A Conceptual Study on Sharīʿah Compliance on Risk Mitigation of MS 1900-Certified Companies

Muhammad Hisyam Mohamad*
hisyam@ikim.gov.my
Fadillah Mansor**
fadillah@um.edu.my

Abstract
Essentially, sharīʿah is aimed at the realisation of benefits (tahqīq al-maṣāliḥ) for all mankind in this worldly life and the Hereafter. The realisation can be achieved either through promoting what is good and beneficial (jalb al-maṣlaḥa); or preventing what is evil and harmful (dafʿ al-mafsada). To achieve such an objective, man must abide by sharīʿah laws. Theoretically, practising Muslims will observe all sharīʿah requirements. Subsequently, this will result in quality performance in all aspects of life,

---

* Senior Fellow, Centre for Economics and Social Studies, Institute of Islamic Understanding Malaysia cum PhD candidate, Department of Sharīʿah and Management, Academy of Islamic Studies, University of Malaya. In co-authoring the article, he conceived the conceptual idea for the study and he was the primary author of the manuscript.

** Senior Lecturer, Department of Sharīʿah and Management, Academy of Islamic Studies, University of Malaya. As its co-author and the PhD supervisor of the primary author, she contributed to refining the ideas and organising the thoughts. She also gave critical feedback on the manuscript before it was submitted to the TAFHIM Editorial Board.
be it spiritual, individual, social, intellectual and economic. Moreover, compliance to shari'ah will not only result in quality performance but also will minimise the risk exposure of individuals and organisations. On the other hand, non-compliance with shari'ah principles is a risk that could potentially give rise to negative effects on personal and institutional wellbeing. Using the analogy of positive relationship between shari'ah compliance and risk mitigation, the article seeks to explore the relationship between the concept of shari'ah compliance and risk mitigation. In order to make the analogy relevant with contemporary organisational management, the scope of study is narrowed down to the MS 1900-certified companies. This study is descriptive in nature involving review and analysis of academic works of other scholars and ISO documents.

**Keywords**

Maṣlaḥah, sharīʿah, compliance, risk, MS 1900, halal standards.

**Introduction**

It is firmly established that shari'ah is aimed at the attainment of righteousness and goodness (ṣalāḥ) in the world. Ibn Ashur (d. 1973) explains that what is meant by righteousness is setting aright the worldly conditions and social affairs of people. Corruption, on the other hand, is against the shari'ah as it affects the welfare of the entire world.¹

In the process of realising the above objective, the concept of jalb al-maṣlaḥah and dafʿ al-mafsadah (promoting man’s wellbeing and preventing harm)² serves as the principal

---


A Conceptual Study on Sharīʿah Compliance on Risk

guideline put forward by Islam for everyman to follow. It is a well-encompassing concept and highly universal in nature that it can be applied to all aspects of the human life, including managerial and organisational life. For anyone who does righteous deeds and abides by His rules, Allāh has promised him a good life. This is evident in sūrah al-Naḥl as Allāh pledges to the effect: “Whoever works righteousness, man or woman, and has faith, verily, to him will We give a new Life, a life that is good and pure and We will bestow on such their reward according to the best of their actions.”

Therefore, arguably, if it is embedded in the management process, the concept will also generate positive result to any organisation. This is because adherence to the guidance prescribed by sharīʿah will not only result in quality performance, but will also reduce risk exposures of individuals and organisations to any possible vulnerability.

In order to create a slightly different focus over existing studies of the ISO 9001 and the MS 1900 which mainly associate compliance to the standards with improvement in efficiency, systemisation, customer satisfaction and profitability, this study attempts to examine whether adherence to Islamic principles will benefit the companies in their risk management process. In other words, as well as for the sake of relating the concept of sharīʿah compliance, the study seeks to analyse the effect of compliance to the standards on the risk mitigation aspects of the MS 1900-certified companies. The MS 1900-certified companies were chosen because obviously they have the criteria that match with the main research context, which is compliance with sharīʿah requirements in their day-to-day operations.

Organisation and Compliance to Quality Management Standards

In the context of institutions, whether they are global or local, profit-oriented or non-profit, a company or a voluntary body, compliance to the subscribed rules and regulations is a matter of course. On the other hand, and in reality, one of the common challenges faced by most organisations is the issue of non-compliance in their day-to-day business operations. To a certain extent, non-compliance may result in the downfall of the entire organisation. This is factual evidence beyond denial which can be observed from many corporate scandals that beset companies such as Enron and WorldCom; and the dissolution of the once one of the “Big-Five” accounting firms, Arthur Andersen.4

Knowing that rule violation will definitely jeopardise the survival of any institutions, companies with a clear vision and mission will take every effort to ensure that culture of rule compliance is internalised and becomes part of the organisation and its human capital behavioural goals. The process of internalisation can be in many ways. One of those is subscribing to industry standards certifications like the ISO 9001 standards. There are numerous studies on the benefits of the ISO 9001 in the literature. For example, Tari et al. examined 82 studies and managed to categorise those benefits under 13 headings.5 All in all, the certification will not only improve efficiency and enhance organisational performance and profitability; but it can also indirectly lower the business risk and consequently lower the business cost to the organisations.6

6. For example, Nield and Kozak had listed the benefits of the standards as operational benefits (improved operating systems, enhanced operating
In Malaysia, besides the ISO which is widely adopted by both commercial and non-commercial bodies, the Department of Standards Malaysia (DSM)—which is mandated by the government to function as the national standards body—with the cooperation of SIRIM Berhad have also developed a series of halal standards which integrate some sharīʿah terms and requirements in the document. It is part of the initiatives put forward by the government to enable Islamic organisations in particular to compete in the market place on a level playing field, in terms of quality as other established competitors.

