

Islamic Business Management and Competitive Advantage: Integrating Ethical and Strategic Dimensions

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ABSTRACT

The increasing intensity of global competition has encouraged businesses to develop strategies that emphasize efficiency, innovation, differentiation, customer value, and organizational adaptability. In such an environment, competitive advantage is frequently associated with the ability of an organization to generate superior economic value compared with its competitors. However, an excessive emphasis on financial performance and market dominance may create ethical problems when competitive strategies involve manipulation, exploitation, unfair competition, or the neglect of stakeholder interests. Islamic business management offers an alternative perspective by integrating strategic objectives with ethical and spiritual principles. This study examines how Islamic business management can integrate ethical and strategic dimensions in the development of competitive advantage. The study aims to analyze the relationship between Islamic ethical principles and strategic management practices and to explain how values such as justice, honesty, amanah, transparency, responsibility, and maslahah can contribute to sustainable competitive advantage. This research employs a qualitative library research method based on academic books, peer-reviewed journal articles, scholarly publications, and authoritative sources related to Islamic business management, Islamic economics, strategic management, competitive advantage, business ethics, and organizational sustainability. The data are analyzed using a descriptive-analytical approach through identification, categorization, interpretation, comparison, and synthesis of relevant concepts. The findings demonstrate that Islamic business ethics should not be positioned separately from strategic management because ethical integrity can become a strategic organizational resource. Trust, reputation, stakeholder relationships, responsible innovation, employee commitment, customer loyalty, and organizational legitimacy can strengthen the ability of Islamic businesses to compete over the long term. The study concludes that competitive advantage in Islamic business management should not be measured exclusively through financial indicators or market position but also through the organization's capacity to create legitimate economic value, maintain ethical integrity, protect stakeholder interests, and contribute to broader social benefit.

Keywords: Islamic Business Management, Competitive Advantage, Business Ethics, Strategic Management, Islamic Economics, Maslahah, Organizational Sustainability

INTRODUCTION

The contemporary business environment is characterized by increasingly intense competition, rapid technological development, changing consumer preferences, globalization, and growing expectations concerning organizational responsibility. Businesses are required not only to offer products and services that satisfy consumers but also to continuously develop strategies that enable them to differentiate themselves from competitors. Competitive advantage has consequently become one of the central concerns of strategic management. Organizations seek to achieve superior performance through cost efficiency, product differentiation, innovation, customer relationships, organizational capabilities, technological resources, and market positioning. However, the pursuit of competitive advantage can become problematic when strategic objectives are separated from ethical considerations (Ikhwan et al., 2025). In many conventional approaches to strategic management, competitive advantage is primarily associated with the ability of a firm to generate superior value and maintain a favorable position relative to competitors. This perspective has contributed significantly to the development of strategic management theory by emphasizing resources, capabilities,

market structure, innovation, and organizational positioning. Nevertheless, an exclusive focus on competitive outcomes can create incentives for organizations to prioritize short-term financial results over long-term stakeholder welfare. Businesses may seek to reduce costs through unfair labor practices, use aggressive marketing strategies that obscure relevant information, exploit consumer vulnerabilities, or attempt to eliminate competitors through practices that undermine fair competition. Such conditions demonstrate the importance of integrating ethical considerations into strategic management.

Islamic business management provides a distinctive framework for addressing this challenge because business activity is not separated from moral responsibility. Economic activity in Islam is generally understood as part of a broader system of human responsibility before God, society, and other stakeholders. Business organizations are expected to pursue legitimate economic benefits while maintaining justice, honesty, trust, responsibility, and social welfare. Consequently, the concept of competitive advantage within Islamic business management should not simply refer to the ability to outperform competitors but should also consider the legitimacy of the methods used to achieve such performance and the consequences generated by business activity. The concept of *amanah* is particularly relevant to this perspective. Organizations possess resources, information, capital, authority, and relationships that create responsibilities toward stakeholders. Managers who control organizational resources are not merely economic decision-makers but also trustees who must use those resources responsibly. This perspective creates an important distinction between maximizing competitive advantage and developing responsible competitive advantage. A business may have the capacity to dominate a market, but domination achieved through deception, exploitation, or unfair practices cannot easily be reconciled with the ethical foundations of Islamic business management.

