

## RESEARCH ARTICLE

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## The Influence of *Tawhidic* Paradigm in Managing Firms for Sustainable Competitive Advantage: A Malaysian Case

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**ABSTRACT**

Businesses continue to struggle to achieve sustainable competitive advantage for better profitability and strategic positioning in the competitive markets. The underpinned understanding in achieving sustainable competitive advantage is driven by organizational objectives. However, the sustainability of the business, business continuity and sustainable competitive advantage depends on both external and internal factors of the firm. Indeed, a unified theory of the firm is necessary to provide insights for rigorous, dynamic and comprehensive strategic management analyses. Hence, this study has attempted to investigate the influence of *Tawhidic* paradigm in managing firms' for sustainable competitive advantage from Malaysian perspective. Data has been collected from 242 public listed companies listed in the main board of Bursa Malaysia. The respondents were asked to evaluate items from 4 different constructs through a 6 point scale varied from never, rarely, slightly, sometime, usually, and always. Furthermore, Structural Equation Modelling (SEM) has been run for exploring the relationship that exists among the different salient variables which in turn measures the influence of *Tawhidic* paradigm in managing firms for sustainable competitive advantage in Malaysia. Based on the results, it can be perceived that *Tawhidic* paradigm is to a great extent influenced by organizational goals and objectives as well as organizational knowledge and innovation. The *Tawhidic* approach contributes to the theoretical and practical understanding of the development of a unified theory of the firm.

**Keywords:** Organizational goals and objectives, knowledge and innovation, *Tawhidic* paradigm, sustainable competitive advantage, Malaysia

**Introduction:**

Businesses continue to struggle to achieve sustainable competitive advantage for better profitability and strategic positioning in the competitive markets. The underpinned understanding in achieving sustainable competitive advantage is driven by organizational objectives. Garrouste and Saussier (2005) argued that organizational driven objectives are related to understanding of the theory of the firm. The theory of the firm that introduced by Coase (1937) rationalized by the theory of agency, theory of property rights and the theory of finance to develop a theory of the ownership structure of the firm (Aoki, 1986; Aghion & Tirole, 1997). In fact, the theory of the firm in Coase's seminal work had argued only on transaction cost, contract, nature of the firm, boundaries and internal organizations (Coase, 1937, 1960, 1988). Coase (1937) and the scholars that follow his seminar work defined the firm as an economic entity that provides incentives and

structure to solve organizational coordination (Hart, 1990; Holmstrom, 1999), the firm as a collection of assets, the firm as a collection of assets and incentive mechanism and the firm as a collection of capabilities of the past (Coase, 1937, 1960, 1988).

The theory of the firm has been subscribed as comprehensive theory to describe the nature of the firm, the scope and boundaries of assessment on organizational environments, and the assessment of internal organizations to formulate, implement and evaluate organizational strategies. This theory cannot stand alone in the strategic management process due to its emphasis on the industrial organizational perspective only of the firm. The sustainability of the business, business continuity and sustainable competitive advantage depends on both external and internal factors of the firm. Indeed, a unified theory of the firm is necessary to provide insights for rigorous, dynamic and comprehensive strategic management analyses.

Hence, this study is an attempt to investigate the influence of *Tawhidic* paradigm in managing firms' for sustainable competitive advantage from Malaysian perspective as the *Tawhidic* paradigm approach can be seen as a mean to achieve organizational sustainable innovation and competitive advantage. The *Tawhidic* approach contributes to the theoretical and practical understanding of the development of a unified theory of the firm.

## Literature Review

### *Tawhidic* Paradigm:

Hassan (2010, p.187) explains that *Tawhidic* paradigm is about Islamic monotheism thinking to serve as the true servant of Allah ('ibād al-Rahmān), vicegerents (khulafā' fī al-ard), true believers (al-mu'minūn) for the sake of betterment of mankind (khayraummatinukhrijatliil-Nās) (Qur'ān, 3:110) and 'balanced community' (ummatanwasatan litakūnūshuhadā' 'alā al-nās) (Qur'ān, 2:143). According to Al-Faruqi (1992, p.5), the subscription to *Tawhidic* paradigm manifests the readiness and willingness to fulfill the Divine trust (*al amānah*) and obligatory duties (*al farā'id*) that are accompanied by the Divine guidance and human unique capability (Qur'ān, Surah Hud, 11: 6 and Sura Az Zumar 39:41).