The Halal standards is of two major categories namely food and non-food. The one that is of concern in this study is the non-food, which is the MS 1900: 2014 Sharīʿah-based Quality Management Systems—Requirements with Guidance (First Revision)—hereinafter referred to as MS 1900. Dubbed as the Islamic version of ISO 9001, the MS 1900 is aimed at improving efficiency and effectiveness in organisations as well as improving customer satisfaction. What makes it distinguished from its counterpart is that the MS 1900
specifies the requirements for a *sharīʿah* compliance quality management system.

**Sharīʿah**

The word “*sharīʿah*” originates from the root verb “*sharaʿa*” (شرع) which means “to start (something); heading (to somewhere); entering (somewhere); prescribe or direct (something to which the law or regulation applies)”. In Arabic, the word usually refers to “walking or heading to a watering area”. As such, its derivatives, “*sharīʿah*” (شريعة), “shirāʿ” (شراع) and “mashraʿah” (مشرعة) refer to “a watery area”. More interestingly about the word “*sharīʿah*” is that the Arab community does not name an area as *sharīʿah* unless the water in the place is always in abundance or that the water never dries up. In addition, the words “*sharīʿah*” and “shirāʿ” (شراع) can mean “the practice, customs, way of life, habits or norms and regulations”.

To the Arabic-speakers of the Middle East, the word “*sharīʿah*” is common to them and designates a prophetic religion in its totality, generating phrases such as *sharīʿat Mūsa*, *sharīʿat al-Masīḥ*, *sharīʿat Majūs* (Majusi) or *sharīʿatu-nā* (which means our religion and essentially referring to any monotheistic religion). In the Qurʾān, the word “*sharīʿah*” appears only once in *sūrah al-Jāthiyah*, verse 18: “Then We put you, [O Muḥammad], on an ordained way [*sharīʿatan*] concerning the matter [of religion]; so follow it and do not follow the inclinations of those who do not know.” In the verse, Allāh uses the word *sharīʿah* to show contradistinction with *hawā* (whimsical desire). ʿAbdullāh Yūsūf ʿAlī, a renowned Qurʾān translator explains that the word “*sharīʿatan*” in the verse is best translated as “the right way of

---

religion” which is primarily concerned with a set of values that are essential to Islam and the best manner of their protection. His explanation on the term is also more comprehensive and more precise than referring shari‘ah as the legal provision or code of law. As a matter of fact, ‘Ali’s explanation concurred with that of Ibn Manzūr’s description of the term shari‘ah as what Allah has legislated and commanded man to obey such as ṣawm, ṣalah, ḥajj, zakāt and all good deeds. 

In sum, in the Muslim discourse and also this discussion, “shari‘ah” refers to the rules and laws of life set by Allah that must be adhered to and followed by humanity whose main sources are the Qur‘ān and Sunnah.

**Maṣlaḥah**

The word “maṣlaḥah” is derived from the root verb “ṣalaḥa” or “ṣaluḥa” denoting something which is good, nice, or appropriate. In addition, the word is also used to mean to repair or improve. In general, the word “maṣlaḥah” gives meaning to welfare. As such, jurists or the usuliyyūn use the term “maṣlaḥah” to refer to general good or public interest.

The antonyms of “maṣlaḥah” are “mafsadah” (مفسدة) and “maḍarrah” (مضرة) which mean damage and harm). Anything that helps prevent harm or damage from occurring, or anything that helps stimulate human welfare is also regarded as maṣlaḥah. It has been generally agreed by the Muslim jurists that maṣlaḥah is the main objective of the shari‘ah (maqāsid al-shari‘ah). As stated earlier, the objective of the shari‘ah (maqāsid al-shari‘ah) that is revealed by Allah to mankind is the realisation of maṣlaḥah or

---

16. *The Encyclopaedia of Islam*, vol. 6, p.738, s.v. “maṣlaḥa”.

