Department of Digital Business
Journal of Artificial Intelligence and Digital Business (RIGGS)
Homepage: https://journal.ilmudata.co.id/index.php/RIGGS
Vol. 5 No. 2 (2026) pp: 14166-14174
P-ISSN: 2963-9298, e-ISSN: 2963-914X

Reconstructing Islamic Strategic Management A Comparative Analysis of Michael Porter's Competitive Advantage Theory and The Principle of Al-Falah

Putri Rahayu*, Yogi Fajar Permata, Indah Puji Safitri, Diah Lestari, Agustina Mutia
Jurusan Ekonomi Syariah, Fakultas Ekonomi dan Bisnis Islam, Universitas Islam Negeri Sulthan Thaha Saifuddin
putrirahaayu1806@gmail.com, yogifermata07@gmail.com*, idhpjsftri@gmail.com, dialestari289@gmail.com, agustinamutia69@uinjambi.ac.id

Abstract

This study aims to reconstruct an Islamic strategic management framework through a comparative analysis between Michael Porter's Competitive Advantage theory and the principle of Al-Falah. The research is motivated by the dominance of conventional strategic management paradigms that prioritize competitiveness and economic performance while often underemphasizing ethical, social, and spiritual dimensions of organizational success. A qualitative methodology was employed using library research and conceptual comparative analysis of relevant scholarly literature. Data were collected from academic books and peer-reviewed journal articles, then analyzed using content and comparative analysis techniques. The findings show that both Competitive Advantage and Al-Falah share the objective of achieving organizational sustainability, yet they differ fundamentally in philosophical foundations, strategic objectives, performance indicators, and stakeholder orientation. Competitive Advantage emphasizes market positioning, profitability, and efficiency, whereas Al-Falah integrates material success with ethical values, social justice, collective welfare, and accountability to God. The study highlights that conventional strategic management tends to focus on economic outcomes, while the Islamic perspective expands success into moral and spiritual dimensions. Based on these differences, the study proposes a reconstructed Islamic Strategic Management model that integrates competitiveness with principles of tawhid, amanah, maslahah, and stakeholder welfare. This integrated framework is expected to provide a more holistic understanding of organizational success that balances economic performance with ethical responsibility and spiritual accountability in contemporary organizational contexts for sustainable development and long-term institutional resilience in modern organizations.

Keywords: *Islamic Strategic Management; Competitive Advantage; Al-Falah; Maslahah.*

1. Introduction

Strategic management has become one of the most influential disciplines in contemporary organizational studies because it provides a systematic framework for achieving long-term sustainability, organizational adaptability, and competitive performance. In an increasingly dynamic and uncertain business environment, organizations are required to formulate strategies that enable them to create superior value while maintaining their position within competitive markets. Among the various theoretical perspectives in strategic management, Michael Porter's theory of Competitive Advantage remains one of the most dominant paradigms. Porter (1985) argues that organizational success is determined by the ability to create superior value through cost leadership, differentiation, and effective strategic positioning. Consequently, the concept of competitive advantage has become a fundamental framework for understanding organizational performance across various sectors and industries.

Despite its significant contribution to strategic management theory, the competitive advantage paradigm has increasingly faced criticism due to its strong emphasis on market competition and economic performance. The growing prevalence of corporate scandals, environmental degradation, social inequality, and ethical misconduct has demonstrated that organizational success cannot be measured solely through profitability and market dominance. Contemporary stakeholders increasingly expect organizations to demonstrate social responsibility, ethical commitment, and sustainable development alongside financial achievement. Consequently, scholars have begun questioning the adequacy of purely market-oriented strategic frameworks and have called for alternative approaches that incorporate moral, ethical, and spiritual dimensions into organizational decision-making processes. These developments indicate the need to re-evaluate the philosophical foundations of strategic management and explore more holistic conceptions of organizational success.

Within the Islamic intellectual tradition, the concept of Al-Falah offers a comprehensive understanding of success that integrates material prosperity, ethical conduct, social welfare, and spiritual fulfillment. Al-Falah is derived from the Qur'anic worldview and represents a condition of holistic success encompassing both worldly achievement and eternal well-being. According to Hasibuan (2022), Al-Falah does not merely refer to economic prosperity but also includes moral integrity, spiritual excellence, and social justice as essential components of human success. Unlike conventional management theories that primarily emphasize competitive superiority, the Al-Falah paradigm places organizational activities within a broader framework of accountability before God, human welfare, and collective prosperity. Therefore, Al-Falah provides a potentially rich theoretical foundation for reconstructing strategic management from a more comprehensive and value-oriented perspective.

