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Developing Principles of Maqashid Sharia for Sustainability Engagement in Digital Business

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Abstract

The history of corporate technological advancement has been marred by failed attempts that solely focus on technology without considering broader strategic decision-making areas. From the perspective of the digital era, digital transformation emphasizes fundamental changes in the world due to the pervasive nature and proliferation of digital technology. As digital transformation becomes one of the most talked-about topics in the business world today, many companies struggle to understand new digital technologies. Therefore, efforts are needed to develop digital businesses through the analysis of Sharia Magashid principles. This is necessary to support the sustainability of digital businesses for the future. Using a qualitative method, this article examines the conceptual aspects of digital business and Sharia Magashid principles. Thus, it is found that the objectives of Sharia Magashid can be fulfilled if the marketing methods and digital business products sold do not influence or disrupt the faith of others. The entire process of digital business activities is based on the legality of halal and haram. Digital business products sold must also ensure the preservation and protection of the environment.

Keywords: Digital Business; Sustainability; Sharia Maqashid.

Abstrak

Mengembangkan Prinsip Maqashid Syariah untuk Keterlibatan Keberlanjutan dalam Bisnis Digital. Sejarah kemajuan teknologi perusahaan telah diganggu oleh upaya gagal yang hanya berfokus pada teknologi tanpa mempertimbangkan bidang pengambilan keputusan strategis yang lebih luas. Dari perspektif era digital, transformasi digital menekankan perubahan mendasar

di dunia karena sifat meresap dan proliferasi teknologi digital. Karena transformasi digital menjadi salah satu topik yang paling banyak dibicarakan dalam dunia bisnis saat ini, banyak perusahaan yang mengalami kesulitan dalam memahami teknologi digital baru. Oleh karena itu, diperlukan upaya pengembangan bisnis digital melalui analisis dari prinsip maqashid syariah. Hal ini diperlukan dalam rangka mendukung keberlanjutan bisnis digital untuk masa depan. Menggunakan metode kualitatif, artikel mengkaji konseptual dari aspek bisnis digital dan prinsip maqashid syariah. Sehingga diperoleh hasil bahwa tujuan maqashid syariah bisa terpenuhi jika cara memasarkan dan produk bisnis digital yang dijual tidak mempengaruhi dan menganggu iman orang lain. Seluruh proses aktivitas bisnis digital di dalamnya dilandasi legalitas halal-haram. Produk bisnis yang dijual secara digital juga harus dipastikan menjaga dan melindungi lingkungan.

Kata kunci: Bisnis Digital; Keberlanjutan; Maqashid Syariah.

A. Introduction

Digital transformation has become a major topic for companies worldwide (Fitzgerald, 2013; Kane, 2015; Kaufman & Horton, 2015; Von Leipzig, 2017). It is estimated that companies unable to adapt to the digital world will inevitably fall victim as old companies disappear, and only those most capable of adapting, responsive to technological trends, will survive and remain in the competitive landscape (Schwartz, 2001). However, the history of corporate technological advancement has been marred by failed attempts that solely focus on technology without considering broader strategic decision-making areas (Kane, 2015). Currently, there are many examples of organizations unable to keep up with the new digital era, and managers still lack clarity on strategic considerations in their digital transformation efforts (Hess, 2016; Matt et al., 2014).

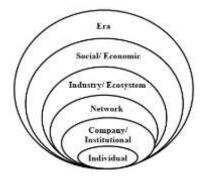


Figure 1. Digital Transformation Perspectives in The Literature

From the perspective of the digital era, digital transformation emphasizes fundamental changes in our world due to the pervasive nature and proliferation of digital technology (Anderson & Lanzolla, 2010). De-materialization can be said to have achieved goals based on three previous things, but using new digital technology with "full force", where the development and diffusion of innovation are much faster than before (Schwab, 2016). The new global economy, characterized by dynamism, adaptation, and intense competition, is evolving, and the foundation for success lies in embedding knowledge, technology, and innovation into products and services (Atkinson, 2005). Furthermore, the new concept of a circular economy or sharing economy shifts the linear resource take-make-dispose model to a model where new flows of material, energy, labor, and information interact and drive an economy that is restorative, regenerative, and more productive (Schwab, 2016).

From an academic perspective, digital transformation is a fragmented field due to diverse and varied research areas, such as digital transformation in society, industry, economy, and individuals (Ismail et al., 2017). Recent work related to digital business transformation largely focuses on investigating the challenges, drivers, and failures of previous efforts. Although the crucial role of specific strategies has been acknowledged in the literature, it is still in its early stages, requiring deeper efforts to fully understand how transformation can be achieved (Hess, 2016; Kulatilaka & Venkatraman, 2001; Matt et al., 2014; Yoo et al., 2010).

