

**CONCEPTUALIZATION OF THE ISLAMIC
QUALITY MANAGEMENT MODEL FOR NON-
PROFIT ISLAMIC BASED DEVELOPMENT
INSTITUTIONS IN MALAYSIA**

MOHD SADIQ BIN MOHD MOKHTAR

UNIVERSITI SAINS MALAYSIA

2023

**CONCEPTUALIZATION OF THE ISLAMIC
QUALITY MANAGEMENT MODEL FOR NON-
PROFIT ISLAMIC BASED DEVELOPMENT
INSTITUTIONS IN MALAYSIA**

by

MOHD SADIQ BIN MOHD MOKHTAR

**Thesis submitted in fulfillment of the requirements
for the degree of
Doctor of Philosophy**

February 2023

ACKNOWLEDGEMENT

In the Name of Allah Most Gracious, Most Merciful

Alhamdulillah, all praise to Allah SWT for the strengths and His blessing in completing this research, and peace to the best of creation Prophet Mohammed SAW and upon his noble kinship and companions.

I would like to express my very great appreciation to my supervisor Associate Professor Dr. Fadzila Azni Ahmad for her supervision and constant support. Her passion and the invaluable help of constructive comments and suggestions throughout the development of this thesis had a great impact on enriching this research.

I would like to extend my sincere thanks to my co-supervisor Associate Professor Dr. Shahir Akram Hassan who make a great effort to evaluate and review this research to a level that went far beyond expectations. His guide assists me to overcome many of the challenges and make a major improvement in the writing of this thesis.

I sincerely thank all fellow lecturers in the Centre for Islamic Development Management Studies (ISDEV), Universiti Sains Malaysia (USM) for their efforts to pave the way for knowledge seekers. Many thanks to all administrative and support staff for their cooperation and assistance in facilitating matters regarding my study and completion of this thesis.

I would like to thank the following practitioners for their assistance with the collection of my data: Mrs. Rosmiena Che Mat, Mr. Mohd Azizan Abdullah, Mr Ahmad Amryl Abd Malek, Mrs. Suraida Kusni, Mrs. Mastini Mohd Saad, Mr. Mohd Izwannizar Abdul Jalil, Mr. Abdul Halem Hapiz Salihin, Mr. Zuhaimi Abdul Rahim. I would also like to thank the following academicians for the collection of my data: Dr. Hisham

Sabri, Associate Professor Dr. Hasan Al-Banna Mohamed, Dr. Khatijah Othman and Associate Prof. Dr. Siti Arni Basir.

I also wish to acknowledge the knowledge shared by Dr. Ani Munirah regarding Atlas.TI, Professor Kalsom Hayat on In-Depth Interview, Dr. Nurul Fadly Habidin and Dr. Hayrol Azril on journal article publication and many other fellow lecturers and students who shared various knowledge regarding research and thesis writing.

I would like to express my infinite gratitude to my parents, Professor Dato' Dr. Mohd Mokhtar Saidin and Datin Ruslaini Othman for their meaningful and endless support since the beginning of this journey. Finally, my special and greatest appreciation to my beloved wife, Afifi Farhana Mhd Poad who shared this journey and the struggle of seeking knowledge personally with the greatest support and motivation until the completion of this research.

Above all, according to the Hadith of Prophet Muhammad SAW:

“Allah makes the way to *Jannah* easy for him who treads the path in search of knowledge” (Reported by Muslim, Hadith No.1381).

And based on the Islamic Scholars, Shaykh Hisyam al Burhani that Allah SWT will give the same great rewards towards people who seek knowledge and people who assist the person in seeking knowledge, therefore I humbly pray to Allah SWT to accept my work and make the way to *Jannah* easier for all who assist me in completing this research and grant us great rewards in this world and hereafter.

MOHD SADIQ MOHD MOKHTAR
Center for Islamic Development Management Studies (ISDEV)
Universiti Sains Malaysia (USM)

TABLE OF CONTENTS

ACKNOWLEDGEMENT	ii
TABLE OF CONTENTS	iv
LIST OF TABLES	ix
LIST OF FIGURES	xi
LIST OF ABBREVIATIONS	xiv
ABSTRAK	xv
ABSTRACT	xvii
CHAPTER 1 INTRODUCTION	1
1.1 Introduction	1
1.2 Background of Research	2
1.2.1 The Development of Quality Management	2
1.2.1(a) The Evolution of Quality Management	3
1.2.1(b) Quality Management in Malaysia	8
1.2.2 Islamic Based Development Institution in Malaysia	12
1.3 Problem Statement	18
1.4 Research Objectives	39
1.5 Research Questions	39
1.6 Operational Definition.....	42
1.6.1 Model.....	42
1.6.2 Islamic Quality Management.....	44
1.6.3 Non-Profit Islamic Based Development Institutions.....	47
1.7 Scope and Limitation	52
1.7.1 Analysis of Scope and Limitation	52
1.7.2 Subject Scope and Limitation.....	53
1.7.3 Sources of Data Scope and Limitations.....	54

1.8	Significance of the Study	55
1.9	Contribution of the Study	56
1.10	Thesis Organization.....	57
CHAPTER 2 PAST RESEARCH AND LITERATURE REVIEW		59
2.1	Introduction	59
2.2	Past Research.....	59
2.2.1	Quality Management in Non-Profit Institutions.....	60
2.2.2	Quality Management of Specific Malaysian Non-Profit Islamic Based Development Institution	72
2.2.2(a)	Islamic Religious Obligation Institutions.	72
2.2.2(b)	Islamic Socio-economic and governance Institutions.....	77
2.2.2(c)	Islamic Educations Institutions	84
2.3	Analyses of Past Research.....	89
2.4	Literature Review	92
2.4.1	Islamic Management Concepts.....	92
2.4.2	Islamic Quality Management Standards.....	109
2.5	Analyses of Literature Review	124
2.6	Conceptual Framework	127
CHAPTER 3 METHODOLOGY		134
3.1	Introduction	134
3.2	Research Design	134
3.3	Method of Data Collection.....	138
3.3.1	Primary Data.....	138
3.3.1(a)	Research Instrument.....	139
3.3.1(b)	Selection of Informant	140
3.3.1(c)	Pilot Study.....	144
3.3.1(d)	Validity and Reliability.....	146
3.3.2	Secondary Data.....	148

3.4	Method of Data Analysis.....	148
3.5	Conclusion.....	151
CHAPTER 4 THE BASICS OF ISLAMIC QUALITY MANAGEMENT IN NPIBDI		154
4.1	Introduction	154
4.2	Categorization of Informants	155
4.3	General Discussion on NPIBDI and Islamic Quality Management.....	157
4.3.1	NPIBDI in Malaysia	158
4.3.2	Islamic Quality Management in Malaysia.....	165
	4.3.2(a) General Concepts of Islamic Quality Management in Malaysia.....	165
	4.3.2(b) The Type of Islamic Quality Management	176
4.3.3	The Implementation of Islamic Quality Management towards NPIBDI in Malaysia	180
	4.3.3(a) The Type of Implementation of Islamic Quality Management in NPIBDI	182
	4.3.3(b) The Current Types of Implementation on Islamic Quality Management in Malaysia.....	184
	4.3.3(c) The Discussion on the Implementation of Islamic Quality Management in NPIBDI in Malaysia	185
4.4	The Elements of Islamic Quality Management.....	191
4.5	The Fundamental Principle of Islamic Quality Management	197
4.6	The Processes of Islamic Quality Management	201
4.7	Conclusion.....	204
CHAPTER 5 THE CONCEPTUALIZATION OF ISLAMIC QUALITY MANAGEMENT MODEL FOR NPIBDI.....		206
5.1	Introduction	206
5.2	Conceptualizing Islamic Quality Management Model for NPIBDI.....	206
5.2.1	The Fundamental Principles of Islamic Quality Management for NPIBDI.....	208
	5.2.1(a) Tasawur.....	210