Recent studies have increasingly examined the relationship between Islamic values and strategic management. Purnomo et al. (2024) found that the integration of Islamic values into strategic management processes positively influences strategic formulation, implementation, and evaluation within pesantren-based higher education institutions. Their study demonstrates that Islamic principles can strengthen organizational effectiveness while maintaining institutional identity. However, the study primarily focuses on managerial implementation and does not critically examine the philosophical assumptions underlying contemporary strategic management theories. As a result, it leaves unanswered questions concerning the theoretical relationship between Islamic concepts of success and mainstream strategic management paradigms.

Fanani et al. (2024) argued that conventional strategic management frameworks cannot be fully adopted by Islamic institutions because they were originally developed within a business-oriented environment emphasizing competition and economic returns. Their study contributes significantly by defining strategic management from an Islamic educational perspective and highlighting the importance of integrating Islamic values into organizational governance. Nevertheless, the research remains largely conceptual and does not provide a systematic comparative framework capable of reconciling Islamic principles with established strategic management theories such as Competitive Advantage. Furthermore, the study does not critically examine the philosophical and normative differences between conventional and Islamic conceptions of organizational success. As a result, the development of a comprehensive Islamic strategic management model that integrates competitiveness with the broader objectives of Al-Falah remains an important area for further investigation.

Yani and Ulfa (2024) concluded that strategic management plays an essential role in developing globally competitive Islamic educational institutions through innovation, leadership development, and institutional sustainability. Likewise, Hidayah et al. (2024) demonstrated that the integration of Islamic values into the Balanced Scorecard framework contributes to a more comprehensive strategic management system by incorporating both financial and non-financial performance indicators. While these studies successfully demonstrate the practical compatibility between strategic management and Islamic values, they continue to rely predominantly on conventional strategic assumptions and do not critically evaluate the conceptual foundations of organizational success itself.

Recent studies on Islamic strategic management have attempted to incorporate maqāṣid al-sharīʻah, prophetic leadership, and Islamic ethics into organizational governance and performance measurement. Amar et al. (2025) found that strategic management and maqāṣid al-sharīʻah significantly influence the performance of Islamic cooperatives, while Rahman et al. (2024) emphasized the role of prophetic leadership in guiding strategic management processes among Muslim entrepreneurs. Although these studies contribute to the growing body of Islamic management literature, they focus primarily on the operational application of Islamic values rather than examining the fundamental philosophical differences between Islamic and conventional conceptions of strategic success. Consequently, the literature still lacks a comprehensive framework capable of integrating strategic competitiveness with ethical responsibility, social welfare, and spiritual accountability.

Based on the foregoing discussion, an important research gap remains within the existing literature. Previous studies have examined Islamic leadership, Islamic governance, maqāṣid al-sharīʻah, and Islamic strategic management as separate areas of inquiry, while studies concerning Competitive Advantage continue to be dominated by secular and market-oriented assumptions. Very limited attention has been devoted to systematically comparing the ontological, epistemological, and axiological foundations of Michael Porter's Competitive Advantage theory and the Islamic principle of Al-Falah. Consequently, no comprehensive theoretical framework

DOI: https://doi.org/10.31004/riggs.v5i2.11217

has yet been developed to reconstruct strategic management by integrating competitiveness, ethical excellence, stakeholder welfare, and spiritual fulfillment into a single conceptual model.

Therefore, the novelty of this study lies in its effort to reconstruct strategic management theory through a comparative analysis between Michael Porter’s Competitive Advantage and the Islamic principle of Al-Falah. Unlike previous studies that primarily focused on the implementation of Islamic values within organizations, this research critically examines the philosophical foundations of both concepts and proposes a new conceptual framework referred to as the Islamic Strategic Advantage Model. Accordingly, the objective of this study is to analyze the similarities and differences between Competitive Advantage and Al-Falah and to formulate a reconstructed model of Islamic strategic management capable of offering a more holistic and sustainable alternative to conventional strategic management paradigms.

2. Research Methods

This study employed a qualitative comparative research design to examine the similarities and differences between Michael Porter’s Competitive Advantage theory and the Islamic principle of Al-Falah as alternative paradigms of organizational success. A comparative approach was selected because the study aims to analyze two conceptual frameworks originating from different philosophical traditions and to identify their respective assumptions, objectives, values, and strategic implications. The research relied exclusively on qualitative data obtained from documentary sources (Husairi et al., 2024).

