 11* (3), 687–707.
- Odeh, L. (2016). The Appetite for Halal-branded food products is expected to reach \$1.9 Trillion by 2021 p. An online business news website. *ALARABIYA news*.
- Ogden, D. T., Ogden, J. R., & Schau, H. J. (2004). Exploring the impact of culture and acculturation on consumer purchase decisions: Toward a microcultural perspective. *Academy of Marketing Science Review, 3*, 1–22.
- Olivotti, F. (2016). The paradox of exclusion and multiculturalism in postcolonial identity. *Consumption Markets & Culture, 19*(5), 475–496.
- Ouellet, J.-F. (2007). Consumer racism and its effects on domestic cross-ethnic product purchase: An empirical test in the United States, Canada, and France. *Journal of Marketing, 71*(1), 113–128.
- Penaloza, L., & Price, L. L. (1993). Consumer resistance: A conceptual overview. In L. McAlister & M. L. Rothschild (Eds.), *NA – Advances in consumer research* (Vol. 20, pp. 123–128). Association for Consumer Research.
- Peracchio, L. A., Bublitz, M. G., & Luna, D. (2014). Cultural diversity and marketing: The multicultural consumer. In *The Oxford handbook of multicultural identity* (pp. 438–461). Oxford University Press.
- Pliner, A. J., & Yates, S. (1992). Psychological and legal issues in minors' rights to abortion. *Journal of Social Issues, 48*(3), 203–216. <https://doi.org/10.1111/j.1540-4560.1992.tb00904.x>
- Potvin, M. (2000). Some racist slips about Quebec in English Canada between 1995 and 1998. *Canadian Ethnic Studies, 32*(2), 1–26.
- Qatawneh, N. (2010). *An analytical study of Halal marketing in UK*. Unpublished thesis (masters), University of Hull, Hull.
- Raza, A. (2020). *Understanding ethnic food consumption behaviors: A systematic literature review and meta-analysis*. MPhil (Business Management) Hard Copy. University of Veterinary and Animal Sciences, Lahore.
- Sabri, M. (2006). *Singapore expands e-certification of halal products*. McGraw-Hill.
- Schlegelmilch, B. B., & Khan, M. M. (2012). *Animosity against religious minorities: A conceptual model of antecedents and intentions to purchase products with religious endorsements*. University of Vienna.
- Schlegelmilch, B. B., Khan, M. M., & Hair, J. F. (2016). Halal endorsements: Stirring controversy or gaining new customers? *International Marketing Review, 33*(1), 156–174.
- Schlegelmilch, B., Khan, B., & Munawar, M. (2015). Animosity against religious minorities: A conceptual model of antecedents and intentions to purchase products with religious endorsements. In *Marketing in transition: Scarcity, globalism, & sustainability* (p. 86). Springer.
- Sen, S., Gurhan-Canli, Z., & Morwitz, V. (2001). Withholding consumption: A social dilemma perspective on consumer boycotts. *Journal of Consumer Research, 28*(3), 399–417. <https://doi.org/10.1086/323729>
- Sheridan, L. P., & Gillett, R. (2005). Major world events and discrimination. *Asian Journal of Social Psychology, 8*(2), 191–197.
- Singelis, T. M. (1994). The measurement of independent and interdependent self-construals. *Personality and Social Psychology Bulletin, 20*(5), 580–591.
- Sodiq, S. (2018). *Consumer behaviour of non-Muslims towards Halal foods—An empirical inquiry of resistance wave in marketing-USA*. M.Phil. (Business Management). University of Veterinary and Animal Sciences, Lahore.

- Steele, C. M., & Aronson, J. (1995). Stereotype threat and the intellectual test performance of African Americans. *Journal of Personality and Social Psychology*, 69(5), 797–811.
- Veresiu, E., & Giesler, M. (2016). *Market-mediated multiculturalism: The institutional shaping of the ethnic consumer subject*. Paper presented at The Politicization of Markets: Exploring the Interplay Between Politics and Markets, NA.
- Walsh, J. P. (2014). The marketization of multiculturalism: Neoliberal restructuring and cultural difference in Australia. *Ethnic and Racial Studies*, 37(2), 280–301.
- Wilson, J. A., & Liu, J. (2010). Shaping the halal into a brand? *Journal of Islamic Marketing*, 1(2), 107–123.

Rana Muhammad Ayyub is currently serving as chairman, Department of Economics and Business Management, UVAS Business School. He completed his doctoral degree in marketing from Hull University Business School (HUBS), University of Hull, England, UK. He has been serving as director of CAPRIL (Center for Applied Policy Research in Livestock) since 2015. His research interest include Halal food marketing, ethnic food marketing and consumer behaviour in multicultural societies. He has also served as a consultant in the USAID and FAO funded research projects and studies. He has also completed funded research projects for Pakistan Poultry Association (PPA) on various marketing issues. He has published in reputed journals like British Food Journal, Studies in Higher Education, and Journal of Islamic Marketing etc. He has a total teaching and research experience of more than 18 years.

Developing an Islamic Corporate Culture



Rodrigue Fontaine

Abstract Any organization wishing to implement Islamic strategic marketing must first create a corporate culture that supports such an initiative. This may seem daunting at first. This chapter summarizes 12 years of research in developing an Islamic corporate culture inside organizations. The process is quite straightforward as it is based on the tried and tested principles of training and development. The key is to focus on groups of employees to reflect on the Qur'an to develop a shared understanding. One workshop alone will have little impact. A series of workshops on a regular basis (maybe once a month) will have a tremendous long-term impact. Facilitators need not be experts in the Qur'an. These workshops are not lectures where an expert explains the Qur'an to the audience. These workshops are exercises in reflections so that groups of employees relate the Qur'an to their everyday challenges at work. The facilitator simply manages the sessions. An example of a 1-day workshop is given so that readers may visualize what would happen in practice.

1 Introduction

Since 1999 the author has researched and written about Islamic management. His first publication showed that Muslim entrepreneurs in Malaysia often practice Islamic management (Fontaine, 2007). With colleagues, he has developed an Islamic leadership model based on Qur'anic thinking (this term will be explained below). He has written five textbooks (Ahmad & Fontaine, 2011; Fontaine & Ahmad, 2013; Fontaine, 2016, 2020; Fontaine et al., 2017). His findings suggest that it is easy for Muslim leaders to spread Qur'anic thinking inside an organization in a cost-effective and systematic manner. He has tested this idea with over 3000 participants at the

R. Fontaine (✉)

Department of Business Administration, Kulliyah of Economics and Management Science,
International Islamic University Malaysia, Kuala Lumpur, Malaysia
e-mail: ridhwan_fontaine@iium.edu.my

International Islamic University Malaysia. Many of these participants were full-time employees who were pursuing their MBA part-time.

The author will start by defining Qur'anic thinking and presenting the prophetic leadership model. He will then present some quantitative data and explore what a typical workshop looks like. He will then create a workshop for a marketing department by getting them to reflect on *sūrah al-An'am*. The final section will review the academic literature that supports the ideas presented in this study.

2 Qur'anic Thinking

In 2009, the author helped a Muslim student to solve his academic problems. He encouraged him to watch Islamic videos of his choice. After each video, the student and the author would discuss some of the spiritual implications. It quickly emerged that he had some misunderstandings about Islam, and these discussions helped this student clarify these misunderstandings. After several weeks, his attitude improved radically. His spiritual problems were at the heart of his behavioural problems (Ahmad & Fontaine, 2011; Fontaine & Ahmad, 2013; Fontaine et al., 2017; Fontaine, 2020).

In 2010, the author joined the department of business administration at the International Islamic University Malaysia. With this experience of helping this student fresh in his mind, he gave an assignment in which his students had to watch one Islamic video a week throughout the semester and to keep a diary of their reflections. By the end of the semester, the feedback was overwhelmingly positive. Many students were struggling with spiritual dilemmas, and this assignment helped them enormously.

A key part of the process was keeping a diary throughout the semester. This diary allowed students to collect data on themselves, understand their own patterns of behaviour and modify their thought processes (Fontaine, 2015). By 2015, the author realized that his students were learning a lot about Islam, but they often knew little about the Qur'an. The focus shifted to reflecting on the Qur'an. The author is now in position to define two terms.

The first term is "believing in Allah" (*tawhid*). This term is widely used by Muslims but it is generally misunderstood. In a study under review, the author found that about 75% of Muslims could not define *tawhid* accurately. Zarabozo (1999) notes that a common way of conceptualizing *tawhid* is to divide it into three branches (see Table 1).

Another approach is to divide it into two branches (Zarabozo, 1999) (see Table 2). Although the same concept is being conveyed, the division into two categories help some Muslim students.

Thus, "believing in Allah" is much more than mere belief. It includes appropriate actions of the limbs and the heart. For example, marketing managers who deceive their customers are violating a part of *tawhid*. If marketing managers love wealth and status more than they love Allah, then they violate another part of *tawhid*. This

Table 1 *Tawhid* divided into three branches

al-Ruboobiyah	al-Uloohiyah	al-asmaa wa as-sifaat
The uniqueness of Allah in respect to His actions. He alone is the Master. He is the creator. He nourishes, maintains and sustains His creation. He decrees everything for His creation. Allah guides people, and Allah has the right to legislate	He is the only object of worship. People must submit to Allah by fulfilling the rights of Allah and the rights of people. This includes the deeds of the hearts. Worship is the goal of life and the necessary consequence of recognizing that Allah is <i>al-Rabb</i> of creation	Allah has perfect names and attributes. These attributes are unique to Allah

Table 2 *Tawhid* into two categories

<i>Tawhid</i> in theory	<i>Tawhid</i> in practice
Allah is unique and distinct from His creation. His names and attributes are unique. Allah provides and maintains His creation	People must worship Allah alone. They must follow Allah’s laws by fulfilling the rights of Allah and the rights of other people. They must love Allah above anything else

background information allows Muslims to understand the narration in which the Prophet (peace be upon him) said:

Wretched is the slave of the dinar (gold) and the slave of the dirham (silver), and the slave of velvet and the slave of the Khamisah (nice clothes). If he is given, he is pleased and if he is not given, he does not fulfil (his oath of allegiance). (Sunan Ibn Majah 4135, 1993)

People’s love for material wealth can reach an extreme level in which case wealth has become an object of worship. Individuals become slaves to these desires and worship other than Allah. Almost every *ayah* in the Qur’an and every narration reinforce *tawhid*. However, many Muslims have reduced *tawhid* to simply believing that there is one God. They often do not see the richness and the complexity of this concept.

The second term is Qur’anic thinking. Fontaine (2020) offered two definitions of Qur’anic thinking. These were:

Definition 1 It is, “seeing the world through the lens of the Qur’an. It is summarised by sūrah al-Asr. It revolves around rejecting false ideologies, developing faith, doing good deeds, advising one another to the truth, and advising one another to be patient and consistent”.

Definition 2 It is, “seeing the world through the lens of the Qur’an. It is based on ayah al-Birr (2:177) and revolves around rejecting false ideologies, affirming faith, respecting the rights of Allah, respecting the rights of Muslims, and respecting the rights of non-Muslims”.

Both definitions emphasize the fact that Muslims should start by rejecting false ideologies. The first definition stresses the role of “advising one another to the truth”. The second definition highlights the importance of respecting the rights of

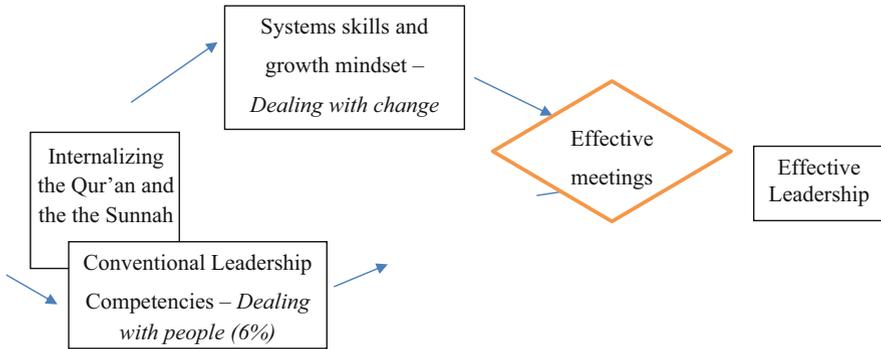


Fig. 1 The prophetic leadership model. Source: Fontaine et al. (2020)

non-Muslims. Both definitions emphasize correct belief followed by appropriate action.

Having defined these terms, the author worked with colleagues to develop the prophetic leadership model (Fontaine et al., 2017). An improved version of the model was presented in 2020 (Fontaine et al., 2020; Fontaine, 2020) (see Fig. 1).

The model starts with internalizing the Qur'an and the Sunnah (i.e. developing Qur'anic thinking). One part of the model focuses on change. The other part requires leaders to develop key competencies. As most decisions are made in meetings—and making meetings effective is a challenge in itself—that part of the process is highlighted. Fontaine (2020) argued that Muslim leaders need to create a supportive corporate culture in which Muslim subordinates are allowed to develop Qur'anic thinking and other necessary skills.

The key point is that Qur'anic thinking requires basic Islamic knowledge and critical thinking. It also requires that Muslims have a growth mindset (Dweck, 2008). Dweck (2008) argued that people have either a fixed mindset or a growth mindset. Someone with a fixed mindset believes that people are born religious or not religious. Someone with a growth mindset believes that people can improve their spirituality by learning more about their religion.

3 Quantitative Data

Having given an overview of the entire project, the focus will shift to the process of developing such a supportive corporate culture. In 2013, the author sought to measure the spiritual changes of his students. He used spiritual intelligence as a dependent variable. Spiritual intelligence is when a person uses spiritual resources to solve everyday problems. He used a scale validated by King and DeCicco (2009). At the beginning of the semester, the author distributed a questionnaire to measure the spiritual intelligence of his students. They were then asked to watch one Islamic video every week for 10 weeks. At the end of this period, they filled out the same

Table 3 Some quantitative data

No	Questions	1st round	2nd round	Sign.
1	I have often questioned or pondered the nature of reality	3.48	3.71	0.089
2	I have spent time contemplating the purpose or reason for my existence	3.9	3.95	n.s.
3	I am able to deeply contemplate what happens after death	3.7	3.84	n.s.
6	It is difficult for me to sense anything other than the physical and material	2.45	2.54	n.s.
7	My ability to find meaning and purpose in life helps me adapt to stressful situations	3.77	4.13	0.025
8	I can control when I enter higher states of consciousness or awareness	3.59	3.72	n.s.
9	I accept the theories about such things as life, death, reality and existence	4.47	4.5	n.s.
13	I frequently contemplate the meaning of events in my life	3.81	3.85	n.s.
14	I define myself by my deeper, non-physical self	3.54	3.79	0.04
15	When I experience a failure, I am still able to find meaning in it	4.29	4.28	n.s.
16	I often see issues more clearly while in higher states of consciousness/awareness	4.06	3.84	0.06
17	I have often contemplated the relationship between human beings and the rest of the universe	3.79	3.84	n.s.
18	I am highly aware of the non-material aspects of life	3.75	4.04	0.022
19	I am able to make decisions according to my purpose in life	4.06	4.15	n.s.
21	I have deeply contemplated whether or not there is some greater power	3.75	3.91	n.s.
22	Recognizing the non-material aspects of life helps me feel centred	3.58	3.86	0.032.

Source: Fontaine et al. (2017)

questionnaire a second time. A t-test showed whether there is a significant difference in the level of spiritual intelligence. Table 3 shows the results.

In 2020, another round of data collection led to similar results. In 2020, a control group was used so that the results could not be due to chance (Fontaine & Wan Nasir, 2020). Apart from the quantitative data, the qualitative data collected since 2010 is without doubt. As Muslims learn more about the Qur’an, they are better able to put things in their proper perspective. They often calm down, become more grateful and become more focused. Their relationships with people around them improve significantly.

The author is still uncomfortable with the idea of quantitative research when it comes to Islamic management. It is tempting to rely on empirical research because this allows scholars to do complex statistical analysis. However, Islamic concepts—such as *tawhid*—are very complex, and the author is not convinced that such complex concepts can be fully captured in a questionnaire. Furthermore, the author’s research suggests that part of the process of developing Qur’anic thinking requires unlearning concepts (see Fig. 2).

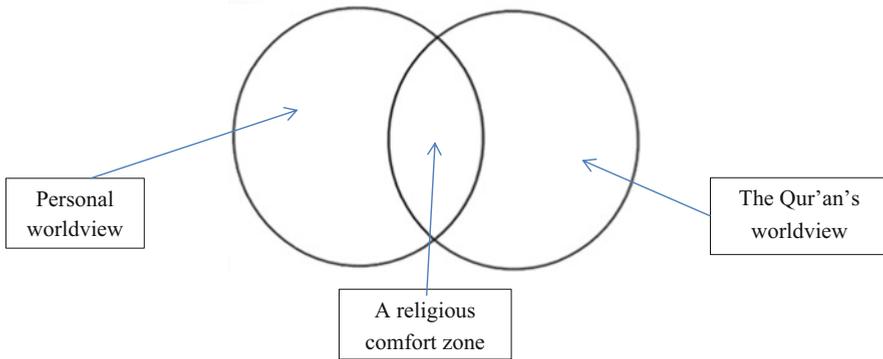


Fig. 2 Developing Qur'anic thinking

As Fig. 2 suggests, one can spend years studying the Qur'an while staying inside their "religious comfort zone". To avoid this problem, Parvin (2017) recommended collective learning rather than individual learning. With collective learning, people's personal worldviews can be analysed in small groups in a manner that is psychologically safe. An unintended consequence of this process is that participants bond with one another (Parvin, 2017).

The author concluded that, if done correctly, Islamic workshops that focused on the Qur'an could be used to develop an Islamic corporate culture inside a department or an organization (Fontaine, 2020). The golden rules to develop Qur'anic thinking are as follows:

1. The group must be primed to develop a growth mindset.
2. The group must be primed to think about *tawhid*.
3. The group must be encouraged to develop critical thinking.
4. The environment must be psychologically safe.
5. Group learning is necessary to avoid individual biases.
6. One workshop will not make a difference. A series of workshops will make a difference.

To appreciate these rules, let us consider the training and development literature. One author that has summarized its main findings is Delahaye (2000). Delahaye (2000) explains that individuals see the world in a certain manner. He calls this their "frames of reference". This frame of reference acts as a defence mechanism. Any information that contradicts this frame of reference is ignored. Any information that reinforces the frame of reference is accepted. Effective training and development rely on the principles of adult learning to alter the learner's frame of reference. If the trainer is unable to modify the learner's frame of reference, the workshop has failed. He writes:

There are two ways to change frames of reference. One is to gradually change an associated cluster of causal and prescriptive assumptions. This is often achieved through communicative learning and modelling. By exposure to other's values and belief system, an individually

can gradually change a series of causal and prescriptive assumptions and eventually an entire paradigmatic assumption (i.e. frame of reference). (Delahaye, 2000, pp. 42–43)

The second approach to changing frames of reference happens when an individual experiences a traumatic event (Delahaye, 2000).

Delahaye (2000) distinguishes between “pedagogy” (literally, “education for children”) and andragogy (literally, “education for adults”). Pedagogy emphasizes a teacher-centred approach. The assumption is that children lack information so that the primary aim of pedagogy is the transfer of information. Adult learning assumes that adults already have the information that they need. Through activities and discussions, this information can be reorganized and lead to a new, better, frame of reference. The nature of adult learning is that the trainer must not “tell” learners what to do or think. Their job is to create an environment in which learners can think through issues (Delahaye, 2000).

Workshops fall broadly into one of two categories. The first category identifies something that is lacking and seeks to fill that gap. The second category is to identify people’s strength and enhance that strength. Depending on the paradigm within the human resource department, the deficit approach or the strength approach will be preferred (Delahaye, 2000). The author assumes that any effort to spread Qur’anic thinking requires a human resource department committed to strength-based training.

It should be stressed that it is difficult to assess the effectiveness of a workshop. Although participants can fill out forms at the end of an event, it is difficult to know whether learners have changed their frame of reference (Delahaye, 2000). This author relies on the reports that his participants submit at the end of the semester. Although such reports must always be taken with a grain of salt, it can still be used to assess the effectiveness of an intervention. The author found that about 75% of his respondents found that they have grown spiritually through attending these workshops (Fontaine & Ahmad, 2013).

A common concern is the cost involved (Delahaye, 2000). In a typical event, a trainer has to be hired. A venue needs to be booked. The cost adds up. However, the author’s experience is that the cost can be significantly reduced. All the necessary learning material is available for free online. There is no need to hire an expert because any good manager can facilitate a workshop. An internal meeting room is generally sufficient for the department to get together and reflect on the Qur’an together.

The first issue that needs to be addressed is the availability of relevant material. Since 2017, relevant material has been published to link selected *sūrah*s to various work-related issues. They cover *sūrah al-Baqarah*, *Ali Imran*, *an-Nisa*, *al-Ma’idah* and *Yasin* with more articles being reviewed. These publications are published in reputable journals to ensure quality control (Fontaine, 2017a, 2017b, 2018, 2019a, 2019b). These articles are not explanations (*tafsir*) of these *sūrah*s but reflections. A typical paper would include a summary of the *sūrah* from the perspective of two different scholars. This allows readers to appreciate that there are multiple

perspectives to each *sūrah*. The paper addresses a work-related problem and shares the reflections of previous participants. These articles are short enough to be read in 10 min. But they are long enough to allow different groups to explore different work-related issues. The author would like to stress this point. Religious scholars often focus on a scholarly explanation of a *sūrah*. These articles focus on exploring how employees relate these *sūrahs* to their everyday working life.

The second issue is the format for an effective workshop. As Delahaye (2000) explains so clearly, adult learning is very different from lecturing. Unfortunately, based on this author's experience, many people assume that an Islamic workshop is simply a religious talk. A religious scholar is thus invited. Employees are seated in a large hall. The talk is delivered. There is a short question and answer session at the end and the event is over. Virtually every principle of adult learning has been ignored.

For a workshop to be effective, no more than 30 people can attend. The larger group must be divided into smaller groups. Participants must spend most of the time facing one another and talking to one another. The facilitator gives a handout, gives some brief instructions at the beginning of each session and provides some concluding remarks at the end of every session. Sessions must be kept reasonably short with enough breaks for people to walk around and re-energize themselves. The topics of each session must follow a logical progression and must be related to the reality of the workplace. At the same time, there must be enough flexibility in the agenda to explore issues that matter to the majority of the participants.

If one imagines a workshop entitled "Lessons from *sūrah al-Baqarah* for Muslim marketers", the following itinerary could be envisioned:

- 09.00 am to 09.30 am: Welcome and setting expectations
- 09.30 am to 10.15 am: Session 1—The main themes of *sūrah al-Baqarah*
- 10.15 am to 10.30 am: Break
- 10.30 am to 11.15 am: Session 2—The characteristics of the children of Israel
- 11.15 am to 11.30 am: Break
- 11.30 am to 12.15 pm: Session 3—The people of the sabbath
- 12.15 pm to 2 pm: Lunch and prayers
- 2.00 pm to 2.45 pm: Reflections on our workplace
- 2.45 pm to 3.00 pm: Break
- 3.00 pm to 3.45 pm: Reviewing expectations and future objectives

Each session is critical. The first session is about setting expectations. A useful activity is to get every person to write down their expectations on a flipchart. The facilitator can address people's fears about reflecting on the Qur'an. At the end of the workshop, the facilitator can return to these flipcharts to discuss whether the expectations have been met.

In each session a handout can be given. In some cases, a YouTube video may be appropriate. But the advantage of a handout is that people write down notes and take them home. People then form small groups, and the groups then discuss the handout and how the content relates to their work/department/organization. The facilitator

goes from one group to another, listening, asking questions, but never criticizing (Delahaye, 2000).

Most of the heavy intellectual activity has to be done before lunch. After lunch, people slow down, and the sessions after lunch require more activities, such as brainstorming. Throughout the day, the facilitator should always facilitate. The topics, themes and tone of the workshop are set by the participants. If certain topics are not discussable (maybe because there are senior managers in the room), then the facilitator should not raise them.

A concern is the question of expertise. There are two interrelated issues. First, some people assume that only an “expert” can conduct an Islamic workshop. This comes back to confusing a workshop with a religious talk. Yet, in a workshop, participants are the experts (Delahaye). They understand their work problems better than anybody else. They understand the written and unwritten rules inside an organization. They are the heroes of the workshop, not the facilitator. The job of a good facilitator includes the following:

- (a) Conducting a training needs analysis—this allows the facilitator to understand the issues that participants face and to create the right workshop to address these issues. This can include creating appropriate handouts.
- (b) Organizing the logistics of the workshop—choosing the right room, the right time and the right people.
- (c) Agreeing with management what are the outcomes of a successful workshop.
- (d) On the day, organizing the room so as to be conducive to learning, making sure that no one is left out from the discussions and asking questions to help participants dig into issues deeper.

Some participants might feel that their knowledge of the Qur’an is insufficient to participate in such a workshop. For this reason, technical terms—such as *taddabur al-Qur’an*—should be avoided when promoting the workshop. Any Muslim is able to attend, participate in and benefit from such a workshop. After all, the author routinely organizes workshops for participants that have little background in Islamic studies. He often starts them with short *sūrahs* like *al-Fatihah* (Fontaine, 2020). By the middle of the semester, they have enough confidence to tackle a longer *sūrah*—like *sūrah al-An’am*. These students not only participate in these workshops, but also they learn to facilitate them.

With regard to the human resource department, the key is to manage their expectations. One workshop alone will not change the employees’ frame of reference. Several workshops, interspaced at regular intervals, will allow a group of employees to change. They will develop a shared understanding of the Qur’an that will allow them to modify their behaviour at work. Let us now imagine workshop for a marketing department.

4 A Workshop for a Marketing Department

Fontaine (2020) argues that leaders are responsible for developing the corporate culture inside their organization. Based on this principle, the head of department is responsible for spreading Qur’anic thinking inside his or her department. This sounds more difficult than it is as one does not need any specialized religious knowledge. As long as one knows how to facilitate a workshop, one is qualified to run a workshop for one’s department. Assuming that this head of department organizes a workshop regularly, he or she can spread Qur’anic thinking inside a department quite quickly.

Let us assume that several workshops have already been organized and that the head of department wants to get the department to reflect on *sūrah al-An’am*, the sixth *sūrah* in the Qur’an. The first task would be to develop the itinerary. The following might be relevant:

- 09.00 am to 09.30 am: Welcome and setting expectations
- 09.30 am to 10.15 am: Session 1—The main themes of *sūrah al-An’am*
- 10.15 am to 10.30 am: Break
- 10.30 am to 11.15 am: Session 2—Lying against Allah
- 11.15 am to 11.30 am: Break
- 11.30 am to 12.15 pm: Session 3—The legacy of Edward Bernays
- 12.15 pm to 2 pm: Lunch and prayers
- 2.00 pm to 2.45 pm: Reflections on our workplace
- 2.45 pm to 3.00 pm: Break
- 3.00 pm to 3.45 pm: Reviewing expectations and future objectives

The first session covers the main themes of this *sūrah*. This is the most delicate part of the workshop, and the head of department must do a bit of research to find appropriate material. A handout might emphasize that the *sūrah* is divided into two parts, part A and part B.

- *Part A*: The disbelievers of Mecca are using nonsensical arguments to refute the Prophet (peace be upon him). Their key argument is, “show us a miracle that we can see”. Allah replies that they refuse to see the miracles around them—the creation of the heavens and the earth, the creation of life and the destructions of previous civilizations that disobeyed Allah. By far the greatest miracle is the Qur’an itself. The prophet is told, despite the nonsensical claims that they make, the Qur’an is enough of a miracle if only they thought about it seriously.
- *Part B*: As the *sūrah* progresses, Allah highlights that many of their cultural practices are illogical. This section starts with the story of prophet Ibrahim (peace be upon him) who showed his people that their idolatry made no sense. It continues by looking at their elaborate practices that regard which cows can be eaten and which cows cannot be eaten. These practices were encouraged by their leaders because it helped them develop political and economic control over their followers. At the end of the day, these cultural practices are attributed to their forefathers (i.e. Ibrahim), and this is a lie against Allah.

Certain selected *ayat* can be chosen as examples. But the point is that the Qur'an does not merely present a historical analysis of the disbelievers of Mecca at the time of the prophet. It provides timeless guidance to understand human behaviour. One can be Muslim living in 2021 and have the same mindset as the disbelievers in Mecca in the time of the prophet. One can be Muslim, ignore the signs of Allah around us, be completely engrossed in worldly activities and be forgetful of the hereafter. One can be lying and cheating all day long while remaining confident that one's status as a Muslim will suffice on the Day of Judgement. One can end up—unknowingly—using exactly the same kinds of excuses that the Quraish used against the Prophet (peace be upon him). The second part of the *surah* is an encouragement to reflect on today's business culture and see whether it contradicts the ethical principles of Islam. Many Muslims assume such discussions only relate to whether a business practice is *halal* or *haram*. But a good facilitator will remind the participants that deliberately ignoring the rights of people is breaking one of the pillars of *tawhid* in practice. The facilitator, when managing this session, must not impose his or her will upon the participants. Different groups may take these themes and explore them in different ways. The facilitator is there to facilitate, not to control the discussion.

The second session builds on the first. There are many ways to conduct this session but one option is to explore 6:140. The disbelievers of Mecca argued that their cultural practices come from their forefathers. Allah replies that this makes no sense because they race back their lineage to Ibrahim (peace be upon him) who did not commit any idolatry. Ultimately, they are lying against Allah (6:140). This is a powerful argument that merits deep reflection. Many business practices in the Muslim world contradict Islamic principles. However, they are often justified on the basis that “this is the culture”. This is, again, a lie against Allah. This is not a small thing.

The third session requires an explanation. A facilitator must find topics of discussions that will make the workshop interesting and that has the potential to make participants think about their worldview. In this light, a summary of Larry Tye's (1998) *The Father of Spin* can be turned into a handout that leads to interesting and provoking discussions. *The Father of Spin* is a biography of Edward Bernays (1891–1995). Bernays was the nephew of Sigmund Freud. Raised in New York, he went to Cornell University in 1908. In 1912, he met a friend who owned two magazines. He knew nothing about journalism but he had an instinct for generating publicity. In 1912, he promoted a controversial play called *Damaged Goods*. To make the public appreciate the play, he decided to change public opinion about the controversy. He persuaded respectable people to join the controversial cause. He created his first “front group”. He stayed in the shadows, organizing and coordinating publicity without anyone realizing what he was doing. It worked and this became the blueprint for his future manipulation of public opinion. In 1913, Bernays visited his uncle, Sigmund Freud, in Austria. Freud explained to his nephew his theories about the unconscious. Bernays realized that he could use this knowledge to manipulate people without them realizing it. For the next 80 years, he manipulated public opinion by tapping into people's unconscious hopes and fears. His work for

the American Tobacco Company in the 1920s and the United Fruit Company in the 1950s is the stuff of legends. Bernays's work raises many ethical questions. Where is the line between marketing and propaganda? Where is the line between informing prospective customers about a product and manipulating people's emotions? Should Muslim marketers simply follow "industry standards" (i.e. the cultural argument that Allah condemns in *sūrah al-An'am*)? Or should they develop their own ethical standards? Are we back to lying against Allah?

After lunch, these themes can be related to specific workplace practices. The facilitator must be careful that these sessions do not degenerate into a blame game. Rather the focus should be on identifying specific processes that can be changed and that would lead to more appropriate behaviour (Deming, 1994). It might be that the company has got a good product but bad processes. It might be that the company has a bad product but good processes. By the end of workshop, participants should not only have had the opportunity to learn about the Qur'an and reflect on their working experience, but they will have hopefully identified specific problems and committed to solving them.

Thus, developing Qur'anic thinking is a process. One session alone will have little impact. However, several sessions within a reasonable timeframe can change the corporate culture inside a group of employees whose shared understanding of the Qur'an is now directly related to the organizational context (Parvin, 2017). As the prophetic leadership model presented in Fig. 1 suggests, simply making Muslims "more religious" is not the point. The point is that this new awareness should lead the entire group to identify concrete areas for improvement.

5 The Literature

Thus far, the author has ignored the conventions of academic writing in order to present his work as one coherent narrative. In this section, he would like to review some of the academic literature that supports his research. The literature on training and development has already been summarized by Delahaye (2000) so that portion of the discussion will be ignored to avoid making this chapter too long.

With regard to the Islamic management and Islamic marketing literature, it suffices to say that it has grown tremendously over the last 15 years. Certain journals—such as the *Journal of Islamic Marketing*, the *International Journal of Islamic Marketing and Branding* and the *International Journal of Islamic and Middle Eastern Finance and Management*—offer a significant resource of literature that conforms to the highest standards of academic research. Table 4 highlights some of the research that overlaps with this article.

There are other journals, less known but with a higher academic standard, that are working hard to establish their reputation internationally. In Table 4, the expression "promotive voice" means that employees are able to suggest improvement to business processes. The expression "prohibitive voice" means that employees are able to highlight if a certain accepted procedure is harmful to the company.

Table 4 Selected studies

Authors	Year	Key finding
Alavi and Azizi	2021	Islamic culture rejects fatalism by stressing individual responsibility and trusting God
Fard, Damavandi, Mahdilouytazekhandi, and Asharin	2021	Examines the role of leadership in developing Islamic organizational citizenship behaviour
Shamsudheen and Rosly	2021	When dealing with ethical dilemmas, employees of Islamic banks use a pragmatic approach. Islamic banks need to enhance training in ethical decision making
Düsmekalender, Secilmis and Yilmaz	2021	Islamic work ethics is negatively correlated with workplace deviance
Fontaine	2021	Seven narrations that could form the heart of Islamic management and Islamic marketing
Abbas, Nisar, Mahmood, Chenini, and Zubair	2020	Islamic marketing ethics enhances customer satisfaction
Hameed, Bhatti, Khan and Syed	2020	Islamic work ethics and employees’ voice, mediated by moral identity
Rahman, Zaman, Hossain, Mannan and Hassan	2019	Higher workplace spirituality leads to higher employee commitment and higher performance among sales people
Gheitani, Imani, Seyyedamiri and Foroudi	2019	Greater Islamic work ethic leads to higher job satisfaction mediated by intrinsic motivation
Fontaine	2019a, 2019b	Developing Islamic leadership and growth mindset
Fesharaki and Sehat	2018	Islamic HRM increases organizational justice and employee commitment
Johari bin Abdullah	2018	Islamic marketing mix. Embedding morality and conscience is seen as critical by Muslim customers

At face value, running workshops on the Qur’an would probably lead Muslim employees (in this case, in a marketing department) to develop greater Islamic work ethic (IWE), greater morality and greater job satisfaction, reduce workplace deviance, improve OCB, improve the promotive and prohibitive voice of employees and generally perform better.

It should be noted that researchers have barely scratched the surface when it comes to discussing the benefits of Islamic management. Much research focuses on the “dark side” of organization life (Vaughan, 1999). Gray (2005) writes:

There has always been a basic assumption that managerial behavior is rational. That is, that good management can be exercised by rational people working with people who are similarly rational in their responses. . . Yet the experience of most of us is that most managers do not behave rationally nor do members of organizations respond or behave rationally—certainly not all the time. Organizational behavior is complex and complicated. Most of the real issues of management are not visible or apparent at the surface of organizations but are simmering—even boiling—beneath the surface. The important factor in ‘good management’ is the ability to recognize the dark side and deal with it.

Dealing with the dark side of organizations is not easy yet it is necessary. Regular workshops on the Qur'an allow everyone involved to take a step back and look at their workplace in a new light.

Some readers may wonder whether such an optimistic scenario is possible. After all, many people assume that individuals are inherently selfish and motivated by their own personal interest. This is an old-fashion view of human behaviour. Recent research has confirmed that people are more altruistic than previously thought (Lieberman, 2015). Since the late 1990s, positive psychology has shown that individuals can benefit greatly from developing spiritual resources. Lopez and Snyder (2009)'s *Oxford Handbook on Positive Psychology* is a collection of papers that looked at how individuals developed optimism, hope, subjective well-being, resilience, creativity, mindfulness, self-efficacy, curiosity, courage, compassion, empathy, forgiveness, gratitude, love, humility, spirituality and resilience. All these traits are embedded in the Qur'an, and therefore one can assume that Qur'anic thinking would develop these characteristics.

An interesting work is Patterson et al. (2008). They found that people often fail to change because they are informed of a desired outcome (e.g. become more ethical) without knowing which specific behaviour leads to that outcome. When people are informed of a specific behaviour (e.g. reflecting on the Qur'an in groups), then change comes naturally. For that change to "stick", individuals need to be part of a social group that supports this change, and there must be organizational rewards that make the change easier. Many Muslims read the Qur'an alone and they have not been taught how to reflect on the Qur'an. One assumes that with regular workshops, the social support and the organizational rewards make it much easier for Muslims to become more ethical at work.

Despite the growing literature on Islamic management and Islamic marketing, the author would like to express a word of caution. The argument that "if Muslims are more religious, they would become better employees" seems to be naïve and even un-Islamic. First of all, it ignores the difficulty in measuring individual performance. It ignores that good (or bad) processes often explain an employee's good performance (or lack of performance). The quickest way to improve performance in Muslim organizations is to change outdated processes and to develop a system thinking perspective to Islamic management (Fontaine, 2020). Lastly, it implies that Muslim business leaders should develop Islamic management or Islamic marketing so the organization could become more profitable. This is a materialistic view of religion that Allah condemns strongly in *sūrah al-An'am*. Muslim business leaders should develop a corporate culture that reflects Islamic values because it is the right thing to do (Fontaine et al., 2017; Fontaine, 2020).

6 Conclusion

The author has worked in the area of Islamic management since 2007. His research suggests that many Muslim practitioners are certain that a more Islamic approach to management and marketing would be better. Their questions often focus on “how do we make this happen”?

This author has shared his experience so that practitioners understand the benefits and the method of running regular workshops that focus on developing Qur’anic thinking. As long as practitioners do not confuse running workshops with organizing religious talks and they respect the principles of adult learning, the benefits of running workshops should become obvious. Certain internal processes might need to change, and top management might need to support this initiative with concrete policies. However, the process of developing the spiritual intelligence of Muslim employees has been well documented (Fontaine, 2020).

Leaders need to understand the philosophy of Islamic training and development. Islamic training and development, like Islamic education, can move in two opposite directions. One option is to control. The other option is to focus on empowerment. *Sūrah al-An’am* reminds us that throughout the ages, leaders have used religion to control their followers. The Qur’an encourages Muslims to think critically about their purpose in life, their loyalty to Allah and His messenger and their social obligations to Muslims and non-Muslims. Muslim marketers have a choice. They can promote useful products using ethical means, or they can promote harmful products using unethical means. The Qur’an makes it clear that unethical business practices will not be easily excused on the Day of Judgement.

References

- Abbas, A., Nisar, Q. A., Mahmood, M. A. H., Chenini, A., & Zubair, A. (2020). The role of Islamic marketing ethics towards customer satisfaction. *Journal of Islamic Marketing*, 11(4), 1001–1018.
- Abdullah, J. (2018). Islamic marketing mix: Is there a role for Islamic-based strategies? *International Journal of Islamic Marketing and Branding*, 3(1), 15–34.
- Ahmad, K., & Fontaine, R. (2011). *Management from an Islamic perspective* (2nd ed.). Pearson Custom.
- Alavi, S. A., & Azizi, M. (2021). The effect of Islamic culture’s constituents on decision making. *Journal of Islamic Marketing*, 12(1), 166–179.
- Delahaye, B. (2000). *Human resource development*. Wiley.
- Deming, W. E. (1994). *The new economics for industry, government, education*. MIT Press.
- Düsmekzalender, E., Secilmis, C., & Yilmaz, V. (2021). The effect of Islamic work ethics on person-organization fit and workplace deviance in hotels. *International Journal of Islamic Finance and Middle Eastern Finance and Management*, 14(1), 164–182.
- Dweck, C. S. (2008). *Mindset: The new psychology of success*. Ballantine books.
- Fard, M. H., Damavandi, A. A., Mahdilouytazekhhandi, A., & Asharin, M. (2021). Leadership and followers’ organizational behaviour from an Islamic perspective. *Journal of Islamic Marketing*, 12(6), 1124–1144.

- Fesharaki, F., & Sehhat, S. (2018). Islamic human resources management enhancing organizational justice and employees' commitment. *Journal of Islamic Marketing*, 9(1), 204–218.
- Fontaine, R. (2007). Islamic entrepreneurship: An exploratory study. In *Proceeding of the 1st International Conference on Management from an Islamic Perspective*, International Islamic University Malaysia.
- Fontaine, R. (2015). The psychology of preaching: The power of diaries. *Al-Shajarah*, 20(1), 27–52.
- Fontaine, R. (2016). *Leadership and management skills*. IIUM Press.
- Fontaine, R. (2017a). Some management lessons in surah al-Baqarah based on the works of Khaled (N.D.) and Khan (2012). *International Journal of Economics Management and Accounting*, 25(1), 105–123.
- Fontaine, R. (2017b). Some management lessons from Surah Ali Imran based on the works of Khaled and Khan. *International Journal of Economics Management and Accounting*, 25(3), 581–600.
- Fontaine, R. (2018). Surah an-Nisa': Some lessons for business leaders based on the works of Khan and Khaled. *Journal of Islam in Asia*, 15(3), 315–336.
- Fontaine, R. (2019a). Surah al-Mai'dah: Some lessons for Muslim business leaders. *Journal of Islam in Asia*, 16(3), 31.
- Fontaine, R. (2019b). Developing leadership potential in students using *Sūrah Yasin*: A growth mindset perspective. *International Journal of Economics, Management, and Accounting*, 27(1), 213–233.
- Fontaine, R. (2020). *Islamic management: The power of Qur'anic thinking*. Akademi sinergi.
- Fontaine, R. (2021). Seven narrations: An Islamic management perspective. *International Journal of Economics, Management, and Accounting*, 29(1), 1–21.
- Fontaine, R., & Ahmad, K. (2013). *Strategic management from an Islamic perspective*. Wiley.
- Fontaine, R., Ahmad, K., & Oziev, G. (2017). *Islamic leadership today*. ICIFFE.
- Fontaine, R., Ahmad, K., & Oziev, G. (2020). The prophetic leadership model: A systems perspective. *AFKAR*, 4(1), 1–18.
- Fontaine, R., & Wan Nasir, Z. (2020). Inspiring Muslim employees: Divine speech. *International Journal of Advanced Research in Islamic and Humanities*, 2(2), 18–26.
- Gheitani, A., Imani, S., Seyyedamiri, N., & Foroudi, P. (2019). Mediating effect of intrinsic motivation on the relationship between Islamic work ethic, job satisfaction, and organizational commitment in banking sector. *International Journal of Islamic Finance and Middle Eastern Finance and Management*, 12(1), 76–95.
- Gray, H. (2005). The dark side of organizations: Forensic management—An emerging theoretical perspective. *Development and Learning in Organizations*, 19(5), 4–6.
- Hameed, I., Bhatti, Z. H., Khan, M. A., & Syed, S. (2020). How and when Islamic work ethic leads to employee promotive and prohibitive voice? The interplay of employee moral identity and perceived voice opportunity. *International Journal of Islamic Finance and Middle Eastern Finance and Management*, 13(4), 593–612.
- King, D. B., & DeCicco, T. (2009). A viable model and self-report measure of spiritual intelligence. *International Journal of Transpersonal Studies*, 28(1), 68–85.
- Lieberman, M. D. (2015). *Social: Why our brains are wired to connect*. Oxford University Press.
- Lopez, S. J., & Snyder, C. R. (Eds.). (2009). *Oxford handbook of positive psychology* (2nd ed.). Oxford University Press.
- Majah, Muhammad bin Yazid, A. A. (1993). *Sunan Ibn Majah* (M. T. Ansari, Trans.). Kazi.
- Parvin, S. (2017). *Developing Muslim students by using collective online learning: An exploratory study*. Masters of Business Administration Thesis, IIUM.
- Patterson, K., Greeny, J., Maxfield, D., McMillan, R., & Switzler, A. (2008). *Influencer: The power to change anything*. McGraw-Hill.
- Rahman, M. S., Zaman, M. H., Hossain, M. A., Mannan, M., & Hassan, H. (2019). Mediating effect of employees' commitment on workplace spirituality and executive's sales performance. *Journal of Islamic Marketing*, 10(4), 1057–1073.

- Shamsudheen, S. V., & Rosly, S. A. (2021). Measuring ethical judgment on ethical choice in an ethical system: A confirmatory study of Islamic banks in UAE. *International Journal of Islamic Finance and Middle Eastern Finance and Management*, 14(2), 301–316.
- Tye, L. (1998). *The father of spin: Edward I. Bernays and the birth of public relations*. Holt Paperback.
- Vaughan, D. (1999). The dark side of organizations: Mistake, misconduct, and disasters. *Annual Review of Sociology*, 25, 271–305.
- Zarabozo, J. (1999). *Commentary on the forty hadith of Al-Nawawi*. Al-Basheer Company for Publications and Translations.

Rodrigue Fontaine is a British citizen. From 1992 to 1999, he worked in multinationals in Europe. Since 1999, he has been teaching strategic management, organizational behaviour and Islamic management in Malaysian universities. He earned his PhD in cross-cultural management in 2004. He joined the International Islamic University Malaysia in 2010. He teaches courses at the undergraduate, masters and PhD level. He has published over 30 articles and he has authored 4 books on Islamic management. He specializes in organizational failure, systems thinking and Islamic management.

Small and Medium Enterprises and Strategic Marketing in an Emerging Muslim Country: The Case of Indonesia



Ahmad Rafiki, Miftahuddin, and Atika Rizki

Abstract This chapter aims to elaborate and discuss the development of SMEs in Indonesia, an emerging Muslim majority country. There are important practices that are adopted by SMEs in other countries such as in education, training, policies and financial supports, marketing and promotion of SMEs' products and services, the role of SMEs and studies of SMEs. This explorative approach is expected to give insights for improvement of SMEs and can be used as a benchmark to analyse its progresses.

1 A General Review of SMEs

The changes in the political climate and system have brought certain effects to the SMEs' policies in Indonesia through increased transparency and improvements in government bureaucracy. Major restructuring had taken place, facilitating various opportunities for SMEs (Tambunan, 2008a), while a challenge of anticipating global markets is opened to those enterprises that must be efficient, creative and competitive. SMEs exist in various industries, namely, food and beverages, footwear, textile and garments, wood and leather, handicrafts, metal products and electronics (Thee, 2006; Tambunan, 2008b).

In 2019, there were 64.2 million MSMEs spread across Indonesia. The number continues to increase; in 2020, the number of MSMEs reached 65.3 million (MSME, 2020). The increase of the number of MSMEs indicate a positive development that was mainly supported by the government and the dedication of owner-managers in running the businesses. These MSMEs made a contribution of 60.23% to GDP (before Covid-19 pandemic) in 2019 but decreased to 37.8% in 2020 (MSME, 2019, 2020).

Table 1 shows the firms and GDP structures by sectors that are dominated by trading, hotel and restaurant (98.9%) and agriculture (95.92%) for SME structures. Large firms are more concentrated in electricity, gas, water and mining and

A. Rafiki (✉) · Miftahuddin · A. Rizki

Faculty of Economics and Business, Universitas Medan Area, Medan, Indonesia

Table 1 The firms and GDP structures by sectors, 2019 in Indonesia

No	Indicators	Total unit		GDP (%)	
		SMEs	LEs	SMEs	LEs
a	Agriculture	26,900,869	882	95.92	4.08
b	Mining and exploration	261,341	92	11.4	88.6
c	Manufacturing	4,810,111	1809	28.1	71.9
d	Electricity, gas and water	18,622	140	8.8	91.2
e	Construction	214,359	312	35.88	64.12
f	Trading, hotel and restaurant	17,813,950	1956	98.9	1.1
g	Transportation and communication	4,605,025	319	44.2	55.8
h	Financial and retail	997,511	654	60.56	39.44
i	Other services	7,378,749	197	95.6	4.4

Source: BPS (2019) and Ministry of Cooperative and SMEs (2019)

exploration sectors, by 91.2% and 88.6%, respectively. The agricultural sector is located in rural areas, while those that are located in urban areas engage in trading, financial and retail and the manufacturing sector. These SMEs served as the biggest source of employment and income for more than 98% of the country's workforce in 2019 (BPS, 2019). The government planned to increase the absorption of workforce by 5–7% annually.

The number of large firms is less compared to the number of SMEs, but its output is more than the SMEs' outputs, in other words, a high output from SMEs would be attributed to their large number of units and not because of a higher level of productivity. Innovation, proactiveness, creativity and financial support are among the constraints faced by SMES, particularly for firms in the manufacturing sector that are unable to meet or come up with new or modified products. In order for products or services to be of international standards, they must indicate quality and competitiveness and thus would fulfil the demands and expectations of the international markets.

During the Asian financial crisis, many countries' industrial productions were severely affected, and most companies closed down its businesses. However, the SMEs in Indonesia managed to survive with the support of accommodative policies by the government and other identified reasons. Unlike large enterprises, SMEs depend less on the financial and banking sectors, which make them less affected by the financial crisis. They were not affected by the sudden shock and were able to quickly adapt to changes. Perhaps their contribution to the country's export was minimal (about 20%); thus they were less affected by this low percentage of export. Furthermore, their productions were focused on consumers' goods instead of luxury products whereby the demand towards the consumers' goods is relatively high and less sensitive to purchasing power. Finally, they have the advantage of cost reduction based on the dependency of local raw materials compared to larger enterprises. It can be confirmed that SMEs bring a solution for a resilient economy based on these various aspects.

The government (after the 1997/1998 Asian financial crisis) took some initiatives and policies which were based on six action plans that were aimed at promoting SMEs (Tambunan, 2009b) as well as alignment with the 2005–2009 strategic plan of SMEs established by the Ministry of Industry. The six main action plans are as follows:

1. Creating a business-conducive environment. The government attempts to create accommodative regulations or other supportive actions needed by SMEs.
2. Supporting market access. The government initiates to open access to markets domestically and internationally.
3. Providing financial access. There are two roles of government: (1) provide a special scheme for SMEs or (2) with cooperation of financial institutions to provide financial resources for SMEs.
4. Facilitating information access. The government provides updated data to be used in marketing plans and supports business networks via information technology.
5. Enhancing technology sharing. The government helps and encourages SMEs through awareness programmes to apply proper technology to the enhancement of competitiveness.
6. Improving human resource development. The government provides training programmes to improve organization and management capacity.

It has been noted that SMEs face the common constraints in terms of expanding their businesses, maintaining stable cash flows, visioning future opportunities and providing benefits to society. As such, the SMEs should ideally join the business associations to help out in filtering potential resources, guide them towards having better productivity and resolve the challenges. Unfortunately, only 10% of the total registered (small and medium) are members of trade associations (MCSME, 2019). Other aspects of SMEs including policies, education and training, financial support, marketing and promotion will be presented in the next sections. The elaborations in this chapter could be used as a reference to compare with the development of SMEs in other countries.

1.1 SME Development Programmes

The Indonesian government has recognized the importance of SMEs in many official statements. Various types of development programmes have been formulated and implemented to support the SMEs, for example, the actions towards financial credit, establishment of small rural development banks, human resource development trainings in production technique, general management, management quality systems ISO-9000, provision of total quality control advice, technology access, setting up of cooperatives of small-scale industries in clusters, development of infrastructure, building small-scale industrial areas, partnership programme, small business consultancy clinic, creation of common service facilities of supported clusters, establishment of business development services and implementation of an

entrepreneurial-incubator system for promoting the development of new entrepreneurs (Tambunan, 2010).

There are ministries/government agencies that deal with the promotion of SMEs in Indonesia such as the Ministry of Cooperative and Small and Medium Enterprises, the Ministry of Industry, the Ministry of Trade, the Ministry of Manpower and Transmigration and the National Development Planning Agency. All of them have set up a number of institutional mechanisms and support systems for the development of SMEs, specifically through the Directorate General of Small-Scale Industry, the Agency for Research and Development for Industry, the National Industrial Centre, the Technology Business Centre and SME-Cooperative Development Agency.

Since 2011 up to date, the Ministry of Cooperative and SMEs had outlined the activities intended to develop entrepreneurship, namely, (1) the National Entrepreneurship Movement, aimed to push forward the participation of all stakeholders in developing the entrepreneurship; (2) the National Entrepreneurship Training, aimed to increase the motivation among the society; (3) the National Internship Programmes, aimed to provide better understanding on new ventures and add the knowledge and skills related to business which is aimed at young and unemployed people; and (4) the National Competitiveness Working Standard of Indonesia, aimed to enhance the SMEs' human resources in retail trade and exports.

In addition to provide continuous support, the government agencies, namely, SMEs Centre of Development (CD) and Sustainable Trade and Innovation Centre (STIC) are established to (1) promote strong SME competitiveness and create a friendly business environment and (2) develop sustainable SMEs through various initiatives, among others, expanding networks and capacity building. These goals could be achieved through intense efforts on diffusion of business information and attendance of entrepreneurs to training, business forums and international exhibitions.

1.2 Policy Support for SMEs

Policy support on the development of SMEs is mainly formulated by the Ministry of Cooperative and Small and Medium Enterprises. This ministry governs all 34 provincial and 508 municipalities/cities' offices throughout the country. Like in other developing countries, the SMEs' activities in Indonesia are related to (1) education and training, (2) financial or credit and (3) marketing and promotions. The discussions on these assistances are presented below.

1.3 Education and Training Programmes for SMEs

The entrepreneurs need to possess sufficient education and skills. A lack of these is considered as constraints faced by SMEs' entrepreneurs and has now been paid attention to by the government. As such, the student's enrolment at higher learning institutions who choose entrepreneurship-related courses such as economics, business and management has increased by 12% from 1,485,008 students in 2017 to 1,663,209 in 2019 (Ministry of National Education, 2019). Another initiative that has been undertaken is to collaborate with government-linked companies that offer internship or short course programmes. However, the deliverance of well-implemented education and training programmes can be seen only through the effectiveness of technology adoption and innovative approaches of doing business. Unfortunately, only 18.70% of SMEs' entrepreneurs are university graduates as of 2019.

With regard to the entrepreneurs' attendances in Islamic-based education institutions, the data is not available. Meanwhile, using 18.1% ratio of students' enrolment in conventional and Islamic education institutions (MoNE, 2019), it found that a total of 411,200 students are majoring in Islamic entrepreneurship-related courses. These potential numbers are expected to help SME's development through understanding of Islamic ways of running businesses.

Meanwhile, the importance of training programmes has been highlighted by the government. As such, the Ministry of Cooperative and SMEs increased the budget for training programmes from 9.6 to 13.2% and had invited 16,233 participants in 2019 (MSME, 2019). Further, with the cooperation of higher educational institutions in 16 provinces, the ministry has held 20 incubators for entrepreneurship exercises which provide the skills training and consultancy services. Additionally, the Ministry of Manpower and Transmigration has conducted the entrepreneurship training programmes to over 16,500 participants in 2019 (MoMT, 2019). Unfortunately, the data on training programmes initiated by private sectors is hard to find (Table 2).

A constraint occurs in getting detailed information on Islamic training programmes which have recently been more widespread in commercial activities. Among others that have held such programmes are the Indonesian Association of

Table 2 Structure of SME training programmes, 2019

Type of programmes
Social and entrepreneurship development
Improvement in capacity and competency of entrepreneurs
Improvement of the role of society in human resources
Improvement in SMEs' competitiveness
Monitoring and evaluation of human resource development
Improvement in capacity and competitiveness of human resources' administrators
Revitalization and venture development

Source: Ministry of Cooperative and SMEs (2019)

Muslim Intellectuals (ICMI), the Indonesian Association of Muslim Entrepreneurs (APMI) and other joint groups of private business training.

1.4 Financial Support of SMEs

Based on data from Bank Indonesia (BI), national banking MSME loans as of February 2021 reached IDR 1010.3 trillion or 18.6% of total loans of IDR 5417.3 trillion (BI, 2019a). Data from the Financial Services Authority (OJK) shows that sharia financing to the MSME segment increased significantly by 14.72% year on year (yoy) as of September 2020. This increase exceeded the growth of sharia financing to the non-MSME segment by 7.52% yoy. However, the portion of MSME financing is still low at 18.40% of the total sharia financing. This figure is far below the portion of non-MSME financing of 81.60% (BI, 2019b).

Meanwhile, Islamic banking in Indonesia shows a positive development, where the SMEs' credits remain as the main financing in Islamic commercial and business units by a ratio 3.2% but not for the Islamic rural banks, in which the contribution of non-SMEs' credits is more than for the SMEs. In the past 2 years, the government continues to enhance financial access by opening more formal credit opportunities including the KUR (people's business credit) schemes in order to upgrade the SMEs' competencies.

1.5 Marketing and Promotions

The government has an objective to help SMEs in product promotions and in developing marketing strategy. Its commitment has resulted in the increase of total invitations of SMEs' participation in trade exhibitions, improvement in export policies on the potential products abroad and establishing venture service centres throughout the country. A total allocation of US\$9.6 million has been spent for the year 2019 for these initiatives. Moreover, there are 22 international and 64 local exhibitions that have been attended by SMEs with the coordination of the Ministry of Cooperative and SMEs. Table 3 presents the programmes offered in relation to marketing enhancements for SMEs in 2019.

1.5.1 Product Certification

There are several product certifications commonly applied by SMEs such as the National Standard of Indonesia (SNI), the Food Industrial for Home Industry (PIRT) and the Intellectual Copyright (HAKI). One of the emerging and important certifications is the *halal* certification. The agency in charge on the issuance of this certification is the Bureau of Food, Drugs and Cosmetics Research of the Indonesian

Table 3 Marketing and venture development of SMEs, 2019

Programmes	Participants (ventures)
Development of marketing networks and products	6730
Improvement in export markets	690
Improvement in facilities of ventures' markets	367
Development of partnership	2750
Development of product promotion	940
Total	11,477

Source: Ministry of Cooperative and SMEs (2019)

Ulama Council (LPPOM-MUI) that has appointed 44 halal certifying bodies. Unfortunately, despite the increase in the application of *halal* certification every year since 2005, the registration development of such certification in Indonesia is not impressive, as evidenced by a total of 58% of products that have failed to attain *halal* certification, while only 58,000 out of the 142,000 registered products have been labelled as *halal* by LPPOM-MUI. It needs to be noted though that no specific data on *halal* certification is applied by SMEs.

To build an awareness on application procedures for relevant parties, LPPOM-MUI provides training and consultancy sessions. It also collaborates with government-linked companies to create awareness among owner-managers and customers on the importance of obtaining *halal* certification. In addition, it also holds local and international seminars. These supports have been seriously monitored by the government on delivering quality products.

1.5.2 Trade and Business Association of SMEs

There are numerous trade associations in Indonesia that are widely participated by the SMEs. The general role of these associations is to initiate networks and interactions at the firm level, develop the strength and capacity of all ventures and enhance participations of owner-managers or entrepreneurs in creating a conducive business environment. The government established the Indonesian Chamber of Commerce and Industry that is otherwise referred to as KADIN. This agency has a mandate in organizing all 170 Indonesian registered business associations with a nationwide network of 34 provincial chambers and 440 regional branches. It is highly committed in tapping potentials of the national economy and speaks on behalf of private businesses, while maintaining a privileged liaison with the government.

The category of business associations is based on a firms' respective sectors or industries. Several associations that are participated by most of SMEs' firms in both categories, among others, are the Indonesian Young Entrepreneurs Association (HIPMI), the Indonesian Employers Association (APINDO), the Indonesian Small-sized Industry Association (HIKSI), the Indonesian Medium-sized Enterprises Association (AUMI) and the Indonesian Small and Medium-sized Enterprises Association (KUKMI). The number of Islamic-based trade associations is still

limited and is newly established. Examples are the Indonesian Muslim Entrepreneurs Association (APMI), the Indonesian Muslim Merchant Association (ISMI) and the Indonesian Muslim Entrepreneurs Network. All of these mentioned associations are not under the supervision of KADIN.

2 The Role of SMEs in the Indonesian Context

In comparison with large firms, the SMEs positively influence the domestic economic activities in Indonesia, for example, in poverty reduction, decreasing unemployment and increasing GDP. Despite the government initiatives to attract foreign companies' investment in large firms, they are currently facing the constraints of the global economic crisis. This recession in Western countries has affected those firms that are mainly engaged in mining, construction, electricity, gas and water and manufacturing sectors. However, the remaining small firms are more resilient and are able to contribute to the economic development with or without the support of large firms. Given that 98% of business enterprises in Indonesia are SMEs, its expected role is to influence the business environment and economic development. Based on review of existing studies by Tambunan (2008a, 2009a), the World Bank (2019) and the official statements by the Indonesia Ministry of Cooperative and Small and Medium Enterprises, the following five roles of SMEs have been identified:

1. Development of rural areas

As the number of SMEs is huge and scattered widely in isolated areas, it is significant to accommodate the local household demand and is labour-intensive. People mobilization in ventures would reduce unemployment or create job opportunities. The importance of rural economic development is aligned with the National Entrepreneurship Movement that was initiated in 2010 which is concerned with engaging in production rather than consumption.

2. Increase in products' diversification

Each of the municipalities or cities has their own potential products that are unique and of high quality. With its creativity and unexplored materials, the SMEs would propose new potential products and add variety to the existing product range in the market. Eventually, the local government is keen to promote these products. Some of the products are exported and purchased by the middle-income group. This would then increase competitiveness and the products' choices.

3. Reducing reliance on imported products

One of the dominant sectors of SMEs is agriculture. They adopt a less advanced technology. The development of this sector increases the output of local products and reduces the reliance of imported materials. A decrease in the number of imported products will affect stable product prices.

4. Low risk to economic turbulence

SMEs have limited access to financial capital from private and public banks. They overwhelmingly depend on personal savings, supplemented by gifts or loans from relatives or from local informal money lenders. This makes them free from monetary policy problems such as interest rate, foreign loans and exchange rates because they rely on local materials for production and are less linked with foreign traders, all of which are faced by large firms. Moreover, the capital sources of SMEs are mostly used to finance the running of business operations rather than investment in technologies as compared to large firms, thus creating lower financial risks.

5. High dynamism of production

Although the number of small firms is not determined by their outputs, it has dynamic development that often achieve rising productivity over time through both investment and technological change. The technologies employed by SMEs in Indonesia are more applicable and proportionate to production factors of local conditions compared to the modern technologies in large firms. It creates compatibility in production by offering reasonable prices, which could be consumed by the low- and middle-income group. This also will lead to maintaining consumers' purchasing power.

3 Studies of SMEs

Most studies of SMEs in Indonesia discuss the SMEs from a national point of view rather than at the regional level. The review of available studies has focused on government policies, trade and export, competitive strategies and performance, innovation of distribution and cost efficiency, politics and policies and cluster formation and approaches. Only a few of them are considered as current researches, while others are discussed on certain aspects that have been prioritized at a particular time, which are based on secondary data.

With regard to the studies on firm performance, Rosli et al. (2012) compared the competitive strategies between Indonesian and Malaysian SMEs ($N = 386$) in which they found that both countries have different areas of emphasis. For example, Malaysian SMEs are more concerned on internal functional dimensions of human resource management, while its Indonesian counterparts give more priority not only towards internal functions of marketing but also on dynamic capabilities (global orientation). Further findings have revealed that Indonesian SMEs have outperformed that of Malaysian SMEs in nearly all investigated performance indicators. In another study by Kuswanto et al. (2012), which was based on the survey of 120 export-oriented SMEs in Indonesia, the study concluded that the innovation in distribution channel activities of information sharing, transportation coordination, assortment and warehousing innovation activities would improve efficiency that then lead to better performances. More importantly, despite the limited support given by the government for SMEs, they are able to find a solution by becoming more innovative in their distribution channels.

A study by Setyawati et al. (2011) discusses on successful entrepreneurs of SMEs in Jepara, Central Java, Indonesia. Using the structural equation model (SEM), their study found out that learning, networking and innovation adoption behaviour have a significant positive effect on the success of entrepreneurs. They therefore suggested that the networking of the entrepreneurs need to be improvised in order to generate the opportunity in doing innovation. The enhancement could be internal and external networking through increasing the contacts and frequency of interactions with other stakeholders. The innovation implementation is a main reason effect towards the entrepreneurs' success. Even though there may be different results in other industries, this study has indicated that innovation has an important contribution to the entrepreneurs' success as well as the learning and networking.

Lastly, Tambunan (2009a) investigated the effectiveness of marketing promotion and performance of SMEs in Indonesia. He found that trade and exhibition are the best promotion activities compared to other types of promotion such as business gatherings or associations. Despite the problem of costs being incurred, these promotions contribute to financially better performances based on the increase of the average profits of 30.07% compared to the previous year.

Other studies on SMEs are more concerned about government policies. Among those studies include Venkataramany and Bhasin (2010) based on previous studies by Susanto (2005), Indrati and Langenberg (2004) and Tambunan (2008a). They have stated that government policies are one of the main factors that influence SME performance. Despite the shift to a decentralized system of the reformation era, there needs to be persistent and consistent improvement in policies that support SMEs to continuously grow.

4 Strategic Marketing of SMEs

The strategic marketing in SMEs is different compared to what is applied in large companies. The differences are in terms of strategic marketing decisions, methods and internal and external contextual factors (Jocumsen, 2004). Firstly, the strategic marketing decision in SMEs relates to the long-term objectives and financial performance, whereby some owner-managers are not aware of these. Formulating the long-term objectives needs benchmarking or a competitive analysis, and these would take time and need to be undertaken by a professional or core team in an organization. Secondly, the SMEs could be taking decisions with too much ease due to limited or short processes where the owner-managers are independently able to decide management-related matters. Thirdly, the attitudes and behaviours of employees in SMEs are easily adaptable, but this strategic marketing application needs a strong commitment. Every employee needs to be motivated and coached by the top management or at least by those at the supervisory level (Van de Ven, 1992). Fourthly, the owner-managers must understand and decide which method is acceptable; otherwise the implementation process would be disturbed. Fifthly, internal contextual factors are those characteristics associated with the manager and the

business or organization itself, which may impact upon the ways in which strategic marketing decision-making is conducted, and, finally, external contextual factors are those forces external to the business which may impact upon the ways in which strategic marketing decision-making is conducted.

It is crucial for the SMEs to learn on strategic marketing although no guarantee will achieve superior performance (Ackelsberg & Arlow, 1985; McKiernan & Morris, 1994). On the contrary, other studies by Jones (1982), Bracker and Pearson (1986) and Bracker et al. (1988) mentioned that successful SMEs are generally more aware of the existence of strategic planning tools and also make greater use of them in planning their activities. Meanwhile, a good strategic marketing which will affect the better performance of the company must be based on the findings of marketing results (Schlegelmilch et al., 1985). Moreover, the companies that have strategic marketing probably will be more proactive rather than reactive towards particular situations or business environments (Saunders & Wong, 1985; Hooley & Jobber, 1986).

In strategic marketing, one of the important elements is to have networks where information on updated market potentials could be used to develop future necessary actions (Wei & Christodoulou, 1997; Numazaki, 1997; Liu & Brookfield, 2000). An example is Taiwanese SMEs that are concerned on an action-driven approach and make strategic decisions to be competitive (Haley & Tan, 1996), while in Indonesia, SMEs tend to ignore such crucial concepts that define precise business orientations. It is acknowledged that strategic marketing is used to see issues comprehensively, especially for medium enterprises which have sufficient resources compared to micro or small enterprises. Some risks are also discussed when preparing for strategic marketing; thus the enterprises are able to continuously maintain business operations. Changes in certain standards or procedures should be conducted to be able to respond with unexpected problems.

Brooksbank et al. (1992) mentioned that the higher-performing SMEs are more likely to adopt a strategic focus based on increasing the volume of production, for example, by expanding or penetrating existing markets, rather than productivity improvements, for example, by increasing price, reducing costs or rationalizing the product mix. Empirical findings suggest that better performing companies compete more on the basis of providing value to the customer, for example, by offering broad product lines and producing customized products, than just on price alone (Chaganti & Chaganti, 1983; Brooksbank et al., 1992). Brooksbank et al. (1992) reveal that small firm performance is related to innovation in business practice, but not to new product development.

Strategic marketing in SMEs relates to the export initiatives, increasing volume in production, investment in research and development, lower cost structures and the development of purchasing know-how (Aw & Batra, 1998). Haley (1997) proposes that Chinese firms compete with specialized knowledge and information, produce goods in an 'information void' environment that they create and perpetuate and provide perceived benefits to customers. Huang (2001) finds that continuous improvement of products/services and constantly seeking new business opportunities contribute to the overall performance of Taiwanese firms. This is an example of

the impact of strategic marketing to emphasize on quality and research and development (Liu et al., 1999). It is known that the business operations in SMEs tend to be done in conventional ways or approaches; thus understanding better concept of strategic marketing would be another issue. Finally the importance of the topic is coinciding with the findings of 391 documents (related to SMEs and strategic marketing) that are published in journals indexed by the Scopus database.

5 Analysis on Title, Abstract, Author and Keyword on SMEs in Indonesia

An analysis using the Scopus database on two keywords, SMEs and Indonesia, there are titles and abstracts related such as ‘performance’, ‘development technology’, ‘relationship’, ‘innovation’, ‘government’, ‘competitive advantage’ and ‘process’, which potentially could be explored for future studies (Fig. 1).

The figure below shows the author analysis related to the topic of SMEs and Indonesia. There are nine authors, among others Sanny, I., Novita, S., Gunawan, D., Prayoga, M., Novela, S. and Angelina, V. who have written the most articles. It is expected that more authors will be interested in discussing this topic in the future (Fig. 2).