5.2.1(b)	Maqasid Shariah.....	216
5.2.1(c)	Shura	220
5.2.1(d)	Leadership.....	223
5.2.1(e)	Ihsan.....	227
5.2.1(f)	Itqan	229
5.2.1(g)	Values	231
5.2.2	The Processes of Islamic Quality Management for NPIBDI	234
5.2.2(a)	Niat.....	236
5.2.2(b)	Hisbah	240
5.2.2(c)	Planning	244
5.2.2(d)	Implementation	247
5.2.2(e)	Controlling.....	249
5.2.2(f)	Evaluation	251
5.2.3	The Elements of Islamic Quality Management for NPIBDI	254
5.2.3(a)	Islamic Values.....	255
5.2.3(b)	Islamic Practices	256
5.3	The Model of Islamic Quality Management for NPIBDI	258
5.4	Guidelines on the Implementation of the Model of Islamic Quality Management for NPIBDI.....	272
5.5	Conclusion.....	276
CHAPTER 6 CONCLUSION		278
6.1	Introduction	278
6.2	Main Conclusion of the Research	278
6.3	Research Implication.....	291
6.3.1	Theoretical Implication.....	291
6.3.1(a)	Implications towards Islamic Quality Management	291
6.3.1(b)	Implications toward the management of NPIBDI	293
6.3.2	Empirical implication	293

6.3.2(a)	Implication towards policy maker	294
6.3.2(b)	Implication toward the leader of NPIBDI.....	294
6.4	Research Contribution.....	295
6.5	Suggestions for future research	297
6.5.1	Focus on the research subject	297
6.5.2	Focus on research methodology	298
6.5.3	Focus on research scope	298
6.6	Conclusion.....	299
	BIBLIOGRAPHY	300
	APPENDICES	
	LIST OF PUBLICATIONS	

LIST OF TABLES

	Page
Table 1.1	List of ISO quality family6
Table 1.2	List of the number of mosques and <i>surau</i> in Malaysia 14
Table 1.3	Classifications of institutions in Malaysia 17
Table 1.4	2020 Zakat Collections by States22
Table 1.5	List of Good Management Criteria24
Table 1.6	Detailed View of Research Objectives and Research Questions41
Table 1.7	Islamic Institutions in Malaysia and The Examples of The Institutions.....50
Table 2.1	Fulfilment aspects of Management by Shura.....99
Table 2.2	Categories of Element, Principle, and Process by Previous Researchers 129
Table 3.1	List of key informants in this research..... 142
Table 3.2	List of specialized informants in this research..... 143
Table 3.3	Pilot Study Informant List..... 145
Table 3.4	Modification of the Interview Questions List 145
Table 3.5	Summarize of Research Methodology 151
Table 4.1	Categorisation of major concepts and principles from literature review 154
Table 4.2	List of Informants and Code 156
Table 4.3	List of NPIBDI and the implementation of Islamic Quality Management..... 184
Table 4.4	List of NPIBDI and the concepts of Islamic Quality Management . 185
Table 4.5	List of elements of Islamic Quality Management based on the sources of data..... 193

Table 4.6	List of the categorization of the elements of Islamic Quality Management.....	195
Table 4.7	List of principles of Islamic Quality Management based on the sources.....	199
Table 4.8	List of processes of Islamic Quality Management based on the sources of data.....	203
Table 5.1	List of processes of overlap concepts.....	207
Table 5.2	List of Categorization of Fundamental Principles in Islamic Quality Management for NPIBDI.....	209
Table 5.3	List of processes of Islamic Quality Management based on the sources.....	235
Table 5.4	<i>Shura, Ihsan, and Itqan</i> definitions.....	262
Table 5.5	List of Element in Islamic Quality Management for NPIBDI.....	266
Table 5.6	List of informant's quotation and the crucial factors.....	273
Table 6.1	The Simplified Conclusion on Research Objectives, Research Questions and Research Findings	283

LIST OF FIGURES

		Page
Figure 1.1	Timeline of the evolution of the Quality Management.....	8
Figure 1.2	Model of a Shariah-based quality management system.....	33
Figure 1.3	Model of Implementation Process of Malaysian Quality Management System MS 1900 from an Islamic Perspective.....	35
Figure 1.4	Illustration of the Problem Statement	37
Figure 1.5	Short summary of the research using what, why and how.....	39
Figure 2.1	The Illustration of Research Gap	91
Figure 2.2	The Implication of Tawhid toward management.....	96
Figure 2.3	Management from Tawhidic Approach	98
Figure 2.4	The Celestial Management (ZIKR, PIKR, MIKR)	103
Figure 2.5	The <i>Pengurusan Islami</i> Process	104
Figure 2.6	Islamic QMS (MS1900).....	117
Figure 2.7	NAMS Cycle.....	119
Figure 2.8	The Model of a Total Islamic Quality.....	121
Figure 2.9	The Building of Islamic Management Standard	123
Figure 2.10	The Word Cloud Summarization	128
Figure 2.11	The Conceptual Framework.....	132
Figure 3.1	The Research Process Flow	150
Figure 4.1	Type of NPIBDI.....	158
Figure 4.2	Official Institutions	161
Figure 4.3	Categories of Discussion on NPIBDI	164
Figure 4.4	Themes and Categories of General Concepts	166
Figure 4.5	Sources of knowledge category and codes	166

Figure 4.6	Practicality category and codes	169
Figure 4.7	Shariah Committee category and codes	172
Figure 4.8	Customer category and codes.....	173
Figure 4.9	Islamic concepts category and codes	175
Figure 4.10	Types of Islamic Quality Management theme and categories	177
Figure 4.11	Management Concepts	177
Figure 4.12	Quality Management Concepts	178
Figure 4.13	Islamic Quality Management Concepts	178
Figure 4.14	Islamic Quality Management Concepts Categories	180
Figure 4.15	Short Remark on General Discussion Topic	181
Figure 4.16	The Type of Implementation of Islamic Quality Management in NPIBDI	183
Figure 4.17	The Advantage of Implementing MS 1900 in NPIBDI	187
Figure 4.18	The Disadvantage of Implementing MS 1900 in NPIBDI.....	188
Figure 4.19	Initial Elements of Islamic Quality Management	191
Figure 4.20	Elements of Islamic Quality Management.....	192
Figure 4.21	Final Interpretation of the Elements of Islamic Quality Management.....	197
Figure 4.22	Fundamental Principles of Islamic Quality Management.....	198
Figure 4.23	Initial processes of Islamic Quality Management.....	201
Figure 4.24	Processes of Islamic Quality Management	203
Figure 5.1	Elements of Planning based on Quranic Verses	245
Figure 5.2	Ecosystem of proper auditing in Islamic Quality Management.....	250
Figure 5.3	Islamic values in Islamic Quality Management for NPIBDI.....	256
Figure 5.4	Islamic values in Islamic Quality Management for NPIBDI.....	257
Figure 5.5	The relationship between the seven fundamental principles in Islamic Quality Management for NPIBDI.....	259