Data collection was conducted through a systematic literature review and document analysis process. Relevant publications were identified using keywords such as “competitive advantage,” “strategic management,” “Al-Falah,” “Islamic management,” “Islamic strategic management,” and “organizational success.” The selected literature was then screened based on its relevance to the research objectives, theoretical contribution, academic credibility, and publication quality. To ensure the currency of the discussion, priority was given to studies published within the last seven years, particularly those addressing strategic management, Islamic organizational theory, and contemporary discussions of organizational success. The unit of analysis in this study was the theoretical construct of organizational success embedded within both Competitive Advantage and Al-Falah.

Data were analyzed using comparative analysis as proposed by Pickvance (2001) and supported by qualitative content analysis developed by Schreier (2012). The analytical process began by identifying the core concepts and dimensions of each theory, followed by categorizing them into comparable analytical dimensions, namely ontological foundations, epistemological assumptions, strategic objectives, value orientations, and indicators of success.

Competitive Advantage was examined through dimensions such as value creation, competitive positioning, cost leadership, differentiation, and sustainable competitiveness, whereas Al-Falah was analyzed through dimensions including material prosperity, ethical responsibility, social welfare, justice, spiritual fulfillment, and accountability before God. The findings from both frameworks were then systematically compared and interpreted to identify areas of convergence and divergence, thereby generating a comprehensive understanding of organizational success from both conventional strategic management and Islamic perspectives.

3. Results and Discussions

3.1. Theoretical Foundations of Competitive Advantage and Al-Falah

Competitive Advantage remains one of the most influential concepts in strategic management theory and continues to shape contemporary discussions regarding organizational performance and sustainability. Porter conceptualized competitive advantage as an organization's ability to create superior value relative to competitors through strategic positioning, cost leadership, differentiation, and focus strategies (Porter, 1985). Although developed more than three decades ago, the framework remains highly relevant in explaining how organizations achieve and sustain superior performance in competitive environments. Recent studies have reaffirmed that Porter’s strategic framework continues to provide a foundational perspective for understanding organizational competitiveness amid increasingly dynamic market conditions (Islami et al., 2020).

DOI: https://doi.org/10.31004/riggs.v5i2.11217

The theoretical foundation of Competitive Advantage is rooted in a market-oriented and economic rationality perspective. Within this paradigm, organizations are viewed as strategic actors operating in competitive environments where success is largely determined by their ability to generate value that exceeds that of competitors (Husairi et al., 2026). Consequently, strategic decision-making focuses on identifying market opportunities, optimizing resources, and developing unique capabilities that are difficult to imitate. Organizational success is generally measured through tangible indicators such as profitability, market share, growth, efficiency, and long-term competitiveness. This orientation reflects the broader assumptions of conventional strategic management, which emphasize economic performance as the primary objective of organizational activity (Ayegba & Lin, 2020).

In contrast, the Islamic concept of Al-Falah offers a broader and more comprehensive understanding of success. Derived from the Qur'anic worldview, Al-Falah refers to prosperity, well-being, and success achieved through the integration of material achievement, ethical conduct, spiritual fulfillment, and social responsibility. Unlike conventional management theories that primarily emphasize economic outcomes, Al-Falah encompasses both worldly and hereafter dimensions of human existence. Therefore, success is not merely assessed through financial achievement but also through moral integrity, justice, social welfare, and obedience to divine guidance. In Islamic thought, the attainment of Al-Falah represents the ultimate objective of human activities, including economic and organizational endeavors (Hasibuan, 2022).

The philosophical foundations of Al-Falah differ significantly from those underlying Competitive Advantage. While the latter is primarily grounded in market competition and economic efficiency, Al-Falah is founded upon the principles of tawḥīd (the unity of God), khilāfah (human stewardship), and accountability before Allah. These principles position organizations not merely as economic entities but also as moral institutions responsible for promoting justice, collective welfare, and sustainable development. Consequently, organizational activities are expected to generate benefits not only for shareholders but also for employees, customers, society, and the environment. Such a perspective reflects the holistic nature of Islamic management, where material success is inseparable from ethical and spiritual considerations (Supodo & Sarnoto, 2025).

