

A Contemporary Theory of Social Entrepreneurship from *Tawhidic* Paradigm: A Conceptual Study

Zaliza Azan* and Suhaimi Mhd Sarif

Kulliyah of Economics and Management Sciences, Department of Business Management,
International Islamic University Malaysia (IIUM), Gombak, Selangor, Malaysia

DOI: 10.6007/IJAROSS/v7-i3/2744 URL: <http://dx.doi.org/10.6007/IJAROSS/v7-i3/2744>

Abstract

This study postulates a contemporary social entrepreneurship theory from *Tawhidic* paradigm for a comprehensive theory to describe the nature of the social entrepreneurship, the scope and boundaries of assessment on social entrepreneurship environments, and the assessment of internal aspects social entrepreneurship entities to formulate, implement, and evaluate strategies for survival and growth. The conventional approach to the theories of social entrepreneurship is not adequate to respond to external, internal, and human dynamism. The market-based theories of the social entrepreneurship emphasised on the market orientation of industrial organizational perspective only of the social entrepreneurship, which is lack of dynamism and sustainability for social entrepreneurship to survive and grow. As an alternative, this study postulates a social entrepreneurship theory of the firm the *Tawhidic* paradigm approach as a mean to achieve sustainability in terms of innovation and competitive advantages for social entrepreneurship. The study uses qualitative methods via (a) semi structured personal interview with three types of informants - government officers, SME association representatives, and founders/owners/managers of social enterprises in Malaysia, and a quantitative method via self-administered survey to social enterprises in Malaysia. The study expects the *Tawhidic* approach contributes to the theoretical and practical understanding of the development of a theory of social entrepreneurship. The results of the study should be considered tentative, or work-in-progress.

Keywords: Malaysia, Social entrepreneurship, *Tawhidic* paradigm, Theory of social entrepreneurship

1.0 Introduction

Recent developments in the field of social entrepreneurship are due to on-going discussions among scholars regarding the main definition of this term. The drive behind the changes in social entrepreneurship is to serve the society's interest as well as to boost the economy (Alvord et al., 2002; Mair & Noboa, 2003).

Thus, it is necessary to clarify exactly what social entrepreneurship means. This term has been used to describe the avocation and mission of a society. It may also refer to the notion of "total wealth", as presented by Zahra et al. (2009). Social entrepreneurship embodies the relationship between social activities and economic wealth generation that are conducted to sustain

business activities (Boschee & McClurg, 2003; Emerson & Twersky, 1996; Thompson, 2002). There are perceptions that the Islamic-based social entrepreneurship could have been assimilated with socialism and communism, which are practiced in Eastern Europe, the former Soviet Union, and communist countries.

Islamic social entrepreneurship recognizes both individual ownership and public interest. On the other hand, pure capitalism believes in extremely individualistic ownership, and has no public interest or social responsibility. Later, when it gradually subscribes to social capitalism, business sectors started to recognise social responsibility as part of the corporate affairs. Nevertheless, there are strong criticisms with regards to capitalism when business sectors recognise social responsibility as a part of social business and social marketing.

This is part of business strategies and sources of sustainable competitive advantages. Pure socialism does not recognise individual ownership, whereby everything is owned by the state. Everyone works for the state, and in return, the state will provide basic necessities and welfare. Likewise, communism believes that the interest of the community is above the individuals. Thus, this situation has made individuals become less productive, and demotivated.

Nonetheless, social entrepreneurship theories have gone through an evolutionary process. It started with market-oriented commercial entities, which then seeped into the resource-based and knowledge-based theory of the enterprises. Nevertheless, it is incapable of providing an integrated nature to the theory of social entrepreneurship, which lacks the spiritual basis to preserve the intellectual contributions from social entrepreneurs.

This study reviewed the opinions, and recommendations from social enterprises to develop a contemporary social entrepreneurship theory based on the *Tawhidic* paradigm, which could serve as an alternative approach to attain sustainable innovation and competitive advantages. The *Tawhidic* approach was integrated into the practical understanding of this newly developed theory of social entrepreneurship.

This paper has been divided into several sections. The first section presents the literature review on social entrepreneurship. This section is followed by descriptions of the research methodology. This study employed the empirical research design according to the Grounded Theory. The next section contains the theoretical framework of the *Tawhidic* paradigm, and the final section is the conclusion, which is presented with aspects for research progress.