Justice is another central principle that influences the relationship between strategy and ethics. Competitive markets naturally involve rivalry, and organizations are expected to compete for customers and resources. Islam does not eliminate competition, but competition should occur within legitimate ethical boundaries. Businesses may seek to provide better products, lower prices, improve services, develop innovative solutions, and build stronger customer relationships. What becomes problematic is competition that involves fraud, false information, manipulation, deliberate harm, or exploitation. The principle of justice therefore establishes an ethical boundary within which strategic competition should operate (Surbakti et al., 2024). Honesty also has strategic implications. In markets characterized by information asymmetry, businesses often possess greater knowledge about product quality, production processes, costs, and risks than consumers. This informational advantage can be used either to create value or to exploit consumers. Islamic business management emphasizes truthful communication and prohibits deceptive practices. Consequently, honesty can function not only as a moral obligation but also as a source of long-term organizational credibility. Businesses that consistently communicate accurately and fulfill their promises may develop stronger reputations and deeper customer relationships.

Trust is particularly important in contemporary markets because consumers increasingly make decisions based on reputation and perceived organizational credibility. In digital environments, consumers may interact with businesses that they have never physically encountered. They rely on reviews, certifications, brand reputation, online communication, and previous experiences to evaluate whether a business is trustworthy. Islamic business management can potentially transform trust into a strategic resource by embedding it within organizational practices. When trust is supported by consistent ethical behavior, it can strengthen customer loyalty and reduce the uncertainty associated with market transactions. The concept of competitive advantage therefore needs to be reconsidered from an Islamic perspective. Rather than treating ethics as an external constraint imposed on strategic decision-making, Islamic business management can understand ethics as an internal

component of competitive capability. An organization that demonstrates reliability, transparency, fairness, social responsibility, and concern for stakeholders may develop intangible resources that are difficult for competitors to replicate. Reputation, organizational culture, employee commitment, customer trust, and stakeholder legitimacy can become strategic assets that support long-term performance.

This perspective is particularly relevant in markets where consumers increasingly consider ethical characteristics when making purchasing decisions. Consumers may evaluate not only price and quality but also whether a business treats employees fairly, provides transparent information, protects customer data, respects environmental responsibilities, and contributes to society. Islamic businesses have an opportunity to differentiate themselves by demonstrating that commercial success can coexist with ethical responsibility. However, such differentiation requires substantive organizational practices rather than symbolic Islamic branding (Ichsan, 2026). The relationship between ethics and strategy is also important for employee management. Human resources constitute one of the most significant organizational capabilities, and employee commitment can strongly influence service quality, innovation, productivity, and organizational learning. An Islamic approach to management emphasizes fairness, dignity, responsibility, and appropriate treatment of workers. Businesses that create an environment characterized by justice and trust may strengthen employee commitment and reduce dysfunctional organizational behavior. In this context, ethical management can indirectly contribute to competitive advantage through improved human capital.

Organizational culture represents another important dimension. Competitive strategies can be copied by competitors, but organizational culture is more difficult to imitate because it develops through shared values, managerial behavior, institutional practices, and accumulated experience. An Islamic organizational culture based on integrity, accountability, trust, and responsibility can create distinctive patterns of behavior. Employees who internalize such values may be more likely to protect organizational reputation, maintain customer relationships, and make decisions that consider long-term consequences. Ethical culture can therefore function as a strategic capability. Innovation also needs to be considered within the relationship between ethics and competitive advantage. Innovation enables organizations to develop new products, services, technologies, and processes. However, not every innovation creates legitimate value. Some innovations may increase efficiency while creating significant social or environmental costs. Islamic business management encourages innovation that contributes to legitimate benefit and avoids unnecessary harm. This orientation can guide organizations toward responsible innovation that creates economic value while maintaining stakeholder welfare.

The principle of *maslahah* provides an important conceptual foundation for understanding this relationship. *Maslahah* emphasizes benefit and welfare within the boundaries established by Islamic principles. In business management, this concept can encourage organizations to consider the broader consequences of strategic decisions. A strategy that produces immediate financial gains but creates long-term harm may not represent genuine organizational success. Conversely, a strategy that requires greater investment in quality, employee welfare, transparency, or community development may produce stronger long-term benefits. The integration of ethical and strategic dimensions is particularly relevant for Islamic financial institutions, halal businesses, Islamic social enterprises, Muslim-owned enterprises, and other organizations that explicitly incorporate Islamic values into their operations. Such organizations face expectations that extend beyond ordinary commercial performance. Stakeholders may expect consistency between the organization's Islamic identity and its actual business practices. Any contradiction between Islamic branding and organizational behavior can damage trust and create reputational risks.