Recent scholarly discussions have increasingly highlighted the relevance of Al-Falah within contemporary organizational contexts. Mohamad and Sarif (2024) argue that Al-Falah can serve as a foundation for creating sustainable competitive advantage because it integrates organizational effectiveness with ethical legitimacy and stakeholder trust. Their findings suggest that organizations guided by Al-Falah principles are more capable of achieving long-term sustainability due to their emphasis on integrity, social responsibility, and spiritual values. This perspective expands the conventional understanding of competitive advantage by incorporating dimensions that are often overlooked within market-centered strategic frameworks.

Competitive Advantage and Al-Falah seek to explain the conditions necessary for organizational success, yet they differ substantially in their underlying assumptions and ultimate objectives. Competitive Advantage prioritizes superior market performance through strategic competition, whereas Al-Falah emphasizes holistic prosperity achieved through the integration of economic, ethical, social, and spiritual dimensions. Understanding these distinct theoretical foundations is essential because they influence how organizations define success, formulate strategies, allocate resources, and evaluate performance. Consequently, a comparative examination of these two paradigms provides a valuable basis for developing a broader understanding of strategic management that extends beyond purely economic considerations toward a more comprehensive conception of organizational excellence.

3.2. Comparative Analysis of Competitive Advantage and Al-Falah

Competitive Advantage and Al-Falah originate from different intellectual traditions, both concepts are fundamentally concerned with achieving organizational success and sustainability. Competitive Advantage emerged from the field of strategic management and focuses on how organizations create superior value and outperform competitors within market environments (Porter, 1985). In contrast, Al-Falah originates from the Islamic worldview and emphasizes the attainment of comprehensive success encompassing material prosperity, ethical responsibility, social welfare, and spiritual fulfillment (Hasibuan, 2022). Despite these differences, both frameworks recognize that organizational success requires strategic planning, effective resource management, and long-term sustainability. Therefore, a comparative analysis is necessary to identify the fundamental distinctions and potential complementarities between the two paradigms.

DOI: https://doi.org/10.31004/riggs.v5i2.11217

At a conceptual level, the primary difference between Competitive Advantage and Al-Falah lies in their underlying assumptions regarding the purpose of organizational activities and the meaning of success itself. Competitive Advantage views organizational success primarily through the lens of market performance and competitive superiority, whereas Al-Falah adopts a broader perspective by integrating economic achievement with moral and spiritual objectives. This distinction influences how organizations formulate strategies, allocate resources, evaluate performance, and define their responsibilities toward stakeholders. Consequently, examining these differences provides a deeper understanding of the strengths and limitations of each framework in addressing contemporary organizational challenges.

Table 1. Comparison between Competitive Advantage and Al-Falah

Dimension	Competitive Advantage	Al-Falah
Philosophical Foundation	Economic rationality and market competition (Porter, 1985).	Tawḥīd, ethical responsibility, and accountability before Allah (Hasibuan, 2022).
Primary Objective	Achieving superior market performance and sustainable competitiveness.	Achieving holistic success encompassing material, social, ethical, and spiritual well-being.
Indicator of Success	Profitability, market share, growth, and competitive position.	Prosperity, justice, stakeholder welfare, moral integrity, and spiritual fulfillment.
Stakeholder Orientation	Primarily focused on customers, shareholders, and competitors.	Focused on stakeholders, society, environment, and accountability to God.

Source: Adapted from Porter (1985) and Hasibuan (2022).

Demonstrates that the most fundamental distinction between the two paradigms lies in their philosophical foundations and ultimate objectives. Competitive Advantage is grounded in economic rationality, where organizational success is measured primarily through market-based indicators such as profitability, growth, and competitive position. This perspective has proven effective in explaining how organizations achieve superior performance within competitive environments. However, its focus remains largely confined to economic outcomes and strategic superiority. Conversely, Al-Falah expands the meaning of success beyond material achievement by incorporating ethical, social, and spiritual dimensions. As a result, organizational performance is evaluated not only through financial outcomes but also through the extent to which organizational activities contribute to justice, welfare, and moral responsibility.

The comparison further reveals differences in stakeholder orientation. Within the Competitive Advantage framework, stakeholders are generally viewed in relation to their contribution to organizational competitiveness and value creation. Al-Falah adopts a broader perspective by recognizing responsibilities toward employees, customers, communities, the environment, and ultimately Allah as the highest source of accountability. This broader orientation encourages organizations to balance economic efficiency with social responsibility and ethical conduct. Consequently, Al-Falah provides a more comprehensive framework for understanding organizational success in contexts where moral legitimacy and societal welfare are considered as important as economic performance.