As depicted in the figure below, it shows that there are 32 keywords that are exactly related to SMEs and Indonesia, among others ‘business performance’,

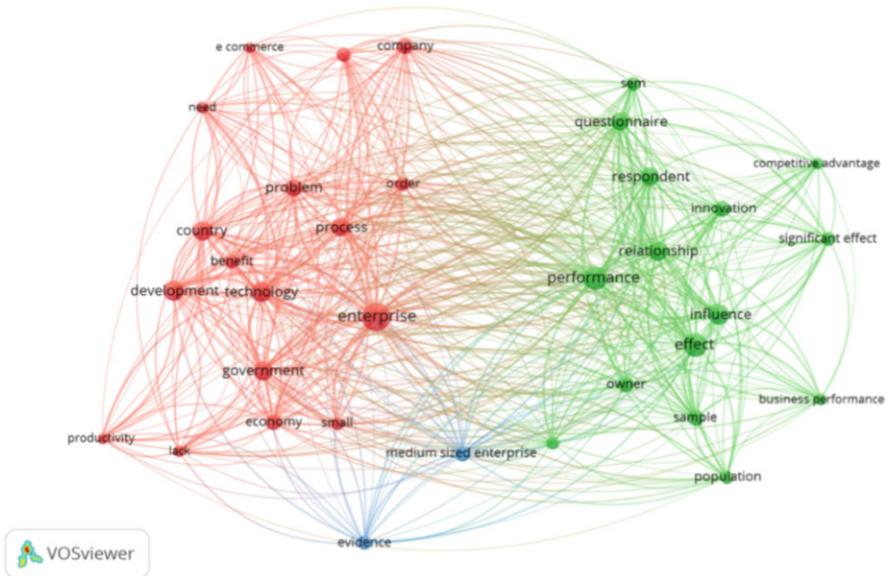


Fig. 1 Title and abstract analysis

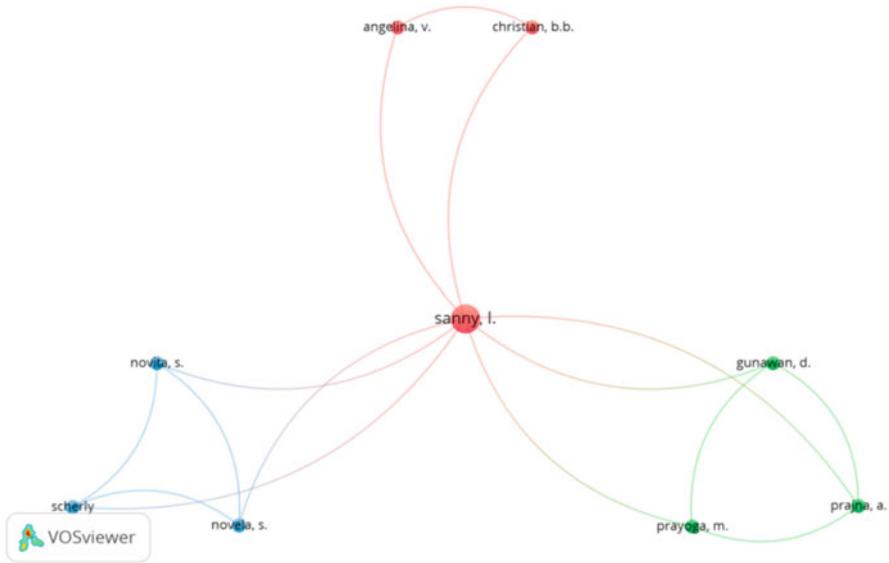


Fig. 2 Authors’ analysis

‘competitive advantage’, ‘marketing performance’, ‘commerce’, ‘marketing strategy’, ‘SMEs’, ‘ergonomics’, ‘websites’, ‘technology’, ‘learning systems’, ‘access to finance’, ‘internet users’ and ‘exports’, which crucially need to be explored. These keywords are the indicators of potential areas to be considered in analysing studies across disciplines (Fig. 3).

6 Conclusion

This chapter elaborates the development of small and medium enterprises (SMEs) in Indonesia, the most populous Muslim majority country in the world. There have been a variety of aspects discussed such as policies, education, financial support, marketing and promotion (certification and trade/business) as well as the role and studies of SMEs in Indonesia. Other countries may have different experiences of establishing such a holistic and integrated system for SMEs’ development. As a country which have adopted Islamic values and learned on Islam principles, there are specific best practices that contribute to the better performance of SMEs and the country’s economy. This chapter also discusses on strategic marketing of SMEs, where some SMEs realize its importance, while some ignore it. Finally, the VOSviewer software is used to analyse three important things of title, abstract, authors and keywords that are related to the SMEs and Indonesia which are derived from the Scopus database (the highest reputable database in academic field and

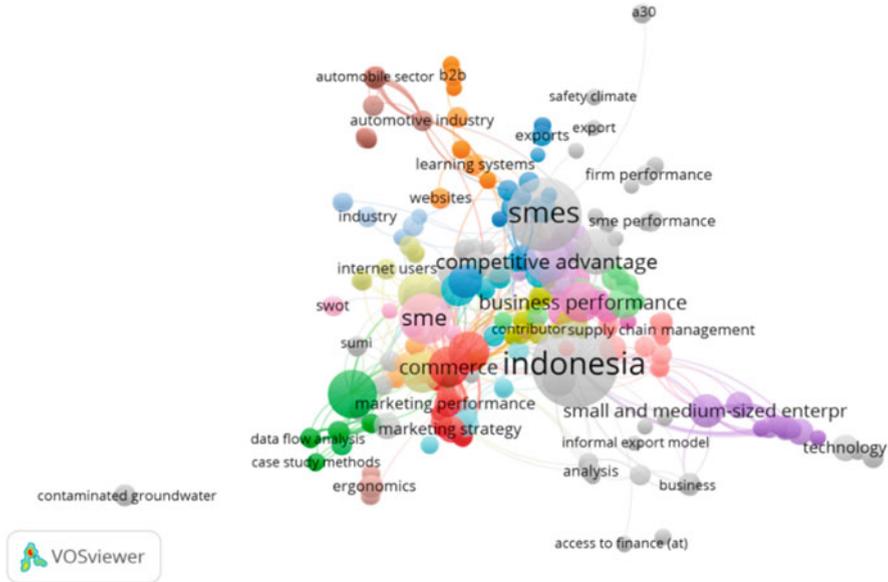


Fig. 3 Keywords analysis

reference). The presented data can be used and referred to for future studies that may include additional factors in an unpredictable business environment.

References

- Ackelsberg, R., & Arlow, P. (1985). Small businesses do plan and it pays off. *Long Range Planning*, 18(5), 61–67.
- Aw, B. Y., & Batra, G. (1998). Technological capability and firm efficiency in Taiwan (China). *The World Bank Economic Review*, 12(1), 59–79.
- BI. (2019a). *Statistik Perbankan Indonesia*, 10(6). Bank Indonesia.
- BI. (2019b). *Outlook Perbankan Syariah 2019*. Bank Indonesia.
- BPS. (2019). *Indikator Ekonomi Indonesia Tahun 2019*. Biro Pusat Statistik.
- Bracker, J. S., Keats, B. W., & Pearson, J. N. (1988). Planning and financial performance among small firms in a growth industry. *Strategic Management Journal*, 9(6), 591–603.
- Bracker, J. Y., & Pearson, J. N. (1986). Planning and financial performance of small, mature firms. *Strategic Management Journal*, 7(6), 503–522.
- Brooksbank, R., Kirby, D., & Wright, G. (1992). Marketing and company performance: an examination of medium sized manufacturing firms in Britain. *Small Business Economics*, 4(3), 221–236.
- Chaganti, R., & Chaganti, R. (1983). A profile of profitable and not-so-profitable small businesses. *Journal of Small Business Management (pre-1986)*, 21(000003), 43.
- Haley, G. T. (1997). A strategic perspective on overseas Chinese networks. *Decision Making, Management Decision*, 35(8), 587–594.
- Haley, G. T., & Tan, C. T. (1996). The black hole of South-East Asia: Strategic decision making in an informational void. *Management Decision*, 34(9), 37–48.

- Hooley, G. J., & Jobber, D. (1986). Five common factors in top performing industrial firms. *Industrial Marketing Management*, 15(2), 89–96.
- Huang, Y. H. (2001). Values of public relations: Effects on organization-public relationships mediating conflict resolution. *Journal of Public Relations Research*, 13(4), 265–301.
- Indarti, N., & Langenberg, M. (2004). *Factors affecting business success among SMEs: Empirical evidences from Indonesia*. In Presented at the second bi-annual European Summer University. University of Twente, Enschede.
- Jocumsen, G. (2004). How do small business managers make strategic marketing decisions? A model of process. *European Journal of Marketing*, 38(5/6), 659–674. <https://doi.org/10.1108/03090560410529277>
- Jones, W. D. (1982). Characteristics of planning in small firms. *Journal of Small Business Management (pre-1986)*, 20(000003), 15.
- Kuswantoro, F., Rosli, M. M., & Radiah, A. K. (2012). Innovation in distribution channel, cost efficiency & firm performance: The case of Indonesian small & medium enterprise scales. *International Journal of Business, Humanities and Technology*, 2(4), 23–38.
- Liu, R. J., & Brookfield, J. (2000). Stars, rings and tiers: Organisational networks and their dynamics in Taiwan's machine tool industry. *Long Range Planning*, 33(3), 322–348.
- Liu, J. T., Tsou, M. W., & Hammitt, J. K. (1999). Do small plants grow faster? Evidence from the Taiwan electronics industry. *Economics Letters*, 65(1), 121–129.
- McKiernan, P., & Morris, C. (1994). Strategic planning and financial performance in UK SMEs: Does formality matter? *British Journal of Management*, 5, S31–S41.
- Ministry of Cooperatives and Small and Medium Enterprises (MSME), Government of the Republic of Indonesia. (2019). Retrieved September 22, 2019, from <http://www.depkop.go.id/>
- Ministry of Cooperatives and Small and Medium Enterprises (MSME), Government of the Republic of Indonesia. (2020). Retrieved September 27, 2020, from <http://www.depkop.go.id/>
- Ministry of Manpower and Transmigration (MoMT), Government of the Republic of Indonesia. (2019). Retrieved July 20, 2021, from <http://www.depnakertrans.go.id/>
- Ministry of National Education (MoNE), Government of the Republic of Indonesia. (2019). *List of tables higher education, and general secondary, junior and primary schools in 2019: Jakarta*. Retrieved July 12, 2021, from <http://www.kemendiknas.go.id/>
- Numazaki, I. (1997). The Laoban-led development of business enterprises in Taiwan: An analysis of the Chinese entrepreneurship. *The Developing Economies*, 15(4), 440–457.
- Rosli, M. M., Kuswantoro, F., & Omar, A. R. (2012). Competitive strategies and firm performance: A comparative study of Malaysian and Indonesian small and medium enterprises. In *3rd International Conference on Business and Economic Research (3rd ICBER 2012) Proceeding*, pp. 460–474.
- Saunders, J., & Wong, V. (1985). In search of excellence in the UK. *Journal of Marketing Management*, 1(1-2), 119–137.
- Schlegelmilch, B. B., Boyle, K., & Therivel, S. (1985). *Marketing research in medium-sized engineering companies in Britain and the United States — Some preliminary findings*. Working Paper Series No. 85/16.
- Setyawati, S. M., Noor, M. N. Z., Shariff, M. N. M., & Saud, M. B. (2011). Effects of learning, networking and innovation adoption on successful entrepreneurs in Central Java, Indonesia. *International Journal of Business and Social Science*, 2(5), 149–156.
- Susanto, J. (2005). *Creative entrepreneurship in Indonesia: Problems, strategies and challenges— A case study*. Study meeting on creative entrepreneurship. The Employers' Association of Indonesia, Asian Productivity Organisation.
- Tambunan, T. T. H. (2008a). SME development, economic growth and government intervention in a developing country: The Indonesian story. *Journal of International Enterprise*, 6, 147–167.
- Tambunan, T. T. H. (2008b). Trade liberalization effects on the development of small and medium-sized Enterprises in Indonesia: A case study. *Asia-Pacific Development Journal*, 15(2), 35–59.
- Tambunan, T. T. H. (2009a). *Main factors determining competitiveness and successful small and medium Enterprise in Indonesia*. Working paper. International Labor Organisation.
- Tambunan, T. T. H. (2009b). *Development of SMEs in ASEAN*. Readworthy.
- Tambunan, T. T. H. (2010). *Trade liberalization and SMEs in ASEAN*. Nova Science.

- Thee, K. W. (2006). *Policies for private sector development in Indonesia*. ADB Institute Discussion Paper, No. 46.
- Van de Ven, A. H. (1992). Suggestions for studying strategy process: A research note. *Strategic Management Journal*, 13(S1), 169–188.
- Venkataramany, S., & Bhasin, B. (2010). Globalization of entrepreneurship: Policy considerations for SME development in Indonesia. *International Business and Economics Research Journal*, 9(4), 95–103.
- Wei, H. C., & Christodoulou, C. (1997). An examination of strategic foreign direct investment decision processes: The case of Taiwanese manufacturing SMEs. *Management Decision*, 35(8), 619–630.
- World Bank. (2019). *Doing business in 2019: Creating jobs*. World Bank.

Ahmad Rafiki currently as an Assistant Professor and Dean of the Faculty of Economics and Business of Universitas Medan Area, Indonesia. He obtained his BBA degree with a major of Marketing from MARA University of Technology, Masters in Management from International Islamic University of Malaysia, and PhD from Islamic Science University of Malaysia. He has published chapters of books and articles related to Islamic management, entrepreneurship, SMEs, leadership and halal industry in IBA-MacMillan, IGI Global, Emerald Publishing, Springer, Routledge etc. He also became the editorial advisory board and reviewer in reputable publishers of Emerald and Elsevier. He received as the Outstanding Reviewer of Literati Awards 2020 by Emerald Publishing.

Miftahuddin is an Associate Professor in the Faculty of Economics and Business of Universitas Medan Area, Indonesia. He has 35 years' experience in the academic field with various positions and had published books and articles in his field. His research interests are financial management, Islamic economics, and organizational behavior.

Atika Rizki is a lecturer at the department of Accounting, Faculty of Economics and Business, Universitas Medan Area. She is the Head of Research at the Center of Islamic Management and Halal Industry. Her research interests are financial accounting, corporate governance, and Islamic accounting.

Consumption as a Way of Production



Hasan Terzi

Abstract The main idea of many studies in the field of social sciences is human needs and consumption behaviours to meet these needs. The most important reasons why needs and consumption issues are frequently researched can be expressed as the importance of consumption in human life and the change in human needs due to changing living conditions. The phenomenon of consumption, which can be explained by social classes or work roles in the modern period, has become a concept that is examined from different perspectives in the postmodern period. Because the behaviours of the postmodern people are not similar to the behaviours of people living in previous periods, postmodern conditions cause daily life to be different from previous periods. Consumption products of the postmodern period have started to carry symbolic value rather than functional value for consumers, and products have now become communication tools. People are now consuming the products to show their personalities and lifestyles to other people and to be liked by other people. As a result of the desire to show his personality and lifestyle to other people and to be liked by them, the man himself has become an object of consumption. In this study, which was prepared to explain this change and transformation in the meaning of the concept of consumption, firstly the relationship between needs and consumption was revealed, then the way the concept of need was handled in the West and the Islamic world was examined, and finally, the meanings that postmodern consumers attributed to products and consumption were explained.

1 Introduction

The phenomenon of consumption, which has been regarded as an indispensable act of human life, is discussed throughout history within the framework of the concepts of need and desire, which have the greatest impact on the realization of this action. The individual, who used to consume for his basic needs, gained opportunities that

H. Terzi (✉)
Faculty of Business, Karabuk University, Karabuk, Turkey
e-mail: hasanterzi@karabuk.edu.tr

he did not have before as a result of the developmental stages of human history, and the developments and changes in both technological and cultural fields have transformed the reasons for the emergence of the act of consumption. These developments, which enabled the transformation from the agricultural society to the industrial society and from there to the information society, enabled consumers to have more information about both other consumers and companies. As an important result of the increasing level of knowledge, consumers, who were previously seen as a unit where only products are offered, have now become a part of the production processes with their individual preferences, which they shape in line to create and reflect their own identities. For this reason, the changes seen in the understanding of marketing throughout the twentieth century should be evaluated not only as a result of the changes in the policies implemented by the companies but perhaps, more importantly, as a result of the differentiation in the behavioural structures of the consumers.

Especially in today's postmodern society, where communication facilities are used extremely effectively, products are consumed not only to meet needs but also as a communication tool where the individual can convey important messages about his identity and character to other people. Thanks to this new form of communication, individuals can succeed in being a part of a social group by imitating the consumption patterns of this social group they want to belong to or at least try to act like a member of that group, even if their incomes, occupations and cars are different. This situation can be explained in many ways such as the search for a kind of identity, the instinct to try different pleasures, adapting to a different social status group and being recognized as a different, special and successful person by society. No matter how it is defined, it is an important fact that today's consumer acts with different motivations than before.

2 Needs and Consumption

Throughout his life, human being assumes different roles in different periods such as childhood, youth, adulthood and old age. In some periods, it is the person who offers the requested products or services while making demands for its needs and wishes in some periods. However, one of the most important roles that never changes in any period is that an individual is a consumer unit. Although the basic needs of individuals such as food, drink and shelter are the same as in previous times, the way they meet these needs is quite different today. The effect of developing technology has a great effect on this differentiation and being able to reach the offered product or service more easily.

The phenomenon of consumption is the reason for the existence of all economic systems and the arena called the market, and human needs, wants and desires constitute the driving force underlying the phenomenon of consumption. Consumption, in its most general definition, refers to the use of a product or service by individuals to provide benefits (İslamoğlu & Altunışık, 2010: 3). People who are not

Table 1 Needs and wants

Needs	Wants
Objective (not necessarily experienced by the social actor or a potential object of another's knowledge)	Subjective (and subjectively experienced)
Determined, compelled or caused	Chosen or decided by the social actor
Essential: Necessary for physical or social "existence"	Luxurious, dispensable, a matter of arbitrary desire, trivial
Universal, defined at the level of body, species or society as such	Contingent, relative, "eccentric": Defined in terms of the peculiarities of a specific individual, group, community
Existential, pre-cultural	Preferential, stylistic, cultural

Source: Slater (1998: 316)

self-sufficient in terms of physiological, biological, social and cultural aspects have a wide variety of needs. All of the activities related to meeting all these needs, whether they are legitimate or not, are expressed as consumption (Torlak, 2000: 17).

Within the framework of all these activities, it can be stated that consumption is a phenomenon that is shaped not only by needs but increasingly by wants and desires (Bocock, 2014: 13). Therefore, the concepts of need and desire, which are the main factors that push individuals to consume, become important. The concept of need, which is expressed in the dictionary as a requirement, necessary duty or obligation, a lack of something wanted or deemed necessary, strong desire, poverty and lack (dictionary.com, tdk.gov.tr), is defined in various ways in contemporary psychology. According to one of these definitions, the need is the measurable difference between the current situation and the desired situation (Beatty, 1981: 40). According to a similar definition, need is expressed as a state of tension created by the absence of anything. In the light of these explanations, it is emphasized that if the absence of something is important for survival or for the person to feel good, the tension created by the absence will be felt more strongly (Odabaşı & Barış, 2010: 21).

The limits of the individual's desires are defined as the traditions and the culture of the living environment. According to Slater (1998: 316), wealth, luxury and fashion are economic and cultural tools that develop human wants and desires. In every society, food is needed to maintain the vitality of the body. But desires only exist when there is freedom and choice in the level and form of food supply. In this context, the characteristics of needs and requests are shown in Table 1 comparatively.

Consumption, which is inevitable for people equipped with needs and desires, can be defined as a process that starts with birth and ends with death. Although the first forms of consumption have been observed since the beginning of human life, the concept of consumption has been studied starting from the later periods when social life began to take shape (Özüşen & Yıldız, 2012: 3). One of the first studies on the reasons for human consumption was carried out by Edward Tauber in 1972. According to him, the factors that lead people to consumption are gathered in two groups as personal and social. Here, personal factors are listed as role-playing,

having fun, rewarding oneself, learning new trends, participating in physical activities and acquiring sensory stimulation. The social factors are expressed in the study as obtaining social experiences, communicating, having fun with similar people, providing status and authority and enjoying bargaining (Tauber, 1972: 47–48).

When considered historically, the meaning of the concept of consumption for individuals and the change in this sense becomes important. According to classical economists, the sole purpose of production was consumption in conditions where individuals tried to maximize their satisfaction by purchasing an ever-expanding array of goods (Featherstone, 2005: 37). Until the great economic depression in 1929, capital accumulation and production had been prior issues in the economic system. As a result of the economic recession, the policies implemented after this date started to focus on expenditure and consumption issues. Mass production has become a very important phenomenon in the period after 1950, and consumption has begun to be seen as an important factor shaping the texture of daily life, especially after the 1980s (Zorlu, 2006: 1).

However, it would be more appropriate to look at the consumption phenomenon of the type encountered in Western capitalism in the late twentieth century, not only in terms of utilitarianism and an economic process but also as a social and cultural process in which signs and symbols are involved. Once people were influenced by social and cultural practices related to the ideology of modern consumption, they wanted to own the goods exhibited in films, print media and television, even if their economic power was not sufficient. Accordingly, it can be said that consumption has become a phenomenon that is not only based on needs but increasingly based on desires. In societies that have adopted Western capitalism, a connection is established between consumption and desires by selling the produced goods to consumers using signs and symbols (Bocock, 2014: 13). However, the insatiable desires and the emergence of another one right after a satisfied desire cause this cycle not to be broken (Özcan, 2007: 262).

3 A Cultural Assessment on the Concepts of Need and Consumption

Advertisements and other marketing practices in Western societies are subject to great criticism towards materialism, consumerism, practices that mislead the consumer and the devaluation of vulnerable groups. According to the critics, firms place profit maximization ahead of other business objectives, and as a result, they engage in promotion tactics such as exposing people to advertisements that will appeal to their basic desires, such as their sexual feelings. This overemphasis causes individuals to feel as valuable as the things they consume. As a result, not only material consumption and competition increase, but also negative emotions such as jealousy and greed begin to increase in society in general. In addition, with all these, the resources of the planet are wasted, and environmental disasters occur, social damage



Fig. 1 Maslow's hierarchy of needs

is observed as a result of physical and psychological damages, and sustainability is lacking. On the other hand, the main purpose of Islamic thought is to increase the welfare of all humanity, regardless of language, religion, race and colour. The concept of welfare here refers to the happiness of the person both in this world and in the hereafter. Thus, a balance is emphasized between the material comfort that will make sense of this life and the spiritual well-being that will add value to the next world (El-Bassiouny, 2014: 44).

Western economists generally act from the point of view that there is a mismatch and tension between human needs and the goods and services that will meet these needs. Especially those who adopt the neoclassical approach use the definition of “meeting unlimited human needs with limited resources” when explaining the science of economics. However, the needs defined as the state of tension created by the absence of anything (Odabaşı & Barış, 2010: 21) are physiological, while the wishes and desires that can be described as unlimited have psychological characteristics. Therefore, as the needs are satisfied, the diminishing marginal utility loses its intensity according to the law, and as a result, they are not unlimited (Tabakoğlu, 1988: 43–45).

It can be said that the most frequently used approach in the modern sense at the point of classification of needs is Maslow's hierarchy of needs theory. Maslow states in his article “A Theory of Human Motivation” that he wrote in 1943 that the needs that he argues consist of five steps that can be used to explain human behaviour hierarchically (Fig. 1). He states that physiological needs such as air, water and food take place at the lowest level of the needs described in the form of a pyramid. He argues that the individual who has met his needs in the first level will tend to satisfy his security needs in the second level. He states that the third level of the pyramid includes social needs such as friendship, family and sense of connection, while the fourth level includes the needs to be respected, such as recognition and status. In the



Fig. 2 Hierarchy of products and needs in Islam

fifth and highest level, he states that the need for achievement such as proving himself and showing himself takes place. However, he points out that pyramid-shaped needs will appear in a certain order of priority and argues that if, for example, he does not meet his needs in the first step, the person will not turn to the needs in the second level (Maslow, 1943: 370–396).

In Islamic law, the concept of need has been handled differently from Maslow's approach, and this issue has been examined together with Islamic legal rules. The theologians stated that the main purpose of all religious provisions regulating man's relations with God and other people is to ensure the happiness of people in this world and the hereafter, and they discussed the religious and legal benefits of the society under three headings to achieve this (Yaran, 2000: 574). These benefits are called dharuriyyat, hajiyyat and kamaliyyat, respectively (Fig. 2). According to Ghazzali, who influenced the ideas of almost all the jurists who came after him, Islamic law rules are established by considering these benefits of the society (Gazali, 1994: 333–335; Dusuki & Abdullah, 2007: 32–33; Yusof & Kan, 2010: 4). This classification, made in terms of social benefit, is also considered by some academics as the classification of individual needs (Esen, 2006: 107). According to them, these needs of the society express both collective and individual needs (Ismail & Dewi, 2014: 232).

According to another view, this classification was considered as the classification of products in Islam, and the products in each category were evaluated to meet the need in that context. According to those who support this view, the needs that a person hopes to meet in terms of consumption preferences in the Islamic economic system are divided into two as worldly and otherworldly needs. In terms of the worldly choices made by the person, products are classified as dharuriyyat, hajiyyat and kamaliyyat (Salleh et al., 2013: 5357; Alserhan, 2015: 79).

4 A Postmodern Approach to the Concepts of Need and Consumption

We can say that the works of both Maslow and Al Ghazzali, which were prepared to explain human needs, are fully aimed at the needs of the modern or pre-modern individual. Because in the modern period when machine-dominated production systems were effective, with the increase in the number of factories, the working class expanded, and this process led to the formation of mass society, a large number of people who went to work at the same time, took leave at the same time and were kept under control within the production system. The mass society that emerged with the modern period has created individuals who demand the same type of product with standardized lives, whose behaviours can be predicted and who act with rational decision-making processes. Modernism, which deals with the individual and social lives of people with certain classifications, is characterized by features such as order, control, certainty, content and hierarchy (Brown, 1993: 22).

Contrarily, in postmodernism, different styles, forms and styles of different social classes have been mixed, the social hierarchy has been broken, and transitivity and fluidity have increased. In this period, consumers consume products not only because of their functional benefits but also because of their images and symbolic meanings (Christensen et al., 2005: 157). While the most important factor affecting the identity construction of the individual under modern conditions is defined as the job roles in the production process, it is stated that the most important determinant of postmodern identity formation is consumption behaviour (Bocock, 2014: 84). In traditional consumer behaviour literature, the purpose of consumption is expressed as activities aimed at meeting needs, and it is assumed that the consumer bases his or her decisions on cost-benefit analysis (Altunışık, 2007: 95). However, today, consumption objects have ceased to be a simple material object with a direct utilitarian use but have become objects that convey a meaning and that the consumer uses to display who he or she intends to be at that time (Grubb & Grathwohl, 1967: 24; Piacentini & Mailer, 2004: 251).

The French sociologist Jean Baudrillard, who deeply examines the postmodern understanding of consumption and brings important criticism in his book *The Consumer Society*, states that there is an incredible consumption and abundance in today's world. According to Baudrillard, "the humans of the age of affluence are surrounded not so much by other human beings, as they were in all previous ages, but by objects" (2014: 25). According to him, this abundance is not about the increase in the number of products but about enabling consumers to make repeated purchases through various applications that will enable individuals to buy more products. Baudrillard explains this situation as follows (2014: 26–27):

Beyond stacking, which is the most rudimentary yet cogent form of abundance, objects are organized in packages or collections. . . . Almost all the shops selling clothing or household appliances offer a range of differentiated objects, evoking, echoing and offsetting one another. Few objects today are offered alone, without a context of objects which 'speaks' them. And this changes the consumer's relation to the object: he no longer relates to a



Fig. 3 Home appliances set—set of objects (Teka). (Text in the figure: beyond household appliances, your spiritual experience)



Fig. 4 Home appliances set—set of objects (Beko)

particular object in its specific utility, but to a set of objects in its total signification. Washing machine, refrigerator and dishwasher taken together have a different meaning from the one each has individually as an appliance.

The above-mentioned views of Baudrillard reveal today's consumer's understanding of consumption and the impact of companies on consumers. The images below, taken from the Turkey website of Teka, a home appliances brand (Fig. 3), and the US website of Beko, another home appliances brand (Fig. 4), are good examples of how consumer products are presented to the consumer as a set.

Supplying certain products to the consumers as a set can be beneficial for consumers. However, this is only valid in cases where the functional benefits promised by the products to the consumer are taken into account. Otherwise, the

purpose of consumption will be the meanings of the object rather than the object itself. Baudrillard explains it as follows (2014: 76–77):

Outside the field of its objective function, where it is irreplaceable, outside the field of its denotation, the object becomes substitutable in a more or less unlimited way within the field of connotations, where it assumes sign-value. Thus, the washing machine serves as an appliance and acts as an element of prestige, comfort, etc. It is strictly this latter field which is the field of consumption. All kinds of other objects may be substituted here for the washing machine as signifying element. In the logic of signs, as in that of symbols, objects are no longer linked in any sense to a definite function or need.

The oven in the first image above and the oven in the second image most likely have the same functional features. Both will probably cook meals at equal times, and both will be used to make delicious cakes. However, when the oven in the second image is wanted to be placed in the kitchen in the first image, the vast majority of consumers will object to this. There may be many reasons for this, but according to Baudrillard, the main reason is this: “need is never so much the need for a particular object as the ‘need’ for difference (the desire for the social meaning), so it will be clear that there can never be any achieved satisfaction, or therefore any definition of need” (2014: 77–78).

Let’s take this situation to a different dimension with an example from daily life. At the beginning of the Covid-19 pandemic, as in many countries, individuals were restricted from going out on certain days and hours within the framework of the regulations brought by the government in Turkey. Famous businessman Hacı Sabancı, who is one of the richest people in Turkey and is frequently seen in the media, shared a photo from his Instagram account in March 2020. The comment that one of his followers wrote under this photo and the answer given by Hacı Sabancı to him were talked about a lot in Turkey in those days (Fig. 5). If there were trees or a building in the background of the photo, this dialogue would probably never have happened, but the Bosphorus in the background made the difference between social classes visible. However, what is important in postmodernism is not the characteristics of social classes or the differences between classes. The important part for us here is a completely different point. Baudrillard explains this point through signs and says (2014: 78):

Consumer behaviour, which is apparently focused on, and orientated towards, objects and enjoyment [jouissance], in fact conduces to quite other goals: that of the metaphorical or displaced expression of desire, that of production, through differential signs, of a social code of values. It is not, then, the individual function of interest across a corpus of objects which is determinant, but the immediately social function of exchange, of communication, of distribution of values across a corpus of signs.

The important point in the photo above, in terms of postmodernism, is not that Hacı Sabancı is doing sports by the Bosphorus or that he has a mansion by the Bosphorus. What matters is the sign value of the conditions seen in this photo. In modernism, the income of individuals or social classes is important, but in postmodernism, the important thing is the message being transferred to other people through the products consumed, so the products have become a means of communication.



Fig. 5 Postmodern lockdown by the Bosphorus (Dialogue below the photo: Follower: I can't believe you. The state says not to go out, you are outside under the pretext of sports. Hacı Sabancı: calm down champ. I am home)

5 Conclusion

Consumption, which is one of the most important actions that people cannot give up throughout their lives, is shaped within the framework of needs and wants. In the West, human needs formulated by Abraham Maslow have been interpreted differently by Islamic philosophers. According to the Western view, human needs express the stages necessary for a happy, peaceful and prosperous life in this world. According to an important Islamic philosopher Ghazzali (and others), human needs are shaped to achieve happiness both in this world and in the hereafter. Although both views are consistent and meaningful in themselves, in the period we live in, consumers lead a life away from both motivations. Most of today's consumers (no matter they are Muslim, Christian, Buddhist or atheist) neither demand products in a certain order nor do they have any concerns about the hereafter while consuming, because today, products have become consumed by people not only for their functional features but also because of their sign values. People now want to give a message to the people around them by consuming products, sometimes to tell how rich they are and sometimes how much pleasure they have. Because of this sign value, a refrigerator has become not only a tool used to keep food cold but also an accessory that completes the image of the kitchen. In today's conditions, where functional features are ignored, people have begun to want their lifestyles to be liked by other people through the objects they consume. While consuming for the purpose of being liked by others, the person himself becomes the "thing" that is evaluated, admired and (so to speak) bought by those others. Therefore, today's consumer object is no longer a refrigerator, an oven or an automobile. What is consumed today (especially what is intended to be consumed) is the consumers themselves. To conclude Baudrillard's words (2014: 78):

The truth of consumption is that it is not a function of enjoyment, but a function of production and, hence, like all material production, not an individual function, but an immediately and totally collective one.

References

- Alserhan, B. A. (2015). *The principles of Islamic marketing*. Gower.
- Altunışık, R. (2007). Yeni Tüketicinin Tüketime Yansıyan Farklılıkları. In Ö. Torlak, R. Altunışık, & Ş. Özdemir (Eds.), *Yeni Müşteri*. Hayat.
- Baudrillard, J. (2014). *The consumer society myths & structures*. Sage.
- Beatty, P. T. (1981). The concept of need: Proposal for a working definition. *Journal of the Community Development Society*, 12(2), 39–46.
- Bocock, R. (2014). In İ. Kutluk (çev.), *Tüketim*. Dost.
- Brown, S. (1993). Postmodern marketing? *European Journal of Marketing*, 27(4), 19–34.
- Christensen, L. T., Torp, S., & Fırat, A. F. (2005). Integrated marketing communication and postmodernity: An odd couple? *Corporate Communications: An International Journal*, 10(2), 156–167.
- Dusuki, A. W., & Abdullah, N. I. (2007). Maqasid al-Shari'ah, Maslahah, and Corporate Social Responsibility. *The American Journal of Islamic Social Sciences*, 24(1), 25–45.

- El-Bassiouny, N. (2014). The one-billion-plus marginalization: Toward a scholarly understanding of Islamic consumers. *Journal of Business Research*, 67, 42–49.
- Esen, H. (2006). İslam Hukuku ve Uhrevi Sorumluluk. *Journal of Islamic Law Studies*, 8, 99–112.
- Featherstone, M. (2005). In M. Küçük (çev.), *Postmodernizm ve Tüketim Kültürü*. Ayrıntı.
- Gazali. (1994). In Y. Apaydın (çev.), *El-Mustasfa*. Rey.
- Grubb, E. L., & Grathwohl, H. L. (1967). Consumer self-concept, symbolism and market behavior: A theoretical approach. *Journal of Marketing*, 31(4), 22–27.
- İslamoğlu, A. H., & Altunışık, R. (2010). *Tüketici Davranışları*. Beta.
- Ismail, N., & Dewi, B. R. (2014). Maqasid Shari'ah's view and its solution on foreign debt in Indonesia. *Global Review of Islamic Economics and Business*, 1(3), 229–239.
- Maslow, A. H. (1943). A theory of human motivation. *Psychological Review*, 50, 370–396.
- Odabaşı, Y., & Barış, G. (2010). *Tüketici Davranışı*. MediaCat.
- Özcan, B. (2007). Postmodernizmin Tüketici İmajları. *Fırat University Social Sciences Journal*, 17(1), 261–273.
- Özüşen, B., & Yıldız, Z. (2012). Buzul Çağı'ndan İlk Çağ'a Tüketimin Tarihi. *Süleyman Demirel Üniversitesi Vizyoner Journal*, 4(7), 1–16.
- Piacentini, M., & Mailer, G. (2004). Symbolic consumption in teenagers' clothing choices. *Journal of Consumer Behaviour*, 3(3), 251–262.
- Salleh, H., Rasul, R., & Zain, S. M. (2013). Two-dimensional model of lexicographic. *Applied Mathematical Sciences*, 7(108), 5353–5362.
- Slater, D. (1998). Needs/wants. In C. Jenks (Ed.), *Core sociological dichotomies* (pp. 315–328). Sage.
- Tabakoğlu, A. (1988). *İslam ve Ekonomik Hayat*. Diyanet İşleri Başkanlığı Yayınları.
- Tauber, E. M. (1972). Why do people shop? *Journal of Marketing*, 36(4), 46–59.
- Torlak, Ö. (2000). *Tüketim: Bireysel Eylemin Toplumsal Dönüşümü*. İnkılâp.
- Yaran, R. (2000). İhtiyaç. In *İslam Ansiklopedisi* (C.21). Türkiye Diyanet Vakfı.
- Yusuf, E. F. E., & Kan, V. Z. (2010). Appraisal on end products and services offered by Islamic banks from Maqasid Shari'ah perspective. *Munich Personal Research Papers in Economics Archive*, 25683, 1–20.
- Zorlu, A. (2006). *Tüketim Sosyolojisi*. Glocal.

Hasan Terzi is an assistant professor of marketing at University of Karabuk (UNIKA), Turkey. He has been in Qatar University as researcher during his PhD studies. His research interests focus on consumer behaviour, postmodernism, consumer culture, and consumption sociology. His research addresses socio-cultural dimensions of consumption, especially the role of religion on consumer behaviour.

E-Governance Projects in Public Organizations: The Role of Project Manager's Islamic Work Ethics in Accomplishing IT Project Performance



Ahmad Nabeel Siddiquei, Shafqat Hussain, Muhammad Ali Asadullah, and Fahad Asmi

Abstract The study explored the usefulness of Islamic work ethics within the context of public sector information technology projects. Using social learning theory and social exchange theory, we examined the trickle-down impact of leader's Islamic work ethics on project performance via teamwork quality. Data were collected from 188 project managers leading information technology teams. Discriminant validity of constructs was established using confirmatory factor analysis, while hypotheses were tested using SPSS process macro. Statistical analysis showed that Islamic work ethics positively and significantly impacted project performance. Teamwork quality partially mediates the relationship between Islamic work ethics and project performance. Public organizations should develop training programs to enlighten employees about the fundamentals of work practices from the Islamic perspective.

1 Introduction

Work ethics has always remained an essential discussion issue for organizational scholars (Wasioleski & Weber, 2019). The focus on ethics from an Islamic perspective has emerged over the past few years (Khan et al., 2015; Murtaza et al., 2016).

A. N. Siddiquei (✉)

Bond Business School, Bond University, Gold Coast, Australia

e-mail: asiddiqu@bond.edu.au

S. Hussain

School of Business and Economics, University of Management and Technology, Lahore, Pakistan

M. A. Asadullah

Department of Business Administration, Air University, Multan, Pakistan

F. Asmi

Department of Science and Technology of Communication, School of Humanities and Social Sciences, University of Science and Technology of China, Anhui, China

The concept of Islamic work ethics has its roots in the teachings of the Quran and the Prophet Muhammed (SAW). Islamic work ethics characterize a collection of work-related moral principles and values that differentiate between right and wrong in Islam's context (Beekun, 1997). Previous literature has reported significant effects of Islamic work ethics on an individual's attitudinal and behavioral outcomes (e.g., de Clercq et al., 2019; Gheitani et al., 2019; Haroon et al., 2012). However, no considerable research has been conducted to examine the influence of a leader's Islamic work ethics on team-level outcomes within public-sector organizations.

The current study's objective is to analyze the direct and indirect effect of a leader's Islamic work ethics on the performance of public-sector information technology (IT) projects. In terms of direct effect, we explore the role of a leader's Islamic work ethics in fostering the performance of IT projects delivered by public-sector organizations. In terms of indirect effect, we introduce teamwork quality as a mediating team-level mechanism through which the leader's Islamic work ethics affects the IT team's project performance. Following Hoegl and Gemuenden (2001), we conceptualize teamwork quality as the quality of interactions between team members during the planning, execution, and completion of a project. Interaction refers to the connectedness or the "being in contact" of two or more people and the quality of collaborative work performed by team members (Campion et al., 1993).

In the current investigation, we contribute to Islamic business ethics literature related to public administration. First, we assess the critical premise of Islamic work ethics that strives to develop a positive and moral workplace environment and prioritize cooperating and collaborating with others (Ahmad, 2011; Aldulaimi, 2016; Ali, 1988). Within the public sector context, helpful task interaction between employees is a fundamental ingredient of creating successful community products and services. We understand that organizations' digital initiatives and e-governance mechanisms are increasingly common in developing and developed countries (Danish, 2006; Glyptis et al., 2020). Thus, in this regard, our study aims to contribute to the usefulness and effectiveness of the leader's Islamic work ethics on the quality of IT projects developed by the public sector. Second, we explore the top-down effect of the leader's Islamic work ethics via the mediating impact of Islamic work ethics on team-level performance. Examining the trickle-down effect of the leader's Islamic ethical principles as a social influence process to accomplish team success is one step toward validating the theory of Islamic work ethics. The following section reviews the literature on Islamic work ethics, followed by developing the study hypothesis.

2 Literature on Islamic Work Ethics

Islamic work ethics is defined as the extent to which employees embrace Islamic ethical values in their daily work activities (Ali, 1988; De Clercq et al., 2019). Muslims live their daily lives, including the decisions they make at work, such that actions in the workplace are judged through the lens of these religious values (Ali &

Al-Owaihian, 2008). Islamic work ethics emphasizes diligent effort, collaboration, and morally responsible conduct in performing job tasks (Ali & Al-Owaihian, 2008). The seminal work on Islamic work ethics comes from Ali and Al-Owaihian (2008), who integrated Islamic and organizational literature, suggested four pillars of Islamic work ethics: effort, competition, transparency, and morally responsible conduct. Empirical studies have shown significant main effects of IWE on an individual's attitudinal and behavioral outcomes. Within the Islamic banking sector, Hayati and Caniogo (2012) found that individuals with a strong inclination and awareness about Islamic work ethics are delighted with their job and possess strong affective commitment toward their organization. Abu-Saad (2003) empirically studied Islamic work ethics among Arab educators in Israel and found that high Islamic work ethics predicts the importance of one's contribution to society. Conducting the study within Malaysian public sector organizations, Kumar and Rose (2012) examined the moderating effect of the Islamic work ethics on knowledge-sharing enablers and the innovation capability of employees in Malaysia. They found that the Islamic work ethics significantly moderated the relationship between knowledge-sharing capacity and innovation capability. In a recent study conducted within public sector educational institutions, Murtaza et al. (2016) demonstrated that Islamic work ethics significantly positively affected extra-role work behaviors, including organizational citizenship behavior and knowledge-sharing behavior.

Similarly, De Clercq et al. (2019) collected data from multiple industries (e.g., construction, finance, and education). They showed that Islamic ethical values buffer the negative relationship between high family-to-work conflict and helping behavior. The negative relationship becomes weaker in the presence of high Islamic work ethics. A sample of Royal Malaysian Air Force, Husin and Kernain (2019), showed the influence of individual behavior and organizational commitment toward enhancing Islamic work ethics. Thus, it appears that there is a recent surge in the studies of Islamic work ethics, which have primarily focused on its relationship at the individual (within-person) level, highlighting the need to examine associations between Islamic work ethics and team-level outcomes. While there has been some evidence on Islamic work ethics' utility within public sector firms, its effectiveness within team-based public IT organizations remains unexplored.

The ethical work practices within public-sector organizations may be more critical than private-sector organizations. Public organizations serve the masses and work for community welfare through the public's monetary and administrative resources (Goh & Arenas, 2020). Notably, any democratic government's success in accomplishing welfare and development goals largely relies on public servants' attitudes and behaviors (Anderson & Henriksen, 2005; Twizeyimana & Andersson, 2019). Governments worldwide strive to focus on e-governance and digitalization of their products and services (Ajmal et al., 2010; Heeks, 2003b). Public sector reforms in various countries have pressurized public organizations to be more transparent, ethical, practical, and market-oriented—in sum, to be more business-like (Glyptis et al., 2020). The existing literature on Islamic work ethics captures its value within organizations. However, this research has not adequately explored *why* and *how*

Islamic-oriented work practices play a role in efficient government products and services.

3 Hypothesis

3.1 *Islamic Work Ethics and Team Performance: A Social Influence Process*

We rely on social learning theory (Bandura, 1977) and social exchange theory (Blau, 1986) to explain *why* and *how* a leader's Islamic work ethics facilitates IT project team performance via teamwork quality and meaning in life. According to social learning theory, individuals learn by modeling the attitudes, values, and behaviors of role models in their environment (Bandura, 1977; Brown & Treviño, 2014). Team members often desire to mimic their team leader's morals and behavior (Brown & Treviño, 2014; Sendjaya et al., 2019), which is more likely if leaders are viewed as ethical role models. Team leaders possessing Islamic moral values are likely to be reliable role models because of their morally and professionally responsible conduct in performing workplace obligations (Aldulaimi, 2016; Ling et al., 2016). Consequently, a leader's ethical work practices may be acquired by team members (Brown & Treviño, 2014) and reciprocated through the process of social exchange in which team members display productive interaction and cooperative behavior toward each other in accomplishing project goals (Blau, 1986; Sendjaya et al., 2019).

We expect a direct connection between leader Islamic work ethics and IT project team performance. Within team settings, the leader's role is to create an environment that facilitates collective team effort and improves team functionality toward achieving objectives (Chen et al., 2015). If a leader practices Islamic work ethics, then there is a likelihood that team members will show cooperation and consultation at work and strictly forbid anyone from engaging in harmful and offensive behavior (Yousef, 2001). A leader's Islamic work ethics will discourage team members from dishonesty and laziness in performing job tasks and encourage volunteerism and helping behavior (Khan et al., 2015; Yousef, 2000). This is consistent with the Quran teachings, which promote responsible, productive, and creative behavior in the marketplace (2: 275; 25: 67; respectively): "Those who, when spending, are not extravagant and not niggardly, but hold a just (balance) between those (extremes)," and "Those who hoard gold and silver and spend not in the way of God: announce unto them a most grievous chastisement." Thus, we propose the following hypothesis:

Hypothesis 1: Leader's Islamic work ethics has a positive and direct relationship with team task performance.

3.2 *Islamic Work Ethics, Teamwork Quality, and Team Performance*

In the present study, we follow the conceptualization of teamwork quality extended by Hoegl and Gemuenden (2001), later followed by Hoegl (2005) and Lindsjörn et al. (2016). They presented a comprehensive teamwork quality construct as a composite measure of six underlying facets: communication, coordination, balance of team member's contribution, mutual support, effort, and cohesion. *Communication* is the exchange of information among team members (Pinto & Pinto, 1990). *Coordination* is the degree of shared understanding regarding task interdependence and the extent of individual contributions toward collective tasks (Butchibabu et al., 2016). The *balance of member contributions* is the fair and consistent contribution of each member toward accomplishing team objectives (Liao, 2017). *Mutual support* is the intensive collaboration of individuals that depends upon a cooperative rather than a competitive frame of mind (Becker et al., 2018). The *effort* is the norm of sharing workloads and prioritization of team's goal over non-goal-related activities (Campion et al., 1993; Pinto & Pinto, 1990). *Cohesion* is the level of desire through which the team members want to remain a part of the team (Pescosolido & Saavedra, 2012).

Social learning theory argues that people can learn simply by observing and replicating others' behavior, especially their role models. Team leaders are a significant source of role modeling due to their status and ability to utilize managerial rewards. Leaders can often establish what values and behaviors are expected in team functionality (Brown & Treviño, 2014; Sims & Brinkmann, 2002). Sitting at the top of the hierarchy, team leaders set the tone for the behaviors and work-related norms expected of team members (Chen et al., 2015). Recent research has shown that leader's ethical and social service values often have a trickle-down effect on followers (Cheng et al., 2019; Peng & Wei, 2018; Sendjaya et al., 2019), which subsequently influences team functionality (Chiu & Chiang, 2019). Consistent evidence of top-down effects of leadership through follower modeling of leader behavior, as outlined in social learning theory, has been found in laboratory experiments (Sy et al., 2005) as well as field examinations (Mayer et al., 2009).

Team members emulate leaders' moral values and behaviors because leaders often serve as mentors to their followers (Liden et al., 2014). Protégés often learn by imitating the work practices of their mentors (Lankau & Scandura, 2002). Team members are especially inclined to model leader behaviors when they perceive the leader as possessing desirable qualities (Peng & Wei, 2018). Leaders high in Islamic work ethics have many attractive characteristics for team members. The qualities such as commitment to job responsibilities, cooperation with colleagues, fair competition, and hard work embodied with Islamic work ethics will be desirable for teams (Ali & Al-Owaihan, 2008). In social exchange, such qualities inspire team members to display high teamwork quality useful for team performance (Hoegl & Gemuenden, 2001). Because of the team leader's high moral and social values, each team member will begin to understand the importance of communication,

coordination, and mutual support in successfully performing tasks. When a team is led by an individual inclined toward hard work and effort and building a community environment at the workplace, it encourages the entire team to improve their teamwork quality. A leader's Islamic work ethics will enhance mutual collaboration and support rather than competition within groups (Khan et al., 2015), allowing the entire unit to work through different phases of team life effectively. Thus, we expect that:

Hypothesis 2: Leader's Islamic work ethics has a positive and direct relationship with teamwork quality.

The teamwork quality construct provides a comprehensive measure of the collaborative team-task process focusing on the quality of interactions rather than on teams (Hoegl, 2005; Hoegl & Gemuenden, 2001). Each team member must maintain coordination and communication within the team environment and provide a helping hand to other team members when performing collective tasks (Maynard et al., 2018). Because team tasks are often interdependent, each team member must work on their job and help other team members complete their subtasks (Pescosolido & Saavedra, 2012). Further, the interdependence of tasks requires that each team member understand each subtask's timelines and priorities. Such understanding will only develop when team members plan, communicate, and synchronize their actions (Lindsjörn et al., 2018). Previous research has shown that teamwork quality is a determinant of team performance (Dayan & Di Benedetto, 2009; Lindsjörn et al., 2018). Thus, we propose that:

Hypothesis 3: Teamwork quality has a positive and direct relationship with team performance.

Hypothesis 4: Teamwork quality mediates the relationship between Islamic work ethics and team performance.

4 Method

We approached the state government-operated information technology board in the largest province (by population) of Pakistan. This public sector body works through project teams who plan, develop, and deliver various applications, software, and websites as part of the government's e-governance and digitalization initiatives. We employed a multi-wave survey design to collect data from project managers. At Time 1, project managers were asked to rate their Islamic work ethics and teamwork quality in the ongoing project. Project managers also provided their necessary demographic information, including education, experience, and gender. At Time 2, team leaders rated the performance of their ongoing project. Because the research was aimed at Islamic work ethics, we ensured that all the participants are Muslims. Participation was voluntary, and complete anonymity was guaranteed for all participants.

In total, 238 project managers were invited to respond to the current research study. We received responses from 197 project managers. However, we retained only those project managers who responded at both Time 1 and Time 2. The final sample comprised 188 project managers. The response rate was approximately 78%. About 40% of respondents had master's degrees, 45% had a bachelor's degree, and 15% had other technical certifications.

Seventy-nine percent of respondents were male, and 21% were female.

4.1 Measures

Islamic work ethics. Consistent with previous research (Khan et al., 2015; Murtaza et al., 2016), we used a 17-item Islamic work ethics scale developed by Ali (1988). Each item was anchored on 5 points ranging from 1 (strongly disagree) to 5 (strongly agree). The scale demonstrated adequate reliability ($\alpha = 0.86$). A sample item measuring Islamic work ethics includes "Human relations in organizations should be emphasized and encouraged."

Teamwork Quality We adopted a standard instrument measuring six dimensions of teamwork quality developed by Hoegl and Gemuenden (2001). This scale had 37 items reflecting six aspects of teamwork quality: communication, coordination, the balance of member contributions, mutual support, effort, and cohesion. The team leader rated each team as a unit on all six dimensions. All items were anchored on a 5-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). The composite 37-item scale showed adequate reliability ($\alpha = 0.92$). Six particular sample items representing each dimension includes "*There was frequent communication within the team* (communication), *The work done on subtasks within the project was closely harmonized* (coordination), *The team members were contributing to the achievement of the team's goals in accordance with their specific potential* (balance of member contributions), *The team members helped and supported each other as best they could* (mutual support), *Our team put much effort into the project effort* (effort), and *The team members were strongly attached to this project* (cohesion)."

Team Performance Team performance was measured using a 9-item scale developed by Ralf Müller (2008). This scale was previously used in several studies (e.g., Aga et al., 2016) and displayed satisfactory reliability ($\alpha = 0.90$). Each item was ranked on five anchors ranging from 1 (strongly disagree) to 5 (strongly agree). A sample item includes "We were able to manage and satisfy all project stakeholders with the project deliverables/outcome."

Control variables We included leader gender and education as control variables. Previous research has demonstrated the correlations between personal and demographic factors and individual ethical and moral values (Peterson et al., 2001).

4.2 Analyses

To test the direct and indirect effect hypothesis, we performed a mediation analysis (model 4, as described in the SPSS process macro) with bootstrap methods (Hayes, 2013). Preacher and Hayes developed an SPSS macro that facilitates estimation of the indirect effect ab , both with a standard theory approach (i.e., the Sobel test) and with a bootstrap approach to obtain confidence intervals (CIs). It also incorporates the stepwise procedure described by Baron and Kenny. Through the application of bootstrapped CIs, it is possible to avoid power problems introduced by asymmetric and other non-normal sampling distributions of an indirect effect (Edwards & Lambert, 2007; Mackinnon et al., 2004)

5 Results

The means, standard deviations, reliability coefficients, and intercorrelations among all the variables under study are shown in Table 1. As shown in the diagonal, all variables demonstrated acceptable reliabilities with alpha values above 0.70 (Nunnally, 1970).

5.1 Discriminant Validity of Constructs

We established the discriminant validity of constructs using the rigorous nested model method by Bagozzi and Phillips (1991). The results revealed that the unconstrained model had a χ^2 of 3178.19 with 1378 degrees of freedom. In contrast, in which the correlation was constrained to 1, the constrained model had a χ^2 of 3401.67 with 1379 degrees of freedom. The difference gives a χ^2 of 223.48 with 1 degree of freedom and a p -value of <0.01 . In conclusion, the χ^2 test's difference

Table 1 Means, standard deviation (SD), correlations, and reliabilities

	Mean	S.D.	1	2	3	4	5
1. Leader gender ^a	1.20	0.40	–				
2. Leader education ^b	3.39	0.77	–0.09	–			
3. Islamic work ethics	3.86	0.53	–0.04	0.04	0.86		
4. Teamwork quality	3.69	0.50	0.05	–0.04	0.63**	0.92	
5. Team performance	4.04	0.64	0.09	–0.04	0.39**	0.43**	0.90

Note:

$N = 188$ project managers

** $p < 0.01$

^a1 = Male, 2 = Female

^b1 = Matriculation, 2 = Intermediate, 3 = Bachelors, 4 = Masters

showed that constraining the correlation between the constructs to 1 did not improve model fit, supporting the conclusion that Islamic work ethics and teamwork quality represent two distinct constructs.

5.2 Model Testing

Table 2 presents the detailed results of the direct and mediation hypothesis. Supporting Hypothesis 1, we found a positive and significant unstandardized regression coefficient regarding the direct association between Islamic work ethics and team performance ($B = 0.49, t = 6.05, p < 0.01$). The bootstrapped direct effect further revealed that this relationship was positive and significant, with a 95% CI between 0.33 and 0.66. Thus, Hypothesis 1 was accepted. In support of Hypothesis 2, Islamic work ethics was positively associated with teamwork quality, as indicated by a positive and significant unstandardized regression coefficient ($B = 0.60, t = 11.20, p < 0.01$). Also, accepting Hypothesis 3, we found the positive and significant relationship between teamwork quality and team performance, controlling for Islamic work ethics ($B = 0.36, t = 3.36, p < 0.01$). Finally, a leader's Islamic work ethics indirectly affected team performance via teamwork quality; this indirect effect was positive (0.22) with a 95% CI between 0.04 and 0.39, supporting Hypothesis 4. The formal two-tailed significance test (assuming a normal distribution) demonstrated that the indirect effect was significant (Sobel $z = 3.15, S. E. = 0.06, p < 0.01$).

6 Discussion

The study contributes to business ethics literature within the public sector domain by examining the trickle-down effect of the leader's Islamic work ethics on team performance via teamwork quality. The limited research on leaders' Islamic ethical values within the public sector and team context are somewhat surprising when project-based IT initiatives are increasingly common. Drawing from social learning theory (Bandura, 1977) and social exchange theory (Blau, 1986), we showed that a project manager's Islamic work ethic is instrumental in aiding project performance and facilitating teamwork quality. Among pioneering studies, Yousef (2001), Beekun (1997), and Ali (1988) discussed this construct more systematically by linking ethical work values with employees or organizational outcomes. We established the utility of Islamic work ethics for collective functionality and performance within government organizations.

In the e-government context, it has been observed that almost 15% of the e-initiatives are successful. However, 50% and the rest of 35% can be labeled as partial and complete failures, respectively (Heeks, 2008). Moreover, while underlining the critical success factors for any information and communication

Table 2 Results of mediation analyses (PROCESS, Hayes, 2013)

Model: 4						
Dependent variable: Team performance						
Independent variable: Islamic work ethics						
Mediator: Teamwork quality						
Covariates: Gender and education						
Sample size: 188 project managers						
Outcome variable	Teamwork quality					
Model summary	<i>R</i>	<i>R</i> ²	<i>F</i>	df1	df2	<i>p</i>
	0.64	0.41	42.34	3.00	184.00	0.00
	Coefficient		SE.	<i>t</i>		<i>p</i>
Constant	1.40		0.26	5.35		0.00
Islamic work ethics	0.60		0.05	11.20		0.00
Gender	0.10		0.07	1.36		0.18
Education	-0.05		0.04	-1.25		0.21
Outcome variable	Team performance					
Model summary	<i>R</i>	<i>R</i> ²	<i>F</i>	df1	df2	<i>p</i>
	0.47	0.22	13.15	4.00	183.00	0.00
	Coefficient		SE.	<i>t</i>		<i>p</i>
Constant	1.57		0.41	3.78		0.01
Islamic work ethics	0.27		0.10	2.65		0.01
Teamwork quality	0.36		0.11	3.36		0.00
Gender	0.14		0.11	1.36		0.18
Education	-0.03		0.05	-0.55		0.58
Outcome variable	Team performance					
Model summary	<i>R</i>	<i>R</i> ²	<i>F</i>	df1	df2	<i>p</i>
	0.42	0.18	13.04	3.00	184.00	0.00
	Coefficient		SE.	<i>t</i>		<i>p</i>
Constant	2.08		0.40	5.25		0.00
Islamic work ethics	0.49		0.08	6.05		0.00
Gender	0.18		0.11	1.66		0.10
Education	-0.05		0.06	-0.84		0.40
Total effect, direct effect, and indirect effect of Islamic work ethics on team performance						
		Effect	SE.	<i>t</i>	<i>p</i>	95% CI
Total effect of Islamic work ethics on team performance		0.49	0.08	6.05	0.00	0.33-0.66
Direct effect of Islamic work ethics on team performance		0.27	0.10	2.65	0.01	0.07-0.48
Indirect effect of Islamic work ethics on team performance						
Effect boot S.E. 95% CI Total indirect effect			Effect	Boot S.E.		95% CI
Islamic work ethics →teamwork quality → team performance			0.22	0.09		0.04-0.39

technology (ICT)-based initiative in the public sector, “management system and structure” holds significant value. In other words, the gap between the reality and idealized (designed) value of the management system, its practices, and hierarchy can help to define and predict ICT success in any public sector organization (Guha & Chakrabarti, 2014; Heeks, 2003a; Ranaweera, 2016). The literature argues that ICT in public sector institutions provides far-reaching benefits and value if implemented and adopted optimally (Glyptis et al., 2020). Apart from the technical aspects, managerial practices and behavior (Ajmal et al., 2010) and organizational structure (Anderson & Henriksen, 2005) take a strategic ICT implementation in public sector institutions. According to Twizeyimana and Andersson (2019), to drive public value and transform any public sector institute with support of ICT initiative requires administrative efficiency and ethical behavior and professionalism in the workforce. The ICT reform in public institutions eliminates most of the face-to-face interaction and reengineer decision-making chains. It still demands fairness, equality, and honesty in eliminating corruption, abuse of power, and maximizing institutional capabilities. In such a scenario, Islamic work ethics may play a significant role in accomplishing positive outcomes.

The role of leadership is highly significant in public organizations, especially those adopting team-based work designs. Team-based organizations mostly execute their primary work functions using teams (Burke & Morley, 2016). It is already well-documented that positive team leadership flows down the organizational and team hierarchy and creates positive work and team outcomes (Cheng et al., 2019; Peng & Wei, 2018; Sendjaya et al., 2019). Thus, we showed that a leader’s Islamic work ethics would positively trickle-down positively affect project performance. Within the team and public sector context, the Islamic work ethics of a leader will signal team members to place considerable emphasis on cooperation, consultation, commitment, and hard work at the workplace, leading team members to improve their task performance through high teamwork quality (Lindsj rn et al., 2016).

6.1 Practical Implications

Islam is the second-largest religion in the world. The Muslim population is the fastest-growing population and constitutes around 24.1% of the world’s population. A significant number of Muslims work in different public-sector industries across the globe. From developed to underdeveloped countries, we observe Muslim employees at various public organization levels (Mahadevan & Kilian-Yasin, 2017). The intense business competition requires a worldwide and diverse workforce to innovate new products and understand new markets. Multinational organizations encourage workplace diversity, offering employment to people from different demographics, national, and religious backgrounds (Howard et al., 2017). Therefore, public organizations should introduce training courses that enlighten individuals about Islamic work practices, especially within Muslim countries. Within a team environment, the project manager’s behaviors and attitudes are considered a critical

success factor for teams. This research has provided evidence that Islamic work ethics builds a formidable social and task environment where individuals focus on accomplishing collective goals. Therefore, if managers want to improve teamwork quality and achieve performance goals, they should consider exercising ethical values and principles encapsulated in Islamic preaching.

6.2 Limitations and Future Research

Like any other social science research, there are few limitations of the study which should be addressed in future studies. In our time-lagged study, we managed to administer survey questionnaires from project managers at two different points during a project. However, getting responses from project managers only is a limitation of this study. There may be a difference in the perceived teamwork quality of team members and project managers. Thus, further studies may propose and test a multilevel model that collects team leaders and team members (Krull & MacKinnon, 2001). Second, both Islamic work ethics and teamwork quality were measured simultaneously at Time 1. Therefore, it is not easy to establish a causal relationship between Islamic work ethics and teamwork quality because of simultaneous measurement. Future research could focus on designing experimental studies within a team context to determine if Islamic work ethics causes teamwork quality and subsequent team performance.

Third, we did not account for the moderating factors or boundary conditions in our input-mediator-output framework. We know that moderating variables could magnify or minimize the strong relationship between the independent and dependent variables. Thus, future research could identify moderating variables that could influence the magnitude of associations between Islamic work ethics, teamwork quality, and team performance. For instance, it is possible that team members' religiosity moderates the relationship between Islamic work ethics and team performance. That relationship becomes more substantial when a team member is high in religiosity rather than low. Fourth, this study on the Pakistani public sector projects' data will be relevant to the team and cultural factors. Regarding the team factor, it would be interesting to explore the utility of Islamic work ethics within virtual teams (Hoch & Dulebohn, 2017). In long-distance or virtual teams, there is no direct and physical contact between leaders and team members. Therefore, team members may not see the leader and hence mimic their behavior and moral values. Regarding cultural factors, Pakistan is a collectivistic country with a strong emphasis on group harmony and success (Hofstede, 2001). Thus, future research could examine the relative importance of the project manager's Islamic work ethics for team performance within western and eastern countries.