2.0 Social Entrepreneurship

Socially driven entrepreneurship, or better known as social entrepreneurship, is not a new concept in business. Although the concept of social entrepreneurship is well-known among the academics, and economists, this is still an unfamiliar concept among members of the society. Most of them believe that a social organisation is only focused on non-profit transactions (Chell, 2007). Meanwhile, according to Weerawardena (2006), the main objective behind social entrepreneurship is to offer free and voluntary services to the society.

Nonetheless, profitability remains its core objective. A trigger to investigate social entrepreneurship has caused the people to rationalise the reason behind social business entities. The motive for starting a business, aside from gaining profit, is fundamentally different between each individual. Previous researches on social entrepreneurship have been interested

in determining the differentiating qualities behind such individuals' uniqueness (Dees, 2001; Fiet et al., 2006).

Social entrepreneurship is embedded with evolutionary features. Shane and Venkataraman (2000) have classified social entrepreneurship as a process that is built around a definitive social problem, including the specific solution or sets of solutions to solve it. Some academics had even taken the objectives of the business activities into consideration when defining social entrepreneurship. Social business individuals could be acting as change operators in the social sector, with the drive to manage social and personal values (Dees, 2001). Social entrepreneurship may also be seen as the efforts by the entrepreneurs to engage others in the creation, adaptation, and learning process towards transforming their social values.

3.0 Theory of Social Entrepreneurship

Theory of social entrepreneurship started with the early theory of the firm by Robert Coase. Coase (1937) argued that firms are systematically established to achieve goals (profit) with cost minimisation through efficient ways of production. This theory of the firm has created lost opportunities in terms of optimising resources, which include people, talent, and other intangible resources. Aside from efficiency and productivity concerns by the schools of Coasian, the Simonian schools are very much concerned about rationalism, logical, and sensible approaches in managing firms and enterprises. Simon (1951) contended that rational approaches in enterprises allow for efficiency and effectiveness beyond mere achievement of profitability, which is to include social variables. Nevertheless, Williamson (1988), in the TCE approach, argued that the maximisation of profit, and the minimisation of costs are significant for the firm to advance, and to gain competitive advantages.

Business capabilities are often affected by the wide-ranging economic conditions. Entrepreneur activities may include the early pioneers, from Adam Smith to Schumpeterian global firms. Adam Smith firms do not have any strategies to face competitive markets since they only react to adapt to the economic conditions. A business needs minimum profits to operate, and cannot achieve competitive advantage (Aharoni, 1993). According to Schumpeter (1934), the essence of entrepreneurship is that it destructs the market, and moves it away from its equilibrium. On the other hand, commercial entrepreneurship is the progressive force behind economic growth towards a state where resources are effectively organised to better benefit the society (Schumpeter, 1934).

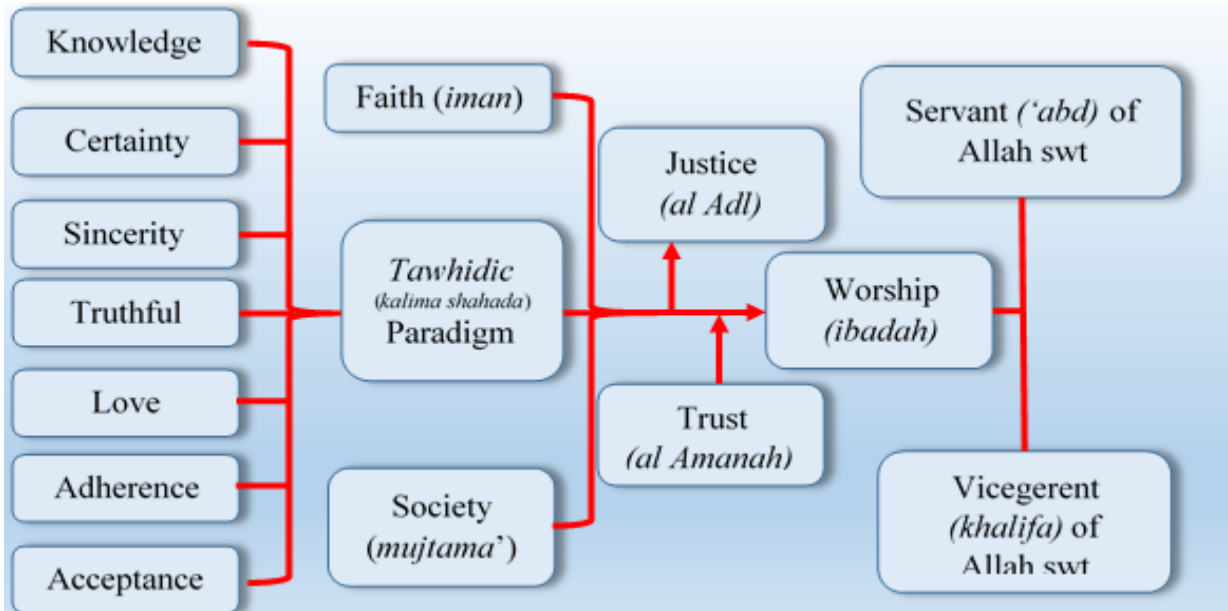
With the evolution of business strategies developed by industrial organisation economists, the theory of social entrepreneurship has been identified as a key concern for the strategic analysis of businesses that is required for achievement.