At the same time, the relevance of this framework extends beyond businesses that explicitly identify themselves as Islamic. Principles such as honesty, justice, responsibility,

transparency, and stakeholder welfare have universal managerial significance. Islamic business management contributes a distinctive normative foundation for integrating these principles into strategic decision-making. It demonstrates that ethical responsibility can be conceptualized not merely as corporate philanthropy or compliance but as a fundamental dimension of how organizations compete and create value. The digital transformation of business further strengthens the importance of this issue. Digital platforms enable businesses to collect extensive consumer data, personalize marketing, automate decisions, and reach large markets at relatively low cost. These capabilities can create significant competitive advantages but can also generate ethical concerns. Businesses that use data irresponsibly or manipulate consumers may achieve short-term gains but risk losing stakeholder trust. Islamic business management therefore needs to address the ethical implications of digital strategy as part of its broader approach to competitive advantage.

Another important consideration is sustainability. Competitive advantage that depends exclusively on short-term cost reduction or aggressive market tactics may be difficult to maintain. Sustainable competitive advantage requires organizational capabilities that can withstand changes in technology, consumer behavior, regulation, and competition. Ethical integrity can contribute to this sustainability because trust, reputation, employee commitment, and stakeholder relationships accumulate over time. These resources cannot easily be created through short-term strategic manipulation. The study therefore focuses on the integration of ethical and strategic dimensions within Islamic business management. It examines how Islamic values can influence the development of competitive advantage and how ethical principles can function as strategic resources rather than merely as restrictions. The analysis considers the relationship between justice, honesty, amanah, transparency, trust, stakeholder responsibility, innovation, organizational culture, and long-term business performance (Asha'ari et al., 2023). The importance of this research lies in its attempt to bridge two dimensions that are often treated separately: strategic competitiveness and Islamic business ethics. Competitive advantage is usually examined through economic and organizational perspectives, while Islamic business ethics is frequently discussed in terms of moral obligations and prohibited practices. Integrating these perspectives can provide a more comprehensive understanding of how Islamic businesses can compete effectively without compromising their ethical identity. Such integration is particularly relevant for organizations seeking to achieve sustainable growth within increasingly competitive markets.

METHOD

This research employs a qualitative library research method to examine the integration of ethical and strategic dimensions in Islamic business management and the development of competitive advantage. Library research is appropriate for this study because the primary objective is to analyze theoretical concepts, normative principles, and strategic arguments derived from existing scholarly sources. The research does not involve field surveys, interviews, experiments, or quantitative statistical procedures. Instead, it relies on secondary sources that provide conceptual and theoretical foundations concerning Islamic business management, competitive advantage, strategic management, organizational behavior, business ethics, Islamic economics, and sustainability. The sources examined in this research include academic books, peer-reviewed journal articles, scholarly publications, and authoritative materials relevant to the subject. The literature was selected according to its relevance to the central research problem, particularly discussions concerning competitive strategy, ethical management, Islamic principles of business, stakeholder relationships, organizational trust, human resource management, innovation, and sustainable organizational performance. Classical and contemporary Islamic perspectives were considered to establish the normative foundations of business ethics, while strategic management literature was

examined to understand how organizational resources and capabilities contribute to competitive advantage (Assyakurrohim et al., 2022; Sari & Asmendri, 2020).

The analytical process involved identifying relevant concepts, categorizing them according to their relationship with ethical and strategic management, interpreting their theoretical meaning, comparing different perspectives, and synthesizing the findings into an integrated conceptual understanding. The analysis paid particular attention to recurring principles such as justice, honesty, amanah, transparency, responsibility, trust, and masalah. These principles were then examined in relation to strategic dimensions such as differentiation, organizational capability, innovation, customer relationships, employee management, reputation, and sustainability. This study does not employ a systematic literature review, PRISMA framework, bibliometric analysis, or meta-analysis. The purpose is not to calculate the frequency of studies or statistically aggregate previous findings but to critically examine relevant concepts and develop an analytical argument regarding the relationship between ethics and competitive advantage in Islamic business management. The library research approach allows the study to connect normative Islamic principles with contemporary strategic management concepts. The final analytical stage involved synthesizing the ethical and strategic dimensions into an integrated interpretation of competitive advantage. The analysis examines whether Islamic ethical principles can function as organizational resources that contribute to differentiation, trust, reputation, employee commitment, customer loyalty, innovation, and long-term sustainability. Through this approach, competitive advantage is evaluated not only according to the ability to outperform competitors but also according to the legitimacy and social consequences of the strategies through which competitive performance is achieved.

