STICKINESS IN TAWHIDIC-BASED BUSINESS POLICY FORMULATION FOR SUSTAINABLE COMPETITIVE ADVANTAGE

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ABSTRACT

Stickiness represents difficulties and challenges in any process, procedure, action and decision-making contexts. Tawhidic paradigm refers to Islamic worldview that manifests Qur’anic and Hadith influence in thought, decisions and actions. Business policy formulation reflects planning, actions and decisions of the company’s direction and strategy that generate profit and sustain competitive advantage. Tawhidic-based business policy formulation postulates sustainable competitive advantage through long term relationships with the stakeholders and beyond. Trust, integrity, consistency, have contributed to sources of competitive advantage on long term and beyond. This study argues that stickiness in the forms of old business practice, sentiments of relationship, management preferences, and management inflexibility hampered the Tawhidic-based business policy for sustainable competitive advantage. This study solicits the views of a group of 10 entrepreneurs who attended their regular meeting. The study uses manual note taking approach to record the data. The respondents argued that the shari’ah-based companies are practicing transactions and business dealings in line with the Shari’ah guidelines. The terms Tawhidic paradigm is not well known to the practitioners and other stakeholders. The results of the study contribute to the theory of the firm, sustainable competitive advantage and policy making. This study suggests the future research should use case study method to examine each entrepreneur with their enterprises.

Keyword: Stickiness, Tawhidic paradigm, Business policy

Introduction

In any business entity, sustainability in the competitive environment is essential. A business is not meant to stay for a short while (Slawinski & Bansal, 2015; Smith, 2016). The meaning of business refers to a series of transactions resulted from the offer and acceptance activities between buyers and sellers in an open market. As for business entity, it denotes purposive establishment under specific rules, legal, and social norms framework allowable to operate in the market. Thus, business and its entity suggest that they have an important role in meeting the needs and wants of the market (Lindstrom & Middlecamp, 2016). Sustainability refers to the ability of the business and its entities continue to offer and involve in business transactions in the midst of competitive environment. A clear and comprehensive road map provides the direction and position of the business in the competitive market (Toro-Jarrin, Ponce-Jaramillo & Guesmes-Castorena, 2016; Larson & Chang, 2016). Any action or reaction will have counter action and reactions from other participants in the market (Hayani, 2016; Wang & Shaver, 2016). The road map is known as strategic planning and the process to develop strategies is called business policy formulation. Nevertheless, the process is tedious and difficult.

Business policy or strategic management is a study on how strategies are developed and used in responding to the changes in the competitive environment. Strategies are dynamic due to the fast changing variables in the market (Bereznoy, 2015; Ihigo & Albareda, 2016). The changes are resulted from the actions, reactions and decisions made by market participants. All variables in the market are input for the business policy formulation process.

Market capitalism guides the business policy formulation process. All variables in the market are gathered, stored, retrieved and used in the business policy formulation process. The inputs are categorised as external and internal factors (Bereznoy, 2015; Larson & Change, 2016). External factors include political, economic, social, and technology. These factors allow managers to explore for opportunities in the market that can be grabbed by the companies (Rouhani, Ashrafi, Zare & Afshari, 2016; Moghaddaszadeh, Sarfaraz, Komijan & Shojaie, 2015).

In the mean time, managers are also cautious about the threats from the external environmental forces. These factors are not within the company’s radar of influence. Unlike internal environmental factors, which include competencies and capability of manpower in the company, company’s image and branding, financial resources, tangible resources and intangible resources, are within the control of the company. Both variables will be combined and presented in a matrix or an analysis, to explore for potential from the market in terms of profitability and risks associated with the business (Banihashemi & Rejaei, 2016).

