

The governance of a university from an Islamic perspective

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Abstract

The successful operation of an organization and its sustainability are always measured by the execution of its winning strategies and least factored or caused by the effective management of the CEO and the top managers of the business organization or company. Their acumen in management were rarely discussed in many business management journals. The fact is that the top global companies are managed by the visionary CEOs had made them going up in the list of Fortune top 500. The university as an organization or company also being operated likes the business organization. If any company wants to survive in today's volatile environment, it needs to make good profit. If no profit, then the company needs to struggle a lot in order to be operating. The company then must create or develop many strategies that are better than its competitors. Universities, like other organizations were established and operated to achieve their purposes. In Malaysia, they are two kinds of universities, namely private universities and public universities. Even though their outcomes are almost the same, that is the employability of their graduates, however, the purposes of their existence are not the same. The purpose of this paper is to develop a framework of good governance from the Islamic perspective of an university for attaining the academic excellence. The review of the paper is based through the Islamization of knowledge, that is the Islamization of the governance of an organization and not through the Islamic governance view. The outcomes or the results from the framework would become guidelines for any Muslim manager or an Islamic organization that enhancing more of their Islamic image.

Introduction

The world's today is changing and the changing is very fast and volatile. What is happening today is that the world of tomorrow is different from the yesteryears. There is no such thing of not moving. What is constant for today is change. A review of recent history shows to us that so many events of "unknown unknowns" have materialized over the past two years. Who could have predicted the Arab Spring and the political and social transitions that have dominated the headlines for the past few years? Or how the tragic earthquake, tsunami, and nuclear emergency in Japan would impede the post-recession recovery of the global economy? Thus, If we do not want to change, then be prepared for the consequences and implications of what might be happening to our organizations. If we check the ranking of the global companies, we might see the changes of the ranking for every year. In Fortune Global 500, General Motors was the number one in 2000. In 2017, it was ranked 18. For year 2000, there was no Chinese companies in the top ten. But in 2017, there was three companies, namely State Grid (2), Sinopec Group (3) and China National Petroleum (4). The ranking also shows to us the few of the companies that were able to survive over times for their sustainability. Wal-Mart Sores was number two in 2000. In 2017, it was ranked number one with its revenue of USD 466b (Fortune, 2017) If we look at what is happening to companies in Malaysia, we can check or investigate of what was happening to Bank Bumiputra Malaysia Berhad. The organization was many time saved and salvaged and yet could not face the changing environment. Bank Bumiputra was incorporated in 1965 and was supposed to provide credit and financial facilities to the rural areas in Malaysia. As a government-owned bank, it was the preferred bank for deposits of state funds and it grew rapidly and became the largest bank in South East Asia. By 1980 it had become the largest bank in the country in terms of assets and was the first domestic bank to have operations in New York, London, Tokyo, Bahrain and Hong Kong. After many years of loses, the bank has to be bailed out by the government with resulting in a total loss of a few billion. In October 1999, Bank Bumiputra emerged from the Asian financial crisis and other financial problems to merge with Bank of Commerce, resulting in the biggest merger in Malaysia's banking history. It was renamed Bumiputra-Commerce Bank. In 2005, the Bumiputra-Commerce Bank was acquired by the CIMB.

Since the changing is affecting everyone and every other organizations and companies of the world, thus for Islamic organizations, it becomes unavoidable and hence should follow and adapt to the changing environment. One of the changes that is affecting our lives is the growth of Islamic banking industry. Bank Islam was the first Islamic bank set up in 1983 in Malaysia. When the Islamic banking industry was liberalised further, the market leader for Islamic banking at present and in 2017 is dominated by Maybank Islamic Berhad and is the largest Islamic bank in the Asia Pacific region. If we look at the operation of the Islamic banks, we can find many new and innovative products being offered. Islamic banking is gaining popularity in today's business environment. Islamic banking banks are not just confined to

the commercial and retail banking but also tremendously expanded in asset management through Shariah-compliant fund management. The report of the growth of Islamic banking in Malaysia by the Malaysian Reserve (2017) has shown that Malaysia is a leading country in Islamic finance for more than 30 years.