RESULTS AND DISCUSSION

RESULTS

The findings indicate that Islamic business management provides a distinctive perspective on competitive advantage by integrating economic objectives with ethical responsibility. Competitive advantage is not rejected as a legitimate organizational objective, but its meaning is expanded beyond financial superiority or market dominance. An Islamic business can pursue profitability, growth, efficiency, innovation, and market expansion as long as these objectives are achieved through legitimate and responsible means. This perspective establishes a relationship between organizational performance and ethical integrity in which the method of achieving competitive success becomes as important as the outcome itself. The analysis demonstrates that ethical principles can become strategic organizational resources. Values such as honesty, justice, amanah, and transparency influence how businesses interact with customers, employees, suppliers, investors, and communities. When these values are consistently implemented, they can generate trust and organizational credibility. Trust is particularly valuable because it can reduce uncertainty in business relationships and encourage customers and stakeholders to maintain long-term relationships with an organization. Consequently, ethical behavior can generate economic consequences that contribute to competitive performance (Alhammadi et al., 2022).

Trust emerges as one of the most important mechanisms connecting ethics with competitive advantage. Customers who trust a business are more likely to purchase repeatedly, recommend its products, and tolerate occasional service problems. Suppliers and business partners may also be more willing to establish long-term relationships with organizations perceived as reliable. Employees who trust management may demonstrate greater commitment and willingness to contribute beyond minimum job requirements. Thus, trust can influence multiple dimensions of organizational performance simultaneously. The findings further demonstrate that reputation represents an important intangible resource that develops through accumulated organizational behavior. Businesses that consistently fulfill

promises, communicate honestly, maintain product quality, and treat stakeholders fairly can build reputations that distinguish them from competitors. Reputation is difficult to imitate because it depends on historical experiences and stakeholder perceptions. An Islamic business that integrates ethical values into its operations can therefore develop a distinctive reputation that functions as a long-term strategic asset. Justice also has significant strategic implications. Fair treatment of employees can strengthen organizational commitment, while fair treatment of customers can increase satisfaction and loyalty. Fair relationships with suppliers can encourage stable supply chains and reduce opportunistic behavior. Fair competitive practices can strengthen organizational legitimacy and reduce reputational risks. The principle of justice therefore extends across the organization's stakeholder network and can influence the stability of the relationships upon which competitive performance depends (Rangkuti, 2023).

The findings reveal that *amanah* can strengthen organizational accountability. Managers who perceive organizational resources as responsibilities rather than personal possessions are more likely to consider the long-term consequences of their decisions. This can influence financial management, employee treatment, customer service, information management, and relationships with business partners. *Amanah* encourages managers to avoid opportunistic behavior that may provide immediate benefits while damaging organizational credibility. In this sense, *amanah* can support strategic discipline. Transparency also contributes to competitive advantage because it reduces information asymmetry and strengthens stakeholder confidence. Businesses that disclose relevant information clearly can differentiate themselves from competitors that rely on ambiguity or aggressive persuasion. Transparency is particularly important in industries where consumers have difficulty evaluating product quality before purchase. By providing accurate information concerning product characteristics, pricing, certifications, risks, and business practices, organizations can strengthen consumer confidence and reduce uncertainty.

The analysis indicates that ethical differentiation can become a meaningful competitive strategy. Differentiation is often associated with product features, service quality, brand identity, or technological capabilities. However, organizations can also differentiate themselves through the way they conduct business. Ethical sourcing, fair treatment of employees, transparent pricing, responsible marketing, customer protection, and social responsibility can become elements of organizational differentiation. For Islamic businesses, these dimensions can be connected to a coherent ethical identity. The findings also demonstrate that customer loyalty can be strengthened by consistency between organizational values and actual behavior. Consumers may initially be attracted by Islamic branding, halal certification, or religiously oriented products, but long-term loyalty depends on their experience with the business. If a company claims to operate according to Islamic values but provides poor service, uses deceptive pricing, or treats customers unfairly, the credibility of its Islamic identity can decline. Ethical consistency is therefore essential for converting Islamic identity into sustainable competitive advantage. Employee management represents another important area in which ethics and strategy intersect. Employees are not merely labor inputs but organizational actors who contribute knowledge, creativity, service, and relationships. Islamic management principles emphasizing fairness, dignity, responsibility, and appropriate treatment can contribute to stronger employee engagement. Employees who perceive management as fair and trustworthy may be more willing to support organizational goals and contribute to innovation and service quality (Atobishi & Podrutzsik, 2025).

The findings further indicate that ethical organizational culture can become a difficult-to-imitate capability. Competitors may copy products, prices, advertising campaigns, and technologies, but reproducing an organizational culture based on deeply embedded values is considerably more difficult. An ethical culture develops through leadership behavior, recruitment, training, reward systems, communication, and repeated organizational practices.