References

- Abu-Saad. (2003). The work values of Arab teachers in Israel in a multicultural context. *Journal of Beliefs and Values*, 24, 39–51.
- Ahmad, M. S. (2011). Work ethics: An Islamic prospective. *Journal of Human Sciences*, 8(1), 850–859. Retrieved from <http://www.insanbilimliri.com/en>
- Aga, D. A., Noorderhaven, N., & Vallejo, B. (2016). Transformational leadership and project success: The mediating role of team-building. *International Journal of Project Management*, 34(5), 806–818.
- Ajmal, M., Helo, P., & Kekäle, T. (2010). Critical factors for knowledge management in project business. *Journal of Knowledge Management*, 14(1), 156–168. <https://doi.org/10.1108/13673271011015633>
- Aldulaimi, S. H. (2016). Fundamental Islamic perspective of work ethics. *Journal of Islamic Accounting and Business Research*, 7(1), 59–76. <https://doi.org/10.1108/JIABR-022014-0006>
- Ali, A. (1988). Scaling an Islamic work ethic. *Journal of Social Psychology*, 128(5), 575–576. <https://doi.org/10.1080/0022454.1988.9922911>
- Ali, A. J., & Al-Owaidan, A. (2008). Islamic work ethic: A critical review. *Cross Cultural Management: An International Journal*, 15, 5–19. <https://doi.org/10.1108/13527600810848791>
- Anderson, K. V., & Henriksen, H. Z. (2005). The first leg of E-government research. *International Journal of Electronic Government Research*, 1(4), 26–44. <https://doi.org/10.4018/jegr.2005100102>
- Bagozzi, R. P., & Phillips, L. W. (1991). Assessing construct validity in organizational research. *Administrative Science Quarterly*, 36(3), 421. <https://doi.org/10.2307/2393203>
- Bandura, A. (1977). Self-efficacy: Toward a unifying theory of behavioral change. *Psychological Review*, 84(2), 191–215. <https://doi.org/10.1037/0033-295X.84.2.191>
- Becker, W. J., Cropanzano, R., Van Wagoner, P., & Keplinger, K. (2018). Emotional labor within teams: Outcomes of individual and peer emotional labor on perceived team support, extra-role behaviors, and turnover intentions. *Group and Organization Management*, 43(1), 38–71. <https://doi.org/10.1177/1059601117707608>
- Beekun, R. I. (1997). *Islamic business ethics*. International Institute of Islamic Thought (IIIT).
- Blau, P. M. (1986). *Exchange and power in social life* (2nd ed.). Routledge.
- Brown, M. E., & Treviño, L. K. (2014). Do role models matter? An investigation of role modeling as an antecedent of perceived ethical leadership. *Journal of Business Ethics*, 122(4), 587–598. <https://doi.org/10.1007/s10551-013-1769-0>
- Burke, C. M., & Morley, M. J. (2016). On temporary organizations: A review, synthesis and research agenda. *Human Relations*, 69(6), 1235–1258. <https://doi.org/10.1177/0018726715610809>
- Butchibabu, A., Sparano-Huiban, C., Sonenberg, L., & Shah, J. (2016). Implicit coordination strategies for effective team communication. *Human Factors*, 58(4), 595–610. <https://doi.org/10.1177/0018720816639712>
- Campion, M. A., Medsker, G. J., & Higgs, A. C. (1993). Relations between work group characteristics and effectiveness: Implications for designing effective work groups. *Personnel Psychology*, 46(4), 823–847. <https://doi.org/10.1111/j.17446570.1993.tb01571.x>
- Chen, Z., Zhu, J., & Zhou, M. (2015). How does a servant leader fuel the service fire? A multilevel model of servant leadership, individual self identity, group competition climate, and customer service performance. *Journal of Applied Psychology*, 100(2), 511–521. <https://doi.org/10.1037/a0038036>
- Cheng, K., Wei, F., & Lin, Y. (2019). The trickle-down effect of responsible leadership on unethical pro-organizational behavior: The moderating role of leader-follower value congruence. *Journal of Business Research*, 102, 34–43. <https://doi.org/10.1016/j.jbusres.2019.04.044>
- Chiu, H. C., & Chiang, P. H. (2019). A trickle-down effect of subordinates' felt trust. *Personnel Review*, 48(4), 957–976. <https://doi.org/10.1108/PR-01-2018-0036>

- Danish, D. (2006). The failure of e-government in developing countries: A literature review. *The Electronic Journal of Information Systems in Developing Countries*, 26(7), 1–10. <https://doi.org/10.1002/j.1681-4835.2006.tb00176.x>
- Dayan, M., & Di Benedetto, C. A. (2009). Antecedents and consequences of teamwork quality in new product development projects: An empirical investigation. *European Journal of Innovation Management*, 12(1), 129–155. <https://doi.org/10.1108/14601060910928201>
- de Clercq, D., Rahman, Z., & Haq, I. U. (2019). Explaining helping behavior in the workplace: The interactive effect of family-to-work conflict and Islamic work ethic. *Journal of Business Ethics*, 155(4), 1–11. <https://doi.org/10.1007/s10551-017-3541-3>
- Edwards, J. R., & Lambert, L. S. (2007). Methods for integrating moderation and mediation: A general analytical framework using moderated path analysis. *Psychological Methods*, 12(1), 1–22. <https://doi.org/10.1037/1082-989X.12.1.1>
- Gheytani, A., Imani, S., Seyyedamiri, N., & Foroudi, P. (2019). Mediating effect of intrinsic motivation on the relationship between Islamic work ethic, job satisfaction, and organizational commitment in banking sector. *International Journal of Islamic and Middle Eastern Finance and Management*, 12(1), 76–95. <https://doi.org/10.1108/IMEFM-01-2018-0029>
- Glyptis, L., Christofi, M., Vrontis, D., Del Giudice, M., Dimitriou, S., & Michael, P. (2020). E-government implementation challenges in small countries: The project manager's perspective. *Technological Forecasting and Social Change*, 152, 119880. <https://doi.org/10.1016/j.techfore.2019.119880>
- Goh, J. M., & Arenas, A. E. (2020). IT value creation in public sector: How IT-enabled capabilities mitigate tradeoffs in public organisations. *European Journal of Information Systems*, 29(1), 25–43. <https://doi.org/10.1080/0960085X.2019.1708821>
- Guha, J., & Chakrabarti, B. (2014). Making e-government work: Adopting the network approach. *Government Information Quarterly*, 31(2), 327–336. <https://doi.org/10.1016/j.giq.2013.11.008>
- Haroon, M., Zaman, H., & Rehman, W. (2012). The relationship between Islamic work ethics and job satisfaction in healthcare sector of Pakistan. *International Journal of Contemporary Business Studies*, 3(5), 6–12.
- Hayati, K., & Caniagi, I. (2012). Islamic work ethic: The role of intrinsic motivation, job satisfaction, Organizational Commitment and Job Performance. *Procedia—Social and Behavioral Sciences*, 65, 272–277. <https://doi.org/10.1016/j.sbspro.2012.11.122>
- Hayes, A. F. (2013). *Introduction to mediation, moderation, and conditional process analysis*. Retrieved from https://books.google.com.au/books/about/Introduction_to_Mediation_Moderation_and.html?id=8YX2QwGgD8AC&printsec=frontcover&source=kp_read_button&redir_esc=y#v=onepage&q&f=false
- Heeks, R. (2003a). *I government development projects fail*.
- Heeks, R. (2003b). *Most e-government-for-development projects fail : How can risks be reduced?* Institute for Development Policy and Management University of Manchester.
- Heeks, R. (2008). *eGovernment for development—Success and failure rates of eGovernment projects in developing/transitional countries*. Retrieved March 5, 2018, from Institute of Development Policy and Management website: <http://www.egov4dev.org/success/sfrates.shtml>
- Hoch, J. E., & Dulebohn, J. H. (2017). Team personality composition, emergent leadership and shared leadership in virtual teams: A theoretical framework. *Human Resource Management Review*, 27(4), 678–693. <https://doi.org/10.1016/j.hrmr.2016.12.012>
- Hoegl, M. (2005). Smaller teams-better teamwork: How to keep project teams small. *Business Horizons*, 48(3), 209–214. <https://doi.org/10.1016/j.bushor.2004.10.013>
- Hoegl, M., & Gemuenden, H. G. (2001). Teamwork quality and the success of innovative projects: A theoretical concept and empirical evidence. *Organization Science*, 12(4), 435–449.
- Hofstede, G. (2001). *Culture's consequences comparing values, behaviors, institutions and organizations across nations*. Retrieved from https://books.google.com.br/books?id=w6z18LJ_1VsC&printsec=frontcover&dq=Culture's+Consequences:+Comparing+Values,+Behaviors,+Institutions,+and+Organizations+Across+Nations&hl=en&

- ei=eOWZTcLPEKrXiALG7LCdCQ&sa=X&oi=book_result&ct=book-thumbnail&redir_esc=y#
- Howard, T. L., Peterson, E. A., & Ulferts, G. W. (2017). A note on the value of diversity in organisations. *International Journal of Management and Decision Making*, 16(3), 187–195.
- Husin, W. N. W., & Kernain, N. F. Z. (2019). The influence of individual behaviour and organizational commitment towards the enhancement of Islamic work ethics at Royal Malaysian Air force. *Journal of Business Ethics*, 166, 1–11. <https://doi.org/10.1007/s10551019-04118-7>
- Khan, K., Abbas, M., Gul, A., & Raja, U. (2015). Organizational justice and job outcomes: Moderating role of Islamic work ethic. *Journal of Business Ethics*, 126(2), 235–246. <https://doi.org/10.1007/s10551-013-1937-2>
- Krull, J. L., & MacKinnon, D. P. (2001). Multilevel modeling of individual and group level mediated effects. *Multivariate Behavioral Research*, 36(2), 249–277. https://doi.org/10.1207/S15327906MBR3602_06
- Kumar, N., & Rose, R. C. (2012). The impact of knowledge sharing and Islamic work ethic on innovation capability. *Cross Cultural Management*, 19, 142–165. <https://doi.org/10.1108/13527601211219847>
- Lankau, M. J., & Scandura, T. A. (2002). An investigation of personal learning in mentoring relationships: Content, antecedents, and consequences. *Academy of Management Journal*, 45(4), 779–790. <https://doi.org/10.5465/3069311>
- Liao, C. (2017). Leadership in virtual teams: A multilevel perspective. *Human Resource Management Review*, 27(4), 648–659. <https://doi.org/10.1016/j.hrmr.2016.12.010>
- Liden, R. C., Wayne, S. J., Liao, C., & Meuser, J. D. (2014). Servant leadership and serving culture: Influence on individual and unit performance. *Academy of Management Journal*, 57(5), 1434–1452. <https://doi.org/10.5465/amj.2013.0034>
- Lindsjörn, Y., Bergersen, G. R., Dingsøy, T., & Sjøberg, D. I. K. (2018). Teamwork quality and team performance: Exploring differences between small and large agile projects. *Lecture Notes in Business Information Processing*, 314, 267–274. https://doi.org/10.1007/978-3-319-91602-6_19
- Lindsjörn, Y., Sjøberg, D. I. K., Dingsøy, T., Bergersen, G. R., & Dybå, T. (2016). Teamwork quality and project success in software development: A survey of agile development teams. *Journal of Systems and Software*, 122, 274–286. <https://doi.org/10.1016/j.jss.2016.09.028>
- Ling, Q., Lin, M., & Wu, X. (2016). The trickle-down effect of servant leadership on frontline employee service behaviors and performance: A multilevel study of Chinese hotels. *Tourism Management*, 52, 341–368. <https://doi.org/10.1016/j.tourman.2015.07.008>
- Mackinnon, D. P., Lockwood, C. M., & Williams, J. (2004). Confidence limits for the indirect effect: Distribution of the product and resampling methods. *Multivariate Behavioral Research*, 39(1), 99–128.
- Mahadevan, J., & Kilian-Yasin, K. (2017). Dominant discourse, orientalism and the need for reflexive HRM: Skilled Muslim migrants in the German context. *International Journal of Human Resource Management*, 28(8), 1140–1162. <https://doi.org/10.1080/09585192.2016.1166786>
- Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, R. (Bombie). (2009). How low does ethical leadership flow? Test of a trickle-down model. *Organizational Behavior and Human Decision Processes*, 108(1), 1–13. <https://doi.org/10.1016/j.obhdp.2008.04.002>
- Maynard, M. T., Kennedy, D. M., & Resick, C. J. (2018). Teamwork in extreme environments: Lessons, challenges, and opportunities. *Journal of Organizational Behavior*, 39(6), 695–700. <https://doi.org/10.1002/job.2302>
- Müller, R. (2008). Choosing and developing the right leadership styles for projects! APPEL knowledge services. *ASK Magazine*, 46–47. Retrieved from <https://appel.nasa.gov/2008/01/01/choosing-and-developing-the-right-leadership-styles-for-projects/>
- Murtaza, G., Abbas, M., Raja, U., Roques, O., Khalid, A., & Mushtaq, R. (2016). Impact of Islamic work ethics on organizational citizenship behaviors and knowledge-sharing behaviors. *Journal of Business Ethics*, 133(2), 325–333. <https://doi.org/10.1007/s10551014-2396-0>

- Nunnally, J. C. (1970). *Introduction to psychological measurement*. Retrieved from <https://psycnet.apa.org/record/1970-19724-000>.
- Peng, H., & Wei, F. (2018). Trickle-down effects of perceived leader integrity on employee creativity: A moderated mediation model. *Journal of Business Ethics, 150*(3), 837–851. <https://doi.org/10.1007/s10551-016-3226-3>
- Pescosolido, A. T., & Saavedra, R. (2012). Cohesion and sports Teams. *Small Group Research, 43*(6), 744–758. <https://doi.org/10.1177/1046496412465020>
- Peterson, D., Rhoads, A., & Vaught, B. C. (2001). Ethical beliefs of business professionals: A study of gender, age and external factors. *Journal of Business Ethics, 31*(3), 225–232. <https://doi.org/10.1023/A:1010744927551>
- Pinto, M. B., & Pinto, J. K. (1990). Project team communication and cross-functional cooperation in new program development. *The Journal of Product Innovation Management, 7*(3), 200–212. [https://doi.org/10.1016/0737-6782\(90\)90004-X](https://doi.org/10.1016/0737-6782(90)90004-X)
- Ranaweera, H. M. B. P. (2016). Perspective of trust towards e-government initiatives in Sri Lanka. *Springerplus, 5*. <https://doi.org/10.1186/s40064-015-1650-y>
- Sendjaya, S., Eva, N., Robin, M., Sugianto, L., ButarButar, I., & Hartel, C. (2019). Leading others to go beyond the call of duty: A dyadic study of servant leadership and psychological ethical climate. *Personnel Review, 49*(2), 620–635. <https://doi.org/10.1108/PR-08-2018-0285>
- Sims, R. R., & Brinkmann, J. (2002). Leaders as moral role models: The case of John Gutfreund at Salomon brothers. *Journal of Business Ethics, 35*(4), 327–339. <https://doi.org/10.1023/A:1013826126058>
- Sy, T., Côté, S., & Saavedra, R. (2005). The contagious leader: Impact of the leader's mood on the mood of group members, group affective tone, and group processes. *Journal of Applied Psychology, 90*(2), 295–305. <https://doi.org/10.1037/0021-9010.90.2.295>
- Twizeyimana, J. D., & Andersson, A. (2019). The public value of e-government—A literature review. *Government Information Quarterly, 36*, 167–178. <https://doi.org/10.1016/j.giq.2019.01.001>
- Wasieleski, D. M., & Weber, J. (2019). *Business ethics*. Emerald.
- Yousef, D. A. (2000). The Islamic work ethic as a mediator of the relationship between locus of control, role conflict and role ambiguity—A study in an Islamic country setting. *Journal of Managerial Psychology, 15*(4), 283–298. <https://doi.org/10.1108/02683940010330966>
- Yousef, D. A. (2001). Islamic work ethic: A moderator between organizational commitment and job satisfaction in a cross-cultural context. *Personnel Review, 30*(2), 152–169. <https://doi.org/10.1108/00483480110380325>

Ahmad N. Siddiquei is currently serving as an Assistant Professor of Management at Bond University. Ahmad obtained his doctoral degree in Management from Bond University. Previously, he served as a full-time Lecturer in Business Administration at Air University, Pakistan. His educational background also includes Bachelors in Business and Information Technology and Masters in Business Administration from Bahauddin Zakariya University, Pakistan. His research appeared in high-quality international journals including *Personnel Review*, *International Journal of Manpower*, *Management Business Review*, and *Current Psychology*.

Shafqat Hussain is visiting Lecturer at University of Management and Technology (UMT). He has done his MS Marketing from University of Management and Technology, Lahore. He is a professional trainer of EndNote software. Shafqat has conducted dozens of training workshops on EndNote for reference management and NVivo for the analysis of qualitative data, and combining EndNote and NVivo for literature review. He has more than 10 years of working experience in the corporate sector, academic and research organizations in Pakistan. Shafqat's major areas of research are service systems, service dominant (S-D) logic of marketing, value co-creation, relationship marketing, marketing analytics, qualitative data analysis, textual analysis and text mining.

Muhammad Ali Asadullah is currently working as an Associate Professor in Department of Business Administration, Air University, Pakistan. He holds a PhD in Management Science from Aix-Marseille University, France. With over 10 years of academic experience, his research published in top-tiered international Journals and Books. He has presented his work in several national and international conferences.

Fahad Asmi is currently working at the Department of Communication of Science and Technology, University of Science and Technology of China as an Associate Research Fellow. My research emphasizes the public understanding of Socio-Scientific Issues and the dynamics of Science-Technology-Society.

E-Marketing in Islamic Markets



A. K. M. Ahasanul Haque and S. M. H. Kabir

Abstract During the previous decade, there have been several innovations and improvements in the world of marketing. Parallely, Muslims around the world are showing a growing readiness to apply Islamic principles to their business transactions. They want to know whether Internet marketing strategies are Shari’ah compliant or not. The Holy Quran contains rules and principles which are applicable to all parts of human life, including business and marketing. E-marketing is a relatively young academic and research topic that mixes marketing theories. E-marketing acts as a vital link between consumer perspectives, which are often “connected” to the digital world, and digital conversation interfaces when companies want to convey relevant information to clients. Companies and marketers who are interested in learning more about the Islamic cultural environment and want to participate in it must carefully plan and implement marketing strategies that align marketing best practices with Islamic social and cultural norms. Despite the fact that e-marketing has spread around the world, many Muslims are still uninformed of its position from an Islamic perspective and in terms of Islamic business principles and practices. This chapter provides much-needed guidance to e-marketers who want to target this lucrative and fast-rising client demographic on what to expect and avoid.

1 Introduction

E-marketing is a new academic and research field that combines marketing theory with Islamic ideas and practices. It has given rise to Islamic marketing, which seeks to bridge the gap between the two fields of study. This presents a number of fascinating issues, not least since marketing has a reputation for exaggeration, as well as a rising desire to shock a target audience via debatable marketing techniques and communications (Kotler et al., 2012). Exaggeration and dubious marketing

A. K. M. Ahasanul Haque (✉) · S. M. H. Kabir
Department of Business Administration, International Islamic University Malaysia, Kuala Lumpur, Malaysia
e-mail: ahasanul@iium.edu.my

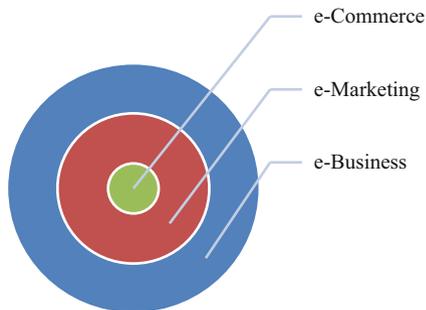
tactics, on the other hand, are incompatible with Islamic principles. It means that companies and marketers who want to investigate and participate in the Islamic cultural environment must carefully plan and develop marketing strategies that match marketing best practices with Islamic social and cultural standards. This was accomplished with considerable success and was a significant step toward achieving an acceptable compromise (Amin et al., 2013). However, it is essential to highlight that further research is required not just to understand marketing strategies in the Islamic setting better but also to develop best practices for this new field of study. As a result, the cultural context of this research necessitates the incorporation of Islamic marketing concepts, which are expected to form the basis of any future marketing plan.

Many breakthroughs and advancements in the field of marketing have occurred during the last decade. Because of the fast growth of the Internet, online choices have multiplied several times, and the field of electronic marketing has reinvented itself many times. Businesses must stay ahead of the trends to remain competitive, especially in the Web 2.0 environment. In recent years, a rising concern has arisen with high visibility about Islamic economic ethics. The significance of idealism and relativism as causes of ethical differences between people has been highlighted by Smith and Quelch (1993). Several types of research have looked at the effect of moral ideology on consumer moral views (Al-Khatib et al., 1995, 1997). Some Muslims are increasingly demonstrating their willingness to use Islamic teachings in their economic dealings. They want to know whether the concepts of Internet marketing are Shari'ah compatible or not. The Quran includes guidelines and ideas that apply to all aspects of life, including business and marketing. "And after the prayer is completed, you scatter across the country, seeking the blessing of God, and remembering God often so that you may prosper", says the Quran (62:10). This passage demonstrates that Allah let His people engage in any activities they choose on earth as long as they did not violate Islamic teachings. In Islam, there is no distinction between spiritual and material activities since all actions that are done according to God's mandate, including business, are considered acts of virtue. As a result, Muslims must adapt and use e-commerce marketing techniques to reap the advantages. Even though e-marketing activities have expanded across the globe, many Muslims are still unaware of the status of e-marketing from an Islamic viewpoint and in terms of Islamic business ethics. In developing Islamic markets, e-marketing is a complex business function to master since multinational businesses must deal with new technology, consumer intents, and regulatory issues. This chapter offers much-needed information to e-marketers who wish to target this rapidly growing and profitable customer base on what to anticipate and what to avoid.

2 E-Marketing

E-marketing is about creating an online company, not just a website, by combining the power of consumers (Siegel, 2000). E-marketing is defined as marketing done online, whether via websites, online advertising, opt-in email, interactive kiosks, interactive television, or mobile phones. It entails getting close to consumers, learning more about them, and sustaining a conversation with them. It is more comprehensive than e-commerce since it encompasses all marketing processes rather than transactions between a company and its stakeholders. The Internet, desktop computers, cellular phones, tablets, and other digital platforms were among the technology and digital media used. E-marketing serves as an essential “bridge” between consumer views, which are often “in touch” with the digital world, and digital conversation interfaces, which businesses utilise to deliver relevant information to customers. The main difference between e-marketing and traditional marketing is that e-marketing employs digital technology that can be measured inherently, allows for targeted conversations, and facilitates the formation of customer-company relationships.

In contrast, traditional marketing is more focused on mass communication. E-marketing can assist in the creation of a customer-oriented business in which the customer participates in a continuous, dynamic dialogue, expressing interests, requesting products and services, suggesting improvements, and providing feedback, and in which the customer ultimately drives the business. E-marketing combines the unique and robust characteristics of interactive media with addressable features, allowing each user to be identified and targeted separately for two-way interactions, services to be tailored for each customer, and purchases to be made and influenced online. Marketers may target digital channels, allowing for constant personal conversation and two-way contact with each customer. This conversation, like a neural network in the human brain, uses data from each consumer contact to influence the following data or information. Marketers also utilise real-time consumer behaviour data and get direct feedback from customers to enhance and optimise interactions. Social media provide information and literacy, which impact consumer decision-making. The fundamental concept in digital marketing is based on an approach known as “inbound marketing”, which is a method or technique for promoting a business through blogs, podcasts, videos, eBooks, e-newspapers, whitepapers, SEO (Search Engine Optimisation), physical product marketing through social media, and other content marketing methods that work to attract customers through various stages of the typical buying process. By directing consumers’ attention to the company’s goods or services and pushing customised information to their requirements, inbound marketing allows for open and “smart” contact with customers. The core of effective marketing techniques is a dynamic conversation. E-marketing and e-commerce are both included in e-business, although e-marketing includes more procedures than e-commerce. The connections between e-business, e-marketing, and e-commerce are shown in Fig. 1.

Fig. 1 EC–EM–EB

E-business entails the automation of all company activities across the value chain, from raw material procurement through manufacturing, stockholding, distribution, and transportation, sales and marketing, after-sales, invoicing, and debt collection. There are many companies who provide e-business services. E-business refers to the capacity to do business via the Internet. E-marketing and e-commerce are examples of this. E-commerce is mainly concerned with the ability to sell or trade online. This includes e-commerce, online banking, and shopping—all of which have transactions in which buyers purchase and consumers shop. Some argue that e-commerce encompasses all online transactions, such as replying to an inquiry or searching via an online catalogue. E-marketing utilises a customer and prospect database to maintain a continuous flow of communication between customers and suppliers, as well as between customers. A two-way communication flow, or a constant conversation between the customer and the provider, is dynamic. E-marketing also includes marketing research and analysis, as well as utilising electronic communications to manage the internal marketing process and better understand consumers.

E-marketing has emerged as the most inventive phenomenon in marketing, and it is critical to use it across all industries. It is also feasible to apply it to the marketing of Indonesia's Islamic banking sector. E-marketing is a new strategy to marketing that blends conventional marketing with the use of media and digital technologies, making it the most disruptive marketing technique (Internet, website, social media, mobile devices, email, and so on). By adopting particular methods, e-marketing may serve as an actuator or a liaison to increase literacy and inclusion of Islamic banking financial goods and services. Running e-marketing campaigns using digital media channels such as search marketing, online advertising, and affiliate marketing, which we will explain later in this chapter, is at the heart of e-business, getting closer to customers and understanding them better, adding value to products, widening distribution channels, and boosting sales. It also entails utilising the website to assist client leads, sales, and customer service management. E-marketing, like traditional marketing, is a method of thinking, a means of placing the consumer at the centre of all online operations, such as having multiple user groups evaluate your website on various browsers, settings, and connections. Shifts and developments in the fields of technology and consumer behaviour, according to Kung (2008), have always been the primary drivers of strategic changes in the use of marketing media.

3 Development of E-Marketing

For the development of e-marketing to promote products and services and enhance brand awareness in competitive marketplaces, many businesses' marketing plans increasingly incorporate e-marketing and, in particular, social media. Until recently, traditional marketing principles such as carefully defining a target market and then utilising direct and indirect marketing methods to attract and retain customers and grow market share were employed. However, e-marketing methods are now regarded best practices in marketing circles, thanks to the social media revolution, which was driven completely by technological development. This is due to e-flexibility marketing and responsiveness, as well as its cost-effectiveness and ability to monitor and analyse consumer behaviour. Furthermore, in a social media environment, word-of-mouth (WOM) recommendation, which is often considered as one of the most successful marketing techniques, performs extremely well. This implies that e-marketing, particularly social media marketing, is rapidly replacing conventional marketing strategies. According to Hajipour et al. (2013), advancements in technology and software enable businesses to use social media to build personalised and well-defined marketing strategies that result in much higher returns on investment and conversion rates for consumers.

Word-of-mouth marketing is the most effective and successful form of marketing, since it leads to product and service recommendations. They claim that when a product or service is highly customised or expensive, customers are more likely to seek recommendations from friends, relatives, or other members of their social network before purchasing. Businesses should take use of the opportunity provided by social media platforms for existing customers to offer referrals and recommendations. Not only can social media platforms help a business create a brand identity, but they can also be used to encourage customers to offer recommendations, boosting brand awareness and spreading the word about the company. Another benefit of e-marketing is that it may serve as a foundation for effective CRM. Businesses may build a complete picture of customer behaviour using data gathered via Internet interactions. This information may be used to help companies develop better products and services, as well as to offer customers with personalised opportunities to enhance customer loyalty. The more information you have about a customer, the easier it is to create highly focused and, as a result, more successful marketing strategies that appeal directly to the wants and requirements of the target market. For example, social media marketing allows for near-instantaneous communication, mimicking how people interact on a regular basis. The notion of brand personality is one of the most important aspects of e-marketing success, as it leads to long-term and solid customer relationships.

Despite the widespread usage of e-marketing techniques, some products and services profit from specific social media marketing strategies. Furthermore, not only the kind and structure of e-marketing, but also its content, must be evaluated in the context of the cultural environment. It's dangerous to presume that marketing messages that work well in one setting will work well in another. Customers

nowadays expect a consistent message from a business regardless of the channel of communication they choose. In a retail environment, a customer would expect the same amount of attention and conversation whether they purchased something online or in person. Many businesses have overlooked this important factor, and as a consequence, they are missing out on opportunities to utilise e-marketing and social media communication. Consumers demand and deserve a consistent and seamless communication and marketing experience, which is why email marketing techniques must be fully incorporated into any existing business or marketing plan. To be effective, marketing communications in the industrial sector and its cultural context must also be consistent with brand positioning and consumer expectations.

4 E-Marketing Practices and Approaches

To attract customers, businesses must advertise their products and services to raise awareness of their operations and enhance their market position. Although marketing is not a new concept, Ahearne et al. demonstrate that in order to stay on top of their industry, businesses must constantly adapt and improve their marketing strategy and messaging in order to provide their customers, and indeed the broader market, with the products and services that they are developing as a business. In recent years, technology has helped the growth of “e-marketing”. This term refers to electronic methods of communication used to advertise a business, such as websites, emails, social media platforms, and pop-up advertising. These are just a few simple examples of how a business may engage in e-marketing. Nonetheless, as best points out, businesses are rapidly developing new methods to connect with customers directly and indirectly via technology, and these approaches fall under the e-marketing umbrella. E-marketing necessitates collaboration among multiple stakeholders, which is characterised by four key interactions (Fig. 2).

In particular B2B or B2C industries, customer-to-business models may play a significant role. A prospective customer visits a marketplace of vendors who compete for the sale under this paradigm. One of the most disruptive instances of Internet business technology has been C2C models. Developing online consumer auctions on eBay and specialised communities focused on hobbies such as sport, entertainment, or pastimes were early indicators of C2C’s appeal. More recently, the development of social networks like Bebo, Facebook, and MySpace, as well as its corporate counterpart Linked, has fuelled a significant increase in C2C interactions.

4.1 Social Media Networks

Social media networks usually contain websites that allows various customers to engage in a community setting. Posting comments and responses to comments, sending messages, rating material, and labelling information in specific categories

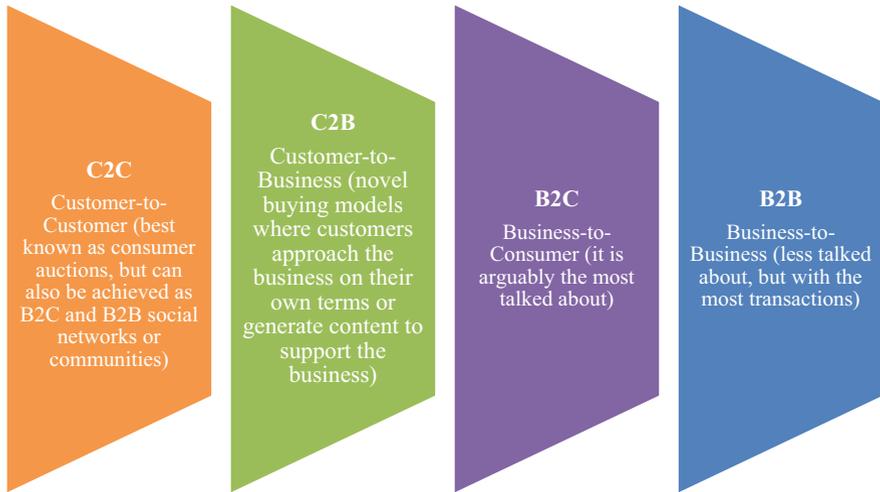


Fig. 2 Choices between a business organisation and its customers

are all everyday interactions. Facebook, MySpace, and LinkedIn are all well-known examples. Delicious, Digg, Flickr, Technorati, and YouTube are other start-ups with a social network component. They may be incorporated into different site types, particularly media-owned sites, in addition to separate social network sites like these. Large social networks like Facebook and MySpace are essentially media owners, with advertising as their primary source of income. As a result of technological and software advancements occurring in parallel with societal change, social media platforms have become a very popular means of communication and participation. Consumers are heavily using social media platforms, for better or worse, as evidenced by the exponential growth of large-scale social media platforms like Facebook and YouTube, as well as businesses' increasing use of social media platforms to increase brand awareness and communicate directly with target consumers.

According to Hoffman and Fodor (2010), social media platforms offer various advantages over traditional types of e-marketing. These capabilities include targeting customers with a fair degree of accuracy based on social media behaviour. According to Healy and McDonagh (2012), social media platforms are the ideal method to provide e-WOM suggestions since social groups can observe their friends' behaviour and react to the recommendations appropriately. There is no more effective form of marketing than a suggestion, according to Kaplan and Haenlein (2011), which is why social media platforms that can be used to spread the word quickly and efficiently on a near-instantaneous basis are a strong weapon in a marketing strategy. Hirschman also talks about how social media platforms may be used to boost brand awareness and value. Customers may share their opinions on a product or service on social media platforms, which helps to create a "buzz" about a brand by raising exposure. Branding is a distinct marketing practice. The greater the

degree of awareness, the larger the brand value, which creates a snowball effect among the target market. Canniford (2011) also believes that branding and social media are effective and that the strength of “consumer tribes” makes them so. Customers that have similar tastes and viewpoints form consumer tribal behaviour, according to Goulding et al. (2013). The marketing implications are that if a business can get momentum on social media within a consumer tribe, it will gain considerably greater visibility and brand value. Although there is no convincing evidence that consumers acquired via social media are more loyal, technology does make it easier for companies to track consumer trends and preferences.

4.2 Search Engine Optimisation

Users may engage and discover sites based on their interests on the Internet, which has evolved into an information-rich medium. Media are third parties that serve as middlemen in an Internet search engine, connecting consumers to the sites that contain the information they seek (Onaifo & Rasmussen, 2013). When consumers do a media “search”, data-based areas are processed in an algorithm, sorted by relevance to the user, and then published as the best search results (White, 2013). There are two types of SEO techniques: black hat SEO and white hat SEO. Black hat SEO is focused on a banned approach, while white hat SEO is focused on content quality and legal considerations that do not jeopardise Internet users’ comfort (Gandour & Regolini, 2011). The goal of SEO is to get a website to show up on the first page of Internet search engine results so that customers can discover it quickly. As a result, it is anticipated that SMEs would improve their marketing and create more sales. This SEO strategy needs the assistance or involvement of the surrounding community to engage the group members to help SMEs (Yusfiarto & Pambekti, 2019). SME actors who have websites may also connect to their own. To guarantee that the website appears on the top page of Internet search engines, this must be done on a large scale. Search Engine Optimisation (SEO) is a notion that has quickly been acknowledged as critical in any online marketing effort, according to Dwyer. According to Sparrow et al. study, just a tiny percentage of Internet users will go beyond the first page of a Google search. Therefore, a company must take the measures required to promote its website and online advertising to rank as high as possible in a Google search. Over 2.4 billion people use the Internet every day, according to Internet World Statistics, and getting an organisation’s website or advertisements to show on the first page of a Google search is a good method to raise exposure. As a consequence, SEO participation is founded on sound commercial principles. As software has become more sophisticated, Google has attempted to improve the filters that promote a website based on the actual number of clicks-through from visitors, and Google has been aware of crude attempts to promote websites through excessive use of keywords. As a consequence, although keywords are important, the content of the website must also be appealing to visitors. This, according to Potts, may be achieved by including multimedia content such as videos

and images, as well as linking websites to other forms of online communication such as social media feeds. Having a consistent online marketing plan that pulls together all of the online content and helps in boosting a website's Google search ranking is very important. Chung also warns businesses claiming to improve SEO, saying that Google is always increasing the complexity of its search engines based on natural searches that mimic human behaviour rather than attempts to manipulate SEO results using software programs. This is why it's crucial to provide reliable SEO content on all web platforms.

4.3 Google AdSense and Google Endorsement

Google has rapidly risen to the top of the Internet search engine rankings. According to Sparrow et al., only approximately 10–15% of visitors go beyond the first page of a Google search; therefore, combining Google AdSense and Google Endorsement may improve a website's search rankings and popularity. Google AdSense is a program that enables consumers to receive and promote personalised advertising and marketing content based on their browsing history. This information is collected via cookies, which track user behaviour and allow Google AdSense advertisers to ensure that their marketing messages are sent to the right individuals. According to Vegh, AdSense may take different forms based on what a consumer is seeking for, including content, search-related, and domain-rated links. As a consequence, using AdSense with keywords to promote a company in an online marketplace may be beneficial. Google Endorsement is a Google-sponsored site that lets users promote and share personalised recommendations. Marketers have long recognised personal word-of-mouth endorsement as one of the most successful forms of marketing. Furthermore, social media promotes the trend via a concept known as e-WOM. Google Endorsement, for example, allows individuals to share their opinions and feelings about products and services. Given the high degree of confidence needed between the service provider and the customer in financial services, utilising Google endorsement as a kind of e-WOM may be very advantageous.

4.4 Email, QR Code, Pop-Up and Banner Advertising

Email marketing is a technique of disseminating product or service information or collecting consumer opinions about a product or service through email. Customers' and potential customers' email addresses may be gathered or bought. Direct marketing, such as email marketing, is direct marketing (Linh & Tung, 2008). Email marketing offers exclusive discounts and postcards, profit and sales growth, product and service promotion, and a last-minute special offer. A banner is an ad placed on a website for a charge. Traditional newspaper or magazine advertisements are the offline counterpart of this kind of Internet marketing. The cost of a banner service is

relatively high. Banner advertisements are graphical displays on websites to get users to click on the ad and go to the promoted website. There are many distinct types of typical banner advertisements, each shape and size (Chaffey & Smith, 2007). Websites and Internet searches are mainly linked with pop-up and banner advertising. Pop-up advertisements display in the centre of web pages, while banner advertisements show on the side, top, or bottom of web pages. When downloading apps, consumers are increasingly associating pop-up banner advertising with mobile devices such as tablets and smartphones. Because the businesses who put advertisements there collect a fee every time a consumer clicks on the link or advertisement, pop-up and banner advertising are typically sponsored.

Organisations in charge of managing this type of advertising argue that it has a high conversion rate based on “click-throughs”, but Li et al. (2011) say that just because someone clicks on a banner advertisement does not mean they have been converted to the product, as clicking on such a banner advertisement is frequently unintentional. Furthermore, Becerra and Korgaonkar (2010) cast doubt on the pop-up and banner advertising’s assumed popularity and efficacy, showing that many customers find it incredibly annoying. QR codes are getting more and more popular as an e-marketing tool. QR codes are binary pictures produced at random and maybe scanned by a QR code reader to direct the user to a specific web page. Businesses often employ these as a type of irregular marketing to raise awareness of unique goods for special occasions. They are popular with consumers because of the novelty value, and they are popular with companies because they allow for a high level of customer conversion and precise tracking of consumer behaviour. Consumers that scan the code are more likely to engage with the company and act based on the information provided on the website. QR codes are also compatible with mobile devices, which makes them more appealing to younger consumers who depend on their phones to connect and interact.

5 E-Marketing from Islamic Perspective

Internet marketing may be used in an Islamic context, but it must be aligned with the Quran and Hadith’s principles. Internet marketing is a technical strategy that focuses on connection speed and acceleration. In this revolutionary economic period, the Internet remains a central marketing technique; individuals of all ages adapt their paradigms and then utilise businesses with online capabilities to make ends meet. This change creates new business possibilities, as well as outcomes and growth (Varadarajan & Yadav, 2009). The cornerstone to establishing loyalty in online marketing is trust. Security and privacy may provide a feeling of security, while pricing and policies can enhance buying choices. From an Islamic standpoint, this method requires four approaches: (1) goods or services are commodities that are following Islamic values; goods or services are halal, decent, and free of gharar and usury commodities and are clearly defined; (2) there is clear communication—constant communication can reduce suspicion by various parties; (3) there are two

types of cancellation policies, an offline (real world) and an online system; and (4) the products purchased are halal, decent, and free of gharar and usury commodities and are honestly defined (Amin, 2008; Ibrahim et al., 2009). Islamic commercial unity began to emerge in the late 1980s. Scholars from Islamic nations such as Saudi Arabia and Malaysia concentrated on the subject of the advertisement. More work on Islamic marketing has been done in the last decade with specialised publications to address various Islamic and marketing issues (Wilson, 2012). Previous empirical reviews are based on the Quran and prophetic texts (Luqmani et al., 1989). Several academics have suggested that contemporary commercials and other advertising efforts for US or British methods in Islamic nations be subjected to material analysis (Kalliny, 2010). According to their findings, Islam promotes regulated advertisements. Rice and Al-Mossawi (2002) labelled target groups as Muslims without considering their moral convictions or spiritual activities.

Similarly, the Muslim people paid greater attention to Islamic issues. Advertisers in Middle Eastern nations, according to Wilson (2012), will be aware of Islamic ideas, beliefs, and religious customs. In 1989, Luqmani observed that ignoring faith's influence on advertising, particularly Islam, would oppress many of the theologically adherent population. The amount was harmful to the relocated group. The disgruntled group may also impact society's perspective and consumer views. Religious authority, according to Luqmani et al. (1989), has a significant influence on the conservative portion of the population's mark views. However, subsequent research has not identified Islam's impact on promotional tactics due to the effect of Salafism in Saudi Arabia or hannibalism jurisprudence. It serves to create a basis on which Islam influences Saudi Arabia's advertising, according to Luqmani et al. (1989). Three Quranic lessons on advertisement have been identified: (1) Islamic taboos (Haram): food, lotteries, deceptive advertising, idol pictures, and women's non-Islamic representations; (2) Islamic responsibilities, such as Islamic prayer; and (3) thanks to Allah for His bounties. Rice and Al-Mossawi (2002) focused their research on Islamic advertising in schools. They pointed out that, owing to religious interpretations, women's roles in advertising vary throughout the Muslim world. In contrast to problems like sins portrayal, Islam and publicity studies are now emphasised to show suitable activities.

6 Halal E-Marketing on Muslim Consumer Markets

A purchasing behaviour test is a consumer behaviour study that includes both the payor and the customer. As a result, to study consumer purchasing behaviour, corporate knowledge is required. Predicting consumer purchases is difficult since goods and services are the primary purchasers (Gajjar, 2013). Consumer behaviour may be influenced by a variety of variables, including cultural and social considerations. The perception was a method of selecting, organising, and interpreting information better to understand it (Mutsikiwa & Basera, 2012). Perception significantly impacts consumer behaviour since it influences the buyer's purchasing

choices (Mohamed et al., 2008), due to the rapid dissemination of technologies and knowledge on the Internet across various channels such as tablets, social networking platforms, and word-of-mouth online. Such advancements make the world seem like a tiny town, encouraging customer involvement and access. Consumers desire wireless communication networks for product information and services. It was a part of people's daily lives. The number of Internet users worldwide has surpassed 4.1 trillion, with 92% of smartphone users accessing the Internet. There are 3.56 billion active social network members worldwide (Alomari et al., 2020). Many customers of goods and services use digital marketing and social media extensively as they seek knowledge and data on purchased items and share their experiences with others (Salloum & Shaalan, 2018; Salloum et al., 2019), which reacts more frequently to marketers of this fundamental transformation using digital marketing channels. Indeed, by 2020, Internet channel-streamed advertisements are projected to account for almost two-thirds of consumer expenditure. Customer marketing, on the other hand, is rapidly being used in digital settings, particularly on social media and mobile phones. Ideology is a collection of ideas and behaviours that respond to people's spiritual and religious emotions. Many religious groups encourage or prohibit certain consumer habits. Members of various religious groups may make purchasing choices that are influenced by their religious identification. Multinational business and communications guides are well aware of this. Religion has piqued the attention of academics and marketers alike, and it is an under-researched marketing topic. Christianity and religion are two different things. Religion refers to a specific religion or belief, such as Islam, which is a Muslim belief or belief in Islam, as well as Sunni and Shia faiths. Religion, on the other hand, is defined as the degree to which a person maintains religious ideas, values, and beliefs in particular.

Religion, like gender and age, is a demographic characteristic, according to Mokhlis (2008). As a result, there is a distinction between religious belief and religiosity. Although religion or social connections vary from moral affiliations and may be formed at cognitive and behavioural levels, political affiliation is usually referred to as the particular religious or denominational involvement of individuals in each area. The cognitive norm relates to how a person's religious beliefs are held (Mokhlis, 2008). Religiosity is described as "the degree of religiosity"; however it is a complex term that includes many aspects such as beliefs, experiences, and actions that impact a person's whole life. According to Johnson et al. (2001), religiosity is the degree to which a person's commitment to religion manifests itself in the form of individual attitudes and conduct. Religiosity refers to a person's employment of religious ideals, beliefs, and traditions in their everyday lives. A highly religious person, according to this idea, may glimpse the future via divine designs and integrate his Christianity into much of his life. According to studies on faith and consumer behaviour, two religious perspectives affect consumer behaviour. First, religion works at a macro level, allowing its followers to live out those ideals. Such principles have been acknowledged as basic beliefs at the national level, and parents encourage and inspire their children to embrace similar values to adhere to society for the common good. Second, religious commitment and religiosity influence the attitudes and behaviours of customers inside a religion, according to the principles

and norms of that faith (Schiffman et al., 2010). Religiousness is an incredibly significant cultural and religious element that may affect consumer behaviour since consumer behaviour is frequently classified according to the religion of the target audience. Religion's influence on consumer behaviour is proportional to its level of religiosity. Religiousness affects consumer behaviour by affecting a person's personality structure, which includes their views, values, and habits, according to Mokhlis (2008). Christian religious adherents who adhere to a strong religious standard accept divine belief positively and openly, as well as all of their religion's doctrines, laws, standards, and qualities. They actively worship, give alms and charity, and meet as a community daily. Christians with little religiosity, on the other hand, are seen as liberal and democratic since they are free to fulfil their duties. As a result, while evaluating the nature of consumer behaviour, the degree of individual religiosity should be considered.

7 Conclusion

Muslim customers' views and actions are influenced by their religious beliefs (Ansari, 2014). It's also evident that more devout Muslims adhere to Islamic obligation rules more strictly than less religious Muslims. When Muslim customers better understand their faith, they become more selective about the products they buy or use. Furthermore, as consumers become more knowledgeable about food and health, the need for informative labelling and the right to be adequately informed will become even more critical. There has been a considerable rise in interest in studying the impacts and connections between advertising and religion in the past decade. There were just a few reports on Islamic advertising problems in the Gulf Cooperation Council nations (Rice & Al-Mossawi, 2002). While more academics are studying this topic, contemporary studies analyse Islam in theological and jurisprudential terms from a holistic perspective, ignoring differences of opinion on the interpretation of Islamic law (Shari'ah). As a result, the majority of research tend to generalise. On Muslim marketplaces, there is a significant case for religious behaviour and lifestyles, yet religious membership rates differ globally, which is why religious belonging affects consumer behaviour. It's also apparent that stricter moral obligation standards apply to Muslims who are very devout. Religious involvement in gender-related products was a significant influence. For highly spiritually engaged individuals, gender-based commodities are more problematic than non-religious goods. The rapid growth of satellite channels in Muslim countries, as well as the increase in controversial advertising and advertising of controversial products, may have made people more tolerant of them and increased the acceptability of controversial products in Muslim societies, particularly among younger generations, given the possibility of group disparities in a Muslim culture regarding problematic goods and their age-based publications, gender, education, and wealth. Therefore, e-Marketing must be aligned with the Quran and Hadith's principles.

References

- Al-Khatib, J. A., Dobie, K., & Vitell, S. J. (1995). Consumer ethics in developing countries: An empirical investigation. *Journal of Euro-Marketing*, 4(1), 87–109.
- Al-Khatib, J. A., Vitell, S. J., & Rawwas, M. Y. A. (1997). Consumer ethics: A cross-cultural investigation. *European Journal of Marketing*, 31(11/12), 750–767.
- Alomari, K. M., Maqableh, A. N. Y., Salah, A. A., Alshaketheep, K. M. I., & abu Jay, A. A. (2020). Impact of halal digital marketing on consumer behavior: Jordan's perspective. *International Journal of Economics and Business Administration*, 8, 202–215. <https://doi.org/10.35808/ijeba/537>
- Amin, H. (2008). E-business from Islamic perspectives: Prospects and challenges. *Journal of Internet Banking and Commerce*, 13(3), 1–13.
- Amin, M., Isa, Z., & Fontaine, R. (2013). Islamic banks: Contrasting the drivers of customer satisfaction on image, trust, and loyalty of Muslim and non-Muslim customers in Malaysia. *International Journal of Bank Marketing*, 31(2), 79–97.
- Ansari, Z. A. (2014). The relationship between religiosity and new product adoption. *International Journal of Management Sciences*, 2(6), 249–259.
- Becerra, E. P., & Korgaonkar, P. K. (2010). The influence of ethnic identification in digital advertising how Hispanic Americans' response to pop-up, E-mail, and banner advertising affects online purchase intentions. *Journal of Advertising Research*, 50(3), 279–291.
- Canniford, R. (2011). How to manage consumer tribes. *Journal of Strategic Marketing*, 19(7), 1–17.
- Chaffey, D., & Smith, P. R. (2007). *eMarketing eXcellence: Planning and optimizing your digital marketing* (3rd ed.). Butterworth-Heinemann.
- Gajjar, N. B. (2013). Factors affecting consumer behavior. *International Journal of Research in Humanities and Social Sciences*, 1(2), 10–15.
- Gandour, A., & Regolini, A. (2011). Website search engine optimization: A case study of Fragfor.net. *Library Hi Tech News*, 28(6), 6–13.
- Goulding, C., Shankar, A., & Canniford, R. (2013). Learning to be tribal: Facilitating the formation of consumer tribes. *European Journal of Marketing*, 47(5), 91–106.
- Hajipour, B., Bavarsad, B., & Zarei, S. E. (2013). Effect of marketing factors on brand relationship equity and affects the customers' purchase intention. *Journal of Management Research*, 5(1), 11–19.
- Healy, J. C., & McDonagh, P. (2012). Consumer roles in brand culture and value co-creation in virtual communities. *Journal of Business Research*, 13(1), 3–26.
- Hoffman, D. L., & Fodor, M. (2010). Can you measure the ROI of your social media marketing? *MIT Sloan Management Review*, 52(1), 41–49.
- Ibrahim, E. N. M., Noor, N. L. M., & Mehad, S. (2009). Trust or distrust in the web-mediated information environment (W-MIE): A perspective of online Muslim users. *Journal of Enterprise Information Management*, 22(5), 523–547.
- Johnson, B. R., Jang, S. J., Larson, D. B., & De Li, S. (2001). Does adolescent religious commitment matter? A reexamination of the effects of religiosity on delinquency. *Journal of Research in Crime and Delinquency*, 38(1), 22–44.
- Kalliny, M. (2010). Are they really that different from us: A comparison of Arab and American newspaper advertising. *Journal of Current Issues and Research in Advertising*, 32(1), 95–108.
- Kaplan, A. M., & Haenlein, M. (2011). Two hearts in three-quarter time: How to waltz the social media/viral marketing dance. *Business Horizons*, 54(3), 253–263.
- Kotler, P., Keller, K. L., Brady, M., Goodman, M., & Hansen, T. (2012). *Marketing management* (2nd European Ed.). Pearson Education.
- Kung, L. (2008). *Strategic management in the media: Theory to practice*. Sage.
- Li, X., Liu, Y., & Zeng, D. (2011). Publisher click fraud in the pay-per-click advertising market: Incentives and consequences. In *Intelligence and Security Informatics (ISI), 2011 IEEE International Conference on* (pp. 207–209). IEEE.

- Linh, P. N., & Tung, H. (2008). *Internet acquisition process*. Bachelor's Thesis of Degree Program in International Business.
- Luqmani, M., Yavas, U., & Quraeshi, Z. (1989). Advertising in Saudi Arabia: Content and regulation. *International Marketing Review*, 6(1). <https://doi.org/10.1108/EUM000000001503>
- Mohamed, Z., Rezai, G., Shamsudin, M. N., & Chiew, E. F. C. (2008). Halal logo and consumers' confidence: What are the important factors. *Economic and Technology Management Review*, 3(1), 37–45.
- Mokhlis, S. (2008). Consumer religiosity and the importance of store attributes. *The Journal of Human Resource and Adult Learning*, 4(2), 122–133.
- Mutsikiwa, M., & Basera, C. H. (2012). The influence of socio-cultural variables on consumers' perception of halal food products: A case of Masvingo urban, Zimbabwe. *International Journal of Business and Management*, 7(20), 112.
- Onaifo, D., & Rasmussen, D. (2013). Increasing libraries' content find ability on the web with search engine optimization. *Library Hi Tech*, 31(1), 87–108.
- Rice, G., & Al-Mossawi, M. (2002). The implications of Islam for advertising messages: The middle eastern context. *Journal of Euromarketing*, 11(3), 71–96.
- Salloum, S. A., Al-Emran, M., Shaalan, K., & Tarhini, A. (2019). Factors affecting the E-learning acceptance: A case study from UAE. *Education and Information Technologies*, 24(1), 509–530.
- Salloum, S. A. S., & Shaalan, K. (2018). *Investigating students' acceptance of E-learning system in Higher Educational Environments in the UAE: Applying the Extended Technology Acceptance Model (TAM)*. The British University in Dubai.
- Schiffman, L. G., Kanuk, L. L., & Wisenblit, J. (2010). *Consumer behavior* (Global Ed.) (Vol. 12(2), pp. 113–120). Pearson Higher Education.
- Siegel, D. (2000). *Futurize your enterprise. Business strategy in the age of the e-customer*. Wiley.
- Smith, N. C., & Quelch, J. A. (1993). *Ethics in marketing*. Homewood.
- Varadarajan, R., & Yadav, M. S. (2009). Marketing strategy in an internet-enabled environment: A retrospective on the first ten years of JIM and a prospective on the next ten years. *Journal of Interactive Marketing*, 23(1), 11–22.
- White, A. (2013). Search engines: Left side quality versus right side profits. *International Journal of Industrial Organization*, 31(6), 690–701.
- Wilson, J. (2012). The new wave of transformational Islamic marketing: Reflections and definitions. *Journal of Islamic Marketing*, 3(1), 5–11.
- Yusfiarto, R., & Pambekti, G. (2019). Does internet marketing factors with Islamic value improve SMEs performance? *Journal of Islamic Monetary Economics and Finance*, 5, 807–828. <https://doi.org/10.21098/jimf.v5i4.1101>

A. K. M. Ahasanul Haque (FCIM) is a professor of International Islamic University Malaysia (IIUM). He obtained PhD from Graduate School of Management, University Putra Malaysia in 2001. He has publications of numerous books, chapters, and over 200 articles to internationally refereed indexed journals. He received awards for outstanding research activities. He is attached in many research grants and consultancy projects locally and internationally. He serves as editorial board member of several internationally indexed journals and appointed as adjunct professor, visiting professor and external assessor by several institutes around the world. His research interests cover the areas of digital marketing, international marketing, and consumer behaviour.

S. M. H. Kabir is a PhD graduate from International Islamic University Malaysia. He has authored and co-authored in a significant number of research papers and conference proceedings which are being published by international journals indexed in SCOPUS, WoS, and other indexing. He is a reviewer of Emerald and Wiley publishing journals. He has worked in several collaborative, contract research projects funded by institutions from Malaysia and Japan.

Managing Halal Food Knowledge and Innovation: Small and Medium Food Enterprises' (SMFEs) Performance



K. Noorliza

Abstract The chapter discusses the knowledge of halal food invention, the concept of innovation, firms' innovation, and performance. In practice, halal food invention is for the benefit of stakeholders, firm innovation, and profitability. It provides more knowledge regarding the halal value creation effects on halal food consumption of consumers or consumers' halal food purchasing behaviour. Further, it enables marketers to develop strategies to promote halal-certified food products and increase their engagement with consumers.

1 Introduction

Halal is a dynamic business with global demand contributing to sustainable socio-economic growth in Islamic and non-Islamic nations. These active global halal markets require firms to find new strategies and resources to innovate and obtain superior performance and sustained competitive advantage (Karia & Asaari, 2016a). Innovation is vital for small and medium food enterprise survival, performance, and growth. Halal product and process innovation create firms' innovation capability, driving a firm's profitability and competitive advantage to meet massive consumer demands. As a result, such halal food invention promises the success of firms' innovation capability, suggesting halal-certified products can positively affect firm innovation and performance (Fig. 1). The chapter discusses the knowledge of halal food invention, the concept of innovation, firms' innovation, and performance. In practice, halal food invention is for the benefit of stakeholders, firm innovation, and profitability. It provides more knowledge regarding the halal value creation effects on halal food consumption of consumers or consumers' halal food purchasing behaviour. Further, it enables marketers to develop strategies to promote halal-certified food products and increase their engagement with consumers.

K. Noorliza (✉)

Operations Management, Universiti Sains Malaysia, Pulau Pinang, Malaysia

e-mail: noorliza@usm.my

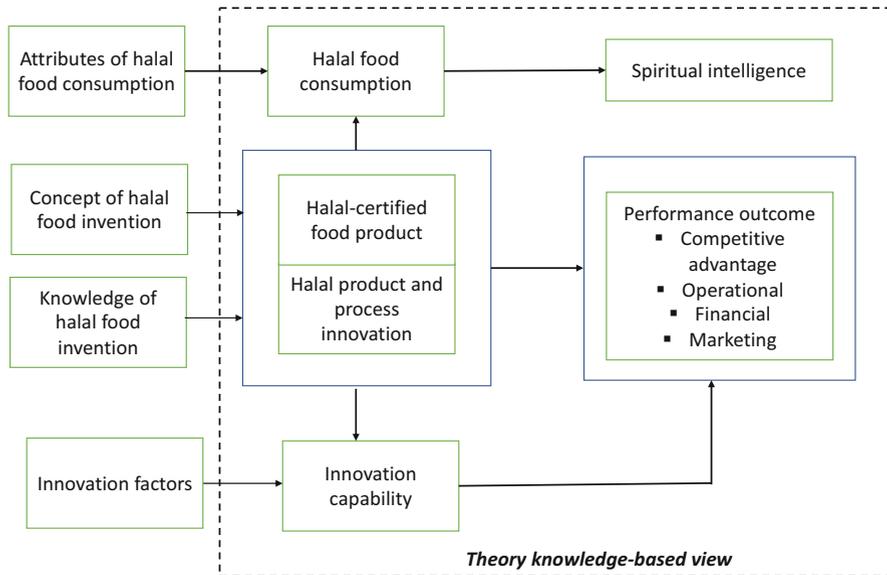


Fig. 1 Innovation, halal food consumption, and performance

2 Knowledge of Halal Food Invention

Muslims can focus on helping people and societies by inventing new knowledge and ideas regarding halal food wisdom that, consequently, leads to the growth and development of spiritual intelligence (Ismail & Karia, 2017). There is a substantial relationship between halal food and the ways humans manage and govern the world.

“Halal food is a powerful force that possesses the capability of perfect chemical reaction for quantum communication by intelligent electrons (messenger particles) to transpire what will enhance our consciousness to its highest levels of intelligence” (Ismail & Karia, 2017, p. 10). The authors state that the spirituality and metaphysics of halal food is not a theory; it is the neuroscience and quantum mechanics of the human body in its micronutrient state. Spirituality reflects the harmony in self and a holistic understanding between spirit and body that enables a sense of inner calm and connection to others in a meta-physical mind, vital to human well-being (Ratten et al., 2017).

This can be contemplated by the verse, “By the fig and the olive; and the Mount Sinai”, Surah At-Tin verse 1. When God takes an oath on something, it possesses an intrinsic value for humankind. The olive strengthens your immune system, while the fig is rich in serotonin which provides us with feelings of bliss/happiness and other great benefits, along with the proper chemical reaction to transpire within the body and the brain. Mount Sinai is where Prophet Musa a.s. communicates with God (the highest level of consciousness). God is speaking to us that living food can provide

immense nutritional impact upon the body to help humans raise their level of awareness.

O' mankind! eat of what is in the earth lawful and good; and do not follow the footsteps of Satan. Surely he is a manifest foe for you. (Al-Quran, Surah Al-Baqarah 2: 168)

Believers! Eat of the pure things wherewith We have provided you for sustenance and give thanks to Allah if it is Him that you serve. (Al-Quran, Surah Al-Baqarah 2: 172)

Eat of the things which Allah hath provided for you, lawful and good; but fear Allah, in Whom ye believe. (Al-Quran, Surah Al-Maaidah 5: 88)

So eat of the sustenance which Allah has provided for you, lawful and good; and be grateful for the favors of Allah, if it is He Whom ye serve. (Al-Quran, Surah Al-Nahl 16: 114)

These recitations of the Quran promote the eating of halal food for those who seek the blessing of Allah, while also prohibiting them from consuming anything that is harmful to a body (haram). The word “lawful” and “pure” as terms used for halal are the mechanisms for human beings’ spiritual intelligence consciousness. Halal food has a significantly influential connection with the human body-mind-soul. What we eat is what our body gets; thus, halal food directly affects our body, which thereby affects our mind. A pure body affects the mind, which significantly impacts a true believer and the institution of their soul, which is crucial in order to worship God appropriately.

Muslims should not simply consume foods permissible by Islamic dietary law; they should learn why it is important and promote the invention of halal products to the world by emphasizing the missing ingredient of its spiritual values and exploring how the human body interacts with halal food. Scholars and industry have acknowledged the slaughtering effects of spirituality much better than the physical method. Pure halal food can process intelligent thought and impact human civilization with the highest intrinsic value and social-religious structure. Such particle physics and scientific findings of the most subtle consciousness of matter endorse the Holy Quran’s spiritual significance and challenge modern science’s perception of the spiritual sciences. The Quran, thus, encourages innovation, new knowledge, new practices, or good practices while strictly prohibiting evil practices or inventions that are harmful to people and the planet (animals and environment).

Islam welcomes innovations or new knowledge if they conform to Islam; hence, Islam encourages the innovativeness of products or services which are shariah-compliant businesses. It is a form of ibadah (worship) in enterprises, operations, and all related services. Ibadah, in any form, like inventing or consuming halal food, will bring positive effects to akhlaq because people who serve ibadah will train themselves to obey the principles of shariah as outlined by the Quran (al-Hijr 15: 99; al-Kahfi 18: 107–108; al-Ankabut 29: 45). Islam teaches that the function of ibadah is to shape akhlaq and to soften manners. A strong aqidah can drive a person to fulfil their responsibility as a Muslim by performing ibadah to Allah. Islam thus encourages prosperity through venture into business following the Holy Quran and the prophet’s Hadith (Ramadani et al., 2015).

3 The Concept of Halal Food Invention

Innovation refers to halal-certified food, halal product and process innovation, a new invention that leads to the growth and development of spiritual intelligence (individual performance), firm performance, and competitiveness. God commands us to eat halal food because our body reacts to the food we eat, thereby suggesting that halal food has a positive impact on our body, affecting our minds. Therefore, food that we consume has a certain degree of spiritual purity that stimulates positive and spiritual energies, subsequently enhancing human civilization.

Halal value creation under Islamic thought conveys a firm's responsible business practices and practical systems in terms of four Islamic values:

1. Aqidah—faith and belief that halal food offers benefits
2. Akhlak—behaviour, ethics, and morality to obtain halal food certification and offer halal-certified food to customers
3. Shariah law—an act to establish the halal standard, halal assurance system for halal certification requirements
4. Allah blessing—divine compassion

Aqidah signifies a strong faith, agreement, and intention (qasad) that could control every act or intent of an individual in life, which shapes the framework of moral and ethical behaviour (akhlak) of a person (Ismail et al., 2011). Akhlak is a positive human behaviour in Islam or visibility of positive acts, the practice of virtue, morality, and manners in Islamic theology and philosophy (Ismail et al., 2011). Shariah comprises laws prescribed by Allah so that humans hold dearly to Him in fulfilling their duties as a servant of God, as a person, and as someone with duties or responsibilities to nature, the environment, surroundings, and life as a whole (Din, 1985; Kamali, 2010). Those who declare themselves to be a believer but neglect either three of these values are not accountable in business and to themselves.

Halal certification acknowledges that the product or service is shariah compliant and follows the Islamic guidelines; this is represented by documentation, a logo, trademark, label, or Trustmark. It ensures the products or services uphold halal standards determined by JAKIM, the halal regulations and enforcement, a global benchmark, as safe, quality assured, hygienic, wholesome, pure, trustworthy, nutritious, healthy, brand image, and reputable. The objective of halal certification is to continuously increase the certainty of halal and quality of the products or services (cleanliness and purity—tayyib), firms' profitability and competitiveness and environmental preservation (Karia & Asaari, 2016b, 2016c), and the Islamic values in the welfare of human beings (communal obligation), sustenance (rizq), and, ultimately, Allah's blessing (barakah) and compassion (Rahmah) to improve all Muslims' connection, devotion, and submission to Allah s.w.t. (Firdaus, 2020; Karia & Asaari, 2016b). Therefore, the halal logo or halal brand appeals to Muslim and non-Muslim consumers because of the high confidence in the product's safety, quality, and purity which is widely recognized and accepted globally.

An invention of halal products can be based on the significant benefits to profit (economy), people (society), and planet (environment) (Karia & Asaari, 2016b, 2016c). The following 4Ps' benefits are as follows:

1. Product or process (zero defect, shariah compliant)—provide halal (lawful) and tayyib (clean) food products, halal-certified products; quality, nutritional, and safe products; tasty, healthy, more hygienic, original, and with animal welfare, than haram foods.
2. Profit (maximizing firm and public interest)—halal-certified products enable firms to gain better and long-term success.
3. People—halal food consumption leads to human beings' spiritual intelligence, promoting mental alertness, life thought and learning, physical-emotional-spiritual health, job performance, and satisfaction.
4. Planet (maximizing benefits to the environment and animal welfare)—consumption of halal food promotes environmental and sustainable performance.

Product innovation involves creating halal goods or services consumed by customers, whereby process innovation improves the creation or delivery of halal products or services. It evolves from the halal product invented and obtained as a halal-certified product to halal market products adopted by more people (Muslims and non-Muslims). Firms adopt or focus on halal product development by capturing opportunities such as the following:

1. Understanding the customer—ahead of halal market trends about the halal food wisdom.
2. Economic change—increasingly more people are willing to pay for halal in the long run.
3. Sociological and demographic change—increasing halal lifestyle, increasingly more people demand halal-certified products or services.
4. Technological change—technologies improve the quality of halal products and enable halal products to be reached everywhere.
5. Political and legal change—new trade agreement, tariffs, government requirements, and halal as mandatory.
6. Other changes—paradigm shifts create new opportunities for market practice, professional standards, suppliers, and distributors.

The potential to invent halal products or create valuable knowledge determines innovation capability comprising product innovation—radical innovation focuses on the invention of a new product—and process innovation, refers to a new method or process making a product. The refinement or minor adaptation of current products and processes considers incremental innovation. Firms can strive to innovate through an innovation strategy:

1. Product-based—design a new halal-certified food
2. Halal-based—apply new technologies in halal product or process innovation
3. Opportunity-based—adopt halal implementation and achieve success through potential halal business, mimic halal adoption success from competitors

4 Attributes of Halal Food Consumption

Halal product invention is the critical factor that offers better business performance and sustainability. Through halal value creation, firms can diversify and become the first firm leader creatively thinking of a new customer/segment or a new customer/segment's wants and needs. In practice, halal products are favoured by an enormous number of Muslim and non-Muslim customers, which thereby provides great potential for business. If customers believe they get a better product from the invention of a halal product or process, rather than non-halal, its revenue will increase.

Halal value creation is an Islamic value-driven rather than profit- or customer-driven approach. In a product-based approach, Islamic values refer to the importance of halal products or services that benefit customers, such as quality, safety, purity, healthy, and nutrition. The halal value creation in food is added value created for customers. Consequently, from the producer-based approach, only Islam has clear guidelines on managing products and process innovation. Manufacturing plants must follow new halal standard procedures and process improvements to obtain halal certification. The halal assurance system promises the halal integrity of the product and process innovation that yields consumer confidence and satisfaction. Both innovations are interdependent and require managing both core and enablers to realize competitiveness through new or improved products or manufacturing processes of halal implementation.

In the user-based approach, halal embraces all attributes of life, which brings us to a halal lifestyle that leads to halal food consumption. Lifestyle reflects any values or standards that maintained on a routine basis or espoused and chosen in life by adoption, adaptation, obligation, or stimulation. Many attributes like food safety, nutrition, quality food trust, healthy food and clean, religion (Bonne et al., 2008), and dietary habits influence people's choice of halal food consumption (Arsil et al., 2018). However, the halal value is the main factor influencing halal food consumption (Muhamed et al., 2019), followed by other consumer values (Khan & Mohsin, 2017; Maehle et al., 2015) and consumer behaviour (Billah et al., 2020).

The consumption of halal foods, products, and services is compulsory for all Muslims. Halal certified food means the whole cycle from the source, production, process, transformation, cooking, serving, packaging, selling, and buying. Nevertheless, halal food consumption or consumer purchasing behaviour towards halal-certified food depends on total customer satisfaction. Regardless of religiosity, Muslim and non-Muslim consumers who consume halal food obtain complete satisfaction through their confidence in knowledge, experience, and belief. The values propagated by religion might influence consumers irrespective of a person's religiosity (Dana, 2009).

Here, halal food is about more than religious identity; it encompasses how food can stimulate growth of the body, mind, and soul. The three fundamental consumption values that determine complete customer satisfaction are as follows:

1. Halal value—the decision to purchase reflects the product/service's compliance to Islam, halal logo, or halal certification by, e.g., quality, safety, purity, nutrient,

Table 1 Example of consumer purchasing factors in each value

Consumption value	Purchasing factors of halal food
Halal	Halal logo Product quality Product safety Produce has nutritional value Produce is healthy, fresh, tasty Trust, safe, and comfortable
Epistemic	Halal awareness, knowledge Product price, product availability Ingredients Processing Diet
Emotional	Benefits Belief Habit Culture Religiosity

hygiene, and wholesome for food and trust, dedication, honesty, timeliness, and discipline for service.

2. Epistemic value—knowledge confidence level determines buying halal products, obtaining product knowledge or a substantial amount of information about halal products before making a purchase.
3. Emotional value—a belief that halal food has a significant impact on body-mind-soul, thereby stimulating a person to consume halal food.

There are many studies concerning halal food consumption; however, purchasing factors towards halal food can be categorized into three distinct consumption values (Table 1).

5 Small and Medium Food Enterprises’ (SMFEs) Innovation

The entire concept of halal is fundamental to Islam and acceptable to all producers for quality, safety, and trust. Non-Muslims consume halal foods and embrace halal standards as the most comprehensive and excellent food quality standards that increase global halal food markets. The advantage of SMFEs is that small, flexible, close to customers, and independent entrepreneurs are the source of innovation. Indeed, small firms bring innovation to the market more quickly than large businesses. In product innovation, small business is advantageous due to more excellent proximity to and high interaction with customers. SMFEs of inventions are also users; therefore, the user is closer to the innovation developer. Therefore, SMFEs are good at the implementation of new halal-certified products brought to the market.

They are most likely to be better in the application, development, and introduction to the market.

The world's population and the number of Muslims increase in size every year, signifying the potential growth of the global halal market and demands of halal food products, both inside and outside Islamic nations. Malaysia has become the most prominent halal exporter to China, Singapore, the USA, and Japan. Indonesia and the Netherlands are also highly notable importers; the rest are Middle Eastern and European countries. The massive demands for halal in non-Muslim countries indicate high consumer confidence levels and trust towards consuming Malaysian halal-certified food.

Halal food has been recognized locally and internationally, regardless of religiosity, and brings a vast amount of potential business. Given the colossal market potential of halal foods, Malaysia should be the leader of halal commodities. Despite SMFEs being significant contributors to the growth of the halal food industry and economy, SMFEs' constraints, low production volume, and availability are often incomparable to meet the high demands of halal foods. Therefore, halal SMFEs' competitiveness continuously challenges Malaysian halal export performance. An SMFE's enablers of halal food implementations empower its ability to exploit innovation capability in an innovation context.

Innovation requires organizations to be open to new knowledge, product processes, technologies, and routines, thereby enabling and enhancing firms' growth in dynamic and competitive environments. It is a critical success factor for the survival, growth, and development of SMFEs. It becomes a worthwhile strategic capability of SMFEs fostering business success and competitive advantage in markets. Halal assurance systems directly affect both the process and product innovation that, in turn, impacts performance outcomes.

The creation of competitive advantage concerning the halal certification of SMFEs depends on their acquisition of resources and capabilities, rather than ownership, *per se*. Resources and assets are firms' inputs to generate economic value. Capabilities are the skills, knowledge, and abilities that firms strengthen to enhance performance and competitiveness over time. Capabilities often reflect core competencies of firms' competitive advantage by creating complex coordination of different activities and technologies that are difficult for competitors to imitate—for instance, a core capability in persuading customers by integrating marketing, advertising, and customer service. Resource and capability of technology, physical, knowledge, relational, and organizational are main inputs acquired for innovation. However, competitive advantage takes value only when resources are valuable, rare, non-substitutable, difficult to imitate, and durable. Knowledge and organizational capability are socially complex, and difficult for competitors to replicate and purchase; hence they become the source of competitive advantage.

SMFEs must perceive environmental factors (market dynamism, competitive hostility) in halal competitive environments and develop halal innovation strategies to enhance business performance. They must innovate and develop new knowledge, skills, and abilities by exploiting existing products and services. Successful firms' innovation capability must possess innovation enablers/factors, namely, leadership,

organizational culture, open innovation, competent management, external knowledge utilization capabilities, networking capabilities, and resource exploitation capabilities to adapt and align with the rapidly changing environment. To achieve superior performance, SMFEs should consider environmental stability and certainty to facilitate the relationship between innovation strategies and performance.

Understanding the innovation capability of halal food creation for the benefit of firms and stakeholders can enhance SMFE performance and competitiveness. In halal, innovation capability is about firms' ability to create halal-certified food products. The transformation of innovation factors or enablers such as top management leadership, entrepreneurial orientation, and external network transformation challenges SMFEs' innovation capability. Top management is the most crucial resource of SMFEs responsible for strategic operation decisions to their innovativeness. SMFEs' owners or managers play a significant role in implementing halal. The upper echelon theory (Hambrick & Mason, 1984) explains the values and cognitive ability of top management which influence organizational outcomes. Karia (2021) confirms that the entrepreneur's attributes of emotional intelligence comprised of self-confidence, self-innovation, self-inspiration, and self-vision affect entrepreneurial performance. The most influential factors are self-vision—manager's ideas lead to actions and decisions for success—and self-innovation, the manager's creativity to find a new process or product innovation.

Both internal and external forces influence halal food invention. Internal forces like business benefits, halal integrity, corporate image and reputation, social responsibility, entrepreneurship, organizational commitment, marketing function, operations strategies, and organizational readiness enable manufacturers to adopt halal product invention. The external forces include competitive force, demand/customer force, market expansion, and government regulation and support, which positively stimulate SMFEs towards halal implementation. The mediating effects of internal factors and moderating effects of external factors can positively impact innovation and performance. For instance, in the implementation of halal, the perceived benefit is the most influential factor of SMFEs halal food products to enhancing their business performance. The halal assurance system is a holistic concept that maintaining halal integrity is crucial to the halal product and process innovation success. Organizational readiness to adopt new policies, standards, and practices of halal affects SMFE investment in halal food implementation. Competitive forces can facilitate the effects of internal factors on halal food implementation to be robust and durable.

In SMFEs, limited knowledge and external contact area are relative to SMFEs' innovation and diffusion challenges and barriers. Therefore, innovation factors such as research and development (R&D), technology applications, and training and education are significant variables for both halal product and process innovation. Insufficient organizational resources or lack of management capabilities can hinder innovation capability. Further, firms can establish an external network or intermediary to accelerate their innovation capability by engaging with the entire halal food industry players from raw material suppliers to inbound and outbound halal logistics and supply chains.

6 Innovation and Performance of SMFEs

The knowledge-based view (Grant, 1996, 2002) regards knowledge as the most strategic source of firm growth and explains that applying knowledge for halal value creation of a new halal product or process leads to organizational innovation which, in turn, improves firm productivity, growth, and performance. Heterogeneous knowledge bases and capabilities are difficult to imitate and socially complex; therefore, they generate sustained competitive advantage and superior performance. When knowledge becomes more tacit, it is more difficult to transfer and relatively costly.

Food manufacturers adopt halal to gain a competitive advantage in the global halal market, which directly enhances consumers trust in the product as halal standards reflect quality and integrity. Therefore, innovation anticipates variations in performance outcomes. Firm performance measures and financial and non-financial business performance, respectively, refer to objective and subjective measurement. Innovation capability in the product, process, services, skills, organization, and marketing positively connects with new product performance, brand performance, and overall firm performance.

Innovation strategies such as the invention of new processes, the creation of halal products and services, the utilization of new opportunities within a new halal market, and new distribution channels are related to SMFE performance. Product and process innovation can positively impact innovation capabilities and, in turn, contribute to enhancing firm growth and productivity. Resources and capabilities are sources of competitive advantage through innovation, but they must be durable and untransferable across firms to achieve sustained competitiveness. Therefore, they have direct effects on innovation performance and indirect positive effects on innovation capability.

In general, halal food product invention can determine operational performance, financial performance, and market performance. Due to the initial costs of halal implementation, together with the barriers, SMFEs find it challenging to gain economic and market performance. In addition, operational performance improvement can increase financial and market performance and further mediate the halal implementation and financial and market performance relationship. For instance, attributes of innovation capability like leadership, organizational structure, and knowledge capability may not effectively contribute to economic and market performance but, directly, encourage operational business and export performance. Innovation capability plays a mediating role in the knowledge capability-innovation performance relationship. Knowledge capability anticipates innovation capability that, in turn, influences innovation performance.