The theory of the firm can be unified based on the unified paradigm of the *Tawhidic* perspective. According to Zarkasyi (2010), unification of knowledge is the basis for unity in wisdom and action. Based on Al-Ghazālī's approach of organizational and human wisdom and soul development, knowledge can be divided into religious and rational knowledge. Religious knowledge includes the science of the practical religion ('ilm al-mu'amālah), God's guided knowledge on how the religion can be executed ('ilm al-shar'iyy) and knowledge that derived from human intellect ('ilm al-'aqliyy). The scope of the practical religion ('ilm al-mu'amālah) is available in two forms, exoteric (*zāhir*) and esoteric (*bātin*) sciences. The exoteric (*zāhir*) sciences include the act of worship (*'ibādat*), social ethics (*'ādāt*), and matters pertaining to dangerous act (*muhlikāt*). As for esoteric (*bātin*) sciences, it is about spirituality dimension. The second category of knowledge is the rational knowledge ('ulūmal-'aqliyyah/'ulūmghayrshar'iyyah). This type of knowledge can be divided into fundamental (*usūl*) and subsidiary (*furū*).

The fundamental knowledge includes mathematics /logic, natural science (observation and experiment), and investigation science of existence. The theoretical classification of knowledge allows organizations to identify priorities, resources, and efforts to convert the knowledge into absorptive capability. Zarkasyi (2010, pp.162-164) argued that there are two ways knowledge can be acquired by individuals, namely through human teaching (*al-ta'lim al insaniyy*) and Divine teaching (*al-ta'lim al rabbāniyy*). People learn from other people via face-

to-face and other instructional ways (Zabeda, 2004, 2008) with monetary or non-monetary rewards (Zabeda, 2008). However, the Divine teaching is highly spiritual when the learners acquiring knowledge based on Divine revelation (*al-wahy*), inspiration (*ilhām*), reflection and contemplation (*al-ishthighal bi al-tafakkur*). The absorptive capacity to acquire human and divine teaching is through five capabilities (power), namely common sense (*al-hiss al-mushtarak*), representative power (*al-quwwah al-khayāliyyah*), estimate power (*al-quwwah al-wahmiyyah*), retentive power (*al-quwwah al-hāfidahwa al-dhakirah*), and imaginative power (*al-quwwah al-mutakhayyilah / al-quwwah al mutafakirrah*).

*Tawhidic* paradigm can be integrated with the theory of the firm upon the foundation of Islamic faith. The Islamic faith is based on *kalmia shahaada*, which is to recognise Allah as the only universal God and Prophet Muhammad (Peace Be upon Him) as the messenger of Allah. With this foundation, the ultimate aim of Islamic management system is to gain the pleasure of Allah by executing all of the duties prescribed by Him. Therefore, this study believes that from Islamic perspective a unified theory of the firm can be used to gain and sustain competitive advantage via *Tawhidic*-based theory of the firm.

### Organizational Goals and Objectives:

Firms could attain goals and objectives if they are managed efficiently and effectively. Management can be defined as the process of working with and through people via planning (P), organizing (O), leading (L), and controlling (C) - P-O-L-C - the people and other resources to achieve the objectives or goals (Daft, 2010; Dyck & Neubert, 2009). This definition is based on the classical theory of scientific management (Dyck & Neubert, 2009). In other words, there are four functions involved when managing firms or any organizations, i.e. to determine the goals, to arrange the task and structure, to work with other people collectively, and to ensure results are achieved (Daft, 2010; Dyck & Neubert, 2009). Therefore, managers need to perform the management functions on daily basis by carrying out various activities to achieve organizational goal of their organization. In other words, managers perform certain roles in carrying out the management functions - P-O-L-C.

Daft (2010) argued that managers apply management functions of planning, organizing, leading and controlling to achieve goals of their organization. Planning is defined as the process to formulate goals for future performance together with the resources required. Organizing refers to the arrangement of tasks, responsibilities, accountability, and resources allocation to enable the organization to execute activities that attaining the goals. Leading is about the use of influence on employees so that they are motivated, willing and ready to perform the

tasks assigned to them. As for controlling, it is about monitoring employees and resources so that they are on the right track to achieve the goals of the organization.