4.0 Framework for *Tawhidic* Paradigm and Social Entrepreneurship

This section explains the perspectives of the *Tawhidic* paradigm. *Tawhidic* paradigm provides a thinking system that is guided by the revelations from Allah SWT. Mohd Kamal Hassan (2010, p.187) described *Tawhidic* paradigm as an Islamic monotheism way of thinking, which is to serve as the true servant of Allah SWT (*'ibād al-Rahmān*), and to obey the vicegerents (*khulafā' fī al-ard*), and true believers (*al-mu'minūn*) for the good of mankind (*khayra ummatin ukhrijat lil-Nās*) (Qur'ān, 3:110) and for a 'balanced community' (*ummatan wasatan li-takūnū shuhadā'*

'*alā al-nās*) (Qur'ān, 2:143). The Islamic faith stands on the pillar of *kalima shahaada*, which is to recognise Allah SWT as the one, and only God, and Prophet Muhammad SAW as His messenger. Therefore, the main objective for *Tawhidic* paradigm is to please Allah by performing everything that Allah has decreed.

Figure 1: The centralised role of *Tawhid* in performing worship (*'ibadat*) with trust and justice.



Source: Ismail and Sarif (2011, p.129).

Based on the *Tawhidic* paradigm, a person's various relationships revolve around *Tawhid*. Indeed, there are several requirements towards gaining *Tawhid*, and towards fulfilling the roles of a believer of this paradigm. Figure 1 shows that the role of *Tawhid* is centralised with worship (*'ibadat*), and submitting oneself to Allah to gain His pleasure, through the roles of mankind as the servant (*'abd*), and vicegerent (*khalifa*) of Allah. This paradigm has an enormous impact on the degree and nature of the deeds/activities that one performs. It can also strengthen the connections between Allah SWT and His servants, among the people, and people with other beings based on two pillars, namely, trust (*amanah*) and equity (*'adl*). Trust, in the element of *Tawhid*, refers to a servant's acknowledgement of the divine rules, and his/her obligations and capacity to satisfy the trust, in addition to compulsory obligations (*al fara'id*), which is supplemented with the direction from God (Al Faruqi, 1992, p.5).