In recent years, digitally-enabled business models and markets have been designed in the context of institutional and social changes brought about by social innovations such as the circular economy. The main issue for designing digital business models in these dynamic socioeconomic conditions and ecological environments is thus achieving balanced, inclusive, and equitable sustainability. Likewise, science is seeking theories that can help understand the factors crucial for ensuring the success of companies and their network partners when operating in the digital economy. In recent years, scholars have become increasingly interested in the concept of sustainability in the context of digitalization and digital companies (Ghobakhloo, 2020).

Research on business models in the field of information systems is primarily related to e-business and e-commerce. The core logic of organizations is to create value. Business models for profit-oriented companies explain how they generate revenue. Business models depict the business system logic for creating value underlying the actual process. Efforts have been made to develop appropriate classification schemes. For example, definitions, taxonomies, and classifications into technology-related business models have been specifically designed for electronic markets and internet commerce (Afuah & Tucci, 2001; Alt & Zimmermann, 2001;

Gordijn et al., 2005; Gordijn & Akkermanns, 2001; Pateli & Giaglis, 2003), and some researchers have applied the concept of business models to other domains, including information systems (Hedman & Kalling, 2003) and the mobile technology sector (Haaker et al., 2006; Kallio et al., 2006).

As digital transformation becomes one of the most talked-about topics in the business world today, many companies, especially small and medium-sized enterprises, struggle to understand new digital technologies as well as their potential benefits and risks for their companies. New technologies such as the Internet of Things, Blockchain, Cloud Computing, Robotics, Mobile Technology, and Machine Learning have great potential for businesses (Kinitzki et al., 2018). This article is reviewed using a qualitative method, consisting of a conceptual review of digital business aspects and Sharia Maqashid principles. The purpose of this article is to analyze Sharia Maqashid principles in the development of sustainable digital businesses. It aims to causally link business model components with digital technology characteristics. It also results in a better understanding of the impact of technology on digitally driven business models.

B. Discussion

1. Digital Business Models for Sustainability

The concept of business models has become one of the most important domains in the field of Information Systems (IS), thanks to rapid advancements in Information and Communication Technology (ICT) (AI-Debei et al., 2008). Unlike the previous traditional business world characterized by stability and low levels of competition, the evolving digital business world is complex, dynamic, and marked by high levels of uncertainty and competition. For example, designing business models for Cellular Network and Telecommunication Operators (CNTO), as part of the value network, is a complex endeavor that requires many actors to balance varying and often conflicting requirements (Haaker et al., 2006). Additionally, regulations governing the traditional business world are being questioned in this evolving digital business. Traditionally, this investment was seen as a strategic entry barrier. However, internet and mobile technologies have offered new ways of doing business, such as e-commerce and e-marketplaces, which do not have high entry barriers. The need for physical assets, for example, is still less visible. Porter (2001) argues that the influx of newcomers has come to many industries because the Internet has reduced entry barriers.

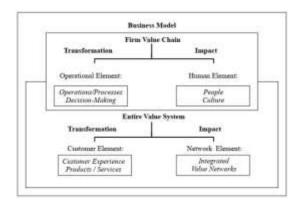
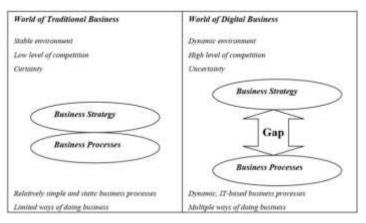


Figure 2. Digital Transformation Content

Transformational dimensions in the digital era, as depicted in Figure 5, are important to note that we distinguish between areas intentionally transformed by the company and areas desired to be transformed by the company, which are impacts of the transformation process. The development of digital technology has opened the door to potential business opportunities, enabling organizations to create new business models (Hess, 2016; Kane, 2015; Kaufman & Horton, 2015; Matt et al., 2014; Singh & Hess, 2017). This transformation comes in varying scales, ranging from digital modifications to existing businesses to the creation of entirely new digital business models (Daimler, 2017; Westerman et al., 2014). We utilize the value chain and corporate values (Porter, 1991; Porter & Kramer, 2006).