---

119
goodness in their lives. In other words, *maslahah* is the primary objectives or goals of the divine revelations. This has been agreed upon by the scholars of *usūl* and *maqāsid*. Therefore, unsurprisingly, scholars such as al-Juwayni (d. 478H/1185M), al-Ghazālī (d. 505 AH/1111 CE), Najm al-Dīn al-Tufī (d. 716 AH / 1316 CE) and al-Qarafī (d. 1285 AH /1868 CE) used the term “*al-maqāsid*” and “*al-maṣāliḥ*” (plural for “*maslahah*”) interchangeably to refer to the same concept.17

Najm al-Dīn al-Tufī, for instance, defined “*maslahah*” as “what fulfils the purpose of the legislator (Allāh).” According to al-Qarafī, a fundamental rule applies to the purpose (*maqṣid*) and it becomes a connector linking the *maslahah* with the *maqṣid*. The rule states: “A purpose (*maqṣid*) is not valid unless it leads to the fulfilment of some good (*maslahah*) or the avoidance of some mischief (*mafsadah*).”18 The explanation rendered by al-Qarafī was concisely summarised by Ibn Qayyim (d. 751 H/1350 CE) when he asserted that the fundamental principles of *sharīʿah* revolve around *ḥikmah*, *maslahah*, *ʿadl* and *raḥmah*. Thus, anything that does not encapsulate these principles would lead to injustice, harm (*mafsadah*), futility or hardship, and therefore, cannot be regarded as *sharīʿah*.19

Perhaps the most often quoted definition of *maslahah* which serves as a primary reference for researchers is as was pointed out by al-Ghazālī. He, who was a student of al-Juwayni (and was actually much influenced by him) had explained that:

*Maslahah* is an expression that originally refers to matters concerning the search of benefits or repelling harm. And this is not the meaning we mean here because the search for benefits and the prevention

---

of harm is the goals of human beings, and of course man’s intended goodness materialise when they successfully achieve these goals. However, what we mean by ṭaslahah is to safeguard the objective of sharīʿah which consists of five fundamentals: the protection of religion, life, intellect, progeny and property. Whatever ensures the protection of these five fundamentals is ṭaslahah; and whatever goes against their protection is mafsahah; and hence, the effort to prevent harm is also considered as ṭaslahah.20

Indeed, al-Ghazālī clearly shows the link between maqāsid al-sharīʿah and ṭaslahah whereby the latter results in the search for benefits or the rejection of harm. By the end of the explanation, he reiterates that rejecting mafsahah (evil or harm) is actually a ṭaslahah. In the same definition too, instead of using the conjunction “and”, al-Ghazālī used the word “or” to describe what makes up ṭaslahah. The definition implies that ṭaslahah is achieved either through the means of promoting benefit or repelling harm. Had he used the word “and”, then it would require both components to exist concurrently before any ṭaslahah could be materialised.

MS 1900

Basically, rule compliance is one of the inherent qualities of good governance. For example, in the corporate world, compliance with certain standards or industry requirements is a prerequisite for organisations to continue their survival and remain competitive in the years ahead.

The standards help organisations to produce products and services that have the best features and meet the customers’ a priori expectations. With efficient planning, not only do they help improve productivity and quality, but they also help

businesses to reduce costs by decreasing waste and reducing procurement cost. In other words, to be successful, it is vital for organisations to at least meet and perhaps even exceed customer expectations which can be achieved by applying standards to their business.

In Malaysia, the government’s vision to position the country as a global halal hub in 2002 had led to the development of various halal initiatives which included the establishment of the Industrial Standards Committee on Halal Standards or the ISC I. The establishment of the committee was approved by the Malaysian Standards and Accreditation Council (MSDAM) at a meeting held on 18 February 2003. The committee is responsible for the development of halal standards in the country. Its scope includes the development of standards in the field of generic management systems; and food and non-food from an Islamic perspective.

The initial idea to introduce Islamic standards in Malaysia was first mooted by Tun Ahmad Sarji bin Abdul Hamid who is the former Chief Secretary to the Government of Malaysia cum Chairman of the Institute of Islamic Understanding Malaysia (IKIM), the post he helmed from 1992–2009. In his observation, poor governance is the main factor that caused the collapse of companies around the world. It is manifested through corruption, mismanagement and lack of accountability among leaders and employees.

For Tun Ahmad Sarji, every problem remains a problem until we find the right solution. He is of the opinion that the

best approach to address such a predicament lies in Islamic values and ethical principles. Once they are embedded in the standards and made compulsory for compliance by companies or institutions that have a serious stand on good governance and ethical conduct, the issue will resolve. This is possible because companies which subscribe to any standards are subjected to rigorous scrutiny and audit—both internally and externally—before they can be awarded the certification.25

In 2005, ISC I successfully introduced the MS 1900: 2005–Quality Management Systems–Requirements from Islamic Perspective.26 The MS 1900: 2005 is essentially the Islamic version of ISO 9001 because it uses the former’s framework as its basis. Even though there is already a well-recognised and well-established standards in place for quality management systems, the ISO 9001 however does not incorporate certain aspects of shari’ah which are a concern to the Muslim community. To address such a concern—and in addition to the existing ISO 9001 features—shari’ah requirements have been incorporated into MS 1900: 2005. This has enabled organisations to be managed in accordance with Islamic practices and principles.27

In the introduction page (page iv), all the above issues and concerns are dealt with by the Standards. This is clearly spelt out in the second paragraph of the page that the MS 1900 is developed with the aim of ensuring that organisations are managed in accordance with the shari’ah principles and practice of the quality management system.28

25. Ibid.
26. The letters “MS” that precede the title of the standards stand for “Malaysia Standard”.
The specific objectives of the standards are as follows:\textsuperscript{29}

1. To inculcate, enhance and practise \textit{sharīʿah} requirements into an organisation’s quality management systems that emphasises universal values;
2. To enhance the good governance and efficiency of the organisation which is consistent with the Islamic principles; and,
3. To provide confidence and enhance satisfaction among Muslims and other stakeholders of the organisation.