There are presently 16 fully-fledged licensed Islamic financial institutions in the country including several foreign-owned entities, while the nation's sukuk market represents over 60% of the international sukuk market share. Over the past two decades, the global Islamic financial industry has grown to register overall total assets of US\$1.88 trillion (RM8.08 trillion) as at end-2015, as per the Islamic Financial Services Industry Stability Report 2016. The World Bank and Islamic Development Bank Group's Global Report on Islamic Finance 2016 said Shariah-compliant financial products and services are now offered in 50 Muslim and non-Muslim jurisdictions worldwide. Yet, it was only in 2016 that Malaysia rose through the ranks to become the global leader in Islamic banking and Finance. As noted in the Global Islamic Finance Report 2016, the country surpassed Iran in the Islamic Finance Country Index (IFCI) for the first time since the inception of IFCI in 2011, largely due to the government's commitment to use Islamic banking and Islamic Finance as a policy tool and an integral part of the economic agenda. Bank Negara Malaysia (BNM) in a recent strategic paper noted that the market share of Islamic banks in Malaysia quadrupled from 7.1% in 2010 to reach 28% in 2016. The growth of total assets of Malaysia's Islamic banking system (IBS), comprising Islamic banks, IBS of commercial banks, and IBS of investment or merchant banks as at January 2007 stood at RM126.27 billion. Some 10 years later, as at January 2017, the figure had risen to RM584.45 billion. By June 2017, the industry's total assets reached RM610.52 billion. The local sukuk market has been registering increasing interest as well, as a source of funding alternative to the equity and conventional bond markets, in addition to being an option for Islamic investors seeking Shariah-compliant debt instruments. According to RAM Rating Services Bhd, the global sukuk issuance reached US\$22.2 billion as at end-March in 2017, of which, Malaysia led the pack with 38.5% of the lot. Outstanding global sukuk amounted to US\$346.7 billion as at end-March 2017, with Malaysia again holding the majority at 48% of the market share (the Malaysian Reserve, 2017).

Malaysia has done much to develop a Shariah-compliant ecosystem, beginning with the institutionalisation of Islamic financial players in 1980, which saw the formation of the first Shariah committee by Bank Islam Malaysia Bhd, which then became the first Islamic bank established under the Islamic Banking Act 1983. In 1997, a centralised Shariah advisory was created, including the Shariah Advisory Council, the dedicated *Muamalat* Court and several talent and knowledge institutions to nurture talents and generate knowledge. By 2007, the diversification of Islamic financial business had begun, thus requiring legal and regulatory frameworks to ensure end-to-end Shariah compliance of such ventures. Among these was the Islamic Financial Services Act 2013 (IFSA), a comprehensive legal framework building on the earlier Islamic Banking Act 1983, fully consistent with Shariah principles in all aspects of regulation and supervision from licensing to the winding-up of an institution.

The competitive rivalry of the Islamic banking is a high degree of competing among the competitors. For example, London, already a landmark of financial centre, has been making efforts to challenge traditional Islamic finance market leaders, while Dubai in recent years had announced its intention to become a hub for sukuk issuance. As BNM has pointed out, the industry's annual growth rate has reduced from double-digit to single-digit expansion. Hence, for Malaysia to maintain its number one position, it needs to move on with the winning strategies. The opinions have been made for greater broadening of the offering mindset to extend beyond compliance, to deliver value propositions not just to financial consumers, but also to the wider stakeholders within the society and economy at large. Malaysia's Islamic finance sector also needs to move beyond short-term objectives to take a long-term view, with performance measurement based on both financial as well as non-financial aspects such as people and the planet, such as green sukuk. The key stakeholders, that is consumers, employees and the public should be more proactive in implementing an impact-based approach that fosters good conduct. After all, a main principle of Islamic finance is to take on sustainable, interest-free projects with high returns to be distributed to shareholders, thus maximising the social benefits and bringing prosperity to the economy. By looking at the case of Islamic banking in Malaysia, it is a must for any Islamic company or organization to follow the Islamic paradigm of business economic. Hence, the management of the Islamic company or organization is based on the Shariah-compliant principles. Thus, it is also applied to the establishment and operation of the university of the Islamic institutions. The purpose of the paper is to examine and evaluate the practice of Islamic principles through the strategic management process.