7 Conclusions and Future Research Directions

Despite many acknowledging halal food and innovation, little knowledge about halal food possesses the perfect chemical reaction for transpiring human consciousness to the highest intelligence level. This halal food invention becomes global demand contributing to sustainable socio-economic growth in Islamic and non-Islamic nations. Due to SMFEs' significant role in the halal economy and export performance, halal product innovation should be of the highest interest. Despite the many constraints, SMFEs are often successful innovators. Their natural attributes become an advantage for them to facilitate innovation and move faster than larger firms, thus gaining entrepreneurial success for a more extended period. In addition, SMFEs can benefit prominently from halal product and process innovation. For instance, by offering halal products, SMFEs compete on uniqueness and avoid price competition, creating new demand, thereby facilitating firm growth. Therefore, introducing innovative halal products becomes an opportunity for SMFEs to remain competitive as customers value the uniqueness of halal. However, the successful development and introduction of halal products require SMFEs' resources and capabilities to gain innovation capability and generate the benefits of innovation. There is theoretical and empirical proof of the positive effects of the invention. The global case of the leading manufacturer, Nestlé, and restaurants such as McDonald's, Starbucks, and Pizza Hut shows the positive impact of halal products on the potential growth of the international halal business and halal industry.

This chapter contributes to halal food fundamental in the context of SMFE innovation capability and competitiveness. It exposes halal food invention knowledge of halal food-body interconnectedness that consuming halal food stimulates positive spiritual intelligence for the growth and development of human civilization. The focus on halal reflection on product-based, manufacturer-based, and user-based has constructed the concept of halal food invention. This chapter operationalizes halal food consumption in terms of halal, epistemic, and emotional value to gain total customer satisfaction. Halal SMFEs should have strong innovation capability for halal product invention to obtain and sustain business, growth, and competitive advantage. This provides food manufacturers and marketers with helpful knowledge and guidance to attract consumer confidence and satisfaction and increase halal food consumption.

Some directions for future research address the gaps of scarce papers for antecedents and outcomes of halal product invention, factors and outcomes of halal innovation capability, the halal food knowledge, and its consequences that have considerably no research. In general, previous studies acknowledge the positive effect of innovation on the performance of SMEs. How innovation enables superior performance remains scant; hence, future research should unearth the mechanisms of how firms achieve the benefits of halal product invention. Thus, there is a need for more research to explain how SMFEs transform halal dynamic capability into innovation capability and manage the innovation process. Future research should

provide empirical research on the halal product invention-performance relationships and factors that impact such relationships.

References

- Arsil, P., Tey, Y. S., Brindal, M., Phua, C. U., & Liana, D. (2018). Personal values underlying halal food consumption: Evidence from Indonesia and Malaysia. *British Food Journal*, *120*(11), 2524–2538.
- Billah, A., Rahman, M. A., & Hossain, M. T. (2020). Factors influencing Muslim and non-Muslim consumers' consumption behavior: A case study on halal food. *Journal of Foodservice Business Research*, *23*(4), 324–349.
- Bonne, K., Vermeir, I., & Verbeke, W. (2008). Impact of religion on halal meat consumption decision making in Belgium. *Journal of International Food and Agribusiness Marketing*, *21*(1), 5–26.
- Dana, L. P. (2009). Religion as an explanatory variable for entrepreneurship. *Entrepreneurship and Innovation*, *10*(2), 87–99.
- Din, H. (1985). *Manusia dan Islam*. Percetakan Watan Sdn. Bhd.
- Firdaus, A. F. (2020). *Determinants of halal certification success (HCS) of small medium food enterprises (SMFES) in Penang*. PhD Thesis, Universiti Sains Malaysia.
- Grant, R. M. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, *17*, 109–122. <https://doi.org/10.1002/smj.4250171110>
- Grant, R. M. (2002). The knowledge-based view of the firm. In C. W. Choo & N. Bontis (Eds.), *The strategic management of intellectual capital and organizational knowledge* (pp. 133–148). Oxford University Press.
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, *9*, 193–206.
- Ismail, S. S. S., & Karia, N. (2017). Probing halal food wisdom to the growth and development of spiritual intelligence. *Journal of Contemporary Islamic Studies*, *3*(1), 15–29.
- Ismail, A. M., Othman, M. Y., & Dakir, J. (2011). The development of human Islamic approach. *Jurnal Hadhari*, *3*(2), 103–116.
- Kamali, M. H. (2010). The Halal industry from a Shariah perspective. *Islam and Civilisational Renewal*, *1*(4), 595–612.
- Karia, N. (2021). A comparative benchmark model for SMEs: Viable entrepreneur emotion intelligence. *Bechmarking: An international Journal*, *28*(3), 813–829.
- Karia, N., & Asaari, M. H. A. H. (2016a). Halal business and sustainability: Strategies, resources and capabilities of halal third-party logistics (3PLs). *Progress in Industrial Ecology, an International Journal*, *10*(2–3), 286–300.
- Karia, N., & Asaari, M. H. A. H. (2016b). Halal value creation: Its role in adding value and enabling logistics service. *Production Planning and Control*, *27*(9), 677–685.
- Karia, N., & Asaari, M. H. A. H. (2016c). Assessing innovation in halal service: An Islamic-based view approach. In S. K. A. Manan, F. A. Rahman, & M. Sahri (Eds.), *Contemporary issues and development in the global halal industry—Selected papers from the international halal conference 2014* (pp. 589–597). Springer.
- Khan, S. N., & Mohsin, M. (2017). The power of emotional value: Exploring the effects of values on green product consumer choice behavior. *Journal of Cleaner Production*, *150*(May), 65–74.

- Maehle, N., Iversen, N., Hem, L., & Otnes, C. (2015). Exploring consumer preferences for hedonic and utilitarian food attributes. *British Food Journal*, *117*(12), 3039–3063.
- Muhamed, A. A., Rahman, N. N. A., Hamzah, F. M., Zain, C. R. C. M., & Zailani, S. (2019). The impact of consumption value on consumer behavior: A case study of halal-certified food supplies. *British Food Journal*, *121*(11), 2951–2966.
- Ramadani, V., Dana, L., Ratten, V., & Tahiri, S. (2015). The context of Islamic entrepreneurship and business: Concept, principles and perspectives. *International Journal of Business and Globalisation*, *15*(3), 244–261.
- Ratten, V., Ramadani, V., Dana, L., & Rashiti, S. G. (2017). Islamic entrepreneurship and management: Future research. In V. Ramadani et al. (Eds.), *Entrepreneurship and management in an Islamic context* (pp. 227–242). Springer.

Karia Noorliza is associate professor of logistics and operations at the school of management in Universiti Sains Malaysia (USM), PhD in logistics from the University of Hull, United Kingdom, MBA from USM, and Bachelor of Science in Production and Operations Management from the University of Denver, Colorado, United State. She is a chartered member of the Chartered Institute of Logistics and Transport, UK. She has gained industrial experience in production planning, supply management, assembly, and mass production in the manufacturing industry. Her research interests include logistics, operations, and quality management, halal logistics and supply chain management, sustainability and environment, and technology and innovation management. She has published her works in high-quality journals, including the *Int. J. of Production Economics, Resources, Conservation, and Recycling* and *J. of Cleaner Production*. She is also a reviewer for many journals, including the *Int. J. of Physical Distribution and Logistics Management* and *Gender in Management, Production, and Planning and Control*.

Determinants of Islamic Banking Industry Performance: Does Economic Value Added (EVA) Matter?



Nadia Slimene and Hassan Obeid

Abstract In this article, we try to assess, compared to traditional measures such as return on assets (ROA) and return on equity (ROE), whether economic value added (EVA) can be considered as the most “faithful” indicator of the performance of Islamic banks. Based on panel data for a sample of 43 Islamic banks in the Gulf Cooperation Council member countries during the 2008–2017 period, our methodology comprises identifying the main determinants of bank profitability indicators and comparing the usefulness of EVA as a performance measure. Our results show that the capital and liquidity structures in addition to the interest rate are statistically significant in explaining banks’ performance. However, while asset quality and concentration index affect positively and significantly the creation of shareholders’ wealth, they are not significant determinant of bank’s ROA and ROE. The EVA is the most accurate indicator of banking sector profitability.

1 Introduction

In recent years, the Islamic banking system has developed rapidly. This remarkable growth and growing popularity has been fueled by several factors where the most important gets back to its relative performance. Therefore, understanding the functioning of this industry and identifying factors favoring its development have become a major subject.

Research on performance continues to be almost exclusively focused on maximizing profitability and seeking the bank’s efficiency either by using traditional financial ratios (return on asset [ROA], return on equity [ROE], net interest margin [NIM]) or by using statistical approaches (data envelopment analysis [DEA] and stochastic frontier analysis [SFA]). Actually, Islamic banks offer savings and

N. Slimene (✉)
University of Sousse, Sousse, Tunisia

H. Obeid
Paris School of Business, Paris, France
e-mail: Hassanobeid@ebs-paris.com

investment accounts according to the principle of profit and loss sharing whereby depositors share with the bank any profits made by investing their funds. With the growing complexity for Islamic banks in a market becoming more competitive, customers have become more demanding, not only seeking “Sharia” compliance but also seeking to achieve financial goals. In other words, customers demand that the performance of Islamic banks is at least equal to that of conventional counterparts; they no longer accept the argument that Islamic banks offer products compatible with “Sharia.”

Given this situation, Islamic banks have sought to increase the deposit-investment returns. In fact, they emphasize the obligation of managers to convince the investors of their ability to remunerate deposited capital. This requirement encourages the “financially sound” investor to entrust his funds with the banks with the aim of profiting from its investment that is higher than the cost of its funds. Thus, the past and present results in terms of performance encourage these actors to be potential customers and enable banks to improve their future results. However, the performance measures used do not provide enough information either to judge the success and the development prospects of the Islamic banking institution or to guide its creditors who will lend their resources in the future to create a future financial value (Sharma & Kumar, 2010). Besides, they do not reflect much of the value created or destroyed by the leaders. Thus, additional information such as value creation could allow a better assessment of managerial efficiency and financial profitability (Neiertz, 1995; Bahri et al., 2011). In fact, a redefinition of the performance measure is reflected in the concept of “economic value added” (EVA) as a measure of corporate value (Tsuji, 2006). It reflects the ability of Islamic banks to pay the investors’ committed capital and trace their tendency to involve their partners in the wealth they create through their work and effort. Our contribution consists at applying this new measure of economic performance in the context of Islamic banking industry, which has not been the subject of previous work. We seek to specify the economic and financial factors that explain such a performance relative to traditional performance indicators. We find that such a measure is more precise in the sense that most of the control variables are statistically significant for its explanation and that it can be considered as the most preferred indicator of the financial situation of Islamic banks. To take into account both the temporal component and individual specificities of the analyzed banks, we conducted static regressions on panel data for 43 Islamic banks over the period 2008–2017 in six member countries of the Gulf Cooperation Council (GCC).

The rest of this study is organized as follows: The Sect. 2 presents a literature review of the banking performance measures. The Sect. 3 specifies our econometric approach and characterizes data. The Sect. 4 describes estimation results. Finally, we present the interpretations and economic implications of our results in Sect. 5.

2 Performance of Islamic Banks: A Measurement Scene

The existing studies explain the performance of Islamic banks using two approaches. In the first approach, researchers focus on the banking performance using one or more ratios. While some studies focus on the analysis of banks across countries,

many others adopt a comparative analysis with conventional banks; a few of them deal with individual banks. On his part, Bashir (2000) used a regression method to test the structure-behavior-performance (SBP) model, wherein he related the financial performance to a variety of financial indicators of the 14 Islamic banks in the Middle East between 1993 and 1998. He found that the performance of Islamic banks is positively aligned with the market structure variables, such as the market share. On the other hand, by applying the (SBP) model, Weill (2010) checked the relationship between the market structure and performance by retaining an interbank analysis of MENA and Asian countries during the period 2000–2007. The author showed that conventional banks are more profitable than Islamic ones and that this profitability is due to the market power that conventional banks command. However, Islamic banks cannot invest in all the projects available in the market. In fact, if they are not in compliance with the Islamic law, their investment choices will be limited, which may lead to a negative correlation of these banks with their financial performance.

By comparing 22 conventional banks to five Pakistani Islamic banks for the period 2005–2009, Hanif et al. (2012) mobilized the liquidity and solvency profitability ratios as well as credit risk. In fact, they found that when profitability and liquidity indicators are not taken into account, Islamic banks will be better performing. In a study of two conventional and three Islamic banks in Malaysia, using data over the period 2006–2011, Ramlan (2016) considered these ratios. He showed the asset quality for Islamic bank is higher than conventional bank. However, in a study of 46 conventional and 26 Islamic banks in GCC countries, using data of 2014, Ullah (2016) considered these ratios and also added those of economic growth and productivity. He showed that only in terms of profitability, liquidity, and solvency that the performance is more marked in Islamic banks than in their conventional counterparts and only internal factors have strong influence on the profitability on banking sector whereas external factors have no influence on the profitability. Wanjare and Motari (2016) considered mainly the impact of interest rate on the performance of Islamic banks operating in Kenya during the 2009–2013 periods. Their result showed that the profitability of Islamic banks is affected by interest rate changes on the market even if these banks are based on the principle of interest rate prohibition. This is due to the fact that Islamic banks operate in a banking market alongside other conventional banks, which forces them to use the interest rate as a basis for the calculation of their profit sharing rate. On the other hand, Ahmed et al. (2018) show that interest rates are negatively affecting the profitability of 20 banks operating in Pakistan from 2007 to 2014.

The economic growth factor has been the subject of several empirical studies such as those by Haron (2004), Athanasoglou et al. (2008), Wasiuzzaman and Tarmizi (2010), Abduh and Idrees (2013), and Rabaa and Younes (2016). The results of these studies revealed a significant positive correlation between inflation and the Islamic banks' performance. These authors argue that inflation is the main source for banks to raise their margins to levels higher than those of the financing costs.

Some existing empirical research studies often differ about the impact of concentration on banking profitability. In fact, few studies showed the positive impact of the concentration on the performance of Islamic banks (Al Arif et al., 2017). Only

the study of Subhi and Alslehat (2014) on two Jordanian banks during the 1998–2012 period showed that concentration negatively affects the performance of Islamic banks. Moreover, the authors argue that, unlike the case of the conventional banking system, Islamic banks seek to strengthen their financial dominance. In order to concentrate their activities on the financial market and obtain a better market share, they follow a competitive price policy, which leads to a decline in their profitability. Therefore, any strategy of concentration can cause shortages in the market and impose high bank margins, which are forbidden in Islam. This prohibition justifies the absence of an effect of the concentration indices (C_x) on the banking performance found by most researchers (Haron & Azmi, 2004; El Biesi, 2010; Ramadan et al., 2011; Muda et al., 2013, Mala et al., 2018, Al Arifn & Awwaliyah, 2019).

In the second approach, the concept of performance is apprehended by that of efficiency. The methodological basis for the measurement of efficiency mainly entails the use of two functions: the cost and the profit under the two approaches—DEA and SFA. Samad (1999) is the first author to deal with the efficiency of Malaysian Islamic banks compared to their conventional counterparts. The study showed that the mixed financial system environment negatively affects the efficiency of Islamic banks. After this pioneering initiative, many banks in several countries have been assessed, such as 18 Islamic banks from GCC countries between 1997 and 2000 (Yudistira, 2004), six banks from Indonesia and Malaysia between 2002 and 2005 (Ascarya & Guruh, 2008), and 80 banks from 21 Organization of Islamic Cooperation countries (Bader et al., 2008), and 23 Islamic banks was selected over the 2005–2008 period in the GCC region (Obeid & El Moussawi, 2010). From 17 countries from Middle East (Iran, Jordan, Kuwait, United Arab Emirates, Qatar, Bahrain, Lebanon, Saudi Arabia, Yemen), from Asia (Pakistan, Malaysia, Turkey, Brunei), from Africa (Sudan, Egypt, Tunisia) and from United Kingdom (Kablan, 2011; Said, 2012). The Islamic banking in Indonesia is under Islamic principles recorded during the period 2010 to 2013 (Rahmawati, 2015). A sample of 33 Islamic Banks operating in 11 MENA countries during the period 2006–2012 (Bahrini, 2016), and 48 conventional banks and 28 Islamic banks of the GCC countries over the period 2005–2014 (Miah & Uddin, 2017). Irrespective of the method adopted, these studies affirm the results derived by the pioneers in this field. For example, Islamic banks have lower overall efficiency scores than their conventional counterparts. In fact, the level of efficiency varies according to the region where these banks operate. Moreover, the differences in the efficiency levels are based on several internal factors, such as profitability, asset quality, size, specificity of Islamic products, and so on, as well as external factors, such as stringent regulation, market structure, and so on.

Islamic banks' performance studies focus on financial and operational performance using either traditional financial ratios or the DEA and SFA statistical approaches. Whatever the method, the used performance measures do not provide enough information neither to judge the success and the development prospects of the Islamic banking institution nor to guide its creditors who will lead their resources in the future so as to create a future financial value. The ROA and ROE are the most

frequently used profitability measures for evaluating the performance of Islamic banks and can serve as decision-making support tools. The first indicates an efficient use of the asset that represents an attractive factor for the customers of Islamic banks and encourages investor clients to entrust funds to a bank with the intention of profiting from their investment. The second indicates the ability of the bank to create profit from the contributions of its shareholders.

3 Empirical Evidence

Based on previous research studying bank performance (Table 10 in the Appendix), this study aims to assess financial performance of Islamic banks.

3.1 Model Specification

A total of 12 variables are divided into internal and external factors. The internal variables include capital structure, liquidity structure, asset quality, and bank size. The external factors are concentration index, interest rate, and inflation rate. Profitability variables of Islamic banking are ROA, ROE, and EVA. The list of variables as well as their explanations and sources are presented in details in Table 11 in the Appendix. The system of equations on panel data can be written as follows:

$$\begin{aligned} ROA_{i,t} = & \alpha_0 + \alpha_1 (Eq/A)_{i,t} + \alpha_2 (Eq/Inv)_{i,t} + \alpha_3 (Eq/L)_{i,t} + \alpha_4 (InvR/Inv)_{i,t} \\ & + \alpha_5 (InvR/Rev)_{i,t} + \alpha_6 (Inv/Cus)_{i,t} + \alpha_7 (LA)_{i,t} + \alpha_8 (LA/D)_{i,t} \\ & + \alpha_9 Z_{i,t} + \alpha_{10} C_{i,t} + \alpha_{11} Int_{i,t} + \alpha_{12} Inf_{i,t} + \varepsilon_{i,t}. \end{aligned}$$

$$\begin{aligned} ROE_{i,t} = & \alpha_0 + \alpha_1 (Eq/A)_{i,t} + \alpha_2 (Eq/Inv)_{i,t} + \alpha_3 (Eq/L)_{i,t} + \alpha_4 (InvR/Inv)_{i,t} \\ & + \alpha_5 (InvR/Rev)_{i,t} + \alpha_6 (Inv/Cus)_{i,t} + \alpha_7 (LA)_{i,t} + \alpha_8 (LA/D)_{i,t} \\ & + \alpha_9 Z_{i,t} + \alpha_{10} C_{i,t} + \alpha_{11} Int_{i,t} + \alpha_{12} Inf_{i,t} + \varepsilon_{i,t}. \end{aligned}$$

$$\begin{aligned} EVA_{i,t} = & \alpha_0 + \alpha_1 (Eq/A)_{i,t} + \alpha_2 (Eq/Inv)_{i,t} + \alpha_3 (Eq/L)_{i,t} + \alpha_4 (InvR/Inv)_{i,t} \\ & + \alpha_5 (InvR/Rev)_{i,t} + \alpha_6 (Inv/Cus)_{i,t} + \alpha_7 (LA)_{i,t} + \alpha_8 (LA/D)_{i,t} \\ & + \alpha_9 Z_{i,t} + \alpha_{10} C_{i,t} + \alpha_{11} Int_{i,t} + \alpha_{12} Inf_{i,t} + \varepsilon_{i,t} \end{aligned}$$

where

$\alpha_0, \alpha_1, \dots, \alpha_i$ are the parameters to be estimated identifying the nature of the relationship between explanatory factors and different performance measures.

Table 1 Model specification tests

Models	Fisher test		Hausman test	
	$F(42, 374)$	Coef.	chi2(12)	Coef.
ROA	2.05	0.0002**	16.91	0.1531
ROE	1.31	0.1043	10.46	0.5758
EVA	3.35	0.0000**	6.35	0.8975

**Indicates significance at 5%

Table 2 VIF test

Variables	VIF
Eq/A	2.78
Eq/Inv	1.90
Eq/L	1.85
InvR/Inv	1.69
InvR/Rev	1.68
Inv/Cus	1.40
LA	1.21
LA/L	1.17
T	1.15
Cx	1.12
In	1.09
Inf	1.07
Mean VIF	1.51

$ROA_{i,t}$ is the return on assets of bank i for year t . ROA = net income divided by average total assets.

$ROE_{i,t}$ is the return on equity of bank i for year t . ROE = net income divided by shareholders' equity.

$EVA_{i,t}$ is the economic value added of bank i for year t . $EVA = \pi - WACC * CI$, with π as the profit of an Islamic bank, WACC as the weighted average cost of capital, and CI as the invested capital.

Using the Fisher test, the results (Table 1) show that the specific effects model emphasizing the heterogeneity of the variables is the most appropriate for ROA and EVA (P -value $< 5\%$). However for ROE, the individual effects model is not appropriate and the estimated model is perfectly identical for all banks (P -value $> 5\%$). In addition, all probabilities from Hausman's test statistics exceed 10%. This confirms the absence of a correlation between the individual effects and the explanatory factors of the models. The results of the MCG estimator are therefore privileged. Thus, the ROA and EVA models will be estimated on a heterogeneous panel with random individual effects except the ROE model which will be estimated on a homogeneous panel.

The result of Table 2 shows that all the variables have a variance inflation factor (VIF) less than 5 ($VIF < 5$) which implies an absence of a dangerous multicollinearity (Tomassone et al., 1992). However, the analysis of Table 3 indicates that the correlation coefficients between the size variable (T) and the capital

Table 3 Pearson correlation

Variables	Eq/A	Eq/Inv	Eq/L	InvR/Inv	InvP/Rev	Inv/Cus	LA	LA/L	T	Cx	In	Inf
Eq/A	1											
Eq/Inv	0.585	1										
Eq/L	0.408	0.156	1									
InvR/Inv	-0.098	-0.026	-0.030	1								
InvP/Rev	-0.067	-0.083	0.110	0.169	1							
Inv/Cus	0.262	0.029	0.615	-0.052	0.125	1						
LA	0.089	0.252	-0.045	-0.027	-0.045	-0.094	1					
LA/L	0.432	0.359	0.250	-0.074	-0.055	0.165	0.316	1				
T	-0.638	-0.351	-0.240	0.056	0.012	-0.244	-0.131	-0.296	1			
Cx	-0.241	-0.161	-0.094	-0.037	-0.077	-0.075	0.041	-0.056	0.267	1		
Int	-0.132	-0.071	-0.045	0.150	0.010	-0.033	-0.072	-0.056	0.241	-0.066	1	
Inf	-0.183	-0.132	-0.080	-0.003	-0.098	-0.043	-0.020	-0.047	0.142	0.217	0.183	1

Note: *Eq/A* equity/total assets, *Eq/Inv* equity/total investment, *Eq/L* equity/total liabilities, *InvR/Inv* investment risk reserve/total investment, *InvP/Rev* investment risk reserve/investment income, *Inv/Cus* investment/short-term customers, *LA* liquid assets/total assets, *LA/D* liquid assets/short-term deposits, *Z* log of total assets, *C* concentration index, *Int* the interest rate, *Inf* inflation rate

Table 4 Number of Islamic banks by country

Country	Number of banks
Bahrain	17
Kuwait	7
Saudi Arabia	3
UAE	9
Qatar	5
Oman	2

structure variable (Eq/A) and between the liquidity structure variable (Inv/Cus) and the capital structure variable (Eq/L) exceed the limit value (0.6) from which De Bourmont (2012) presumes the presence of a multicollinearity problem. As a solution to this problem, we were led to estimate the models using the “xtgls” command provided by the STATA.

3.2 Sample and Data

To ensure the representativeness of the results, we focused this study on the GCC countries. Our sample is composed of 43 Islamic banks during the 2008–2017 period (Table 4).

4 Descriptive Analysis

Descriptive statistics of the performance measurement variables are presented in Table 5.

Table 5 shows that Islamic banks in the GCC countries are, on average, profitable for 10 years of study (ROA = 0.05 and ROE = 0.08). Nevertheless, they have negative EVA with a very large dispersion and value ranging from $-47,611.8$ to 6654.3 . Since the banks have different creation dates—some sample banks are over 40 years old and others are newly created—the large dispersion seems logical. Indeed, age differences explain that some banks are unable to create wealth for their investors and achieve largely negative EVA values. These banks have a significant proportion of equity that represents an important source of asset financing in Islamic banks. High level of inflation shows the difference in monetary policy that affects the rate of inflation. The volatility of the concentration index (C_X) does not diverge between banks (std. dev = 0.1294). This variable provides information on the low level of competitiveness in the Islamic banking sector in the GCC region.

Table 5 Descriptive statistics of explanatory variables

Variables	Observations	Average	Stand. dev	Minimum	Maximum
Eq/A	430	0.3776	0.3189	0	1.2
Eq/Inv	430	0.7301	1.180	0.01	13.4
Eq/L	430	1.227	3.500	0.01	47.3
InvR/Inv	430	0.0603	0.1945	0	2.19
InvR/Rev	430	0.5414	0.9369	0	9.5
Inv/Cus	430	1.573	3.228	0	30.8
LA	430	0.3166	0.2211	0	1.1
LA/D	430	0.8059	1.347	0	11.83
Z	430	7.453	1.829	2.484	11.24
C_x	430	0.1025	0.1294	0	0.37
Int	430	0.0843	0.4011	0	3.5
Inf	430	3.491	2.997	0	15.1
ROA	430	0.0574	0.1413	-2	1.1
ROE	430	0.0832	0.3223	-6	0.9
EVA	430	-168.5	2893.2	-47,611.8	6654.3

Note: *Eq/A* equity/total assets, *Eq/Inv* equity/total investment, *Eq/L* equity/total liabilities, *InvR/Inv* investment risk reserve/Total investment, *InvR/Rev* investment risk reserve/investment income, *Inv/Cus* investment/short-term customers, *LA* liquid assets/total assets, *LA/D* liquid assets/short-term deposits, *Z* log of total assets, *C* concentration index, *Int* the interest rate, *Inf* inflation rate

5 Estimation Results and Interpretations

5.1 The Profitability of Islamic Banks (ROA, ROE)

Tables 6 and 7 shows the results of the static panel data regressions.

The capital of these banks is one of the determining factors of profitability. The variable (*Eq/A*) is strongly and positively significant for the ROA at the 1% level and for the ROE at the 5% level. The impact of the investment on profitability (*Eq/Inv*) is positively significant at the level of 5% for ROA and at the level of 1% for ROE. These positive relationships are in line with most previous studies that already confirmed this conclusion (Samad & Hassan, 2000; Iqbal, 2001; Aslam et al., 2016; Sarwar, 2018). In fact, in the Islamic market, where banks play the role of savings/investment financial intermediation, depositors and investors' funds are mobilized under the "Moudharaba" and the "Moucharaka." On the one hand, these participative accounts give Islamic banks the right to control the funded project and, therefore, minimize the risk of loss of their invested capital. On the other hand, they are an important source of funds that allow depositors to exploit profitable investment opportunities. In a market characterized by intense and fierce competition, these banks may be exposed to a risk of massive withdrawal of funds when they show interest rates on participating investment accounts causing dissatisfaction of depositors. To avoid this risk, they should try to increase the rate of return offered on the participative investment accounts. In the event of a rise in the returns of these

Table 6 Results of the regression model ROA

	Variables	Coef.	ROA (random effect)			
			Std. Err.	z.	$P > z $	[95% Conf. interval]
Capital structure	Eq/A	0.1419	0.0255	5.56	0.000***	0.0918 0.1919
	Eq/Inv	0.0082	0.0045	1.83	0.067*	-0.0005 0.0170
	Eq/L	-0.0022	0.0015	-1.43	0.152	-0.0054 0.0008
Asset quality	InvR/Inv	0.0297	0.0257	1.15	0.249	-0.0207 0.0802
	InvP/Rev	-0.0023	0.0049	-0.46	0.642	-0.0120 0.0074
Liquidity structure	Inv/Cus	-0.0010	0.0011	-0.88	0.381	-0.0032 0.0012
	LA	0.1177	0.0398	2.96	0.003***	0.0396 0.1959
	LA/D	-0.0056	0.0041	-1.35	0.176	-0.0138 0.0025
Bank's size	Z	0.0082	0.0033	2.49	0.013**	0.0017 0.0147
Concentration index	C	0.0317	0.0527	0.60	0.548	-0.0716 0.1350
Interest rate	Int	0.0140	0.0075	1.85	0.064*	-0.0008 0.0288
inflation rate	Inf	-0.1250	0.0391	-3.19	0.001***	-0.2018 -0.0481
	Cons	0.0463	0.1145		0.686	-0.1788 0.2715
Fisher test				0.41	0.0002	

Note: *Eq/A* equity/total assets, *Eq/Inv* equity/total investment, *Eq/L* equity/total liabilities, *InvR/Inv* investment risk reserve/total investment, *InvR/Rev* investment risk reserve/investment income, *Inv/Cus* investment/short-term customers, *LA* liquid assets/total assets, *LA/D* liquid assets/short-term deposits, *Z* log of total assets, *C* concentration index, *Int* the interest rate, *Inf* inflation rate
***, ** and * indicate 1%, 5% and 10% statistical significance, respectively

accounts, Islamic banks deduce a portion from them to feed reserves. Through this mechanism, the reserve account is used to absorb any probable loss on the invested capital. It is supposed to be an indicator of the profitability of investment projects. Nevertheless, the results found show no significant impact of the reserve accounts on the performance of Islamic banks in the GCC countries. This justifies, on the one hand, the lack of investment choices due to the requirement of conformity of products and services to the "Sharia" law and, on the other hand, the low recourse of these banks to this type of investment accounts.

The factor size (*Z*) positively affects the profitability of Islamic banks in the GCC region at the 5% threshold. Although they were small by international standards in

Table 7 Results of the regression model ROE

	Variables	Coef.	ROE (random effect)			[95% conf. interval]
			Std. err.	z.	$P > z $	
Capital structure	Eq/A	0.0851	0.0393	2.16	0.031**	0.0079 1623
	Eq/Inv	0.0150	0.0045	3.28	0.001***	0.0060 0.0241
	Eq/L	-0.0021	0.0023	-0.91	0.361	-0.0066 0.0024
Asset quality	InvR/Inv	-0.0445	0.0528	-0.84	0.399	-0.1482 0.0590
	InvP/Rev	0.0027	0.0111	0.24	0.807	-0.0190 0.0245
Liquidity structure	Inv/Cus	-0.0009	0.0013	-0.71	0.479	-0.0036 0.0017
	LA	0.1567	0.0857	1.83	0.068*	-0.0113 0.3248
	LA/D	-0.0064	0.0045	-1.40	0.161	-0.0154 0.0025
Bank's size	Z	0.0159	0.0067	2.34	0.019**	0.0025 0.0292
Concentration index	C	0.1518	0.1022	1.49	0.137	-0.0485 0.3521
Interest rate	Int	0.0672	0.0381	1.76	0.078*	-0.0074 0.1419
Inflation rate	Inf	0.0038201	0.0039	0.96	0.337	-0.0039 0.0116
	Cons					
Fisher test				0.41	0.0002	

Note: *Eq/A* equity/total assets, *Eq/Inv* equity/total investment, *Eq/L* equity/total liabilities, *InvR/Inv* investment risk reserve/total investment, *InvP/Rev* investment risk reserve/investment income, *Inv/Cus* investment/short-term customers, *LA* liquid assets/total assets, *LA/D* liquid assets/short-term deposits, *Z* log of total assets, *C* concentration index, *Int* the interest rate, *Inf* inflation rate
***, ** and * indicate 1%, 5% and 10% statistical significance, respectively

2005, they have grown surprisingly fast in recent years. The positive impact of the size is explained by the existence of economies of scale that make it possible to take advantage of the high profit margins. Indeed, Saudi Arabia's first place in terms of total assets, the support of the Islamic banking sector in Bahrain through the existence of the Islamic Development Bank as a lender of last resort, and the prominent place of the "Kuwait Finance House" demonstrate the noticeable advantage of size in Islamic banks in the GCC region. In recent years, these countries have become increasingly active in the field of project financing and syndicated loans that require a stronger expertise and a relatively large funding capacity. In fact, these countries have stepped up their efforts to diversify Islamic banking products and to finance major investment projects, which would enable them to compete with major

international banks. Moreover, these strategies would enable them to also compete with conventional banks. This result is consistent with that of Arouri et al. (2012), Noman (2015), and Husain et al. (2015) who concluded that large banks have more opportunities to grant larger amounts of loans and financing to their customers. In fact, these banks tend to have more diversified portfolio of banking products, which reduces their risk and improves their performance.

Among the measures of the liquidity structure, only the share of liquid assets in the total balance sheet (LA/L) is positively and quite strongly correlated with the ROA at the 5% level (0.003) and at the 10% threshold for the ROE (0.068). It is interesting to note that the strong holding of liquid assets can be considered as a protective edge for Islamic banks since they cannot always count on the support of the Central Bank or on the Islamic money market. On the other hand, the liquidity could be responsible for the higher forecast ability (Gupta et al., 2014; Khasharmeh, 2018).

Unlike Mushtaq and Siddiqui (2017), there is a positive impact of the interest rates on the profitability of Islamic banks in GCC countries. This correlation reflects the functioning of the Islamic banking sector in a dual market where conventional banks also operate. This interaction can exist through the sensitivity of the investment account income to the fluctuations of the interest rates. In fact, the remuneration of the investment accounts positively acts with the interest rate offered on the long-term conventional deposits. Islamic banks are aware that a significant number of customers are oriented toward their services for purely economic purposes (e.g., maximizing their returns). These clients compare the rate of return on the investment deposits to the interest rate offered on the traditional deposits. Therefore, in order to attract more customers and increase deposits, Islamic banks consider the interest rates before adjusting rates of return on their deposits. In fact, they raise their rates of return when the conventional interest rates are high. This positive relationship has already been confirmed by studies conducted by Kaleem and Isa (2003), Mangkuto (2004), Haron and Azmi (2008), and Zeitun (2012). Unlike Aliyu and Yusof (2016), in conformity with the research carried out by Hassan and Bashir (2003) and Mala et al. (2018), the inflation rate does not clearly affect the performance of the Islamic banks of the countries in the sample.

5.2 *Performance in Terms of Value Creation*

The EVA model is confirmed by a joint¹ and individual significance to most of the banks' internal and external factors introduced in our study. The capital structure variable (Eq/L) is positive and significant at 1% level. This ratio serves as an

¹Fisher test results are smaller than 5% (prob = 0.0000), which implies the rejection of the null hypothesis corresponding to the absence of the model's joint significance at the conventional threshold.

indicator of the financial autonomy of the Islamic banks. It gives a competitive advantage to Islamic banks in a risky market by enabling them to deal with the problems of financial crises and absorb the probabilities of bankruptcy of projects financed by the banks' participative intermediation. Like the research carried out by Sun et al. (2014) and Awadh and Bukair (2019), the positive and significant effect of the total investment ratio on the short-term deposits (Inv/Cus) confirms the existence of a short-term relationship between the deposits and the potential wealth creation which may exist when the funds raised are used to finance short-term assets, such as "Murabaha," since these products involve low risks and generate higher guaranteed returns. The ratio of the investment risk reserve to the investment return (InvR/Rev) is positively correlated with the value creation.

5.3 Analytical Summary of the Result

The first remark that seems appropriate to formulate is the following: The coefficients associated with each variable are different, depending on whether the measure of performance is the ROA, ROE, or EVA. The presence of different coefficients in the regressions is reassuring and shows the robustness solidity of the results to a certain extent. On the other hand, the very disparate results in Tables 6 and 8 are surprising. How does one explain these differences? The rational explanation that comes to mind is the inherent differences in these three performance indicators. It simply means that the performance can be measured in different ways, and depending on how one measures it, the results may differ. Although these measures are the basis of performance measurement, they do not reflect exactly the same thing: If the ROA and ROE make it possible to evaluate the ability to generate profits and returns in relation to the expenses and costs paid, the EVA expresses the surplus value created by a firm. In view of these divergences, how does one interpret the different coefficients of the tables?

According to Alzoubi (2018), deterioration in the asset quality reduces both the ROA and ROE. Therefore, the impact appears to be positive as banks seek to increase their margins to compensate for the default risk and the additional costs necessary for the control of these credits. In addition, a study conducted by Nugroho

Table 8 Share of Mudharba and Mucharka deposits in 2014 (thousands of dollars)

Country	Mudharba		Mucharaka	
	Value	%	Value	%
Saudi Arabia	585,490	0.76	431,414	0.56
Bahrain	792,208	4.88	468,885	2.89
Kuwait	632,108	3.76	433,241	2.57
Qatar	129,788	0.79	159,077	0.48
UAE	1,713,127	5.34	1,177,926	3.67
Oman	89,127	0.67	65,861	0.49

Source: Author's calculations

et al. (2018) on the performance of Islamic banks in Indonesia is particularly interesting since the authors noted a strong positive impact of the asset quality on banks' performance. In this adjusted scenario that we have just described, the asset quality plays a very important role: High levels of credit losses would negatively affect bank performance as it would not be able to immediately adjust its lending rates that sometimes extend over long maturities. We will then check if the results are consistent with this forecast. In fact, the empirical results show that the impact of the asset quality on the Islamic banks' performance in the GCC countries measured by both the ROA and ROE is not significant. This mainly justifies the lack of investment choice due to the requirement of conformity of products and services to the "Sharia." Moreover, this result corroborates that of Beck et al. (2010) in studying the performance of the 100 largest banks among the 2956 banks, including 99 Islamic banks, during the 1995–2007 period. However, the effect of asset quality is statistically significant when performance is estimated by the EVA. When choosing EVA as the performance indicator, an increase in the ratio (InvR/Rev) leads to a rise in the capacity of Islamic banks to create value for their depositors and investors. This result is entirely consistent with that of other studies, such as Goddard et al. (2004) and Ismail and Shahimi (2011). When looking at the regression, we can see that for both the ROA and ROE, the coefficients of the ratio (InvR/Rev) are insignificant. In fact, we notice a negative impact on the regression of EVA, which is presented in Table 9.

The results of Khan et al. (2014) and Rashid and Jabeen (2016) showed that the bank concentration ratio has a positive and statistically significant impact on banking performance. Other studies, such as Noman (2015), arrived at an opposite result. Moreover, the impact of the market share was studied mainly by Liu and Wilson (2010). In connection with the existing literature, we hypothesize that concentration has an impact on banking performance. While we found that the ratio of the concentration index is insignificant if the performance is measured by both the ROA and ROE, the impact on the EVA is positive, which can be surprising. However, we must consider this low and insignificant coefficient on the ROA and ROE carefully. This concentration ratio has a positive impact on banks' performance, as was anticipated, especially when we measure performance by EVA.

Concentration is a key determinant of Islamic banks' performance in the GCC countries. On the other hand, Islamic finance is against the concentration phenomenon if it kills competition, results in a monopoly situation for the bank, and allows it to exploit its market dominance. In fact, this strategy is tolerated in Islam if it is regulated. This is the case in the GCC countries—especially after the opening of new specialized banks like the Islamic investment banks—which are characterized by a concentration in real estate and infrastructure projects. Indeed, with the regression on both the ROA and ROE, the coefficients of the concentration ratios and the asset quality are not significant as evident from Tables 7 and 8, while they are significantly positive as seen in Table 9 for the EVA regression. Therefore, we advocate thinking in the following way: By relying on the numerous studies on this subject, our initial idea is thus partly confirmed; we consider EVA as the most accurate indicator of banking performance. For this reason, we prioritize the EVA for all the statistically significant coefficients.

Table 9 Results of the regression model EVA (random effect)

Variables	Ratio	Coef.	Std. err.	z.	$P > z $	[95% conf. interval]	
Capital structure	Eq/A	-289.89	453.46	-0.64	0.523	-1178.6	598.8
	Eq/Inv	-14.58	65.17	0.22	0.823	113.1	142.3
	Eq/L	82.28	32.10	2.56	0.010***	19.37	145.2
Asset quality	InvR/Inv	-89.67	184.4	0.49	0.627	271.7	451.1
	InvR/Rev	-158.4	92.41	1.71	0.086*	22.66	339.5
Liquidity structure	Inv/Cus	-138.8	40.51	-3.43	0.001***	-218.2	-59.41
	LA	-156.0	701.5	-0.22	0.824	-1531.0	1218.8
	LA/D	19.34	44.26	0.44	0.662	-67.425	106.1
Bank's size	Z	3.183	50.40	0.06	0.950	-95.61	101.9
Concentration index	C	1372.9	504.9	2.72	0.007***	383.24	2362.5
Interest rate	Int	208.3	61.061	3.41	0.001***	88.67	328.0
Inflation rate	Inf	20.24	22.23	0.91	0.362	-23.32	63.81
	Cons	-260.7	596.9	-0.44	0.662	-1430.6	909.1
Fisher test							0.0000

Note: *Eq/A* equity/total assets, *Eq/Inv* equity/total investment, *Eq/L* equity/total liabilities, *InvR/Inv* investment risk reserve/total investment, *InvR/Rev* investment risk reserve/investment income, *Inv/Cus* investment/short-term customers, *LA* liquid assets/total assets, *LA/D* liquid assets/short-term deposits, *Z* log of total assets, *C* concentration index, *Int* the interest rate, *Inf* inflation rate
 ***, ** and * indicate 1%, 5% and 10% statistical significance, respectively

6 Conclusion

In this study, in addition to the usual measures of performance (ROA and ROE), we presented financial performance indicators using the concept of “value creation” that Islamic banks seek to achieve for their investors and depositors-investors. The explanation of the performance was based on empirical validation of Islamic banks in GCC countries. The performance of these banks is explained by a vector of explanatory variables that are grouped into internal and external determinants. It emerges from this work that the EVA is an indicator of the performance of Islamic banks. The results show negative EVA and note the failure of Islamic banks in the GCC countries to create value for their partners. The main results show that the impact of the variables used differs greatly, depending on the performance indicator deployed (ROA, ROE, and EVA).

The asset quality is significant neither for the ROA nor for the ROE. The concentration index has a positive impact on the creation of shareholders' wealth but has no clear effect if the performance is measured in terms of the ROA and ROE. Therefore, this result confirms our initial idea that the EVA is the most appropriate indicator of Islamic banks' performance. For this reason, we will opt for the EVA with all the statistically significant coefficients.

Appendix

Table 10 Previous empirical literature on the performance of Islamic banking system

Authors	Country and period sample	Performance measures	Explanatory variables
Bashir (2003)	Middle East 1993–1998	ROA ROE	<i>Microeconomic variables:</i> (assets-liabilities) over total assets (<i>EQTA</i>), loans to total assets (<i>LONTA</i>), noninterest earning assets to total assets (<i>NIEATA</i>), consumer and short-term funds to total assets (<i>CSTFTA</i>), overhead to total assets (<i>OVRHD</i>), total liabilities to total assets (<i>LATA</i>) <i>Macroeconomic variables:</i> real GDP per capita (<i>DPPC</i>), annual growth rate of real GDP (<i>GDPGR</i>), annual inflation rate (<i>INF</i>)
Alkassim (2005)	GCC (1997–2004)	ROA ROE NIM	<i>Microeconomic variables:</i> Total assets (<i>TA</i>), equity to total assets (<i>TE/TA</i>), loans to total assets (<i>TL/TA</i>), total expense, noninterest exp., deposits
Saleh and Zeitun (2006)	Jordan	ROA ROE	<i>Microeconomic variables:</i> credit interest/credit facilities, net income/total revenues, total revenues/total assets, net income/total liabilities, equity ratio, shareholder's equity/total deposits, total deposits/total assets, net credit facilities to total assets, shareholder's equity to credit facilities, current assets/total assets, total debt/total equity, quick ratio, cash and investments to total deposits
Moin (2008)	Pakistan 2003–2007	ROA ROE	<i>Microeconomic variables:</i> loan to deposit (<i>LDR</i>), cash and portfolio investment to deposit (<i>CPID</i>), loan to asset (<i>LAR</i>), debt to equity (<i>DER</i>), debt to total assets (<i>DTAR</i>), equity multiplier (<i>EM</i>), income to expense (<i>IER</i>), operating efficiency (<i>OE</i>)

(continued)

Table 10 (continued)

Authors	Country and period sample	Performance measures	Explanatory variables
Badreldin (2009)	Egypt 2006– 2007	ROE	<i>Microeconomic variables:</i> financing margin (<i>FM</i>), investment margin (<i>IM</i>), exot margin (<i>EM</i>), operating expenditure margin (<i>OEM</i>), risk provision margin (<i>RPM</i>), gross profit margin (<i>GPM</i>), cost/income
Hussain et al. (2015)	Malaysia 2008– 2012	ROA ROE	<i>Microeconomic variables:</i> bank size (<i>LBS</i>), capital adequacy (<i>CA</i>), liquidity (<i>LIQ</i>), deposit (<i>DEPO</i>), asset quality (<i>ASQ</i>)
Wasiuzzaman and Tarnizi (2010)	Malaysia 2005– 2008	ROAA	<i>Microeconomic variables:</i> net interest margin (<i>NIM</i>), loan loss reserve to gross loans (<i>LLRL</i>), net loans to total asset (<i>LA</i>), size (<i>S</i>), equity to total asset (<i>EA</i>) <i>Macroeconomic variables:</i> inflation (<i>INF</i>), gross domestic product (<i>GDP</i>)
Akhtar et al. (2011)	Pakistan 2006– 2009	ROA ROE	<i>Microeconomic variables:</i> logarithm of total assets (<i>size</i>), total debts/equity (<i>gearing ratio</i>), nonperforming loans/total loans (<i>NPLs</i>), income/total assets (<i>asset management</i>), total operating expenses/total assets (<i>operating efficiency</i>), (Tier 1 capital + Tier 2 capital)/risk weighted assets (<i>capital adequacy</i>)
Asma et al. (2011)	Malaysia 2007– 2009	ROA	<i>Microeconomic variables:</i> capital adequacy (<i>CA</i>), credit risk (<i>CR</i>), liquidity (<i>LQ</i>), bank size (<i>BS</i>), expenses management (<i>EM</i>)
Mirzaei and Mirzaei (2011)	Middle Eastern 1999– 2008	ROA ROE	<i>Microeconomic Variables:</i> total actif (<i>Size</i>), cost to income (<i>CTI</i>), equity to assets (<i>ETA</i>), liquidity to total assets (<i>LA/Size</i>), Off balance sheet to total assets (<i>OFF/Size</i>), Loan loss provisions to loans (<i>LLP/L</i>), Net loan to deposit and short term fund (<i>NL/DSF</i>), Overhead

(continued)

Table 10 (continued)

Authors	Country and period sample	Performance measures	Explanatory variables
			expenses to total assets (<i>OVE/Size</i>), Annually growth of total assets (<i>GA</i>), Market share (<i>MS</i>). <i>Macroeconomic Variables:</i> inflation (<i>INF</i>), <i>GDP</i> , Population growth (<i>PG</i>)
Smaoui and Salah (2011)	CCG (1995–2009)	ROA ROE NIM	<i>Microeconomic variables:</i> cost to income ratio (<i>COSR</i>), asset quality (<i>LLR</i>), equity to asset ratio (<i>EA</i>), net loans/total assets (<i>NLA</i>) <i>Macroeconomic variables:</i> <i>GDP</i> growth, inflation (<i>INF</i>)
Samhan and Al-Khatib (2015)	Jordan 2000–2010	ROA ROE ROUIA: return on unrestricted investment accounts	<i>Microeconomic variables:</i> total income divided by total assets (<i>TITA</i>), equity ratio (<i>equity</i>), debt ratio (<i>debt</i>), liquidity ratio (<i>liquidity</i>) <i>Macroeconomic variables:</i> inflation, <i>GDP</i> , and unemployment rate
Usman and Khan (2012)	Pakistan 2007–2009	ROA ROE EPS (earning per share)	<i>Microeconomic variables:</i> loan to deposit ratio (<i>LDR</i>), cash and portfolio investment ratio (<i>CPIDR</i>), loan to asset ratio (<i>LAR</i>)
Irfan et al. (2014)	South Asian country 2004–2011	ROA ROE NP: profit net	<i>Microeconomic variables:</i> net income to total debt ratio (<i>NID</i>), financing advancing to deposit ratio (<i>FADR</i>), investment to deposit ratio (<i>IDR</i>), capital adequacy ratio (<i>CAR</i>), Mudharba (<i>MUD</i>), Istisn'a (<i>IST</i>), environment of bank (<i>EOB</i>)
Ariffin and Tafri (2014)	2004–2011	ROA	<i>Microeconomic variables:</i> credit risk (<i>CR</i>), rate of return risk (<i>ROR</i>), liquidity risk (<i>LIQ</i>), log of total assets (<i>size</i>) <i>Macroeconomic variables:</i> growth rate (<i>GDP</i>), inflation rate (<i>INF</i>)
Maqbool (2014)	Pakistan 2007–2012	ROA	<i>Microeconomic variables:</i> cash to total assets ratio (<i>CA</i>), investment to total assets ratio (<i>ITA</i>), advances net to provision to total assets ratio (<i>AD</i>)

(continued)

Table 10 (continued)

Authors	Country and period sample	Performance measures	Explanatory variables
Eltabakh et al. (2014)	Qatar 2005– 2012	ROA	<i>Microeconomic variables:</i> loan deposit (<i>LDR</i>), capital adequacy (<i>CAR</i>), total debts to equity capital (<i>DER</i>), debt to total assets (<i>DTAR</i>), asset utilization (<i>AU</i>), operating efficiency (<i>EFF</i>), NPLs to total loans (<i>NPL1</i>), NPLs to total equity (<i>NPL2</i>), bank size (<i>BS</i>) <i>Macroeconomic variables:</i> inflation rate (<i>INF</i>), money supply (<i>MS</i>)
Al-Deehani et al. (2015)	CCG 2001– 2013	ROA ROE	<i>Microeconomic variables:</i> investments to total assets (<i>Inv/TA</i>), loans to total assets (<i>loans/TA</i>), deposits to total assets (<i>deposits/TA</i>), cash dividends to net profit (<i>payout ratio</i>)
Youssef and Samir (2015), Bahrini (2016), Nawaz and Badai (2017), and Mala et al. (2018)	Egypt 2010– 2013 MENA 2006– 2012 Malaysia 2010– 2015 Indonesia 2009– 2016	ROA ROE DEA EPS CAR DEA	<i>Microeconomic variables:</i> equity/total assets (<i>ETAR</i>), loans loss reserves/total loans (<i>LLR</i>), loans/deposits (<i>LDR</i>), net loans/total assets (<i>NLTA</i>), total assets (<i>TA</i>) <i>Microeconomic variables:</i> total loans, investment portfolio, labor, fixed assets, total deposits <i>Microeconomic variables:</i> revenues, total assets, total equity <i>Microeconomic variables:</i> returns to scale (<i>VRS</i>), capital adequacy ratio (<i>CAR</i>), nonperforming loan (<i>NPL</i>), loan to deposit ratio (<i>LDR</i>) <i>Macroeconomic variables:</i> GDP, rate of inflation

Table 11 Data description

Variables	Definitions	Notations
Return on assets	Net income/total assets	ROA
Return on equity	Net income/equity	ROE
Economic value added	Profit (π) – weighted average cost of capital (WACC) * invested capital (CI)	EVA
Capital structure	Equity/total assets	Eq/A
	Equity/total investment	Eq/Inv
	Equity/total liabilities	Eq/L
Asset quality	Investment risk reserve/total investment	InvR/Inv
	Investment risk reserve/investment income	InvR/Rev
Liquidity structure	Investment/short-term customers	Inv/Cus
	Liquid assets/total assets	LA
	Liquid assets/short-term deposits	LA/D
Bank's size	Log of total assets	Z
Concentration index	Total assets of bank i/total assets of all banks in the sector	C
Interest rate	The interest rate	Int
Inflation rate	The inflation rate	Inf

References

- Abduh, M., & Idrees, Y. (2013). Determinants of Islamic banking profitability in Malaysia. *Australian Journal of Basic and Applied Sciences*, 7(2), 204–210.
- Ahmed, A., Rehan, R., & Chhapra, I. U. (2018). Interest rate and financial performance of banks in Pakistan. *International Journal of Applied Economics, Finance and Accounting*, 2(1), 1–7.
- Akhtar, M., Ali, K., & Sadaqat, S. (2011). Liquidity risk management: A comparative study between conventional and Islamic banks of Pakistan. *Interdisciplinary Journal of Research in Business*, 1(6), 50–57.
- Al Arif, M. N. R., Nachrowi, N. D., Nasution, M. E., & Mahmud, T. M. Z. (2017). The Islamic banking spin-off: Lessons from Indonesian Islamic banking experiences. *JKAU: Islamic Economics*, 30(2), 117–133. <https://doi.org/10.4197/Islec.30-2.11>
- Al Arifn, M. N. R., & Awwaliyah, T. B. (2019). Market share, concentration ratio and profitability: Evidence from Indonesian Islamic banking industry. *Journal of Central Banking Theory and Practice*, 2019(2), 189–201.
- Al-Deehani, T. M., El-Sadi, H. M., & Al-Deehani, M. T. (2015). Performance of Islamic banks and conventional banks before and during economic downturn. *Investment Management and Financial Innovations*, 12(2), 238–250.
- Aliyu, S., & Yusof, R. M. (2016). Profitability and cost efficiency of Islamic banks: A panel analysis of some selected countries. *International Journal of Economics and Financial Issues*, 6(4), 1736–1743.
- Alkassim, F. A. (2005). The profitability of Islamic and conventional banking in the GCC countries: A comparative study. *Journal of Review of Islamic Economics*, 13, 5–30.
- Alzoubi, T. (2018). Determinants of bank profitability: Islamic versus conventional banks. *Banks and Bank Systems*, 13(3), 106–113.

- Aroui, M. E., Ben, A. H., Jawadi, N., Jawadi, F., & Louhichi, W. (2012). Are Islamic finance innovations enough for investors to escape from a financial downturn? Further evidence from portfolio simulations. *Applied Economics*, 45(24), 3412–3420.
- Ariffin, A. F., & Tafri, F. H. (2014). The impact of financial risks on Islamic Bank's profitability. In *International conference on business, sociology and applied sciences*.
- Ascarya, D. Y., & Guruh, S. R. (2008). *Comparing the efficiency of conventional and Islamic banks in Indonesia using parametric and nonparametric approaches*. Working Paper of Center of Central Banking Education and Studies-Bank Indonesia.
- Aslam, M. K., Inamullah, & Ismail, M. (2016). Determinants affecting the profitability of Islamic banks: Evidence from Pakistan. *International Journal of Operations and Logistics Management*, 5(2), 115–127.
- Asma, I., Fadli, A., & Noor, T. (2011). Determinant of Islamic banking institutions' profitability in Malaysia. *Word Applied Sciences Journal*, 12(1), 1–7.
- Athanasoglou, P., Brissimis, N., & Delis, D. (2008). Bank-specific, industry-specific and macro-economic determinants of bank profitability. *International Financial Markets Institutions and Money*, 18, 121–136.
- Awadh, A., & Bukair, A. (2019). Factors influencing Islamic banks' capital structure in developing economies. *Journal of Islamic Accounting and Business Research*, 10(1), 2–20.
- Bader, M. K. I., Mohammed, S. A. M., & Hassan, T. (2008). Cost, revenue and profit efficiency of Islamic versus conventional banks: International evidence using DEA. *Islamic Economic Studies*, 15(2), 23–76.
- Badreldin. (2009). *Measuring the performance of Islamic banks by adapting conventional ratios*. German University in Cairo Working Paper No. 16.
- Bahri, M., St-Pierre, J., & Sakka, O. (2011). Economic value added: A useful tool for SME performance management. *International Journal of Productivity and Performance Management*, 60(6), 603–621.
- Bahrini, R. (2016). Technical efficiency analysis of MENA Islamic banks during and after the global financial crisis. *Journal of Islamic Banking and Finance*, 4(2), 15–24.
- Bashir, A. (2000). *Determinants of profitability and rates of return margins in Islamic banks: Some evidence from the Middle East*. Grambling State University Mimeo.
- Bashir, A. H. M. (2003). Determinants of profitability in Islamic banks: Some evidence from the Middle East. *Islamic Economic Studies*, 11(1).
- Beck, T., Demirguc-Kunt, A., & Merrouche, O. (2010). *Islamic vs. conventional banking: Business model, efficiency and stability*. World Bank Working Paper (No.5).
- De Bourmont, M. (2012). La Résolution d'un Problème de Multicolinéarité au Sein des Etudes Portant sur les Déterminants d'une Publication Volontaire d'Informations: Proposition d'un Algorithme de Décision Simplifié Basé sur les Indicateurs de Belsley, Kuh et Welsch (1980). In *Comptabilités et innovation*, Grenoble, cd-rom.
- El Biesi, M. (2010). *Foreign banking, financial development and economic growth: Recent evidence from MENA region*. PhD thesis. University of Rome Tor Vergata.
- Eltabakh, M. L., Ngamkroekjoti, C., & Siad, I. A. (2014). A comparison study on the profitability and its determinants between Islamic and conventional banks listed in Qatar Exchange (QE) pre, during, and post 2008 Global Financial Crisis. In *International conference on business, law and corporate social responsibility*.
- Goddard, J., Molyneux, P., & Wilson, J. (2004). The profitability of European banks: A cross-sectional and dynamic panel analysis. *Manchester School*, 72(3), 363–381.
- Gupta, R., Hammoudeh, S., Simo-Kengne, B. D., & Sarafrazi, S. (2014). Can the Sharia-based Islamic stock market returns be forecasted using large number of predictors and models? *Applied Financial Economics*, 24(17), 1147–1157.
- Hanif, M., Tariq, M., Tahir, A., & Momeneen, W. U. (2012). Comparative performance study of conventional and Islamic banking in Pakistan. *International Research Journal of Finance and Economics*, 83, 62–72.

- Haron, S. (2004). Determinants of Islamic bank profitability. *Global Journal of Finance and Economics*, 1, 11–33.
- Haron, S., & Azmi, W. N. W. (2004). *Profitability determinants of Islamic banks: A cointegration approach*. Creating Dynamic Leaders.
- Haron, S., & Azmi, W. N. (2008). *Determinants of Islamic and conventional deposits in the Malaysian banking system*. Barmarik.
- Hassan, M. K., & Bashir, A. H. M. (2003, July 7–9). *Determinants of Islamic banking profitability*. International Seminar on Islamic Wealth Creation. University of Durham.
- Husain, A., Affandi, S., & Shukur, N. A. (2015). The internal determinants of Islamic banks' profitability in Malaysia. *Journal of Basic and Applied Scientific Research*, 5(7), 17–21.
- Hussain, M., Shahmoradi, A., & Turk, R. (2015). *An overview of Islamic finance*. International Monetary Fund Working Paper, WP/15/120.
- Iqbal, M. (2001). Islamic and conventional banking in the nineties: A comparative study. *Journal of Islamic Economic Studies*, 18(2).
- Irfan, M., Majeed, Y., & Zaman, K. (2014). The performance and efficiency of Islamic banking in South Asian Countries. *Economia Seria Management*, 17(2), 223–237.
- Ismail, A. G., & Shahimi, S. H. (2011, April). *Profit-loss sharing and economic value added in Islamic banking model*. Research Center for Islamic Economics and Finance School of Economics.
- Kablan, Y. (2011). *Performance of Islamic banks across the world: An empirical analysis from 2001–2008*. Munich Personal Repec Archive.
- Kaleem, A., & Isa, M. M. (2003). Causality relationship between Islamic and conventional banking instruments in Malaysia. *International Journal of Islamic Financial Services*, 4(4), 1–8.
- Khan, M. M. S., Ijaz, F., & Aslam, E. (2014). Determinants of profitability of Islamic banking industry: An evidence from Pakistan. *Business & Economic Review*, 6(2).
- Khasharmeh, H. (2018). Does liquidity influence profitability in Islamic banks of Bahrain: An empirical study? *International Journal of Financial Research*, 9(2), 2018.
- Liu, H., & Wilson, J. O. S. (2010). The profitability of banks in Japan. *Applied Financial Economics*, 20, 1851–1866.
- Mala, C. H. F. M., Rodoni, A., & Yaman, B. (2018). Market power and efficiency of Islamic banking and conventional banking and Indonesia. *Global Review of Islamic Economics and Business*, 6(2), 131.
- Mangkuto, I. J. (2004). *The effects of conventional deposit interest rate and Mudaraba deposit yield to the deposit growth at Bank Muamalat Indonesia*. Unpublished Master Thesis, University of Indonesia, Jakarta.
- Maqbool, F. (2014). The impact of liquidity on Islamic Bank's profitability. *International Journal of Scientific & Engineering Research*, 5(2), 227.
- Miah, M. D., & Uddin, H. (2017). Efficiency and stability: A comparative study between Islamic and conventional banks in GCC countries. *Future Business Journal*, 3, 172–185.
- Mirzaei, A., & Mirzaei, Z. (2011). Bank-specific and macroeconomic determinants of profitability in middle eastern banking. *Economics Iranian Economic Review*.
- Moin, M. S. (2008). *Performance of Islamic banking and conventional banking in Pakistan: A comparative study*.
- Muda, M., Shaharuddin, A., & Embaya, A. (2013). Comparative analysis of profitability determinants of domestic and foreign Islamic Banks in Malaysia. *International Journal of Economics and Financial Issues*, 3, 559–569.
- Mushtaq, S., & Siddiqui, D. A. (2017). Effect of interest rate on bank deposits: Evidences from Islamic and non-Islamic economies. *Future Business Journal*, 3, 1–8.
- Nawaz, H., & Badai, B. (2017). Profitability of Islamic banks: Case of Malaysia. *International Sciences of Management Journal*, 34(3), 90–103.
- Neiertz, P. (1995). Mesurer la création de valeur pour mieux dialoguer. *L'expansion Management Review*, Juin, 68–71.

- Noman, A. (2015). An empirical investigation of profitability of Islamic banks in Bangladesh. *Global Journal of Management and Business Research: C Finance*, 15(4) Version 1.0.
- Nugroho, L., Hidayah, N., & Badawi, A. (2018). The Islamic banking, asset quality: "Does financing segmentation matters" (Indonesia evidence). *Mediterranean Journal of Social Sciences*, 9(5), 2039–2117.
- Obeid, H., & El Moussawi, C. (2010). Evaluating the productive efficiency of Islamic banking in GCC: A non parametric approach. *International Research Journal for Finance and Economics*, 53, 178–190.
- Rabaa, B., & Younes, B. (2016). The impact of the Islamic banks performances on economic growth: Using panel data. *International Journal of Economics and Finance Studies*, 8(1), 101–111. Issn:1309-8055.
- Rahmawati, R. (2015). The cost efficiency of Islamic bank in Indonesia: A stochastic frontier approach and data envelopment analysis. *Bulletin of Monetary, Economics and Banking*, 17(4), 461–484.
- Ramadan, I. Z., Kilani, Q. A., & Kaddumi, T. A. (2011). Determinants of bank profitability: Evidence from Jordan. *International Journal of Academic Research*, 3(4), 180–191.
- Ramlan, H., & Adnan, M. S. (2016). *The profitability of Islamic and conventional banks: Case study in Malaysia*. Paper presented at the 7th International Economics & Business Management Conference, 5th–6th October 2015.
- Rashid, A., & Jabeen, S. (2016). Analyzing performance determinants: Conventional versus Islamic banks in Pakistan. *Borsa Istanbul Review*, 16(2), 92–107.
- Said, A. (2012). Comparing the change in efficiency of the Western and Islamic banking systems. *Journal of Money, Investment and Banking*, 23, 149–180.
- Saleh, A. S., & Zeiton, R. (2006). *Islamic banking performance in the Middle East: A case study of Jordan*. Working Paper No. 06-21.
- Samad, A. (1999). Comparative efficiency of the Islamic bank Malaysia vis-à-vis conventional banks. *IJUM Journal of Economics and Management*, 7(1), 1–25.
- Samad, A., & Hassan, M. K. (2000). The performance of Malaysian Islamic bank during 1984–1997: An explanatory study. *Thoughts on Economics*, 10(1&2), 7–26.
- Samhan, H. M., & AL-Khatib, A. Y. (2015). Determinants of financial performance of Jordan Islamic Bank. *Research Journal of Finance and Accounting*, 6(8), 37–47.
- Sarwar, M. F. (2018). Impact of profitability on market size of Islamic banking of Pakistan. *International Journal of Accounting Research*, 6(2), 1–5.
- Sharma, A. K., & Kumar, S. (2010). Economic Value Added (EVA)—Literature review and relevant issues. *International Journal of Economics and Finance*, 2(2), 200–220.
- Smaoui, H., & Salah, I. B. (2011). Profitability of Islamic banks in the GCC region. *Annual Paris Conference on Money, Economy and Management*, 5(1557), 85–102.
- Subhi, R., & Alslehat, Z. A. (2014). The effect of capital structure on the performance of Islamic banks. *Interdisciplinary Journal of Contemporary Research in Business*, 5, 144–161.
- Sun, P. H., Hassan, M. K., Hassan, T., & Shamsheer, M. R. (2014). The assets and liabilities gap management of conventional and Islamic banks in the organization of Islamic cooperation (OIC) countries. *Applied Financial Economics*, 24(5), 333–346.
- Tomassone, R., Audrain, S., Lesquoy, E., & Miller, C. (1992). *La régression, nouveaux regards sur une ancienne méthode statistique*. Masson.
- Tsuji, C. H. (2006). Does EVA beat earnings and cash flow in Japan. *Applied Financial Economics*, 16(16), 1199–1216.
- Ullah. (2016). *Influencing factors of profitability on the banking industry: A case study of GCC countries*. MPRA Paper No. 69124, posted 05 Feb 2016.
- Usman, A., & Khan, M. K. (2012). Evaluating the financial performance of Islamic and conventional banks of Pakistan: A comparative analysis. *International Journal of Business and Social Science*, 3(7), 1–5.
- Wanjare, J., & Motari, M. (2016). Interest rate variations and the profitability of Islamic banks in Kenya. *International Journal of Advanced Research*, 4(5), 17–26.

- Wasiuzzaman, S., & Tarmizi, H. (2010). Profitability of Islamic banks in Malaysia: An empirical analysis. *Journal of Islamic Economics, Banking and Finance*, 6(4), 53–68.
- Weill, L. (2010). *Do Islamic banks have greater market power?* BOFIT Discussion Papers.
- Youssef, A., & Samir, O. (2015). A comparative study on the financial performance between Islamic and conventional banks: Egypt case. *International Journal of Business & Economic Development*, 3(3), 20–34.
- Yudistira, D. (2004). Efficiency in Islamic banking: An Empirical Analysis of Eighteen Banks. *Islamic Economic Studies*, 12(1), 1–19.
- Zeitun, R. (2012). Determinants of Islamic and conventional banks performance in GCC countries using panel data analysis. *Global Economy and Finance Journal*, 5(1), 53–72.

Nadia Slimene, is an assistant professor of finance at Institut Supérieur de Gestion de Sousse-Tunisia. Her research interests include Islamic finance and banking, ethical performance, and customer satisfaction.

Hassan Obeid currently works at the EBS European Business School Paris/INSEEC U Research center. Hassan does research in Banking sector, Managerial Decisions, Financial Performance and Efficiency, Public Economics, and Financial Economics.

Halal Travel “2.0” and Beyond COVID-19



Asad Rehman

Abstract Halal travel market appears to be at crossroads. On one hand, it is being shaped by the demands of Muslim consumer who is now younger and educated and with a larger disposable income. While on the other, innovative technologies are enabling and redefining the Muslim travel experience, from planning and purchasing to living the experience and sharing the adventures with others. The challenge for service providers is to innovate and integrate these technologies into their offerings, in order to catalyze the next level of growth in halal travel. Just when the stage seems to be perfectly set for a transition from halal travel 1.0 into halal travel 2.0, the world is hit by the COVID-19 pandemic. The present research tries to look into the changes taking place in halal travel market based on the evolution of GMTI over the years and the key trends in halal travel segment. Based on GMTI report 2021, Travel Readiness Report 2020, and some of the recent researches, an attempt is made to systematically look at the crisis precipitated by COVID-19 and outline a road map for recovery.

1 Introduction

By the year 2025, the Muslim population in the world is expected to reach 30% of the world population (Roberts, 2010). Nearly a third of the world consumer market is expected to be the Muslims which will be primarily represented by those hailing from some of the fastest growing economies such as Indonesia, Malaysia, Turkey, and the Arab nations. Muslims are now becoming a significant consumer market. Faith is increasingly influencing their consumer behavior. This has been shown by the accelerated growth of halal food, halal wellness, Islamic financial services, and halal lifestyle segments over the last 15 years (GMTI, 2015). As per GMTI, 2015 report, in 2014, this segment was worth \$145 billion, with 108 million Muslim

A. Rehman (✉)

Department of Business Administration, Faculty of Management Studies and Research, Frank and Debbie Islam Management Complex, Aligarh Muslim University, Aligarh, India
e-mail: asad.ba@amu.ac.in

travelers representing 10% of the entire travel economy. This was expected to grow to 150 million visitors and 11% of the market worth \$200 billion by 2020. According to the research by MasterCard¹ and CrescentRating,² more than 230 million Muslim tourists are expected to embark on travel, domestic and international, by 2026. This is expected to fetch \$300 billion into the global economy (GMTI, 2019).