Nevertheless, all requirements of the standards are generic and meant to be applied to all organisations that produce or provide halal products and services. This also implies that MS 1900 is not applicable to organisations with core activities deemed non-permissible according to \textit{sharīʿah} such as \textit{riba}-based financial institutions, companies that are involved in gambling and gaming or manufactured in non-halal products or related products, for example, the selling of liquor and pork.\textsuperscript{30}

In tandem with the revision made by the International Organization for Standardization on ISO 9001 in 2008, the DSM had decided to embark on several revisions on the standards. As a result, in 2014, the revised standards was introduced as the \textit{MS 1900: 2014 Sharīʿah–based Quality Management Systems–Requirements with Guidance} (First Revision). Although the 2005 version was abrogated and replaced with the 2014, the former actually retains most of the contents of the latter. The following are five (5) major modifications made in the revision:\textsuperscript{31}

1. A change of title from \textit{MS 1900: 2005, Quality Management Systems–Requirements from Islamic Perspectives to} 

\textsuperscript{29} Ibid., iv.
\textsuperscript{30} Ibid., 1.
\textsuperscript{31} Ibid., iii.
A Conceptual Study on Sharīʿah Compliance on Risk

2. All sharīʿah elements and requirements that previously placed in text boxes were removed and incorporated into the text;
3. An introduction of sharīʿah critical control point requirements within the organisation’s processes and activities;
4. An introduction of organisational value management; and,
5. An introduction of an annex on guidance on the use of the standards.

The translation of MS 1900: 2014 was published by the Department of Standards Malaysia in 2015 and is known as MS 1900: 2015 Sistem Pengurusan Kualiti Berasaskan Syariah—Keperluan dengan Panduan (Semakan Pertama). Based on information obtained from Mdm. Sharifah Faizah of the Marketing and Customer Experience Section of SIRIM QAS, as of December 2017, 33 establishments had been awarded with MS 1900: 2014.

In an effort to enhance customer satisfaction, the MS 1900 emulates similar approach of the International Standards by promoting the adoption of a process approach when developing, implementing and improving the effectiveness of a quality management system. The only difference that distinguishes MS 1900 and ISO 9001 is that the former’s approach emphasises the importance of understanding

32. However for this study, the author uses MS 1900: 2014 as the main reference. This is based on the advice given by Mdm. Hajah Hanida, senior auditor of SIRIM QAS International Sendirian Berhad—which is also the sole-appointed and authorised certification body of the MS 1900—when the author consulted her through telephone on 15 July 2015. Furthermore, in case of disputes, the authoritative version remains the English version, that is, MS 1900: 2014.
33. The information is based on her e-mail received on 6 December 2017. Please refer to Appendix 1 for the full list.
and meeting *sharīʿah* requirements. In addition, companies can apply the PDCA methodology—which is the operating principle of all ISO management systems standards—to all processes. PDCA stands for Plan, Do, Check and Act. By using the PDCA cycles, organisations can effectively manage and achieve continual improvement.

**MS 1900 and Risk Mitigation: A Literature Review**

By nature, risk is an undesirable circumstance that is usually associated with new costs for the negative impact that it may have on individuals or institutions. From an institutional perspective, it is a combination of the probability of an event and the impact of its consequences that can prevent value creation or erode existing value.

The ISO Guide 73 defines risk as the effect of uncertainty on objectives. The definition suggested by

---

34. Ibid., iv–v.
36. P Plan: Set the objectives of the systems and processes to deliver result (“what to do” and “how to do”); D Do: Implement and control what was planned; C Check: monitor and measure processes and results against policies, objectives and requirements and report results; A Act: take action to improve the performance of the processes. See www.iso.org/tc176/sc02/public.
39. ISO Guide 73 provides basic vocabulary to develop common understanding on risk management concepts and terms among organisations and functions, and across different applications and types.
the guide links risks to objective.\textsuperscript{41} Therefore, the definition of risk can most easily be applied when the objectives of the organisation are comprehensive and fully stated. Risk management, on the other hand, is a coordinated process to direct and control an organisation with regard to risk.\textsuperscript{42} The process entails five steps namely establishing the context, identifying the risk, analysing the risk, evaluating the risk and treating the risk.\textsuperscript{43}

Nevertheless, it is important to note that risk management is not a one off exercise. The ISO 31000 clearly states that it should be an integral part of management, in that it should be embedded in the culture and practices of the organisation and tailored to the business process of the said organisation. In addition, communication and consultation with both internal and external parties should take place during all stages of the process.\textsuperscript{44} Similarly, the management should also regularly monitor and review its risk treatment and implementation process. This is to ensure that the adopted controls are effective and efficient.