Figure 5.6	The processes in Islamic Quality Management for NPIBDI	265
Figure 5.7	The Model of Islamic Quality Management for NPIBDI	269
Figure 5.8	Crucial factor in the implementation of Islamic Quality Management for NPIBDI.....	272
Figure 5.9	The guideline on the implementation of Islamic Quality Management for NPIBDI.....	276

LIST OF ABBREVIATIONS

NPIDBI	Non-Profit Islamic Based Development Institution
SMS	Systematic Management System
KMS	Kaizen Management System
7S	7S McKinsey Management Framework
SQC	Statistical Quality Control
TQM	Total Quality Management
TQC	Total Quality Control
LEP	Look East Policy
IKIM	Institute of Islamic Understanding Malaysia
JAKIM	Jabatan Kemajuan Islam Malaysia
TQTFM	Total Quality Fast Track Model
EFQM	The European Foundation for Quality Management
USIM	Universiti Sains Islam Malaysia
UIAM	Universiti Islam Antarabangsa Malaysia
DQ	Darul Quran
MAIM	Majlis Agama Islam Melaka
JAWHAR	Jabatan Wakaf, Zakat dan Haji
UPM	Universiti Putra Malaysia
PKZ	Pusat Kutipan Zakat
MS1900	Shariah-Based Islamic Quality Management
PDCA	Plan-Do-Check-Act
PDSA	Plan-Do-Study-Act

**KONSEPTUALISASI MODEL PENGURUSAN KUALITI ISLAM UNTUK
INSTITUSI PEMBANGUNAN BERTERASKAN ISLAM YANG TIDAK
BERASASKAN KEUNTUNGAN DI MALAYSIA**

ABSTRAK

Institusi pembangunan berteraskan Islam yang tidak berasaskan keuntungan (NPIBDI) merupakan institusi yang penting bagi umat Islam. Malaysia merupakan sebuah negara yang mempunyai majoriti penduduk beragama Islam serta telah menjadi contoh kepada negara Islam yang lain berkaitan institusi Islam. Namun pengkaji lepas telah mengemukakan isu berkaitan NPIBDI di Malaysia dimana pencapaian NPIBDI tidak setara dengan pencapaian institusi Islam yang berasaskan keuntungan. Hal ini berlaku disebabkan kurangnya keyakinan terhadap institusi-institusi ini. Tambahan pula, NPIBDI terlibat dalam menguruskan dana dan kewangan yang besar menyebabkan institusi ini terdedah kepada isu-isu berkaitan pengurusan. Oleh yang demikian, pengkaji-pengkaji lepas telah menyarankan NPIBDI untuk melaksanakan model pengurusan kualiti lazim. Walau bagaimanapun, terdapat pengkaji lepas yang menyatakan ketidaksesuaian pemakaian model-model pengurusan kualiti lazim di dalam institusi Islam kerana model pengurusan kualiti lazim dilihat bertentangan dengan perspektif falsafah Islam. Di samping itu, Malaysia juga telah membina sebuah pengurusan kualiti yang berasaskan syariah (MS1900). Walau bagaimanapun, terdapat juga pengkaji yang mengkritik konsep-konsep di dalam MS1900 kerana masih berasaskan kepada paradigma pengurusan kualiti lazim yang tidak selari dengan paradigma falsafah Islam. Maka menjadi keperluan untuk mengkonseptualisasikan model pengurusan kualiti Islam yang sesuai dilaksanakan di NPIBDI. Berdasarkan isu ini, kajian ini memfokuskan untuk mengkonseptualisasikan

model pengurusan kualiti Islam di NPIBDI dengan tiga objektif, Objektif pertama ialah mengenal pasti asas model pengurusan kualiti Islam untuk NPIBDI yang sedia ada. Objektif kedua, menganalisis pengurusan kualiti Islam untuk NPIBDI di Malaysia dan objektif ketiga mengkonseptualisasikan model pengurusan kualiti Islam untuk NPIBDI di Malaysia. Bagi mencapai objektif-objektif ini, kajian ini menggunakan pendekatan kajian kualitatif dengan reka bentuk kajian teori berlandas. Kajian ini juga melaksanakan temubual mendalam bersama informan yang terdiri daripada golongan akademik dan golongan pengamal. Seterusnya, kajian ini akan menganalisis dapatan dari temubual mendalam menggunakan analisis kandungan konvensional dengan bantuan perisian komputer iaitu Atlas.TI versi 9. Kajian ini juga menggunakan sumber sekunder dari dokumen berkaitan pengurusan kualiti Islam dan NPIBDI serta melaksanakan triangulasi sumber data diantara data dari temubual mendalam dan data dari sumber sekunder iaitu dokumen. Melalui sumber-sumber data ini, sebuah konseptual model pengurusan kualiti Islam dihasilkan berasas tiga aspek utama iaitu, elemen, prinsip asas dan proses. Kategori elemen terbahagi kepada dua iaitu nilai Islam dan amalan Islam manakala prinsip asas terbahagi kepada tujuh iaitu *Tasawur*, *Maqasid Shariah*, *Shura*, Kepimpinan, *Ihsan*, *Itqan* and Nilai. Proses pengurusan kualiti Islam pula merangkumi *Niat*, *Hisbah*, Perancangan, Pelaksanaan, Pengawasan dan Penilaian. Ketiga-tiga aspek ini kemudian dianalisis dan seterusnya mengkonseptualisasikan model pengurusan kualiti Islam untuk NPIBDI. Kajian ini juga menghasilkan garis panduan pelaksanaan model pengurusan kualiti Islam berdasarkan faktor kritikal dalam pelaksanaan model ini. Secara ringkas, kajian ini mengkonseptualisasikan model pengurusan kualiti Islam sebagai alternatif yang lebih baik untuk dilaksanakan di NPIBDI.

**CONCEPTUALIZATION OF THE ISLAMIC QUALITY MANAGEMENT
MODEL FOR NON-PROFIT ISLAMIC BASED DEVELOPMENT
INSTITUTIONS IN MALAYSIA**

ABSTRACT

Non-Profit Islamic Based Development Institution (NPIBDI) has been an essential institution for Muslims. Malaysia is Muslim majority country with Islam as the religion of the Federation. To the Islamic world, Malaysia is the role model in terms of its Islamic institutions. However, past researchers raised issues regarding NPIBDI in Malaysia, which is found to be underachieved compared to profit-based Islamic institutions as the level of confidence to these institutions are low. Even though NPIBDI is a non-profit entity, NPIBDI manage a considerable amount of funds and is susceptible to mismanagement. Therefore, past researchers suggested that the NPIBDI implement a conventional quality management model. However, arguments by researchers show that these quality management models are unsuitable to be implemented in Islamic institutions based on the Islamic philosophical perspectives. On the other hand, Malaysia introduced shariah based Islamic Quality Management (MS1900), whose aim is to fill the gap left by conventional quality management. However, past researchers also criticised MS1900 because some of the concepts are still within the conventional quality management paradigm, which does not align with the Islamic philosophical paradigm. Therefore, there is a need to conceptualize a model of Islamic Quality Management that is suitable for implementation in NPIBDI. By looking at this issue, this study aims to conceptualize a model of Islamic Quality Management for NPIBDI through three objectives. First, to identify the basics of