Reports such as the MasterCard-CrescentRating Global Muslim Travel Index (GMTI) provide practical market insights and play a critical role in enabling governments, businesses, and tourism service providers to better understand the scenario and learn lessons from the top ranked nations. The Muslim consumer is now younger and educated and with a larger disposable income which has resulted in an increased inclination toward travel. Thus, travel and hospitality are now becoming as one of the biggest markets within the Muslim consumer space. New technologies, such as big data analytics, augmented reality (AR), virtual reality (VR), and artificial intelligence (AI), are also making a significant impact on the travel industry, redefining every stage of the Muslim tourism experience, from planning and purchasing to living the experience and sharing the adventures with others. The challenge for service providers is to innovate and integrate these technologies into their offerings, in order to catalyze the next level of growth in halal travel. To seize this opportunity, hotels and tour operators need to understand and meet cultural and religious needs of Muslim travelers, in order to customize products and services for them (GMTI, 2019).

2 What Is GMTI?

Given the significance of Muslim travel segment, MasterCard and CrescentRating have collaborated to develop and maintain the Global Muslim Travel Index. Its objective is to provide travelers, tourism boards, travel services providers, and other stakeholders a set of comprehensive standards across a number of important criteria like halal food, space to offer prayers, family-friendly and safe travel environment, etc. to track the health and the growth of this travel segment (GMTI, 2015). These insights also enable destinations benchmark the services that they offer in order to better cater to the requirements of Muslim travelers. Over the years, GMTI has evolved and become more inclusive in tune with the growing needs of the Muslim traveler.

¹MasterCard is a technology company operating in the world's fastest payments processing network, connecting consumers, financial institutions, merchants, governments, and businesses globally.

²CrescentRating is the world's leading authority on Halal-friendly travel. The company uses insights, industry intelligence, lifestyle, behavior, and research on the needs of the Muslim traveler to deliver authoritative guidance on all aspects of Halal-friendly travel to organizations across the globe.

Table 1 ACES model: a comparison from 2017 to 2019

Dimensions	Year 2017	Year 2018	Year 2019
Access	Visa requirement Air connectivity	Visa requirement Air connectivity Transport infrastructure	Visa requirement Connectivity Transport infrastructure
Communications	Muslim traveler needs awareness and outreach Ease of communication	Outreach Ease of communication Digital presence	Outreach Ease of communication Digital presence
Environment	Family-friendly destination Muslim traveler and general safety Muslim visitor arrivals	Safety and culture Visitor arrivals Enabling climate	Safety Faith restrictions Enabling climate
Services	Dining options and halal assurance Access to prayer places Airport facilities Accommodation options	Core needs (halal food and prayers) Core services (hotels and airport) Unique experiences	Core needs (halal food and prayers) Core services (hotels and airport) Unique experiences

(Adapted from GMTI 2017, 2018, and 2019)

3 Evolution of GMTI

CrescentRating published its maiden research into the halal travel market highlighting the Top 10 Muslim-friendly holiday destinations in 2011. The 2012 report included rankings of the Top 10 Muslim-friendly OIC³ holiday destinations and Top 10 Muslim-friendly non-OIC holiday destinations. In 2013, the Index covered 50 destinations across the world which was further expanded to cover 60 destinations in the year 2014. In the year 2015, MasterCard-CrescentRating Global Muslim Travel Index (GMTI) was introduced as a global index of 100 destinations combining MasterCard’s knowledge of shopping and tourism with CrescentRating’s insights on Muslim travel. In 2016, 30 more destinations were added and analyzed to benchmark destinations in the Muslim travel market. The criteria used in GMTI 2016 centered around the following themes: family-friendly holiday and safe travel destination, Muslim-friendly services and facilities at the destination, and halal awareness and destination marketing (GMTI, 2016).

The GMTI adopted the most recent set of measurements to better point out the level of Muslim-friendly travel of each destination (Rehman, 2020). In 2017, GMTI report updated its insights on the halal travel, tourism, and hospitality market and also introduced the ACES model (access, communication, environment, and services) as shown in Table 1 to rate the travel destinations. The indicators used in this model are briefly explained as under:

³Organization of Islamic Cooperation.

- (a) *Access* refers to the ease of access to the tourism destination, and it includes visa issued by the government, availability of air and other modes of transportation, and adequate infrastructure to support tourism.
- (b) *Communication* is about the availability of communication facilities and digital facilities. It refers to the wide and easy availability of tourism-related information. It also may refer to the network connecting the different stakeholders in the halal tourism segment.
- (c) *Environment* as an indicator includes the culture in the community and the ease and security in accessing it, the favorable climate, and previous tourist visits.
- (d) *Services* includes the availability of halal food and places to conduct religious activities as the core needs and hotel availability and the number of flights to various destinations as core services. It also includes a unique experience related to the specific tourist destination as an attraction for tourists (Nashirudin et al., 2020).

In the year 2018, ACES measurements for each destination were further refined and reinforced with the additional dimensions of innovation and sustainability. More weightages were adjusted in favor of the more important communications and services factors.

In year 2019, Halal Travel Development Goals for tourism industry was introduced. Additionally, faith-based service needs of Muslim travelers' model were updated, and ACES measurements were fine-tuned to better mirror the new halal travel environment.

Thus, since 2017 till the present times, the ACES model criteria and sub-criteria have evolved to keep pace with the development of the Muslim and the overall travel market. This is also evident from the summary in Table 1. In fact, ACES framework is versatile enough to accommodate the changes taking place in the halal tourism environment.

4 Halal Travel Development Goals

The CrescentRating Halal Travel Development Goals is an all-encompassing framework that serves as a roadmap for the travel industry. Organizations and partners can use these goals to recognize their strategic role in the halal space and continue to play their various important roles in the development of the halal travel ecosystem (GMTI, 2019). They are summarized below:

1. *Integration, Diversity, and Faith*: Enable Muslims to be dynamic citizens of the global community while adhering to the tenets of Islam.
2. *Heritage, Culture, and Connection*: Connect Muslim travelers to one another, with the local community, and the heritage and history of the tourist destination.
3. *Education, Insights, and Capabilities*: Remove misconceptions and improve understanding among communities about halal concepts. Increase academic and

Table 2 Muslim faith-based services 1.0 versus 2.0

Need categories	Faith-based services 1.0	Faith-based services 2.0
Need to have	<ul style="list-style-type: none"> • Halal food service • Salah (prayer) facilities 	<ul style="list-style-type: none"> • Halal food • Prayer facilities • Water-friendly washrooms • <i>No islamophobia</i>
Good to have	<ul style="list-style-type: none"> • Water-friendly washrooms • Ramadan (fasting) services and facilities 	<ul style="list-style-type: none"> • <i>Social causes</i> • Ramadan services • <i>Local Muslim experiences</i>
Nice to have	<ul style="list-style-type: none"> • No non-halal activities • Recreational facilities and services 	<ul style="list-style-type: none"> • Recreational spaces with privacy • No non-halal services

(Adapted from GMTI, 2019)

industry knowledge to increase capabilities of stakeholders by organizing events like seminars, conferences, training programs, etc.

4. *Industry, Innovation, and Trade*: Create new opportunities to increase commerce and drive growth across multiple sectors. Innovate and modernize halal tourism experience in order to create its appeal across market segments.
5. *Well-Being and Sustainable Tourism*: Recognize its responsibility and social impact on travelers, wider community, and the environment.

Thus, the Halal Travel Development Goals aims at creating a climate conducive for removing doubts about halal concepts, coming together of people, developing connectedness among communities, innovation in halal tourism, and above all creating a breed of socially responsible travelers.

5 Muslim Traveller Faith-Based Service Needs 2.0

In 2009, CrescentRating identified six key faith-based needs that influence the consumption behavior of Muslim travelers. These were:

(1) halal food, (2) prayer facilities, (3) Ramadan services, (4) water-friendly washrooms, (5) no non-halal activities, and (6) recreational facilities and services with privacy.

Muslims, like other consumers, are not homogeneous in their adherence to the faith-based needs. Therefore, these needs are grouped under “need to have,” “good to have,” and “nice to have” categories to help service providers prioritize their implementation. With the rapid developments in the halal tourism ecosystem, the changing profile of Muslim travelers, and global events, there emerged a need to review this model. In 2019, CrescentRating reexamined the faith-based service needs model published in 2009. While this study validated six needs identified in 2009, it also identified three “new needs,” namely, (1) no Islamophobia, (2) social causes, and (3) local Muslim experiences. This has given rise to the “Muslim traveler faith-based service needs 2.0” as shown in Table 2.

6 Need to Have Services

The following needs are essential in nature. There is a recently growing awareness among the Muslims to select halal options for their needs from the range of options currently being offered (Battour and Ismail, 2014; Muhammad, 1989).

Halal Food: Halal food is the most important service that a Muslim traveler looks for when traveling. Having food outlets with proper and easily identifiable halal assurance is the preferred option sought by Muslims.

Prayer Facilities: Prayer is one of the central elements of Islamic practices. Destinations should look at providing prayer rooms, equipped with ablation (wudhu)-friendly washrooms.

Many destinations such as Japan, the Philippines, and Brazil are offering Muslim-friendly choices to Muslim travelers. Prayer rooms are allocated at major airports, and restaurants offer halal food in Japan. Muslim-friendly guide is also published to provide information on halal food and prayer places (The National, 2014).

Water-Friendly Washrooms: For Muslims, water plays a key role in purity and cleanliness. This entails the use of water in the toilets, and it is discomforting for Muslim travelers where the setup for water use is unavailable. Providing such facilities has become less cumbersome now with the widespread availability of hand showers, bidets, and Japanese-style toilets. Kansai airport allocates three prayer rooms segregated by gender for Muslim travelers. There are water-friendly toilets, and washing space is provided for ablation before praying. Fifteen restaurants prepare halal food promoted as “pork-free and alcohol-free menus,” and three restaurants are “halal-certified” (KIX MFA, 2015).

No Islamophobia/Hate Crimes: Islamophobia has a somewhat strong presence in countries where non-Muslims are the majority. Due to misconceptions about Islam, Islamic philosophy is considered as a hindrance to modernization, secularism, and liberalization (Wahab, 2019). According to Jais (2014), these misconceptions are very disturbing and occur due to the lack of education, disinformation, and plain ignorance. With Islamophobic sentiments enduring in some regions, Muslim travelers are deterred from visiting destinations that are perceived to be unwelcoming. With increasing hate crimes seen around the world, safety has become a primary concern for Muslim travelers.

7 Good to Have Services

Three faith-based needs have been identified as good to have services. These are social causes, Ramadan services, and local Muslim experiences.

7.1 Social Causes

A key tenet of the Islamic faith is social justice. This includes being mindful and having empathy toward self, others, and the environment. Social causes include the ability to improve local living conditions, various green initiatives to protect the environment, and eco-friendly tourism practices. Driven by their faith and global trend toward sustainability, Muslims are becoming more conscious of being socially responsible during their travels.

7.2 Ramadan Services

Although Muslims are less likely to travel during Ramadan (the month of fasting), there are still many who like to spend this time away from home. Destinations looking forward to attract Muslim travelers during this period need to be able to accommodate their special needs during the month of fasting. For example, Malaysian Muslim-friendly hospitality standard (MS2160:2015) under its tour package section mentions a requirement for tour packages to allocate scheduled time for prayers, saḥūr,⁴ and iḥṭār⁵ in their itinerary during Ramadan (Standards Malaysia, 2015).

7.3 Local Muslim Experiences

Local Muslim experiences refer to experiences unique to the destination that allow the traveler to connect with their Muslim identity and heritage. This includes visits and tours to Islamic heritage sites, interacting with local Muslim communities at a convenient place, or experiencing the country preferably with a Muslim tour guide.

8 Nice to Have Services

These services are viewed as less important as compared to the other needs but would be an advantage and differentiator for businesses interested in offering halal tourism products.

⁴ A meal to be taken before the break of the dawn to indicate the commencement of fasting.

⁵ A meal to be taken soon after the sunset indicating that the fasting period is over.

8.1 Recreational Space with Privacy

A subsegment of Muslim travelers also looks forward to recreational facilities that provide privacy for males and females.

This may include gender segregated facilities such as the following:

- Swimming pools and gyms
- Beaches
- Spas and beauty salons

8.2 No Non-halal Services

Muslims consider some activities to be non-halal. Thus, when it comes to traveling, it is important for services to center on requiring a family-friendly environment. As such, some Muslims would prefer to avoid facilities that serve alcohol, have discotheques, or are adjacent to a gambling resort.

In Turkey, some hotel owners who voluntarily adhere to the halal tourism concept, refrain from serving alcohol, and thereby state themselves as a “family hotel” (Rehman, 2020). Such hotels comply with all the legal requirements of the concerned ministry but use hotel facilities as per halal tourism needs. For example, these hotels do not sell alcoholic drinks in the bars and use the dance club and nightclubs for purpose other than what they are actually meant for. Additionally, in these hotels, separate swimming pool and beaches are provided for men and women, dress codes apply in certain areas, and children (6 years and above) of opposite gender are not allowed in swimming facilities with no photography in the swimming area (Turizmhaberleri, 2011).

Thus, it may be inferred that for the Muslim traveler availability of halal food, prayer facilities, and Ramadan-specific services and absence of non-halal services serve as the bare minimum requirements. To further the experience of the Muslim travelers, it needs to be safeguarded by the destination’s assurance against any breach of security in the garb of Islamophobia or otherwise. The Muslim travelers’ experience is more likely to be augmented if there are opportunities to connect with the local community of the tourist destination and, also, if the travelers are allowed to serve the local community in whatever little way they can.

9 Moving into Halal Travel 2.0

GMTI (2019) report aims to set the stage for the next phase of development of the Muslim travel market, i.e., “halal travel 2.0.” Primarily driven by the rapid pace of technological innovation, rising fervor of social activism, and changing demographics of travelers worldwide, Muslim travel market has also undergone

significant changes in the recent years. Hence, the industry also has shifted from a primary halal travel 1.0 level to a new halal travel 2.0 phase. To better engage with Muslim travelers in this new climate amidst the information technology revolution, it is important for destinations and services to connect with the market at a deeper level. This requires the synergy of both smart technologies, such as AI, and skilled hospitality professionals familiar with the needs of Muslim travelers. By activating the Muslim travel market through both human and technology service touchpoints that serve their needs, service providers can enhance existing customer experiences and create new memorable ones. The last few years have seen “halal travel 1.0” where destinations and businesses have been embracing this market and looking at how to better cater to their needs. The next phase, halal travel 2.0, will be enabled by technologies such as artificial intelligence (AI), augmented reality (AR), and virtual reality (VR) (GMTI, 2019). This has been summarized in Table 3.

Thus, the emphasis henceforth is on the customization of services by engaging with the customer at a deeper level. The service providers are now in a proactive mode and seek to activate and satisfy the unmet traveling needs of the Muslim traveler. The Muslim travelers are keen on bringing positive changes to the places and people they visit and developing a lifelong connect with them. While the travelers are seeking out travel experiences of a lifetime, the service providers are focusing on the lifetime value of the Muslim traveler. Information technology is both an enabler and integrating element in this process of transition.

10 Strategizing Business with Key Trends

The past decade saw halal tourism or Muslim-friendly tourism develop from a niche market to mainstream. Demographic and environmental changes continue to affect the role of media and its impact on viewers. New influencers on the social media such as Drew Binsky⁶ and Daud Kim⁷ are sharing stories which are more authentic and relatable with the target audience. In addition, television series such as *Dirilis Ertugrul*⁸ have reawakened the interest of Muslims to better learn about history, heritage, past figures, and places. In terms of social activism, social causes are now at the forefront and no longer an afterthought. Finally, technology continues to be a central driver in enhancing and creating new experiences in the tourism sector. A major emerging theme from this and other reports is that as Muslim travelers’ spending power and destination awareness increase, so does these travelers’ sense of responsibility. Social activism and travel work hand-in-hand, whether that means contributing to local businesses, working with social impact organizations as part of travel, and taking care to pay attention to sustainability (Halal travel frontiers, 2020).

⁶An American travel blogger and vlogger.

⁷South Korean YouTuber who gained fame in Malaysia after converting to Islam.

⁸A popular Turkish historical fiction and adventure series.

Table 3 Transition from halal travel 1.0 into halal travel 2.0

	Halal travel 1.0	Halal travel 2.0	Implications
Objective	Sell products and services to Muslim travelers	Engage with travelers to cocreate better solutions	Shift from selling concept to customized traveling solutions in consultation with the travelers
Enabling forces	Globalization, technology	New technologies, social activism, millennial demographics	An integration of service providers and destinations with innovative technology like AI, AR, etc. coupled with socially active travelers and the millennials shall ensure a smooth transition into halal travel 2.0
View of Muslim Travel market	Travelers looking for solutions for their faith-based needs	Dynamic travelers who are active citizens in the travel space	Muslim travelers in addition to their touristic/spiritual activities shall try to bring positive changes to the places and people they visit
Key concept	Adaptation	Activation	Shift of focus from merely reacting to the needs of the market to activating latent consumer needs and providing suitable solutions to satisfy them
Company guidelines	Sell product and service Features to Muslim travelers	Converse and engage with Muslim travelers	To have a dialog with the Muslim travelers in order to understand their deeper motives and aspirations behind travel
Value proposition	Functional and spiritual	Connectivity and experiences	Travelers are looking for an overall travel experience and trying to develop a lasting connection with the place and people they visit
Interaction with Muslim travelers	Transactional	Managing relationships	Shift from discrete transactions to a focus on the lifetime value of the Muslim traveler. This may require suitable customer relationship management (CRM) and customer retention strategies

(Source: Researcher and GMTI, 2019)

Some of the enduring halal travel trends from the years 2018, 2019, and 2020 are summarized below:

- (a) Driven by the Islamic faith and a global trend toward sustainability, Muslim travelers are becoming more socially responsible. They are motivated to visit destinations where they can also fulfill their social activism dream. In the words of Muhammad Faris, founder of the Productive Muslim,⁹ “we now actively work with our retreat partners on the ground to ensure we integrate social and

⁹It is a faith-based professional training company based in the USA which conducts productivity and executive coaching workshops.

community responsibility projects as part of all our upcoming retreats” (Halal Travel Frontier, 2019).

- (b) Continuous proliferation of artificial intelligence (AI) via chatbots and intelligent personal assistants (IPA) in the travel space is empowering Muslim travelers to make more informed Muslim-friendly choices and better manage their tours. “Farah” is the IPA being used in HalalTrip.com. She provides more personalized recommendations based on the traveler’s past trips, selections, and inquiries (Halal Travel Frontier, 2019).
- (c) Halal assurance is becoming smarter with AR (augmented reality). Muslim travelers are likely to self-authenticate and verify halal assurances using multiple tools and technologies. Through AR, digital information on the halal status can be layered into the users’ environment in real time. This also allows restaurants in non-Muslim majority destinations to communicate the halal status of their foods in a more targeted manner to Muslim travelers without requiring the explicit display of halal certificates in their premises. Travelers will also increasingly use social media to ask their personal network on halal restaurants and products (Halal Travel Frontier, 2019).
- (d) Muslim travelers through their responsible content sharing on the social media are likely to become a powerful medium in countering Islamophobia and building bridges with other communities (Crescentrating Halal Travel Frontier 2018).
- (e) Several new destinations, particularly from non-OIC regions like Singapore, Japan, Thailand, etc., are increasing their competence and capacity to attract Muslim travelers. This dynamism is likely to benefit Muslim travelers. Singapore’s recognition among the top ten destinations for halal tourism in the world is the result of sustained efforts by all the players involved including the Singapore tourism board which has facilitated the development of halal tourism in Singapore (Rehman, 2020).
- (f) A growing number of younger travelers are seeking out “instant noodle trips” which are affordable, spontaneous short trips that are decided a few days before traveling. With the increasing need for these trips, travel solutions will be redesigned and offered through more mobile-friendly applications. These plans will have shorter lead times and are able to provide travelers with instant booking and confirmation of all aspects of travel services (Halal Travel Frontier, 2019).
- (g) With more Muslim females gaining access to professional education and entering the workforce, they are becoming more influential in planning and deciding on their travels. This is also contributing to a rise in the numbers of Muslim female travelers, which is becoming a new segment altogether. As a result, more destinations will need to offer Muslim-friendly services which take into account the sensitivities of Muslim female travelers (Halal Travel Frontier, 2019).
- (h) Islamophobic sentiments, which exist in some regions, hinder Muslim travelers from visiting such places. Instead, travelers are likely to substitute these destinations with options which are more welcoming. But if Muslim travelers are required to travel to such places out of necessity, their ability to obtain specific information prior to the journey and stay connected during the journey provides

assurance to both current and future travelers considering such destinations. Travelers can check and monitor the local Muslim climate of the destination through both official news channels and social media before and during their trip and adjust their itinerary if needed (Halal Travel Frontier, 2019).

Based on their business priorities and capacities, destinations and service providers find themselves in different stages of development. Some of them are focused on delivering their offerings to existing Muslim travelers, whereas more proactive organizations are trying to innovate to come up with new product and service solutions for market growth. In addition to existing market penetration and product development initiatives, they also need to look to the dynamic environment and benefit from the trends in the halal travel space. Key to capturing the right trends is to remain alert, have a good understanding of business landscape, identify their uniqueness, and contextualize their solutions to fit their Muslim travel market segment. This is appropriately demonstrated in Table 4.

Thus, the future business strategy should embrace a strategic partnership between the travel service providers and information technology. There is a need to understand different subsegments like “instant noodle trips,” “women-only tours,” etc. in order to come up with innovative products and services. It is imperative for the non-OIC nations to gain from the lucrative halal travel by including halal services in their menu.

11 COVID-19 and the World

Halal travel had just started to look forward to the next decade, when the entire world was caught off guard by the COVID-19 pandemic which had an unprecedented devastating impact on every aspect of human lives and lifestyle. For more than a year now, COVID-19 has affected every life around the globe either physically, emotionally, financially, socially, etc. Regardless of the global technological revelation, all countries were poorly affected (and still) due to the crisis. Many lost their jobs, some others lost their beloved ones, and most people lost their lifestyle, sense of safeness, and stability (El-Gohary et.al, 2021).

The formal announcement of the pandemic of COVID-19 on March 11, 2020, by the World Health Organization prompted a wave of travel restrictions in different forms pushing the sector into a difficult position. According to UNWTO (2020b), as of April 28, 2020, out of 217 destinations worldwide:

- Forty-five percent totally or partially closed their borders for tourists – “Passengers not allowed to enter.”
- Thirty percent suspended totally or partially international flights – “All flights suspended.”
- Eighteen percent banned the entry for passengers from specific countries of origin or passengers who have transited through specific destinations.

Table 4 Strategizing business with key trends

		Current services	New services	Implications
Current markets		Improve brand communications, primarily through mobile, to welcome Muslim travelers Enhance existing services through new technologies and better skilled travel professionals	Instant noodle trip offerings seek to integrate into the traveler’s lifestyle and serve their travel jaunts at a short notice when required Better service integration with hotel sector through mobile applications Virtual reality (VR) is increasingly being deployed to train and familiarize with hajj and Umrah ^a rituals	Besides having an understanding of travel motives and aspirations of the travelers, a deeper integration of AI and service professionals is needed to churn out innovative products and services
New markets	Target rising female travelers Target non-OIC markets	To provide “women-only” amenities and facilities to ensure safety and privacy of female travelers New larger Muslim lifestyle and fashion brands Many non-OIC countries like South Africa, Japan, Korea, etc. are also looking to attract Muslim visitors and investing resources nationwide to achieve this goal	Service providers should closely understand the needs of Muslim women travelers to serve it better. This will also help in developing novelty lifestyle and fashion products for them While developing tourism products, non-OIC countries should keep in mind the lucrative halal travel segment	

(Adapted from: GMTI, 2019; Halal Travel Frontier, 2019 and Muslim Women Travel Report, 2019)

^aBoth are Islamic pilgrimages to Makkah. Umrah can be done any time of the year. Hajj is done once in a lunar year on specific dates

- Seven percent applied different measures, such as quarantine or self-isolation for 14 days and visa measures.

As a result of abovementioned restrictions on travel and tourism, OECD (2020) estimated a 45%–70% decline in international tourism in 2020. Travel industry was one of those industries which had been hit the hardest. Meanwhile, halal tourism (like any other tourism activities during the COVID-19 Crisis) was poorly affected by the pandemic. Due to the nature of halal tourism being generally perceived as a niche and relatively small market (El-Gohary, 2020; Alsharief et al. 2018; Alsharief and El-Gohary 2017; El-Gohary et al., 2017), the impact of COVID-19 on its activities is greater in impact than the impact of COVID-19 on other types of tourism. Within this context, although there is a lack of official statistics to support

this, El-Gohary (2020) argue that Saudi Arabia COVID-19 possible losses within the halal tourism and halal hospitality sectors are around USD 18 bn. As expected from any pandemic, COVID-19 led to a damaging effect on the travel and tourism industries. According to Statista (2021), the travel and tourism industry revenues for 2020 were around USD 396.37bn with a decrease of 42% than 2019. Additionally, the air travel industry was also severely affected by COVID-19. The International Air Transport Association (IATA) has predicted losses of USD 84bn in 2020 and USD 18bn in 2021 (Dunn, 2020). Resultantly, with no doubts, the travel and tourism industries were poorly affected due to COVID-19 crisis. The losses within the industry were not only monetary losses, but they also included other types of losses like brand losses and human resource losses (El-Gohary et.al, 2021).

GMTI (2021) report deals with several important issues which the destinations need to take into account in order to effectively understand, plan, and grow post-COVID-19. These key factors are captured in the MasterCard-CrescentRating Travel Readiness Framework (TRF). Mastercard-CrescentRating Travel Readiness Report (TRR) released in July 2020 has suggested three growth recovery paths facing ASEAN¹⁰ till 2022: positive, plausible, and pessimistic. In addition, market projections on the size of the ASEAN travel market were also indicated in each recovery phase within the respective paths. The positive path was expecting to recover to 94% of the 2019 levels by the middle of 2021. The plausible path was likely to recover to 71% of 2019 levels by the middle of 2022. The pessimistic path predicted a recovery to 31% only by the end of 2022. Since the pandemic has continued even in the year 2021, these projections have been updated in GMTI 2021 report. A more realistic plausible path is expected to achieve an 80% recovery of 2019 levels only by the middle of 2023 (GMTI, 2021). Thus, it appears there is a long way to witness a recovery in the travel market.

12 Way to Recovery

The COVID-19 recovery plan requires a comprehensive analysis of the key tourism performance areas, gaps triggered by the pandemic, and steps that can be taken by different travel stakeholders in order to strategically address these challenges. Leveraging the CrescentRating ACES framework, the analysis reveals the impact that the virus had in creating gaps in terms of factors related to access, communications, environment, and services with respect to travel destinations. These gaps have widened due to the accumulation of challenges faced by both travelers and destinations (Travel Readiness Report, 2020).

¹⁰The Association of Southeast Asian Nations is a regional grouping that promotes economic, political, and security cooperation among its member countries.

In 2020, MasterCard and CrescentRating developed the Travel Readiness Framework which identified four key factors for the travel industry to effectively understand, plan, and grow post-COVID-19. They are given as under:

12.1 Drivers

Vaccine diplomacy, both internally to encourage residents to inoculate and externally to attract visitors and geopolitical partners, has begun. Destinations continue to strike a balance between financial and personal health. This is a grave situation for countries like Turkey, Morocco, etc. who are more dependent on foreign tourists visiting them.

12.2 Injectors

With the “access” gap remaining a key barrier, forward-thinking destinations and service providers continue in their preparation to deliver the best experiences for their customers. All stakeholders in general are willing to adapt to achieve some form of stability. Thus, adapting to the new normal like maintaining personal hygiene, following the norms of social distancing, cashless transactions, etc. is the key to survival.

12.3 Phases

The road from control to recovery stays to be uncertain due to new virus variants and resurgence of new waves of COVID-19 in different parts of the world. In this situation, sentiments are hopeful of a future where COVID-19 is managed, but it will definitely take time for the industry to realize this stance.

12.4 Paths

The path to recovery differs for different destinations. Despite effective testing, facilities management, and tracing and vaccination programs, very few are expected to start the recovery phase in 2021. Back to normalization is an ongoing work-in-progress, and “real” recovery and growth may happen only in 2023. Furthermore, to be able to successfully attract Muslim travelers, it is mandatory for destinations to take care of both the travelers’ “faith-based needs” as well as “safety needs” to effectively manage COVID-19. Muslim travelers would need to evaluate the degree

Table 5 Muslim-friendly environment and travel readiness

Criteria	Muslim-friendly environment	Travel readiness
Objective	To assess how well destinations are able to cater to the faith-based service needs of Muslim travelers	To assess how ready destinations are to reopen and manage their tourism economy with COVID-19
Drivers	Ease of access, facilitation of communications, comfortable environment, and quality services	Prevention, detection, and control measures related to COVID-19
Future	Stable as there continues to be rising demand for Muslim-friendly travel	More destinations have begun to better manage COVID-19 with efficient testing, widespread vaccination, and cooperation from general public in terms of observing the norms of personal hygiene and social distancing

(Adapted from: GMTI, 2021)

to which the destination is Muslim-friendly and its level of travel readiness in selecting their destination as summarized in Table 5.

Vaccine availability, procurement, and distribution and clearing the doubts of the people continue to be the key challenges. Social distancing and testing continue to become the norm for hospitality services. Plans of travel bubbles and corridors are interrupted due to virus resurgence in 2021. It is expected that in year 2022 onward, economies are likely to develop herd immunity due to their successful vaccination programs, wide testing, use of technology, and public support. Vaccination has already become a requirement for travel. It seems tourism will be more personalized with smaller numbers and redesigned visitor experiences (GMTI, 2021). A study by Akmaz et al. (2021) indicates that consumer expectations from room services, food and beverage services, recreation services such as swimming pool and steam bath, and other entertainment services mainly revolve around hygiene. This is a rational expectation of the travelers from the service providers.

13 Conclusion

Just when halal tourism was about to make it big in the international tourism markets by embracing the new technologies, social activism, and dynamic travelers as active citizens in the travel space, the entire world found itself helpless in the strong grip of COVID-19 pandemic. Since tourism sector has direct and indirect relationships with 185-supply side activities in the economy, a tremor such as a pandemic could potentially affect a chain of economic activities ranging from transportation to hoteliers (OECD, 2020). According to UNWTO (2020a), globally around 80% of all tourism businesses are small- and medium-sized enterprises (SMEs) with little backup to survive in case of an economic shock like the COVID-19 outbreak.

The Travel Readiness Report 2020 by MasterCard and CrescentRating has offered the participants in the travel and tourism sector practical insights which are

likely to provide reasonable guidelines for the tourism industry to move forward with greater confidence. COVID-19 has driven a sharp increase in more digitally focused commerce, such as online shopping and cashless payments using contactless cards and digital wallets. Consumers have no choice but to adopt these habits to keep themselves safe and adhere to social distancing needs, and businesses have also adjusted their operations in order to meet their customers’ expectations in this regard. After a series of lockdowns spread over more than a year, the travel industry is beginning to see a ray of hope to restart tourism. This of course is allowed to happen after a lot of conditions being imposed on the travelers in terms of COVID testing, vaccination, and compulsory institutional quarantine. The fact of the matter is tourism businesses will have to make their own course modifications moving forward, as travelers seek operators and experiences that can cater to their desire for safety during a period of ongoing uncertainty.

References

- Akmaz, A., Kale, A., & Akmeşe, H. (2021). A Research to Determine the Expectations of Consumers from Halal Concept Hotel Operations in the Covid-19 Process. *Turkish Online Journal of Qualitative Inquiry (TOJQI)*, 12(9), 1057–1075.
- Alsharief, R., & El-Gohary, H. (Eds.). (2017). *Service quality and religious tourism: The context of hajj (Islamic pilgrimage)*. Noor Publishing.
- Alsharief, R., El-Gohary, H., & Alanene, S. (Eds.). (2018). *Public administration and its role in fronting the challenges facing hajj: An eye on the future*. Noor Publishing.
- Battour, M., & Ismail, M. N. (2014). The role of destination attributes in Islamic tourism. *SHS Web of Conferences*, 12, 01077-1–01077-8.
- Crescentrating Halal Travel Frontier. (2018). [online]. Retrieved July 7, 2021, from https://www.crescentrating.com/download/downloadfile.html?file=wQOFplyH_Web_Version_-_10_Key_Halal_Travel_Trends_for_2018.pdf
- Dunn, G., (2020). Airlines to post record net loss of \$84bn this year: IATA, Flight Global. Retrieved January 6, 2021, from <https://www.flightglobal.com/airlines/airlines-to-post-record-net-loss-of-84bn-this-year-iata/138751.article>
- El-Gohary, H. (2020). Coronavirus and halal tourism and hospitality industry: Is it a journey to the unknown? *Sustainability*, 12(21), 1–26.
- El-Gohary, H., Edwards, D. J., & Eid, R. (Eds.). (2017). *Global perspectives on religious tourism and pilgrimage*. IGI Global.
- El-Gohary, H., El-Gohary, S., Edwards, D., & Babatunde, S. (2021). Mirage and reality in Muslim travellers views on COVID-19 and Halal Tourism. Preprint June 2021 <https://doi.org/10.13140/RG.2.2.32591.61603>, <https://www.researchgate.net/publication/352106605>
- Jais, A. S. B. (2014). Halal in mainstream education: Where are we now and what the future holds for halal education? *International Seminar on Global Education, II*, 1179–1191.
- KIX MFA. (2015). *Muslim Friendly Airport KIX*, 20 April [online]. Retrieved from http://www.osakainfo.jp/en/news/muslim_friendly_airport_kix.html
- Mastercard & Crescentrating Global Muslim travel Index (GMTI). (2015). [online]. Retrieved January 20, 2018, from http://gmti.crescentrating.com/mastercard-crescentrating-global-muslim-travel-index-2015_gmti2015.html
- Mastercard & Crescentrating Global Muslim travel Index (GMTI). (2016). [online]. Retrieved June 19, 2018, from <https://www.crescentrating.com/reports/mastercard-crescentrating-global-muslim-travelindex.gmti-2016.html>

- Mastercard & Crescentrating Global Muslim travel Index (GMTI). (2017). [online]. Retrieved June 19, 2018, from <https://www.crescentrating.com/reports/mastercard-crescentrating-global-muslim-travelindex.gmti-2017.html>
- Mastercard & Crescentrating Global Muslim travel Index (GMTI). (2018). [online]. Retrieved January 20, 2019, from <https://www.crescentrating.com/reports/mastercard-crescentrating-global-muslim-travelindex.gmti-2018.html>
- Mastercard & Crescentrating Global Muslim travel Index (GMTI). (2019). [online]. Retrieved January 14, 2020, from <https://www.crescentrating.com/reports/mastercard-crescentrating-global-muslim-travelindex.gmti-2019.html>
- Mastercard & Crescentrating Global Muslim travel Index (GMTI). (2021). [online]. Retrieved July 17, 2021, from https://www.crescentrating.com/download/thankyou.html?file=q8fKF5aQ_Mastcard-CrescentRating_GMTI_2021_-_Final_Version_13th_July_2021.pdf
- Mastercard & Crescentrating Halal Travel Frontier. (2020). [online]. Retrieved April 10, 2021, from <https://www.crescentrating.com/reports/halal-travel-frontier-2020.html>
- Mastercard & Crescentrating Halal Travel Frontier. (2019). [online]. Retrieved July 7, 2020, from https://www.crescentrating.com/download/downloadfile.html?file=HHv_kScb_Halal_Travel_Frontier_2019_-_Final_-_28th_Ja. Retrieved June 20, 2011, fbruary_2019%5B6564%5D.pdf
- Mastercard & Crescentrating Muslim Women in Travel. (2019). [online]. Retrieved April 10, 2021, from <https://www.crescentrating.com/reports/muslim-women-in-travel-2019.html>
- Mastercard & Crescentrating Travel Readiness Report-COVID-19 in ASEAN. (2020). [online]. Retrieved April 10, 2021, from <https://www.crescentrating.com/reports/mastercard-crescentrating-travel-readiness-report-covid-19-in-asean-2020.html>
- Muhammad, M. (1989). *Toward Islamization of disciplines*. The International Institute of Islamic Thought.
- Nashirudin, M., Haris, H., Auliya, Z. F. & Margarena, A. N. (2020). Measuring Indonesia's halal tourism development using GMTI (a case study in West Sumatra) ICONS 2020, October 13-14, Tegal, Indonesia. <https://doi.org/10.4108/eai.13-10-2020.2303691>.
- OECD. (2020). Evaluating the initial impact of COVID-19 containment measures on Economic Activity. Version 14 April 2020. Retrieved from <http://www.oecd.org/coronavirus/policy-responses/evaluating-the-initial-impact-of-covid-19-containment-measures-on-economic-activity-b1f6b68b>
- Rehman, A. (2020). Halal tourism: Guidelines for Oman. *International Journal of Islamic Marketing and Branding*, 5(1), 1–16.
- Roberts, J. (2010). ‘Young, connected and Muslim’, Marketing Week [online]. Retrieved November 18, 2010, form http://www.marketingweek.co.uk/in-depth_analysis/cover-stories/young-connected-and-muslim/3014934.article
- Standards Malaysia. (2015). *MS2610:2015 Muslim-friendly hospitality services – Requirements*. Standards Malaysia.
- Statista. (2021). Forecasted change in revenue from the travel and tourism industry due to the coronavirus (COVID-19) pandemic worldwide from 2019 to 2020. Retrieved January 6, 2021, from <https://www.statista.com/statistics/1109763/coronavirus-international-tourist-arrivals/>
- The National. (2014). Japan Woos Muslim Travellers Ahead of 2020 Olympic Games, 14 August [online]. Retrieved June 20, 2017, from <http://www.thenational.ae/world/east-asia/japan-woos-muslimtravellers-ahead-of-2020-olympic-games>
- Turizmhaberleri. (2011). *Tesettür turizmi dosyası [Veiled Tourism File]* [online]. Retrieved June 20, 2011, from <http://www.turizmhaberleri.com/haberayrinti.asp?ID=13137>
- UNWTO. (2020a). International tourism arrivals could fall by 20-30% in 2020. News Release, 27 March 2020.
- UNWTO. (2020b). COVID - 19 Related Travel Restrictions A Global Review for Tourism, (second version) 28 April 2020. Retrieved from <https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-04/TravelRestrictions%20-%2028%20April.pdf>

Wahab, M. A. (2019). Analysing the relationship between misconceptions about halal among non-Muslims and their intention to boycott halal products. *International Journal of Islamic Marketing and Branding*, 4(1), 1–26.

Dr. Asad Rehman having a teaching experience of nearly 23 years is currently working as an Associate Professor in the Department of Business Administration, AMU, Aligarh. As a part of an international assignment, he has served as an Assistant Professor for 5 years in Dhofar University, Oman. He also served as the Chairperson of MBA program in Dhofar University. He has a keen interest in the fields of consumer behavior, Islamic marketing, and finance. Most recently, he has developed a fancy for the niche and nascent field of “halal tourism” which he has been researching for the past 7 years. He has presented his work in international conferences in Turkey, Oman, and UAE. His research which is essentially qualitative in nature has got published in reputed journals.

Strategic Perspectives of Islamic Entrepreneurship and Marketing



Mohammad Mominul Islam

Abstract Entrepreneurship under the Islamic prescription refers to Islamic entrepreneurship that might include five crucial issues including right motivation, sustainable business ideas, human resource management, finance, and marketing. Adhering to the Islamic principles along with practicing the conventional business strategies denotes strategic aspects of Islamic entrepreneurship and marketing. However, paucity of Islamic wisdom on entrepreneurship and marketing and perceived divergence of Islamic entrepreneurship have to be addressed to root in the foundation of strategic entrepreneurship and marketing. Also, problems encountered by the Islamic entrepreneurs, understanding of the traditional experts on Islamic entrepreneurship, and the reluctance of the Muslims toward Islamic business must be known. Hence, Islamic entrepreneurship and marketing are worth being the separate disciplines for the business school provided that their theories and practices are adequately documented.

1 Introduction

Entrepreneurship is one of the economic functions in Muslim communities (Abdullah et al., 2019). Entrepreneurship is a way of earning a livelihood, and Islam highly recognizes business and entrepreneurship as a mechanism of generating value, economic progress, and job creation (Solaiman and Yasmin, 2012). The concepts of livelihood (al-Rizq) and lawful (halal) and unlawful (haram) sources of earnings regulate the economic activities in Islam (Aziz, 2011). Allah has intimated the term al-Rizq by the Prophet Muhammad SAW (Borhan and Aziz, 2009). Prophet Muhammad SAW was an entrepreneur before his prophetic mission (Islam, 2021). Inviting all Muslims to be innovative, entrepreneurial, and active (Faizal et al., 2013), Islam encourages entrepreneurship development (Haneef, 2005). Besides Islamic faith (Abbas et al., 2013; Salwa et al., 2013), technological

M. M. Islam (✉)

School of Business and Economics, Universiti Brunei Darussalam, Darussalam, Brunei
e-mail: 21h8961@ubd.edu.bn

innovation and adaptation are imperative in Islamic entrepreneurship (Adham et al. 2012).

Entrepreneurship development includes the stages of identifying and evaluating opportunity, sourcing resources, commencing with start-up, and maintaining growth, while creativity and innovativeness, leadership, confidence, and management capability center on the entrepreneurial qualities (Doboli et al., 2010). Also, decision-making and risk management capacity are significant traits for entrepreneurship (Mani, 2015).

Entrepreneurial motivation through formal education is required so that students become job givers rather than job seekers (Karim, 2016; Petridou and Glaveli, 2008; Zhao et al., 2005). However, it is out of the control of the educational organizations to teach individuals to become more enterprising (Johannison, 1991) since individuals are reluctant to undergo entrepreneurial careers for having higher uncertainty and risk (Petridou et al., 2009).

Debate exists about the contribution of universities and business schools to entrepreneurship development (Kirby, 2004). In general, the ongoing education system does not promote the required attributes and skills to result in entrepreneurs. It motivates students how to become good employees instead of successful employers (Solomon 2007). As such, considerable changes are essential in the learning process. Moreover, emphasis must not be equated not only in creating new ventures but also in focusing on creativity and change (Kirby, 2004).

The purpose of this chapter is to shed light on Islamic entrepreneurship and marketing with a strategic approach. Focus has been given on intrinsic motivation and spiritual guidance. Fundamental business activities, for instance, intrinsic motivation, opportunity identification, managing uncertainty with decision-making, human resource management, finance, and marketing, have been identified as the key success factors for Islamic entrepreneurship development. Instead of man-made theories, the teachings of Islam have helped shape Islamic entrepreneurship and marketing.

2 Motivation in Islamic Entrepreneurship

Students are generally motivated to initiate their businesses due to intrinsic factors like being their boss and chasing their dreams (Mani, 2015). Hence, intrinsic motivation is an unseen factor that triggers to be entrepreneurs. For instance, a blacksmith forges iron, steel, or other metal to prepare any expected tool. In general, black coal and fire help forge metal. When metal is melted, it becomes red to be hammered. Then, the expected tools are shaped. If the metal is hammered without being forged, the metal will be ruined, and labor will be wasted. In the same way, without proper intrinsic motivation, individuals may not be entrepreneurs.

Islamic entrepreneurs must be motivated by the learning of the Quran. The Nobel Quran says that translates to, "Allah has permitted trading and forbidden riba or usury" (Chap. 2, verse 275). The above verse is the key to Islamic entrepreneurship.

The words of Allah also say that translates to, “O you who believe! Eat not up to your property among yourselves unjustly except it is a trade amongst you, by mutual consent” (Chap. 4, verse 29). The mentioned verse instigates individuals to participate in entrepreneurship by avoiding any unlawful income.

Islamic entrepreneurs have to be motivated by the learning of the last Prophet (SAW). At the age of 25, Prophet Muhammad (SAW) went to Sham (Syria) for business with the capital of Khadija (May Allah be satisfied with her.), a widow of 40 years old in a reputed tribe in Mecca, who used to invest money to grow entrepreneurship development. Prophet Muhammad (SAW) was known as Al Ameen (trusted) to the Arabs, and people used to deposit their valuable belongings to him. Khadija came to know that and proposed him commencing a business to travel to Syria with her capital and a servant named Maisarah. Khadija also proposed that the prophet would receive the highest portion of the earned profit for his labor than the other merchants used to give. Prophet Muhammad (SAW) accepted the business proposal and set out for Syria for trade. Also, Prophet Muhammad (SAW) went to Syria with his uncle, Abu Taleeb. In Syria, the Prophet (SAW) traded with Saeed-bin- Abu Makhjumi based on partnership business. Prophet (SAW) attained much profit in his entrepreneurship (Ibne Hisham, the first part, pp. 187–188). The Muslims ought to follow the entrepreneurial qualities of the Prophet SAW (Abdullah et al., 2019).

The Prophet (SAW) said, “The honest and trustworthy merchant will be with the prophets, the truthful, and the martyrs” (Sunan al-Tirmidhī, 1209). Living in paradise forever with the prophets, the truthful, and the martyrs is an intrinsic motivation for Islamic entrepreneurs. Doing business for paradise hereafter is also a strategic aspect of Islamic entrepreneurship.

The Prophet (SAW) also ordered to pay the employees on time so that organizational employees get proper motivation to work. Abdullah ibn Umar reported: The Messenger of Allah, SAW, said, “Pay the worker his wages before his sweat has dried” (Sunan Ibn Mājah, 2443).

The guidance of Allah and the footsteps of the last Prophet (SAW) are the success factors for Islamic entrepreneurship. The Holy Quran says that translates to, “And whoever obeys Allah and His Messenger has certainly attained a great attainment” (Chap. 33, verse 71). Hence, the prime motivation in Islamic entrepreneurship is abiding by Allah and His Messenger. This obedience will result in entrepreneurial success here and in paradise hereafter. Communicating entrepreneurial teaching of the Quran and hadith effectively is strategic because such Islamic narratives will leave permanent influence in the share of the minds of the present and potential Muslim entrepreneurs.

3 Identifying and Evaluating Opportunity in Islamic Entrepreneurship

The process of entrepreneurship development starts with identifying and evaluating opportunities (Doboli et al., 2010). The Quran is the greatest source of identifying entrepreneurship ideas, and evaluation of the ideas will rely on the comparative strengths and weaknesses of the individual entrepreneurs. Halal products and services are the cornerstones of Islamic entrepreneurship. Regarding halal, no one is compromised whether they are Prophets, believers, or humans.

The Noble Qur'an instructs that translates to: "O mankind! Eat of halal and tayyib on the earth" (Chap. 2, verse 168). Then, the Holy Qur'an says that translates to: "O you who believe! Eat of the Taiyib things that We have provided you with" (Chap. 2, verse 172). Even, Allah has addressed the honorable prophets that translates to "O (you) Messengers! Eat of the Taiyibat which Allah has made legal and do righteous deeds" (Chap. 23, verse 51). Therefore, stakeholders engaged with Islamic entrepreneurship must adhere to the halal, and no relation of haram (unlawful) should be maintained; even suspicion needs to be avoided. Few entrepreneurship ideas from the Noble Quran have been mentioned below:

Food

Entrepreneurship can be developed from the verses. It says, "O mankind, eat of that which is lawful and good on the earth" (Chap. 2, Al-Baqarah, verse 168). For mankind halal and tayyab food (lawful and good) is specified, and tayyab food (good) has been mentioned for the Muslims narrating "O you believe, Eat of the lawful things that have been provided to you" (Chap. 2, Al-Baqarah, verse 172). Moreover, Ajka (good lawful) has been marked for another special market segment saying that translates to "So send one of you with this silver coin of yours to the town, and let him find out which is the good lawful food (ajka), and bring some of that to you" (Chap. 18, Al-Kahaf, verse 19).

Food products can be segmented into numerous target markets as halal (lawful), taiab (good), and ajka (lawful and good). Among the three food segments, ajka refers to more purified food compared with organically produced food.

The Nobel Qur'an also says that translates to, "And the cattle, He has created them for you; in them, there is warmth and numerous benefits, and of them, you eat" (Chap. 16, An-Nahl, verse 5). Food products that originated from cattle like milk and meat can be offered to all. Moreover, during the holy pilgrimage and Eid-ul- Ajha, thousands of cattle are sacrificed, and conventional and Islamic marketers can exploit the marketing opportunities by offering processed meat worldwide.

Islamic entrepreneurs can have marketing opportunities segmenting the sea-based special products, for instance, as per the verse 16 of Chap. 14 that translates to "And he it is Who has subjected the sea, that you eat thereof fresh tender meat and that you bring forth out of it ornaments to wear." Seafood must be a very special food item to be offered to all segments.

Dress

The dress can be segmented into two kinds exploring the verse that translates to, “O children of Adam! We have bestowed raiment upon you to cover yourselves and as an adornment and the raiment of righteousness that is better” (Chap. 7, verse 26). Accordingly, entrepreneurs can offer a sober dress for individuals, but for the believers, few restrictions are applied like images of animals for men and women, and silk for men must be avoided. Importantly, the demand for hijab is increasing among Muslim women. It is noted that hijab is not fashion but a passion. Additionally, cultural dress on the Eid-ul-Fitre, Eid-ul-Azha, and holy Pilgrimage is the noted example for the believers who can be targeted by the opportunistic entrepreneurs.

The Holy Qur’an further says that translates to, “And the cattle, He has created them for you; in them, there is warmth, and numerous benefits, and of them, you eat” (Chap. 16, verse 5). As such, leather jackets and winter clothing made of fur can be offered to mankind as a mass-market segment.

Educative Products

Education is one of the fundamental needs of humans that marketers are entitled to exploit. The Holy Qur’an emphasizes forming a knowledge-based society that translates to, “Read! In the Name of your Lord Who has created. Has created man from a clot. Read! and your Lord is the Most Generous. Who has taught by pen” (Chap. 96: verses 1–4). Business opportunities for reading materials are sustainable. Moreover, modern Muslims expecting to educate their children Islamic with conventional education can be segmented. These market segments will require special service marketing mixes.

Medicine and Healthcare Products

Quranic medicated products can be offered to target market segments applying the verse that translates to, “And We have sent down from the Qur’an that which is a healing” (Chap. 17, verse 82). For example, honey and honey-related products and other herbal medicines are appealing to the mass market. The Holy Qur’an says that translates to, “And your Lord inspired the bee to take habitations in the mountains and the trees and in what they erect. Then, eat of all fruits, and follow the ways of -your Lord made easy, there comes forth their bellies, a drink of varying colours wherein is healing for men” (Chap. 16, verses 68–69).

Islamic marketers strongly can offer the Quranic medicated products to the consumers, particularly to the Muslim segments promoting the fact that these medicated products result from the research of the Glorious Qur’an. Such products are supposed to highly need-satisfying to the conventional and the Muslim market segments.

Housing

Shelter refers to one of the significant basic needs of humans. Islamic entrepreneurs can target various market segments as per the 14th verse of the third chapter of the Glorious Qur’an that translates to, “Beautiful for men is the love of things they covet; women, children, much of gold and silver, branded beautiful horses, cattle and well-tilled land. This is the pleasure of the present world’s life” (Chap. 3, verse 14).

Hence, developers can exploit housing-related products. At the same time, this verse certainly enables other marketers to offer other products to different segments.

Premium Products

Islamic marketers can have marketing opportunities of premium products like sea treasures following the verses that translate to, “And it is Who has subjected the sea, that you eat thereof fresh tender meat and that you bring forth out of it ornaments to wear” (Chap. 16, verse 14), and “Two seas meet together, out of them both come out pearl and coral” (Chap. 55, verses 19–22). Financers can undertake long-term projects to extract resources from the seas. Additionally, pearl and coral along with ornaments made of precious treasures can be offered to the special market segments. Nurturing these segments of higher income, Islamic entrepreneurs will be able to gain much profit.

Some of the studies that have incorporated Quranic verses to shape Islamic entrepreneurship development include making marketing sustainable by Islamic teaching (Islam, 2016), resolving agribusiness challenges through Islamic farming (Islam, 2017), mixing Islamic principles in traditional human resource management (Islam and Hossain, 2018), outlining marketing mixes in the light of the Quranic verses (Islam, 2018), and branding business in Islamic spirit (Islam, 2019). Also, minimizing production cost in rice production under the Quranic knowledge (Islam, 2020a); segmenting, targeting, and positioning in Islamic marketing (Islam, 2020b); Islamic social business (Islam, 2021a); Islamic counseling in COVID-19 to address mental health (Islam and Reza, 2021); branding halal cosmetics (Islam, 2021b); and Islamic tourism (Islam, 2021c) are recently noticeable studies concerned with Islamic entrepreneurship.

Allah says that translate to, “This is the Book! There is no doubt about it—a guide for those mindful of Allah”, and “The month of Ramadan in which the Qur’an was sent down as a Guidance to men” (Chap. 2, verse 2, and 185). Exploring the verses, Islamic entrepreneurs must be able to source many other business ideas including tangible and intangible halal products.

In general, conventional entrepreneurs scan the business environment to get business ideas; they research markets. Islamic entrepreneurs are very innovative and strategic in exploring entrepreneurial ideas. Besides analyzing the business environment, Islamic entrepreneurs necessarily undergo analysis of the Quran and Sunnah that will allow extra business ideas. Further, entrepreneurship development ideas from the Islamic are supposed to motivate the Muslims spiritually that other entrepreneurs will not feel.

4 Managing Uncertainty and Decision-Making in Islamic Entrepreneurship

Decision-making and risk management capacity are crucial for entrepreneurship development (Mani, 2015). Individuals are reluctant to undergo entrepreneurial careers for having higher uncertainty and risk (Petridou et al., 2009). In Islamic entrepreneurship, heavenly and spiritual measures are due to address the decision-making and uncertainty problem.

Teamwork and listening to others for advice are highly significant for Islamic entrepreneurship. The Quran says that translate to, “It is by Allah’s mercy that you are gentle to them; had you been harsh and hardhearted, they would have surely scattered from around you. So excuse them and plead for forgiveness for them, and consult them in the affairs, and once you are resolved, put your trust in Allah. Indeed Allah loves those who trust in Him” (Chap. 3, verse 159).

According to the above verse, consultation with peers will foster decision-making. Moreover, Islamic entrepreneurs have opportunities to consult with Allah. This is mentioned in the explanation of verse 159 of Chap. 3. Narrated Jabir bin ‘Abdullah: The Prophet (PBUH) used to teach us the way of doing *istikhara* (*istikhara* means to ask Allah to guide one to the right sort of action concerning any job or a deed), in all matters as he taught us the Surats of the Quran. He said, “If anyone of you thinks of doing any job he should offer a two Rakat prayer other than the compulsory ones and say (after the prayer) that translates to: (O Allah! I ask guidance from Your knowledge, And Power from Your Might and I ask for Your great blessings. You are capable and I am not. You know and I do not and You know the unseen. O Allah! If You know that this job is good for my religion and my subsistence and in my Hereafter—(or said: If it is better for my present and later needs)—Then You ordain it for me and make it easy for me to get, And then bless me in it, and if You know that this job is harmful to me In my religion and subsistence and in the Hereafter—(or said: If it is worse for my present and later needs)—Then keep it away from me and let me be away from it. And ordain for me whatever is good for me, And make me satisfied with it)”. The Prophet added that then the person should name (mention) his need (Sahih Al-Bukhari—Book 21 Hadith 263).

Because of the uncertainty of entrepreneurship, Muslim entrepreneurs must directly take spiritual consultation from Allah. Before starting the Islamic venture or any decision-making during entrepreneurship, Islamic entrepreneurs must seek “*istishara*” (“*الاستشارة*”). This will in turn make the entrepreneurship decision easier, beneficiary, and favorable to the Islamic entrepreneur.

Other entrepreneurs do not have the opportunity to avoid uncertainty and risk through seeking the help of Allah, but an Islamic entrepreneur has. Although group decision-making is strategic, the results of the decision taken in a group may not be expected in the long run. The leader of the entrepreneurship development will seek help through the “*istishara*” (“*الاستشارة*”) that will result in avoidance of risk and uncertainty. If the outcome is good, it will be achievable, or the intended task of the entrepreneur will automatically be abandoned. In this way, the learning of the Quran

and Sunnah will help resolve the decision-making and uncertainty problems of the Muslim entrepreneurs.

5 Human Resource Management in Islamic Entrepreneurship

Though organizations employ thousands of dollars behind developing human resources, still the world lacks spiritual and moral leaders/manpower both in business and nonbusiness sectors since all of those attempts and theories used to nourish human capital are based on the traditional view (Afrin et al., 2015). Moreover, modern management theory is constricted by a fractured epistemology that has separated humanity from nature and truth from morality (Gladwin et al., 1995).

The strategic aspect of Islamic human resource management stands by mixing traditional managerial principles with Islamic teachings that will add extra power to Islamic entrepreneurship. It may include analyzing humans, converting them into resources, and managing them.

Analyzing Human

People are different (Hans, 1976; Weirich and Koontz, 1994). Indeed, they are the best creation in the universe. Therefore, organizational people have to be well known before they are managed whether the organizational culture is Islamic or not. However, the Creator of humans, Allah the Almighty, knows details of humans. Consequently, understanding of the Creator's words can only offer a complete knowledge base on humans resulting in proper human resource management.

Humans are the best creation of Allah. Few subsequent stages are followed in creating a human. The stages have been mentioned in the Holy Quran earlier than what science has claimed. The Noble Quran says that translates to, "And indeed, We created man out of an extract of clay. Thereafter, We made him as Nutfah (mixed drops of the male and female sexual discharge and lodged it) in a safe lodging (womb of the woman). Then, We made the Nutfah into a clot (a piece of thick coagulated blood), then, We made the clot into a little lump of flesh bones, then We clothed the bones with flesh, and then We brought it forth as another creation. So Blessed is Allah, the Best of creation" (Chap. 23, verses 12–14).

A human possesses some universal limitations. The holy Quran says that translates to, "Man was created weak" (Chap. 4, verse 28), "Man is created of haste" (Chap. 21, verse 37), "Man is ever hasty" (Chap. 17, verse 11), "Man is ever ungrateful" (Chap. 17, verse 67), "Man is ever miserly" (Chap. 17, verse 100), "Man was created very impatient" (Chap. 70, verse 19), "you (mankind) have been given only a little of knowledge" (Chap. 17, verse 85), "Man is ever more quarrelsome than anything" (Chap. 18, verse 54). Despite those limitations and criticisms, humans are honored over all creations in the world that the Quran claims that translates to, "Indeed, We have honoured the children of Adam" (Chap. 17, verse 70).

5.1 Strategic Implications of Knowing Human

Since man is weak, hasty, and ungrateful, efforts have to be made to make him strong, patient, and grateful. An individual is also miserly, impatient, and limitedly knowledgeable, and strategies should be formulated to make her/him liberal, passionate, and knowledgeable. Furthermore, an individual is quarrelsome; techniques have to be adapted to make her/him calm and decent. Also, humans are worthy of being honored. By providing appropriate training, development measures, knowledge-sharing facilities, suitable working environment, and proper motivation, the weaknesses of an individual can be converted into strengths that eventually will result in expected and realistic behavior from organizational people instead of opportunistic behavior.

Converting Humans into Resources

The collective approach, expertise, and power of people contribute to organizational performance and productivity. Competent and motivational people can make things happen and enable an organization to achieve its goals. As a result, organizations must continuously ensure that the competency and motivation of their people keep constant at a high level (Afrin et al., 2015).

In recruiting humans and in making resources for the intended organization, considerations of their common features should be remembered. In the selection process, it is very natural to search for a suitable candidate. Knowing humans based on the basic consideration shall guide a human resource manager in searching for a qualified incumbent. For instance, it may not be feasible to ask for the higher or rare qualities that the probable candidate does not belong to.

Few common criteria should be judged so that the door of the organization remains open to all the potential candidates known as the equal opportunity notion. Regarding this issue, the teaching of the Quran can guide the human resource manager that translates to, “Verily, the best of men for you to hire is the strong, the trustworthy” (Chap. 28, p. 26). Therefore, it may not be wise to ask some questions in the interview or to set some questions out of the scope of the job candidates. However, the most important affairs include the working ability of the potential employee for what he is going to be appointed. Furthermore, his personality on trustworthiness should be checked at the time of the selection process.

5.2 Strategic Implications of Focusing on Fitness and Trustworthiness

Preliminary assessment of the physical fitness can be perceived at the first sight or through the medical checkup, and trustworthiness can be conceived by the references of the candidates. A sound working environment and motivating the employees to have a hygienic feeding habit can make them physically energetic.

In one sentence, a sound body is a powerhouse to render quality service to the organization.

To keep fit, Muslim entrepreneurs should motivate the employees to exercise in their homes. Running in the morning and breathing fresh air can help make them physically strong. In addition, a well-trained physician can show few freehand exercises to the appointed employees so that they can practice the physical exercises in the home. Consequently, healthy team members surely will be resources that will result in fewer sick leaves along with better performances for the organizations. Importantly, the trustworthiness, integrity, and piety of the Muslims will be the valuable resources of the organizations.

Managing Human Spiritually

Management is the process of designing and maintaining an environment that fosters to accomplish selected aims of an organization (Wehrich and Koontz, 1994, p. 4). Islamic management, however, is based on ethics.

The Holy Quran says that translates to, “Obey Allah and obey the Messenger and those of you who are in authority” (Chap. 4, verse 59). An organization of the Islamic culture must accord the above verse concerned with management. A manager has to communicate the teaching of the Holy Quran to the hired employees that obeying the orders of an organization as per Islamic principles is obeying Allah. In other words, following the rules of an organization is a part of worship. This is because, “Allah has raised you in ranks, some above others that He may try you in that which He has bestowed on you” (Chap. 6, verse 165). Thus, exercising unethical management power is checked in Islamic human resource management since the authoritative manager is liable to Allah for his duties and responsibilities.

5.3 Strategic Implications of Islamic Human Resource Management

As per the glorious Quran, management is about employing fellow humans in the organization and ensuring intensive obedience for the betterment of the organization according to ranks. The Islamic management functions consist of motivating, directing, and controlling tasks. Also, the strengths and weaknesses of humans as per the “analyzing human” phase will guide the employees in adapting any management strategy.

An individual, who is not influence to act, is characterized as unmotivated, whereas someone who works toward an end is considered motivated. The level and orientation of motivation vary from individual to individual (Ryan and Deci, 2000). Thus, obeying a manager under the Islamic teachings refers to intrinsic motivation that must regulate the behavior of the Muslim employees in an organization. The entrepreneurship development under Islamic human resource management is supposed to add extra value when Muslim entrepreneurs will blend Islamic ethics with the traditional managerial approaches.

6 Finance in Islamic Entrepreneurship

The Glorious Qur'an further says that translates to, "O you believe, Eat not Riba (usury) doubled and multiplied" (Chap. 3, verse 130), as "Allah will destroy riba" (Chap. 2, verse 276). Following the verses, Islamic entrepreneurs must source alternative financing options to start and manage the business organization.

6.1 Strategic Aspect of Usury Free Financing in Islamic Entrepreneurship

In conventional usury-based financing, banks or financiers do not take financial risks. At the end of the year, they collect the interest with the principal amount. The entrepreneur adds the interest rate to calculate the production cost, and the end consumers bear the burden. Hence, product price increases. Acknowledging interest-free investment, an entrepreneur may enjoy the extra privilege of margin, and consumers can get the product at a lower price. Hence, interest-free Islamic entrepreneurship will be sustainable, and all the stakeholders will get the benefit, and no one will be unjustified.

7 Islamic Marketing in Islamic Entrepreneurship

Islamic marketing requires Islamic principles (Alserhan et al., 2016) to develop the brand of halal products (Wilson and Liu, 2010) to address the Muslim consumers' behavior (Esso and Dibb, 2004; Mokhlis, 2006). Islamic marketing mixes can result from the Islamic teachings.

7.1 Five Marketing Mixes in Islamic Marketing

Product

Islamic entrepreneurs may design a marketing mix in the light of the Islamic principles considering the verses of the Noble Qur'an. Halal products may emerge from the products related verses, for example, Chap. 2 verses 195 and 275, Chap. 3 verses 14 and 130, Chap. 4 verse 82, Chap. 5 verses 3 and 90, Chap. 7 verse 26, Chap. 16 verse 5, Chap. 18 verse 19, Chap. 28 verse 26, Chap. 55 verse 22, Chap. 96 verses 1–4, and other concerned verses. Analyzing the authentic sayings of the Prophet Muhammad (SAW) and lifestyle, the companions of the Prophet (May Allah be satisfied with them) may also generate many other halal products.

Price

Verses on price like Chap. 2 verses 275–276, Chap. 3 verse 130, Chap. 4 verse 29, Chap. 7 verse 31, Chap. 17 verses 26–27, and other verses can result in an effective price. Particularly, usury or interest-free pricing is the focal point of Islamic marketing price. In addition, not charging a higher profit margin though opportunity exists is the key to the price of Islamic marketing.

Place

The convenient place can be derived from exploring the verses including Chap. 18 verse 19, Chap. 2 verse 188, Chap. 16 verse 90, and Chap. 67 verse 2 along with other principles in Islam. Separate praying arrangements for the female and male and placing breastfeeding corners for the mother are the mentionable attributes to Islamic place or channel in Islamic marketing.

Promotion

Effective promotion can be ensured by applying Chap. 2 verse 42 and 83. The two verses imply promoting true messages, not mixing falsehood with the truth, and communicating with the target consumers nicely and effectively. Then, Chap. 24 verses 19 and 30–31 and Chap. 33 verse 71 restrict showcase of the private parts of the female and male in the promotion. Hence, avoiding sexual appeal and wrong, misleading, and false messages, Islamic entrepreneurs can design the promotion.

People

People are the center and most crucial P in Islamic marketing and in Islamic entrepreneurship. The Muslim entrepreneurs or employers will first obey Islamic rules and then will motivate the subordinates or employees. The individual ensures that the male and female follow Islamic dress codes, the male is bearded, the delivery of Salam are frequent in the organizational place, and *InshaAllah*, *MashaAllah*, and *Subhanallah* Islamic terms are routine in the workplace. Most importantly, Salats or prayers are arranged with a group in the workplaces. Such practiced Muslims will be the fifth P of the Islamic marketing mix in Islamic entrepreneurship.

An Islamic entrepreneur requires ensuring consistency between his deeds and talks. This may be with the suppliers, employees, and valued customers, among others. Allah says that translates to, “O believers! Why do you say what you do not do? How despicable it is in the sight of Allah that you say what you do not do!” (Chap. 61, verses 2–3).

Learning from verse 31 of Chap. 7 will make the Islamic entrepreneur economical because cost needs to be controlled, and cutting cost will result from checking waste. Allah says that translates to “Eat and drink, but do not waste. Surely He does not like the wasteful” (Chap. 7, verse 31).

Further, an Islamic entrepreneur needs to focus on effective communication and negotiation skills with the various parties involved in entrepreneurship. Allah says that translates to, “O believers! Be mindful of Allah, and say what is right” (Chap. 33, verse 70). “And speak good (words) to (all) men” (Chap. 2, verse 83), but “Do not mix the truth with falsehood, nor conceal the truth while you know” (Chap. 2, verse 42).

7.2 *Islamic Marketing Process in Islamic Entrepreneurship*

Segmenting, targeting, and positioning (STP) is the guidance of the marketing process (Dibb and Simkin, 2001; Kotler and Armstrong, 2016). STP guides the marketing process in the appropriate direction (Natter et al., 2008). Islamic marketing is characterized by religion, origin, and customers, and halal is the cornerstone of Islamic marketing (Alserhan, 2010). The required propositions of Islamic marketing theory should be from Islam (Alserhan et al., 2016).

Segmenting in Islamic Marketing

A market refers to a set of actual and potential buyers of a product (Kotler and Armstrong, 2016). Mankind, Christians, Jews, Muslims, and even the atheist are the individual sets for certain product or services. The Holy Qur'an segments all markets as macro and micro noting that translates to: "O mankind! We have created you from a male and a female and made you into nations and tribes, that you may know one another" (Chap. 49, verse 13).

The holy verses indicate entrepreneurs for segmenting mankind as mass market; the Muslim consumers as a differentiated market have different needs, wants, demands, values, and consumption patterns in comparison with the other consumers. The Muslims belong to various tribes and segments, such as Shi'ah, Sunni, Arab, non-Arab, European, Asian, American, and African Muslims as a niche market because of having their separate commonness and buying behavior. Yet, the similarities of the Muslims (Ummah and brotherhood) should be the prime consideration of segmentation according to Chap. 3, Ale Imran: 110, that translates to:

You are the best of peoples (Ummah) ever raised up for the welfare of mankind

The uniformity of the Muslim Ummah has been strengthened. Generalizing as brothers noted in Chap. 49, Al Hujrat: 10 says that translates to,

The believers are nothing else than brothers.

The Holy Qur'an also invites the Christians and the Jews in Chap. 5, Al Maedah: 5, that outlines,

Your food is lawful (halal) to the people of scripture and their food is lawful to you.

Again, Chap. 3, Ale Imran: 64 quotes,

O people of Scripture: Come to a word that is just between you and us.

Thus, commonness in Islam, Christianity, and Judaism can enlarge the pie of the halal segment. Halal (حلال) means permissible, governed by the Noble Qur'an and authentic hadith. Halal can be compared with the micro part of Islam. For instance, non-Muslim marketers deal with halal products and participate in those businesses, and consumption of the products is halal and Islamic for a Muslim. Non-Muslim entrepreneurs, however, acknowledge halal for business opportunities, but they do not consider halal as a part of their religion.

Targeting in Islamic Marketing

Islamic entrepreneurs need to target halal-centric and religious-minded consumers. The Holy Qur'an emphasizes the afterlife belief in Chap. 59, Al Hashor: 18, that translates to, "O you believe! Fear Allah and keep your duty to Him. And let every person look what he has sent for the tomorrow." The more afterlife oriented the target customers will be, the more they will patronize the halal products.

In Bangladesh, many developers and housing companies are offering graveyard places, targeting the afterlife phenomenon. Many Islamic banks have diversified "waqf" (onetime donation) accounts targeting their religious clients. Importantly, the afterlife value phenomenon has triggered the success of Islamic financing and banking organizations, Islamic social business, and many other Islamic educational institutions. Besides, the afterlife concentrated business institutions have employed many afterlife-conscious people who are not eager to serve the non-Islamic business enterprises.

Addressing the Islamic dietary, lifestyle, and consumption requirements, non-Muslim marketers like Nestlé, Unilever, L'Oréal, Colgate, Baskin Robbins, KFC, McDonald's, and Campbell Soup are prone to target the Muslim segments focusing on the halal notion (Alserhan, 2010). Nevertheless, non-Muslim entrepreneurs do not target the hereafter attribute, whereas Islamic entrepreneurs are characterized to target both the halal-centric and hereafter value. Consequently, the target of Muslim entrepreneurs is likely to be much more attractive and sustainable in comparison with conventional entrepreneurs.