From an Islamic point of view, the definition of risk by the ISO guide is acceptable. Nevertheless, in terms of approach used to manage or mitigate risk—besides acknowledging risk management as a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues—it is important for individuals or organisations to submit to Allāh upon making efforts and praying to Him for goodness (ṣalāh) in


\textsuperscript{42} Department of Standards Malaysia, MS ISO 31000: 2010 Risk Management–Principles and Guidelines (Cyberjaya: Department of Standards Malaysia, 2010), 2.

\textsuperscript{43} Ibid., 14.

\textsuperscript{44} Ibid., 13–14.
this world and the Hereafter. Indeed, in Islam, it is necessary to include the concept of *tawakkul* as an additional step in the risk management process.

In Islam, *tawakkul* means to exhaust efforts towards achieving goals and then have a complete reliance on Allāh for the outcome. This principle is attested in several verses of the Qurʾān and prophetic traditions such as in *sūrah Ālī-ʿImrān*: “[Then] when you have decided on a course of action, put your trust in Allāh for He loves those who put their trust in Him. If Allāh helps you [believers], no one can overcome you. If He forsakes you, who else can help you? Believers should put their trust in Allāh.”

In a well-known ḥadīth on *tawakkul* which was narrated by Anas ibn Mālik, the Prophet Muḥammad once was asked by a Bedouin on which was better; to tie his camel first or leave it loose (untied) and rely upon Allāh. The Prophet then said to him, “Tie up your camel first then put your trust in Allāh SWT.”

Prior to the ISO 9001: 2015, the previous revision of the standards, ISO 9001: 2001 and ISO 9001: 2008, do not explicitly address risks and their vulnerability throughout the organisation’s process approach. Since the basis of MS 1900: 2005 and MS 1900: 2014 is the ISO 9001: 2000 and ISO 9001: 2008 respectively, thus risk management is not a matter of interest that incentivises the Technical Committee on Management System from Islamic Perspectives of the ISC I to introduce MS 1900 to the public in 2005.

---

What matters to the committee is the emphasis on quality management system from the Islamic perspective. In this respect, organisational shared values—which are grounded in tawḥīd that provides harmonious linkages between worldly affairs and the Hereafter—play an important role in implementation of the sharīʿah compliance quality management system. Consequently, the effective implementation of such values should gear the organisation towards achieving higher productivity and profitability as well as improving employee and customer satisfaction.  

These benefits are also considered maṣlahah that are derived from the MS 1900 implementation. Nevertheless, when maṣlahah prevails or the intended benefits materialised, anything that can pose a threat or harm (mafsadah) to the organisation will also be addressed by the management. Unfortunately, the benefits of risk management which derived from sharīʿah rule compliance is not explicitly mentioned in the standards.

In view of the above, studies conducted by researchers between 2012 and 2015 only focused on the general overview of the standards, and strategies as well as challenges faced in the implementation of MS 1900 by organisations. A study by Khadijah Othman, for example, only gives a brief overview of the philosophy and values underpinning the Islamic quality management system which are also the core to the development of MS 1900.  

On the other hand, Siti Arni and Ilhaamie propose an implementation model of MS 1900. They hope that the model which constitutes three main components namely the implementation steps of ISO 9001, sharīʿah elements in MS 1900 requirements and MS 1900 could help managers to


implement the standards effectively in their organisations.\textsuperscript{50} Ummi Salwa et al. who see the rising number of companies adopting MS 1900 from five in 2008 to 18 in 2012 use this development as a motivating factor to come up with a conceptual framework study on why and how business organisations craft strategy towards achieving the MS 1900.\textsuperscript{51} They conclude that in addition to strengthening institutional working culture, companies can use the standards as part of their business strategy to capture and increase Muslim market share.\textsuperscript{52} There are several strategies that could be adopted by potential applicant of MS 1900 in getting the standards. These include seeking support and authorisation from the top management; getting the organisation’s internal commitment and cooperation as well as having a good rapport with the certification body.\textsuperscript{53}

Other researchers such as Hasan et al.\textsuperscript{54} and Hasliza et al.\textsuperscript{55} investigate issues and challenges faced by institutions

53. Ibid., 14.
in the implementation of MS 1900 in Malaysia. Hasan et al. who conduct study in public and private tertiary institutions find issues related to attitude, heavy work load, lack of training and financial resources as the impediments of the MS 1900 implementation in the institutions which they studied. Meanwhile, Hasliza et al. identify problem in determining the scope of sharīʿah for certification, lack of staff and issues of commitment in maintaining MS 1900 certification as the implementation issues in their case study on Department of Awqaf, Zakat and Hajj (JAWHAR).

From a different perspective of analysis, the implementation issues faced by institutions which was highlighted by Hasliza et al. are also challenges for auditors in the process of auditing. For a particular company to be successful in the auditing process, four elements need to be addressed, namely: manpower, money, method and machineries. Lack of manpower or incompetent personnel, for example, could incur a company additional cost as it has to outsource expertise to fix problems or provide solutions before it could be certified with the MS 1900 scheme.\(^{56}\)

In sum, risk is not the focal point of the above MS 1900 studies as most of them have been concerned with Islamic quality management per se rather than the risk itself. However, as aforementioned, this does not imply that MS 1900 disregards the importance of risk management in any organisations. As a matter of fact, the basic principles of MS 1900 are implicitly built upon the very foundation of *jalb al-maṣlaḥah wa dafʿ al-mafsadah* in promoting what is good and beneficial, and preventing what is evil and harmful.