existing Islamic Quality Management model in NPIBDI in Malaysia. The second is to analyse the Islamic Quality Management for NPIBDI in Malaysia. The final objective is to conceptualize an Islamic Quality Management model for NPIBDI in Malaysia. This study uses the qualitative research approach with grounded theory as the research design in answering all the objectives. This study had conducted the in-depth interview with informants who are academicians and practitioners for its data collection method. This research analysed the data using conventional content analysis by the assistance of computer aided software Atlas.TI version 9. Furthermore, this study also used secondary data from any documents and literature related to Islamic Quality Management and NPIBDI. This research then triangulated the data from in-depth interviews with secondary data from the documentation. The data found from all these sources was then used to conceptualize a new Islamic Quality Management model based on three aspects: elements, fundamental principles, and processes of Islamic Quality Management. There are two categories of elements which are Islamic values and Islamic practices while there are seven fundamental principles which are *Tasawur* (worldview), *Maqasid Shariah* (objectives of Islamic laws), *Shura* (mutual consultation), Leadership, *Ihsan* (continuous improvement), *Itqan* (work with near perfection) and Values. There are six processes which are *Niat* (intention), *Hisbah* (monitoring), Planning, Implementation, Controlling and Evaluation. These three aspects were then analysed to conceptualize the model of Islamic Quality Management for NPIBDI. This study also discovers the critical factors in implementing this model in NPIBDI. As such this research constructed guidelines for the implementation of the Islamic Quality Management model in NPIBDI. In summary, this study conceptualizes a new model of Islamic Quality Management which provides a better alternative model for NPIBDI to implement Islamic Quality Management.

CHAPTER 1

INTRODUCTION

1.1 Introduction

Generally, this research delves into and analyses Islamic Quality Management to conceptualize a model for Non-Profit Islamic Based Development Institutions (NPIBDI). NPIBDI is the Islamic institution that pursues the mission-oriented goals according to Islam by providing goods or services that are not formed to generate profit. NPIBDI has played an essential role in Islamic Civilization. Among the first NPIBDI was a mosque established during the era of Prophet Muhammad SAW. Then several other NPIBDI was founded, such as *diwan al sadaqah*, which manages zakat, and other *diwan*¹ that contain the administrative institution and education institution during the Caliphate era till today (Duri, 2011). Therefore, this research will investigate the management of Islamic Based Development institutions such as mosques, zakat and administrative institutions, and educational institutions that are regarded as NPIBDI. The type of NPIBDI² can be seen in Table 1.7 located in the operational definition of this thesis.

The type of management discussed in this research is quality management. The industrial revolution in the early 19th century and through the early 20th century has sparked interests on quality management as a topic that is widely discussed and implemented worldwide including in Islamic countries and Muslim majority countries

¹ Diwan – Government Bureaus

² There are four types of NPIBDI chosen in this research which are religious obligation institutions, socio-economic institutions, administrative institutions and education institutions. The detailed elaboration on these four types of NPIBDI are elaborated in Section 1.6.3 Non-Profit Islamic Based Development Institution.

such as Malaysia. In 2014, Malaysia took a step further and became the first country to initiate a standard named Quality Management from Islamic Perspective, also known as MS1900. However, there are some arguments on the suitability of implementing these quality managements towards Islamic based development institutions. Therefore, this research will delve into Islamic Quality Management to conceptualize a model that can review the suitability and implementation of NPIBDI.

As for an introduction, this chapter discusses the background of the research, the problem statements, the research objectives, the research questions, the research scope and limitations, the operational definitions, the significance of this research and the contribution of this research and thesis organization.

1.2 Background of Research

This research background is divided into two main subsections. The first main subsection will explain the development of the Quality management. The second main subsection will discuss the Islamic Based Development Institutions, especially the management of NPIBDI in Malaysia.

1.2.1 The Development of Quality Management

In this main subsection, the discussion of the background of the study will focus on two aspects which are the evolution of the Quality Management and the Quality Management in Malaysia. These two aspects were chosen to explain briefly on the development of quality management worldwide and Malaysia that relate to the main problem statement of this research. Both these parts will be discussed on the history of the Quality Management, which is an essential aspect of this research.

1.2.1(a) The Evolution of Quality Management

Management concepts have existed since the early period of the industrial revolution. According to Deane (1979), the industrial revolution started in 1760 till 1850 in England. The number of people working in the manufacturing industry surpassed the number of people in agriculture activities by more than 1 million during this period. These contributed to four significant changes to the world: the introduction of new technology, the use of mineral sources of energy, the concentration of workers and factories, and modern methods of transportation. These significant changes caused the management concepts at that particular period to come on with new ideas or means to optimize business profits through executing tasks effectively. These new ideas and concepts guided the growth of manufacturing in the West and eventually led to other management perspectives, namely the classical management perspectives (Kamaluddin et al., 2014).

Classical management theory was among the first management perspectives in the world. The classical management theory then evolved into many management concepts that developed during the industrial revolution due to numerous problems in the factory, which did not exist during the traditional cottage industry (Kamaluddin et al., 2014). Thus, many western thinkers have developed the most effective way of performing and managing tasks. One of the management models within the classical management theory is scientific management model which was invented by one of the most famous western thinkers in management which is Frederick Winslow Taylor. Taylor is also known as the 'father of scientific management and the pioneer of scientific management'. According to Taylor (1947), scientific management views refer to the assumption that economic gains primarily motivate people. Thus, the focus of these views is placed on individual productivity. The general adoption of scientific

management would double the productivity of a man or worker involved in the manufacturing sector. Thus the manufacturer will be the ultimate gainer in this concept (Taylor, 1947).

Several decades later, this model is still practised by the company in the West, such as Ford, owned by Henry Ford. Henry Ford applied this management model when producing the Model T in 1913 (Danforth, 1996). However, Danforth (1996) argues that the American firm lost market competitiveness because American firm had practised management model based on the theory developed by Frederick Winslow Taylor. On the other side of the world, the emergence of a new and booming industrial sector modelled by the Japanese.

Since World War Two ended, Japan has gone through many different trends. According to Kosai (1988), among the trends in the period of change, from reconstruction to the onset of rapid growth, saw an excess labour supply. The second trend that Japan has gone through is market changes. The market in Japan changed from close and isolated markets to an open market. This action has made business and investment much more accessible. The most influential trend that Japan has gone through the industrial development. Japan changes from an industrial organization that the government controls to market competition. This decision has attracted the Japanese to develop companies that eventually penetrate the world market and become competitive such as Toyota Motors.

The success of the Japanese firm does not occur overnight. Since World War Two, the United States of America (USA) has been trying to help the Japanese revive Japan's economy. Western scholars such as Edwards Deming became an ambassador of Quality Management to Japan. In 1950, Deming was invited to Japan to teach the

statistical method of Quality Improvement, known as Statistical Quality Control (SQC) (Best & Neuhauser, 2005). The SQC then transformed into Total Quality Control (TQC) and eventually become Total Quality Management (TQM) (Martínez-Lorente et al., 1998). Even though the quality concepts were initiated by western thinkers, the Japanese have successfully used quality as a strategy (Danforth, 1996).

The Japanese triumphant economic success did not merely originate from the Japanese people but from successfully combined all knowledge, system, process, and skill and improvising those criteria to fit the Japanese values and culture, which resulted in the unique Japanese management concepts (Takada, 1999). This strategy and action have made Japan pioneer the models of management such as TQM, 5S and Lean Management System that eventually the western organizations and institutions wanted to implement. This strategy shows that the Japanese had achieved what economists called an economic miracle (Ito, 1996). This economic miracle has attracted many countries, including Western countries, to learn and apply Japan's management concepts.