Firms develop a unified theory of the firm in order to mobilise economic scarce resources and transform them into goods and services to benefit mankind. Gibbons (2005) said that firm is basically a vehicle for entrepreneur to mobilise resources to create wealth sustainably. Williamson (1971, 1979, 1985) argued that firm is used to generate continuous income for the owners of the firm; he called this activity as 'rent-seeking' behaviour of the firm. Similar observations are made by Mintzberg (1990). Firm is also being used as formal vehicle to own resources or 'property-rights' so that it can continue to be the beneficiary of the resources (Hart, 1995; Hart & Moore, 1990). Other scholars argued that firm provides 'incentives' to economic system to generate wealth (Holmstrom, 1982, 1999). Cyert and March (1992) argued that firm sets the foundation for organisation to create goals, provide expectations and choices. Goals are very important for members of organisation to make commitment and shape the required behaviour in order to achieve desired outcomes. Expectations are related to the potential benefits or advantages in the future that can be envisaged so that people can adjust the present behaviour in order to fulfil the future target. The firms make choices or solve problems based on goals and expectations so that the choices maximize the potential goals (Cyert & March, 1992; Cyert, Dill & March, 1958).

#### **Organizational Knowledge and Innovation:**

The development of a unified theory of the firm requires comprehensive assessment on internal, external, explicit and implicit aspects of the firms (Garrouste & Saussier, 2005; Debowski, 2006). Debowski (2006) contended that contemporary theory of the firm for knowledge management development includes the organizational process and support. According to the author, the five phases of knowledge development are knowledge sourcing, knowledge abstraction, knowledge conversion, knowledge diffusion and knowledge refinement. Knowledge sourcing involves organizational task to identify relevant information from the market and feedback from stakeholders (Foss, 1996). Knowledge abstraction is about making sense of the information obtained from the market into theories and assumptions (Conner & Prahalad, 1996). The next step will be knowledge conversion, to codify tacit and embodied knowledge into explicit and codified knowledge. The codified knowledge is transferred, transmitted and diffuse for greater use.

Given the dynamic contents of the business world, managers need comprehensive and rigorous theory of the firm to make the business continues to make profit on sustainable basis. In other words, organizations must be able to advance their

technology and competencies so that they can cope with the knowledge-intensive business services, very fast acceleration of product cycles, and changes of customers' tastes and preferences (Garrouste & Saussier, 2005). Besides, in facing the competitors, knowledge about the industry, market and customers is essential. Therefore, organizations must always acquire knowledge and continuously learn from various stakeholders to gain competitive advantages. The knowledge intensive business requires the unique competencies to be innovative (Debowski, 2006). Innovation capability is not with the organizations, but with the individual knowledge workers and who possess knowledge and other intellectual derivatives. The classical innovation works on linear basis, less interactive and within the formal organizational network (Alchian & Demsetz, 1972). Unlike the contemporary innovation, it works on dynamic mode, highly interactive and hybrid organizational network.

#### **Sustainable Competitive Advantage:**

The firms are formalized to avoid inefficiency in terms of moral hazard by internally organized through authority and hierarchy, assets ownership and hierarchy and communication in hierarchy by integrating and formalizing the problems in the agency, property rights and ownership structure (Aoki, 1986). The firms are still unable to cope with internal and external organizational choices (Garrouste & Saussier, 2005). The trade-offs and assumptions of operationalizing the firm are still between risk and uncertainty, which is lacking of the role of the market players and entrepreneurs. Thus, there is insufficient element to have a unified theory of the firm. The theory of the firm by Coase (1937) that being subscribed by the economists and business educationists are not unified theory due to its bounded rationality approach that made roles of entrepreneurs become uncertain (Kay, 1992). In addition, the role of institutional environment that affect the firm's decision is also unclear and vague (Garrouste & Saussier, 2005).