There are three (3) basic principles of MS 1900. They are as follows:

1. Streamlining action and decision-making with the maqāṣid al-sharīʿah;
2. Adhering to the principles of ḥalāl and ḥarām; and,
3. Adopting Islamic value-based management.

The overall objective of shariʿah (maqāṣid al-sharīʿah) is to set matters aright (ṣalāḥ) and remove corruption (fasād) in all kinds of human activities. The term is interchangeably referred to or may be simply described as protection of maṣāliḥ of the people. Muslim scholars such as al-Ghazālī and al-Shāṭibī have classified the core objectives of shariʿah into five categories namely hifẓ al-dīn (protection of religion); hifẓ al-nafs (protection of life); hifẓ al-nasl (protection of progeny); hifẓ al-ʿaql (protection of intellect) and hifẓ al-māl (protection of property).

Within this scope, shariʿah deals with the protection of maṣāliḥ either in a positive or preventive manner. As to when to preserve the existing maṣāliḥ, shariʿah adopts measures to support their bases. However, when it wants to prevent the extinction of maṣāliḥ, shariʿah will adopt measures to remove any elements which actually or could potentially interrupt or disrupt the realisation of public interest. For any organisation to be MS 1900 certified, it must ensure that the objectives of the shariʿah or maṣlaḥah are its main reference or the baseline for any decision making or action taking. The realisation of the objectives of the shariʿah would become much easier with the

second and third principles of MS 1900 in place and applied
to all processes in an organisation.

The principle of ḥalāl (the lawful) and ḥarām (unlawful or prohibited) is basically part of Islamic legal system or sharīʿah whose primary objective is to ensure the welfare of mankind (tahqīq maṣaliḥ al-nās). It is the right of Allāh to legalise or prohibit; to place obligations and responsibilities upon His creation as He sees fit. He makes thing ḥalāl and ḥarām for a reason that is to secure the well-being and dignity of human beings. Obviously, He has neither permitted anything except what is pure and beneficial; nor has he prohibited anything except what is impure and harmful.

In the context of organisation, the principle of ḥalāl and ḥarām serves as a parameter of what the organisation could produce or offer to customers. Similarly, it also serves as guidance to the management and employees on how to behave and act according to Islamic law in the day-to-day operational and administrative assignments.

At this juncture, Islamic value-based management plays a pivotal role in the entire process which influences staff—from top management to the grass roots level—to behave Islamically in all fields of operations. In Islām, values and ethics are discussed under ḥikmat which is one of the three basic components of Islām besides ṣaḥīḥah and sharīʿah. As such, Islamic value system is capable of directing Muslims towards the right path in the rightful manner because its foundation is tawḥīd and its source is waḥy (divine revelation). Tawḥīd implies that everything in the universe is created by Allāh with...
a purpose. Such a purpose gives meaning and significance to the existence of the universe of which human beings are a part of. Thus, tawḥīd guides man in his life so that he will live in accordance with the purpose he was created for.

In MS 1900, it is the responsibility of the management to establish, implement, monitor and measure its organisational values. Since the core of the worldview of Islām is tawḥīd, all organisational values and behaviour must correspond to the moral values of the Qurʾān. Organisational values are a collection of akhlāq maḥmūdah (positive values) which mould excellent Muslim characters in an organisation that bind employees of all levels to strive towards achieving the underlined goals of the establishment.⁶³

Therefore, any institution aiming at attaining MS 1900 certification should ensure that positive values such as ʿadl (justice), ukhūwwah (brotherhood), itqān (conscientiousness and knowledgeable in all endeavours), iḥsān (perfection or excellence), ikhlāṣ (sincerity) and others be promoted and instilled into the minds of individual member of the organisation. These positive values will not only drive them to perform tasks dutifully and diligently, but also provide strong abstention from committing sins and forbidden acts such as exploitation, corruption, selfishness or any dishonest practices at the workplace.

In sum, risk is inherent in all aspects of a quality management system as it could exist in all systems, processes and functions.⁶⁴ However, Islamic risk management is not merely about managing or mitigating risks or uncertainties; but it is more on how to manage them effectively with reference to the sharīʿah principles by means of providing protection and warding off harms.

---

⁶³. See Department of Standards Malaysia, MS 1900: 2014 Sharīʿah-based Quality Management Systems. See also Amal Hayati Ishak, Muhamad Rahimi Osman and Ghafarullahhuddin Din.

By complying with the MS 1900, which adopts sharīʿah value and principles, the organisation is striking two birds with one stone. Not only does it gain organisational efficiency and effectiveness, but it also eliminates risk or harm that could jeopardise its organisational mission and vision. It is also one of the many approaches to ensure the fulfilment of individual or organisational goals and mission which ultimately should result in the attainment of saʿādah (happiness) in this world and the Hereafter.