Correspondingly, during the same period when the quality booms in Japan, an international committee comprised of many countries in this world known as International Standardization for Organization (ISO) took the initiative to standardise quality management. Therefore, in 1987, ISO introduced the first quality management standards known as ISO 9000 family (ISO, n.d.). ISO 9000 family then became the most well-known and best-selling standard globally (ISO, n.d.). The list of all the standards within the ISO quality family is as follows.

Table 1.1 List of ISO quality family
Sources: International Standardization for Organization (n.d.)

Reference	Title
ISO 10004:2018	Quality management -- Customer satisfaction -- Guidelines for monitoring and measuring
ISO 10006:2017	Quality management -- Guidelines for quality management in projects
ISO 10012:2003	Measurement management systems -- Requirements for measurement processes and measuring equipment
ISO 18091:2019	Quality management -- Guidelines for the application of ISO 9001:2008 in local government
ISO 19443:2018	Quality management systems -- Specific requirements for the application of ISO 9001 and IAEA GS-R requirements by organizations in the Supply Chain of the Nuclear Energy sector
ISO 21001:2018	Educational organizations -- Management systems for educational organizations -- Requirements with guidance for use
ISO 22006:2009	Quality management systems -- Guidelines for the application of ISO 9001:2008 to crop production
ISO 29001	Petroleum, petrochemical and natural gas industries -- Sector-specific quality management systems -- Requirements for product and service supply organizations
ISO 9001:2015	Quality management systems -- Requirements
ISO/TS 19158:2012	Geographic information -- Quality assurance of data supply
ISO/TS 54001:2019	Quality management systems -- Particular requirements for the application of ISO 9001:2008 for electoral organizations at all levels of government
ISO/TS 9002:2016	Quality management systems — Guidelines for the application of ISO 9001:2015

Based on Table 1.1, most of the Quality Standard have been recently updated, including the famous ISO 9001, revised in 2015. Therefore, this shows that today's quality management is vital management where organisations and institutions will target to achieve international quality standards.

Malaysia has always shown interest in both the development of quality whether the development of quality in Japan and the International development of quality standard. The evidence are ISO 9000 has been launched in Malaysia since 1987 (Idris et al., 1996) and in September 2020, the Department of Standard Malaysia had called

upon all the ISO 9001 users to participate in reviewing the quality standard in Malaysia (Department of Standards Malaysia, 2020). This action proves that Malaysia is among the country where ISO 9001, the Quality Management standard, has been a necessary standard.

In short, the evolution of quality management started during the industrial revolution and then continued to World War Two era. According to Hellman and Liu (2013), many important events happened in the development of quality management after World War Two, such as the introduction of many new quality management such as Lean Manufacturing, Six Sigma, and quality tools such as Ishikawa 7 quality tools and Deming Wheel.

Other than that, Hellman and Liu (2013) also argued that the introduction of ISO quality standards and the introduction of awards related to quality also had played an essential role in developing quality management. Table 1.1 shows a parallel argument with Hellman and Liu (2013) whereby, since 2000 onwards, the quality management standard or ISO has been updated throughout times, showing the importance of quality management in the organization and institutions. The timeline adapted from Hellman and Liu (2013) argument is shown in Figure 1.1.

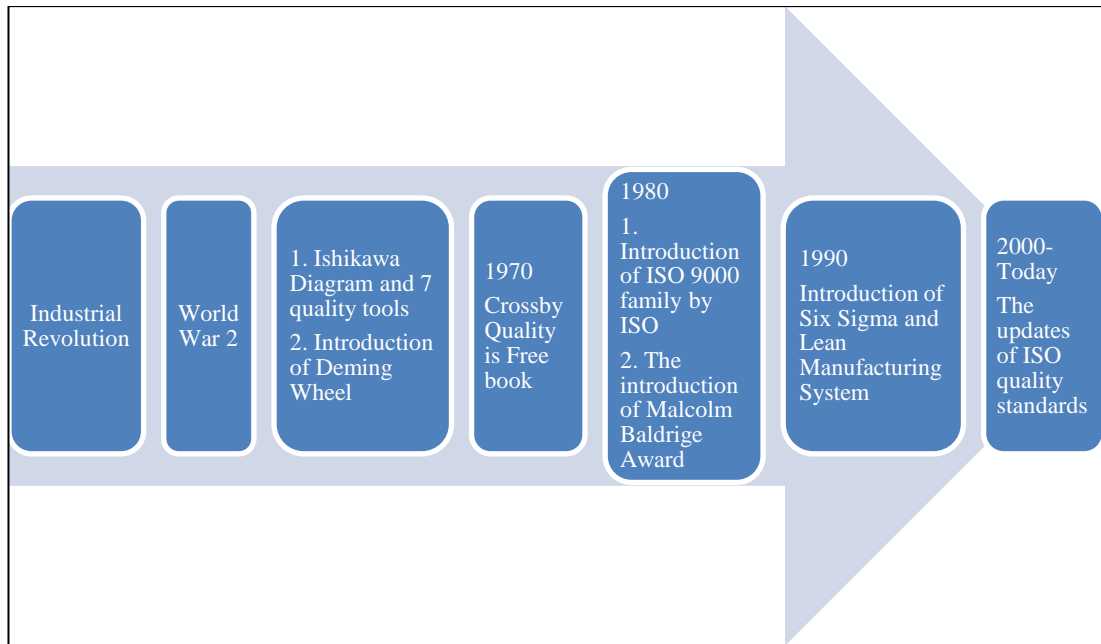


Figure 1.1: Timeline of the evolution of the Quality Management

Sources: Adapted from Hellman and Liu (2013)

Based on the discussion earlier in this subtopic, the success of the Japanese Management and the introduction of the standardization of Quality Management by ISO has attracted many institutions in this world to implement quality management. Another point to consider is that many Asia countries also initiate some policies known as the Look East Policy that looks toward Japan and Korea, especially in the management concepts of these two countries. Among those countries is Malaysia, which initiated the policy in 1981.

1.2.1(b) Quality Management in Malaysia

After World War Two, the Japanese company's first invested in Malaysia named the Nozawa Asbestos Cement Company, established Marex Industries joint venture with a local company as early as 1959 (Kawabe, 1991). The Japanese influence in Malaysia increased during the tenure of the 4th Prime Minister of Malaysia,

Mahathir Mohamad, who introduced the Look East Policy (LEP) in December 1981. The main objective of LEP was to improve the management and development performance and produce positive values and ethics in the society of Malaysia (Prime Minister Office, 1982). In 1982, the economic miracle of Korea and Japan was imitated and praised all around the world. Among those countries that try to imitate Korea and Japan are Malaysia and India.

Furthermore, Sundaram (2014) also mentioned that among the original objectives of LEP are to produce Japanese-style trading agencies, improve the relationship between private and public sectors and privatization. Mahathir finally explained that the objectives of LEP are focussing on industrialization and economic development by adopting and imbedding values, work ethics and management concepts from the east, especially in Japan (Sundaram, 2014).

Kawabe (1991) mentioned that LEP seemed to popularize the Japanese management style due to the program that sends workers from the government sectors and private sectors to study Japanese management skills. This action has benefitted the government, private sectors and the education sector, which has seen many students from Malaysia sent to Japan to study and adopt Japanese values and work ethics (Sohaimi Lazim, 2011). However, Loh, Wei and Suzuki (2015) and Sundaram (2014) argued that the sector that receives the highest benefit from LEP is industrialization, specifically heavy industrialization, which increases productivity and efficiency. These benefits have made Malaysia's economy flourish throughout the years. Due to the benefit attained from LEP, after winning the election in May 2018, the same person who became the 7th Prime Minister of Malaysia, Mahathir Mohamad, visited Japan in June and announced the continuation of LEP.