Positioning in Islamic Marketing

Halal positioning is taken for granted for Muslim entrepreneurs, and more Islami-ization of the products should be their positioning. Islami Bank Bangladesh Ltd., Al-Arafah Islami Bank Limited, Export Import Bank of Bangladesh Limited, Social Islami Bank Limited, Shahjalal Islami Bank Ltd., First Security Islami Bank Ltd., ICB Islamic Bank Limited, Union Bank Limited, and Global Islamic Bank Limited are the nine banks that have positioned as fully Islamic. The banks have targeted Muslim customers, positioning themselves as complete Islamic entrepreneurs. They have developed their service atmosphere with Islamic tools like images of the Islamic historical sites, photographs of the renowned mosques in their calendar, and prayers' arrangements at the office hour. Also, verses from the Noble Qur'an related to trade and prohibition of usury (interest) are their prime promotional messages shown in their offices.

The Muslims are the fastest-growing population in the world, and their most sacred place is the Kaaba in Mecca, Saudi Arabia, where approximately two million Muslims go there for hajj (Heidari et al., 2018), being driven by spiritual satisfaction (Cohen, 1992), and this is worth around US\$1.5bn (Bowie, 2003). Hajj travel agencies have used the hajj related verses from the Holy Qur'an and hadiths to position hajj and umrah services as Islamic products (Islam, 2021). Islamic entrepreneurs must document the quotations from the Holy Qur'an and the sayings and practices of Muhammad so that the halal products may be recognized as Islamic products to Muslim consumers.

Products that do not need halal certification for consumption may be taken for granted by all consumers. Those are generic products, and consumers do not think about the origin or production process of the products. They consist of date, honey, black cumin, milk, seed, rice, wheat, other corns, vegetables, fruits, transports, pearls, coral, fish, seafood, housing, ornaments, land, garments, general education, reading materials like pen and pencil, fitness center, herbal medicine, and research services among others mentioned in different verses in the Noble Qur'an. All sorts of consumers may require generic products having frequent access (Islam, 2020b).

7.3 Islamic Brand Management in Islamic Entrepreneurship

A brand implies a name, sign, and symbol or combination of all to differentiate products from the competitors (Kotler and Armstrong, 2016). Branding involves simplification of four steps including brand positioning, brand name selection, brand sponsorship, and brand development (Kotler and Keller, 2016), while the strategic brand management process follows identification and establishment of brand positioning and values, planning and implementation of brand marketing program, measurement and interpretation of brand performance, and growing and sustaining brand equity (Keller et al., 2015).

Brand Positioning

Occupying distinctiveness in the mind of the customers is positioning (Kotler and Armstrong, 2016). For Islamic brand management, the product should be made halal; the price must be set interest- or usury-free; promotion has to be truly designed without showing the private organs of the male and female models, and place or distribution is to be arranged in a justified manner. Islamic Ps in marketing mixes can position a distinctive place in the customers' minds. Also, the other three Ps (people, process, and physical evidence) in service marketing can be positioned strategically. Service providers' appearance and dress code (hijab for the female, cloth above toe, and beard for the male employees, in particular) must be Islamic that will generate positive positioning in customers' minds. Also, the process should include strict halal certification. Finally, physical evidence has to be designed associating with the messages of the Holy Qur'an and hadiths and images of the Qibla and mosques, for instance, in the workplace. Hence, linking the relevance of Islamic, a distinctive place in customers' minds as positioning ought to be ensured, because the Muslims picture Islamic in their hearts.

Planning and Implementing Brand Elements and Marketing Program

Halal management should lay out the planning and implementation phase to brand its products exploring the Islamic principles. The Holy Qur'an outlines in the 54th verse of the third chapter that translates to: "Allah planned, and Allah is the best planner." Islamic brand manager needs to deeply study the Muslim culture in planning brand name, sign, symbol, logo, or combination. Using a direct mentioning from the Holy Qur'an and documented hadiths might create copyright problems. For

instance, “Halal” for a restaurant, “Shefa” for medicine, and “Ajka” for food will certainly be problematic since other Islamic entrepreneurs cannot be restricted to pick up the same brand elements because the names are from the Islamic sources.

Elements of the Islamic compliance are not private property to be patented as intellectual property. Therefore, conventional brand element selection strategies will work provided that Islamic cultures are respected. Arabic text halal must be coated in the center of the brand elements. Additionally, concerned verses of the Holy Qur’an and documented hadiths may be mentioned for developing trust and brand loyalty.

Sponsorship, Measurement, and Interpretation of Branding

To sponsor, measure, and interpret brand performances, halal management principles can be explored through the 42nd verse of the second chapter of the Glorious Qur’an. It says, “And mix not the truth with falsehood.” Furthermore, the truth should be communicated effectively and easily as per the 83rd verse and 70th verse of Chap. 2 and Chap. 33, respectively.

Execution of brand development programs involving Islamic events and occasions in sponsorship forms is the key success factor to create brand equity.

Different Islamic events like Islamic question-answer sessions by inviting the prominent Muslim scholars, arranging Islamic public talk, recitation competition of the Holy Qur’an, and memorizing competition of the Noble Qur’an can strengthen the brand of the halal products. Various occasions, like Eid-ul-Fitre, Eid-ul-Adha, Hajj, the holy Ramadan, and Ashura can be exploited to popularize the intended brand. Furthermore, the significance of 12 Arabic months and good deeds based on those months can be focused among the Muslim consumers to create brand loyalty to the Islamic products. Importantly, undertaking a special program on Friday, Islamic entrepreneurs can grab the religious consumers to develop trust.

Islamic brand development programs will create consumers’ trust while, sponsorship in other regular conventional events and occasions through integrated communication mixes will generate brand awareness. However, a brand manager must look very carefully to cover the events provided that those programs are not questionable to Islamic principles. In particular, using the celebrities and models to show their private organs often pollutes the Muslim culture.

Brand performance needs to be measured and interpreted in terms of sales volume and perceptions toward the Islamic product at the end. As halal management refers to belief-centered management, belief in Allah and Islamic will synthesize hereafter the benefits besides the economic one. The words of Allah note that translate to, “If you help Allah (in promoting Islamic messages), Allah will help you” (Chap. 47, verse 7). Halal management must measure the afterlife benefits of halal branding management. As such, sponsorship for the halal branding process generates dual benefits for management generating profit here and afterlife benefit hereafter.

Development, Growth, and Sustainability of Brand Equity

Finally, brand equity has to be created through developing, growing, and sustaining brand devising brand and product line extension strategies leveraging halal and Islamic points of view. Segmenting the total market into halal and Islamic brand communities, Islamic entrepreneurs can attain more market coverage. Non-Muslims

also prefer halal, whereas the Islamic view is valued by the Muslims. Overall, Islamic entrepreneurs should strategically devise separate strategies for non-Muslims and Muslims focusing on halal and Islamic dimensions to ensure the development, growth, and sustainability of the Islamic branding process.

It is important to note that the Holy Quran has mentioned the word *Musaowamah* (المُسَوَّمَة). The word implies branded; therefore, Islamic entrepreneurs must be enthusiastic to apply the Quranic teaching to brand their halal products. In particular, some value-added and premium quality products must be branded. The Noble Quran says that translates to: “Beautified for people is the love of that which they desire - of women and sons, heaped-up sums of gold and silver, fine branded horses, and cattle and tilled land. That is the enjoyment of worldly life, but Allah has with Him the best return” (Chap. 3, verse 14).

7.4 Strategic Implications of Islamic Marketing in Islamic Entrepreneurship

Marketing is the core part that generates sales and sales results in profit. Marketing mixes, marketing processes, and developing brand equity in the light of the Islamic teaching will significantly contribute to making the business decision smooth. Also, Islamic entrepreneurs need not borrow marketing theories and techniques from other disciplines. Marketing is rightly compared with the steering of entrepreneurship, and the wheels will run when steering will work. Therefore, Islamic marketing is lubricant of Islamic entrepreneurship.

8 Conclusion

Islamic entrepreneurship and marketing are the cornerstones of the Islamic economy. Islam has highly encouraged ensuring entrepreneurship development in terms of theories and practices. The great personalities in Islam have shown the way of doing business. The major Islamic entrepreneurial activities are managing intrinsic motivation, halal business ideas, human resource management, interest-free finance, and proper marketing skills. Islamic entrepreneurs must effectively blend these five business activities in the light of Islamic doctrine. The five functions in Islamic entrepreneurship have strategic implications. Importantly, unseen inspiration will energize the individuals, halal business ideas will give sustainability, and Islamic human resource management will make employees human dividends and human capital. Then, interest-free finance will gift justification to the stakeholders, and Islamic marketing will ensure profit. Additionally, accepting traditional entrepreneurship theories adhering to Islamic principles certainly will add extra value.

This chapter ends with some questions in mind:

- How are the five basic Islamic entrepreneurship functions applied in the small and large business context?
- What are the perceptions of the Muslim entrepreneurs having no depth of knowledge about Islamic?
- What are the differentiations entrepreneurs feel in or out of Islamic entrepreneurship?
- What problems do the entrepreneurs encounter in adopting Islamic values, and how the issues can be resolved?
- Why are the traditional experts of entrepreneurship development not coming forward to strengthen Islamic entrepreneurship?
- Why do Muslims not follow Islamic entrepreneurship and marketing principles?

Answers to the questions will further develop the foundation of the Islamic entrepreneurship and marketing concepts. In the future, Islamic entrepreneurship and Halal marketing should emerge as a separate discipline for the business schools. This chapter ends with the aspiration that academics, entrepreneurs, and policymakers must put their forward thinking to advance Islamic entrepreneurship and marketing.

References

- Abbas, R., Kadir, F. A. A., & Azmie, I. A. G. (2013). Integrating Islamic values in the theory and practice of entrepreneurship. *An Analysis in Higher Learning Institution in Malaysia, International Journal of Education and Research*, 1(4), 1–12.
- Abdullah, A., Abdullah, S., & Ramli, A. J. (2019). Entrepreneurship according to the hadeeth. *International Journal of Business and Management*, 3(4), 01–05. <https://doi.org/10.26666/rmp.ijbm.2019.4.1>
- Adham, K. A., Said, M. F., Muhamad, N. S., & Yaakub, N. I. (2012). Technological innovation and entrepreneurship from Western and Islamic perspectives. *International Journal of Economics, Management and Accounting*, 20(2), 109–148.
- Afrin, A. B., Rahman, M. O., Sumi, K. F., & Hossain, Z. (2015). Islamic instruments for sustainable human capital development. *Australasian Journal of Islamic Finance and Business*, 1(1), 1–12.
- Alserhan, B. A. (2010). Islamic branding: A conceptualization of related terms. *Journal of Brand Management*, 18(1), 34–49.
- Alserhan, B. A., Althawadi, O. M., & Boulanouar, A. W. (2016). Theories of Islamic marketing. *International Journal of Islamic Marketing and Branding*, 1(4), 297–304. <https://doi.org/10.1504/IJIMB.2016.10002302>
- Aziz, M. R. A. (2011). Opportunity for agro entrepreneur in developing agro initiative in Islamic banking in Malaysia. *The Journal of Animal & Plant Sciences*, 21(2), 290–302.
- Borhan, J. T., & Aziz, M. R. A. (2009). Agriculture and agribusiness from the perspective of al-quran and al-sunnah. *Jurnal Usuluddin*, 30(2009), 325–344.
- Bowie, F. (2003). “An anthropology of religious experience: Spirituality, gender and cultural transmission in the Focolare movement”, *ethnos. Journal of Anthropology*, 68(1), 49–72.
- Cohen, E. (1992). Pilgrimage centers: Concentric and excentric. *Annals of Tourism Research*, 19(1), 33–50.
- Dibb, S., & Simkin, L. (2001). Market segmentation: Diagnosing and treating the barriers. *Industrial Marketing Management*, 30(8), 609–625.

- Doboli, S., Kamberova, G. L., Impagliazzo, J., Xiang, F., & Currie, E. H. (2010). A model of entrepreneurship education for computer science and computer engineering students. In *Paper presented at 40th ASEE/IEEE Frontiers in Education Conference. Oct. 27–30, 2010, Washington, DC.*
- Esso, N., & Dibb, S. (2004). Religious contrasts in consumer decision behavior. *European Journal of Marketing*, 28(5), 36–53.
- Faizal, P. R. M., Ridhwan, A. A. M., & Kalsom, A. W. (2013). The entrepreneurs characteristic from al-Quran and al-Hadis. *International Journal of Trade, Economics and Finance*, 4(4), 191–196.
- Gladwin, T., Kennelly, J. J., & Krause, T. (1995). Shifting paradigms for sustainable development: Implications for management theory and research. *Academy of Management Review*, 20(1), 874–907.
- Haneef, M. A. (2005). “Can there be an economics based on religion?”, The case of Islamic. *Post-Autistic Economics Review*, 34(3), 41–52.
- Hans, S. (1976). *The stress of life* (Revised ed., p. 8). McGraw-Hill Book Company.
- Heidari, A., Yazdani, H. R., Saghafi, F., & Jalilvand, M. R. (2018). The perspective of religious and spiritual tourism research: A systematic mapping study. *Journal of Islamic Marketing*, 9(4), 747–798.
- Islam, M. M. (2021a). Theory and practice of Islamic social business: Empirical evidence from Bangladesh. In *Social Business*.
- Islam, M. M. (2021b). Evaluating negative attitudes of the students and shoppers towards halal cosmetics products. *Journal of Islamic Marketing*. <https://doi.org/10.1108/JIMA-03-2020-0067>
- Islam, M. M. (2021c). The satisfaction of Bangladeshi pilgrims: Service gaps in spiritual tourism based on gender and expenditure. *International Journal of Religious Tourism and Pilgrimage*, 9(1), 106–117. <https://doi.org/10.21427/2hw0-cd28>
- Islam, M. M., & Reza, A. (2021). COVID-19 and Islamic doctrine: Service marketing opportunities to address mental health. *International Journal of Islamic Marketing and Branding*, 6(1), 1–13. <https://doi.org/10.1504/IJIMB.2021.117591>
- Islam, M. M. (2020a). Sustainability of preserving seed in panicle and applying single seedling to minimize production cost of rice. *International Journal of Agriculture Innovation Technology and Globalisation*, 1(4), 375–388. <https://doi.org/10.1504/IJAITG.2020.111897>
- Islam, M. M. (2020b). Segmenting, targeting and positioning in Islamic marketing. *Journal of Islamic Marketing*. <https://doi.org/10.1108/JIMA-10-2018-0181>
- Islam, M. M. (2019). Halal management: Translating its principles into branding. In *ICBM conference proceedings* (pp. 426–431) ISBN 978-984-344-3540.
- Islam, M. M. (2018). Islamic marketing practice as a panacea to social marketing criticism. *International Journal of Islamic Marketing and Branding*, 3(2), 104–115. <https://doi.org/10.1504/IJIMB.2018.10015362>
- Islam, M. M., & Hossain, M. M. (2018). Human resource management: Mixing Islamic principles with conventional practices. *Australasian Journal of Islamic Finance and Business*, 4(1), 1–10.
- Islam, M. M. (2017). Sustainable agribusiness challenges: Resolving the issues through conservation and Islamic farming. *IOSR Journal of Agriculture and Veterinary Science*, 10 No.12 (Ver. II), 63–68.
- Islam, M. M. (2016). Sustainable marketing: An Islamic perspective. *Australia and New Zealand Journal of Social Business, Environment and Sustainability*, 2(1), 25–44.
- Johannison, B. (1991). University training for entrepreneurship: Swedish approaches. *Entrepreneurship and Regional Development*, 3(1), 67–82. <https://doi.org/10.1080/08985629100000005>
- Karim, M. S. A. (2016). Entrepreneurship education in an engineering curriculum. *Procedia Economics and Finance*, 35(2016), 379–387.
- Keller, K. L., Parames, W. A. M. G., & Jacob, I. (2015). *Strategic Brand Management*. Pearson.
- Kirby, D. A. (2004). Entrepreneurship education: Can business schools meet the challenge? *Education+Training*, 46(8/9), 510–519.

- Kotler, P., & Armstrong, G. (2016). *Principles of marketing*. Pearson Education Limited.
- Kotler, P., & Keller, K. L. (2016). *Marketing Management*. Pearson.
- Mani, M. (2015). Entrepreneurship education: A students' perspective. *International Journal of E-Entrepreneurship and Innovation*, 5(1), 1–14. <https://doi.org/10.4018/ijeei.2015010101>
- Mokhlis, S. (2006). The effect of religiosity on shopping orientation: An exploratory study in Malaysia. *Journal of American Academy of Business*, 9(1), 64–74.
- Natter, M., Mild, A., Wagner, U., & Taudes, A. (2008). Practice prize report—planning new tariffs at tele.Ring: The application and impact of an integrated segmentation, targeting, and positioning tool. *Marketing Science*, 27(4), 600–609.
- Petridou, E., & Glaveli, N. (2008). Rural women entrepreneurship within co-operatives: Training support. *Gender in Management: An International Journal*, 23(4), 262–277. <https://doi.org/10.1108/17542410810878077>
- Petridou, E., Sarri, A., & Kyrgidou, L. P. (2009). Entrepreneurship education in higher educational institutions: The gender dimension. *Gender in Management: An International Journal*, 24(4), 286–309. <https://doi.org/10.1108/17542410910961569>
- Ryan, R. M., & Deci, E. L. (2000). Intrinsic and extrinsic motivations: Classic definitions and new directions. *Contemporary Educational Psychology*, 25(1), 54–67. Retrieved from <http://www.idealibrary.com>
- Salwa, A. B. U., Shahbudin, A. S., & Jusoff, K. (2013). Religion and business values for Muslimpreneurs. *Middle-East Journal of Scientific Research*, 13, 61–68.
- Solaiman, M., & Yasmin, S. (2012). Entrepreneurship development for rehabilitation of Muslim youth – investigating the role of Islamic Bank Bangladesh Ltd. (IBBL). *Business Management Dynamics*, 1(9), 13–21.
- Solomon, G. (2007). An examination of entrepreneurship education in the United States. *Journal of Small Business and Enterprise Development*, 14(2), 168–182. <https://doi.org/10.1108/14626000710746637>
- Weihrich, H., & Koontz, H. (1994). *Management – a Global perspective* (10th ed., p. 461). McGraw Hill Inc..
- Wilson, J. A. J., & Liu, J. (2010). Shaping the Halal into a brand? *Journal of Islamic Marketing*, 1(2), 107–123.
- Zhao, H., Seibert, S. E., & Hills, G. E. (2005). The mediating role of self-efficacy in the development of entrepreneurial intentions. *Journal of Applied Psychology*, 90(6), 1265–1272.

Mohammad Mominul Islam has taught at the EXIM Bank Agricultural University, Bangladesh for more than five years. He has had his MBA and BBA major in Marketing from the University of Rajshahi and MSc in Business and Economics from Sweden. Currently, he is a PhD candidate under the School of Business and Economics, Universiti Brunei Darussalam. His research interests focus on Islamic marketing, Islamic entrepreneurship, Halal certification, sustainable marketing, and marketing pedagogy. He has published in the *Journal of Islamic Marketing*, *International Journal of Islamic Marketing and Branding*, *Social Business*, Edward Elgar Publishing, *International Journal of Religious Tourism and Pilgrimage*. He delivers public lecture on Islamic teaching and trains physical exercises. He received “The Bangladesh Education Leadership Awards 2017.”

Entrepreneurship Orientation, Practices, and Performance in Islam



Ahmad Rafiki, Miftahuddin, and Atika Rizki

Abstract This chapter elaborates the perspectives of Islam on entrepreneurial orientation, practices, and performance which need to be understood by various groups of people including the academia and practitioners. It is expected that Islam can be seen not only as a religion focusing on praying or other kind of worships, but beyond that, it governs business activities, while Muslims are being asked to attain the success in this world and the hereafter. Some results using bibliometric analysis are presented to see the chronologies of entrepreneurship studies and Islam including the three elements of entrepreneurial orientation.

1 Introduction

Islam is a religion with a complete and comprehensive teaching where all Muslims are encouraged to do good things including in the business activities. Through the guidance of Al-Qur'an and the sayings (hadith) of Prophet Muhammad (PBUH), every Muslim entrepreneur is obliged to possess sufficient knowledge in business in order to come out with impactful output in business. Islam also encourages seeking wealth as the medium to perform the *ibadah* to God (Allah SWT) and to be distributed to all human beings regardless of differences in religion, races, or nationalities. Delivering quality outcomes in business is the priority which will widespread the goodness to all people particularly the consumers. Islam therefore looking for the entrepreneurship activities to be done as nothing contradicts wrong with the *shariah* as well as it is creating a strong foundation for the economy of Muslim world. All that have been done will be noted and judged in the hereafter; thus, every business activities must be complied with the principles of Islam (Ghoul, 2011; Gümüşay, 2015; Lewis & Churchill, 2009; Ullah et al., 2013).

Islamic entrepreneurship is a dimension of life that falls under the umbrella of the mu'amalah category. In contemporary life as it exists now, the corporate sector and its transactions have started to alter their ideals and vision. With an understanding of

A. Rafiki (✉) · Miftahuddin · A. Rizki
Faculty of Economics and Business, Universitas Medan Area, Medan, Indonesia

capitalism and a feeling of indifference to others' well-being, honesty has started to lapse. Many of the legal requirements for conducting commercial transactions have been abandoned in favor of doing them in a way that is acceptable to Allah SWT. Therefore, in order for Muslims to avoid deviating in business and transactions, it is essential to understand the Prophet Muhammad's (PBUH) guidance and methods of conducting business. Islam, being a global religion, regulates all spheres of human existence, including the economics. The Qur'an and Hadith include many references; there are methods and principles of doing entrepreneurship and transacting in a lawful manner according to what was done by the Prophet Muhammad (PBUH) who can guide Muslims.

The Prophet Muhammad PBUH's notion of entrepreneurship encompasses both vertical and horizontal aspects (*hablumminallah* and *hablumminannas*), Islamic economic transactions that are *halal* in Islam, as well as the circumstances that result in the prohibition of a transaction in Islam. As can be seen, the Prophet Muhammad PBUH's idea of entrepreneurship was carried out via the use of *shiddiq*, *amanah*, *tabligh*, and *fathonah*. Vertical dimension entrepreneurship is synonymous with entrepreneurship exclusively for the sake of Allah SWT; entrepreneurship involves worship, devotion, *Tawakal*, *Dhikr*, and gratitude. The horizontal dimension is interconnected with the other dimensions, namely, positive connections with workers, harmonious relationships with customers, and network development with the business environment and society. Meanwhile, the shariah-compliant commercial transactions such as *Bai' Al Murabahah*, *Syarikat*, and *Wadi'ah* are permitted. In Islam, the prohibited transactions consist of *haram li-zatihi* and *haram li gairihi* (*gharar*, *Ihtikar*, *Ba'an Najsy*, *Riba*, *Maysir*, and *Risywah*).

2 Entrepreneurial Orientation in Islam

Islam as a faith encourages individuals to pursue entrepreneurial endeavors (Faizal et al., 2013; Kayed & Hassan, 2010). Both Al-Qur'an and Hadith of Prophet Muhammad PBUH serve as the main sources for entrepreneurship, business ideas, and laws. While entrepreneurship is considered as an important field in Islamic view that thus could give more welfare to the society. It is stated in the Qur'anic verse below:

By men whom neither traffic nor merchandise can divert from the Remembrance of Allah, nor from regular Prayer, nor from the practice of regular Charity: Their (only) fear is for the Day when hearts and eyes will be transformed (in a world wholly new),- (An-Noor 24:37)

A hadith of the Prophet PBUH mentioned that "nine out of ten sources of wealth are derived from commercial operations." However, Islam emphasized of doing business with commendable values such as honest, *amanah*, trustworthy, hard work, and justice. With that, entrepreneurs and businessmen are considered as the persons that give more benefits to other people and highly regarded and admired in the Islamic community. When done honestly and for the right motives, entrepreneurship

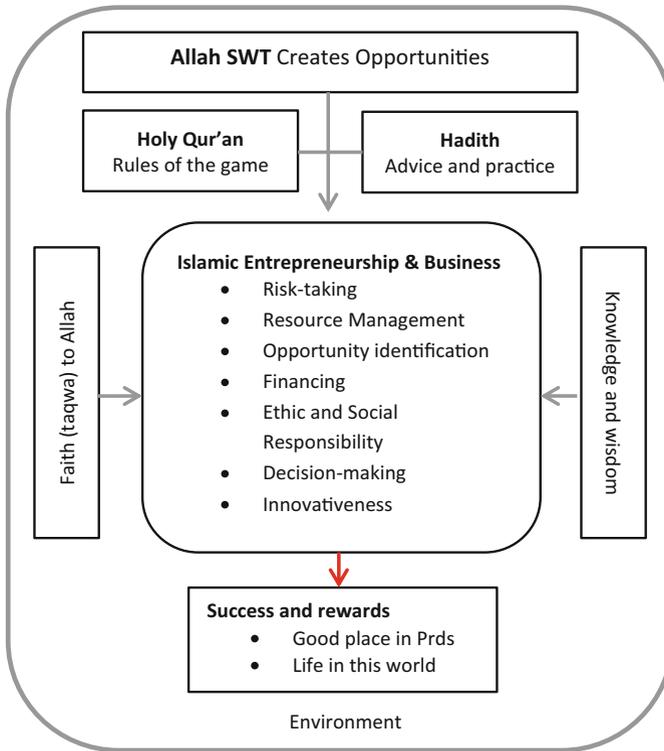


Fig. 1 Model of Islamic entrepreneurship and business. Source: [Ramadani et al. \(2015\)](#)

and business are regarded religious rites (ibadah) in the eyes of Allah SWT ([Vargas-Hernández et al., 2010](#); [Yaacob and Azmi, 2012](#)). [Figure 1](#) shows a model of Islamic entrepreneurship and business organization.

A Muslim businessman will never leave Allah in any of his work, because without Allah’s permission, it will never get happy results. Therefore, if a Muslim businessman gets success (profit), he will not be arrogant, because he believes that the success he has achieved is a blessing and permission from Allah SWT. On the other hand, if someone is afflicted with failure (loss), he will not be frustrated, because he believes that Allah has not allowed him to succeed, so that the failure that befalls him does not make him feel down and lazy but will continue to rise for the sake of achieving glory.

A bibliometric analysis begins with a search of the abstract, title, and keyword “entrepreneurship and Islam” in the well-known and respected database Scopus that reveals 100 papers or articles written by writers from all around the globe. A summary in the following [Table 1](#) shows that some countries or institutions place a high rank on research on entrepreneurship and Islam. The number of articles produced during the next 4 years (2018–2021) will increase in lockstep with the increased use of social media. This confirms that entrepreneurship is used to be a

Table 1 A summary of articles published in Scopus on entrepreneurship and Islam in Muslim countries

Year	Number of articles	Author name	Number of articles	Affiliation	Number of articles	Country	Number of articles
2021	6	Ramadani, V.	7	South east European university	7	Malaysia	14
2020	5	Ratten, V.	5	Montpellier business school	4	Indonesia	10
2019	7	Dana, L.P.	4	Universiti Kebangsaan Malaysia	3	Iran	6
2018	9	Tlaiss, H.A.	4	La tribe university	3	Saudi Arabia	5
2017	7	McAdam, M.	3	Islamic Azad University, Qazvin branch	3	Kuwait	3
2016	9	Anggadwita, G.	2	University of Malaya	3	Pakistan	3
2015	15	Baulch, E.	2	Universiti Sains Islam Malaysia	3	Turkey	3
2014	8	Chandan, H. C.	2	Telkom university	3	United Arab Emirates	2
2013	8	Davis, M.K.	2	American University of the Middle East	3	Qatar	1
2012	5	Gerguri-Rashiti, S.	2	The University of Waikato	2	Morocco	1

solution for economic development that gives more positive impacts to others as mentioned by the Prophet Muhammad PBUH.

2.1 *Innovativeness and Risk-Taking*

Particular elements were crucially required in managing business and entrepreneurship activities such as innovativeness and risk-taking. Innovativeness is a platform of change that needed to enhance some features, ingredients, or compositions for a better result. Through an innovative way, some problems are resolved and new initiatives are emerged particularly in business operations. Individually or in an

organization level, an innovation is recognized as a game changer that leads to the efficiencies. While risk-taking would guide the entrepreneurs to be more anticipative or predictive in facing uncertainties. Taking a risk would be a tough option of entrepreneurs that relate to the effective decision-making which is based on well-informed actions and the characters of the entrepreneurs.

Islam asked every Muslim to change from the bad to good behaviors, another term called *hijrah*, striving for a better life associated with a faith or *iman* of Muslims. A good Muslim must be able to continuously improve his/her actions daily. It is stated in the Al-Qur'an:

.... Allah does not change a people's lot unless they change what is in their hearts. But when (once) Allah willeth a people's punishment, there can be no turning it back, nor will they find, besides Him, any to protect. (Ar-Rad 13:11)

The encouragement on innovativeness in a business is aligned with the Shariah law (Adham et al., 2012; Muhamad & Abd Rahman, 2004). This is rooted on how Islam emphasized on the importance of seeking knowledge in order to support the innovativeness. However, an innovation in *ibadah* is prohibited as those actions must be strictly followed the Qur'an and hadith of the Prophet (PBUH). Then, it is considered as *bid'ah* (innovations in religious matters and is considered as a sin). The innovativeness is not similar with *bid'ah*, while innovation in other practices related to the muamalah (transaction and administration) is allowed.

According to Ibn Taimiyyah (Dusuki, n.d.), the Islamic perspective on risk-taking is as follows:

There is no Shari'ah evidence to categorically ban all kinds of risk-taking. In reality, Allah and His Messenger do not forbid all kinds of risks, or all actions that are uncertain as to whether they will be lucrative or loss-producing, or if they will be safe (neither profitable nor loss-producing)... Instead, it is the kind of risk that is forbidden when property is used in an unfair or unlawful way that is being discussed. From a Shari'ah perspective, the primary cause for prohibition is primarily concerned with the unfair usage of property, even when there is no element of danger involved. In this case, risk alone does not qualify as a ban. (p. 4)

A bibliometric analysis starts with a search of the abstract, title, and keyword "innovation and Islam" in the well-known and respected database Scopus revealing 243 papers or articles written by writers from all over the globe. A summary in the following Table 2 shows that some countries or institutions place a high rank on research of innovation and Islam. The number of articles written during the last decade (2012–2021) has increased in lockstep with the increased use of social media. This positive development of research indicates that authors gradually prove on the connection of Islam and innovation.

A search of the abstract, title, and keyword "risk-taking and Islam" in the well-known and respected database Scopus reveals 102 papers or articles written by writers from all around the globe. A summary in the following Table 3 shows that some nations or institutions place a high premium on risk-taking and Islam. For 10 years (2012–2021), the number of published articles is increasing which

Table 2 A Summary of articles published in Scopus on innovation and Islam in Muslim populous countries

Year	Number of articles	Author name	Number of articles	Affiliation	Number of articles	Country	Number of articles
2021	9	Adam, F.	2	Universiti Kebangsaan Malaysia	7	United States	51
2020	24	Agarwal, N.K.	2	International Islamic University Malaysia	6	Malaysia	28
2019	18	Becker, F.	2	University of Malaya	5	United Kingdom	28
2018	17	Dayan, F.	2	Hebrew University of Jerusalem	3	Indonesia	11
2017	15	Facchini, F.	2	University of London	3	Australia	9
2016	18	Hamdan, M.N.	2	Universiti Sains Islam Malaysia	3	Russian Federation	9
2015	16	Ikedo, M.	2	SOAS university of London	3	Germany	8
2014	10	Islam, M. A.	2	Universiti Teknologi MARA	2	Iran	8
2013	12	Ismail, A.	2	Simmons University	2	Turkey	7
2012	12	Kadir, F. K.A.	2	University of Pennsylvania	2	United Arab Emirates	7

coincides the increasing usage of social media. This indicates that risk-taking would be one of the aspects to be considered when doing the business.

A search of the abstract, title, and keyword “proactiveness and Islam” in the well-known and respected database Scopus reveals 33 papers or articles written by writers from all around the globe. The following Table 4 summarizes the extent to which research on proactiveness and Islam is being conducted in certain nations or institutions. For 10 years (2008–2021), the number of published articles is increasing that coincides the increasing usage of social media. This indicates that proactiveness is considered as one of the important elements in business.

2.2 Knowledge and Wisdom

Islam is a knowledge-based religion. Islam as a religion began with the following command of Allah SWT to the Prophet Muhammad SAW to “read” which is fully

Table 3 A summary of articles published in Scopus on risk-taking and Islam in Muslim countries

Year	Number of articles	Author name	Number of articles	Affiliation	Number of articles	Country	Number of articles
2021	1	Hassanein, M.	3	Universiti Kebangsaan Malaysia	3	United States	20
2020	4	Added, F.	2	International Islamic University Malaysia	3	Malaysia	12
2019	12	Ainomugisha, D.	2	Islamic medical association of Uganda	2	United Kingdom	11
2018	4	Baccouche, H.	2	Medis laboratories	2	Saudi Arabia	6
2017	8	Bouida, W.	2	University of Haifa	2	Australia	5
2016	3	Boukef, R.	2	Universiti Teknologi MARA	2	Canada	5
2015	7	Bravis, V.	2	National Institutes of Health NIH	2	Turkey	5
2014	4	Chakroun, T.	2	Umm Al Qura university	2	Iran	4
2013	5	Devendra, D.	2	Glan Clwyd hospital	2	Israel	4
2012	10	Dridi, Z.	2	Universita degli Studi di Miano-Bicocca	2	Netherlands	4

Table 4 A summary of articles published in Scopus on proactiveness and Islam in Muslim countries

Year	Number of articles	Author name	Number of articles	Affiliation	Number of articles	Country	Number of articles
2021	3	Austin, S.	1	University of Malaya	2	United States	9
2020	4	Abdul Cader, A.	1	Bridge Centre	1	Malaysia	5
2019	3	Abdul Latiff, A.R	1	Federal Psychiatric Hospital	1	United Kingdom	5
2018	3	Abubakar, M.	1	Middle eastern history	1	Saudi Arabia	3
2017	6	Al-Ahdal, M.N.	1	Advancing rational faith academy ARFA	1	Australia	2
2016	3	Al-Qahtani, A.A.	1	CRENoS	1	Italy	2
2014	1	Al-Shangiti, A.M.	1	Technological and higher education Institute of Hong Kong	1	Spain	2
2013	3	Al-Hayani, F.A.	1	UGR	1	Canada	1
2011	1	Al Ghamdi, K.M.	1	Putra business school	1	China	1
2008	2	Al Homoudi, F.A.	1	National Health Laboratory	1	India	1

stated in the Qur'anic verses of Al-Alaq 96:1–5. Meanwhile, the importance of knowledge was stated many times in Az-Zumar 39:9 and Al-Mujadila 58:11. The Prophet Muhammad PBUH had emphasized the importance of knowledge acquisition in his teachings. In fact, the knowledge is related to wisdom or *hikmah* in Arabic term. Islam places a high premium on wisdom, as Allah SWT states:

If ye disclose (acts of) charity, even so it is well, but if ye conceal them, and make them reach those (really) in need, that is best for you: It will remove from you some of your (stains of) evil. And Allah is well acquainted with what ye do. (Al-Baqarah 2:171)

Wisdom is the judgement of individual's understanding on problems they have and involves solutions as alternatives problem solving that maximizes various kinds of balances between oneself (interpersonal), others (intrapersonal), and various aspects of life (extrapersonal) (Sternberg & Jordan, 2005, p. 196). Moreover, based on the Book of Mu'jam al-Qur'an, the word wisdom appears in the Qur'an 20 times in different chapters/surah and in different verse contexts. There are

meanings of wisdom or *hikmah*; wisdom is abundant goodness and wisdom is something that can be taught.

Majority of verses on wisdom emphasize the dimension of knowledge. Wisdom is a type of human knowledge that can be obtained *hushuli*, namely, through the learning process, some are taught and studied and so is related to the purification of the soul which is the initial requirement for opening the door of understanding that is *hudhuri* in nature. Thus, wisdom is defined as one type of knowledge.

2.3 Opportunity Identification

Creating chances and opportunities relates to the efforts of individual. Islam encourages every Muslims to be involved in opportunity identification where *da'wah* could be expanded and well-disseminated. A good muslimpreneur is reflected to the ability in finding or opening new venture. Opportunities abound, but entrepreneurs must be able to recognize, analyze, and capitalize on them (Dana, 1995; Ramadani & Gërguri, 2011; Ratten, 2012). In this respect, it is stated in Qur'anic verses below:

For the worst of beasts in the sight of Allah are the deaf and the dumb,- those who understand not. (Al-Anfal 8:22)

That man can have nothing but what he strives for. (An-Najm 53:39)

It should be emphasized that just because one person sees something as an opportunity does not mean that others do as well. Muslims must strive and put extra efforts in finding the opportunities. There are steps to get accurate information or news related to business opportunities; however, it needs preparations to grab any of those. Nothing comes instantly and through the short cut but must be in a process.

3 Islamic Entrepreneurship Practices (IEP)

There are several concept related to the IEP. The discussion would consist of business practices, human capital, strategies, and work ethics which are assumed to be the predictor in achieving success or Al-falah.

3.1 Islamic Business Practices

The Islamic business practices are rooted from the Al-Qur'an and Hadith for seeking *al-falah*. All practices are complying with the *shariah* and considered as an act of *ibadah*. As the main source of Islamic rules and guidelines, Al-Qur'an mentioned

the matters related to business, among others, namely, in An-nisaa' 4:29; Al-baqarah 2:194; 275.

Abdullah et al. (2009, p. 14) have posited that managing risk refers to "the ability of entrepreneurs to strive to be pioneer in the industry, set realistic goals, expand business gradually by using available resources efficiently and being consistently aware of their strength and weaknesses." Sometimes the entrepreneurs need to take unpopular or unusual actions in order to sustain the business. This includes either closing some of units or expanding to the risky location. In managing the finance, entrepreneurs need to acquire resources in a business (Fang et al., 2009) and control the cash flows (Huck & McEwen, 1991). With regard the Islamic financing system which is based on the profit-loss sharing concept, it offers reasonable risks that make entrepreneurs able to run their business in a just manner, while on the product quality and safety, Islam offers halal certification which assures healthy ingredient.

In relation to the learning aspect, Islam is concerned on the seeking of knowledge and learning through whole life. This reflects the importance of human capital for Muslim entrepreneurs that will result in formidable returns for an organization. When the entrepreneurs have sufficient knowledge which generates to competencies, they could understand the concept of doing business effectively. Education qualification also impacts to the ability of entrepreneurs in handling the business operations efficiently. This also relates to the need of having crucial information on markets, products, and competitors (Pineda et al., 1998).

3.2 Islamic Human Capital

3.2.1 Business Experience

In Islamic perspective, it is simply that experience associated with the learning process that Muslims have to go through. During the learning process, Muslims need to attempt finding the righteousness and goodness for seeking better solutions in their workplace. For this purpose, Muslims are obliged to refer to Al-Qur'an which certainly guided them to the truth (Al-baqarah 2:185).

As a factor that has been used as a predictor for firm growth, business experience could be a criterion for any decisions made by stakeholders. The banking sectors as well as the government agencies might be considered to put the range of business experiences' period as a requirement in their selection processes to get the financial credits. The owner-managers with least experience are expected to perform less. Meanwhile, as the government came up with initiatives to more encourage entrepreneurs through endearing entrepreneurship field to the students via entrepreneurial-incubator programs, this needs to be continuously committed and effectively implemented because its aim is to gain business experience.

3.2.2 Motivation

For firms seeking growth, business motivation is crucial. Islam taught the Muslim to understand the drivers and motive of doing works, i.e., to seek pleasure of Allah Almighty beside the materials purposes. Such spiritual motivation could guide the Muslim to do the right job and deliver the work based on an *ibadah* with sincerity (*ikhlas*). Importantly, the owner-managers should conduct or attend the Islamic motivation programs regularly to reveal the individuals' inner intention in doing works that might likely contribute to the firms' growth. Holding such programs does not need costly investment at prestigious classes or venues, but it could be an informal gathering in mosques or any suitable places since spirituality relates to worship based on *tawheed* and *shariah*. This considers shaping a motivation in Islam.

The traditional motivation concept is part of Islamic motivation concept that not only focuses on the materialistic expectations but must seek for the happiness of this world (Ather et al., 2011). Muslim feels motivated to earn these materialistic gains for the sake of carrying out the duty to Almighty Allah SWT as well as the duty toward fellow and all other creations of Allah SWT (Ali, 2009).

Ahmad (2009) stated that motivation in Islam emphasized of the holding *amanah* (trustworthy) when undertaking business activities. This *amanah* meant not only for what an individual had done but must initiate the actions to be taken in catching business opportunities for a growth. When the business is running well, a responsibility of paying the employees' salaries, among others, could be fulfilled. Without strong motivation which is based on the Islamic teachings, an individual will be unable to do his/her obligation in an organization. The rewards for this good motivation consider good deeds (*amal shaleh*) will be gained in this world and the hereafter. The importance of having motivation through various actions in the working place or in other places has been reminded in the Al-Qur'an Al-an'am 6: 135; Al-mulk 67:15; An-nisaa' 4:66; Al-baqarah 2:139; Al-bayyinah 98:5. This motivation also relates to the importance of *niyyah* (intention) in Islam which is assumed as the main motivating factor to attain *al-falah*.

3.2.3 Business Training

Based on the growth model, the Islamic business training is essential for Muslim. The business training could help in developing entrepreneurial skills, confidence, and self-esteem. Despite the limitation in total number of Islamic business training centers in some countries, developing such *shariah*-based training programs is very crucial. The Islamic training method could distinctively be adopted by the small firms to sustainably achieve a desire to grow; thus, Islamic nongovernment organizations, any Islamic training centers, or the government and its' agencies could integrate it to enhance with valuable contents which would be able to materialize

favorable outcomes that can be used in workplace such as for on-job or off-job training programs and encourage the emergence of Islamic business training.

The Islamic training methods focus on the personal development called *tazkiyah nafs*, which means controlling one's soul by understanding the principles and philosophies in Islam including the *at-tawheed al-uluhhiyyah* and *ar-rububiyah* and the concept of Khalifah for every Muslims. When they could adopt all elements of these concepts, an individual will know his/her obligations in this world; thus, it would be easier to train. Training in Islam also includes the upgrading knowledge and skills as well as motivating to seek excellence. It is clearly stated that Islam encourages Muslims to find a *shariah*-based training that includes spiritual and commercial values; perhaps, this will affect the performance.

3.2.4 Education

It is known that Islamic education background is deployed as an influential factor that is positively related to firm performance. The methods and approaches of Islamic education uniquely impact on the good characters and best practices. The government needs to support in establishing new and more Islamic institutions as well as to encourage more students' enrollment in existing Islamic education's institutions. This needs to prepare the emergence of Muslims entrepreneurs that are globally competitive and attract their involvement in business field. It is suggested that the promotion of Islamic entrepreneurial concept through education could answer the unconvincing perceptions of the conventional scholars.

Moreover, all the Islamic academic institutions have to cooperate with each other to strengthen the progress and propagate the Islamic knowledge as called by a *da'wah*. The Islamic public or private schools need to carefully design the curriculums to encourage interests, ambitions, and skills that would stimulate entrepreneurial intentions as well as the introduction of comprehensive modules on enterprise education at primary, secondary, and university levels. The entrepreneurial incubators may be used as a significant program to see the students' entrepreneurial motivations and passions.

Seeking knowledge is compulsory for Muslims as been mentioned in a Hadith that "seeking knowledge is obligatory for every Muslim man and woman".¹ Various verses in the Al-Qur'an emphasized on pursuing knowledge, i.e., Taha 20:114, Al-mujadalah 58:11; Az-zumar 39:9, Al-baqarah 2:170; Al-isra' 17:36; Al-an'am 6:148. Moreover, Azmi and Yaacob (2012) as cited in Musrhafa Muhammad at-Thahhan posited that successful entrepreneurs in the business field should possess all the knowledge and experience needed. The two types of knowledge (*ilm*) which should be practiced by Muslim entrepreneurs are *Naqli* and *Aqli* teaching. Therefore, the Islamic institutions aim to build good Muslim to learn commercial *shariah*-based activities (Azmi, 2009). Though education would bring benefits financially or

¹Hadith. Ibn Majah. Muhammad Ibn Yazid Abu Abdullah. Sunan Ibn Majah. Juz. 1:#224. p. 81.

nonfinancially, Islam conceptualized education as a factor that affects individual and organization characters.

3.3 *Islamic Business Strategies*

3.3.1 **Islamic Networking**

It is assumed that becoming a member of any Islamic business association could propel the small firms to grow. Indeed, through networking, small firms may have better access to business resources, contact and information, expert advice, and market opportunities. The option of becoming a member of Islamic trade association will bring an impact to the firm performance. However, some implications of this Islamic business association may be due to few reasons such as limited access to national or international networks, and it is more on religious concern rather than business orientations. The implementation of the Islamic business concept leads to the good results, i.e., material and spiritual; however, during the implementation of any programs or actions in a particular Islamic trade association cause the unexpected outcome, it needs the support from the external parties. Importantly, the government agencies need to find ways to build strong competitive Islamic trade associations. It is also needed to expose and open business opportunities through a functioning Islamic trade associations, and the encouragement of Muslims to engage in entrepreneurship should not be considered as the big constraint. It is also needed to enforce the Muslim entrepreneurs in building the *ukhuwah* among them.

From Islamic perspective, networking is described as a connection, otherwise known as *rabitah* in Arabic or *wasilah* (Munir Ba'albaki, 1982). This has been highlighted in the Al-Qur'an; Al-hujurat 49:13; An-nisa' 4:1. Islam encourages having connection between fellow Muslims and with the Creator and all His creations. This creates the confidentiality among Muslims and benefits from the guidance of Allah SWT in every aspect of business and life.

Numerous entrepreneurs failed in their businesses because they lack business networks. They have good products; however, they are unable to be recognized in the markets to sell the products. Hence, firms need to engage in networking to have better linkage among business communities, and this probably could improve the firm performance. One of the possible initiatives is by taking part to any business associations with the Islamic principles orientation that comprises truthfulness, trust, sincerity, brotherhood, and justice in business. The firms would gain advantages by having positive interactions and obtain flows of information and other activities arranged by the association (Brown et al., 2005).

3.3.2 Halal Certification

The halal certification has been indicated as an important factor that influences firm performance. This could be a strange term in earlier stage, even among Muslim entrepreneurs who are not concerned on the importance of this certification. They mentioned the need to invest more money to apply such certification and go through rigid processes. The understanding of halal concept and the need of obtaining its' certification become a basic start for owner-managers to realize the significance of applying it. The process and procedures should be transparent, and the enforcement to monitor the fake products' certification should be planned as well as the encouragement by the authorities to create awareness on the advantages of this certification and credibly make it as the most special certification.

This *halal* strategy is related to branding strategy. With halal certification, it distinguishes one's product to other products. The brand is essential as the seller's promise to a specific set of features and benefits. One of the symbols to indicate the goodness of products is by having *halal* logo, which means that the products are permissible to consume. Small firms need to pursue such certification as an indication of branding strategy that would bring positive associations particularly in facing the emerging competitive market (Calabro, 2005).

It is stated in Al-Qur'an, i.e., Ar-ra'd 13: 4; Al-maidah 5: 3–4; 88; Al-baqarah 2: 168; 173; 219; Al-an'am 6:121; An-nahl 16:67, that Muslims are instructed to consume only *halal* products. Even, the consumption of *halal* products could relate to the person's religiosity and be used to determine their cognitions and behaviors (Sitasari, 2008).

The benefits brought by this certification are undeniably significant for business sales and profits. However, none of the studies examine the influence of *halal* certification to firm performance. Thus, it viewed the *halal* certification as a strategy that could crucially promote customers' satisfaction, confidence, and trust besides being able to boost the firm market share and competitiveness.

3.3.3 Islamic Finance

The shariah-based financing is established mainly by prohibiting of interest (*riba*). This refers to the premium that must be paid by the borrowers along with the principal amount, as a condition for the loan or an extension in its maturity which is called as an interest. Furthermore, Rosly (2005) indicated that Islamic financing is linked to real activities and restricted from using money as the commodity which is closely like *riba*. These are among the characteristics distinguishing the Islamic financial and conventional banks.

Moreover, Abdul Rahman (2007) adds that Islamic finance potentially provides various good schemes and instruments that are suitable for microfinance practices. It develops the partnership under profit-loss sharing mechanism and encourages the role of microfinance as social development vehicle. A study by Widiyanto and

Table 5 Islamic management practice

Islamic management and entrepreneurial practices	Authors
Ethics and social responsibility in management	Beekun (1997); Ahmad (1996); Hanafi and Sultan (1995); Gambling and Karim (1991); Al Habshi and Ghazali (1994)
Organizational behavior	Shareef (1995); Al-Alwani (1995)
Leadership in organizations	Beekun and Badawi (2004); Ezzati (1982); Shirazi (1980)
Motivation in organizations	Abdel Rahman (1995); Sharfuddin (1995); Ahmad (1995)
Human resource management	Ali (2005); Aghazadeh (2003); Tayeb (1997); Ramzan (1992); Beekun (1997).
Organizational communication	Siddiqui (1988)
Quality management	Sadeq and Israil (1996)
Mutual consultation, advice, conflict resolution, work satisfaction, merit system in recruitment and promotion, mutual trust (management and employees), use of control and authority	Ahmad (2006); Beekun (2006); Ali (2005); Sharfuddin (1987).
Self-management, managing people, managing business transactions and time	Moursi (1995)
Planning, collectivism, leading, competition and conflicts	Jabnoun (1994); Al-Buraey (1990); Abu Sin (1981)
Strategic management	Khalifa (2001)

Ismail (2010) on Islamic microfinancing institution (IMFI) effectiveness stated that business performance of small firm with the Islamic financing products had increased in their incomes, profits, and assets significantly. A scheme related to the small firms’ capital is under the contract of murabahah. This kind of financing is able to improve the household income which leads to poverty alleviation.

However, the difficulties faced by the small firms in obtaining financial capital are due to the tenuous nature of their business establishment. Ramzan (1997) argued that the Islamic financing with the profit-loss sharing concept and partnership arrangement contract has been successful in addressing the financing needs. This is asserted by Khan and Ahmed (2001) in their study that found that both musharakah and mudharabah concept have low risk compared to other financial products.

As Widiyanto and Ismail (2010) agreed on the positive influence of Islamic financial schemes on the firm performance, the multidimensional factors that include the strategy of purchasing the Islamic financing products in small firms need to examine which probably affect the firms’ growth. The obligation of Muslims on deploying this shariah-based financial’ products is stated in Al-Qur-an. Al-baqarah 2:278–279; An-nisaa’ 4:161; Ar-ruum 30:39.

Both Tables 5 and 6 below are practices for Muslims to be adopted when they are running the business or become the entrepreneurs:

Table 6 The Islamic entrepreneurial practices' sources from Al-Qur'an

Reference Al-Qur'an	Subject
Al-Baqarah 2: 153;186	Teaches people to always pray
Al-Baqarah 2: 282–283	The importance of having a better administration and orderly arrangement
Al-Baqarah 2:27; 40; 100; 177, Aali 'Imran 3: 76, Al-Maaidah 5: 1; 7, Al-An'aam 6: 152, Ar-Ra'd 13: 20; 25, an-Nahl 16:91; 92; 94; 95, Al-Israa' 17: 34, Al-Mu'minuun 23: 8, Al-Ma'aarij 70: 32.	Keep promises in business and any dealings
Al-Jumu'ah 62: 10, an-Najm 53: 39–41, an-naba 78: 11, Ar-Ra'd 13: 11, Al-Baqarah 2: 155–156	Willingness to work hard and never gives up
Ar-Rahman 55:9, Al-Mutaffifin 83:1.	The importance of honesty
An-Nur 24:37, Fatir 35:29	The significance of remembering Allah, praying throughout business and sales engagements
Ad-Dzariyat 51:57	Humanity's obligation to do an ibadat
Al-Qasas 28:77	Pursuing riches, but not at the expense of others, is the purpose of the hereafter
Ghafir 40:58; Al-Baqarah 2:30–33; Al-Mujadila 58:11; Luqman 31:20	The critical nature of training, education, and development
An-Nisaa' 4:58–59	Implementation of human resources in accordance with God's will, faith, and accountability
Al-Baqarah 2:286	Carrying out tasks in accordance with one's ability and competence
Al-Ahqaf 46:19	Grading workers' work on the basis of its quality and quantity
Al-Araf 7:85	Comprehend the contract and adhere to its terms
Al-Kahf 18:87–88	Economic/commercial performance
Al-Baqarah 2:42, at-Taubah 9:16	Accurate information is required, and false statements, baseless accusations, and false testimony are banned
Al-Furqan 25: 67	Equilibrium between those (extremes)
Al-Qasas 28:26–28	Consultation and consent are mutual

Source: Adapted from Ali (1988), Ahmad (2006), and Rivai et al. (2012)

3.4 Islamic Work Ethics (IWE)

The importance of IWE or called *akhlaqul karimah* as was stated clearly by the Prophet Muhammad (PBUH) in his Hadith as narrated by Bukhari whereby: "I (Muhammad) have only been sent to complete good manners (Makarim

Al- Akhlaq”² IWE is defined as the set of moral principles that differentiate what is right from what is wrong (Beekun, 1997) which emphasized on the applicable and respected values. IWE relates to the social responsibilities and concerns on the society regardless of religions, races, and nationalities. Thus, it is important for entrepreneurs to learn and explore the IWE which generates hard work, commitment, loyalty, creativity, dedication, avoidance of wealth accumulation, cooperation, and competitiveness (Yousef, 2001). The Prophet Muhammed (PBUH) as entrepreneur has taught every Muslims the way to do good businesses to attain a success.

There are many examples and proofs that the IWE has been adopted to contribute to better performance in various countries (Al Habtoor, 2001; Yousef, 2001; Ali, 2005; Ali & Al-Owaihian, 2008; Rahman et al., 2006; Ali & Al-Kazemi, 2007; Khalil & Abu-Saad, 2009; Kumar & Rose, 2010). In fact, in these unpredicted business environment, every entrepreneur needs to possess a kind of extraordinary attitude besides skills and other competencies. Those attitudes associated with the IWE are essential in order to be able to manage business operations. It is assumed that the IWE would influence the Muslim entrepreneurs' performance of *al-falah*.

4 Entrepreneurship Performance in Islam

Islam acknowledged a performance in any activities. Achieving a better performance would be an aim by individual or an organization that expectedly contributes to the society. Islam considers entrepreneurial orientation and practices as the crucial dimensions that could come up with a better performance (Fig. 2).

4.1 *Al-Falah Model*

The study on entrepreneur's performance is a complex subject to measure because it has various definitions and views (Dvir et al., 2010). The dimension of success is commonly used as an individual performance; one of it is a nonfinancial instrument of satisfaction which is recognized as the most significant criterion (Haber & Reichel, 2005). However, Judge et al. (2001) argued that satisfaction is not comprehensive as an antecedent to success. For example, people might have balance and equal life but they may not fulfill their desires of seeking financial gain, meaning that satisfaction may be obtained without achieving success or vice versa. According to a research by van den Brink and Steffen (2012), satisfaction includes success as a component, and both correspond to the canonical configuration of a simultaneous

²Hadith Al-Bukhari. Sahih Bukhari. Al-Jami'ul Musnad Al-Sahih Al-Mukhtasar min Umoorir Rasool Sallallahu Alaihi Wasallam wa Sunanihi wa Ayyamihi, Juz 2:#4221. p. 670.

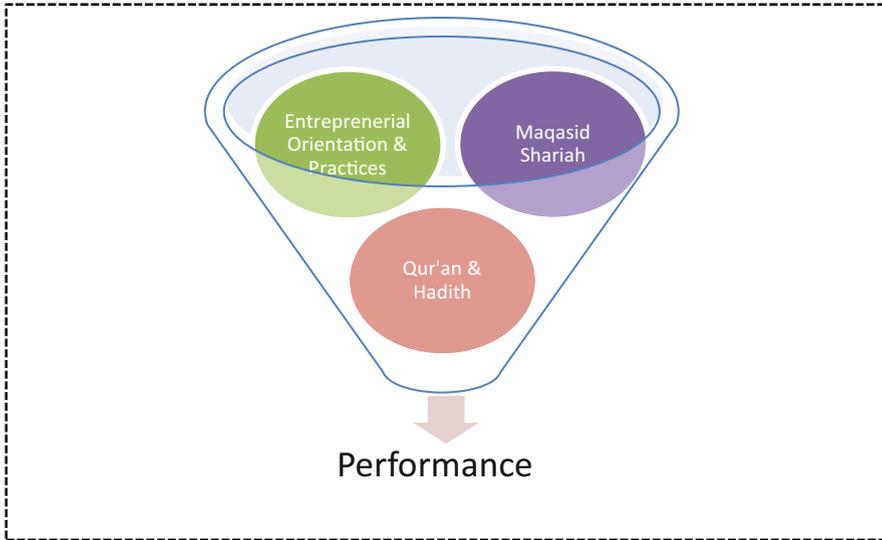


Fig. 2 Entrepreneurial orientation, practices, performance, and Islam

decision-making process. Both terms are still debatable in relation to firm performance.

From Islamic perspective, a satisfaction is known as qona'ah, meant for human beings' love of property ownership (Khalifah, 1994). According to Khalifa, implementing qona'ah is difficult except for those Muslims who have sought instruction, provided guidance in return, and are protected by Allah from the evil spirit, stinginess, and avarice. It is also functioned as the stabilizer for Muslim life which can lead to the peace of heart and mind, happiness, sufficient of wealth, and even the ability to give part of their wealth for social prosperity. In a Hadith narrated by Bukhari and Muslim that stressed on qona'ah behavior, it is mentioned that "the richness is not derived from your belongings/wealth but it is the richness of heart".³ An illustration of Qona'ah is in the case of Muslim employees working for Islamic organization that are more satisfied even with low salary because they are able to perform their religious duties compared to those receiving high salaries but unable to diligently discharge their religious obligation (Sharfuddin, 1995).

With regard the success measure, the conventional approach orientation on the material achievement rarely considered the religiosity aspect as one of the determinants (Fatimah-Salwa et al., 2013). In their research, religious values are included as proposed by Al-Ghazali Al-Imam (1998) and other entrepreneurs' characteristic factors as the nonfinancial factors that influence the Muslim entrepreneurs' success

³Hadith. Al-Bukhari and Muslim. Sahih Bukhari. 1987. Al-Jami'ul Al-Sahih Al-Mukhtasar min Umoorir Rasool Sallallahu Alaihi Wasallam wa Sunanihi wa Ayyamihi. Bayrut:Dar Ibn Katsir Juz 5:#15. p. 2368.

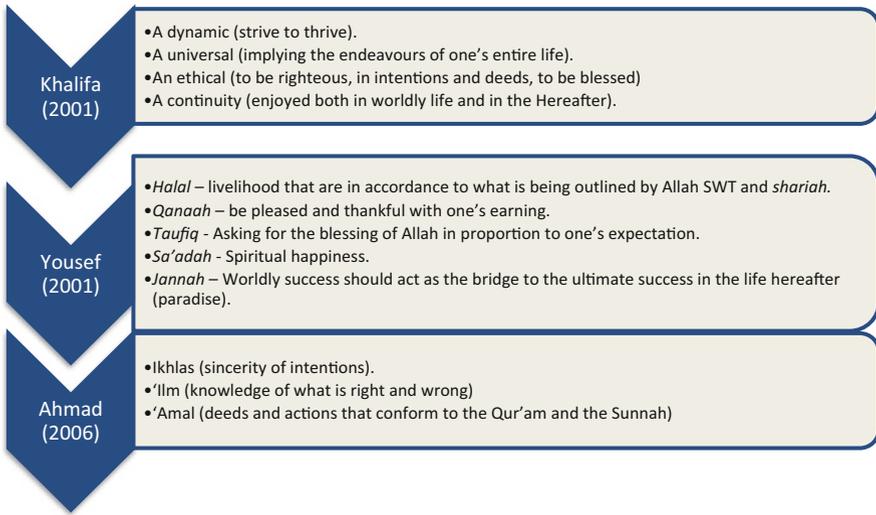


Fig. 3 Dimension of Al-Falah

but did not cover other items of religiosity attitudes and practices, i.e., as suggested by Salleh (2012). Both satisfaction and success measures on entrepreneurs’ performance called as *al-falah* in Islam.

Yousef (2001) defines *al-falah* as the ultimate objective expected by Muslims as a way of achieving higher-order needs by seeking the pleasures of Allah. It is associated with other terms explained in Al-Qur’an such as *falaha* and *aflaha* or *faza* and *fauzan*. Rivai et al. (2012) posit that *al-falah* measures are based on the triangle pillars of *tawheed*, *shariah*, and *akhlaq* which have the following three objectives, namely, *qimah maddiyah* (profit orientation), *qimah khuluqiyah* (ethics orientation), and *qimah ruhiyah* (obedience orientation). The Fig. 3 below is the dimension of *al-falah* which is proposed by past authors.

Additionally, the notion of *al-falah* corresponds to the goals of the Islamic economic system (Yousef, 2001). He explains that *al-falah* refers to a situation in which an individual is adequately provided for his or her basic needs and permitted to enjoy necessary freedom and has the leisure to work for spiritual and material advancement on the microlevel; on the macro level, it aims to establish an equitable distribution of material resources and social justice. Al-Qur’an states as follows:

But seek with (the wealth) which God has bestowed on thee, the home of the Hereafter, nor neglect thy portion in this world, but do thou good as God has been good to thee and seek not mischief in the land, for God loves not those who do mischief. (Al-Qasas 28:77)

Further, Rivai et al. (2012) relates *al-falah* with a *maslahah* maximization concept. The *maslahah* calculated is based on the gains of any business actions and its’ *barakah* with a formula $M = F + B$. Muslims may gain the profit when the revenue is more than the cost and by multiplying with the frequency of the activities, but they are not gaining *jaza’* (rewards) if those actions are not considered as an *ibadah*

(worship to Allah). The relevance of investigating al-falah factors is to clarify that Islam has a genuine success of worldly life and the hereafter, not limit to success in terms of profit maximization or seeking more wealth. Thus, al-falah is a vital measure to be adopted in measuring Muslim entrepreneurs' performance.

4.2 *Success and Rewards*

A success will be the aim of every Muslims which resulted from the efforts undertaken based on his/her abilities and skills. Muslims are being asked not only to pay and submit their lives to God (Allah SWT) but must have plans and initiatives that lead them to achieve success including in the business activities. As long as the Muslims are in the line of Islamic principles, Allah SWT will guarantee these kinds of individuals to be protected by Him if they follow His guidance, as stated in the Qur'anic verse:

Allah is the Protector of those who have faith: from the depths of darkness He will lead them forth into light. Of those who reject faith the patrons are the evil ones: from light they will lead them forth into the depths of darkness. They will be companions of the fire, to dwell therein (For ever). (Al-Baqarah 2:257)

When it comes to Islamic entrepreneurship and company, Hassan and Hippler (2014) point out that success is evaluated not just by personal financial success but also by how effectively religious objectives are fulfilled, which may offer the entrepreneur with benefits in the hereafter (p. 172).

With regard to this, Allah SWT says in the Al-Qur'an:

So when ye have accomplished your holy rites, celebrate the praises of Allah, as ye used to celebrate the praises of your fathers,- yea, with far more Heart and soul. There are men who say: "Our Lord! Give us (Thy bounties) in this world!" but they will have no portion in the Hereafter; "And there are men who say: "Our Lord! Give us good in this world and good in the Hereafter, and defend us from the torment of the Fire!"; "To these will be allotted what they have earned; and Allah is quick in account. (Al-Baqarah 2:200–202)

Successful Muslim entrepreneurs are described as being "smart, strong, clever, knowledgeable, experienced, humble, honest, cautious, just, and with a good memory and strong will" (Yaacob and Azmi, 2012). Entrepreneurs must possess both knowledge and abilities in order to succeed. Numerous changes occur in several areas, and businesses must stay informed while also sharing their views with others (Yusoff, 2002). As Hoque et al. (2014) observed, "Islam has no place for a slothful and inactive mind."

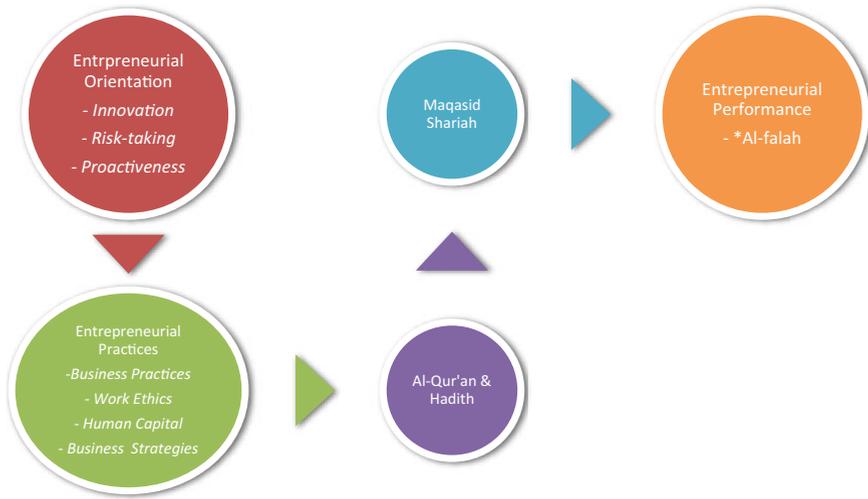


Fig. 4 An integration of entrepreneurial orientation, practices, and performance in Islam

5 Conclusion

This chapter discusses on the three important elements of entrepreneurship: orientation, practices, and performance. In the common view, the three have been confirmed to be contributor to the economic development. Meanwhile, in Islamic view, the Prophet Muhammad PBUH instructed Muslims to learn on those three components in order to achieve success or growth. Islam had elaborated in details including with the statements or sayings in the Al-Qur’an that support its applications. Islam concerns on the studies of innovation, risk-taking, and proactiveness which are shown in the Scopus database.

Several theories confirmed are related to the Islamic teachings such as human capital and business strategy. There are elements in each of those theories that also have arguments and discussions associated with the Islamic principles. *Al-falah* is considered as an achievement for the entrepreneurs except for other outcomes such as growth, success, satisfaction, etc. Islam accepts any new ideas, innovation, and solutions to create such better circumstances for an individual or an organization. Fig. 4 is a summary of this chapter.

References

Abdel Rahman, A. R. A. (1995). An Islamic perspective on organisational motivation. *American Journal of Islamic Social Sciences*, 12(2), 185–203.

Abdul Rahman, A. R. (2007). Islamic microfinance: A missing component in Islamic banking. *Kyoto Bulletin of Islamic Area Studies*, 1(2), 38–53.

- Abdullah, F., Hamali, J., Deen, A. R., Saban, G., & Abdurahman, Z. (2009). Developing a framework of success of Bumiputera entrepreneurs. *Journal of Enterprising Communities: People and Places in the Global Economy*, 3(1), 8–24.
- Abu Sin, A. E. (1981). *Islamic administration*. The Contemporary Press.
- Adham, K. A., Said, M. F., Saâ, N., & Yaakub, N. I. (2012). Technological innovation and entrepreneurship from the western and Islamic perspectives. *International Journal of Economics, Management and Accounting*, 20(2), 109–148.
- Aghazadeh, S. (2003). The future of human resource management. *Work Study*, 52(4), 201–207. <https://doi.org/10.1108/00438020310479045>
- Ahmad, F. (1995). Work motivation in organisational setting: An Islamic perspective. In F. R. Faridi (Ed.), *Islamic principles of business organisation and management*. Qazi Publishers and Distributors.
- Ahmad, M. (1996). *Business ethics in Islam*. IIIT.
- Ahmad, K. (2006). *Management from the Islamic perspective*. International Islamic University Malaysia, Research Center.
- Ahmad, K. (2009). Leadership and work motivation from the cross cultural perspective. *International Journal of Commerce and Management*, 19(1), 72–84.
- Al Habshi, S. O., & Ghazali, A. (Eds.). (1994). *Islamic values and management*. IKIM.
- Al Habtoor, K. A. (2001). An Alternative to Globalized Economy - Islamic Economics. Thinking Clearly: A Collection of Essays and Research on Regional and Global Issues Affecting the Arab World. No. 42.
- Al-Alwani, T. J. (1995). Towards Islamization of organisational behavior. In F. R. Faridi (Ed.), *Islamic principles of business organisation and management*. Qazi Publishers and Distributors.
- Al-Buraey, M. A. (1990). *Management and Administration in Islam*. Al-Dharan.
- Al-Ghazali Al-Imam, A. H. M. I. M. (1998). *Ihya 'Ulumuddin (vol. 3)*. Maktabah Misr.
- Ali, A. (1988). Scaling an Islamic work ethic. *The Journal of Social Psychology*, 128(5), 575–583. <https://doi.org/10.1080/00224545.1988.9922911>
- Ali, A., & Al-Kazemi, A. (2007). Islamic work ethic in Kuwait. *Journal of Management Development*, 14(2), 366–375.
- Ali, A. J. (2005). *Islamic perspectives on management and organisation*. Edward Elgar.
- Ali, A. J. (2009). Level of existence and motivation in Islam. *Journal of Management History*, 15(1), 50–65.
- Ali, A. J., & Al-Owaihian, A. (2008). Islamic work ethic: A critical review. *Cross Cultural Management Development*, 14(6), 5–19.
- Ather, S. M., Khan, M. A., & Hoque, N. (2011). Motivation as conceptualised in traditional and Islamic management. *Humanomics*, 27(2), 121–137.
- Azmi, I. A. G. (2009). Human capital development and organisational performance: A focus on Islamic perspective. *Shariah Journal*, 17(2), 353–372.
- Azmi, I. A. G., & Yaacob, Y. (2012). Jihad business: A conceptual paper. In *3rd international conference on business and economic research (3rd ICBER 2012) proceeding* (pp. 1852–1868).
- Ba'albaki, M. (1982). *Kamus mawrid- a modern English-Arabic dictionary*. Beirut- Lebanon, 207.
- Beekun, R. (1997). *Islamic business ethics*. The International Institute of Islamic Thought.
- Beekun, R. E. (2006). *Strategic planning and implementation for Islamic Organisations*. International Institute of Islamic Thought.
- Beekun, R. I., & Badawi, J. (2004). *Leadership: An Islamic perspective* (2nd ed.). Amana Publication.
- Brown, D., Earle, S., & Lup, D. (2005). What makes small firms grow? Finance, human capital, technical assistance, and the business environment in Romania. *Economic Development and Cultural Change*, 54(1), 33–70.
- Calabro, S. (2005). Making the mark. *Sales and Marketing Management*, 157(2), 38–42.
- Dana, L.-P. (1995). Entrepreneurship in a remote sub-Arctic community: Nome, Alaska. *Entrepreneurship: Theory and Practice*, 20(1), 55–72.