The main reason behind this confusion is the shift that the business world has undergone from traditional ways of doing business to the new way of doing digital business, which is fraught with high-level complexity and rapid changes (see Figure 1). This new world of digital business has created a gap between business strategy and business processes. Translating business strategy into business processes has now become a greater challenge (AI-Debei et al., 2008). Therefore, business models have become renowned as conceptual alignment tools to bridge the gap created in this digital business world. The use of business models facilitates alignment between business strategy and business processes because these models represent the interface or theoretical intermediary layer between the two. Additionally, these business models enhance the control of digital business managers over their businesses, enabling them to compete better due to the appropriate and necessary level of information provided by the business model. This level of information also expands the knowledge of digital business managers on how business organizations will adjust their strategies, business models, and business processes to address the complex, uncertain, and rapidly changing digital environment. Thus, there is an increase in the organization's ability to achieve its strategic goals and objectives. This is because the information offered by the business model is not overly aggregated, as in the case of business strategy, and also not overly detailed, as in operational business process models (Al-Debei et al., 2008).

In current theory and practice, there are at least three distinguishable approaches to sustainability (Jabłoński et al., 2020). The first approach is the Triple Bottom Line (TBL). TBL is often used by organizations crafting sustainability strategies using stakeholder analysis, corporate social responsibility (CSR), and seeking mutually beneficial opportunities. The business model strives for a balance of ecological, social, and economic factors. TBL can be a differentiator by providing a competitive advantage for companies. For example, organizations can build a business case by incorporating environmentally friendly products into their product portfolio, engaging in activities that have a positive impact on environmental protection, and maintaining a balance among stakeholders. Business cases may also include improvements in the organization's image, brand, and reputation. The circular economy is a policy adopted by many countries worldwide, aiming to balance sustainability at broader regional and national levels. The circular economy drives innovation in materials, component and product reuse, and supports new TBL business models.

The second approach is based on the assumption of sustainable business model. In this holistic approach, no sustainable value can be created for customers without creating value for broader stakeholders (Boons et al., 2013; Lüdeke-Freund, 2010; Schaltegger et al., 2016). It also encompasses management approaches aimed at achieving fair success for employees. This topic is widely developed in the literature and is highly focused on the social dimension of sustainability (Jabłoński et al., 2020).

The third approach discusses specific economic sustainability aspects combined with emerging approaches. Collaborative economic business models enabled by the digital economy.

It is crucial for the sustainability of these business models to consider issues such as social, ecological, and labor regulations, which may be captured in legal requirements but also in social norms and values. The concept of collaborative economy becomes more prevalent as societies become closer through internet networks. Sustainability to build competitive advantage is also an ethical approach to building markets, supporting innovation, solutions that positively impact society, and creating social value. In general, various sustainable business models are being created, which are also adequate to face the challenges of the digital economy ((Bocken et al., 2014; Centobelli et al., 2020).

Companies are increasingly realizing the need to incorporate sustainability elements into their business models. This can range from simple environmentally friendly tactics to the inclusion of environmentally friendly elements in the company's business model. The development of sustainable business activities often requires structural changes based on the integration of market and non-market strategies (Jakobsen & Clausen, 2016). An important aspect to facilitate structural changes is innovation (Schumpeter, 2010). Scientific literature from various different fields indicates that ecological motivation often shapes the process of implementing environmental commitments; this research also notes that the internal organizational context (Bansal & Roth, 2000; Lopez-Rodriguez, 2009) and external factors play a crucial role. Moyano-Fuentes et al. (2018) describe the dynamics of internal organizational levels and the reasons for external institutional contexts.

Managers develop internal organizational activities through enhancing technological capabilities with the aim of reducing costs, limiting resource consumption, improving energy efficiency, and reducing resources wasted due to pollution (Cainelli et al., 2015; Costa-Campi et al., 2015; Cuerva et al., 2014; Horbach, 2008). One of the most common activities is process innovation, which companies apply to enhance their competitive position, eliminate unnecessary costs, and reduce implementation time (Davenport, 1993). In the external context, from a normative-rational perspective, managers consider the characteristics of the business environment (Aragon-Correa & Sharma, 2001), being sensitive to increasing pressure from various stakeholders (Mazzanti & Zoboli, 2009; Siegel, 2009) in the form of normative, mimetic, and coercive pressures (Campbell, 2007; Lannelongue et al., 2014; Rothenberg & Zyglidopoulos, 2007), which ultimately result in proactive environmental behavior by companies (Bellucci et al., 2020).

2. Application of Maqashid Sharia Principles in Digital Business Sustainability

Maqasid Sharia originates from two words: maqashid and shariah. Maqashid means to adhere firmly, lean towards, or aim for (Munawwir, 1997). Maqashid is a branch of Islamic knowledge that explains the wisdom behind the existence of Islamic religious laws ('Auda, 2013). Meanwhile, shariah, according to As-Syatibi, means a source of water or can be interpreted as a path towards righteous living. In the book al-Muwafaqat, Al-Syatibi mentioned that maqashid shariah is the purpose of the law derived from Allah SWT. According to Syaltout and Sayis, the essence of shariah means a set of laws from God for mankind to attain happiness in both the world and the hereafter (Syah, 1992). Maqashid Shariah is often referred to as the goal of Islamic law in establishing its laws for the welfare of all mankind.