When Islamic ethical values become embedded in these systems, they can create behavioral patterns that distinguish the organization from competitors. Innovation also emerges as a significant dimension of competitive advantage. Islamic business management does not require businesses to avoid innovation; rather, innovation should be directed toward legitimate value creation. Organizations can innovate in products, services, processes, marketing, technology, supply chains, and customer experience while maintaining ethical boundaries. Responsible innovation can therefore create competitive advantage by improving efficiency and customer value without compromising stakeholder interests. The concept of *maslahah* provides an important criterion for evaluating innovation. An innovation that creates financial benefits but generates substantial harm to consumers or society may not represent a desirable form of competitive advantage from an Islamic perspective. Conversely, innovation that improves access, affordability, quality, transparency, or social welfare can generate broader benefits. *Maslahah* therefore expands the strategic evaluation of innovation beyond financial return.

The findings also indicate that stakeholder relationships can become strategic resources. Islamic business management recognizes that organizations operate within networks of relationships rather than in isolation. Customers, employees, suppliers, investors, communities, and regulators can influence organizational success. Businesses that maintain fair and trustworthy relationships with these stakeholders may develop greater resilience when facing market disruptions. Ethical stakeholder management can therefore strengthen competitive advantage by improving organizational stability. Another important finding concerns long-term versus short-term competitive advantage. Aggressive strategies may sometimes produce rapid gains, but their sustainability is uncertain when they damage stakeholder relationships. Businesses that repeatedly disappoint customers, exploit employees, or engage in misleading practices may eventually face reputational and operational consequences. Islamic business management encourages a longer-term perspective in which organizational success is connected to legitimacy, trust, and responsible value creation.

The analysis also demonstrates that ethical principles can reduce certain organizational risks. Deceptive practices, unfair contracts, irresponsible data management, and exploitative employment policies can generate legal, reputational, and operational risks. By establishing ethical standards, organizations can reduce the probability of such problems. Ethical management therefore has a risk-management function in addition to its moral significance. Digital business environments make these issues even more important. Online businesses can reach large numbers of consumers rapidly, meaning that ethical failures can also spread rapidly through digital networks. A single incident involving misleading advertising, poor data protection, or unfair treatment can damage organizational reputation. Conversely, consistent transparency and responsible digital practices can strengthen credibility. Islamic businesses therefore need to integrate ethical principles into digital strategies as part of competitive positioning.

The findings further show that ethical branding can provide competitive value when it is supported by substantive organizational practices. Islamic businesses can communicate their values through branding, but the effectiveness of such branding depends on organizational consistency. Consumers increasingly have access to information that allows them to compare corporate claims with actual behavior. Ethical branding without ethical implementation may therefore produce reputational vulnerability rather than competitive advantage. Another finding concerns social responsibility. Islamic business management recognizes that businesses have responsibilities beyond generating private economic returns. Organizations can contribute to communities through employment, fair economic participation, responsible production, social investment, and other forms of beneficial activity. Such contributions can strengthen stakeholder relationships and organizational legitimacy.

Social responsibility can therefore have strategic implications when it is integrated authentically into the organization's broader mission.

The analysis also identifies the importance of leadership. Ethical principles cannot become organizational capabilities without managerial commitment. Leaders influence organizational culture through their decisions, communication, reward systems, and responses to ethical problems. Leaders who prioritize short-term financial outcomes regardless of consequences may create cultures in which employees perceive unethical behavior as acceptable. Conversely, leaders who consistently demonstrate honesty, justice, accountability, and responsibility can create conditions in which ethical behavior becomes part of organizational identity. The findings indicate that ethical leadership can contribute to employee retention and organizational stability. Employees may be less willing to remain in organizations where management is perceived as unfair or dishonest. High turnover can increase recruitment and training costs and reduce organizational knowledge. An ethical leadership orientation can therefore support competitive advantage by strengthening human capital stability. The strategic consequences of ethical leadership extend beyond moral perceptions into operational performance.

The analysis further demonstrates that competitive advantage within Islamic business management should be evaluated through multiple dimensions. Financial performance remains relevant because businesses must remain economically viable. However, financial outcomes should be considered together with customer trust, employee welfare, stakeholder relationships, ethical reputation, innovation, and social contribution. This broader evaluation provides a more comprehensive understanding of organizational success. The findings ultimately suggest that Islamic ethical principles can function as organizational capabilities when they are institutionalized through management systems. Values must be translated into recruitment practices, employee training, operational procedures, marketing policies, customer service standards, supplier relationships, governance mechanisms, and performance evaluation. Ethical values that remain only as abstract statements are unlikely to generate sustainable competitive advantage. The strategic value of ethics emerges when values shape repeated organizational behavior (Purwati et al., 2025).