In fact, Coase's theory of the firm is very simplistic in which it assumed that the existence of the firm is due to the existence of transaction costs and the firm's boundaries are defined by a simple calculus of transaction costs that are related to the Property Rights Theory and the Incentive Theory. In short, Coase's theory of the firm and its formalized theories are unable to offer a unified theory of the firm due to lack learning processes both at the individual and organizational levels. Thus, the alternative theory of the firm that based on evolutionary theory and resource-based view of the firm can fill in the gap of learning and capacity building in the firm (Nelson & Winter, 1982; Kogut & Zander, 1996; Langlois & Garrouste, 1997). These two views have a common assumption, namely the behavioural assumptions (learning and rule-guided behaviour) and assumed that knowledge and capabilities represent the firm's

critical and distinctive resources (Foss, 1996; Poppo & Zenger, 1999). They argued that the resource-based and knowledge-based views of theory of the firm are more unified and comprehensive due to three arguments, namely (1) knowledge is generated as the result of learning and experience; (2) the result of learning, it is context (local) and path-dependent (historical); and (3) it is partly tacit and the organization is partly unaware of its existence because it is embedded in organizational routines and individual skills (Garrouste & Saussier, 2005).

However, given the background of the contemporary business world that is full with uncertainty due to the globalization process, rapid changes are rampant due to the fast paced of technological development, high mobility of society and high intensity in competition (Vergragt, 2012). This situation makes the business world competitive due to the increasing of enterprises that are competing on the uniqueness (Lewis, 2006). The evolutionary perspectives emphasized on the importance of knowledge and innovation in facing the still competition to achieve sustainable competitive advantage (Karim & Hussein, 2008), but the firms are not able to do so with the increasing moral hazard events that hampered firms to create and sustain competitive advantage. Lewis (2006) argues that the current business world can gain and sustain its competitive advantage when it is imbued with the soul (spirituality). Osman-Gani and Sarif (2011) argued that the excellence in spirituality leads to better worldview, far sighted and continuous improvement that guided by commendable values.

### Methods

For the study at hand, a self-instructed questionnaire has been designed in order to acquire the required data particularly focusing on *Tawhidic* paradigm in managing firms in the context of Malaysia for gaining an understanding as well as exploring the influence of *Tawhidic* paradigm on sustainable competitive advantage. The survey questionnaire that has been used in this study comprised of 3 different sections in total and each of the sections contained questions on all the distinct parts of the study. Most of the items in the questionnaire were adapted from Kamil et al. (2014), Neely (2007), Park and Shin (2004), and Sarif and Ismail (2011). The sampling method that has been adopted for this study is known as convenience sampling method. Therefore, following this method, all the questionnaires were distributed among the top management of the selected companies. From every company, only one person was asked to fill-up the questionnaire as the unit of analysis for this study was the organization.

Since data has been collected from a considerably large sample (the size of the population for this study were the 814 companies listed in the main board of Bursa Malaysia, the overall process of data collection experienced rigorous impediments. This study has employed convenience sampling despite the fact that this particular sampling method has been criticized

due to limitations in regards to generalize ability issues in comparison to other kinds of probability sampling methods. Despite this limitation, for the purpose of the study, it has been assumed that the sample size of the study is an adequate representation of the entire population in Malaysia. Due to the prevalence of enough similarity among the different elements of the entire population, it can be summed up by stating that only a few of the elements was an appropriate representation of the overall characteristics of the entire population (Kothari, 2004).

Primary data has been collected on a random basis following convenience sampling from a number of states in Peninsular Malaysia specifically, Kuala Lumpur, Penang, Johor, Melaka, Pahang, Kuantan and Kelantan. Even though, the main method used for carrying out the survey was through face to face interaction with the respondents, however, this survey questionnaire has also been distributed through e mail as well. Conducting the survey through e mail has facilitated the researcher to collect a sizeable amount of data in an inexpensive manner, in spite of the fact that there were some insignificant responses. The respondents were asked on the influence of *Tawhidic* paradigm in managing firms for sustainable competitive advantage in Malaysia by requesting them to evaluate items from 4 different constructs, which are organizational goals and objectives, organizational knowledge and innovation, *Tawhidic* paradigm and sustainable competitive advantage, through a 6 point scale consisting of descriptors that varied from never, rarely, slightly, sometime, usually, always. Altogether, 400 questionnaires have been given out to the potential respondents for collecting data out of which 263 were returned which gives a success rate of 65.75%. This percentage of success rate is considered to be very good taking into consideration several constraints in terms of time, cost, certainty as well as geography. However, after the initial screening, total 21 questionnaires were found unusable due to serious missing information. Based on Sekaran and Bougie (2010), these questionnaires were excluded from the further analysis. The rest 242 questionnaires were found valid for further analysis.

