

TOWARD THEOCENTRIC ENTREPRENEURSHIP: THE TAWADHU FRAMEWORK FOR VALUE-BASED GOVERNANCE IN A PESANTREN ECOSYSTEM

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Abstract

Previous research on Islamic entrepreneurship has primarily focused on halal business practices, ethical conduct and social enterprise, but it lacks an adequate description of the way Islamic values are operationalised and internalised to sustain compliance with fatwa principles at the institutional level. This study addresses this gap by developing a conceptual and empirical framework of value-embedded entrepreneurship based on Islamic principles and investigates how these values contribute to fatwa-oriented governance. The study employed a qualitative phenomenological approach using in-depth interviews, participant observation and document analysis in the Pesantren Riyadlul Jannah, Indonesia. Data were analysed using interpretative phenomenological techniques and normatively validated based on maqasid al-shariah. The results reveal that pesantren-based entrepreneurship is a spiritually embedded socio-economic system that is structured through the TAWADHU framework—Tarbiyah, Wathaniyah, Dakwah, Hamasatul Jihad, and Uswah—that work collectively as mechanisms of value formation, social orientation, moral communication, spiritual resilience, and ethical standardisation. These dimensions constitute the basis of Value-Based Fatwa Compliance (VBFC). This is the application of Sharia principles in a way that is sustained by internalised moral consciousness rather than external enforcement alone. This study contributes to the literature on Islamic entrepreneurship by conceptualising the internalisation of values as a governance mechanism at the micro-level that links entrepreneurial behaviour to institutional fatwa compliance, and by showing how maqasid al-shariah can be operationalised through organisational culture and daily entrepreneurial practices. Thus, the TAWADHU framework positions pesantren as a strategic micro-ecosystem for enhancing sustainable sharia compliance and aligning entrepreneurship with fatwa, maqasid al-shariah, and ethical governance.

Keywords: *Theocentric Entrepreneurship, TAWADHU Framework, Value-Based Fatwa Governance, Maqasid al-Shariah, Islamic Entrepreneurship.*



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INTRODUCTION

Entrepreneurship has been recognised as a major driver of economic growth, innovation and job creation in both developed and developing economies. Since the seminal work of Schumpeter (1934), entrepreneurship has been regarded as a creative destruction process, with innovation disrupting existing economic structures and creating new value. This view was extended by Shane & Venkataraman (2000), who defined entrepreneurship as the pursuit of opportunities that arise from market imperfections, through the discovery, evaluation and exploitation of opportunities. In recent times, entrepreneurship has been increasingly regarded as an institutional force that both shapes and responds to socio-economic transformations in an uncertain global environment (Zahra & Wright, 2011).

The dominant paradigm of entrepreneurship has a profound impact, but is still largely based on economic rationality and profit maximisation. Increasing criticism has been levelled at this orientation, especially given ongoing global challenges such as income inequality, environmental degradation and ethical failures in business practices. Such criticisms highlight the limitations of a market-based conception of entrepreneurship that tends to marginalise ethical, social and spiritual factors.

As a response, alternative paradigms such as social entrepreneurship and sustainable entrepreneurship have emerged, emphasising social innovation and environmental responsibility (K. C. Kim et al., 2021). More recently, Humane Entrepreneurship has emerged as a more balanced approach that combines economic performance and human well-being, ethical responsibility and equity (K. C. Kim et al., 2021; Y. J. Kim et al., 2017). While this is a significant improvement, it is still epistemologically rooted in secular humanism, where ethical standards are often constructed as relative and context-dependent (Gümüşay, 2015).

This epistemological limitation is particularly pronounced in Muslim societies where economic activity is not simply transactional, but is thoroughly interwoven in a web of religious values and normative guidance. Entrepreneurship is considered as *ibadah* (worship) in Islam, not only an economic activity. Islamic entrepreneurship is grounded on the principles of *amanah* (trustworthiness), *‘adl* (justice) and *maslahah* (public interest) (Beekun, 2019). These principles are not only ethical proposals but are normatively constructed through the Islamic legal apparatus, particularly *fatwa*, a key instrument in guiding economic behaviour and ensuring compliance with Sharia.

However, the *fatwa*, despite its essential role in the development of Islamic economic practices, has a huge gap in the literature regarding the relationship between value-based entrepreneurship and fatwa-oriented governance. Previous studies on Islamic entrepreneurship have largely focused on financial institutions, halal industries and individual ethical behaviour, and paid little attention to the relationship between entrepreneurial practices and institutional mechanisms such as fatwa, Sharia governance and regulatory compliance (Raimi et al., 2025). Hence, the role of values in shaping individual behaviour and institutional governance in Islamic economic systems is under-researched.