DISCUSSION

The integration of ethical and strategic dimensions represents a significant opportunity for the development of Islamic business management. Conventional strategic thinking often treats ethics as an external consideration that must be addressed because of regulation, reputation, or social pressure. Islamic business management provides a different starting point by treating ethical responsibility as inherent to economic activity. This means that strategic decisions are evaluated not only according to whether they improve competitive position but also according to whether they are legitimate, fair, responsible, and beneficial. This perspective changes the way competitive advantage itself is understood. Competitive advantage should not be reduced to the ability to generate higher profits than competitors. Profitability is necessary for organizational survival, but it is not sufficient to define the quality of competitive performance. The methods through which profit is generated and the consequences of organizational activity are also important. Islamic business management therefore introduces a qualitative dimension into the evaluation of competitive advantage. The integration of ethics and strategy can also challenge the assumption that ethical behavior necessarily creates additional costs without generating economic benefits. Although ethical practices may sometimes require additional investment, they can also produce intangible resources that generate long-term value. Transparency can strengthen customer trust, fair employee treatment can increase commitment, and responsible business practices can strengthen reputation. These benefits may not immediately appear in financial statements, but they can influence long-term organizational performance (Omidvar & Palazzo, 2023).

Trust is particularly important because it functions across multiple stakeholder relationships. A trusted organization may spend fewer resources convincing customers of its credibility, experience stronger customer retention, and develop more stable relationships with suppliers and partners. Trust can also reduce transaction uncertainty. In Islamic business management, the ethical foundations of trust are particularly strong because honesty and amanah are not merely strategic tools but moral responsibilities. Their strategic benefits therefore emerge as consequences of consistent ethical behavior rather than as the sole reason for adopting ethical principles. The concept of reputation reinforces this argument. Reputation is accumulated through repeated interactions and is therefore closely connected to organizational consistency. A business cannot easily purchase a strong reputation through advertising if its operational practices contradict its public claims. Islamic businesses face particularly high expectations in this regard because their ethical identity may create stronger expectations among stakeholders. Maintaining consistency between values and behavior is therefore essential. The principle of justice provides another bridge between ethics and strategic management. Justice in employee management can improve organizational relationships, while justice in customer relations can strengthen satisfaction and loyalty. Justice in supplier relationships can create greater supply chain stability. The strategic value of justice therefore arises through the quality of relationships that it produces. Rather than viewing justice as an abstract moral principle, managers can understand it as a foundation for sustainable stakeholder relationships.

However, the strategic use of ethics requires caution. Businesses should not adopt ethical values solely as marketing instruments while ignoring their intrinsic moral significance. If consumers perceive that an organization uses Islamic values merely to create a favorable image, trust can decline. Ethical management must therefore be substantive. The strategic benefits of Islamic ethics should emerge from genuine commitment to responsible business conduct rather than manipulation of religious identity. This issue is particularly relevant to halal and Islamic branding. The use of Islamic symbols, terminology, and certification can provide differentiation in competitive markets. However, differentiation based on Islamic identity creates a responsibility to ensure consistency between branding and organizational behavior. If an organization claims to uphold Islamic values but engages in deceptive pricing or unfair treatment, the contradiction can create greater reputational damage than would occur with a conventional brand. The integration of ethics into strategy also has implications for competitive positioning. Businesses can differentiate themselves through quality, service, innovation, and price, but ethical performance can become an additional dimension of differentiation. Consumers who value responsible business practices may prefer organizations that demonstrate transparency and fairness. This creates opportunities for Islamic businesses to compete not merely on product characteristics but also on the quality of their relationships and values (Zahiri & Sahal, 2025).

Employee management illustrates how this differentiation can become internally generated. An ethical organizational culture can influence how employees interact with customers, solve problems, and respond to organizational challenges. When employees internalize organizational values, managers may not need to rely exclusively on formal monitoring mechanisms. Employees can exercise ethical judgment in situations that are not fully covered by procedures. This can improve organizational adaptability. The role of leadership is therefore fundamental. Leaders determine whether ethical principles become organizational realities. A manager who publicly emphasizes honesty but privately rewards employees for achieving results through deceptive practices sends contradictory signals. Organizational culture is shaped less by formal statements than by what leaders consistently reward, tolerate, and punish. Islamic leadership therefore needs to align strategic goals with ethical expectations. The relationship between ethics and innovation also deserves attention. Innovation is often associated with experimentation and risk-taking, but ethical boundaries

can provide direction for these activities. Businesses can ask whether innovations solve genuine problems, create legitimate value, and avoid unnecessary harm. This can encourage responsible innovation rather than innovation for its own sake. The result may be products and services that create stronger long-term value because they respond to genuine stakeholder needs.