The main factors that are impacting the influence of *Tawhidic* paradigm in managing firms for sustainable competitive advantage in Malaysia has been identified through factor analysis. In reference to Hair et al. (2010), factor analysis is an analytical procedure which enables to change statistical data to linear arrangement of variables. Furthermore, it is also an important method that can be applied in order to combine a sizeable amount of data into smaller number of factors through little loss of information (Hair et al., 2010). Moreover, besides factor analysis, Structural Equation Modelling (SEM) has also been run for exploring the relationship that

exists among the different salient variables which in turn measures the influence of *Tawhidic* paradigm in managing firms for sustainable competitive advantage in Malaysia.

**RESULTS AND DISCUSSION**

**Demographic Analysis:**

The demographic analysis is presented in table 1 below. From the table, it can be seen that out of the total 242 respondents, 150 were male and 92 were female. Moreover, majority of the respondents were aged between 41 - 50 years old. In terms of education, total 188 respondents are having either master degree or PhD which shows that in Malaysia, the top management are highly educated. Beside other demographic profiles, it is also important to mention that total 94 companies incorporated Islamic based practices in their daily operations while the rest 148 companies are owned by the non-Muslims.

**Reliability Coefficient:**

In order to test the reliability coefficient, Cronbach Alpha has been used. This is a popular statistical technique that is commonly applied for gauging the

reliability of either two or more constructs. Under this method, the coefficient value lies between 0 and 1 whereby higher values is an indication of greater reliability (Hair et al., 2010). More specifically, 1 is considered to be the highest value that can be attained. Following the Cronbach's alpha test, the accumulated test of reliability for the study at hand ranged from the values of 0.727 to 0.918 with an overall alpha value of 0.869, which reveals significantly high reliability (table 2).

Construct	Cronbach Alpha	N of Items
Goals	.727	6
Objectives	.873	7
Knowledge	.804	5
Innovation	.859	5
<i>Tawhidic</i> Paradigm	.918	6
Sustainable Competitive Advantage	.821	9
Overall	.869	38

**Table 2: Reliability Statistics**

Gender	Frequency	Percent	Age	Frequency	Percent
Male	150	62	26 - 30	14	5.8
Female	92	38	31 - 40	37	15.3
Total	242	100	41 - 50	154	63.6
			50 and above	37	15.3
Education Level			Total	242	100
Bachelor	54	22.3	Job Position		
Master/ PhD	188	77.7	Manager	61	25.2
Total	242	100	Director	34	14
How long have you been in this position?			CEO	147	60.7
	<u>Frequency</u>	<u>Percent</u>	Total	242	100
2 - 5 years	27	11.2	Total Employees		
6 - 10 years	92	38	151 - 200 employees	25	10.3
11 - 15 years	95	39.3	201 employees and more	217	89.7
15 years and more	28	11.6	Total	242	100
Total	242	100			
Years Established			Is the company Islamic based-practice?		
6 - 10 years	12	5	Yes	94	38.8
11 - 15 years	84	34.7	No	148	61.2
16 - 20 years	95	39.3	Total	242	100
21 years and above	51	21.1			
Total	242	100			

**Table 1: Demographic Profile**

**Exploratory Factor Analysis (EFA):**

Data that has been gathered from a total of 242 respondents has been extensively analyzed and the results have been explained in details in this particular section. The major factors related to the 38 items were identified through Principal Component Analysis (PCA) under SPSS. In addition to this, two tests, namely Bartlett's Test of Sphericity and Kaiser Mayer Olkin (KMO) have also been carried out whereby the former tested the construct validity and the later was used for testing the strength associated among the different

variables. The underlying reason for carrying out KMO was to assess whether it is suitable to run factor analysis and also identify whether the data that has been collected is suitable for executing factor analysis. Besides this, KMO also helps in identifying the variables that must be dropped from the model as a result of complications that may arise from multicollinearity. KMO value ranges from 0 to 1, and it is necessary for the overall KMO to be either 0.60 or higher in order to proceed with factor analysis. In the event when the KMO does not fall under the range of the

acceptable value then the variable that has the lowest anti-image value must be dropped. This procedure must be continued until the overall KMO becomes more than .60. In the case of this study, both of the tests namely, Bartlett's Test of