- Dvir, D., Sadeh, A., & Malach-Pines, A. (2010). The fit between entrepreneurs' personalities and the profile of the ventures they manage and business success: An exploratory study. *Journal of High Technology Management Research*, 21, 43–51.
- Ezzati, A. F. (1982). The concept of leadership in Islam. *Al-Nahdah*, 2(2), 24–29.
- Faizal, P. R. M., Ridhwan, A. A. M., & Kalsom, A. W. (2013). The entrepreneurs characteristic from al-Quran and al-Hadis. *International Journal of Trade, Economics and Finance*, 4(4), 191–196.
- Fang, N., Yuli, Z., & Hongzhi, X. (2009). Acquisition of resources, formal organisation and entrepreneurial orientation of new ventures. *Journal of Chinese Entrepreneurship*, 1(1), 40–52.
- Fatimah-Salwa, A. H., Mohamad-Azahari, A., & Joni-Tamkin, B. (2013). An empirical evidence from Malaysia: What makes the Muslim entrepreneurs succeed? *International Journal of Economics and Finance*, 5(7), 94–104.
- Gambling, T., & Karim, R. (1991). *Business and accounting ethics in Islam*. Mansell.
- Ghoul, W. A. (2011). *Islam and entrepreneurship*. Edward Elgar Publishing.
- Gümüşay, A. A. (2015). Entrepreneurship from an Islamic perspective. *Journal of Business Ethics*, 130(1), 199–208.
- Haber, S., & Reichel, A. (2005). Identifying measures of small ventures – The case of the tourism industry. *Journal of Small Business Management*, 43(3), 257–286.
- Hanafi, A. A., & Sultan, H. (1995). Business ethics: An Islamic perspective. In F. R. Faridi (Ed.), *Islamic principles of business organisation and management*. Qazi Publishers and Distributors.
- Hassan, M. K., & Hippler, W. (2014). *Entrepreneurship and Islam: An overview*. Available at SSRN: <https://ssrn.com/abstract=3263110> or <https://doi.org/10.2139/ssrn.3263110>
- Hoque, N., Mamun, A., & Mamun, A. M. A. (2014). Dynamics and traits of entrepreneurship: An Islamic approach. *World Journal of Entrepreneurship, Management and Sustainable Development*, 10(2), 128–142.
- Huck, F., & McEwen, T. (1991). Competencies needed for small business success: Perception of Jamaican entrepreneurs. *Journal of Small Business Management*, 29(4), 90–93.
- Jabnoun, N. (1994). *Islam and management*. Institut Kajian Dasar.
- Judge, T. A., Bono, J. E., Thorensen, C. J., & Patton, G. K. (2001). The job satisfaction-job performance relationship: A qualitative and quantitative review. *Psychological Bulletin*, 127(3), 376–407.
- Kayed, R. N., & Hassan, M. K. (2010). Islamic entrepreneurship: A case study of Saudi Arabia. *Journal of Developmental Entrepreneurship*, 15(04), 379–413.
- Khalifa, A. S. (2001). *Towards and Islamic Foundation of Strategic Business Management*. International Islamic University Malaysia.
- Khalifah, A. H. M. (1994). Religiosity in Islam as a protective mechanism against criminal temptation. *The American Journal of Islamic Social Sciences*, 11(1), 1–12.
- Khalil, M., & Abu-Saad, I. (2009). Islamic work ethic among Arab college students in Israel. *Cross Cultural Management: an International Journal*, 16(4), 333–346.
- Khan, T., & Ahmed, H. (2001). Risk management: An analysis of issues in Islamic financial industry. In *Occasional paper No.5, Islamic Research and Training Institute/Islamic Development Bank*.
- Kumar, N., & Rose, R. C. (2010). Examining the link between Islamic work ethic and innovation capability. *Journal of Management Development*, 29(1), 79–93.
- Lewis, B., & Churchill, B. E. (2009). *Islam the religion and the people*. Wharton School Publishing.
- Moursi, M. A. (1995). Some principles of management in Islam. In F. R. Faridi (Ed.), *Islamic principles of business organisation and management*. Qazi Publishers and Distributors.
- Muhamad, M. R., & Abd Rahman, M. N. (2004). Empowering the Muslim ummah through technological innovation. *International journal of engineering and technology*, 1(2), 152–162.
- Pineda, R., Lerner, L., Miller, C., & Phillips, S. (1998). An investigation of factors affecting the information-search activities of small business managers. *Journal of Small Business Management*, 36, 60–71.

- Rahman, N. M., Muhamad, N., & Othman, A. S. (2006). The relationship between Islamic work ethics and organisational commitment: A case analysis. *Malaysian Management Review*, 41(1), 79–89.
- Ramadani, V., Dana, L. P., Ratten, V., & Tahiri, S. (2015). The context of Islamic entrepreneurship and business: Concept, principles and perspectives. *International Journal of Business and Globalisation*, 15(3), 244–261.
- Ramadani, V., & Gërguri, S. (2011). Theoretical framework of innovation: Competitiveness and innovation program in Macedonia. *European Journal of Social Sciences*, 23(2), 268–276.
- Ramzan, A. K. (1992). An Islamic framework for employer-employee relationships. *The American Journal of Islamic Social Sciences*, 9(2), 202–218.
- Ramzan, A. K. (1997). Partnership financing of microenterprises. *International Journal of Social Economics*, 24(12), 1470–1480.
- Ratten, V. (2012). International opportunities. In J. J. Wild & L. K. Wild (Eds.), *International business: The challenges of globalisation* (pp. 425–453). Pearson.
- Rivai, V., Nuruddin, A., & Arfa, F. A. (2012). *Islamic business and economic ethics*. Bumi Aksara.
- Rosly, S. A. (2005). *Critical issues on Islamic banking and financial markets*. Dinamas Publishing.
- Sadeq, A. H. M., & Israil, A. K. B. M. (Eds.). (1996). *Quality management: Islamic perspectives*. Leed Publications.
- Salleh, M. S. (2012). Religiosity in development: A theoretical construct of an Islamic-based development. *International Journal of Humanities and Social Science*, 2(14), 266–274.
- Shareef, G. A. (1995). Islamic principles of organisational behavior: A conceptual outline. In F. R. Faridi (Ed.), *Islamic principles of business organisation and management*. Qazi Publishers and Distributors.
- Sharfuddin, I. O. (1995). Motivation the cornerstone of human performance: An Islamic and comparative perspective. In F. R. Faridi (Ed.), *Islamic principles of business organisation and management*. Qazi Publishers and Distributors.
- Sharfuddin, I. O. M. (1987). Towards an Islamic administrative theory. *The American Journal of Islamic Social Sciences*, 4(2), 229–244.
- Shirazi, A. N. M. (1980). Management and leadership in the life of the prophet. *Al-Tawhid*, 5(2), 157–165.
- Siddiqui, M. A. (1988). Interpersonal communication: Modelling interpersonal relationship. *An Islamic Perspective*, 5(2), 239–246.
- Sternberg, R., & Jordan, J. (Eds.). (2005). *A handbook of wisdom: Psychological perspectives*. Cambridge University Press.
- Sitasari, I. (2008). *Consumer preferences and behavior attributes Islamic credit card*. Unpublished Thesis Report. Depok: PSTTI-UI [Program Pascasarjana Studi Timur Tengah dan Islam–Universitas Indonesia]
- Tayeb, M. (1997). Islamic revival in Asia and human resource management. *Employee Relations*, 19(4), 352–364.
- Ullah, M. M., Mahmud, T. B., & Yousuf, F. (2013). Women entrepreneurship: Islamic perspective. *European Journal of Business and Management*, 5(11), 44–52.
- Van den Brink, R., & Steffen, F. (2012). On the measurement of success and satisfaction. *Tinbergen Institute Discussion Paper, The University of Amsterdam and VU University Amsterdam*, 1–29. Retrieved from: <http://ssrn.com/abstract=2029675>
- Vargas-Hernández, J. G., Naruzi, M. R., & Soriaghaham, N. (2010). An exploration of the affects of Islamic culture on entrepreneurial behaviors in Muslim countries. *Asian Social Science*, 6(5), 120–127.

- Widiyanto, M. C., & Ismail, A. G. (2010). Improving the effectiveness of Islamic micro-financing. *Humanomics*, 26(1), 65–75.
- Yaacob, Y., & Azmi, I. A. G. (2012). Entrepreneur's social responsibilities from Islamic perspective: A study of Muslim entrepreneurs in Malaysia. *Procedia-Social and Behavioral Sciences*, 58, 1131–1138.
- Yousef, D. A. (2001). Islamic work ethics: A moderator between organisational commitment and job satisfaction in across-cultural context. *Personnel Review*, 30(2), 152–169.
- Yusoff, N. M. A. B. N. (2002). *Islam and business*. Pelanduk.

Dr. Ahmad Rafiki is currently an Assistant Professor as a Dean at the Faculty of Economics and Business of Universitas Medan Area, Indonesia. He obtained his BBA degree with a major in Marketing from the MARA University of Technology, Masters in Management from the International Islamic University of Malaysia, and PhD from the Islamic Science University of Malaysia. He has published chapters of books and articles related to Islamic management, entrepreneurship, SMEs, leadership, and halal industry in IBA-MacMillan, IGI Global, Emerald Publishing, Springer, Routledge, etc. He also became the editorial advisory board and reviewer in reputable publishers of Emerald and Elsevier. He was a recipient of the Outstanding Reviewer of Literati Awards 2020 by Emerald Publishing.

Miftahuddin is an Associate Professor in the Faculty of Economics and Business of Universitas Medan Area, Indonesia. He has 35 years' experience in the academic field with various positions and had published books and articles in his field. His research interests are financial management, Islamic economics, and organizational behavior.

Atika Rizki is a lecturer at the Department of Accounting, Faculty of Economics and Business, Universitas Medan Area. She is the Head of Research at the Center of Islamic Management and Halal industry. Her research interests are financial accounting, corporate governance, and Islamic accounting.

Entrepreneurial Fear of Failure during Crises: Some Insights from Opportunity-Driven Entrepreneurs in a Muslim Ethnic Group in Indonesia



Donard Games and Dessy Kurnia Sari

Abstract The objective of the present study is to examine entrepreneurial fear of failure during COVID-19 in a highly collectivist culture. The present study uses a mixed-methods approach in which a quantitative phase was used to investigate the effect of the pandemic and pandemic preparedness on entrepreneurial fear of failure and how the latter affected entrepreneurial well-being. The data were taken online surveying 72 creative industries and small business owners in Minangkabau, which is a totally Muslim ethnic group in Indonesia. The qualitative phase that used phone interviews of 34 interviewees focuses on how they perceived and experienced fear of failure during the pandemic. This paper contributes to the literature with empirical results that confirm the fear of failure can capture the essence of entrepreneurial behavior during crises/pandemics in the context of opportunity-driven entrepreneurship and collectivist culture.

1 Introduction

Crises are expected to cause high entrepreneurial fear failure. This pandemic can be seen as a crisis that requires precise adjustments by entrepreneurs (Ratten, 2020). While these changes are significant to internal business organizations, there is no guarantee that their responses can result in successful innovation. The common wisdom suggests that this pandemic has reduced entrepreneurial activities among entrepreneurs as they lack cash flow and low market demands. A decrease in economic activity with recessions and depressions has become apparent in many countries (McKibbin and Fernando, 2020). However, we are not sure whether the COVID-19 pandemic has led to high fear of failure, reducing well-being in particular contexts. A recent study by Cacciotti et al. (2020) has offered different causes of fear failure: the ability to fund the venture, social esteem, and opportunity costs. This finding can strengthen the notion that fear of failure can be seen as a manifestation of

D. Games · D. K. Sari (✉)
Universitas Andalas, Padang, West Sumatra, Indonesia
e-mail: dessyks@eb.unand.ac.id

various perspectives, including crises such as natural disasters (Monllor and Murphy, 2017) and constant threats such as earthquakes or tsunamis (Games et al., 2020, 2022). In this case, pandemic preparedness may play a more significant role to lower the fear of failure. Logically, preparedness is required for those who potentially have a high fear of failure. Therefore, we need to investigate whether COVID-19 pandemic has impacted entrepreneurial fear of failure and whether pandemic preparedness can reduce the highly entrepreneurial fear of failure.

We have witnessed that COVID-19 is not simply about the disease itself. Instead, this pandemic is strongly linked to psychological and behavioral responses. For this reason, we use well-being as a possible outcome of fear of failure. More often than not, the fear itself is more frequently experienced by entrepreneurs than the actual failures (Engel et al., 2019). A study from Wiklund et al. (2019) has suggested well-being as a dependent variable to evaluate entrepreneurship as previous studies instead use business performance and financial performance as primary studies. Well-being can capture life satisfaction and happiness (Shir et al., 2019), which is essential concerning the effect of COVID-19 on entrepreneurs' psychological situations. Happy entrepreneurs certainly can be expected to deal with the fear of failure appropriately. A study by Games et al., (2020) confirms that fear of failure decreases entrepreneurs' well-being in the context of the constant threat of megathrust earthquakes in West Sumatra. However, it has not focused explicitly on opportunity-driven entrepreneurs, as is the case in the present study.

There is a link between entrepreneurial fear of failure and the types of entrepreneurs. Morgan and Sisak (2016) suggested that necessity-driven entrepreneurs are most negatively impacted by fear of failure. These entrepreneurs characteristically have no alternatives other than start-up activity to get their income (Perenyi et al., 2018). In contrast, opportunity-driven entrepreneurs represent more ambitious entrepreneurs that seek growth and innovation, in which they significantly benefit from supportive entrepreneurship policies (Bárcena-Martín et al., 2021) such as promoting formal entrepreneurship in developing countries (Fuentelsaz et al., 2019). In other words, opportunity-driven entrepreneurs need the fear of failure to increase their business performance. Tambunan (2019) pointed out while the majority of the businesses in Indonesia can be categorized as necessity-driven, there is a tendency that some of these entrepreneur owners make an effort to transform their business into high business growth even in crises.

Nonetheless, the COVID-19 pandemic is arguably more impactful in socioeconomic and health and directly affects people, particularly business owners. Therefore, we need to investigate whether high growth business owners see the fear of failure from that perspective. This development is also why the present study uses creative industries that have been considered highly innovative in West Sumatra, Indonesia, as the participants in this study. They are the minority in numbers as 99% of business owners in Indonesia, as most businesses can be categorized as necessity-driven entrepreneurs (Games 2019). Consequently, they are more likely to see the fear of failure as motivating than negatively affecting their business performance, but we do not know whether their fear of failure is high because of pandemic or low

because of pandemic preparedness and whether fear of failure influences their well-being.

The present study argues that there may be differences between entrepreneurial fear of failure in a collectivist society and individualist culture. For example, regarding the cause of fear failure, perhaps social esteems and opportunity cost (i.e., fear of business has reduced family time) are more relevant than other issues, such as pursuing personal ambitions in business. Business owners in collectivist societies need business competency and interpersonal skills to accept others by following norms (Hechavarria and Reynolds, 2009). Our observation of this study in West Sumatra, Indonesia, confirms that many people infected with COVID-19 have expressed their frustration regarding the stigma as COVID-19 spreader. They and even their families are alienated by their society, including their neighborhoods. Accordingly, the fear of being a super-spreader of the virus and other consequences as entrepreneurs, such as lack of cash flow and inability to fund the business, has exacerbated the situation for entrepreneurs. It is common to have more than 300 people for a small wedding party in West Sumatra, representing their social cohesion to illustrate its collectivist culture. We interviewed seven business owners in Padang, the capital of West Sumatra, and most of them expressed their frustration because sudden changes in their consumer behavior have caused less interaction and more suspicion among people. One of them said it best, "in our culture any problem, big or small, must be shared, but now most people are busy with themselves. His main concern is to make sure he is not a spreader of this disease. Perhaps the hardest part is to know that people will see them as the guilty ones, not victims." Cacciotti et al. (2020) have included self-esteem or reputation as part of entrepreneurial fear of failure, and this is an important cause that inhibits entrepreneurial activities in collectivistic cultures Begley and Tan (2001). It was seen worthwhile to see whether this can enhance fear of failure in a collectivistic culture during the pandemic, or perhaps this pandemic has made the fear of failure to not matter.

The objective of the present study is to examine entrepreneurial fear of failure among opportunity-driven entrepreneurs during the COVID-19 pandemic in a Muslim ethnic group in Indonesia. This is a highly collectivistic society, and as suggested by Dana et al. (2020), there is a strong link between ethnic entrepreneurship and social cohesion and solidarity. We focus on a particular place in Indonesia: Padang, West Sumatra. This city is mainly inhabited by the Minangkabau ethnic group, a highly collectivist culture in terms of sociocultural values and a totally Muslim ethnic group with a high level of religiosity in Indonesia (Games, 2020). In this case, Islamic entrepreneurship may have an important role as Islamic belief system may be implemented in the business environment (Ratten et al., 2017). Additionally, in this city with one million population, there were about 15,259 people who got COVID-19, and 297 died per March 31, 2021. The current situation indicated the decrease of the positive cases after previously there was fluctuated statistics. It would be interesting to see whether collectivist cultures in this Muslim society would increase fear of failure, which reduced their entrepreneurial activities during this pandemic, or perhaps there would be some responses such as business collaboration because of this pandemic. The fear of failure may even have an enormous impact in a

collectivist culture because it is strongly linked to social esteem (Cacciotti et al., 2020), which is highly appreciated by this culture. It is expected that this situation may enrich our understanding regarding entrepreneurial fear of failure. Additionally, the impact of sudden changes because of the pandemic became directly felt in the global economy, particularly in service industries such as tourism and hospitality (Pantano et al., 2020), and Padang, West Sumatra, as a service city and tourism destination in Indonesia has suffered this situation.

The present study uses a mixed-methods approach in which both qualitative and quantitative data would be discussed simultaneously. The quantitative phase was used to answer the following research questions:

- RQ1: Are there relationships between COVID-19 impact, pandemic preparedness, and entrepreneurial fear of failure?
- RQ2: Is there a relationship between fear of failure and the well-being of entrepreneurship?
- RQ3: To what extent fear of failure influences the relationship between the COVID-19 impact and the well-being of entrepreneurs?
- RQ4: To what extent fear of failure influences the relationship between pandemic preparedness and the well-being of entrepreneurs?

In terms of the qualitative phase, we focus on entrepreneurial fear of failure: its sources and consequences. Accordingly, the research question is that:

- RQ5: “How do Minangkabau small business owners understand and perceived fear of failure during the COVID-19 pandemic?”

This study can contribute positively to the theory and practice of ethnic minority entrepreneurship from entrepreneurial fear of failure and well-being. Literature reviews have shown that the fear of failure has been evolving from psychological to entrepreneurial fear of failure (Cacciotti et al., 2016, 2020), but there is no research as far as authors are concerned that examined entrepreneurial fear of failure during the COVID-19 pandemic in part of Indonesia that is a highly collectivist culture. It is hoped that the present study would provide a greater understanding regarding entrepreneurial fear of failure during this pandemic in a particular context of a highly collectivist culture.

2 Literature Review

The literature review is presented in three sections. The first section deals with the relationship between the COVID-19 pandemic and entrepreneurial fear of failure, as the former can be seen as part of natural disasters and extreme events that may affect entrepreneurial activities. Pandemic preparedness as a way to reduce the effect of the pandemic on entrepreneurship is also discussed. The second section will focus on the relationship between entrepreneurial fear of failure and the well-being of the

entrepreneurs. Lastly, the third section deals with the role of entrepreneurial fear of failure as mediating variable in this study.

3 Fear of Failure, Pandemic Impact, and Pandemic Preparedness

Fear of failure has been seen as an emotional reaction emerging from the cognitive appraisal of experiences that signify a threat to one's ability to achieve a personally meaningful goal Conroy et al. (2002). Recent research by Cacciotti et al. (2016, 2020) has added more dimensions in entrepreneurial fear of failure as they see it from a multifaceted and multidimensional approach. They see the fear of failure and the reality of entrepreneurship; even small failures such as pitching, recruiting, and funding are inseparable. In this case, entrepreneurial fear of failure is defined as "a negative affective reaction based in cognitive appraisals of the potential for failure in the uncertain and ambiguous performative context of entrepreneurship" (Cacciotti et al. 2016, 2020 p. 4). Accordingly, this definition justifies a notion that fear of failure is a "state" rather than a stable "trait," which means that it is a temporary condition resulting from how entrepreneurs respond to particular situations: in the present study, a pandemic crisis. This conceptualization of entrepreneurial fear of failure from Cacciotti et al. (2020) reflects the complexity and integrated nature of this concept, and this is being used in the present study.

Entrepreneurial fear of failure in the present study deals with a crisis: COVID-19 pandemic. Ratten (2020) suggested that a crisis can take various forms from health, politics, finance, technology, and organizational and natural cases, and this pandemic has caused unprecedented impact for many entrepreneurs in many countries. As health crises, COVID-19 pandemic can be a danger and cause a stressful life to members of society (Kirk and Rifkin, 2020). A crisis or an extreme event may affect business performance (Williams et al., 2017). As such, entrepreneurial fear of failure can be seen as a temporary condition caused by the pandemic impact. Conroy et al. (2002) have identified that fear of failure can be seen as an indicator of whether entrepreneurs perceive obstacles as threats or inhibitors. Therefore, entrepreneurs must adapt to survive by dealing with the fear of failure and failure itself.

Additionally, an entrepreneur with a high fear of failure usually exhibits global incompetence and does not deserve appreciation. However, some complexities have been identified; for example, Morgan and Sisak (2016) argued that an entrepreneur's fear of failure could be motivating but only when the standards for success are sufficiently high. For those with more modest aspirations, it unavoidably reduces motivation and investment in the business organization. This situation is associated with the adverse effects of failure on entrepreneurial activities.

Entrepreneurs may see that fear of failure is increasing during and post-pandemic, and they need to do something about that before the situation is getting worst. Therefore, pandemic preparedness can be seen to reduce the impact of the fear of

failure. In terms of pandemic preparedness, an entrepreneur may sacrifice short-term gain for long-term survival during a crisis (McMullen and Shepherd, 2006). In addition, Ratten (2020) emphasized the importance of preparation in dealing with a crisis, for example, by anticipating less funding and resources for cultural activities, adjusting the business model by planning for contingencies, reducing the level of formal activities by encouraging volunteer activity, and fostering collaboration with others to cocreate a cultural solution. It is expected that these preparations reflect the ideal type of entrepreneurial responses, which in turn reduce entrepreneurial fear of failure. She also identified that it is essential for entrepreneurs to show obedience to protocol and ethics during a pandemic, such as wearing masks and washing hands. In addition, Dahlhamer and Tierney (1998) emphasize the importance of disaster impact on the business to understand business experiences and damages. This event will also determine the way business owners perceive future events. In this case, Chikoto et al. (2013) identify that business organizations need to prepare themselves in dealing with crises preparedness. They, for example, can communicate and discuss within the organization on how to respond to a crisis. Alternatively, they may proactively seek assistance from external actors to innovate to reduce the negative impact of the pandemic on their businesses.

It is safe to say that not many business organizations prepared themselves for this kind of COVID-19 pandemic, but they need to adapt to this new situation, and a failure to do so will harm in particular small businesses in the future (Kuckertz et al. 2020a, 2020b). The level of preparedness may determine fear of failure as the latter signifies a temporary condition in facing entrepreneurship reality (Cacciotti et al., 2020). This situation means that fear of failure can be used to see how entrepreneurs perceive threats, which will be strongly related to how they perceive their current and future business decision-making and mental state. However, as Bartik et al. (2020) suggested, difficulties during COVID-19 can be reduced by having cash in hand and reliable external assistance. This revelation is to confirm that pandemic preparedness can be interpreted to reduce entrepreneurial fear of failure.

Based on the above discussion, the hypotheses are as follows:

- H1. The COVID-19 pandemic impact is significantly and positively related to fear of failure.
- H2. The COVID-19 pandemic preparedness is significantly and negatively related to fear of failure.

4 Fear of Failure and Entrepreneurial Well-being

Fear of failure may reduce entrepreneurial activity (Cacciotti et al., 2016; Espinoza-Benavides and Díaz, 2019; Kuckertz et al. 2020a, 2020b). This situation is because failure may cause negative impacts on entrepreneurs' well-being (Shir et al., 2019). In addition, an entrepreneur with a high fear of failure usually exhibits global incompetence, and entrepreneurial fear of failure could be motivating but only

when the standards for success are high (Morgan and Sisak, 2016). For those with more modest aspirations, it unavoidably reduces motivation and investment in the business organization. It is associated with the adverse effects of failure on entrepreneurial activities. Additionally, as Hunter et al. (2020) suggested, fear of failure can motivate entrepreneurs as they believe they have the skills and ability to respond to fear appraisals. It means that fear of failure may not reduce entrepreneurial well-being.

Well-being is the experience of health, happiness, and prosperity that is a central part of living a fulfilling life and is closely linked to people's ability to work, maintain positive relationships, and experience positive emotions (Ryff and Singer, 1998; Ryan and Deci 2001). Following this conceptualization, Wiklund et al. (2019, p.582) define entrepreneurial well-being as "the experience of satisfaction, positive affect, infrequent negative affect, and psychological functioning to developing, starting, growing, and running an entrepreneurial venture." Furthermore, they also identify that many scholars see well-being in terms of subjective well-being that refers to people's evaluations of their own lives and encompasses both affective appraisals of moods and emotions and cognitive judgments of satisfaction. It means that well-being is strongly related to how someone, in here an entrepreneur, interprets particular situations and whether they are satisfied and happy with these situations. Well-being has been seen as one of the indicators representing happiness and life satisfaction, and this is strongly related to the fact that many entrepreneurs may be struggling in dealing with the COVID-19.

Shepherd et al. (2009) also showed that business failure usually leads to higher grief, which indicates the fear of failure triggers expected less well-being. Besides, Fodor and Pintea (2017) found affective experiences such as depressed moods negatively related to entrepreneurial performance. In terms of *well-being*, "happy" entrepreneurs are expected to persist and perform better (Wincent et al., 2008). Furthermore, failure also causes negative impacts on entrepreneurial well-being (Shir et al., 2019). For example, the stressful life and fear they feel because of the COVID-19 pandemic can demotivate and stop business activities. Well-being, in this context, is seen as one of the indicators of happiness and life satisfaction in which entrepreneurs are mentally and psychologically struggling in dealing with the COVID-19 pandemic presently and in the future. However, as Cacciotti (2016, 2020) and Morgan and Sisak (2016) suggested, entrepreneurs with opportunity-driven characteristics may see the fear of failure as a way to motivate themselves to grow or innovate. The recent research from Games et al., (2020) also found that the well-being of Minangkabau entrepreneurs, not specifically those from creative industries, has not been negatively impacted by fear of failure. Based on the above discussion, the hypotheses are as follows:

H3. Fear of failure is significantly and positively related to entrepreneurial well-being.

5 The Role of Fear of Failure as Mediating Variable

Some previous research has used fear of failure as a mediator, such as Kollmann et al. (2017) and Zhang et al. (2018). It is because fear of failure is seen as a result of obstacles that adversely affect opportunity evaluation and exploitation. Additionally, Shahriar and Shepherd (2019) found that fear of business failure mediates the relationship between adverse events and entrepreneurial action. The result of the research concludes that fear of business failure has a negative relationship with entrepreneurial action. In this research, fear of failure has a probability of a double-edged sword. Through fear of failure, it will motivate them to try their best to create effective planning; thus, in the end, it will increase the business success. In addition, Nefzi (2018) identifies that fear of failure indirectly arouses the entrepreneurial risk perception through their impact on uncertainty. It means that individuals were highly impacted by the pandemic, and the recent news about this pandemic could also create uncertainty for entrepreneurs, which increases their risk perception. Based on this explanation, we postulate the hypothesis as follows:

- H4. Fear of failure mediates the link between pandemic impact and entrepreneurial well-being.
- H5. Fear of failure mediates the link between pandemic preparedness and entrepreneurial well-being.

The theoretical framework that describes the formulation of the hypothesis is illustrated in Fig. 1.

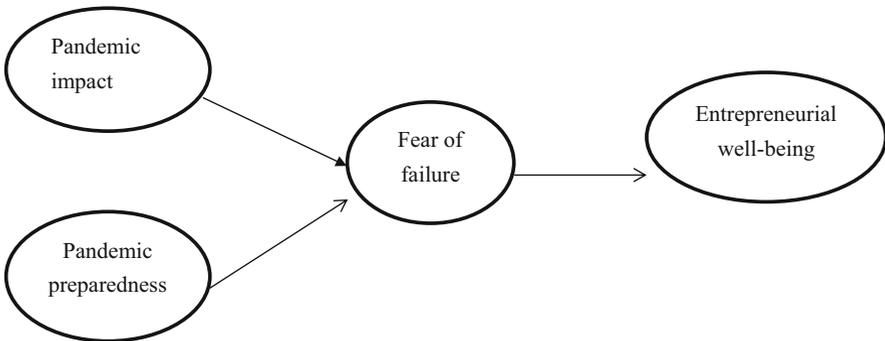


Fig. 1 Research model

6 Research Methodology

The objective of the present study is to examine the relationships between the COVID-19 impact, pandemic preparedness, fear of failure, and entrepreneurial well-being and how they perceived the role of fear of failure in their current and future business. In order to capture the essence of this study, the present study uses a mixed-methods approach. The present study uses both quantitative and qualitative approaches. Combining these two approaches provides a greater understanding of the present study's research questions. The present study followed suggestions by Bryman (2006), who identified some advantages of using quantitative and qualitative approaches; for example, this can enhance the validity of findings, as not all issues can be answered solely by using either a quantitative or a qualitative approach.

In the quantitative phase, the present study uses PLS (partial least squares) with SmartPLS. Hair Jr et al. (2014) noted that PLS is increasingly used in business-related research. It requires smaller samples and makes fewer assumptions about the constructs' distributions but still takes measurement error into account when analyzing data. In addition, in the qualitative phase, the present study focuses on "how do interviewees perceive and experience fear of failure in the COVID-19 pandemic situation." As mentioned previously, fear of failure may have two different consequences for entrepreneurs: for worst and for better, as the latter signifies the willingness to keep running and innovating in business even though they experience negative moments during the COVID-19.

6.1 The Sample

Data have been obtained from 72 Minangkabau SME owners who operated their businesses in Padang. This city is selected as the center of economic growth in West Sumatra (the land) of Minangkabau. Here the present study focuses on small size enterprises from creative industries rather than the micro ones. They have alternatives in responding to the impact of the COVID-19, while the micro one, which represents informal entrepreneurs or necessity-driven entrepreneurs, may not have that because they have limited resources. That is why we have a relatively small sample, as it also represents the small proportion of SMEs in creative industries that focus heavily on business growth. The SME owners were surveyed not limited to a particular industry, and manufacturers and service companies will be included, although most Minangkabau SME owners operate retail and service companies. Respondents were aged between 18 and 70 years old.

Purposive sampling has been used in which respondents were found through judgment whether they have some criterion. They should be small businesses (not micro) from creative industries located in Padang, West Sumatra, and they proactively promote and innovate their products. In terms of interviewees in the qualitative phase, the present study interviewed 24 Minangkabau entrepreneurs. Like those

in the qualitative phase, they are the SME owners in West Sumatra who can be classified as pro-growth as they proactively promote their businesses, primarily through social media. This group can choose what they will do and decide what the best for them, which is different from necessity-driven entrepreneurs who will not have an alternative in doing their business, especially in this pandemic situation. Interviews have been conducted by phone as this pandemic and semi-lockdown in West Sumatra have not allowed face to face interviews. Interviews by phone have been conducted for approximately 25 minutes for each interviewee.

7 The Data Collection Approach

The quantitative data used in this study have been collected in two stages. The first stage is a pretest, which is used to ensure the questionnaire could be answered quickly and that all of the items will be understood. It is essential because the original questionnaire was in English before being translated into the Indonesian language. Five Minangkabau small business owners from creative industries have been approached to complete the pretest survey. These respondents have allowed the researcher to know whether they think the Indonesian language questionnaire used appropriate language for Indonesian people. After revising the questionnaire, a second data collection stage was undertaken. Respondents have been asked to complete the questionnaire from September 14 to 27, 2020. It is worth noting that all the processes in the data collection have been conducted online by distributing questionnaires in Google Forms through WhatsApp and email due to the pandemic. If the respondents have some questions, they can contact authors via email or WhatsApp, and there is no question asked if they disagree to become respondents of this study. In the qualitative phase, semi-structured in-depth interviews have been conducted. In this case, the “let it flow approach” is preferred. The main focus in this phase is the consequences of fear of failure. In order to explore Minangkabau SME owners’ understanding and practice of fear of failure, four interview questions were developed to capture deeper understandings of this phenomenon, namely:

- What are Minangkabau SME owners’ understandings about the fear of failure they have experienced related to the COVID-19 pandemic on their business now and in the future?
- What are the factors that influence fear of failure in Minangkabau entrepreneurs?
- What are the essential consequences of fear of failure that relate to the *well-being* of the entrepreneurs?
- What influences does fear of failure have on Minangkabau SME owners?

It is worth noting that, in SME research, low response rates are a significant impediment to SME research in Indonesia because of incorrect business addresses, business closures, and inaccurate profiles of business owners (Marino et al., 2008). In addition to that, the COVID-19 pandemic has diminished opportunities to have

face to face communication that can increase participation from SMEs in creative industries. Respondents have filled the questionnaires through Google Forms.

8 The Constructs

In terms of items in the quantitative phase, in all cases, a Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used to obtain the required responses from creative industries entrepreneurs in Padang, Indonesia. In terms of pandemic impact, we adapted items from Dahlhamer and Tierney (1998) measures that previously were used in the context of earthquake impact except for (4) and (5), which are self-constructed. The five COVID-19 pandemic measures are as follows: (1) We have lost many customers. (2) We have reduced our business activities. (3) Significantly we have reduced our number of employees. (4) We have been mentally tired of this pandemic. (5) We are having difficulties innovating. In terms of pandemic preparedness, we adapted items from Chikoto et al. (2013) as follows: (1) We acquire knowledge about the COVID-19 pandemic. (2) We discuss the COVID-19 impact on business organizations. (3) We have a restructuring plan for the business post-pandemic era. (4) We have an online business as a replacement for face to face communication discussion. (5) We discussed in an organizational meeting short-term responses to the COVID-19 pandemic.

Cacciotti et al. (2020) entrepreneurial fear of failure measure was used by asking whether “over the past few months. . . (1) I have been afraid of not getting enough funding to move the company forward.” (2) “I have been afraid that this is not a valuable business idea.” (3) “I have been afraid of disappointing the people who are important to me.” (4) “I have been afraid of other people’s expectation of me.” (5) “I have been afraid of missing important events of my life because of my business.” (6) “I have been afraid of losing all I have invested in the business/business activities.” These items represent a multidimensional approach in Cacciotti et al.’s (2020) study as the first item represents an ability to fund the venture; the second item represents the potential of the idea, the third and fourth items represent a threat to social esteem, the fifth one is about opportunity cost, and the sixth item represents financial security. Lastly, entrepreneurial well-being uses Shir et al. (2019) well-being that includes life satisfaction: “All things considered, you are satisfied with your life”; global happiness, which represents self-evaluation of one’s positive affective (hedonic) state, “taking all things together, you are pleased”; and subjective vitality, which reflects a positive affective-physiological self-evaluation, was measured with “I feel alive and vital.”

9 The Data Analysis

A mixed-methods approach in this study is used to answer different types of research questions. As suggested by Creswell et al. (2011), this integration can be realized by reporting results together in a discussion section of this research. In this case, the present study reported the quantitative statistical results followed by qualitative quotes or themes that support or negate the quantitative results regarding entrepreneurial fear of failure. It is essential because the nature of the research questions is different, and this approach can complement both quantitative and qualitative approaches in this study. SmartPLS 4.0 was used to estimate the structural models in the present study. It has been used first to examine the links between the COVID-19 impact, pandemic preparedness and fear of failure, and Minangkabau entrepreneurs' well-being. In terms of mediating effect in this study, the present study follows suggestions by Hair et al. (2017) that consider direct and indirect effects. In the qualitative phase, the present study uses a thematic analysis for the qualitative phase as it can provide valuable perspectives in capturing the essence of fear of failure in Minangkabau entrepreneurs during this pandemic. In this case, the inductive approach has been applied as it offers flexibility and let it flow approach, which potentially leads to some novelty.

Thematic analysis was used to provide valuable perspectives to capture the essence of entrepreneurial fear of failure, confirm theories, and build some models to explain certain phenomena. The data were analyzed in line with the suggestions of Attride-Stirling (2001) and Braun and Clarke (2006) that the analysis should start by identifying and coding "basic themes" followed by interpreting their commonalities or "organizing themes" while "global themes" representing higher level also need to be identified. It is, however, essential to note that all the themes in this study were formulated using NVivo 12 and used to formulate research propositions. The first researcher analyzed the data, while the second rechecked and confirmed the themes previously identified. The first researcher managed the data analysis, and the second researcher rechecked and confirmed the themes or patterns in this study.

10 Results

10.1 *Characteristics of Respondents*

Respondents in this study consisted of owners-managers of the creative industry that have been considered highly innovative SMEs in West Sumatra, Indonesia. In terms of gender, 38 respondents were males (53%), and 34 were female. Based on the level of education, respondents were dominated by those who graduated from high school (44%), followed by bachelor degrees (31%). A majority of the respondents (54%) have less than 5-year experience in business, and this may explain their highly innovative behavior. They came from various subsectors in the creative industry:

culinary (40% of the respondents), fashion (20%), and handicrafts (13%) and others such as publishing and printing, advertising, and computer and software.

10.2 Assessment of Measurement Model

In terms of convergent validity, all indicators have the outer loading value of greater than 0.5 so that the indicators used in this study are valid and have convergent validity. Another method for assessing convergent validity is with average variance extracted (AVE). Table 1 shows that the AVE value has met the standard of 0.5 so that the construct is worthy of further testing. Based on discriminant validity, as shown in Table 2, the value of each indicator on the latent variable looks higher than the correlation between the indicators that exist in each other variable. That is, the results of cross loading have shown good discriminant validity. In terms of reliability, composite reliability is more significant than 0.7, so that all of the constructs are considered reliable. An examination of the correlations between the constructs, which can be seen in Table 2, suggested no problem; therefore, all of the retained multiple-item constructs had good measurement properties, and the model outlined in Fig. 1 could be estimated.

10.3 Assessment of the Structural Model

The R^2 value of fear of failure was 0.615, suggesting that 61.5% of the variance in fear of failure can be explained by pandemic preparedness and pandemic impact. In

Table 1 Construct validity and reliability and the values for composite measures

Constructs	No. of items	Means	Standard deviation	AVE	Composite reliability	Cronbach's alpha
Pandemic impact	5	4.650	1.977	0.729	0.930	0.906
Pandemic preparedness	3	5.056	1.710	0.626	0.831	0.761
Fear of failure	6	4.940	1.935	0.732	0.942	0.925
Well-being	2	4.167	1.821	0.716	0.834	0.611

Table 2 The correlations between the constructs^a

Construct	Impact	Prepare	Fear	Well-being
Pandemic impact	0.854			
Preparedness	0.333	0.791		
Fear of failure	0.780	0.336	0.856	
Well-being	-0.210	0.099	-0.379	0.846

^aThe square roots of the AVE scores are shown in bold along the main diagonal

Table 3 R² and Stone-Geisser' Q²

Endogenous variables	R ²	Q ²
Fear of failure	0.615	0.425
Entrepreneurial Well-being	0.143	0.059

Table 4 The results of path model

Hypotheses	Relationship	Path coefficients	t value	Decision
H ₁	PI →FF	0.751	7.728 ^a	Supported
H ₂	PP →FF	0.086	0.721	Not supported
H ₃	FF →EW	-0.379	-2.319 ^a	Supported
H ₄	PI →FF →EW	-0.284	-2.177 ^a	Supported
H ₅	PP →FF →EW	-0.032	-0.612	Not supported

Note: PI = pandemic impact, PP = pandemic preparedness, FF = fear of failure, and EW = entrepreneurial well-being

^aSignificant at 0.05 level

addition, the R² value of *well-being* was 0.143, suggesting that 14.3% of the variance in entrepreneurial well-being can be explained by fear of failure. Based on predictive relevance, as a way to assess the magnitude of the R², Stone-Geisser's Q² has been applied. It was found that Stone-Geisser's Q² points toward the interpretation that the model satisfies predictive relevance as the Q² values for all endogenous variables are above zero (see Table 3).

The hypothesis testing results (see Table 4) found that the path between pandemic impact and fear of failure was positive and significant ($\beta = 0.751, t \text{ value} = 7.728$); thus, hypothesis H1 was supported. However, the path between pandemic preparedness and fear of failure was not significant ($t \text{ value} = 0.721$, which is lower than 1.96). Hypothesis 2, therefore, is not supported. The path between fear of failure and well-being was negative ($\beta = 0.379$) and significant ($t \text{ value} = 2.319$); thus, hypothesis 3 was supported. In terms of the mediating role of fear of failure, Table 4 has shown the results of the PLS-SEM about the indirect effect of pandemic impact and pandemic preparedness on entrepreneurial well-being. Nitzl et al. (2016) suggested that the mediating effect exists when the indirect effect is significant. In this regard, it was found that entrepreneurial fear of failure did mediate the link between pandemic impact and well-being ($t\text{-value} = 2.177$); therefore, hypothesis 4 was supported. However, the indirect effect of pandemic preparedness and well-being was not significant ($t\text{-value} = 0.032$); thus, hypothesis 4 was not supported.

10.4 Qualitative Phase

As mentioned previously, semi-structured in-depth interviews for 24 interviewees have been conducted. All of the interviewees were also respondents for the quantitative phase. They come from various creative industries. These are food industries (12), fashion (9), and handcraft (3). Of 24 interviewees, 15 are females (7 from

Table 5 Basic themes, organizing themes, and global themes

Basic themes	Organizing themes	Global themes
Loss of money and savings	Financial security, family financial issue	Source of fear of failure
Technology and new customer habits	Technological adaptation	Source of fear of failure
Lack of capital generation	Financial security, family financial issue	Source of fear of failure
Customers may have different lifestyles and needs	Perceived loss of consumers	Source of fear of failure
Feeling of stress	Negative affect	Affective arousal
Feeling of excitement	Positive affect	Affective arousal
Decrease in, or cessation of, opportunity pursuit	Inhibition	Behavioural response
Patience and resilience (shabr), tawakkal (surrender to god)	Religiosity	Responses to fear of failure
Business partnership	Business strategy	Responses to fear of failure

fashion, 6 from food, and 2 from handcraft), and 9 are males. The qualitative approach in this study focuses on entrepreneurial fear of failure: how small business owners in this study perceived and experienced fear of failure. Thematic analysis has been used, and the result can be seen as follows (Table 5):

It was found that most of the interviewees emphasized the importance of related financial issues and family reasons as their source of the fear of failure. Yeni (24 yo, female, fashion) said: “We have to rearrange our plan including budget. Previously we can rely on our cash flow. We cannot rely on customer demands now.” Some interviewees expressed their anxiety in dealing with new situations during and post-pandemic. An interviewee (Ros, 39 yo, female, fashion) said it best: “Now I am afraid of future whether our customers will still be with us after our cessation during this pandemic. It seems a new battle. Our previous customers may get used to living without our products. We are not that good at digital marketing compared to our competitors. Perhaps we need to focus heavily on this from now on, but I am not too sure.” These interviewees were heavily dependent on their captive market as they have established networks. With this COVID-19 pandemic, they have been required to expand their markets and redefined their target markets. It needs not only new business strategies but also more risks and funds to spend. Interestingly, our interviewees did not mention social esteem or reputation as an essential point to consider. It means they primarily care about financial issues, including financial freedom and the ability to fund the venture rather than other sources of fear of failure.

It is also worth noting that most interviewees see the fear of failure as usual in life. Marwan (28 yo, male, food industry) stated that “our task is to whenever grass grows, that is the moment it is removed” and “we cannot worry even if we have great difficulties such as this pandemic.” In addition to that, “shabr (patience) and salah (prayer) are the keys to find peace in life. Allah will be with us, protecting us. Too

much thinking for the future shows our ungratefulness. Somehow we will find the way.” It seems that while they mostly admitted their fear of failure in terms of personal life, some of them (16 interviewees) explicitly link it to Islamic values, in particular *shabr*, which includes resilience and persistence.

11 Discussion

It was found that pandemic impact was positively and significantly related to entrepreneurial fear of failure. It is in line with Dahlhamer and Tierney’s (1998) and Monllor and Murphy’s (2017) studies that emphasized the importance of disaster impact on fear of failure. This pandemic has caused fear of failure, which in turn reduces the well-being of entrepreneurs. Accordingly, fear of failure did mediate the link between pandemic impact and well-being. Our thematic analysis shows that the most noticeable sources of fear of failure are in terms of financial security, family, and technological adaptation. Financial security comes first, which is in line with a study by Liu et al. (2021) in China, followed by a perceived loss of social support as another important source of failure. It seems that this pandemic has caused interviewees to think and behave pragmatically. They did not see the threat to social esteems as a specific source of the fear of failure. Instead, technological adoption and perceived loss of consumers may be seen as additional sources of fear of failure, especially during this pandemic, requiring new business approaches.

Interestingly, pandemic preparedness has nothing to do with fear of failure. The common wisdom suggests that pandemic preparedness should reduce fear of failure, which is not the case in the present study. It is also not in line with Chikoto et al.’s (2013) study that found a strong link between disaster impact and preparedness for possible future disasters. It may indicate that SME owners in this study felt that they do not have to be prepared for crises such as the pandemic as their preparedness will not affect their fear of failure. Accordingly, they simply did not see typical preparation such as “top management teams consider and proactively communicate this issue within the organization” as sufficient in this unprecedented moment for most of us. Our interviewees may see that their collectivistic culture will help them provide a safety net when it is most needed. Additionally, our qualitative findings indicate that some interviewees felt that it is risky or costly to adapt to new norms during this pandemic, such as using a digital platform. As Kuckertz et al. (2020a, 2020b) suggested, business organizations need to adapt to this new situation, and a failure to do so will harm particular small businesses in the future.

The level of preparedness may determine fear of failure as the latter signifies the process of appraising threats in evaluative situations with the potential for failure (Conroy et al., 2002). The qualitative phase in this study may explain this situation. Most of the interviewees focused on the immediate impact, such as financial and family issues. They see their obedience in terms of health protocols is not part of their strategies. Instead, these are standard procedures, and therefore, there is no link between pandemic preparedness and fear of failure. Their primary focus is simply

about their business existence, especially how they can generate cash flows or working capital that ensures their business continuation. It is in line with Jenkins and McKelvie's (2016) study that emphasized the importance of fear of financial failure. However, this is also a bit surprising because we expect that participants may consider self-esteem as one of the sources of entrepreneurial fear failure. Perhaps this can explain why there is no link between pandemic preparedness and entrepreneurial fear of failure in the qualitative study, as our participants did not see pandemic preparedness as an effective way to increase their cash flows. It is in line with Games et al.'s (2020) study that found there was no link between preparedness of megathrust earthquakes and fear of failure in the context of Minangkabau. It may indicate that preparedness in dealing with extreme events has not been Minangkabau entrepreneur's strength. Minangkabau entrepreneurs may prefer to "let it flows," which indicates their strong will to deal with difficulties in the business world even if they have no preparation for that (Games et al., 2020). It is in line with Minangkabau wisdom that says, "Dima tumbuhan, di sinan disiangi" ("if the grass grows, it is time to clean it up").

Perhaps the most exciting finding in this study is that entrepreneurial fear of failure is negatively and significantly related to entrepreneurial well-being. It is not in line with studies by Hunter et al. (2020), Cacciotti et al. (2020), and Morgan and Sisak (2016) that emphasized opportunity-driven entrepreneurs will see the fear of failure as a motivational factor and embedded element in enhancing business growth rather than see it as demotivating and a burden in doing businesses. It has confirmed that this pandemic has significantly impacted this type of entrepreneur during crises. As suggested by Miocevic (2021), fear may cloud entrepreneurs' judgment and ultimately lower their possibility of utilizing and leveraging the resources and capabilities to engage in business growth. Previous research by Games et al. (2020) in the context of Minangkabau, not in creative industries, found that Minangkabau entrepreneurial fear of failure enhanced their well-being. While this is not the case in the present, this has confirmed that entrepreneurial fear of failure is not a static or changeable trait due to different causes (Cacciotti et al., 2020). It is presumed that in the context of a collectivistic society, entrepreneurial fear of failure may be increasing because, as suggested by Hechavarría and Reynolds (2009), entrepreneurs here are also considering other people in their society. However, the most important task during the pandemic is to survive the difficulties in business and avoid being a virus spreader as the latter will interrupt their harmonious society. Our participants thought on their financial and technological adaptation during the pandemic rather than a threat to social esteem surviving the crises.

Ratten (2020) argues that the COVID-19 pandemic may witness the emergence of lifestyle entrepreneurs focused more on their quality of life than pure financial outcomes. They care about their well-being, and their entrepreneurship journeys place importance on maintaining a balance between work life and family life (Fadda et al., 2020). It allows them to attain higher levels of personal happiness through their business activities (Dimov, 2007). Consequently, entrepreneurs during crises may reinterpret their fear of failure as they may place importance on particular aspects, such as family life. In other words, this pandemic may create a new balance between

collectivism and individualism as the latter may not see their well-being as determined mainly through their society, but they perhaps care more about themselves and their inner group (i.e., core family).

In order to deal with this new normal, our respondents seem to use religious values such as *shabr* (patience and resiliency), *tawakkal* (submissive to God), and business collaboration. Resiliency can be seen as optimism (Korber and McNaughton, 2018), and it is a way to reduce the negative effect of fear of failure (Monllor and Murphy, 2017). In Quran (Albaqarah: 156–157): “And We will surely test you with something of fear and hunger and a loss of wealth and lives and fruits, but give good tidings to the patient, who, when distress strikes them, say, “Indeed we belong to Allah, and indeed to Him we will return.” Those are the ones upon whom are blessings from their Lord and mercy. And it is those who are the truly guided.” Most of the interviewees see *Shabr* as a way to deal with difficulties in this life, and Islamic values support that notion. Additionally, business collaboration seems inevitable during this pandemic, but, as suggested by Games et al. (2020), it was not the norm in Minangkabau entrepreneurs as they live in a collectivist culture but rather individualistic in doing businesses.

12 Conclusion

The centrality of entrepreneurial fear of failure in an opportunity-driven entrepreneur in a collectivist culture has been confirmed in the present study. It did mediate the link between post-earthquake impacts and entrepreneurial well-being. In terms of the link between fear of failure and well-being, it was found that high fear of failure has reduced Minangkabau entrepreneurial well-being, which is not an expected finding for opportunity-driven entrepreneurs. However, this may strengthen the fact that entrepreneurial fear of failure is dynamic, and this pandemic understandably has caused distress that caused higher fear of failure. The COVID-19 pandemic has caused a new balance, and this can be seen from the way our interviewees interpret fear of failure. Their fear comes from their financial and family reasons and technological adaptation as the latter is required in a new normal period. Islamic values such as *shabr* (patience and resilience) and *tawakkal* (surrender to God) and the emergence of the business partnership, which is not expected within the Minangkabau, have become new norms. These have been seen as ways to seek balance during and post-pandemic. All of these indicate that entrepreneurial fear of failure can be seen as an indicator to see whether difficulties or crises have affected opportunity-driven entrepreneurs or not. Entrepreneurial fear of failure may be seen as a warning system for opportunity-driven entrepreneurs. If they have a too high fear of failure, this will reduce their well-being. In other words, they need to manage their loss or interpret their bad situation in meaningful ways. They are not alone, and this too shall pass.

13 Limitations and Future Research

The present study has some limitations. Firstly, the present study has a small sample of entrepreneurs in creative industries and purposive sampling that reduces its generalizability even though it was understandable during this pandemic situation and that PLS allows that. Future studies may have a bigger sample size with different contexts or comparisons between individualistic and highly collectivist culture. Secondly, the present study uses a questionnaire of entrepreneurial fear of failure from Cacciotti et al. (2020) as a whole. Future research may evaluate fear of failure from its dimension, such as financial security and threat to social esteem. Thirdly, the present study also uses subjective well-being to evaluate the well-being of the entrepreneurs. Future studies can adopt entrepreneurial well-being that is suggested by Ryff (2019).

14 Social and Practical Implications

Interestingly, there is no link between pandemic preparedness and entrepreneurial fear of failure. It may represent Minangkabau societal values that encourage short-term perspectives. In difficult moments, these entrepreneurs should prepare themselves by implementing new protocols and new approaches in doing business to be trusted by consumers. A lack of planning and strategies, especially in managing the negative impact of this crisis, will only exacerbate the situation. Additionally, as a collectivist culture, Minangkabau entrepreneurs should promote business partnerships among them. It has not happened in the past because of lacking trust and individualistic values in business. However, this pandemic and beyond is a moment to renew their commitment to working together in businesses. Entrepreneurial fear of failure should be well managed as this can demotivate and decrease well-being, but these opportunity-driven entrepreneurs may slow down their business activities and innovation without fear of failure, reducing their level of business growth.

References

- Attride-Stirling, J. (2001). Thematic networks: An analytic tool for qualitative research. *Qualitative Research*, 1(3), 385–405.
- Bárcena-Martín, E., Medina-Claros, S., & Pérez-Moreno, S. (2021). Economic regulation, opportunity-driven entrepreneurship and gender gap: Emerging versus high-income economies. *International Journal of Entrepreneurial Behavior & Research*, 27(5), 1311–1328.
- Bartik, A. W., Bertrand, M., Cullen, Z. B., Glaeser, E. L., Luca, M., & Stanton, C. T. (2020). *How are small businesses adjusting to COVID-19? Early evidence from a survey* (No. w26989). National Bureau of Economic Research.

- Begley, T., & Tan, W. (2001). The socio-cultural environment for entrepreneurship: A comparison between east Asian and Anglo-Saxon countries. *Journal of International Business Studies*, 32, 537–553.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101.
- Bryman, A. (2006). Integrating quantitative and qualitative research: How is it done? *Qualitative Research*, 6(1), 97–113.
- Cacciotti, G., Hayton, J. C., Mitchell, J. R., & Giazitzoglu, A. (2016). A reconceptualization of fear of failure in entrepreneurship. *Journal of Business Venturing*, 31(3), 302–325.
- Cacciotti, G., Hayton, J. C., Mitchell, J. R., & Allen, D. G. (2020). Entrepreneurial fear of failure: Scale development and validation. *Journal of Business Venturing*, 35(5), 1–24.
- Chikoto, G., Sadiq, A., & Fordyce, E. (2013). Disaster mitigation and preparedness: Comparison of nonprofit, public, and private organizations. *Nonprofit and Voluntary Sector Quarterly*, 42(2), 391–410.
- Conroy, D., Willow, J., & Metzler, J. (2002). Multidimensional fear of failure measurement: The performance failure appraisal inventory. *Journal of Applied Sport Psychology*, 14(2), 76–90.
- Creswell, J., Klassen, A., Plano Clark, V., et al. (2011). *Best practices for mixed methods research in the health sciences* (pp. 541–545). National Institutes of Health.
- Dahlhamer, J., & Tierney, K. (1998). Rebounding from disruptive events: Business recovery following the Northridge earthquake. *Sociological Spectrum*, 18(2), 121–141.
- Dana, L.-P., Gurau, C., Light, I., & Muhammad, N. (2020). Family, community, and ethnic capital as entrepreneurial resources: Toward an integrated model. *Journal of Small Business Management*. <https://doi.org/10.1111/jsbm.12507>
- Dimov, D. (2007). From opportunity insight to opportunity intention: The importance of person-situation learning match. *Entrepreneurship Theory and Practice*, 31(4), 561–583.
- Engel, Y., Noordijk, S., Spoelder, A., & van Gelderen, M. (2019). Self-compassion when coping with venture obstacles: Loving-kindness meditation and entrepreneurial fear of failure. *Entrepreneurship Theory and Practice*, 45(2), 263–290.
- Espinoza-Benavides, J., & Díaz, D. (2019). The entrepreneurial profile after failure. *International Journal of Entrepreneurial Behavior & Research*, 25(8), 1634–1651.
- Fadda, D., Quevedo-Aguado, M. P., Benavente Cuesta, M. H., & Scalas, L. F. (2020). The multidimensional and hierarchical nature of the questionnaire for Eudaimonic wellbeing: A Bifactor-ESEM representation in a Spanish sample. *Frontiers in Psychology*, 11, 422.
- Fuentelsaz, L., González, C., & Maicas, J. P. (2019). Formal institutions and opportunity entrepreneurship: The contingent role of informal institutions. *Business Research Quarterly*, 22(1), 5–24.
- Fodor, O., & Pinteá, S. (2017). The "emotional side" of entrepreneurship: A meta-analysis of the relation between positive and negative affect and entrepreneurial performance. *Frontiers in Psychology*, 8, 310.
- Games, D. (2019). SME innovation and policy in Indonesia. *Asian Research Policy*, 10(2), 22–28.
- Games, D. (2020). Ethnicity, religiosity and SME innovation outcomes: Some insights from a Muslim ethnic group. *World Review of Entrepreneurship, Management and Sustainable Development*, 16(4), 430–444.
- Games, D., Agriqisthi, & Sari, D. (2020). Earthquakes, fear of failure, and Well-being: An insight from Minangkabau entrepreneurship. *International Journal of Disaster Risk Reduction*, 51, 1–7.
- Games, D., & Mardiah, A. N. R. (2022). Livelihood and resiliency: An entrepreneurship of West Sumatran SMEs aftermath disasters. In A. N. Mardiah, R. B. Olshansky, & M. B. Bisri (Eds.), *Post-disaster governance in Southeast Asia. Disaster risk reduction* (pp. 241–253). Springer.
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM)* (2nd ed.). Sage.
- Hair, F., Jr., Sarstedt, J., & M., Hopkins, L. and G. Kuppelwieser, V. (2014). Partial least squares structural equation modeling (PLS-SEM): An emerging tool in business research. *European Business Review*, 26(2), 106–121.

- Hechavarria, D., & Reynolds, P. (2009). Cultural norms & business start-ups: The impact of national values on opportunity and necessity entrepreneurs. *International Entrepreneurship and Management Journal*, 5(4), 417–437.
- Hunter, E., Jenkins, A., & Mark-Herbert, C. (2020). When fear of failure leads to intentions to act entrepreneurially: Insights from threat appraisals and coping efficacy. *International Small Business Journal*, 39(5), 407–423.
- Jenkins, A., & McKelvie, A. (2016). What is entrepreneurial failure? Implications for future research. *International Small Business Journal*, 34(2), 176–188.
- Kirk, C., & Rifkin, L. (2020). I'll trade you diamonds for toilet paper: Consumer reacting, coping and adapting behaviors in the COVID-19 pandemic. *Journal of Business Research*, 117, 124–131.
- Kollmann, T., Stöckmann, C., & Kensbock, J. (2017). Fear of failure as a mediator of the relationship between obstacles and nascent entrepreneurial activity—An experimental approach. *Journal of Business Venturing*, 32(3), 280–301.
- Korber, S., & McNaughton, R. (2018). Resilience and entrepreneurship: A systematic literature review. *International Journal of Entrepreneurial Behavior & Research*, 24(7), 1129–1154.
- Kuckertz, A., Brändle, L., Gaudig, A., et al. (2020b). Startups in times of crisis—a rapid response to the COVID-19 pandemic. *Journal of Business Venturing Insights*, 13, e00169.
- Kuckertz, A., Berger, E., & Prochotta, A. (2020a). Misperception of entrepreneurship and its consequences for the perception of entrepreneurial failure – The German case. *International Journal of Entrepreneurial Behavior & Research*, 26(8), 1865–1885.
- Liu, X., Zhang, Y., & Fan, L. (2021). What prevent you from stepping into the entrepreneurship? Evidence from Chinese makers. *Chinese Management Studies*, 15(1), 68–85.
- Marino, L. D., Lohrke, F. T., Hill, J. S., Weaver, K. M., & Tambunan, T. (2008). Environmental shocks and SME alliance formation intentions in an emerging economy: Evidence from the Asian financial crisis in Indonesia. *Entrepreneurship Theory and Practice*, 32(1), 157–183.
- McKibbin, W., & Fernando, R. (2020). *The global macroeconomic impacts of COVID-19: Seven scenarios (CAMA working paper 19/2020)*. Australian National University.
- McMullen, J., & Shepherd, D. (2006). Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur. *Academy of Management Review*, 31(1), 132–152.
- Miocevic, D. (2021). Investigating strategic responses of SMEs during COVID-19 pandemic: A cognitive appraisal perspective. *Business Research Quarterly*, 1–14.
- Monllor, J., & Murphy, P. (2017). Natural disasters, entrepreneurship, and creation after destruction: A conceptual approach. *International Journal of Entrepreneurial Behavior & Research*, 23(4), 618–637.
- Morgan, J., & Sisak, D. (2016). Aspiring to succeed: A model of entrepreneurship and fear of failure. *Journal of Business Venturing*, 31(1), 1–21.
- Nefzi, N. (2018). Fear of failure and entrepreneurial risk perception. *International Journal of Entrepreneurial Knowledge*, 6(2), 45–58.
- Nitzl, C., Roldan, J., & Cepeda, G. (2016). Mediation analysis in partial least squares path modeling: Helping researchers discuss more sophisticated models. *Industrial Management & Data Systems*, 116(9), 1849–1864.
- Pantano, E., Pizzi, G., Scarpi, D., & Dennis, C. (2020). Competing during a pandemic? Retailers' ups and downs during the COVID-19 outbreak. *Journal of Business Research*, 116, 209–213.
- Perenyi, A., Zolin, R., & Maritz, A. (2018). The perceptions of Australian senior entrepreneurs on the drivers of their entrepreneurial activity. *International Journal of Entrepreneurial Behavior & Research*, 24(1), 81–103.
- Ratten, V. (2020). Coronavirus (Covid-19) and entrepreneurship: Cultural, lifestyle and societal changes. *Journal of entrepreneurship in emerging economies*, Vol. ahead-of-print no. ahead-of-print.
- Ratten, V., Ramadani, V., Dana, L. P., & Gerguri-Rashiti, S. (2017). Islamic entrepreneurship and management: Culture, religion and society. In Ramdani et al. (Eds.), *Entrepreneurship and Management in an Islamic Context* (pp. 7–17). Springer.

- Ryan, R., & Deci, E. (2001). On happiness and human potentials: A review of research on hedonic and eudaimonic Well-being. *Annual Review of Psychology*, 52(1), 141–166.
- Ryff, C. (2019). Entrepreneurship and eudaimonic Well-being: Five venues for new science. *Journal of Business Venturing*, 34(4), 646–663.
- Ryff, C. D., & Singer, B. (1998). The role of purpose in life and personal growth in positive human health. In P. T. P. Wong & P. S. Fry (Eds.), *The human quest for meaning: A handbook of psychological research and clinical applications* (pp. 213–235). Lawrence Erlbaum Associates Publishers.
- Shahriar, A., & Shepherd, D. (2019). Violence against women and new venture initiation with microcredit: Self-efficacy, fear of failure, and disaster experiences. *Journal of Business Venturing*, 34(6), 105945.
- Shepherd, D. A., Wiklund, J., & Haynie, J. M. (2009). Moving forward: Balancing the financial and emotional costs of business failure. *Journal of Business Venturing*, 24(2), 134–148.
- Shir, N., Nikolaev, B., & Wincent, J. (2019). Entrepreneurship and Well-being: The role of psychological autonomy, competence, and relatedness. *Journal of Business Venturing*, 34(5), 25–36.
- Tambunan, T. (2019). Recent evidence of the development of micro, small and medium enterprises in Indonesia. *Journal of Global Entrepreneurship Research*, 9(1), 1–15.
- Wiklund, J., Nikolaev, B., & Shir, N. (2019). Entrepreneurship and Well-being: Past, present, and future. *Journal of Business Venturing*, 34(4), 579–588.
- Williams, T. A., Gruber, D. A., Sutcliffe, K. M., Shepherd, D. A., & Zhao, E. Y. (2017). Organizational response to adversity: Fusing crisis management and resilience research streams. *Academy of Management Annals*, 11(2), 733–769.
- Wincent, J., Örtqvist, D., & Drnovsek, M. (2008). The entrepreneur's role stressors and proclivity for a venture withdrawal. *Scandinavian Journal of Management*, 24(3), 232–246.
- Zhang, Y., Dong, S., & Fang, W. (2018). Self-efficacy for self-regulation and fear of failure as mediators between self-esteem and academic procrastination among undergraduates in health professions. *Advances in Health Sciences Education*, 23(4), 817–830.

Donard Games is a Lecturer at the Department of Management, Universitas Andalas, Indonesia. He teaches entrepreneurship, technological innovation management, and organizational behavior. He gets his PhD from the University of Western Australia Business School. His research interests include small business innovation, ethnic entrepreneurship in particular Minangkabau entrepreneurship, and Islamic entrepreneurship. His most recent publications (2020) have appeared in the Journal of Science and Technology Policy Management, International Journal of Disaster Risk Reduction, Journal of Entrepreneurship in Emerging Economies, and World Review of Entrepreneurship, Management, and Sustainable Development. He is in the editorial board of Andalas Management Review. He is also the head of Andalas Economic Development Centre (2019–2021).

Dessy Kurnia Sari got her PhD from the UWA Business School, University of Western Australia, in 2016. She received a Master of Business (Advanced) from the University of Queensland, Australia, in 2008. Her research interests focus mainly on Islamic marketing, cross-cultural consumer studies, Muslim consumer behavior including boycott behavior, as well as Muslim's choices of foreign products and brands. She has published her papers in some reputable journals such as the Journal of Islamic Marketing and Branding, Journal of Islamic Marketing, Journal of Science Technology and Policy Management, and International Journal of Disaster Risk Reduction. In 2018, Dessy was chosen as the Winner of Emerald Literati Award related to her best paper in the Journal of Islamic Marketing. She also writes in some reputable journals and in some book chapters. Dessy is currently a senior lecturer at the Department of Management, Universitas Andalas in Padang, West Sumatra, Indonesia. She is the cofounder of karajoelok.com, which is designed to people with disabilities to sell their products. She can be contacted by email.

Emerging Modest Fashion Industry: What Plays a Greater Role in Modest Dressing, Religion or Culture? Implications for Strategic Marketing



Nilufer Ajaib and Remzi Altunişik

Abstract This study explores the emerging modest fashion industry worldwide, and Muslim women are the basic unit of the study, and it draws whether culture or religion has a greater influence on modest dressing of women. By a deep study of existing literature on modest dressing, we tried to understand whether today's women's modest dressing falls under the Islamic ethical framework. This study is theoretical in nature, apart from thorough study of research papers and different books, and it has deep analysis of interviews taken by other researchers, and conclusions are drawn based on those interviews and respondents' personal views. This study also shares stories of Muslim women from all over the world, and some documentaries have been shared for the vast knowledge of the topic. Most importantly, personal observations are mostly used to come up with a result. This research includes only critical analysis of existing literature and does not include any empirical work. Lastly, among all factors, we come up with the result that culture has a huge impact in transforming the modesty. Ultimately, Muslim women, a huge market segment for modest fashion, desire to keep both faith and fashion sense.

1 The Reason behind Choosing this Topic

I grew up in a Muslim society in north of Pakistan, where shalwar kameez (long shirt with wide trouser) was acknowledged as sober and Islamic dress. It was up to your preference that you want to carry a Dupatta (scarf) on your head. I never had confronted these veil or hijab or black abayas until I moved to the city for higher studies, where I met with hijabi friends. Having exposer to the USA and Turkey and meeting people from all over the world, I had been asked, are you a Muslim? Because I do not cover my head. On the other hand, when I was looking at them, I

N. Ajaib (✉)

Department of Business Management, Ibn Haldun University, Istanbul, Turkey

R. Altunişik

Sakarya University, Faculty of Business, Sakarya, Turkey

feel like they are more advanced having skintight jeans and lots of makeup with hijab. Even such kind of dressing was not acceptable in my hometown.

1.1 Halal Fashion

Halal products and modest clothing have become global trend and universal truth. For Muslim women, modesty in dressing is devotion and it is an act of submission to God. Along with modesty, Muslim women want to keep up with fashion trends, and now it has become a requirement for them and why not. The prevailing style during a particular time, which means fashion as in dress, doesn't meant to reveal the parts of the body, but a woman can be fashionable by following the requirements of Islam, which includes loose and non-transparent garments, essentially, it's all about to cover the body. Different styles of modest clothing for Muslim women typically include longer hemlines and longer necklines; other than that, styles of shirts and trousers can vary. Designers have been trying their best to make modest clothing stylish and beautiful within the limits as per requirements, so that these cloths will fulfill that person's religious and fashion trend needs. One being in her limits and fulfilling spiritual needs along with personal preferences is neither harmful to someone nor forbidden by Islam. Here our Muslim ummah must remember Islam has prohibited to spend extravagantly, and it has prohibited to attract others with your ornaments, or anything that draws somebody's attention is haram, which one must not follow. A decade ago, it was very hard for Muslim women to find cloths designed for them. However, nowadays you will find thousands of brands who only serve Muslim women and sell halal products, as demand gets increased in the market. Thus, cloths with looser fits and full coverings for legs and arms are a halal fashion.