This distinction is very important in the context of the current development of the Islamic economy, where the success of a syariah-compliant system is not only a matter of formal regulations, but also the internalisation of ethical values by economic actors. Here, the maqasid al-shariah or the higher objectives of Islamic law, provide a comprehensive framework to understand how ethics, law and economic behaviour can be integrated. The protection of wealth

(hifz al-mal), the protection of religion (hifz al-din) and social welfare (maslahah) stress the significance of the model of entrepreneurship that is consistent with normative and institutional Islam in economic activity. (Chapra, 2008; Dusuki & Bouheraoua, 2011).

Indonesian Islamic boarding schools (pesantren) constitute a special and little-studied institutional environment within this broader context. The Pesantren is one of the oldest and most influential Islamic institutions Pesantren is not only a religious educational centre, but also a socio-economic actor embedded in the local society (Dhofier, 2011). Over the past few decades, many pesantren have undertaken entrepreneurial activities in sectors such as agriculture, retail, and services, as part of their efforts to achieve economic self-reliance and community empowerment (Priyanto & Anwar, 2019).

More importantly, Islamic boarding schools function as micro-governance systems where religious values, social norms, and economic practices are closely intertwined. Economic activities are motivated not only by market rationality but also by normative frameworks similar to informal fatwa systems, shaped by the authority of *kyai* (religious leaders) and the embeddedness of Islamic teachings. In this sense, the Islamic boarding school can be seen as a proto-fatwa ecosystem, where ethical values are internalized and operationalized into daily economic practices.

However, the current research on pesantren entrepreneurship is predominantly descriptive and scattered, despite this potential. Most studies are case specific and do not develop a coherent theoretical framework to explain how Islamic values influence entrepreneurial behaviour and governance structures. Moreover, the relationship between *pesantren*-based entrepreneurship and broader Islamic governance mechanisms such as fatwa and *maqasid*-based policy frameworks has been systematically under-explored.

Thus, this research is to close the gap by developing a new theoretical framework, *TAWADHU*, as the foundation of *Pesantren* entrepreneurship Theory. The *TAWADHU* framework is made up of five core values which came from the empirical study, namely *Tarbiyah* (holistic education), *Wathaniyah* (collective/national responsibility), *Dakwah* (value dissemination), *Hamasatul Jihad* (resilience and struggle) and *Uswah* (prophetic role modelling). These values are not only principles of ethics but also operational mechanisms that define the entrepreneurial behaviour, the decision making, and the institutional practices.

The *TAWADHU* was proposed in this paper as a meso-level value-based governance framework for fatwa-oriented entrepreneurship instead of an ethical framework. As opposed to Islamic Work Ethics (IWE), which mainly concerns individual ethical attitudes and behaviour, *TAWADHU* explains how Islamic values are institutionalised in organisational routines, leadership, decision-making and entrepreneurial practice. *Maqāṣid al-Sharī'ah* gives the overall normative objectives whereas *TAWADHU* describes how these values are translated into organisational practice. It also encompasses value formation, collective responsibility, market conduct, governance and ethical resilience, and goes beyond Prophetic Leadership.

TAWADHU has three mechanisms: transcendental accountability, which anchors economic action in responsibility before God; collective responsibility, which anchors entrepreneurship in social and national welfare; and Prophetic ethics, which provide behavioural and leadership reference points. It thus links individual moral formation with institutional compliance, complementing, not replacing, formal Shariah supervision and fatwa authority. *TAWADHU* explains how Islamic values can travel from moral formation to entrepreneurial behaviour,

value-based governance and fatwa compliance by extending Humane Entrepreneurship with a theocentric normative foundation and thus as governance resources within a religiously embedded entrepreneurial ecosystem.

The central research question of this research is:

How do the TAWADHU values shape value-based governance and facilitate fatwa compliance within *pesantren* enterprises

This paper contributes in three main ways. First, it contributes to the theory by proposing TAWADHU as a new variable that integrates entrepreneurship, ethics, and Islamic governance. Secondly, it offers empirical insights into the operationalization of Islamic values in the institutional setting of the *pesantren*. Thirdly, it has practical implications for policymakers, fatwa institutions and Islamic economic actors to design value-based governance frameworks to enhance compliance, legitimacy and sustainability.

More broadly, this study contributes to the ongoing decolonizing entrepreneurship theory by incorporating non-Western perspectives based on Islamic traditions . As a global conversation becomes more focused on ethical and sustainable economics, the integration of spiritual values and normative approaches is not only relevant but also imperative to promote a more holistic and inclusive perspective on entrepreneurship.

LITERATURE REVIEW

Classical Entrepreneurship Theory and Its Epistemological Limitations

Traditionally, entrepreneurship theory has been grounded in economic paradigms of innovation, opportunity recognition and value creation. Schumpeter (1934) argued that the entrepreneur is the agent of creative destruction, bringing about economic change through innovation. This was further developed by Shane & Venkataraman (2000), who saw entrepreneurship as a process of discovering and exploiting opportunities in the inefficiencies of the market. Further developments have continued the role of entrepreneurship as an institutional force with the potential to shape economic and social structures (Zahra & Wright, 2011).