This study argues the stickiness in business policy formulation is very complex and difficult to ascertain some variables in the market. Timing, moves, scope of operations, methods, capability, and resources are among key contributing factors to stickiness (Szulanski, Ringov & Jensen, 2016; Kang & Lee, 2016). The data about the market is not easily accessed. Managers used estimation and projection on key variables of the market to make business assumption (Banihashemi & Rejaei, 2016). Stickiness is more apparent in the process of formulating strategies. This study limits the scope of sustainability in the strategic planning stage that is how do business entities decided on approaches and strategies for the next three years in the market.
This paper is organized into a few parts. Part 1 argues on the theoretical development of the subject matter into the concepts of business policy formulation from both conventional and Tawhidic perspectives. A theoretical framework to illustrate key ideas of the paper and a propositional model for the research. Part 2 describes the research design with qualitative paradigm, its methodology, data collection and analysis. Part 3 presents the results of the study with some theoretical, practical and policy insights. Finally, the paper concludes the study into limitations, implications for theory, practice and policy, and the future research.

**Literature Review**

This section discusses key constructs of the research. It begins with business policy, then to market paradigm, stickiness, sustainable competitive advantage and Tawhidic paradigm. Later, the study synthesizes the literature into propositional framework of the research.

**Business Policy**

Business policy studies allow policy and decision makers to have focus in the decisions and actions. Formulation is an act of putting a few things into contexts so that it facilitates the decisions and actions (Amit & Schoemaker, 1993; Leonardi, 2015; Arnaud, Mills, Legrand, & Maton, 2016). A systematic and rational thinking guides the process (Baron, Mueller, & Wolfe, 2016; Farkas, 2016). The whole process leads to reasonably articulated decisions and actions (Rouhani et al., 2016; Moghadaszadeh et al., 2015).

An articulated studies requires systematic approach. According to Gamble, Peteraf, & Thompson (2015), business policy process has three basic stages. Firstly, the formulation. It involves gathering input from the contexts, analysing the input with specific instruments, and producing several choices to be recommended. Secondly, the execution. The choice of decision to be taken is matched with the contexts of operations, namely the staffing, the structure of organization, the development of capacity. A standard which includes guideline, procedure and policy, is developed to reinforce the implementation (Albert & Grzeda, 2015; Leonardi, 2015). Finally, the strategy evaluation. The three stages are implemented simultaneously and highly contextual (Rouhani et al., 2016; Moghadaszadeh et al., 2015). The target and the actual are compared for any discrepancies so that correction and improvement can be made (Baron et al., 2016; Farkas, 2016). Figure 1 summarizes the three basic stages of business policy process.

![Figure 1: Three stages of business policy process](image)

Thus, this study argues business decision makers have own business policy approach in formulating decisions and actions that can sustain business for the next three to five years.

**Market Paradigm**

Market paradigm has its own evolutionary experience. Indeed, changing paradigm from market capitalism to social and conscious capitalism guided by spirituality and universal social values (Cater, Collins, & Beal, 2016; Werhane & Bevan, D., 2015). Business paradigm can be divided into for-profit, for non-profit, and for community interest (Haddad, Ayala, Uriona, Forcellini & Lezana, 2016; Vissel, 2016; Knowles, Greathanks & Manville, 2016). The categorization does not reduce the importance and uniqueness each establishment. These entities are guided from different degree of mind, which includes thinking, paradigm, values and philosophy. Figure 2 summarizes the three categories of paradigms based on the establishment nature.

![Figure 2: Three categories of paradigms](image)
Managerial thinking on managing different types of entities is highly contextual. Haddad et al (2016) argued that the changing paradigm from purely profit to social ends due to the changing of external variables in the market. Vissle (2016) pointed that the public has a say in regards as active economic participants or as passive participants in the economy. Indeed, Knowles et al (2016) emphasized that the main thinking for for-profit is to maximize profit as much as possible (with emphasis on cost minimization). As the non-profit, the main objective is to serve the objective of the organizations (Albert & Grzedz, 2015; Arnaud, Mills, Legrand, & Maton, 2016). The most recent is for community interest, a combination of profit and social ends.

Thus, this study argues that market paradigm influences business decision makers in formulating decisions and actions that can sustain business for the next three to five years.