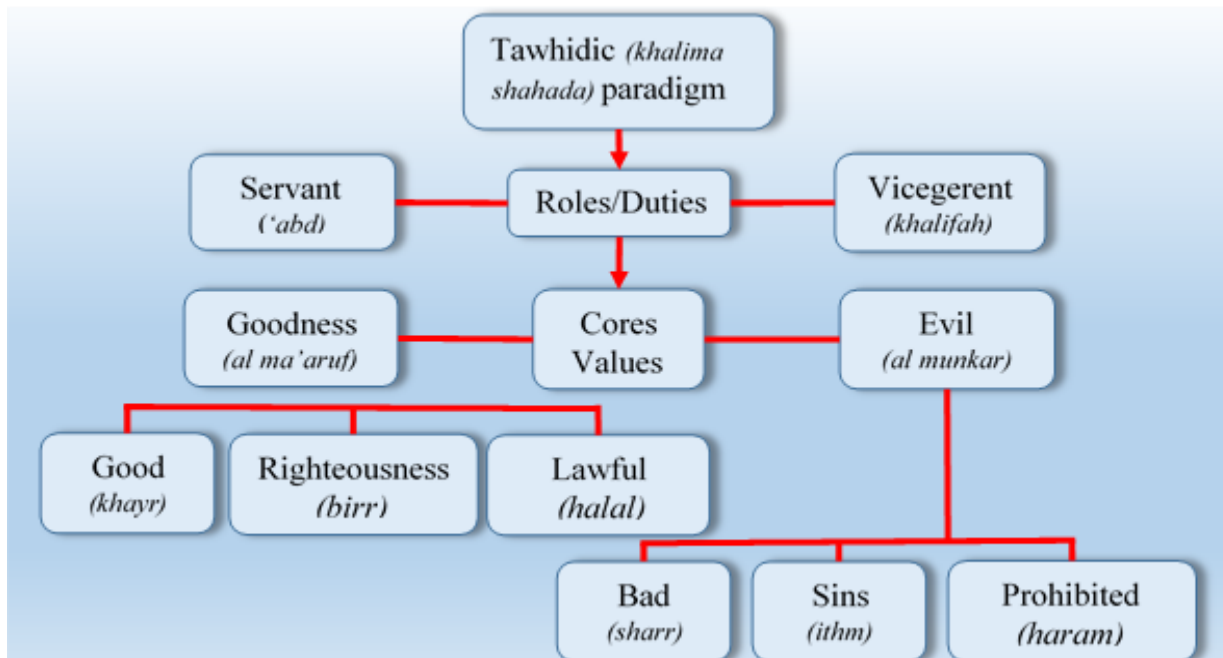
Figure 2 shows that the Islamic worldview is bound by three components, namely: (a) *Tawhidic* paradigm, (b) roles/duties, and (c) core values. The *Tawhidic* paradigm refers to the state of complete submission to Allah SWT, and absolute devoutness to His Commandments. In recognition to *kalima shahada*, a Muslim must comply with two fundamental, yet interrelated roles, which are to be a servant, and to be a vicegerent of Allah SWT. These roles must be executed with due persistence through trust and justice.

In this study, the *Tawhidic* paradigm plays the important role of building human capitals, which would have a huge impact on social entrepreneurship. This observation was supported by (Sarif & Sarwar, 2014). They reported that when the *Tawhidic* paradigm and social entrepreneurship

are combined, education can enlighten future generations with the Islamic norms. This will help them increase their faith (*Tawhid*), worship (*ibadah*), ethics (*akhlak*), which signify them as the servants and vicegerents of Allah SWT. Some Islamic scholars also added that to tolerate the competitiveness and advancement of the Muslim *ummah*, *Tawhidic* Paradigm and social entrepreneurship should be combined.

From the Islamic point-of-view, *Tawhidic* paradigm inhibits a Muslim from committing a sin because it reflects on his/her worship to Allah SWT. Since social entrepreneurs are people who have the public’s best interest in mind, they are not considered as committing any offenses. Hence, this situation fits the concept of Islamic trust, which reflects the *Tawhidic* paradigm.

Figure 2: Central Principles of *Duniawi-Ukhwawi*



Source: Ismail and Sarif (2011)

5.0 Theory of Social Entrepreneurship based on *Tawhidic* Paradigm

This current study aims to advocate the theory of social entrepreneurship based on the *Tawhidic* paradigm. This theory is knowledge-based, certainty-driven, sincerity-oriented, truthful-based, love driven, adherence-based, acceptance, *Imanic*-based, and *Mujtama'*-based. In Islam, the elements of *Tawhidic* paradigm help to develop the essential requirements of a devout Muslim. In terms of business activities, entrepreneurial activities and religion work in tandem. Nonetheless, entrepreneurship operation in Islam must comply with its own set of entrepreneurship characteristics. The Al-Qur’an and *al-Hadis* are available as the guiding principles (Oukil, 2013). Devout Muslim entrepreneurs must perform their *ibadah*, and be good *khalifahs*. Muslim entrepreneurs should place Allah’s blessings high above other factors. They should be involved in entrepreneurial activities, not solely for the profits, but above all, to fulfil *fardu kifayah* (Vargas-Hernández et al., 2010).