Conceptual Framework

The focus of the study is on the concept of rule compliance which has many beneficial effects on the organisational performance including lowering business risk. The analysis of the concepts will be based on Islamic worldview in which all activities toward achieving maslahah or maqāsid al-sharīʿah must be within the tawhid framework.

The main document used for the analysis of the study is MS 1900. Even though it contains eight sections namely scope (section 1), normative references (section 2), terms and conditions (section 3), quality management system (section 4), management responsibility (section 5), resource management (section 6), product realisation (section 7) and measurement, analysis and improvement (section 8), the analysis of the Islamic risk management practice in companies surveyed will be narrowed down to section 6, which is “resource management” only.


The section consists of four (4) sub-categories namely:

1. provision of resources;
2. human resources;
3. infrastructure; and,
4. work environment.

The basic definition of organisational resource management refers to a management system that takes optimum use of available resources—equipment, procedure, people and monetary—to achieve organisational goals and enhance the efficiency and value of operation.67

The selection of section 6 of the standard is based on the ground that it is highly suitable for measuring operational risk that involves all stakeholders of an organisation including the board, management, staff, partners and clients. Besides, it also takes into account the physical dimension of an organisation as well as the psychological aspect of human beings who operate the industry itself. In addition, matters related to customer satisfaction and quality of products and services that are the major concern to MS 1900 would not be achieved if organisational resources are not properly and effectively managed. This comprehensive scope does not exist in the rest of MS 1900 sections. In the MS 1900, the foremost it mentions with regard to resource management is that organisations should ensure all resources—human resources, infrastructure covering buildings, machineries and equipment; and financial capital—in the organisational activities are obtained through halal sources.68

Besides the explicit understanding of the requirement, it implies that anything acquired, deployed, decided or

determined which is contradictory to sharīʿah and Islamic values should be avoided or eliminated because of the inherent risks and potential harms which might result from being non-compliant to sharīʿah principles.

The details of the items researched and their potential risks are as per Table 1.

Table 1: Potential Risks in Resource Management

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Risks Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of Resources</td>
<td>Provision of resources means acquiring and deploying resources that have been identified—with the right quantity and quality—as being needed. Resources may include personnel, infrastructure, process equipment, work environment, information and financial resources which are required for implementing, maintaining and improving the quality management system and for addressing customer satisfaction.</td>
<td>Wastage, inefficient allocation or utilisation of resources, halalness of resources, disruption of resource supply.</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Human resources refer to the people that staff and operate an organisation.</td>
<td>Malpractices, competency issues, high staff turnover, psychosocial risk, safety and health risk, skills shortages, industrial disputes,</td>
</tr>
</tbody>
</table>

69. The potential risks are deduced from the MS 1900 requirements for each individual category from section 6.1, 6.2, 6.3 and 6.4 of the Standards.

| Infrastructure | The term infrastructure refers to the entire system of facilities, equipment, and services that an organisation needs in order to function. It includes buildings, workspace and associated utilities; process equipment (both hardware and software) and supporting services (such as transport and communication). | Availability of Muslim-friendly facility, adequacy of process equipment and supporting services. |
| Work Environment | The work environment of an organisation is a combination of human and physical factors. These factors influence motivation, satisfaction and performance of people, potentially enhancing the performance of the organisation. | Non-discriminatory practices, freedom to perform religious obligations, working conditions. |


72. Ibid.


74. Ibid.

The bottom line is, every risk stemming out from each item is actually the result of sharīʿah non-compliance event or incident that fails to conform to sharīʿah principles or Islamic teachings.

In Islām, man can only attain al-falāḥ or real success through rule compliance. In the case of MS 1900, the concept of rule compliance is embedded and codified in its guidelines and requirements.

It is reckoned that the concept of rule compliance is deemed important for organisations. This argument is supported by the evidence of the success story of Japanese corporations which have remarkably made their products and services household names across the world. Standards by their nature give state of the art specifications for products, services and good practice. Compliance to the standards thus helps companies to minimise error and increase productivity. Such is the Japanese practise—besides their kaizen culture of constant and continuous improvement—to remain competitive in the marketplace.76

In addition, compliance to sharīʿah can also address wrongful acts which are a common issue faced by organisations across the industries. In other words, compliance to the teachings of the Qurʾān and Ḥadīth will eliminate human errors in operational risks which are also the dominant issues deliberated on in risk management framework.77

Conclusion

The Qurʾān makes it clear that the wellbeing of a society depends on the degree of Allāh’s blessings. The reward for such compliance is stated in sūrah al-Sajadah, verse 17: “Now no person knows what delights of the eye are kept hidden (in reserve) for them—as a reward for their (good) deeds.”78

77. Ibid.
verse markedly indicates that for being compliant with His commandments, Allāh has in store for us incentives which are beyond our comprehension that could be enjoyed in this mortal life or the life to come.