**Stickiness**

Stickiness represents difficulties and challenges in any process, procedure, action and decision-making contexts. Stickiness has been part of the business policy process. It is done to maximize profit and minimize cost (Amit & Schoemaker, 1993). In each activities, stickiness can contribute to cost and opportunity losses (Szulanski, 1996), reduction of capability (Day, 1994), reducing competitiveness (Grant, 1996), inhibiting dynamism (Porter, 1991), and more confusions (Priem & Butler, 2001; Spender, 1996; Helfat & Peteraf, 2003). Figure 3 illustrates stickiness in cost minimization into resources, capabilities and competitiveness.

Figure 3 illustrates stickiness in cost minimization into resources, capabilities and competitiveness


Thus, this study argues that stickiness presences cost minimization concerns of business decision makers in formulating decisions and actions that can sustain business for the next three to five years.
Sustainable Competitive Advantage

In competitive market, firms offer uniqueness and superior values to outcompete rivals. The market defines uniqueness and superiority in values. Indeed, the offers must be perceived as valuable to the market (Peteraf, 1993; Amir & Zott, 2001; Grant, 2016). The offer and counter offer exchanges among sellers have resulted in competitiveness. The basis for competitive advantage is the ability of firms to create, use, enhance and sustain the unique capabilities into profitability and sustainable competitive advantage (Peteraf, 1993; Grant, 2016). In fact, there is no short cut for creating, gaining and sustaining competitive advantage (Eisenhardt & Martin, 2000; Birkinshaw, Zimmermann & Raisch, 2016). All players in competitive market must act with proactive and reactive manners.

Sustainability refers to the ability of the firms remain competitive in the market with the resources, capability and uniqueness. The scope of competition varies by industry. Firms must possess the capability (Eisenhardt & Martin, 2000; Amir & Zott, 2001) that can be transferred and absorbed (Zahra & George, 2002) on continuous basis (Feng, Morgan, & Rego, 2016). In short, sustainable competitive advantage requires resources, capabilities and competitiveness to be valuable, rare, inimitable and non-substitutable.

Thus, this study argues that stickiness influences business decision makers in formulating sustainability for the business in the next three to five years.

Tawhidic Paradigm

Tawhidic paradigm refers to Islamic worldview that manifests Qur’anic and Hadith influence in thought, decisions and actions. Business policy formulation reflects planning, actions and decisions of the company’s direction and strategy that generate profit and sustain competitive advantage. Tawhidic-based business policy formulation postulates sustainable competitive advantage through long term relationships with the stakeholders and beyond (Ishak, Osman, Din & Manan, 2016; Sarif, 2014). Trust, integrity, consistency, have contributed to sources of competitive advantage on long term and beyond. This study argues that stickiness in the forms of old business practice, sentiments of relationship, management preferences, and management inflexibility hampered the Tawhidic-based business policy for sustainable competitive advantage.

Business policy with Tawhidic paradigm harmonizes market driven paradigm with faith-based thinking driven by revelation. Indeed, market rationalized efficiency and effectiveness into optimization of resources for better output for the society (Gupta & Govindarajan, 1984; Cobin & Slevin, 1989; Lumpkin & Dess, 1996; Baron et al, 2016; Farkas, 2016). Sarif (2014) argued that business policy has some degrees of Tawhidic paradigm in the process. While accepting the market rationalization of formulating strategy, a deep thinking is emphasised in Tawhidic paradigm in terms of sustainability. Notably, the governance, leadership, ethics, integrity, and sustainability are common for both paradigms. The Tawhidic paradigm emphasizes on the ethical leadership in the strategy implementation is essential (Nabi & Sarif, 2015). In fact, managers and decision makers combine deep thinking with wisdom and experience into a situation called Ulū Al-Albāb (Sarif, 2015d). The thinking that driven by Tawhidic paradigm into Ulū Al-Albāb enables managers to be comprehensive, rigorous and dynamic (Sarif, 2015d).