Sphericity and KMO, were very significant indicating that the variables of the study are appropriate for factor analysis as indicated in Table 3.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.851
Bartlett's Test of Sphericity	Approx. Chi-Square	12123.580
	df	703
	Sig.	.000

**Table 3: KMO and Bartlett's Test**

For the inclusion of an item under the relevant constructs, it is obligatory to confirm the minimum loading. Variable with the loading of .30 and more is treated as significant while loading is equal or more than .40 as substantial value (Hair et al, 2010). The more the value, the better its attachment with the concerned constructs. The study at hand takes the items with the loading of .60 and greater. Having no dropped items under the given circumstances shows the ultimate success for the factor analysis. Total six factors explained 77.67 percent of variance which is

very good indeed. Under these circumstances, when an item is able to achieve high loading it signifies that this item has a strong relationship with a particular factor. The result of this respective study indicates that all of the six dimensions included in the study have been loaded homogeneously to the different factors. Furthermore, it shows that each and every item that has been loaded to the six concerned factors is to a great extent associated to customers need (table 4).

Item	SCA	G	O	K	I	TP
Achieve Technical Efficiency of Inputs	.912					
Accomplish the Economies of Scale and Scope	.887					
Our organization constantly monitors our level of commitment and orientation to serving customer needs	.822					
Develop ownership and control structure	.787					
Management work as a team	.777					
We have an organizational culture characterized by a high degree of trust	.758					
The organization's vision is beyond profit, which is concerned more for the benefit of society	.686					
The organizational structure supports our strategic direction	.686					
Individual feel well served by management	.679					
Create, improve and maintain strategic core		.810				
Create the organizational structure to carry out the strategy		.772				
Establish guiding principles for strategic choices		.761				
Create a mechanism principles for strategic choices to manage change in market conditions and technology		.732				
Install incentives to accomplish agency efficiency		.678				
Group work in this organisation is valuable		.636				
Our organization's main objective is maximising profitability			.828			
We have strategies that positions us well in the future			.786			
Our organization's main objective is maximizing stability and longevity of the company			.712			
We have realistic yet challenging vision for the organization			.689			
We have relevant performance indicators for our business			.649			
Individuals are directed by the vision and strategy of the organization			.623			
Our system and procedures support the workforce to accomplish the stated vision			.610			
We believe that we are a 'learning organization'				.795		
Individuals understand the vision and strategy of our organization				.762		
We exchange general information with our partners				.675		
We are encouraged to share our ideas with others				.640		
We routinely communicate the lessons learned from our past actions throughout the organisation				.617		
The organizational culture could be characterized as innovative					.868	
We implement necessary structural changes such as forming small autonomous groups to stimulate new ideas					.782	
In general, the top manager of my company favours a strong emphasis on R&D, technological leadership, and innovations					.744	
We continuously try to discover additional needs of our customers of which they are unaware					.658	
Our policies and procedures support innovation					.620	
We do our work in the best way we can for the sake of gaining God's pleasure						.892
We encourage our employees to be honest						.837
We encourage co-workers to perform their religious practices						.785
We apologize for our mistakes when we realize them at work						.764
We encourage to tell the truth regardless of the consequences						.678
We are not afraid to tell the truth						.667

**Table 4: Rotated Component Matrix<sup>a</sup>**

\* Here, SCA = Sustainable Competitive Advantage, G = Goals, O = Objectives, K = Knowledge, I = Innovation, and TP = *Tawhidic* Paradigm

**Confirmatory Factor Analysis (CFA):**

To reconfirm the validity, reliability and unidimensionality, CFA is mainly carried out. According to Zainudin (2012), prior to the complete path model, the reliability, validity and unidimensionality of the construct supposed to be assumed. Undimensionality justifies the extent to which a construct have all the relevant items

attached to it. Hence, CFA is conducted individually for each construct with their associated indicators measured the construct adequately. The results are presented in table 5 which shows that the required level is achieved. The CFA models are estimated through maximum likelihood estimation.