However, Malaysia regards this re-implementing of LEP as Look East Policy 2.0 (MITI, 2019). In the speech by Mahathir Mohamad in March 2019, Mahathir argues that the government of Malaysia will re-implement LEP to emulate the noble values of the Japanese in their quest for success (Prime Minister Office, 2019). This announcement showed that the government of Malaysia is still committed to learning from the Japanese management skills and model.

Even though LEP seems to benefit the manufacturing industry, Malaysia's government is committed to spreading the management concepts adapted from the Japanese towards all sectors in Malaysia, including the public sector. This action was proven when TQM was introduced in Malaysia during the tenure of Mahathir Mohamad who established the movement called *Gerakan Budaya Kerja Cemerlang* in 1989. The objective is to improve the quality of life by improving the quality of the working culture (Mahathir Mohamad, 1992). Since then, numerous organisations and institutions have implemented TQM, including Islamic development institutions.

Another point to consider is that Malaysia has initiated another quality management concepts known as Islamic Quality Management System. Malaysia has taken a step further and become the pioneer in Islamic Quality Management Standards, which introduced MS1900, known as quality management standards from Islamic perspectives (Department of Standards Malaysia, 2014). The MS 1900 QMS has been created to fill the gap existing in the ISO 9000 standard, which concentrates on the aspects of product or external output alone, not on the internal or spiritual elements. Thus, MS 1900 was formulated in 2005 by a special committee known as the Malaysian Industry Standards Committee concerning the Halal Standard (Hasan Al-

Banna Mohamed et al., 2016). Therefore, Malaysia has been profound in developing and managing the nation's Islamic development institutions.

Malaysian Industry Standards Committee concerning the Halal Standard is also known as Industrial Standards Committee on Halal Standard (ISC I). In 2003, Tun Ahmad Sarji³ mooted the initial idea of creating Islamic standards in Malaysia. Tun Ahmad Sarji observed that the main factor that caused the collapse of organizations and institutions worldwide is poor governance (Mohamad & Mansor, 2018). This phenomenon has been manifested through corruption, mismanagement and lack of accountability among leaders and employees. However, Tun Ahmad Sarji argued that the best approach to resolving this issue is Islamic values and ethical principles.

Therefore, the ISC I had launched MS 1900:2005-Quality Management System, Requirement from Islamic Perspectives on 30 October 2005. In 2014, the MS1900 underwent the first revision known as MS1900:2014 Syariah-based Quality Management System - Requirements with Guidance today (Department of Standards Malaysia, 2014). This revision emphasizes the internal values in the organization (Hasan Al-Banna Mohamed, Ab Mumin, et al., 2014). Till today, many institutions have certified with MS1900 such as Natural Wellness Sdn Bhd, Century Total Logistic Sdn Bhd, Takaful Ikhlas, PNB Darby Park and Pusat Zakat Melaka, Syarikat PNB Ilham Resort, Universiti Sains Islam Malaysia (*Jabatan Pembangunan dan Pengurusan Fasiliti*), Universiti Tenaga Nasional Sdn Bhd (UNITEN), Penang Port Sdn Bhd, Jabatan Kehakiman Syariah Perak, Kolej Komuniti Gerik, Sindora Berhad, Tabung Baitulmal Sarawak, Jabatan Wakaf, Zakat dan Haji and KFC Manufacturing

³ Tun Ahmad Sarji was the former Chief Secretary of Malaysia and also Chairman of the Institute of Islamic Understanding of Malaysia (IKIM).

Sdn Bhd (Group Logistic Division) and Malaysian Airports Consultancy Services (Bustamam & Sarion, 2019). The institutions that certified with MS1900 as mentioned above shown that non-profit Islamic institutions are among the certified institutions such as Universiti Sains Islam Malaysia, Pusat Zakat Melaka, Jabatan Wakaf, Zakat dan Haji and Jabatan Kehakiman Syariah Perak.

1.2.2 Islamic Based Development Institution in Malaysia

The term Islamic based development institution originated from the research clusters done by the Centre for Islamic Development Management Studies (ISDEV). The research cluster known as the management of Islamic-based development institutions which originated from the study of Islamic-based development by Muhammad Syukri Salleh (2003b). Islamic based development institutions have been defined as institutions that endeavour to fulfil the objectives of development based on Islam in every aspect of the activities implemented (Fadzila Azni Ahmad, 2016a). Within the research cluster of the management of Islamic-based development institutions in ISDEV, there were research focus on Islamic Quality Management which this thesis will be focusing on.

Malaysia is Muslim majority country and Islam is also the religion of the Federation, as mentioned in the Malaysian Constitution (Malaysia Commissioner of Law Revision, 2010). Therefore, an Islamic institution must be essential for Malaysia's Muslims. Even though Islam is the religion of the Federation of Malaysia, the development of Islamic-based development institutions after the independence was poorly developed (Fadzila Azni Ahmad, 2016a). The development of Islamic-based development institutions in Malaysia started to be taken seriously in Malaysia since the fourth prime minister of Malaysia's administration, Mahathir Mohamad, saw the

significance and multiple institutions developed. The existence of Islamic institutions is essential in Malaysia to fulfill the Islamic objective of developing the nation, society, and individual as a whole.

Islamic-based development institutions are categorized based on the institution's function and objective. One of the most important categories is the place of worship or Islamic religious obligation institution. Among the significant of institutions within this category are mosques and *surau*. In June 1999, *Bahagian Pembangunan Keluarga, Sosial dan Pengurusan Masjid* or KESUMA was initiated by the government of Malaysia to establish one institution to manage the mosque in Malaysia. Later on, KESUMA was then reorganized under JAKIM. Today, these institutions are managed and sponsored by either government, such as Jabatan Kemajuan Islam Malaysia (JAKIM), or the private sector, such as Yayasan Al Bukhary (Asyraf Ab Rahman et al., 2013).

According to Jabatan Kemajuan Islam Malaysia (2020b), there were 6465 mosques and 18257 *surau* in Malaysia as of December 2020. These numbers are still rising according to the demand of Muslims in Malaysia. Malaysia wanted to prepare a modern environment for the Muslims to fulfil their religious obligations. Therefore, building a mosque has been one complete part of Malaysia 5 year development plan (Fadzila Azni Ahmad, 2016c). The list of the mosques and *surau* is portrayed in Table 1.2 and Table 1.3, as mentioned by Jabatan Kemajuan Islam Malaysia (2020b).

Table 1.2 List of the number of mosques and *surau* in Malaysia

Code	States	Categories	
		Mosques	<i>Surau</i>
01	Johor	822	2,042
02	Kedah	577	2,088
03	Kelantan	584	1,068
04	Melaka	194	810
05	N. Sembilan	298	1,106
06	Pahang	598	1,729
07	Pulau Pinang	213	554
08	Perak	649	1,973
09	Perlis	99	203
10	Selangor	421	2,170
11	Terengganu	484	1,849
12	Sabah	1,072	1,172
13	Sarawak	369	832
14	F.T. Kuala Lumpur	67	512
15	F.T. Labuan	15	43
16	F.T. Putrajaya	3	106
Total		6,465	18,257

Source: Jabatan Kemajuan Islam Malaysia (2020b)

Other than the religious obligation institutions, the Islamic based development institutions were developed to assist Muslims in Malaysia to practice other Islamic practices other than *solat*. Zakat is among Islamic practices within the pillar of Islam that needed an institution to assist Muslims in Malaysia. Due to that, the government in Malaysia started to introduce Pusat Zakat Wilayah Persekutuan in 1991 which today is known as Pusat Pungutan Zakat-MAIWP (PPZ-MAIWP), followed by Pusat Zakat Selangor which today is known as Lembaga Zakat Selangor (LZS) and Pusat Urus Zakat Pulau Pinang in 1994 which today is known as Zakat Pulau Pinang (ZPP), Pusat

Kutipan Zakat Pahang in 1995, Pusat Zakat Melaka in 1996 which today is known as Zakat Melaka and Pusat Zakat Negeri Sembilan in 1998 which today is known as Perbadanan Baitulmal Negeri Sembilan (Fadzila Azni Ahmad, 2016a). Some states do not have institutions focused only on *zakats*, such as Kelantan and Johor. Since then, these zakat institutions have played a vital role in assisting Muslims in Malaysia to pay zakat and distribute zakat to society.