In summary, the comparative analysis indicates that Competitive Advantage and Al-Falah share a common concern for organizational sustainability and effectiveness but differ significantly in their philosophical foundations, objectives, indicators of success, and stakeholder orientation. While Competitive Advantage offers a robust framework for achieving market competitiveness, Al-Falah provides a more holistic conception of success by integrating material, ethical, social, and spiritual dimensions. These findings suggest that Al-Falah complements rather than merely opposes Competitive Advantage, thereby creating opportunities for the development of a broader and more balanced approach to strategic management.

3.3. Limitations of Competitive Advantage from the Perspective of Al-Falah

Competitive Advantage has long been recognized as one of the most influential frameworks in strategic management due to its ability to explain how organizations achieve superior performance through value creation,

DOI: https://doi.org/10.31004/riggs.v5i2.11217

differentiation, and strategic positioning (Porter, 1985). The theory has contributed significantly to understanding organizational competitiveness and remains widely applied across business and non-business sectors. However, contemporary organizational environments are increasingly characterized by complex social, ethical, and environmental challenges that extend beyond traditional market competition. Consequently, scholars have begun questioning whether organizational success can be adequately explained solely through economic performance and competitive superiority. Recent developments in strategic management literature indicate a growing need for broader frameworks capable of integrating economic objectives with social responsibility, ethical legitimacy, and stakeholder welfare (McGahan, 2021).

One of the principal limitations of Competitive Advantage lies in its emphasis on economic rationality as the dominant basis for strategic decision-making. Within this framework, organizational success is generally measured through profitability, market share, growth, and sustainable competitiveness. Although these indicators are essential for organizational survival, they provide only a partial representation of organizational effectiveness. Excessive emphasis on financial and competitive outcomes may encourage organizations to prioritize performance targets while overlooking broader ethical and social consequences. Contemporary stakeholder scholarship argues that sustainable organizational success depends not only on economic value creation but also on the ability to generate benefits for multiple stakeholder groups, including employees, communities, and society at large (Freeman et al., 2021). Therefore, the market-centered orientation of Competitive Advantage may limit its capacity to address the increasingly complex expectations placed upon modern organizations.

From the perspective of Al-Falah, another important limitation concerns the conceptualization of success itself. Competitive Advantage assumes that organizations are successful when they consistently outperform competitors and maintain superior market positions. In contrast, Al-Falah proposes a more comprehensive understanding of success that encompasses material prosperity, ethical integrity, social justice, and spiritual well-being (Hasibuan, 2022). Within the Islamic worldview, organizational activities are not merely instruments for maximizing economic outcomes but are also mechanisms for realizing collective welfare and moral responsibility. As a result, success cannot be reduced to competitive superiority alone because such an approach neglects important dimensions of human and societal flourishing. This broader perspective suggests that organizational excellence should be evaluated through both economic achievements and contributions to the common good.

A further limitation of Competitive Advantage is its relatively limited engagement with transcendental and ethical considerations. The theory is primarily grounded in empirical observation, managerial rationality, and market dynamics, which provide valuable guidance for improving organizational performance. Nevertheless, it offers limited normative direction regarding the ethical legitimacy of strategic actions or the moral responsibilities of organizations. Al-Falah addresses this gap by situating organizational activities within the principles of *tawḥīd*, stewardship (*khilāfah*), and accountability before Allah. These principles establish ethical boundaries that guide strategic decisions and ensure that organizational objectives remain aligned with justice, honesty, and social responsibility. Recent studies in Islamic management similarly emphasize that organizational sustainability is strengthened when strategic decisions are informed by ethical and spiritual values rather than purely economic considerations (Mohamad & Sarif, 2024).

The stakeholder orientation embedded within both paradigms also reveals a significant difference. Competitive Advantage primarily focuses on stakeholders who directly contribute to organizational competitiveness, such as customers, investors, and strategic partners. While contemporary strategic management has increasingly acknowledged stakeholder interests, the ultimate objective remains the enhancement of organizational performance and competitive position. By contrast, Al-Falah adopts a more inclusive perspective that recognizes responsibilities toward employees, local communities, future generations, and the natural environment. Such an approach resonates with recent discussions on sustainability and stakeholder theory, which argue that long-term organizational legitimacy depends upon balancing economic performance with social and environmental obligations (Freeman et al., 2021). Consequently, Al-Falah offers a broader ethical framework for understanding organizational responsibilities in contemporary society.