Name of Category	Required Value	Remarks
Unidimensionality	Factor loading for each item $\geq 0.60$	The required level is achieved
Validity		
Convergent Validity	Average Variance Extracted (AVE) $\geq 0.50$	The required level is achieved
Construct Validity	All fitness indexes for the models meets the required level	The required level is achieved
Discriminant Validity	Correlation between exogenous constructs is $\leq 0.85$	The required level is achieved
Reliability		
Internal Reliability	Cronbach alpha $\geq 0.70$	The required level is achieved
Construct Reliability	CR $\geq 0.60$	The required level is achieved
Average Variance Explained (AVE)	AVE $\geq 0.50$	The required level is achieved

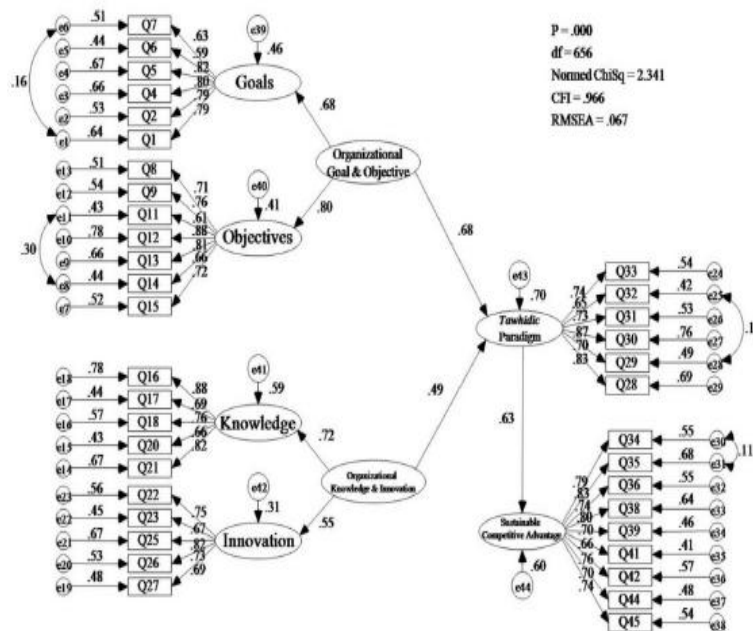
**Table 5: CFA Results for the Measurement Models**

Source: Zainudin (2012)

**Structural Equation Modelling (SEM):**

SEM is considered as a meaningful statistical approach for its ability to disclose the existence of direct as well as indirect relationships between variables. For the assessment of structural path relationships, Hair et al. (2010) suggested that from each criterion, minimum one measure to be tested. Accordingly, three distinct criterions have been applied where, RMSEA was used to measure absolute fit, CFI was used to measure incremental fit and ChiSq/df was used to measure parsimonious fit. Under this index, a proposed model has been compared with the null model holding the

assumption that there exists no relationship between the respected measures. According to Kline (2011), in the case of CFI, the closer the value is to 1, the better the fit of the model. In addition to this, Bentler (1995) has mentioned that when the value of CFI is more than .90, it signifies adequate fit to the data. Besides, according to Hair et al. (2010), the RMSEA value should be  $\leq 0.08$  and the ChiSq/df value should be  $\leq 3 - 5$  in order to fit the model. The structural model of the study is presented below (figure 1) which shows a good fit model.



**Figure 1: Structural Model of the Study**

Table 6 illustrates the goodness-of-fit indices that have been attained from the structural model of the study. All the respective indices namely CFI, RMSEA

Name of Category	Recommended	Obtained	Comments
Absolute fit	RMSEA ≤ 0.08 (0.10 may be)	0.067	The recommend achieved
Incremental fit	CFI ≥ 0.90	0.966	Closer to the led level
Parsimonious	ChiSq/df ≤ 3 (3- may be)	2.341	The led level is

Table 6: Fit Measures

**Hypothesis Testing:**

All the hypotheses of this study have been tested through the application of SEM. For the overall model as a whole, the statistical result indicated that the chi-square/df is 2.341, CFI is 0.966 and lastly, RMSEA is 0.067 as indicated in Table 6. The complete model is inclusive of three hypothesized paths as illustrated in Figure 1.