Besides zakat, hajj was another pillar of Islam that needed an institution in Malaysia to assist the Muslims in Malaysia. Therefore, the government of Malaysia initiated Perbadanan Wang Simpanan Bakal-Bakal Haji in 1963, which was changed and now known as Lembaga Tabung Haji. The main objectives are to manage the fund of the Muslims in Malaysia to perform *hajj* and *umrah* (Fadzila Azni Ahmad, 2016a). However, the purposes increased later, whereby Lembaga Tabung Haji became an Islamic compliance investment fund until today (Bakar, 2000). This initiative has made Lembaga Tabung Haji the pioneer of Islamic financial institutions in Malaysia (Fadzila Azni Ahmad, 2016a).

Malaysia has been a leader in Islamic financial institutions for several years. Despite the competition from Bahrain and Dubai, Malaysia still maintains dominance in Islamic financial institutions (Nor et al., 2016). The number of Islamic financial institutions grew tremendously in 1983 when the first Islamic banking was established, Bank Islam Malaysia Berhad (BIMB), followed by Bank Muamalat Malaysia Berhad in 1994. Other than the banking system, the takaful system was another financial institution established in Malaysia by Syarikat Takaful Malaysia in 1984, followed by Takaful Nasional Sdn Bhd in 1993 and Pasaran Modal Islam in 1994 (Fadzila Azni Ahmad, 2016a). This establishment shows that Malaysia's government established

Islamic institutions focusing on the worship and pillar of Islam and other practices, including the banking and financial system.

Besides the banking and financial system, Malaysia also established Islamic education and higher education systems. The Islamic education has been in Malaysia since the early period of the introduction of Islam in this land. However, according to Murihah Abdullah et al. (2015), the Islamic education started to become institutions started with the establishment of the institution of 'pondok'. Furthermore, the higher education institution establishment was started in 1980 with Kolej Agama Sultan Zainal Abidin, followed by International Islamic University Malaysia in 1983, Kolej Islam Melaka in 1994, Kolej Islam Johor in 1995 and numerous other Islamic institutions that focus on the education system (Fadzila Azni Ahmad, 2016a). This establishment shows that Malaysia concentrates not only on profitable Islamic-based development institutions but also on NPIBDI.

Besides education, the Islamic institution has also been established in governance and law. The establishment of JAKIM in 1997, the objective was to centralize the development of policy and activities related to Islam which includes the halal certification in Malaysia (Fadzila Azni Ahmad, 2016a). The establishment of Jabatan Kehakiman Syariah Malaysia also in 1996 and followed by other states' Syariah Court to solve matters regarding the Syariah law in Malaysia. Other than that, there are many Islamic institutions in Malaysia, such as Yayasan Dakwah Islamiah Malaysia (YADIM), which focuses on Islamic preaching, and the Persatuan Pengguna Islam Malaysia (PPIM) focuses on assisting the Muslim consumer in Malaysia.

Considering all these types of Islamic Based Development Institutions, the functions of the institutions depend on each institution's objectives. However, these

institutions can be divided into non-profit based institutions and profit-based institutions. In this research NPIBDI is defined as Islamic institution that pursues the mission-oriented goals according to Islam by providing goods or services that are not formed to generate profit for the ones involved in establishing the profit.⁴ Therefore, based on these definitions, every institution within the banking and financial category was not within non-profit based institutions.

However, based on the operational definition of this thesis, there are institutions within the socio-economic institutions which fall under the category of profit-based institutions such as Lembaga Tabung Haji and other institutions are classified as non-profit such as Zakat institutions. Using the type of institutions mentioned by Fadzila Azni Ahmad (2016a) and the operational definition of NPIBDI, this research will construct a table that classified the type of institutions between non-profit and profit-based institutions. Table 1.3 show the types of institutions and the classification of non-profit and profit-based institutions.

Table 1.3 Classifications of institutions in Malaysia

Type of Institutions	Classification
Religious Obligation	Non-profit based institutions
Education	Non-profit based institutions
Socio-economic	Non-profit based institutions Profit-based institutions (Lembaga Tabung Haji)
Financial and Banking	Profit-based institutions
Governances and administrations	Non-profit based institutions

Sources: Adapted from Fadzila Azni Ahmad (2016a)

⁴ The definition of NPIBDI and non-profit and will be explained further in the operational definition of this research.

This research will mainly focus on non-profit based institutions or NPIBDI. Therefore, the type of institutions discussed further in this research is religious obligation institutions, educations institutions, socio-economic institutions, which exclude Lembaga Tabung Haji and governance and administrations institutions.⁵

The establishment of numerous Islamic institutions within Malaysia, categorized according to types of institutions, showed that Malaysia took Islamic development seriously. However, due to each institution related to Islam, the institutions must preserve the institutions' integrity and accountability so that the image of Islam has not deteriorated if the quality of the institutions is diminished. Therefore, each institution must have a management concept that will maintain and improve the institution's quality and preserve its integrity.

1.3 Problem Statement

The problem statement for this research has been divided into two parts. The first part will elaborate on the issue with NPIBDI, including the issues on management and performance of NPIBDI. The second part of this section will elaborate on issues regarding quality management both Islamic and conventional, including issues with the model of quality management.

As stated in the background of this research, the establishment of Islamic based development institutions starts with the development of the religious obligation institution, which is the mosque. Then, during the reign of Khalifah Umar RA, the Muslim needs for financial, administration and military systemization due to the vast

⁵ The justification for selection of these institutions has been explained further in the scope and limitations section in this research

size of the civilization (Duri, 2011). The need for this systemization has made the government establish a government bureau or *diwan*. This *diwan* acts as a government institution that manages public needs such as zakat, education, militarization, and others (Duri, 2011). These institutions continue to exist today, and some institutions focus on profit, such as the banking sector. This fact shows that the Islamic civilization's glory started with NPIBDI, such as mosques, administrative institutions, and zakat institutions divided into profit-based and non-profit entities.

The development of Islamic institutions in Malaysia has been significant from the early 80s until today. Malaysia's banking and Islamic financial institutions have become the global leader today (Abdullah , 2019). In 2019, the Deputy Minister of Finance Malaysia, Amiruddin Hamzah, mentioned that Malaysia continues to be the main driver for the *Sukuk* market and represented 49.7% of the total global outstanding *Sukuk*. Malaysia represents the most prominent Islamic fund market, with 35.8% of total industry assets under management which Malaysia ranked first (28.3%) with 430 points. This circumstance shows that Malaysia's Islamic financial and banking institutions have been exceptional and have become role models for other Islamic nations around the globe.