Despite these limitations, the Al-Falah perspective should not be interpreted as rejecting the importance of competitiveness or organizational efficiency. Rather, it seeks to expand the conceptual boundaries of strategic management by integrating competitive performance with ethical responsibility, stakeholder welfare, and spiritual accountability. In this regard, Al-Falah complements the strengths of Competitive Advantage while addressing several of its normative shortcomings. The analysis therefore suggests that the primary limitation of Competitive Advantage is not its emphasis on competition itself, but its tendency to define success predominantly through

DOI: https://doi.org/10.31004/riggs.v5i2.11217

economic and market-based indicators. By introducing ethical, social, and spiritual dimensions into the evaluation of organizational performance, Al-Falah provides a more holistic framework for understanding sustainable organizational success in the contemporary era.

3.4. Toward an Islamic Strategic Management Framework Based on Al-Falah

The comparative analysis conducted in the previous sections demonstrates that neither Competitive Advantage nor Al-Falah should be viewed as mutually exclusive frameworks. Competitive Advantage provides a robust mechanism for understanding how organizations achieve superior performance through value creation, strategic positioning, and resource optimization. However, the analysis also reveals that the framework remains predominantly oriented toward economic outcomes and market competition. In contrast, Al-Falah offers a broader conception of success by integrating material achievement with ethical responsibility, social welfare, and spiritual accountability. Recent studies in Islamic management increasingly emphasize that organizational sustainability requires the integration of economic efficiency and value-based governance to respond to contemporary challenges characterized by ethical uncertainty, social inequality, and environmental pressures (Mohamad & Sarif, 2024; Amar et al., 2025). Therefore, the findings suggest the need for a strategic management framework that combines competitive capability with the normative foundations of Al-Falah.

The proposed Islamic Strategic Management Framework is grounded in the principle that organizational success should be assessed through both competitive performance and holistic welfare. Unlike conventional approaches that primarily focus on profitability and market position, this framework recognizes multiple dimensions of organizational achievement, including economic viability, ethical integrity, stakeholder well-being, social contribution, and spiritual accountability. Such an approach is consistent with contemporary discussions on sustainable management, which increasingly acknowledge that long-term organizational legitimacy depends upon balancing financial objectives with broader societal responsibilities. Recent studies in Islamic strategic management further demonstrate that organizational sustainability is strengthened when strategic objectives are aligned with stakeholder welfare, maqāṣid al-sharīʿah, and sustainable development principles (Husairi et al., 2024; Fahamsyah et al., 2025). Within this framework, competitiveness remains important, but it functions as a means to achieve collective prosperity rather than as an end in itself.

At the philosophical level, the framework is built upon the principles of *tawḥīd* (the unity of God), *khilāfah* (stewardship), *amānah* (trustworthiness), and *maṣlaḥah* (public benefit). These principles provide normative guidance for strategic decision-making and establish ethical boundaries for organizational activities. The concept of *tawḥīd* ensures that organizational objectives remain aligned with divine values, while *khilāfah* emphasizes responsible stewardship of resources and stakeholder interests (Syukri et al. 2025). Similarly, *amānah* promotes transparency, accountability, and integrity, whereas *maṣlaḥah* directs organizational actions toward the creation of collective welfare. Recent studies have demonstrated that the incorporation of these principles strengthens organizational resilience, stakeholder trust, and long-term sustainability in Islamic institutions and business organizations (Purnomo et al., 2024; Rahman et al., 2024).

From a strategic perspective, the proposed framework extends the logic of value creation beyond customers and shareholders to encompass a wider range of stakeholders. Organizational strategies are therefore expected to generate economic value while simultaneously contributing to employee welfare, community development, environmental sustainability, and ethical governance. This orientation aligns with emerging perspectives in both Islamic management and stakeholder theory, which argue that sustainable organizational performance is closely linked to the capacity to create shared value among diverse stakeholder groups (Freeman et al., 2021). Consequently, strategic success is measured not only by competitive outcomes but also by the extent to which organizations contribute to social justice, trust, and collective prosperity.