According to Imam Asy-Syatibi, there are five forms of maqashid shariah. These five forms are also referred to as the five general principles or kulliyat al-khamsah. Each form has two divisions, namely in terms of existence or preservation and in terms of absence or prevention. These five forms of maqashid shariah (Gustanto, 2022) are as follows:

a. Shariah Objectives for Protecting Religion (Hifdz Din)

The form of shariah objectives for protecting religion is the right to embrace and believe in a religion freely and without interference. Examples of preservation include performing prayers and giving zakat. Meanwhile, in terms of prevention, it is done through jihad or punishment for apostates.

b. Shariah Objectives for Protecting Life (Hifdz Al-Nafs)

The form of shariah objectives for protecting life is the principle stating that a human being should not be harmed, injured, let alone killed. Examples of its application include eating and drinking. Whereas in terms of prevention, it is done through qisas (retaliation) and diyat (blood money).

c. Shariah Objectives for Protecting the Mind (Hifdz 'Aql)

The form of shariah objectives for protecting the mind or intellect. From this perspective, anything that causes the loss of intellect is prohibited. This includes consuming drugs or alcohol. Also included in this is the freedom to express opinions safely for everyone. Examples of its application in terms of preservation include eating and seeking sustenance. While in terms of prevention, it is done by enforcing laws against drug consumers.

d. Shariah Objectives for Protecting Wealth (Hifdz Maal)

Shariah objectives for protecting wealth ensure that everyone has the right to own property, and seizing it from others is prohibited. Whether in the form of theft, corruption, and so on. Examples of its application are through buying and selling and seeking sustenance. Whereas prevention is done through cutting off the hand of a thief and avoiding usury.

e. Shariah Objectives for Protecting Progeny (Hifdz An-Nasl)

Shariah objectives for protecting progeny make adultery forbidden because it can have negative impacts. Whether biologically, psychologically, economically, socially, lineage, inheritance law, and so on. Therefore, its preservation is done in the form of marriage, while prevention is done by enforcing laws against those who commit adultery and those who accuse others of adultery without evidence.

Scholars have different views in classifying the maqashid (objectives) of Shariah. The classification of laws in Islamic jurisprudence is divided into three objectives: Tahdhib al-Fard (Educating the individual); Iqamah al-`Adl (Establishing justice); and Jalb al-Maslahah (Promotion of public interest). Abdul Majid Najjar's concept of maqashid shariah presents a broader and more effective concept by dividing it into four objectives: securing the value of human life (faith and human rights), securing human self (human dignity and intellect), securing society (offspring and human entities), securing the environment (wealth and ecology) (Gustanto, 2022).

The primary objective of Islamic economics is the maqashid al-syariah itself, which is the attainment of happiness in this world and the Hereafter (falah) through a good and honorable way of life. This is the true prosperity that requires protection of faith, knowledge, life, progeny, and wealth (QS AI-Baqarah: 201). This concept of falah is comprehensive, covering spiritual, moral, and worldly well-being, as well as success in the Hereafter. Falah is the general objective of Shariah (maqashid al-syariah al-ammah) in Islamic economics. As for its specific objectives (maqashid syariah al-khassah), they stem from the instruments of Islamic economics themselves. For example, zakat. Zakat is a tool of social justice aimed at purifying the muzzaki (payer of zakat) and fostering solidarity with their needy brethren (Nurizal, 2021).

The role of maqashid al-shariah in the development of Islamic economics can provide a comprehensive understanding in its discussion. This role can be realized through the maqashid al-khamsah, which are preserving religion, life, progeny, intellect, and wealth. The role of religion

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occupies the first position, manifested in the form of faith. Faith provides a comprehensive perspective on human personality, balancing material and spiritual drives. Faith for a Muslim is like a car, a source of mechanistic power driving all its organs with their tasks. If faith is nurtured and maintained, it will have a significant impact on humans such as building high awareness and loyalty to duties and responsibilities, preventing wrongdoing, eradicating falsehood, and balancing between personal and social interests. The realization of this form of faith is manifested in obedience to the commands and prohibitions of Allah SWT (Islamic values). When Islamic values are implemented properly, they will create a just and prosperous economic system (Gustanto, 2022; Nurizal, 2021).