Maslahah provides a particularly useful framework for this process because it encourages managers to consider broader consequences. Strategic decisions can generate benefits for the organization while imposing costs on other stakeholders. A narrow shareholder-centered approach may overlook such consequences. Maslahah encourages managers to consider whether the overall effect of an action contributes to legitimate welfare. This broad perspective can support more responsible strategic choices. The concept of sustainability is also strengthened through the integration of ethical principles. Sustainable competitive advantage requires organizational resources and capabilities that competitors cannot easily replicate and that remain relevant over time. Ethical culture, stakeholder trust, reputation, employee commitment, and organizational legitimacy can contribute to such durability. These resources develop gradually and are difficult to reproduce through short-term strategic imitation. Digitalization further strengthens the strategic importance of ethical conduct. Digital communication enables customers to share experiences quickly, while social media can amplify both positive and negative organizational behavior. Businesses that fail to meet ethical expectations may experience rapid reputational consequences. Islamic businesses therefore have strong incentives to ensure that digital communication, marketing, customer service, and data management reflect their ethical commitments.

Data management represents a particularly important contemporary dimension. Businesses that collect consumer information gain strategic advantages because data can improve targeting, personalization, and decision-making. However, the use of data also creates responsibilities concerning privacy and security. Islamic business management can interpret these responsibilities through amanah. Data should be managed as entrusted information rather than as an unrestricted resource. Responsible data governance can consequently become both an ethical obligation and a source of consumer trust. The strategic importance of employee welfare is similarly evident in digital transformation. Automation and technological systems can increase productivity, but they may also change job structures and create new forms of workplace monitoring. Islamic business management should evaluate technological implementation according to both efficiency and human welfare. Businesses that manage technological change responsibly may strengthen employee trust and adaptability, while those that prioritize efficiency without considering human consequences may experience resistance and turnover. The stakeholder dimension also distinguishes Islamic business management from narrowly competitive approaches. Organizations depend on relationships with multiple stakeholders, and the quality of those relationships can influence resilience. Suppliers who trust an organization may provide greater flexibility during disruptions. Employees who feel respected may be more willing to adapt during periods of uncertainty. Customers who perceive an organization as reliable may remain loyal despite temporary difficulties. Ethical stakeholder management can therefore strengthen organizational resilience.

Fair competition is another important aspect. Islamic business management does not imply that organizations should avoid competition. Competition can stimulate efficiency, innovation, and better service. However, the methods used to compete must remain legitimate. Businesses should compete through superior value creation rather than through deception, fraud, or deliberate harm to competitors. This creates a form of competitive discipline in which organizations are encouraged to improve their capabilities without undermining market fairness. This perspective also challenges businesses to reconsider the meaning of strategic success. A company may achieve rapid growth by aggressively exploiting a temporary market opportunity, but if that strategy damages trust and legitimacy, the long-term consequences

may be negative. Islamic business management encourages a broader temporal perspective. Organizational decisions should consider not only immediate performance but also whether they create relationships, capabilities, and reputation that can support future development.

The role of governance becomes particularly important in ensuring that ethical principles remain connected to strategic decisions. Governance systems can establish standards for financial management, marketing, employee treatment, customer protection, supplier relationships, and data management. However, governance should not become merely bureaucratic. Its effectiveness depends on organizational culture and leadership commitment. Formal policies must be supported by consistent implementation. Education and managerial competence are also important. Managers need to understand both strategic management and Islamic ethical principles if they are expected to integrate the two. Knowledge of Islamic business principles without strategic competence may limit organizational competitiveness, while strategic competence without ethical understanding may increase the risk of irresponsible decision-making. Developing managers who can combine both dimensions is therefore an important requirement for Islamic business development. The discussion ultimately demonstrates that ethical values can function as strategic assets when they are deeply embedded within organizational systems. The value of honesty, justice, amanah, and transparency is not limited to individual morality. These principles can shape organizational culture, stakeholder relationships, reputation, customer loyalty, employee commitment, and innovation. When these elements interact, they can create capabilities that contribute to sustainable competitive advantage.

Nevertheless, the integration of ethics and strategy should not be understood as a guarantee of superior financial performance in every situation. Ethical businesses may sometimes face higher short-term costs because they invest more in product quality, employee welfare, transparency, compliance, or responsible sourcing. The strategic argument is therefore not that ethical behavior always maximizes immediate profit. Rather, ethical management can create conditions for durable organizational legitimacy, trust, and resilience, which are increasingly important in complex and transparent markets. The broader implication is that Islamic business management offers a model in which competitiveness and ethical responsibility are mutually reinforcing. Businesses do not have to choose between being competitive and being ethical. Instead, they can seek to build competitive capabilities through ethical organizational practices. This approach reframes ethics from a constraint on strategy into a foundation for responsible and sustainable strategic management (Cahyono & Nugroho, 2022).