Sustainable competitive advantage under Tawhidic paradigm enables synergy and energy (Sarif, Sarwar & Ismail, 2015). The driver for competitiveness under Taawun (Sarif, 2015a), Fastabiqul khairat (Sarif, 2015b), tawhidic-linked experience (Sarif, 2015c), and Ulū Al-Albāb (Sarif, 2015d). Shari‘ah principles guides the business processes (Mahyudi, 2015).

Figure 4 presents the propositioned framework for the study.
Based on the discussion, the study uses the following questions as basis to solicit the views of the respondents. The questions are derived and supported by previous studies. Table 1 summarizes the interview questions and sources from literature or studies.

Table 1: Interview Questions and Sources from Literature/Studies

<table>
<thead>
<tr>
<th>Questions</th>
<th>Supported by literature/studies</th>
</tr>
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<tbody>
<tr>
<td>Do you use any model to generate profit for your business? Explain your answer.</td>
<td>Do business not for a short time (Slawinski &amp; Bansal, 2015). Basic in business is profit (Smith, 2016).</td>
</tr>
<tr>
<td>Do you do strategic planning? Explain your answer.</td>
<td>Strategic planning is necessary (Eisenhardt &amp; Martin, 2000). As basis for competitiveness (Birkinshaw, Zimmermann &amp; Raisch, 2016).</td>
</tr>
<tr>
<td>How many people participate in your strategic planning? Explain your answer.</td>
<td>The process is dynamic and involved many parties (Rouhani et al., 2016). The number of people depends on nature of business/industry (Moghaddasazadeh et al, 2015; Baron et al, 2016; Farkas, 2016)</td>
</tr>
<tr>
<td>Why do you do strategic planning? Explain your answer.</td>
<td>Strategic planning is necessary (Eisenhardt &amp; Martin, 2000). As basis for competitiveness (Birkinshaw, Zimmermann &amp; Raisch, 2016). Reasons for strategic planning (Feng, Morgan, &amp; Rego, 2016)</td>
</tr>
<tr>
<td>Do you feel down when your plan does not work? Explain your answer.</td>
<td>Endurance in competitive environment (Haddad et al, 2016). Many involvement (Vissle, 2016) with purposes (Knowles et al (2016; Albert &amp; Grzeda, 2015; Arnaud, Mills, Legrand, &amp; Maton, 2016)</td>
</tr>
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</table>

These factors are generic in nature and applicable in market economy regardless of the intervention of the government. The government intervention in market economy allows for checks and balances. According to Fike & Gwartney (2015), the presence of government facilitates the market to optimize choices and attract the market to optimise purchasing power. Fuchs & Skrzypacz (2015) argues that government interventions in market economy is necessary to strike a balance. The corporate failure leads to market failure too (Kirchner & van Wijnbergen, 2016). This situation facilitates business sustainability (Kirchner & van Wijnbergen, 2016).

Ho, Ahmad & Ramayah (2016) argues that Malaysian economy is resilient to cope with the global pressures despite the global and regional pressures. There are major work done to produce and implement new economic orientation. With many economic policies, institutions and instruments allow greater participation. Indeed, Thillainathan & Cheong (2016) contended that more opportunities are available in the market intervened economy. All these contribute to competitive advantage in Malaysian economy (Bicen & Johnson, 2016).

**Methodology**

The main purpose of this study is to explore the presence of stickiness in business formulation process in actual enterprises. Theoretically, stickiness inhibits effective business formulation process. This study uses qualitative research method due to the nature of the research that requires comprehensive and detail answer (Flick, 2009; Santangelo & Graham, 2016). With specific group of respondents and detail answer allows for more concepts and contribution to the research (Flick, 2009).

Prior to the actual interview, the study conducted a pilot study with subject matter experts from academics and industry to verify the validity and reliability of the questions. Since this study is qualitative study, the study sought the experts (1 academician and 1 practitioner) for verification of validity and reliability of the interview questions. According to the Academician, the questions are acceptable to start the conversation with the respondents. Sometimes, the researcher needs to explain to them. However, the practitioners argued that normally researchers will get “Yes” or “No” answer. However, if the researcher could provide clue of hints, that will be better off. Practitioners have to other things to do.