In sūrah al-Aʿrāf, verse 96, Allāh says: “If the people of the towns had but believed and God-conscious, We should indeed have opened out to them (all kinds of) blessings from heaven and earth; but they rejected (the truth), and We brought them to book for their misdeeds.” Basically, the verse explains about two different scenarios which can bring two different results to a society. On the one hand, the concept of barakah awaits a particular group of people (ahl al-qurā) if they are rule-compliant and constantly abide by the laws prescribed by Allāh. On the other hand, Allāh forewarns of the adverse consequences to those who reject His rules.

Thus, rule compliance in sharīʿah is a platform in which man can seek and attain the pleasure of Allāh. At the same time, it serves to negate evil elements. Thus, the effects of rule compliance with Divine promises of blessings from our total submission to His Will and heeding His Commands by doing good and refraining from evil deeds, will also generate positive results in any organisation or institution if such incentives are embedded in the management process. Notably, adherence to sharīʿah guidance will not only result in quality performance, but it will also reduce risk exposures of individuals and organisations to any possible vulnerability such as unsatisfactory performance or corrupt practices.

Verse 96 also mentions about the term barakah which means blessing. It is an incentive system in Islām which induces an individual to follow the path of proper conduct underlined by the religion. This notion refers to “an invisible but material” blessing whose result can be observed by any believer who engages in righteous conducts.79

A Conceptual Study on Sharīʿah Compliance on Risk

In an economic context, it refers to an imperceptible and invisible increase in resources by the will of Allāh. It is an incentive structure and a kind of built-in mechanism for increasing the resources of which Allāh has guaranteed the rule-compliant society. In normal circumstances, the law of increase works quantitatively. For instance, if we increase one factor of production, we can quantitatively assume that it will contribute to a certain level of increment in productivity. However, in the concept of barakah, the law of increase seems to work qualitatively, and in some cases, it makes apparently inadequate resources suffice man’s needs.

As such, the concept as expounded by Iqbal, Mirakhor and Khan, establishes a positive correlation between the system of conduct and prosperity and the converse of the concept also holds true. Indeed, unrighteous conduct will rob its holder of its barakah. This applies not only to individuals, but also to the community as a whole.

In the case of MS 1900, the concept of rule compliance is adopted and utilised to ensure organisations abide by Islamic values and sharīʿah requirements. Abiding by the principles derived from the Qurʾān and the Sunnah will definitely drive any institution toward business excellence and create a better risk management culture in its working environment. In view of this rule too, it is expected that MS 1900 certification will have positive impacts on the organisations’ overall risks.

---

References


A Conceptual Study on Sharīʿah Compliance on Risk


Appendix 1

List of MS 1900-certified Companies as of December 2017

1. Hospital Pakar Annur Hasanah Sdn. Bhd. (09 April 2018)
   Annur Hasanah Specialist Hospital Sdn. Bhd.
   Melaka Islamic Religious Department
   Pulau Pinang Islamic Religious Affairs Department
4. Jabatan Kehakiman Syariah Negeri Sembilan (18 November 2018)
   Negeri Sembilan Shariah Courts Department
5. Jabatan Kehakiman Syariah Perak (04 July 2019)
   Perak Shariah Courts Department
   Selangor Shariah Courts Department
7. Darul Quran, Jabatan Kemajuan Islam Malaysia (25 June 2020)
   Darul Quran, Department of Islamic Development Malaysia
   Ministry of Urban Wellbeing, Housing and Local Government
10. Kolej Islam Pahang Sultan Ahmad Shah (KIPSAS) (09 July 2020)
    Sultan Ahmad Shah Islamic College Pahang
    Gerik Community College–Ministry of Education Malaysia
Selangor Water Management Board
13. Mahkamah Syariah Negeri Melaka (04 May 2020) 
Melaka State Shariah Courts
14. Majlis Agama Islam Melaka (22 April 2019) 
Melaka Islamic Religious Council
Selangor Islamic Religious Council
Perkhidmatan Perundingan Lapangan Terbang Malaysia Sdn. Bhd
Department of Human Resource Management, Office of the Secretary to the Selangor Darul Ehsan Government
20. PNB Darby Park Executive Suites (09 October 2020) 
Suite Eksekutif PNB Darby Park
21. PNB Ilham Resort (ILHAM) (28 October 2020)
22. Hotel Perdana Kota Bharu (05 November 2018) 
Perdana Hotel Kota Bharu
23. Politeknik Metro Johor Bahru (21 October 2018) 
Johor Bahru Metro Polytechnic
Pahang Zakat Collection Centre
25. Pusat Zakat Melaka (22 October 2020) 
Melaka Zakat Centre
28. Tabung Baitulmal Sarawak (08 November 2018) 
   Sarawak Baitulmal Fund
30. Universiti Tenaga Nasional (19 June 2018)
   Tenaga Nasional University
32. Jabatan Pembangunan dan Pengurusan Fasiliti,
   Universiti Sains Islam Malaysia (25 March 2019)
   Department of Facilities Development and
   Management, Islamic Science University Malaysia
33. USM Tissue Bank, School Of Medical Sciences, Health
   Campus, Science University Malaysia (22 April 2019)
   Bank Tisu USM, Sekolah Sains Perubatan, Kampus
   Kesihatan, Universiti Sains Malaysia

(Note: Dates in brackets indicate certification expiry).