CONCLUSION

This study concludes that Islamic business management offers a comprehensive approach to competitive advantage by integrating ethical responsibility with strategic objectives. Competitive advantage remains an important goal because organizations must achieve sufficient economic performance to survive and develop. However, Islamic business management expands the concept of competitive success by emphasizing the legitimacy of business practices, stakeholder welfare, organizational responsibility, and broader social benefit. Competitive advantage is therefore not merely a matter of outperforming competitors but also of creating value through legitimate, fair, and responsible means. The findings demonstrate that Islamic ethical principles such as justice, honesty, amanah, transparency, responsibility, and *maslahah* can contribute to the development of organizational capabilities. These values influence stakeholder relationships, customer trust, employee commitment, organizational reputation, innovation, and long-term resilience. When they are consistently implemented, ethical principles can become intangible resources that are difficult for competitors to imitate. Their strategic significance emerges not because ethics should be used instrumentally, but because genuine ethical conduct creates conditions for sustainable

relationships and organizational legitimacy. Trust represents one of the most significant connections between ethical management and competitive advantage. Businesses that consistently fulfill promises, communicate honestly, protect stakeholder interests, and demonstrate responsibility can establish stronger relationships with customers, employees, suppliers, and other stakeholders. These relationships can contribute to customer loyalty, employee retention, stable partnerships, and organizational resilience. Trust therefore represents both an ethical value and an important organizational resource.

The study also concludes that ethical differentiation can provide Islamic businesses with opportunities to establish distinctive market positions. Product quality, service, innovation, and price remain important competitive factors, but organizations can also differentiate themselves through transparency, fair treatment, responsible marketing, ethical sourcing, stakeholder protection, and authentic Islamic values. Such differentiation can be particularly valuable when consumers increasingly evaluate organizations according to both commercial and ethical considerations. The integration of ethics into strategic management should begin at the organizational level rather than being limited to marketing communication. Islamic values need to be incorporated into leadership, organizational culture, human resource management, customer service, innovation, financial management, governance, and stakeholder relationships. Ethical principles that exist only in organizational statements are unlikely to generate meaningful competitive capabilities. Their strategic value emerges when they influence actual decisions and repeated organizational behavior. The study further emphasizes the importance of leadership. Managers have a central role in translating ethical principles into organizational practice. Leadership behavior determines what employees perceive as genuinely valued by the organization. Leaders who consistently demonstrate honesty, justice, accountability, and responsibility can strengthen ethical culture and organizational commitment. In contrast, leaders who prioritize financial outcomes regardless of ethical consequences may undermine organizational trust and weaken long-term competitive potential. Innovation should also be integrated with ethical considerations. Islamic business management does not reject technological and organizational innovation. Rather, innovation should be directed toward legitimate value creation and should consider its broader consequences. Businesses can pursue technological development, new products, digital strategies, and operational improvements while maintaining principles of fairness, transparency, responsibility, and prevention of harm. Responsible innovation can therefore become an important component of Islamic competitive strategy.

The findings also indicate that digitalization makes ethical management increasingly strategic. Consumers can quickly evaluate and communicate their experiences, while businesses possess growing amounts of customer information and technological power. Organizations that manage data irresponsibly, manipulate consumers, or provide misleading information may face significant reputational consequences. Islamic businesses should therefore treat digital ethics as part of competitive strategy rather than as a separate technical concern. The concept of *maslahah* provides a broader framework for evaluating strategic decisions because it encourages managers to consider whether business activities create legitimate benefit and avoid significant harm. This approach challenges narrow interpretations of business success that focus exclusively on profit or market share. An Islamic organization can pursue profitability while simultaneously considering customer welfare, employee dignity, community interests, and broader social consequences. Ultimately, this research demonstrates that Islamic business management does not require a choice between ethics and competitiveness. Instead, it offers an integrated approach in which ethical values can strengthen strategic capabilities and competitive advantage. Businesses that build trust, maintain integrity, develop strong stakeholder relationships, foster ethical cultures, and innovate responsibly may create forms of competitive advantage that are more sustainable than those based solely on short-term financial tactics. The broader implication is that

competitive advantage in Islamic business management should be understood as the ability to create superior and sustainable value while maintaining ethical legitimacy. Such a perspective provides an alternative to approaches that separate economic performance from moral responsibility. It suggests that the long-term strength of an organization depends not only on what it sells or how efficiently it operates but also on how it treats stakeholders, how honestly it communicates, how responsibly it uses resources, and how consistently it translates its values into practice.

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