6.0 RESEARCH METHODOLOGY

This study attempts to develop a contemporary theory of social entrepreneurship based on the *Tawhidic* paradigm. This theory proposed to bridge the gaps in the knowledge of why and how social entrepreneurs are defined. It will be developed based on the various organisational typologies, and authoritative surroundings, to determine how this distinctive method could measure social effects. The Grounded theory was recommended to develop this new theory about social entrepreneurship (Robinson, 2006; Nicholls, 2006). It also It was also supported by the entrepreneurial cognitive and behavioural research (Bygrave, 2007; Neergaard & Ulhøi, 2007). The Grounded theory helped with the internal and external investigation, which found new dimensions of social entrepreneurship (Bygrave, 2007). This study was an exploratory inductive/subjective examination that complied with the grounded hypothesis system, created by Glaser and Strauss (1967), and to the strategies created by Strauss and Corbin (1990, 1998) with a constructivist position.

Under the Islamic methodology, content analysis can help researchers to create a picture of the characteristics of an entrepreneur, as given by the Al-Qur'an and Al-Hadis. For the purpose of this research, the meaning of Qur'anic verses in the al-Mu'jam al-Mufahras li Alfazh Al-Quran Al-Karim (Al-Baqi), and in the Meaning of The Holy Qur'an (Ali, 1987) were analysed to determine the personalities of Muslim entrepreneurs. Findings in this study were supported by various hadis taken from various books of hadis.

7.0 CONCLUSION

Social entrepreneurs are not focused on the monetary or administrative gains of a business. They are more interested in creating manageable changes in the lives of other people. Such changes should also be applicable to a group of people as opposed to benefiting only an individual (i.e., social effect as oppose to personal results).

With the gaps in knowledge, a new theory would be necessary to address any aspect of reality that lacks explanation or do not conform to the existing theories. In this case, social entrepreneurs are a group of entrepreneurial players who have specific goals. They differ from traditional commercial entrepreneurs because they use different approaches, while focusing on different domains of business. These differences are in need of theories that can explain the observations and predicted outcomes. However, social entrepreneurship theory has fallen far behind its practice (Murphy & Coombes, 2009).

The revolutionary social entrepreneurship theory, in relation to the Islamic worldviews, should be implemented with the *Tawhidic* paradigm. This paradigm functions as the founding Islamic philosophy to the elements in social entrepreneurship. As oppose to traditional social entrepreneurship theories that are based on various financial rationalities, the *Tawhidic* paradigm was established on the decreed obligations of humankind as servants and vicegerents of Allah.

Acknowledgement

This study is financed by Fundamental Research Grant Scheme (FRGS) under the Department of Higher Education, Ministry of Education (Reference: FRGS15-166-0407).

Corresponding Author

Zaliza Azan

PhD Candidate

Kulliyyah of Economics and Management Sciences,

Department of Business Administration.

International Islamic University Malaysia,

Gombak Campus, Selangor,

Malaysia.

Email: zalizaazan2692@yahoo.com

References

Al-Faruqi, I.R. (1992). *Al Tawhid: Its Implications for Thought and Life*. Herndon, Virginia: International Institute of Islamic Thought.

Ali, A.Y. (1987) *The Qur'an: Text, translation, and commentary*, Elmhurst, NY: Tahrike Tarsile Qur'an, Inc.

Alvord, S.H., Brown, et al. (2002), *Social Entrepreneurship through Social Networks. The Art and Science of Entrepreneurship*, D. Sexton and R. Smilor. Cambridge, MA, Ballinger Publishing Company: 3-23

Aharoni, Y. (1993). *In search for the unique: Can firm-specific advantages be evaluated?*. *Journal of Management Studies*, 30: 31-44

Bornstein, D. (2004) *How to change the world: Social Entrepreneurs and the power of new ideas*. New York" Oxford University Press.

Boschee, J., & McClurg, J. (2003). Toward a better understanding of social entrepreneurship: Some important distinctions. *Retrieved October, 9, 2008*.

Bygrave, W.D. (2007), "The entrepreneurship paradigm revisited", in Neergaard, H. and Ulhøi, J. (Eds), *Handbook of Qualitative Research Methods in Entrepreneurship*, Edward Elgar, London.