1.2 Islamic Strategic Marketing

Islamic strategic marketing or halal marketing is related to the concept of halal where the word "halal" means the pure and wholesome that is allowed in Islam. The word "haram" opposite of the halal is anything that is condemned by Islam. Halal marketing is kind of positioning strategy because the word halal is associated with the Muslims as they are abided by some special religious rules and Muslims are allowed to use only halal products. With the passage of time and when the world started to grow and things got changed, Muslims also sensed kind of change to cope with the contemporary world, especially in case of the clothing. At the time they had very few choices of Islamic dresses to wear and very few halal choices. However, things didn't remain the same; nearly a decade ago, the halal market has started to flourish, and it is attracting a huge Muslim market and demand is increasing day by day. Not only halal clothing but halal products range from food to makeup products

to vacations, where everything is according to the needs of a Muslim. Importantly modest or halal dressing is a big hit in today's world, and the halal dressing also fulfills the requirements of the culture where the Muslims live. But this increase in growth of halal market all over the world should be evaluated cautiously because there are significant differences across Muslim countries with respect to preferences and choices mostly shaped by cultural factors of particular countries. Hence when entering Muslim markets, companies need not to disregard these differences in consumption habits, cultural preferences, and product choices. This point requires companies to adopt a globalization strategy in the formation of marketing programs for Muslim consumers in different countries.

1.3 Did Islam Ask Muslim Women to Cover? Why?

Hijab is a piece of cloth used by Muslims to cover the hair, and it can be any fabric that covers the head, bosom, and body. This hijab has different shapes in different cultures and regions of the world, which includes veil, scarf, dupatta, chaddar, burqa, niqab, abaya, or jilbab. These are considered as an Islamic dress or modest dress or nowadays "Islamic chic." Islamic strategic marketing helps Muslim women to reach out their favorite modest clothing in their own country which is based on the needs of that culture.

Dressing holds an important role in Islam particularly for women because of the human nature, when someone will see you a message will be prompt in his/her mind. This is the reason Muslim's holy book Quran demands to cover the "Awra," an Arabic term that tells what must be covered. The definition of "Awra" is different for women; for males, he should cover from his navel to the knee. On the other hand, for women, it is intricate; she can only show her hands and face other than family members and female friends. Islam didn't provide a fixed dressing but there is a need to fulfill some of the fundamentals. The dress shouldn't be imitating and flashy or it should be loose enough, so it will not outline the shape of the body. It shouldn't be see-through, so that the color of the skin should not be visible. Islam didn't allow women to wear like men and vice versa; that's why for men, gold or silk is not allowed. The modest dress shouldn't be extremely fancy, neither ragged or one should not dress for admiration or sympathy (Saeed, 2012). Above all, a Muslim should be decent and clean, that's the most important.

Islam has forbidden (Haram) to wear clothes that will not cover the body accurately and are transparent and revealing. Likewise, high heels, ornaments, and makeup are almost forbidden, because beautification stuff easily draws attention. Hadith, sayings of the Prophet Muhammad, a source of moral guidance, promotes modesty in different dimensions (Syed et al., 2005). For example, "The Messenger of Allah cursed women who tattooed, and those who got themselves tattooed, those who engaged in sharpening the teeth (as a mark of beauty) and those who had their teeth sharpened" (Bukhari and Muslim). "The Messenger of Allah cursed the women who plucked hair and those who were employed to pluck the eyebrows" (Abu

Dawud). *Simply artificial beautification is not allowed in Islam, which also includes shaving and trimming of the eyebrows* (Doi, 1989). Back to the revelation period, disrepute women were using ankle bracelets which produce sound as they walk, and it was regarded as promoting their service. So, leg stomping and beautification element that brings unwanted attention do not fall under the classification of decency (Fadl, 2016). Islamic conservative dress has cultural origins dating back before the time of the Prophet. (Bosankic, 2014).

Quran and Sunnah, influential sources a Muslim could have, openly profess what ought or not ought to be done. For believers, there are three passages in the Quran which support women's dress restrictions. The first one relates to sexuality (Fornara, 2018):

And say to the believing women that they should lower their gaze and guard their modesty; that they should not display their beauty and ornaments except what (must ordinarily) appear thereof; that they should draw their veils over their bosoms and not display their beauty except to their husbands, their fathers, their husband's fathers, their sons, their husbands' sons, their brothers or their brothers' sons, or their sisters' sons, or their women, or the slaves whom their right hands possess, or male servants free of physical needs, or small children who have no sense of the shame of sex; and that they should not strike their feet to draw attention to their hidden ornaments. And O you Believers! Turn you all together towards Allah, that you may attain Bliss. [Qur'an 24:31]

In another place, it says "Prophet, tell your wives, your daughters, and women believers to make their outer garments (jilbab) hang low over them to be recognized and not insulted."

One more verse says "Children of Adam, we have given you garments to cover your nakedness and as adornment for you; the garment of God-consciousness is the best of all garments, this is one of God's signs, so that people may take heed."

There is always logic behind why Islam asks for it views Islamic dressing as a blessing and symbol of virtue. Modesty guards women from sexual harassment which satisfies traditional-religious duties, and it allows women to study and go outside of her home (Sadatmoosavi & Shokouhi, 2013) In contrast to archaic Arab customs, the status of women had been ameliorated including enjoined female infanticide and admitting women's personhood. In the era of premodern Islam, position of a woman was more attuned to rampant patriarchal cultural norms instead of Quranic ideals. Islam grants women a position of honor and recognition with distinct rights and obligations. Safeguarding the modesty alleviates those who are covering the "Awra" their status. Also, it reduces the indecency toward women during interaction with other people. If you have a profession like doctor, teacher, and nurse and you are adopting modest dressing, then it removes indecent perception toward your profession (Saidun et al., 2018). Other than modest, there are two other principles of clothing and adornment. Like a Muslim is expected to be neat and pleasant in appearance, yet clothing that stimulates arrogance is forbidden. Moreover, extravagance stuff and surplus quantity of items are considered as waste, and it should be avoided, and apparel is presumed to be functional that guards from weather, guaranteeing hygiene.

2 How Is Modesty Defined by Muslims in the World?

There is admittedly a conflict between Muslim women and imposed morals, cultural norms, and religious values. Eventually, some women are indeed bound to put on hijab, some cover by choice, and some believe that it is a religious requirement. One woman said “I lived in a co-ed dorm and it was the first time I had to deal with unwanted attention from guys. I guess that was the first time I understood why it was necessary to wear a scarf because as soon as I did, all the idiots left me alone” (Ali, 2005). Galadari comments message of any religion has real importance, and it is also not fair to impose the restrictions (Galadari, 2012). He further elaborates, and there shouldn’t be a debate on wearing or not to wear hijab because nobody can stop somebody wearing a hat, then why hijab. Haddad et al. mentioned in an interview that a woman sharing her dressing outside the mosque is not a business of anyone else; wearing a skirt will not make her a bad Muslim and dressing is not a proof to being a Muslim (Haddad et al., 1985). Honor killing, forced marriages, and forced veiling are unacceptable practices (Fernandez, 2009).

Several Muslims are declaring veiling neither mentioned in the Quran nor Sunnah, so it is a practice not scripturally sanctioned (Ali, 2005). Some embraced the hijab by being convinced from studies. As one woman said I realized that it was religious duty (fard) and I needed to obey Allah’s commands (Ali, 2005). Dress restrictions are not mandatory that we have to perform, and limitations are the part of Muslim society, so Islamic dressing is a religious expression rather than a religious commitment (Wadud-Muhsin, 1992). An interviewee replies that she considers modest is different for everyone because she carries a short skirt which is not regarded as modest, but she wears it with baggy trousers (Lawton, 2019). One woman says “when she walks in the room with hijab everyone watches her and she doesn’t want it” (Asma-Khalid., 2011). Choices of Muslim women in the West are influenced by many factors throughout lives. For instance, Muslim women in America decided to remove the hijab because of emerging femininity and American culture (Tom-Gjelten, 2016). Another one says “after doing the study I discovered out it is coming from Arab culture and its foundation is not Islam” (Asma-Khalid., 2011).

Some Muslim women interpret the passage of the Quran; in ancient times hijab was just to distinguish Muslim women so they will be shielded from harassment. By covering, a message was delivered; these are Muslim women which should be treated adequately. So, it is a religious necessity but an origin of optional social safeguard (Azeem, 1995). If the covering of hair and neck simply helps to avoid the gaze of strangers which is claimed by Islamist, then any handkerchief should do, secularist claim (Sandıkçı & Ger, 2005). The theory of hijab had been modified from societal segregation as specified in Quran to evidence of the morality and cultural authenticity of women, but in modern society, it performs new duties (Aziz, 2010).

3 Religion, Culture, and Modesty

The influential institutions like family, religion, and the state have given a structure to practice the hijab, which not just symbolizes the women's identity, but it is indicative of religion, gender, and sector. Veil and hijab should be considered in a particular context because it depends upon women's choice and social/political pressure (Secor, 2002). Religion and culture values both acquire a powerful influence on opting for modest dressing. For most of the women who put hijab without any force, their decision is based on religious beliefs (Fornara, 2018). Some women espoused modesty instead of the trends in the community because their reason was something high and it adhered to their values (Salvá, 2017). Hussain (Hussain, 2019) found that females who wear hijab earn respect in society compared to others. He continues, Muslim female students feel confident in the alien environment of schools and colleges and they stay within the parameters of "Haya."

It has been notified that everyone has their interpretation of modesty. In different cultures, people have various practices of Islamic dressing, and it looks like neglecting religious responsibilities. Depending upon the culture, different covering has been used by Muslim women throughout the globe. They try not to expose their skin other than their faces, hands, and feet. Again, in some cultures, they even don't expose their hands, face, and feet. In the end, no one validates what should be an absolute Islamic dress. It says even the Quran does not particularize how much of the body must be covered (Smith, 2009). Within the faith, there is vast heterogeneity like whether to cover or not, and an extensive array of coverings is accessible from just headscarf to burqa which covers the whole body. Many Western Muslim women claim that covering is not needed and covering is not correlated to how much they are devoted to Islam. Among Islamic scholars, there is a consensus with regard to female covering, but there is no consensus for the genuine form of the covering (Roald, 2001).

Having exposure to different cultures, the observations say that the modest dress here in Turkey will be viewed more like advanced in Pakistan. Goldman proclaims, styles differ geographically as well as fashion trends. In Quran, Jilbab relates to protective cloth but a special garment. So, in Indonesia, it implies head to toe covered dress but in North Africa and the Arabian peninsula, it indicates just a long dress (tunic) (Goldman, 2016). Radically, the "Awra" must be covered, but the manner or style of coverage fluctuates considerably from nation to nation and person to person (Boulanouar, 2016). So for marketers, it is very important to study deeply about the geography and culture of the particular nation. They need to know what the Muslim women demand in that area and how they can be satisfied. Once a thorough study is done, then they can design modest dresses for the women of the area, because the modest dresses which are there in Turkey is not any more modest for women living in Pakistan, and this is how Islamic strategic marketing works.

Amongst 49 Muslim majority countries, there is a law to put the hijab; Iran and Saudi Arabia legitimately compel women to cover. Afghanistan was viewed as a moderate state even their constitution of 1964 has preserved gender equality

explicitly, but after the intrusion of the Taliban, they urge women to veil (Desphande, 2001). These Taliban officials stated, “the face of women is a cause of corruption for men, who are not related to them.” Further reporting in Afghanistan comes out the conclusion that burqa limits the women’s movement and material of burqa is very thick causing trouble to breathe. The tiny mesh panel in front of the eyes limits the vision which becomes hard even to pass the street. There is a story that a woman was helping her children to cross the street, and her Chauder (a big cloth covers the body) slightly slipped from her head and the Taliban whipped her for that (United States Department of State, 2001). There is a religious force in Saudi Arabia “al Mutawa’een” that beats women who unveil their skin or hair in public. Their inhumane and rigidity was demonstrated when they didn’t allow 15 girls to escape from burning dormitory because they were not properly veiled (Fornara, 2018).

3.1 Muslim Majority Countries and Modesty

Muslim countries differ in cultural values, climate, laws, consumer behavior, and other practices. The absence of the same style in all Muslims in the world makes it difficult for an outsider to understand Islamic values (Shuayto, 2010). In Iran, Afghanistan, and Saudi Arabia, from the perspective of legislation, women need to cover them suitably. Likewise in Iran, head scarfs and long coats are very common in the markets because it is one of the basic needs of women of that country, and without that, they cannot step out the home. So, seeing the demand the marketers had just jumped into the business of the scarfs and long coats and Islamic strategic marketing tools helping them to excel in the market.

For other Muslim majority countries like India and Pakistan and Muslims in other countries, modesty is affected by the culture, community values, and climate of the region. India and Pakistan bear a hot weather; especially in summer, temperature goes very high, and people prefer to wear light cotton stuff and do not like to cover much. The light cotton saris and cotton shalwar kameez covering the whole body are one of the most selling products in India and Pakistan. In markets, one can find hundreds of the choices of these cotton saris and kurtas with reasonable price ranges. It’s not just religion but culture, region, values, individual and family perceptions, and politics that play a dominant role in adopting the modesty (Hussain, 2019).

India has the highest number of Muslims as minorities in the world that is 11% of the world’s Muslim population. Indian women commonly use sari, shirts, and pajamas, whether Muslims or non-Muslims and in India there are very few Muslim women who use hijab. Using accessories like “Mangal Sutra,” a necklace used by married Indian women, bangles, ring in the foot finger, ‘bindi’ (a small round dot on the forehead) by a Muslim women cannot be classified as being un-Islamic as it is the part of their Indian culture (Amir, 2012).

In Pakistan, kameez (open and long shirt), shalwar (wide trouser), and dupatta (scarf in different length) fulfill the concept of the veil. The dupatta

covers the head, chest, and almost all the body. The kurta and pajama cover the criteria of Islamic requirements as they do not reveal or conceal the shape of the body (Frembgen, 2004). **There are different ways of carrying the dupatta, and it varies from person to person and according to the situation** (Ivanescu, 2013). A typical way of Pakistani veiling can be just loosely wrap the dupatta around the head and one can cover all or just a little hair. In Pakistani society, a dupatta is very essential as it covers women's body; however, nowadays dupatta is mostly used as a fashionable ornament. It doesn't matter whether it is big enough to cover the whole body. Al-Saji writes the veil in Pakistan varies from region to region and women use diversified dresses (Al-Saji, 2010). In tribal areas, KPK and Baluchistan, women often cover the entire body with big Chadar. Women in urban and elite classes do not use hijab or veil, whereas in Punjab middle class uses chadar to cover when they step out from the homes. Research (Arshad & Basar, 2012) found out that rural areas are more inclined to use the veil as compared to the urban areas and the females use the veil to belong to those families where the veil was part of their culture or used by the sake of religious responsibility.

The color of the veil and the way of carrying the dupatta signify a person's affiliation with a certain class and status. Lady doctors of Pakistan often dress modestly, and they wear the traditional dress with jeans. Sometimes they wear the Abaya and cover the head with a scarf, which makes them modern as well as modest, and it also makes them different from that of ordinary women, a social perception. Veil also distinguishes the upper and lower class; women from upper class wear designer hijabs and abayas, accessorized with delicate pins and brooches (Masood, 2018). Further, draping of the dupatta changes with places and events. For example, the girls who use the niqab and cover themselves in universities choose to wear sleepless dresses with no dupatta in weddings. Not only this, but they were also posting the pictures on Instagram followed by male friends too. This shows there are people who prefer personal preferences rather religious duties.

Further in Pakistani society, a woman will always be judged by her dress and behavior, either by community or family. The Pakistani dress/Islamic dress is referred to as the identity of the community and maintenance of female purity (Mohammad, 1999). Pakistan is formed after separation from India and it has a similar culture to that of Indians. Particularly before the regime of Zia ul Haq, the country had a very open culture and people were using much more modern dresses. When Zia came to the power, Islamization policies promulgated under the military rule from 1977 to 1988 made the wearing of hijab compulsory for all females working and studying in public institutions.

The definition of veil varies in different Muslim countries, likewise, compared to Pakistan's veil, the one in Morocco, Turkey, and Netherland is different (Ivanescu, 2013). There is a story about a young girl in Netherland as she wants to be recognized as Muslim, so she adopted veiling; this situation brought up the tension of what to consider culture or tradition and what is considered a religion. A Pakistani girl shares "This is how they know me; it is me. In the beginning, everybody finds it very strange, as in Pakistan the scarf is not a big issue. My mum who would rather

have me more traditional than more religious.” So, consciously choosing the hijab is both a religious and social choice.

Moroccan girl in a foreign country, in her interview, said she can dress the way she wants but not to the extent of loincloth (Giuliani & Tagliabue, 2015). This shows you can have flexibility in wearing once you leave your country.

In Turkey you can observe two distinct groups; they often use the words “acik” and “kapali.” “Acik” is the one who doesn’t cover her head whereas the “kapali” is covered. The definition of modesty is covering the head and wearing a shirt that should be long enough to cover the hemline and full sleeves. Turkish women have the freedom to cover the head as well as she normally to take part in secular public life. This is the reason different clothing brands, fashions shows, beauty salons, and fitness clubs target the “kapali” (Sandıkcı and Ger, 2005).

A Middle Eastern country, Iran has always been on fashion trend; fashionably skirts that revealed the legs were worn by women of that time. In contrast to the past, the hijab is obligatory in Iran by law, which includes long a coat putting over the regular clothes, and women are expected to cover the head with a scarf. Government, Shariah, Fatwa and Ijma, and the Islamic penal code of Iran are responsible for enforcing Islamization in Iran. Indirectly these forces also influence women’s fashion market because they put laws on what to wear and what not to wear (Hanzaee & Chitsaz, 2011). Other than religion and culture, politicians like Pahlavi forced women to unveil while Khomeini forced women to veil (Rafique & Butt, 2017). Hijab can be observed in public places but in private companies where there are not many visitors, so there is relaxation of removing the hijab. Some interviews by (Ghorbani & Tung, 2007) come up with some views by Irani women as they would not wear the hijab if they could, she adds banning the hijab in other countries is same as forcing the hijab in Iran. There is relaxation for teachers inside the school. Azar Nafisi wrote about the streets of Teheran filled with cars called the blood of God. They must check the hijab, makeup, and men who are not related to them

In Indonesia, women use full-length clothe called “sarong”; it is long, and it can also be used to carry a baby. Laws are very strict in Indonesia; sometimes it forces women to wear length skirt and long pants to the public. Marketers are stepping into Indonesian markets with full zeal and zest in order to make the Indonesian women more stylish with their improvisation of the sarong and trying to make it available in various forms.

It is not common to see a woman without niqab in Saudi Arabia; they have very stringent practices for hijab. Hanbali school of shariah is supported and it limits women to cover the entire face. Typical abaya, which is black and covers head to toe, is used by women. It has been notified that some women conceal faces, but some don’t, but some even cover the hands and feet too. In Riyadh, women cover the whole face except the eyes. A girl once approached puberty; she is obliged to carry abaya. Further, dress in public and private places is different, as it cannot be enforced in family functions. Veiling depends upon different variables, like age; old women do not often use abaya corresponding to a young woman. Education level and economic self-sufficiency also affect veiling in Saudi Arabia (Quamar, 2016). An improved economic condition of women provides her an opportunity to choose the

way she wants to be dressed in the public. Some women add colors to their Abayas, which makes them stylish (Almahmood et al., 2018). A huge number of designers are working on abayas, and till today one can find thousands of varieties of abayas in the market in different price ranges. One can find a normal to the most stylish abayas with lot of work on it and that is why there are beauty contests, where models usually show abayas on the ramps.

Rashid writes the cruel realities in his book (Rashid, 2001). Before the intrusion of the Taliban in Afghanistan, the women were copying the latest fashion from Iran, and females were going outside of the home for work. They were wearing skirts, high heels, and makeup. They even had leisure time in cinemas, played sports, and perform dancing at weddings. Once the Taliban took hold, they changed everything, and they ordered tailors not to sew clothes for female clients. Fashion magazines were destroyed, movies and television were halted, and the singing and dancing at weddings were banned.

4 Culture Has a Huge Influence on Transforming the Modesty

Among all, factors such as culture play an essential part in molding the choices of covering or not to cover or if covering, then to what degree. Studies say veiling is either based on practices in culture and separate it from Islam or sometimes they associate with Prophet's spouses (Wadud-Muhsin, 1992). Comparing with the culture of the origin of Islam, it says modesty in Prophet's days means to cover the whole hair so those who uncovered their hair are immodest (Murphy, 1999). For example, back in Assyria, Eastern Mediterranean, and Asian parts, dress symbolizes women's societal status; a woman with hijab is viewed married or elite class, but servants or prostitutes did not cover (R.Keddie, 2007). Furthermore, there is a cultural representation of veiling as affording the modest dress which has been observed in many societies. At the time of the revelation of Quran, women of affluent tribes can only afford veil and it was considered as a protection sign. The burqa is made up of some specific stuff that is considerably expensive, and the ordinary man cannot afford (United States Department of State, 2001).

Revolution has happened in American contrasting to a few years before like people began to adopt hijab because the rise of multiculturalism has legitimated the public expression of ethnicity (Hollinger, 1995). Ali's studies say Muslim immigrant in the USA is doing hijab because they view it as Islamic behavior. Many women view it as it diverts unwanted male attention, and some are adopted by inspiring from friends or family. In severe cases, some adopt the hijab even going against of family. Further, he says in South Asian, customs like 10 years ago women had been mocked because of using henna and wearing nose rings but now the huge population is admiring it. The adoption of other cultures has transformed how Muslims should

signify themselves. This transformation toward acceptance of otherness has altered how Muslims represent themselves (Ali, 2005).

Influence of the culture has shifted the ideology of Islam, and Muslim women commonly use tight-fitting clothes and see-through garments. Those women who prefer to cover may be rooted in their faith, but decisions are mostly linked with the society they live in, such as local culture plays an important role to adopt different Islamic fashions trends. For example, in some states of Malaysia, women wear tight clothing and do not cover their head, but in Kuala Lumpur women use modest dressing and it is not applied forcefully (Salvá, 2017). It is found out that some even adopt the hijab early mainly because of the influence of family or being in an Islamic school (Ali, 2005). During the survey in the 1980s, a survey found out that one born in the USA that wears hijab or Jilbab shows that society's culture doesn't impact on believers' choice, and she might have strong family background, or it could be any reason. On the other hand, the migrants who come to the USA gradually adopt American clothing (Haddad et al., 1985). This shows the adaptation of culture while leaving the religious beliefs or acculturation. In such cases, we can dictate that culture has a strong impact on one's lifestyle.

5 Muslim Women and Modest Fashion Industry

Muslim fashion started growing from the last few years when the number of hijabis increased and when Muslim who moved to developed countries like Europe and America changed their lifestyle. They tried to look cool and fashionable but in a modest way. So, the Islamic ideology of modesty becomes modest fashion, and many new entrepreneurs and big companies tried to fulfill this need by following the rules of modesty. The theory of hijab had been modified from societal segregation as specified in Quran to evidence of the morality and cultural authenticity of women, but in modern society, it performs new duties (Aziz, 2010). Today modesty has become a symbol of being Muslim and submission or devotion to your faith.

Islamic fashion started in 1980 when grocery dealers of Western Europe and the USA import modest fashion clothes to Muslims. These modest styles had roots before 1980, where Muslim women discover their modest styles which as a result come up with the Muslim fashion industry. The modest fashion in dressing includes, a long sleeve shirt, hemline covering the buttocks with high neckline along with a headcover and pants. Also, the outfits should be non-hugging and loose enough not to reveal any body part, so-called Islamic fashion (Shirazi, 2017) or a symbol of modesty.

Further, Islamic strategic marketing and social media have a huge role in transforming the modest dressing to modest fashion. New entrepreneurs, designers, and huge brands bombarded the market with modest clothing and other halal products. When it comes to social media, Facebook, Instagram, Snapchat, and many other applications have a huge influence on today's emerging modest fashion industry. The Chairman of the Islamic Fashion and Design Council, Alia Khan,

gives her views: “modesty has not grown” but these blogs, Internet pages, and the social network have given more awareness of something that was always there. The Internet connected the Muslim women to the world in the form of blogging; through this platform they picked different regional trends and shared modest fashion with different regions. Hijabistas (hijab +fashionist) who are modest fashion influencers use Facebook, Twitter, and Instagram to promote modest fashion. The emergence of modest fashion photography, modeling, and Muslim beauty pageants is hot debate nowadays (Reuters, 2014/2015). Hence, social media have a huge role in spreading modesty and giving more styling options to the Muslim women.

The global Muslim population is the second largest in the world, and the Pew Research Centre estimates the world Muslim population is expected to be 2.2 billion by 2030 with a median age of 30 years (Ajala, 2017), a huge number of youths. Besides, Muslims are more brand aware than the general population and they have increased demand for modest fashion with a significant purchasing power. Within the parameters of the ideology of Islam, these consumers seek newness in the dressing. This growing sector of modest fashion seeker provides opportunities in the sharia fashion market (Muslim, 2015). This can be noticed as even the large brands DKNY and Tommy Hilfiger started to produce collections for Ramadan. Research says that the clothing market of the Muslim clothing market is 11.9% of the total global expenditure is expected to be 488 billion by 2019 (Reuters, 2014/2015). Estimated spending on just cloths is \$272 billion and it will be \$322 billion by 2018 (Rai, 2018). Nike released hijabs in 2018, and it seems that regular fashion is becoming a part of modest fashion.

Dian Pelangi, a young designer, is one of the pioneer of modest fashion in Indonesia, and besides being a designer, she is a model, Instagram celebrity, and author of bestselling Muslim fashion book. She is an icon of modest fashion from Paris to New York, and she promotes modest fashion all over the world. “Modest fashion is more than being a Muslim, no longer attached with Islam it’s a new trend” (Lawton, 2019). With its huge current growth of modest fashion and its diversity, modesty has been redefined that modesty as less religion (Naj., 2017). This diversifying and Muslim fashion attracts a huge segment of modest fashion lovers, and modest wearing is gaining momentum (Hassan et al., 2018). As a result, there is a huge concern for safeguarding Muslim values, and it cannot be protected because every culture has a different interpretation of modesty in the Muslim world (IFASH, 2016).

Shirazi comments that within certain limitations, Islam allows fashion, as fashion is a style, so as Muslim women, we can exhibit appearance that matches our personality (Shirazi, 2017). Some Muslims consider Islamic fashion as all about covering hair, arms, and legs, so there is no harm to be stylish, look professional, and wear colors except black (McLaughlin-Duane, 2015). In 2013, a fashion show was held in countries like Turkey, Dubai, Indonesia, Malaysia, the USA, UK, Russia, and Germany to show the creativity in Muslim modest clothing. This emerging industry and the growing trend show that young Muslims have a desire to keep the faith and fashion (Brugnoni, 2014). In a study done by the IFDC, from 130 Muslim women in

the USA and Europe, 80% of them considered fashion as very important in their lives (Ahmed, 2016).

New economic strategy (2017–2021) by DIEDC focuses on the growth of Islamic finance, halal products, and Islamic lifestyle, which include culture, art, fashion, and family tourism, and these are the main components of the Islamic economy sector (Centre, 2017). For the halal products, Russia is on the top, and it says that Muslims want more than just labeled as “halal,” but they want products that are ethically manufactured and they should be ecological (IFASH, 2016). According to the Global Islamic Economy Index 2016, UAE was on the top for all kinds of halal products like fashion, travel, media, food, recreation, pharmaceuticals, and cosmetics. Malaysia is also on the top for halal food, travel, and cosmetics. India, Turkey, China, and Italy are on the top 5 of Islamic fashion (Reuters, 2017).

Further reports tell us that international as well national designers got the opportunity and are involved in chic Islamic fashion; countries like Indonesia, Malaysia, and Turkey are the markets for the sale of modest cloths. In the Muslim Fashion Festival (MUFFET) 2016 which was held in countries like Indonesia, Jakarta got above 80% sales (Hassan et al., 2018). An exhibition called “Contemporary Muslim Fashions” held in San Francisco focuses on fashionable modest clothes and a lot of choices for Muslim women (Binder & Grenier, 2019). In New York Fashion Week 2016, they presented a hijab in the show by “Anniesa Hasibuan,” a Muslim Indonesian designer. Huge brands like H&M and CoverGirl started to attract Muslim youngsters. CoverGirl hired a hijabi beauty blogger as their brand ambassador and H&M released Ramadan collections like DNKY (Kumar, 2018).

Salma founder of the Halal Cosmetics Company said the new Muslim generation wants to look modern without compromising the halal lifestyle (Wasteson, 2015). Like pious, Muslim women in the USA want to satisfy their religious and fashion sense; before it was hard for them to find such clothes that could fulfill their needs but now there is a huge range of modest clothes in the stores (PRnewswire., 2013). **So, modest wear is always related to Muslimahs and it is an Islamic concept,** adhering to the faith for the stylish yet pious women. Wasteson reveals “Islamic chic” is a very fast-growing market, and it will soon be in the category of the mainstream fashion industry in terms of style of clothing and presentations (Wasteson, 2015). One of the famous modest dress brands “Neelofa” makes a statement; they are trendier but still focus on modest wear, their sales are doubled from last year, and people are getting more into modest fashion. Forecasting says low-cost manufacturing and high demand for Islamic clothing allow textile industries in India and China and opportunity for the investors to penetrate the Islamic clothing market for the country. So, due to the high population of Muslims in the Asia-Pacific, Islamic fashion and clothing will be promising markets in the business (Elasrag, 2016).

6 Conclusion

Halal and Haram concepts are there since the origin of the Islam, and that is what it makes Islam different from the other religions. Muslims are obligatory to follow this concept in every field of their lives, and modest clothing is a one small part of it. Since the time of revelation till today, it is the local culture and the trends in the society which influence modest wearing. However, there are very few evidences that show that one follows modest dressing for the sake of religion or spiritual purposes.

Some of the parameters of modesty that not to reveal skin to the public has remained the same; other than that, it varies from area to area and country to country. Surprisingly, the modest dressing is becoming a mainstream fashion, and Muslim fashion designers are coming up with a new addition in the modest fashion industry. Big brands like H&M, Nike, and DNKY are using the concept of halal and they are coming up with their modest clothing lines so that Muslim women could enjoy being chic and should follow modest fashion trends in the world. Muslim beauty contest and halal fashion shows are already in demand; after all, adapting with the new trends in the world is the wise policy.

Determining whether traditional Islamic dress is, in fact, Islamic or whether the dress is dictated by culture is important because the distinction is crucial to distinguishing between gender inequality resulting from cultural practice and gender inequality originating within the religion. Islam oversees every aspect of life including dressing specifications, and many Muslims believe that Islam is the solution to many things.

This research is purely based on theory; one can carry our empirical studies in the same topic and come up with the actual results. The future studies can also be done on the comparison of definition of modest dressing in different parts of the world. One can also come up with the research related to the role of Islamic strategic marketing in transforming modest clothing.

References

- Ahmed, A. I. (2016). Modest fashion an overview on modern muslim women. In *Islamic design and fashion council, italy*.
- Ajala, I. (2017). From Islamic Dress and Islamic Fashion to Cool Islam: An Exploration of Muslim Youth Hybrid Identities in the West. *The International Journal of Interdisciplinary Cultural Studies*, 1–11.
- Ali, S. (2005). Why Here, Why Now? Young Muslim Women Wearing Hijdb. .
- Almahmood, M., Oliver, S., Agervig, C. T., & Gertrud, J. (2018). The Sidewalk as a Contested Space: Women's Negotiation of Socio-Spatial Processes of Exclusion in Public Urban Space in Saudi Arabia; The Case of Al Tahlia Stree. *Planning Practice & Research*, 33, 186–210.
- Al-Saji, A. (2010). The racialization of Muslim veils: A philosophical analysis. *Philosophy & Social Criticism*, 875–902.
- Amir, P. Z. (2012). *Cultural-Religious Literacy and Image Enhancement of Islam through Interactive Communication: An Inclusive Approach* (pp. 134–138).

- Arshad, M., & Basar, D. (2012). Culture of Veil among University Students in Pakistan. *International Journal of Learning & Development*, 2164–4063.
- Asma-Khalid. (2011, April 21). *NPR*. Retrieved from Lifting The Veil: Muslim Women Explain Their Choice. Retrieved from <https://www.npr.org/2011/04/21/135523680/lifting-the-veil-muslim-women-explain-their-choice>
- Azeem, D. A. (1995). *Woman in Islam*.
- Aziz, R. (2010). Hijab – The Islamic Dress Code: Its historical development, evidence from sacred sources and views of selected muslim scholars. In *Thysis of Master of Arts In Islamic Studies University of South Africa*.
- Binder, A., & Grenier, E. (2019, April 3). *DW.com*. Muslim fashion for women exhibition stirs controversy in Germany. Retrieved from <https://www.dw.com/en/muslim-fashion-for-women-exhibition-stirs-controversy-in-germany/a-45601007>
- Bosankic, N. (2014). *Psychosocial Aspects of Niqab Wearing*. Palgrave Macmillan.
- Boulanouar, A. W. (2016). The Notion of Modesty in Muslim Women’s Clothing: *New Zealand Journal of Asian Studies*, 134–156.
- Brugnoni, A. (2014). Modest Fashion: the Way to Multicultural Fashion. In *Sistema Moda Italia. Islamic Economy and Fashion*.
- Desphande, P. (2001). The role of women in two Islamic Fundamentalist Countries: Afghanistan and Saudi Arabia.
- Doi, A. R. (1989). *Women in Shariah*. Ta-Ha.
- Elasrag, H. (2016). *Halal Industry: Key Challenges and Opportunities*. SSRN.
- Fadl, D. A. (2016, January 02). *THE SEARCH FOR BEAUTY on beauty and reasons of islam*. Retrieved from FATWA: On Hijab (The Hair-covering of Women). Retrieved from <https://www.searchforbeauty.org/2016/01/02/fatwa-on-hijab-the-hair-covering-of-women/>
- Fernandez, S. (2009). The crusade over the bodies of women. *Patterns of Prejudice*.
- Fornara, L. M. (2018). Islam’s (In)compatibility with the West?: Dress Code Restrictions in the Age of Feminism. *Indiana Journal of Global. Legal Studies*.
- Frembgen, J. (2004). Tying and Untying the Trouser-Cord: Dimensions of Normativity, Morality, and Emotion in Pakistani Body Behaviour. *The Asia Pacific Journal of Anthropology*, 49–70.
- Galadari, A. (2012). Behind the Veil: Inner Meanings of Women’s Islamic Dress Code. *The International Journal of Interdisciplinary. Social Sciences*.
- Ghorbani, M., & Tung, R. L. (2007). Behind the veil: an exploratory study of the myths and realities of women in the Iranian workforce. *Human Resource Management Journal*, 376–392.
- Giuliani, C., & Tagliabue, S. (2015). Exploring Identity in Muslim Moroccan and Pakistani Immigrant Women. *Europe’s Journal of Psychology*, 63–78.
- Goldman, R. (2016, May 3). *The New York Times*. What’s That You’re Wearing? A Guide to Muslim Veils: Retrieved from <https://www.nytimes.com/2016/05/04/world/what-in-the-world/burqa-hijab-abaya-chador.html>
- Haddad, Yvonne, & Lummis, A. (1985). *Islamic values in the United States*.
- Hanzaee, K. H., & Chitsaz, S. (2011). A review of influencing factors and constructs on the Iranian women’s Islamic fashion market. *Interdisciplinary Journal of Research in Business*, 1, 94–100.
- Hassan, F. H., Kasi, P. M., Shaharuddin, N. A., & Kechil, M. A. (2018). Islamic and modest fashion lifestyle. *Journal of Islamic Management Studies*, 79–88.
- Hollinger, D. A. (1995). *POstethnic America :Beyond Multiculturalism*.
- Hussain, N. (2019). Hijab and Social Anxiety: Perceptions of University Students from Pakistan. *Social Sciences & Humanities*, 1023–1038.
- IFASH. (2016, June 30). *Islamic Fashion and Design Council*. IFDC Partners with Moscow Halal Expo 2016. Retrieved from <http://www.ifdcouncil.org/ifdc-partners-with-moscow-halal-expo-2016/>
- Ivanescu, C. (2013). AT home in my body : Sartorial practices of young Pakistani women in the Netherlands. 30-55.
- Keddie, N. R. R. (2007). *women in the middle east:past and present*. Princeton University Press.

- Kumar, R. (2018, December 29). *the intercept*. Marketing the Muslim Woman: Hijabs and Modest Fashion are the New Corporate Trend in the Trump Era. Retrieved from <https://theintercept.com/2018/12/29/muslim-women-hijab-fashion-capitalism/?comments=1>
- Lawton, M. (2019, November 13). *B.B.C.* Retrieved from Modest fashion: 'I feel confident and comfortable. Retrieved from <https://www.bbc.com/news/newsbeat-50067975>
- Masood, A. (2018). Doing gender,modesty: Conceptualizing workplace experiences of Pakistani women doectors. *Gender work and organization*, 214-228.
- McLaughlin-Duane, R. (2015, March 3). *Arts and culture*. Retrieved from The NAtional: <https://www.thenational.ae/arts-culture/a-closer-look-at-the-islamic-fashion-industry-with-dubai-s-alia-khan-1.31752>
- Mohammad, R. (1999). Marginalisation, Islamism and The Production of the 'Other's' 'Other'. *Gender, Place and Culture: A Journal of Feminist Geography*, 221–240.
- Murphy, C. (1999). *Modesty and Modernity: Some Muslim women choosing not to cover their heads*. Washington post metro section.
- Muslim, F. (2015). Retrieved from <https://www.ureta.com/post/indonesia-mecca-world%E2%80%99s-muslim-fashion>.
- Naj. (2017). Malaysia becoming a modest trend setter of modest fashion in the region. In *Malaysian digest*. Signs Press.
- PRnewswire. (2013, April 06). Emerging Fashion Industry Empowers Muslim Women, Shapes Identity. *Muslim-Clothing-Line*.
- Quamar, M. M. (2016). Sociology of the Veil in Saudi Arabia: Dress Code, Individual Choices, and Questions on Women's Empowerment. *Digest of Middle East Studies*, 315–337.
- Rafique, S., & Butt, K. M. (2017). Position of Women in Iran: An Analysis of Pre and Post Islamic Revolution 1979. *A Research Journal of South Asian Studies*, 431–439.
- Rai, B. (2018, Feb 14). *Lifestyle*. Retrieved from Modest fashion gets its own Dubai platform: <https://gulffnews.com/lifestyle/fashion/modest-fashion-gets-its-own-dubai-platform-1.2173386>
- Rashid, A. (2001). *Taliban - The Story of the Afghan Warlords*. Pan MacMillan.
- Reuters, T. (2014/2015). *State of the GLOBAL Islamic Economy*. Dinar Standard.
- T.Reuters. (2017). *State of the Global Islamic Economy Report*. Retrieved from <https://forms.thomsonreuters.com/ifgbusiness>
- Roald, A. S. (2001). *Women in Islam: The Western Experience*. Routledge.
- Sadatmoosavi, Z., & Shokouhi, M. A. (2013). The Importance of Modesty Virtue in Islamic Communication;Ethics and Islamic management. In *International Convention on Islamic Management (ICIM)*.
- Saeed, M. (2012). *Islamic Clothing: An Exploratory Analysis of Pakistani Consumers* (pp. 101–106).
- Saidun, Akhmetovaa, & Rahman, A. A. (2018). Muslim female healthcare personnel dress code: A proposed guideline. *IMJM*, 17(2).
- Salvá, A. (2017, May 17). *Islamic Fashion on the Rise in Malaysia*. Retrieved from <https://thedi diplomat.com/2017/05/islamic-fashion-on-the-rise-in-malaysia/>
- Sandıkcı, & Ger. (2005). Aesthetics, Ethics and Politics of the Turkish Headscarf. *Clothing as material culture*, 61–82.
- Secor, A. J. (2002). The Veil and Urban Space in Istanbul: Women's dress, mobility and Islamic knowledge,Gender ,place and culture. *A Journal of Feminist Geography*, 5-22.
- Shirazi, F. (2017, May 9). *SBS*. Retrieved from How the hijab has grown into a fashion industry: <https://www.sbs.com.au/topics/voices/culture/article/2017/05/09/how-hijab-has-grown-fashion-industry>
- Shuayto, N. (2010). Review subject: Cases in strategic marketing management: Business strategies in Muslim countries John Quelch. *Journal of Islamic Marketing*, 305–308.
- Smith, J. I. (2009). *Islam in America*. Columbia University Press.
- Syed, J., Ali, F., & Winstanley, D. (2005). In the Pursuit of modesty: contextual emotional labour and the dilemma for working women in Islamic Societies. *International Journal of Work Organisation*, 150–167.

- Tom-Gjelten. (2016, Feb 2). *NPR*. American Muslim Women Explain *Why They Do* — Or Don't — Cover. Retrieved from <https://www.npr.org/sections/codeswitch/2016/02/02/465180930/american-muslim-women-explain-why-they-do-or-dont-cover>
- United States Department of State*. (2001, May 17). The Taliban's Wae againts women. Retrieved from <https://www.state.gov/j/drl/rls/6185.htm>.
- Wadud-Muhsin, A. (1992). *Qur'an and Women*.
- Wasteson, K. (2015, July 15). *The Rise of "Islamic Chic" and Hijab Haute Couture*. Retrieved from [fairobserve..com https://www.fairobserver.com/region/europe/the-rise-of-islamic-chic-and-hijab-haute-couture-31097/](https://www.fairobserver.com/region/europe/the-rise-of-islamic-chic-and-hijab-haute-couture-31097/)

Nilufer Ajaib works at the Department of Business Management Ibn Haldun University, Istanbul. Her research interests include Modest Dressing and Fashion Industry, Muslim Women, and Strategic management.

Remzi Altunişik works at Sakarya University, Faculty of Business, Sakarya/Turkey. His research interests include Marketing, Consumer Behavior, Research Methodology, Marketing Theory, Sales Management, Customer Relationship Management, Strategic Marketing, and Branding, İslamic Marketing.

Halal Blockchain Technology Application: A Consumer Confidence and Competitive Advantage



K. Noorliza

Abstract This chapter presents information about the halal BCT application and its antecedents and consequences in the halal logistics and supply chains. Later, it provides the hybrid and innovative model of the halal BCT application that makes firms gain more positive impact.

1 Introduction

The global halal food market across logistics and supply chains is more complex and does not guarantee and high risk of halal integrity without excellent halal food traceability. Conventionally, food scandals and incidents outbreaks, the risk associated with food safety aspects of production, have affected the health-socio-economic globally. The food industry has to deal with the production and distribution of unsafe or unsatisfactory products. Consistent with the halal food industry, counterfeiting halal products in food production is the main issue in the halal food supply chain. Halal food supply chain performance depends on an excellent halal traceability system to ensure the data of halal products remains authentic and accurate. Therefore, superior visibility, decentralization, and transparency systems are required for halal food traceability to monitor and sustain the halal integrity of the food. Thus, the study provides halal blockchain technology (BCT) application addressing the halal food and supply chain issues and promising original, good-quality, safe food, subsequently enhancing consumer confidence. This chapter presents information about the halal BCT application, its antecedents, and its consequences in the halal logistics and supply chains. Later, it provides the hybrid and innovative model of the halal BCT application that makes firms gain more positive impacts.

K. Noorliza (✉)

Operations Management, Universiti Sains Malaysia, Penang, Malaysia

e-mail: noorliza@usm.my

2 Background

The halal food industry has to resilient halal integrity in complex and dynamic changing technology, and a tremendous increase of halal status demands involving halal information flow, halal logistics, and supply chains connecting suppliers, manufacturers, retailers, and end users. There are some issues with the current halal food status, halal logistics, and supply chains. First, today Muslim and non-Muslim customers favor halal-certified products or services (Ayyub, 2015; Jumani & Sukhabot, 2020; Lim, Lada, et al., 2021a; Chong et al., 2021), and they expected the quickest response times to deal with halal food integrity issues (fake logo). Second, the potential halal market has brought many non-Muslim firms dedicated to halal-certified food products (Latif et al., 2014), increasing doubt given halal standards strictly on the halal executive requirement. Finally, the halal industry and halal stakeholders require a better halal traceability system to ensure the data of halal products remains authentic and accurate for meeting the increasing demand from Muslim communities and non-Muslims' growth and the halal lifestyle.

Applying blockchain technology in the supply chains is relatively new and recently received growing interest from scholars and industries (Lim, Li, et al., 2021b). Though understanding of potential blockchain technology applications is limited, few scholars and enterprises have realized and are convinced of blockchain's significant role in halal food traceability of the halal food logistics and supply chains. Blockchain technology is the essence of innovative technologies developed such as artificial intelligence (AI), the Internet of things (IoT), robotics, and crowdsourcing. Such blockchain technical foundations support various businesses such as data protection, banking, trading, insurance, voting, intellectual property, identity authentication, leasing and government service, healthcare, operations and supply chain management, and food distribution. Lim, Li, et al. (2021b) conclude that blockchain technologies create values in terms of shareable, secure, and intelligent attributes.

In halal food distribution, the halal logo or certification reassures the halal food throughout halal supply chains. Still, consumers remain skeptical regarding the authenticity of the halal logo or certificates due to malpractice in fake and unauthorized certifications. Using halal blockchain to record all halal supply chain transactions, consumers can easily verify the halal integrity throughout the supply chain with a QR code on the product label. Therefore, halal BCT applications prevent such unethical conduct and corruption among certification authorities. For instance, blockchain-based halal traceability solutions such as HalalChain in the United Arab Emirates (UAE) and halal digital chain in Malaysia ensure the halal integrity of food and beverage products in every supply chain stage. Both UAE and Malaysia are leading in the regulatory oversight of halal food and beverage production.

Overall, for the eight consecutive years, Malaysia leads the world in Islamic economy and finance with the halal export performance worth RM30 to RM40 billion and exporting to the significant three countries like China, followed by

Singapore and the USA, whereby RM34.5 billion are from food and beverage products (23%) and halal ingredient (13%) sector.

According to DinarStandard's State of Global Islamic Economy Report 2020/2021, Muslims' food purchases globally are expected to record a 0.2% drop in 2020 from the US\$1.17 trillion (RM4.74 trillion) recorded in 2019 due to the COVID-19 pandemic. GIEI also reported 66% of consumers are willing to pay more for ethical products, while a report from Thomson Reuters projected shariah-compliant assets worldwide would reach US\$3.8 trillion by 2022. On top of the recently-signed Regional Comprehensive Economic Partnership Agreement, which created the world's largest trading bloc, Malaysia stands to capture 30% of the world population. (SUNBIZ, 2021).

Malaysia halal food, beverage, and ingredient sector should emerge on the integration of halal BCT into food traceability systems to ensure the halal integrity of food, beverage products, and ingredients in supply chains. Therefore, Muslim consumers can trace the halal integrity of food products through transparency, traceability, and information sharing.

3 The Concept of Halal BCT

In general, blockchain is a universal system of entry bookkeeping or recording information that is difficult to change, hack, or cheat by the system or an immutable public digital ledger. Blockchain technology concept is a shared digital ledger called decentralization, security, auditability, transparency, and intelligent execution to improve information flow management and operational efficiency (Schuetz & Venkatesh, 2019) which differs from any digital innovation. BCT's four key characteristics are decentralization, security, auditability, and brilliant execution (Saberri et al., 2019). Blockchain is helpful for digitized logistics operations and activities in terms of financial transactions and interorganizational cooperation. BCT maintains immutable information of products and producers from the supply chain to end-of-life management and governing supply chain activities and its financial flow with intelligent contracts (Saberri et al., 2018). Additionally, blockchain can validate, record, and distribute transactions in immutable and encrypted ledgers (wang et al., 2019) and subsequently positively impact economy, society, and business (Morkunas et al., 2019). Although blockchain provides immense promises for the future, most industries are unconvinced about its adoption (Batta et al., 2020). Hence, little is known why and how halal food enterprises adopt halal BCT (Orji et al., 2020).

BCT can be applied to halal food traceability, halal food integrity, halal food safety, transparency, and quality based on the BCT concept. Halal BCT refers to data sharing in blockchain technology that increases data extraction efficiencies in tracing a halal food product's information and assures halal integrity, i.e., halal ingredients, halal certification, and immutable data, reducing the risk of halal food fraud in the supply chain. BCT also enables the identification of products that suffered from food-borne illness in seconds instead of weeks, enhanced halal food safety, and

provided customers with the nutritional information of all edible items through digitized information. Moreover, IoT enabled tracking and tracing platform through real-time visibility; ensured no food adulteration, contamination, and degradation; controlled and mitigated food fraud in the supply chain; and enabled collaboration among halal industry players. Briefly, halal BCT enables complete transparency of all halal industry players in supply chain transactions.

Firms convince the benefits of BCT in enhancing firm performance and competitiveness as halal BCT (1) increases halal visibility and traceability, transparency and sustainability, trust, and security for data integrity and validation; (2) facilitates valid and effective measurement of the outcomes and performance of the halal supply chain; and (3) improves transparency and traceability of halal visibility throughout the entire HFLSC – halal food logistics and supply chain of inbound and outbound halal logistics from suppliers, producers, wholesalers, retailers, and consumers.

Consequently, halal BCT application is highly sensitive to the integrity of halal status and validates all activities in the halal food logistics and supply chains comply with Shariah law. The halal blockchain verifies the halal food integrity by tracing halal products from the origin of raw materials to end users. It also helps to track items and transactions in the halal food supply chain faster and simpler. The benefits of a blockchain are to optimize halal visibility and quality assurance by integrating all halal food industry players into one secure network that improves the halal food logistics and supply chain performance throughout the inbound and outbound halal food logistics chain.

4 The Competitive Advantage of Halal BCT

The hybrid and innovative model of halal BCT integrated theories of halal-based, technology diffusion, resource capability, resource advantage, and dynamic capability to fostering more excellent business performance and competitiveness. The critical factors of halal BCT and the knowledge capability and organizational capability as moderators determine firms' performance and competitiveness. Figure 1 displays the model presenting factors affecting the competitive advantage of halal BCT application among halal enterprises. First, to achieve a competitive advantage, firms adopt halal BCT to capture the halal-based food integrity, traceability, and transparency and the potential competitiveness among relevant halal industry players and, further, to gain the technology diffusion and technology readiness of firms for better operations performance and efficiencies. Second, firms dealing with halal BCT application can enhance their firm performances and competitiveness and subsequently improve halal supply chain and export performances. Finally, firms strengthen their knowledge and organizational capability to facilitate the application of halal BCT and performance outcomes.

The ultimate objective of halal BCT is to capture the benefits of BCT application in enhancing halal visibility and traceability, transparency and sustainability, trust and security for halal data integrity, and validation for customer confidence. The

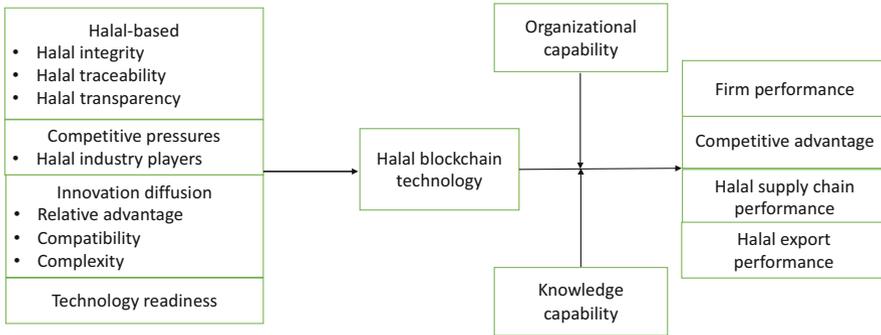


Fig. 1 Hybrid and innovative model of halal blockchain technology

higher the system meeting with the objective, the quicker the BCT application. Besides, the model applies innovation diffusion theory to capture the benefits of halal BCT. Innovation diffusion (Rogers, 2003) emphasizes the three main technological characteristics like relative advantage that refers to innovation are better than existing ones, whereby compatibility refers to the extent to which an innovation is consistent with the halal objective. Complexity refers to the degree to which innovation is challenging to use – the greater the importance of innovation diffusion, the greater the halal BCT application.

Furthermore, in practice, firms gain competitiveness over competitors by adopting innovation. Under competitive pressure, firms apply halal BCT to capture the potential growth of sustained business success and competitiveness in the halal market across the world. The better the system, the faster the application of halal BCT, the greater the chance to gain a competitive advantage as technology is easy to imitate and substitute. To sustain business in the rapid halal market globally, firms concentrate more on their core competency of innovativeness. The higher the firm’s readiness, the higher the application of innovation. The attributes of a firm’s technology readiness capability, i.e., optimism, innovativeness, comfort, and security, can influence halal BCT application.

The theory of technology adoption suggests technology, organizational, and environmental (TOE) factors (Tornatzky et al., 1990) do not yet demonstrate how and which factors are the most reliable sources for system benefits and sustained competitiveness. Based on reviews, a proposed conceptual framework includes internal and external drivers, processes, and the impact of digital technology adoption in the supply chain, not blockchain per se (Yang et al., 2021), somewhat hypothetical than practices. Scholars highlight traceability followed by auditability, immutability, and provenance as enablers of blockchain application in the agriculture supply chains (Lim, Li, et al., 2021b).

Note that new technology like blockchain always strategically guarantees values and benefits to business success and competitiveness, but it is easy for competitors to purchase, imitate, and substitute (Karia, 2018b; Barney, 1991). When other industry players have applied the same innovation, what makes a firm stay competitive?

Therefore, investing in technology and innovation requires complementary strategic factors that are too costly and difficult to imitate but durable to boost performance outcomes effectively (Karia, 2018a, 2018b).

The successful utilization of BCT requires a firm's competencies involving top management support confessing halal as a strategic objective to be more responsive with customer needs, requirements, and satisfaction (Noorliza, 2021), as well as IT experts and halal talents and technology strategists (Karia, 2018a, 2018b). To achieve the competitive advantage of halal BCT, knowledge and organizational capability do matter for technology implementation. Therefore, continuous improvement in such knowledge resources creates and increases firms' organizational capacity, strengthening the relationship between BCT application and firm performance (Nair et al., 2016; Karia, 2018a, 2018b; Karia et al., 2015). For knowledge capability—human capital, embedding halal talents and specialists, and organizational capacity—possessing administrative and technical competencies, top management support-willing to invest, take risk and interest in halal BCT. Technical competence is the ability to deal with technology challenges and complexities.

The importance of knowledge capability within human capital through training, competency, and professional development determines technology implementation success (Lea et al., 2020). Factors embedded in a firm's resource and capability are significant determinants of a firm's growth (Penrose, 1959; Barney, 1991); nevertheless, they are temporary, not sustainable in the long term. Hence, the resource advantage (RA) theory approves that resource capability can create over competitive advantage by developing the existing and complementary resources and capabilities (Hunt & Morgan, 1996). Technology resource is critical but easy to be possessed by rivalry over time; hence, competitive advantage surpassed by resource advantage of knowledge resources and organizational resources is more durable, inimitable, nontransferable, or purchased and becomes the source of sustained competitiveness (Prahalad & Hamel, 1990; Karia, 2018a).

In addition, dynamic and knowledge capability theory endorses the BCT model. In line with dynamic capability theory, firms align their existing resources with new environments in the rapidly changing environments (Teece et al., 1997; Helfat & Peteraf, 2003). Both technology and knowledge resources enhance through the process of organizational learning and innovation (Barney & Clark, 2007; Karia, 2018a) that requires firms to develop new resources and capabilities to align with new environments. Knowledge capability theory hypothesizes individuals' intelligence and innovativeness that display organizational competencies in skills, specialists, and knowledge that stimulate more positive impact (Mincer, 1958; Becker, 1964; Karia, 2021). Therefore, dynamic and knowledge capability theories recommend people, technologies, techniques, and strategies complementing or overtaking each other to create sustainable outcomes and a competitive edge across time.

5 A Case of Halal Food Enterprise

5.1 *Implementing Halal BCT Provides a Competitive Advantage*

Overall, the most crucial issue in the halal food sector is the data authenticity and accuracy of halal food products contributing to halal BCT implementation. The halal food enterprise case study appreciates halal BCT to deal with halal-based integrity, transparency and traceability, innovation diffusion, competitive pressure, and technology readiness for promoting business performance and competitiveness moderated by knowledge and organizational capability. The case study confirms the hybrid and innovative model of halal BCT, and all factors and moderators are reliable in affecting firm performance and competitive advantages (Table 1). Consequently, the halal BCT system solution helps achieve more reliability in the halal food logistics and supply chain data and improves the halal food supply chain processes' trust level. It further enhances the efficiency of the techniques that include all halal industry players in the food industry from where the origin of sources of materials reached the consumer. The consumers' confidence levels improved as blockchain technology increases the transparency and security of halal food.

The enterprise uses halal BCT to empower the halal food integrity status, visibility of production and distribution process throughout inbound and outbound halal food logistics and supply chain, and food traceability—the ability to trace food and ingredients and supply chain processes. The halal BCT application in halal traceability and visibility monitors no risk of cross-contamination between halal meat and non-halal meat across the entire halal logistics chains and supply chains. Hence, it solves the absence of an international halal standard and insecure halal certification. Consequently, a firm invests in halal BCT based upon its objective.

Capturing potential enormous global halal market drives the enterprise to use new technology. They follow their competitors' adoption of halal BCT to increase operational efficiency, better market visibility, and more accurate data collection from enormous halal markets and save time and costs of managing inventory, distribution, and human resources. The firm has taken advantage of halal BCT to gain a better market share. It is compatible and easy to access halal vendors, suppliers, and customers anywhere enabled by the Internet and the web (web-enabled interface). Their technology readiness also inspires them to adopt halal BCT. The enterprise highlights blockchain solution that allows versatility in particular during the COVID-19 pandemic through the organizational capability to align with a new environment that requires top management support to approve sufficient knowledge resources and technological competencies to implement halal BCT. Further, the case study acknowledges the importance of hiring knowledgeable slaughters to execute slaughtering activities and processes. Such knowledge capability manages the system and facilitates the relationship between halal BCT antecedents and the firm performance and competitiveness.

Table 1 Summary of interviewing a case of halal food enterprise

<p>Blockchain-based halal system The majority of halal industry is owned by the non-Muslim players (80%) while Muslims own 20%. Perhaps arises curiosity if there are potentials that the industry players do not have proper knowledge regarding the halal process and integrity</p>	<p>The company’s vision is to be the leading player in the Malaysia meat industry by harnessing the competitive advantage of our uniquely connected food system to create the most sought-after premium meat products for our diverse local consumers subjective to: –Serve fresh meat and top-quality cuts by well-trained butcher –Extend the local meat industry to world-class standards Apply halal BCT from the moment they pick the animals until they sold them to their customer. They did monitor and record all the processes involving the sources they get, including slaughtering animals. They are stunning processes to slaughtering cattle following procedure and Shariah law. (e.g., origins of meat and slaughtering process) Monitoring and recording all the processes involve the sources and methods used. Veterinary house checks if the animal is sick or gets infection and performance slaughtering To sustained halal status—processing follows Shariah law and practices and all the regulations set by JAKIM Efficient enough to handle information recovery makes the whole backup and recovery process much more accessible than existing ones</p>	
<p>Halal-based</p>	<p>Halal integrity</p>	<p>Concerns about halal food status, quality, safety, health, food security, guaranteed food products comply with the halal assurance system, no cross-contamination with haram products/methods and no misconduct. Halal integrity holding halal certification from JAKIM: – To make sure the food is clean and safe to consume by Muslims – To make sure the data of halal products are authentic and accurate</p>
	<p>Transparency</p>	<p>Visibility of production and distribution process throughout inbound and outbound halal logistics and supply chain More reliability in supply chain data and increased level of trust in supply chain processes The efficiency of a process that encompasses all players in the food industry starting from where the source reaches the consumer Consumer confidence increases as blockchain technology increases transparency and security of halal food data</p>
	<p>Traceability</p>	<p>Food traceability—Ability to trace food, its ingredients, and supply chain processes Ability to track information about halal food products, a record of proof-of-work for halal food products The tracking number provides the completer profile of the product, so it helps to find out the start from slaughtering process till distribution process to customers So customers can check on the product profile from the QR code of the product through the websites</p>
<p>Innovation diffusion</p>	<p>Takes advantage of BCT to gain market share and establish blockchain as an industry brand equity Blockchain is compatible—Can be accessed by halal vendors, suppliers, and customers anywhere enabled by the internet and the web (web-enabled interface) The potential risk of privacy and security of data store in third-party servers affects halal blockchain use</p>	

(continued)

Table 1 (continued)

	Have high availability, speed, scalability, and security for their business environment
Competitive pressure	Capturing potential halal market globally in a highly competitive halal industry drive to use of new technology Halal is more than Islamic values and embraces quality assurance, halal lifestyle, and customer confidence We are aware of and follow our competitors' adoption of halal BCT to increase operational efficiency, better market visibility, have more accurate data collection from enormous halal markets and save time and costs of managing inventory, distribution, and human resources
Technology readiness	Ready for new policies and practices to adopt halal BCT as halal food is necessary for consumers by acquiring technology and facilities and equipment, halal and IT talents, and halal network and collaboration
Organizational capability	Agree with the role of managers to make changes and execute the halal BCT. Important for managers to understand the benefits of innovation and approve sufficient knowledge resources and technological competencies to avoid failure of halal BCT implementation. During the COVID-19 pandemic, blockchain solutions allow versatility
Knowledge capability	Require halal and IT talents to execute the systems Maintain the halal status of products through the slaughter process by hiring employees to work as slaughterers; they must follow a slaughtering course according to Islamic Shariah Slaughters must have enough knowledge, not just slaughtering animals without knowledge, but must know reciting God's name and other procedures Muslim workers perform the slaughter – It must be done correctly, and during the slaughtering process, we must ensure that the animal does not feel tortured or abused

5.2 Theoretical Implications

Halal BCT antecedents drive firms to halal BCT applications. The novel theoretical contributions of the study are as follows:

1. New model—a hybrid and innovative halal BCT model addressing the absence of a mechanism of halal food traceability.
2. Model formulation—six functions operationalize halal BCT applications and performance outcomes.
3. Valid variables—halal-based, innovation diffusion, competitive pressure, and technology readiness give more positive impacts to halal BCT and performance outcomes.
4. Valid facilitators—knowledge and organizational capability are the most critical moderators promoting the link between halal BCT application and firm performance.

5. Theory development—validate and advance theories of halal-based, technology diffusion, resource capability, resource advantage, and dynamic capability to fostering more excellent business performance and competitiveness.
6. Empirical results—a case study of halal food enterprise implementing halal BCT provides a competitive advantage.

5.3 *Managerial Implications*

In practice, it is a challenge for most halal food enterprises to align their operations and activities toward new technology applications. The following notable managerial implications are helpful guidance for firms, managers, and technologists.

1. Halal BCT model—the hybrid and innovative model is helpful to guide firms and managers when investing in halal blockchain
2. Technology applications—focus on the objective of halal BCT applications to obtain competitive advantage is a worthwhile strategy.
3. Core competencies—align existing resource capability with the new environment to gain resource advantage and inimitable and durable resources of firm competitive advantage.
4. Holistic approach—developing knowledge and organizational capability is the best approach for halal BCT applications to boost firm performance and competitive advantage.

6 Conclusion

Overall, the study exposes novelty contributions in research and knowledge of halal BCT implementation in the halal food industry sector, halal food logistics and supply chains, and blockchain technologies. This chapter advances theories of strategic halal food and its logistics and supply chain management and halal blockchain technology. The viable hybrid and innovative halal BCT application mechanism integrated ideas of halal-based, technology diffusion, resource capability, resource advantage, and dynamic capability to foster excellent business performance and competitiveness. Empirical evidence from the case study confirms the model and reliable variables and moderators of the competitive advantage of halal BCT. These imply that halal blockchain increases firm productivity and operational efficiency reduces intermediaries' transaction and operations costs by integrating factors and motivators to foster competitiveness. In practice, the model is helpful to guide firms and managers to capture performance and competitive advantage when implementing halal blockchain technologies to determine reliable factors and moderators for halal BCT success.

References

- Ayyub, R. M. (2015). Exploring perceptions of non-Muslims towards halal foods in UK. *British Food Journal*, 117(9), 2328–2343.
- Batta, A., Gandhi, M., Kar, A. K., Loganayagam, N., & Ilavarasan, V. (2020). Diffusion of blockchain in logistics and transportation industry: An analysis through the synthesis of academic and trade literature. *Journal of Science and Technology Policy Management*. <https://doi.org/10.1108/JSTPM-07-2020-0105>
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- Barney, J. B., & Clark, D. N. (2007). *Resource-based theory: Creating and sustaining competitive advantage*. University Press.
- Becker, G. S. (1964). *Human capital: A theoretical analysis with special reference to education*, National Bureau for economic research. Columbia University Press.
- Chong, S. C., Yeow, C. C., Low, C. W., Mah, P. Y., & Tung, D. T. (2021). Non-Muslim Malaysians' purchase intention towards halal products. *Journal of Islamic Marketing*. <https://doi.org/10.1108/JIMA-10-2020-0326>
- Helfat, C. E., & Peteraf, M. A. (2003). The dynamic resource-based view: Capability lifecycles. *Strategic Management Journal*, 24, 997–1010.
- Hunt, S. D., & Morgan, R. M. (1996). The resource-advantage theory of competition: Dynamics, path dependencies, and evolutionary dimensions. *Journal of Marketing*, 60(4), 107–114.
- Karia, N. (2021). A comparative benchmarking model for SMEs: Viable entrepreneur emotional intelligence. *Benchmarking: An International Journal*, 28(3), 813–829.
- Karia, N. (2018a). Knowledge resources, technology resources and competitive advantages of logistics service providers. *Knowledge Management Research and Practice*, 16(4), 451–463.
- Karia, N. (2018b). How knowledge resource does matter in technology and cost advantages of a firm? Evidence from Malaysian logistics sector. *Asian Journal of Technology Innovation*, 26(3), 346–368.
- Karia, N., Wong, C. Y., Asaari, M. H. A. H., & Lai, K. (2015). The effects of resource bundling on third-party logistics providers' performance. *International Journal of Engineering Business Management*, 7. <https://doi.org/10.5772/60041>
- Latif, I. A., Mohamed, Z., Sharifuddin, J., Abdullah, A. M., & Ismail, M. M. (2014). A comparative analysis of global halal certification requirements. *Journal of Food Products Marketing*, 20, 85–101.
- Lea, B., Mirchandani, D., Sumner, M., & Yu, K. (2020). Personality types in learning Enterprise resource planning (ERP) systems. *Journal of Computer Information System*. <https://doi.org/10.1080/08874417.2020.1830005>
- Lim, H. Y., Lada, S., Ullah, R., & Adis, A. A. (2021a). Non-Muslims consumers' intention to purchase halal food products in Malaysia. *Journal of Islamic marketing*. <https://doi.org/10.1108/JIMA-06-2020-0172>
- Lim, M. K., Li, Y., Wang, C., & Tseng, M. (2021b). A literature review of blockchain technology applications in supply chains: A comprehensive analysis of themes, methodologies and industries. *Computer & Industrial Engineering*, 154, 107133.
- Jumani, Z. A., & Sukhabot, S. (2020). Behavioral intentions of different religions, purchasing halal logo products at convenience stores in Hatyai. *Journal of Islamic Marketing*, 11(3), 797–818.
- Mincer, J. (1958). Investment in human capital and personal income distribution. *Journal of Political Economy*, 66(4), 281–302.
- Morkunas, V. J., Paschen, J., & Boon, E. (2019). How blockchain technologies impact your business model. *Business Horizons*, 62(3), 295–306.
- Nair, S. R., Demirbag, M., & Mellahi, K. (2016). Reverse knowledge transfer in emerging market multinationals: The Indian context. *International Business Review*, 25(1), 152–164.
- Noorliza, K. (2021). Resource-capability of halal logistics services, its extent and impact on performance. *Journal of Islamic Marketing*, 12(4), 813–829.

- Orji, I. J., Kusi-Sarpong, S., Huang, S., & Vazquez-Brust, D. (2020). Evaluating the factors that influence blockchain adoption in the freight logistics industry. *Transportation Research Part E*, *141*, 102025.
- Penrose, E. T. (1959). *The theory of the growth of the firm*. John Wiley.
- Prahalad, C. K., & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*, *68*, 79–91.
- Rogers, E. (2003). *Diffusion of innovations* (5th ed.). Free Press, A Division of Macmillan Publishing Co., Inc..
- Saberi, S., Kouhizadeh, M., & Sarkis, J. (2018). Blockchain technology: A panacea or pariah for resources, conservation and recycling? *Resources, Conservation and Recycling*, *130*, 80–81.
- Saberi, S., Kouhizadeh, M., Sarkis, J., & Shen, L. (2019). Blockchain technology and its relationships to sustainable supply chain management. *International Journal of Production Research*, *57*(7), 2117–2135.
- Schuetz, S., & Venkatesh, V. (2019). Blockchain, adoption, and financial inclusion in India: Research opportunities. *International Journal of Information Management*. <https://doi.org/10.1016/j.ijinfomgt.2019.04.009>
- SUNBIZ. (2021). <https://www.thesundaily.my/business/malaysia-leads-world-in-islamic-economy-and-finance-for-eighth-consecutive-year-FF7766135>
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, *18*(7), 509–533.
- Tornatzky, L. G., Fleischer, M., & Chakrabarti, A. K. (1990). *Process of technological innovation*. Lexington books.
- Yang, M., Fu, M., & Zhang, Z. (2021). The adoption of digital technologies in supply chains: Drivers, process and impact. *Technological Forecasting and Social Change*, *169*, 120795.

K. Noorliza is an Associate Professor of Logistics and Operations at the School of Management in Universiti Sains Malaysia (USM) and earned PhD in Logistics from the University of Hull, United Kingdom, MBA from USM, and Bachelor of Science in Production and Operations Management from the University of Denver, Colorado, United State. She is a Chartered Member of the Chartered Institute of Logistics and Transport, UK. She has gained industrial experience in production planning, supply management, assembly, and mass production in the manufacturing industry. Her research interests include logistics, operations, and quality management, halal logistics and supply chain management, sustainability and environment, and technology and innovation management. She has published her works in high-quality journals, including the Int. J. of Production Economics, Resources, Conservation, and Recycling and J. of Cleaner Production. She is also a reviewer for many journals, including the Int. J. of Physical Distribution and Logistics Management, Gender in Management, and Production Planning and Control.