The integration of Competitive Advantage and Al-Falah also redefines organizational performance indicators. Conventional indicators such as profitability, growth, efficiency, and market share remain important because they reflect organizational competitiveness and sustainability. Nevertheless, these indicators are complemented by non-financial dimensions, including ethical compliance, stakeholder satisfaction, social impact, environmental responsibility, and spiritual values. This multidimensional approach is consistent with recent findings suggesting that organizations capable of integrating financial and non-financial objectives are more likely to achieve sustainable performance and institutional legitimacy in the long term (Hidayah et al., 2024; Amar et al., 2025). Thus, the framework provides a more comprehensive basis for evaluating organizational effectiveness in contemporary settings.

DOI: https://doi.org/10.31004/riggs.v5i2.11217

Overall, the proposed Islamic Strategic Management Framework represents an effort to bridge the gap between conventional strategic management and Islamic conceptions of success. Rather than replacing Competitive Advantage, the framework enriches it by incorporating ethical, social, and spiritual dimensions derived from Al-Falah. The resulting model offers a more balanced understanding of organizational success in which competitiveness, stakeholder welfare, moral responsibility, and accountability before God are viewed as complementary rather than contradictory objectives. Consequently, the framework contributes to the development of Islamic strategic management theory by providing a holistic alternative capable of addressing the economic, social, and ethical challenges faced by modern organizations

4. Conclusion

This study reveals that Competitive Advantage and Al-Falah represent two distinct paradigms in understanding organizational success. Competitive Advantage is founded on economic rationality and market competition, emphasizing superior value creation, strategic positioning, and sustainable competitiveness as the primary determinants of organizational performance. In contrast, Al-Falah is grounded in the Islamic worldview, where success encompasses not only material achievement but also ethical integrity, social justice, stakeholder welfare, and spiritual accountability. Although both frameworks seek organizational sustainability and effectiveness, they differ fundamentally in their philosophical assumptions, objectives, and indicators of success.

The comparative analysis further demonstrates that Competitive Advantage possesses several limitations when evaluated through the perspective of Al-Falah. Its predominant focus on economic performance and competitive superiority provides limited space for addressing moral responsibility, transcendental values, and broader societal welfare. Al-Falah responds to these limitations by offering a more holistic conception of organizational success in which economic outcomes are integrated with ethical conduct, social benefit, environmental responsibility, and accountability before God. Therefore, organizational excellence cannot be adequately measured solely through profitability, market share, or competitive position, but must also consider its contribution to human well-being and sustainable development.

Based on these findings, this study proposes a reconstructed Islamic Strategic Management framework that integrates the strategic strengths of Competitive Advantage with the normative principles of Al-Falah. The proposed framework positions competitiveness as an important means of achieving organizational sustainability while ensuring that strategic decisions remain aligned with the principles of *tawḥīd*, *amānah*, *maṣlaḥah*, justice, and stakeholder welfare. Theoretically, this reconstruction contributes to the advancement of Islamic management literature by extending conventional strategic management beyond market-oriented objectives toward a more comprehensive and value-based understanding of success. Practically, it provides a conceptual foundation for organizations seeking to balance competitive performance with ethical responsibility and long-term societal prosperity.