This study solicits the views of a group of 10 entrepreneurs who attended their regular entrepreneurship meeting conducted by a national level non-governmental organization. The purpose of the meeting is to learn, share and help among the entrepreneurs. The selection of the respondents is based on convenient basis.

In the meeting organized by the NGO, about 30 entrepreneurs attended from various industries and places in Malaysia. Although the meeting lasted for two hours, some participants declined to be respondents. Those entrepreneurs who agreed to be respondents were contacted after the meeting. Each personal interview lasted between 30 to 40 minutes.
Due to ethical requirement, as requested by the respondents, the study uses manual note taking approach to record the data instead of audio or video tape record. The use of note taking is convenient, less distraction and friendly to the respondents (Muller & Oppenheimer, 2014) and allows for detail analysis (Santangelo & Graham, 2016).

Findings And Discussion

The respondents were asked the following questions.

- a) Do you use any model to generate profit for your business?
- b) Do you do strategic planning?
- c) How many people participate in your strategic planning?
- d) Why do you do strategic planning?
- e) Do you feel down when your plan does not work?
- f) Do you approach friends?
- g) Do you engage with consultants?

These questions are derived from the literature and have been verified for its validity, reliability and consistency in the pilot study with academics and practitioners.

There are various sources of stickiness experienced by the 10 entrepreneurs in formulating business policy yet reduced by some elements of stickiness. The stickiness derived from personal, networking, organizational, and environmental. The highest contribution is from personal and networking.

When the respondents were asked to provide model in generating profit, most of them responded to the linear or typical approach such as business plan, business canvas model, and some proven techniques. Likewise, when they were asked about strategic planning, ad-hoc planning, customized planning and standby planning became their preferences. The findings are in line with the market rationalized efficiency and effectiveness into optimization of resources for better output for the society (Gupta & Govindarajan, 1984; Cobin & Slevin, 1989; Lumpkin & Dess, 1996; Baron et al, 2016; Farkas, 2016).

The situation became difficult when membership of strategic planning remains the managers and owners. The emotional aspects about business policy formulation is variety and not stable. The findings meant that stickiness in personal and organizational are related to dynamism of the companies (Peteraf, 1993; Amir & Zott, 2001; Grant, 2016). The basis for competitive advantage is the ability of firms to create, use, enhance and sustain the unique capabilities into profitability and sustainable competitive advantage (Peteraf, 1993; Grant, 2016).