However, the exact accomplishment of Malaysian profit-based Islamic development institutions does not occur in NPIBDI, such as mosques, zakat institutions and educational institutions in Malaysia. The main issue with the performance of NPIBDI is the low level of confidence in the Muslim community towards the institutions (Siti Arni Basir et al., 2017a). Siti Arni Basir et al. (2017) also argue this low level of confidence is due to the lack of proper governance and management of these Islamic institutions. Therefore, the efficiency and performance

of non-profit Islamic institutions must be improved, especially on the management level (Hasan Al-Banna Mohamed et al., 2016; Mohd Noor et al., 2012).

The working environment in NPIBDI, such as a mosque, zakat institutions and educational institutions, is different from profit-based institutions. Li and Zhang (2020) mentioned that the difference between the non-profit and profit institutions lies in the mission, values orientation and financial restriction. This argument is in line with Rexhaj (2011) that mentioned that the difference between workers in non-profit institutions and profit-based institutions is the high goals target. People working in non-profit institutions seem to feel that a high goal set by the management can be very demotivating, and this leads to the working environment not focusing on reaching a high goal (Rexhaj, 2011). Due to these differences, Li and Zhang (2020) argued that different management approaches must be implemented in non-profit institutions and must not equal the profit-based institution. Therefore, the management model in this non-profit environment differs from profit-based institutions.

The point argued by Li and Zhang (2020) and Rexhaj (2011) shows that non-profit institution does not rely on money and wages as motivation. Still, another aspect might be necessary for the non-profit institution, such as motivation. Therefore, a similar argument was mentioned by Civitillo (2019) that cultures and values are fundamental in a non-profit institution due to the entity's environment is not profit-driven. However, a management model must optimise cultures and values that fit non-profit institutions. The management model based on cultures and values can be very effective. This circumstance was proven by the Japanese, which adopted a western management model but altered the management model to fit the Japanese values and

cultures (Takada, 1999; Tsutsui, 2019). However, a question was raised on what values and culture is suitable for NPIBDI?

Since this research is regarding NPIBDI, therefore the cultures and values that are important here are Islamic culture and values. This fact has been proven by Al-Salmani et al. (2015), who argued that the Muslim countries such as Oman, UAE and Egypt fail to implement conventional quality management because those countries' values are different from the values within the conventional quality management. Values in Muslim countries are based on the Islamic paradigm, and therefore developing a quality approach from an Islamic perspective must be done urgently (Al-Salmani et al., 2015). This argument shows the importance of Islamic values and cultures in the development of a quality approach or quality model of management.

Another point to consider, in the Islamic paradigm, the culture of perfections is *Itqan* as a culture of quality which in line with the quality at work (Paramboor & Ibrahim, 2018). This culture can produce quality products or services and improve the performance of the institutions regardless of whether it is a profit-based or a non-profit institution. Therefore, *Itqan* suggested that workers must motivate to improve and reach the level of perfection or high goals as possible regardless of the benefits given to the workers.

Interestingly, during an event ceremony after receiving honours as Minister in the Prime Minister Department (Religious Affair), Zulkifli Mohamad Al-Bakri mentioned the concept of *Itqan*. Every worker within Islamic agencies that have the values of *Itqan*, which define as workers who do more than what has been expected, will be rewarded accordingly (Jabatan Kemajuan Islam Malaysia, 2020a). Apart from that, Zulkifli Mohamad Al-Bakri also mentioned that the mission of his ministership

was to ensure that the management of any religious agencies was at par with other government agencies such as Jabatan Perkhidmatan Awam (JPA) (Samadi Ahmad, 2020). Therefore, this shows that Islam has a culture and values suitable for the management model.

These actions were taken to ensure that the stigma toward Islamic institutions regarding mismanagement can be diminished (Samadi Ahmad, 2020). To do that, Zulkifli Mohamad Al-Bakri mentioned several other Islamic values and concepts such as *barakah* and sincerity to be culturized regarding avoid bad culture such as lousy time management (Samadi Ahmad, 2020). This approach was in line with the argument made by Tun Ahmad Sarji, which stated that problems such as mismanagement could be addressed by using Islamic values and ethical principles.

Apart from these, even though NPIBDI was not profit driven institutions, some NPIBDI need to handle large amount of donation and money. Among the institutions are Zakat institutions which are categorized under socio-economic institutions. JAWHAR (2019) listed several zakat institutions collections in 2020 which shown in Table 1.4.

Table 1.4 2020 Zakat Collections by States

Code	States	2020 Zakat Collections (RM)
1	Johor	300,855,626.51
2	Kedah	217,913,020.82
3	Kelantan	202,654,987.00
4	Melaka	100,720,991.88
5	N. Sembilan	144,088,231.79

Continue Table 1.4

6	Pahang	165,260,316.30
7	Pulau Pinang	130,875,632.57
8	Perak	191,633,580.59
9	Selangor	912,956,543.00
10	Sabah	101,788,328.22
11	Sarawak	110,374,938.58
12	Federal Territory	758,059,087.86
Total		3,337,181,285.12

Source: JAWHAR (2021)

Based on Table 1.4, which JAWHAR (2020) presented, zakat institutions, one of the NPIBDI in this study, have handled a total of RM3.3 billion ringgit sum of money. However, the data from JAWHAR (2020) does not include two states which are Terengganu and Perlis. Thus, this shows that even though NPIBDI was not profit-driven, the sum of money that zakat institutions need to manage is enormous. This massive amount of money showed that NPIBDI must be appropriately managed and governed so that no mismanagement occurs. Any wrongdoing, including mismanagement, can diminish the credibility and trustworthiness of non-profit institutions (Fotaki, 2020; Skandrani et al., 2021). In fact there has been a real cases involved NPIBDI regarding mismanagement such as reported by Muzamir (2017), Azil (2019), Mahmud (2019) and Isa (2021).

Therefore, to avoid mismanagement in NPIBDI, a good institutions governance and management model can be implemented in NPIBDI. According to Pyanov et al. (2021), mismanagement can undermine a non-profit institution. Several researchers, such as Mahmoud Saleh et al. (2017) and McKenzie and Hunter (2021) suggested that non-profit used any strategy or management concept in profit-based institutions. As an example, Sweis et al. (2018) suggested a TQM model, a quality management model, be implemented in non-profit institutions. However, TQM has

been criticized for the management model suitability to be implemented in the NPIBDDI by Fadzila Azni Ahmad (2019) due to the philosophical underpinning of the management model. The following parts will elaborate more on the problem regarding quality management, specifically the relationship with NPIBDDI.

Management has been a vital factor for an institution to achieve outstanding achievements. Management is a process of consolidating and managing resources effectively and managing resources effectively and efficiently to achieve the goals of the organization or institution (Abubakar et al., 2019; Kamaluddin et al., 2014). This fact is vital to all institutions in this world, including the institution in Malaysia.

Throughout the years, many management scholars and practitioner has established numerous management models for the institutions and organizations to function effectively. Islamic scholars and academicians have been among those who establish several Islamic management models for the institutions. Among the models is Management by Shura by Mohd Affandi Hassan (1992). According to Mohd Affandi Hassan (1992), good management must have the following criteria listed in Table 1.5.

Table 1.5 List of Good Management Criteria

Criteria
1. Able to save man from disbelief and loss
2. In accord with the nature of man
3. To emphasize the pleasure of a good governance
4. To educate man to be cultured
5. To use skills to perform good deeds (<i>amal salih</i>)
6. To lead man towards peace in this world and hereafter

Source: Mohd Affandi Hassan (1992)