Reference

1. Ahmad Husairi, Sarah Nur Izzati, & Kurnia Saputri. (2026). Freedom of opinion from the perspective of Islamic law and human rights. *Siyasah Dusturiyah: State Law Review*, 1(4), 1–18. https://doi.org/10.65101/p452ds42
2. Amar, F., Sumardi, & Nugraha, D. P. (2025). Role strategic management and maqasid sharia toward Islamic cooperative performance. *ETIKONOMI,* 24(1). https://doi.org/10.15408/etk.v24i1.44588
3. Ayegba, J. O., & Lin, Z. L. (2020). A review on dynamic capacities in strategic management. *International Entrepreneurship Review*, 6(1), 47–61. https://doi.org/10.15678/IER.2020.0601.03
4. Fahamsyah, M. H., Miharja, M. N. D., & Rakhmat, A. S. (2025). Stakeholder strategies and sustainable profitability in Islamic banking: SDGs, digitalization, and institutional logics. *Perisai: Islamic Banking and Finance Journal*, 10(1). https://doi.org/10.21070/perisai.v10i1.2029
5. Fanani, M. I., Sa'diyah, M., Ibdalsyah, & Tanjung, H. (2024). Defining strategic management for Islamic education institution. *International Journal of Islamic Thought and Humanities*, 3(2), 235–252. https://doi.org/10.54298/ijith.v3i2.360
6. Freeman, R. E., Dmytriyev, S. D., & Phillips, R. A. (2021). Stakeholder theory and the resource-based view of the firm. *Journal of Management*, 47(7), 1757–1770. https://doi.org/10.1177/0149206321993576
7. Hasibuan, H. L. (2022). Al-Falah dalam konsepsi Al-Qur'an. *Mubeza,* 11(2). https://doi.org/10.54604/mbz.v11i2.61
8. Hidayah, N., Dewi, A., Ahmad, G., & Sulaeman, S. (2024). Integration of Islamic values into balanced scorecard as a strategic management system at a Sharia hospital. *Jurnal Aplikasi Bisnis dan Manajemen*, 10(2), 351–366. https://doi.org/10.17358/jabm.10.2.351
9. Husairi, A., Syu'aib, K., & Kheiralla, M. I. (2024). Analysis of Pampeh law in Sarolangun customary documents from the perspective of Maqashid Sharia. *Madania: Jurnal Kajian Keislaman,* 28(2), 339–352. https://doi.org/10.29300/madania.v28i2.5325
10. Husairi, A., Putra, D. A., Putri, N. E., Izzati, S. N., & Saputri, K. (2024). Problematika hukuman mati di Indonesia dalam perspektif hukum pidana dan hak asasi manusia. *Prosiding Seminar Hukum Aktual Fakultas Hukum Universitas Islam Indonesia*, 16–29. https://journal.uii.ac.id/psha/article/view/35000

DOI: https://doi.org/10.31004/riggs.v5i2.11217

11. Islami, X., Mustafa, N., & Latkovikj, M. T. (2020). Linking Porter's generic strategies to firm performance. *Future Business Journal*, 6(3), 1–15. https://doi.org/10.1186/s43093-020-0009-1
12. McGahan, A. M. (2021). Integrating insights from the resource-based view of the firm into the new stakeholder theory. *Journal of Management*, 47(7), 1734–1756. https://doi.org/10.1177/0149206320987282
13. Memon, A. A., Afshan, G., & Memon, A. A. (2021). War for competitive advantage: Porter's generic strategies past, present and future. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.3846056
14. Mohamad, R., & Sarif, S. M. (2024). The concept of Al-Falah (holistic success) as a factor in creating a sustainable competitive advantage of Yayasan Dakwah Islamiah Malaysia (YADIM). *International Journal of Law, Government and Communication*, 9(38), 112–124. https://doi.org/10.35631/IJLGC.938009
15. Pickvance, C. G. (2001). Four varieties of comparative analysis. *Journal of Housing and the Built Environment*, 16(1), 7–28. https://doi.org/10.1023/A:1011533211521
16. Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. Free Press.
17. Porter, M. E. (1985). *Competitive advantage: Creating and sustaining superior performance*. Free Press.
18. Purnomo, M. S., Mulyadi, M., & Slamet. (2024). Exploring strategic management based on Islamic values in pesantren-based higher education. *Al-Tanzim: Jurnal Manajemen Pendidikan Islam*, 8(1), 192–204. https://doi.org/10.33650/al-tanzim.v8i1.6766
19. Rahman, S. S. A., Nadzri, S., & Senik, Z. C. (2024). The practice of prophetic leadership in strategic management process: Reflection of Muslim SME entrepreneurs. *Journal of Management and Muamalah*, 14(2), 88–98. https://doi.org/10.53840/jmm.v14i2.219
20. Schreier, M. (2012). *Qualitative content analysis in practice*. Sage Publications.
21. Supodo, Y., & Sarnoto, A. Z. (2025). Organizational management imbalance from the Qur'anic perspective. *Tebuireng: Journal of Islamic Studies and Society*, 6(2). https://doi.org/10.33752/tjiss.v6i2.11245
22. Syukri, M., Mulazid, A. S., & Rodoni, A. (2025). Green Sukuk as a manifestation of Islamic ecotheology: The integration of Maqasid al-Shariah and environmental sustainability in Indonesia. *International Journal of Islamic Economics and Finance (IJIEF)*, 9(1). https://doi.org/10.18196/ijief.v9i1.29161
23. Yani, A., & Ulfa, M. (2024). Strategic management in developing globally competitive Islamic educational institutions. *Journal of Social and Education Research*, 2(1). https://doi.org/10.63265/jser.v2i1.156

DOI: https://doi.org/10.31004/riggs.v5i2.11217