The answers from the respondents are summarized based on thematic content analysis.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Answers</th>
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<tbody>
<tr>
<td>Do you use any model to generate profit for your business? Explain your answer.</td>
<td>E1: Not sure. Just basic arithmetic. Income and expenses.</td>
</tr>
<tr>
<td></td>
<td>E2: Business plan. Easy to map out business value and return.</td>
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<tr>
<td></td>
<td>E3: Business canvas technique. A matrix to illustrate business activities with customers and profit.</td>
</tr>
<tr>
<td></td>
<td>E4: Own model. Mixture of various business models by successful entrepreneurs.</td>
</tr>
<tr>
<td></td>
<td>E5: Business technique with some experience.</td>
</tr>
<tr>
<td></td>
<td>E6: Typical business plan. Easy to see income and expenses.</td>
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<tr>
<td></td>
<td>E7: A combination of book and street smart.</td>
</tr>
<tr>
<td></td>
<td>E8: Customized business model. Best practices of successful business models.</td>
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<tr>
<td></td>
<td>E9: Business model for our own business.</td>
</tr>
<tr>
<td></td>
<td>E10: Normal business model.</td>
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<tr>
<td></td>
<td>E2: Normal strategic planning. To jive with Business plan. A road map.</td>
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<tr>
<td></td>
<td>E3: A must to have one. A road map.</td>
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<tr>
<td></td>
<td>E4: Own planning.</td>
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<tr>
<td></td>
<td>E5: Always have one.</td>
</tr>
<tr>
<td></td>
<td>E6: Typical strategic planning.</td>
</tr>
<tr>
<td></td>
<td>E7: Travelogue based strategic planning like road map for travel.</td>
</tr>
<tr>
<td></td>
<td>E8: Customized version strategic planning.</td>
</tr>
<tr>
<td></td>
<td>E9: Own planning</td>
</tr>
<tr>
<td></td>
<td>E10: Necessary to have road map for business.</td>
</tr>
<tr>
<td>How many people participate in your strategic planning? Explain your answer.</td>
<td>E1: With partners and a few people. Around 5.</td>
</tr>
<tr>
<td></td>
<td>E2: 3 to 5. Partners and investors</td>
</tr>
<tr>
<td></td>
<td>E3: 3. Partners and managers</td>
</tr>
<tr>
<td></td>
<td>E4: 3 to 5. Mainly partners and managers</td>
</tr>
<tr>
<td></td>
<td>E5: minimum 2. Mainly partners</td>
</tr>
<tr>
<td></td>
<td>E6: Everyone in the enterprise</td>
</tr>
</tbody>
</table>
| E7: Key stakeholders of the business  
E8: Partners and Managers (3-5 people)  
E9: Everyone in the enterprise (around 3)  
E10: Everyone |
|---|
| **Why do you do strategic planning? Explain your answer.**  
E1: Yes, in traditional way.  
E2: As per book.  
E3: Definitely. Chart the roadmap of company  
E4: Very tedious, yet necessary.  
E5: Very descriptive, with time line.  
E6: Available at the top  
E7: Master plan for the company with annual budget  
E8: As usual strategic plan matrix.  
E9: Very comprehensive one.  
E10: Customized version of strategic planning. |
| **Do you feel down when your plan does not work? Explain your answer.**  
E1: Acceptance is high when we ventured business  
E2: Sometimes, but quickly recover.  
E3: Normal in business, ups and down. But must wake up.  
E4: Sometimes, but not all the times.  
E5: Always contend with it.  
E6: Optimistic about any outcome  
E7: Always prepared for any possibility  
E8: Yes. But can recover.  
E9: Yes. But with team.  
E10: Yes. |
| **Do you approach friends? Explain your answer.**  
E1: Professional organization and consultants  
E2: Yes, more than that  
E3: Always. NGO for entrepreneurs also friends  
E4: Yes, entrepreneurs in the networking  
E5: Yes  
E6: Yes  
E7: Sometimes  
E8: Sometimes  
E9: Not sure. This NGO is good.  
E10: NGO |
| **Do you engage with consultants? Explain your answer.**  
E1: Yes. For confidence and integrity  
E2: Yes. Professionalism  
E3: Sometimes  
E4: No, NGO will do.  
E5: Not sure.  
E6: No experience yet.  
E7: Not necessary  
E8: Always.  
E9: Sometimes  
E10: Depends on situations |

The respondents argued that the *shari’ah*-based companies are practicing transactions and business dealings in line with the *Shari’ah* guidelines. The terms Tawhidic paradigm is not well known to the practitioners and other stakeholders.

The results of the study contribute to the theory of the firm, sustainable competitive advantage and policy making. Figure 5 shows stickiness elements obtained from the respondents.

**Figure 5:** Stickiness elements obtained from the respondents
Conclusion
This study finds stickiness in personal, organizational and contexts that reduces the process of business policy formulation. Although the Tawhidic paradigm refers to Islamic worldview that manifests Qur’anic and Hadith influence in thought, decisions and actions, the worldview of respondents limited to the personal and organizational circles. While business policy formulation is essential, the combination of market-based and Tawhridic-based business policy formulation are able to reduce the impact of personal and organizational stickiness. This study finds stickiness is a concept to illustrate difficulties and challenges. Business objective is to optimize for efficiency and effectiveness. Although the intention is good. But contexts makes the energy less in producing business policy within complex, dynamic, yet aim at profitability and sustainability. This study suggests the future research should use case study method to examine each entrepreneur with their enterprises.

References