The strategic management framework

The strategic-management process is based on the belief that organizations cannot escape themselves from the shock and brutal changes that come from the external environment. The top managers thus should continually monitor the internal and external events and trends so that timely changes can be made as needed. The rate and magnitude of changes that affect organizations are increasing dramatically. By eliminating boundaries and speeding the flow of information, e-commerce and globalization are transforming business and society to the levels that seem to be impossible or unthinkable for yesterday (Thompson, Peteraf, Gamble, Strickland, 2018). The need to adapt to these changes that had led the organizations to several significant strategic-management questions, such as, "What kind of business should we become?" "Are we in the

right field?" "Should we reshape our business?" "What new competitors are entering our industry?". Thus, some main elements of strategic management are engaging these conditions (David & David, 2017).

- Strategic management involves adapting the organization to its business environment.
- Strategic management is fluid and complex. Change creates different strategies for different and unique responses for different kinds of situations.
- Strategic management affects the entire organization by providing direction.

For the framework, the model of comprehensive strategic management contains the must-be elements of the strategic management. The writer is using the Cheomara model, that is the combination of various model and framework of learning strategic management (Azman, 2017). The model starts with the existing organization. We cannot have the model through creating the new organization. So what the present organization is having is the base for strategic management. We can take UiTM as a good example. It was established in 1956 as RIDA training center. After that it became Maktab MARA. Then when it was accorded a statutory body, it was changed to ITM. Later, in 1999, it was declared as a university. As it moves through the changing of times, the strategies also change (UiTM, n.d.). The model involves several stages or activities as shown in the Figure 1.

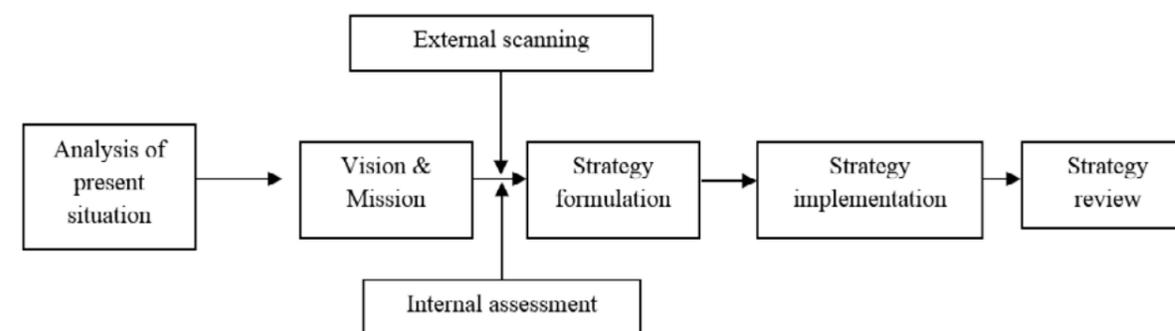


Figure 1: the Cheomara model of strategic management

The governance of the university from the Islamic perspective

The governance of the university from the Islamic perspective can be discussed through the process or steps of strategic management. For each step, the actions, the behavior and the activities of the universities and the persons accountable for it must follow the Shariah or be a shariah-compliant. For meeting the Shariah obligation, the Chief Executive Officer should be a Muslim. The present operation and strategies also should follow the Shariah-compliant policy.

1. Analysis of the present situation
2. The vision and mission statement
3. The external scanning of the industry
4. The internal assessment of the industry
5. The determination of the strategies
6. The implementation of the strategies
7. The review of the strategies

The conclusion

A university just like other organizations when administered using Shariah-compliance policy should follow the Tawhidic paradigm of management. However, the changing environment that is turbulent and volatile might affect or influence the practices of Shariah-compliant policy. Thus, the Muslim managers must be alert and be prepared to face the onslaught and brutal strategies planned and executed by their rivals, the non-Islamic organizations that which embracing the end justifies the means. For the Muslim managers, they must always practice Islam as a way of life as a servant and a caliph of Allah so that may Al-Mighty Allah bless them all and provide them the right guidance and direction in their daily lives.

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