			Estimate	S.	C.	P
Tawhidic Paradigm	<-	Organizational and Objectives	.683	.071	9.62	***
Tawhidic Paradigm	<-	Organizational Knowledge and Innovation	.491	.039	12.5	***
Sustainable Competitive Advantage	<-	Tawhidic	.634	.094	6.74	***

Table 7: Hypothesis Testing

From figure 1 and table 7, it can be seen that organizational goals and objectives upholds a direct effect on Tawhidic paradigm. As a result, the first hypothesis, which is H1, is not rejected at P > .000. Moreover, the path coefficient is .683 indicates that total 68.3% variance is explained by organizational goals and objectives when Tawhidic paradigm is accounted for. The path value is also the highest among others indicate that this is the most important aspect while measuring the influence of Tawhidic paradigm in managing firms for sustainable competitive advantage in Malaysia.

In the case of H2, where it was hypothesized that organizational knowledge and innovation does leave an effect on Tawhidic paradigm is shown by statistical results whereby, it has been disclosed that organizational knowledge and innovation shares a positive relationship with Tawhidic paradigm. Moreover, the path value of 0.491 indicates that 49.1% of variance is explained by this particular factor while measuring the influence on Tawhidic paradigm. Thus, this leads to the acceptance of H2 at a p < .000.

and ChiSq/df indicates good model fit as the values attained for each criteria are within the recommended level. The exact value of CFI is 0.966 Finally, H3 has also been accepted at p > .000 since Tawhidic paradigm also impacts sustainable competitive advantage with a path value of 0.634.

In accordance to the above discussion, it can be perceived that Tawhidic paradigm is to a great extent influenced by organizational goals and objectives as well as organizational knowledge and innovation, as shown by the best fit model. Moreover, organizational goals and objectives and organizational knowledge and innovation has also has the mediatory influences on sustainable competitive advantage through Tawhidic paradigm. It is worth that, R<sup>2</sup> for Tawhidic paradigm to sustainable competitive advantage is 0.60 which indicates that 60% of the variance is explained by Tawhidic paradigm in explains the sustainable competitive advantage.

**Conclusion and Recommendation**

This study has attempted to investigate the influence Tawhidic paradigm in managing firms' for sustainable competitive advantage from Malaysian perspective. The hypotheses which were formed in this study are empirically supported. This is due to the fact that the Tawhidic paradigm approach can be seen as a mean to achieve organizational sustainable innovation and competitive advantage. Through our investigation on the influence of Tawhidic paradigm on the firms' sustainable competitive advantage, we have revealed that organizational goals and objectives and organizational knowledge and innovation are very important aspects where religious believe play a vital role. Though, Tawhidic paradigm is more related to Islamic code of conducts, however, the items those were used to measure Tawhidic paradigm were very carefully chosen keeping in mind the large number of non-Muslim respondents in Malaysia.

Two different dimensions were selected namely organizational goals and objectives and organizational knowledge and innovation to examine the influence of Tawhidic paradigm in managing firms' for sustainable competitive advantage from Malaysian perspective. Results indicate that organizational goals and objectives mostly influence the firms' sustainable competitive advantage in Malaysia. Therefore, for organizations, it is very important to set such goals and objectives which are realistic and achievable. Besides, an in depth knowledge on organizational activities as well as timely innovation is also required. The findings are in line with Karim and Hussein (2008) where the authors noted that the rapid changes in the current business environment has created the demand to understand the importance of knowledge and innovation to achieve sustainable competitive advantage. However, Tawhidic paradigm plays an

important role as spirituality can boost in gaining and sustaining its competitive advantages (Lewis, 2006). Besides, excellence in spirituality leads to better worldview, far sighted and continuous improvement that guided by commendable values (Osman-Gani & Sarif, 2011). As a matter of fact, the inclusion of religious belief and spirituality in the workplace should be encouraged in the event that it can be used only when it is deemed necessary. In addition to safeguarding the firms' profitability, it is also incumbent to take initiatives and adopt required measure for safeguarding the information of the employees. Therefore, regardless of the religion, encouraging employees to be honest, apologize for the mistakes and encourage co-workers to perform their religious practices cannot be ignored.

In conclusion, *Tawhidic* paradigm can be seen as a significant contributor towards the firms' for sustainable competitive advantage in not only Malaysia but also throughout the world. Even though organizations in Malaysia have positive perception on *Tawhidic* paradigm, but still this study recommends organizations to keep on improving its goals and objectives and improve knowledge and innovation. Then it will be much easier for the organizations in managing for sustainable competitive advantage. These findings anticipate that these finding would help the theoretical and practical understanding of the development of a unified theory of the firm in Malaysia.

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