The structure of industries and business models is being disrupted by innovation in new products and services, changes in cost structures, decreased barriers to entry, and shifts in value groups. Companies need to rethink how to create, distribute, and capture value in this new environment. Navigating this requires holistic and sustainable insights and intelligence (*World Economic Forum*, 2019). Digitization has brought about a transition for most businesses. The accelerating pace associated with digitization is impacting organizations worldwide. Digital technology shapes the day-to-day life of every organization. Across industries, the business world, and the private sector, digitization has become a major phenomenon where traditional products are replaced with digital products or at least complemented with new digital features. In many sectors, it is already clear that digitization not only enhances products, services, and production processes (Prem, 2015).

Digitization is a megatrend in its early stages, posing threats to existing businesses while promising vast opportunities (Muthuraman, 2020). The process of digitization has become part of every aspect of business, significantly impacting business growth and sustainability. A significant challenge of digitization is that it is not limited to any specific industry or business (Bleicher & Stanley, 2016). To avoid profitability erosion and make effective decisions, companies need to understand the significance and scale of the changes brought about by digitization. Business models need to be adapted to integrate this rapidly evolving digital process and translate it into economic value and success (Bleicher & Stanley, 2016).

Sustainability issues in business models in the digital economy are currently crucial (Jabłoński et al., 2020). Companies are increasingly expected to make positive contributions to societal life, to the broader economic and social ecosystem, and to the protection of natural resources, combating climate change, all considered for the sustainability of the planet. The changing expectations and evolution of digital networks and economies imply a broad need for our consideration and open discourse. The context of sustainability involves balancing various

actions. While many companies are experimenting with digital transformation, recent studies on success stories indicate that the increased competitive position of successful companies relies not only on the technology they adopt but, more importantly, on the strategies implemented by their leaders. However, there is still a significant gap between executives' intentions and the realization of successful digital transformation initiatives, as well as the need to demonstrate embedded strategic considerations.

Digital business model transformation relates to individual business model elements, the overall business model, value chain, as well as the network of various actors within the value chain. The level of digital transformation encompasses both incremental (marginal) and radical (fundamental) changes in the business model (Schallmo, 2016). The Digital Fit phase considers choices of digital business model designs, evaluated to determine their compatibility with existing business models. After emphasizing the distinct characteristics of digital artifacts, digitalization, and the nature of digital technology, as well as the generativity created by digital technology, there is a strong conceptual basis for understanding the impacts and challenges for industries facing digitization. This phenomenon has recently been extensively discussed in literature and applied managerial science, yet it is quite surprising that there is still no generally accepted or clear definition and understanding (Bounfour, 2016; Hanelt et al., 2015).

The application of Shariah magasid in the sustainability of digital business can be interpreted through several aspects. The first goal of Shariah magasid (faith and human rights) can be fulfilled if the marketing methods and digital business products sold do not affect or disturb the faith of others. Digital marketers must ensure that the rights of employees and those related to human resources do not violate human rights. The second goal of Shariah magasid (self-preservation and intelligence) can be achieved if all processes of digital business activities are based on the legality of halal and haram, from productivity or work, ownership rights, consumption or spending, transactions, and investments. In marketing (building) public awareness, it is essential not to advertise (through its content) by lying. The third goal of Shariah magasid (preserving lineage and human entities) can be fulfilled if digital business products traded do not cause adultery. The profits from digital marketing should also be given to social institutions to preserve human entities. The fourth goal of Shariah magasid (wealth and environment) can be achieved if products are not sold by stealing or through invalid means. Digital business products sold must also ensure the preservation and protection of the environment. Therefore, by adhering to the principles of Shariah magasid, digital businesses can grow and sustainably improve. This can certainly enhance the welfare of the community in achieving the goal of falah.

C. Conclusion

Based on the explanations provided in the discussion section, it can be concluded that the sustainability of digital business heavily relies on the application of fundamental principles. One crucial principle in Islam is Shariah maqasid. Therefore, in developing digital businesses, there needs to be a correlation with the objectives of Shariah maqasid. The first goal of Shariah maqasid (faith and human rights) can be fulfilled if the marketing methods and digital business products sold do not affect or disturb the faith of others. The second goal of Shariah maqasid (self-preservation and intelligence) can be achieved if all processes of digital business activities are based on the legality of halal and haram, including productivity or work, ownership rights, consumption or spending, transactions, and investments. The third goal of Shariah maqasid (preserving lineage and human entities) can be fulfilled if digital business products traded do not cause adultery. The fourth goal of Shariah maqasid (wealth and environment) can be achieved if products are not sold through stealing or invalid means. Digital business products sold must also ensure the preservation and protection of the environment.

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