Chell, E. (2007) Social enterprise and social entrepreneurship. *International Small Business Journal* 25(1): 5–26.

Coase, R. H. (1937). The nature of the firm. *economica*, 4(16), 386-405.

Dees, J.G., Emerson, J. and Economy, P. (2001), *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs*, John Wiley & Sons Inc, New York, NY.141 A model for social entrepreneurship

Dees, G.J., Emerson, J. and Economy, P. (2003), *Strategic Tools for Social Entrepreneurs: Enhancing the Performance of Your Enterprising Nonprofit*, John Wiley & Sons Inc, New York, NY.

Emerson, J., & Twersky, F. (Eds.). (1996). *New social entrepreneurs: The success, challenge and lessons of non-profit enterprise creation*. The Homeless Economic Fund, the Roberts Foundation.

- Fiet, James O., Richard. D. Nixon, Mahesh Gupta and Pankaj C. Patel. (2006). "Entrepreneurial Discovery by the Working Poor" *Journal of Developmental Entrepreneurship*. Vol. 11, No. 3 255–273.
- Glaser, B. G., & Strauss, A. L. (1967). *The discovery of grounded theory: Strategies for qualitative research*. Beverly Hills, CA: Sage.
- Ismail, Y., & Mhd Sarif, S. (2011). The role of Tawhidic paradigm in the transformation of management system.
- Mohd Kamal Hassan (2010). A return to the Qur'ānic paradigm of development an integrated knowledge: The Ulū al-Albāb model. *Intellectual Discourse*, 18 (2), 183-210.
- Murphy, J. and Coombes, M. (2009). A Model of Social Entrepreneurial Discovery. *Journal of Business Ethics*, 87: 325-336
- Neergaard, H. and Ulhøi, J.P. (2007), *Handbook of Qualitative Research Methods in Entrepreneurship*, Edward Elgar, London.
- Nicholls, A. (2006), *Social Entrepreneurship: New Models of Sustainable Social Change*, Oxford University Press, New York, NY.
- Oukil, M. S. (2013) "Entrepreneurship and entrepreneurs in an Islamic context," *Journal of Islamic and Human Advanced Research*, vol. 3, no. 3, pp. 111–131, 2013.
- Robinson, J. (2006), "Navigating social and institutional barriers to markets: how social entrepreneurs identify and evaluate opportunities", in Mair, J., Robinson, J. and Hockerts, K. (Eds), *Social Entrepreneurship*, Macmillan, New York, NY.
- Sarif, S. M, & Sarwar, A (2014). The Effect of Tawhidic Paradigm on Social Entrepreneurship Education. *2nd International Conference on Management from an Islamic Perspective* (pp. 194-196). International Islamic University Malaysia: ICMIP-2.
- Schumpeter, J. (1934). *The Theory of economic Development*. Cambridge, MA: Harvard University Press
- Simon, H. A. (1951), 'A formal theory of the employment relationship', *Econometrica*, 293-305.
- Shane, S. & Venkataraman, S. (2000). The Promise of Entrepreneurship as a Field of Research. *Academy of Management Review*, 25(1), pp.217-26.
- Strauss, A. and Corbin, L (1990). *Basics of Grounded Theory Methods*. Beverly Hills, CA.: Sage.
- Strauss, A., & Corbin, J. (1998). *Basics of qualitative research: Techniques and procedures for developing grounded theory*. Thousand Oaks, CA: Sage
- Thompson J. L. (2002) The world of the social entrepreneur. *International Journal of Public Sector Management* 15(5): 412–431

- Weerawardena, J. and Sullivan Mort, G.(2006) Investigating social entrepreneurship: A multidimensional model. *Journal of World Business* 41(1): 21–35.
- Williamson, O. E. (1988). Corporate finance and corporate governance. *The journal of finance*, 43(3), 567-591.
- Vargas-Hernández, J. G., Noruzi, M. R. & Sariolghalam, N. (2010) “An exploration of the effects of Islamic culture on entrepreneurial behaviors in Muslim countries,” *Asian Social Science*, vol. 6, no. 5, pp. 120–127
- Zahra, S.A., Gedajlovic, D.O. Neubaum and J.M. Shulman, (2009). *A typology of social entrepreneurs: Motives, search process and ethical challenges*. *Journal Business Venturing*, 24: 519-532