These frameworks have played a key role in the development of entrepreneurship as a field of study, but they are not without limitations. First, they are framed in terms of economic rationality, which explains entrepreneurial behaviour in terms of profit maximisation and efficiency considerations. Second, these theories tend to encourage an individualistic ontology in which the entrepreneur is seen as an autonomous agent abstracted from wider moral and social contexts. Third, the ethical issues are often considered as extrinsic or secondary to the entrepreneurial processes rather than embedded in them (Abuznaid, 2009).

Contemporary critiques argue that such paradigms have contributed to systemic challenges, including inequality, environmental degradation, and ethical failures in business practices (Ningrum et al., 2025). that such paradigms have resulted in systemic problems such as inequality, environmental degradation and ethical failures in business practices. These limitations suggest the need for a more holistic framework that encompasses economic, social, ethical and increasingly spiritual dimensions in the understanding of entrepreneurship.

Humane and Islamic Entrepreneurship: From Human-Centred to Theocentric Value

Humane Entrepreneurship (HRE) responds to the limitations of profit-centred entrepreneurship by emphasising human well-being, ethical responsibility, stakeholder interests, and sustainable value creation (Y. J. Kim et al., 2017). More recently, research has associated HRE with employee well-being, innovation, resilience, inclusion and sustainable organizational outcomes (El Tarabishy et al., 2022). HRE is consistent with Islamic entrepreneurship in that it rejects purely financial conceptions of success. But their normative bases are different. HRE's legitimacy is primarily founded on human flourishing and stakeholder responsibility. However, Islamic entrepreneurship is based on *Shariah*, *'ibadah*, *amanah* and accountability to God (Beekun, 2019). TAWADHU extends HRE by relocating human and social responsibility within a theocentric institutional framework in which economic activity is simultaneously productive enterprise, worship, trust, and social benefit. Its distinctive contribution lies in integrating Islamic normative foundations, institutionalised values, and both horizontal stakeholder and vertical transcendental accountability.

Table 1. Comparative Analysis of Humane Entrepreneurship and TAWADHU Entrepreneurship

Dimension	Humane Entrepreneurship (HRE)	TAWADHU Entrepreneurship
Normative orientation	Human well-being, ethics, equity, stakeholder responsibility	Divine accountability, <i>'ibadah</i> , <i>amanah</i> , <i>dakwah</i> , <i>maṣlahah</i>
Entrepreneurial purpose	Economic and human/social value	Economic activity as <i>'ibadah</i> , <i>amanah</i> , and social-religious benefit
Governance	Leadership, organizational culture, stakeholder responsibility	Sharia governance, jurisprudence, religious oversight, and proposed VBFG
Accountability	Organizational, economic, social	Organizational, social, institutional, economic, and transcendental
Institutional context	Firm and stakeholder ecosystem	Firm, religious, legal, community, and institutional ecosystem
Theoretical contribution	Humanizes entrepreneurship	Extends HRE into a theocentric Islamic institutional framework

Islamic Work Ethics and the Institutionalisation of Values

Islamic Work Ethics (IWE) explains how Islamic values are internalised and expressed through work attitudes and behaviour, particularly honesty, diligence, justice, responsibility, and productive effort. It has been associated with motivation, organisational commitment, ethical decision-making, and workplace conduct (Al-Daihani et al., 2025). Its principal analytical focus, however, remains individual ethical orientation. TAWADHU extends this perspective by examining how internalised values become organisationally and institutionally consequential through leadership, routines, decision-making, institutional authority, and governance. The theoretical gap is therefore the movement from individual value internalisation to institutional governance.

Table 2. Islamic Work Ethics and TAWADHU: Complementarity and Distinction

Dimension	Islamic Work Ethics	TAWADHU Framework
Analytical emphasis	Ethical orientation and work behaviour	Value formation, behaviour, and institutional governance
Core concern	Islamic virtues in work and economic conduct	Institutionalisation of Islamic values in entrepreneurship
Main mechanism	Internalisation of ethical values	Internalisation, behavioural enactment, and institutionalisation
Primary level	Individual, with organisational implications	Individual, organisational, and institutional ecosystem
Governance role	Indirect through ethical conduct	Explicit through value-based governance
Relationship with Shariah	Ethical orientation	Shariah-oriented governance and fatwa guidance
Accountability	Ethical and religious responsibility	Ethical, social, institutional, Shariah, and transcendental accountability

Institutional Entrepreneurship, Faith-Based Organisations, and Religious Institutional Theory

Pesantren entrepreneurship operates within intertwined institutional, religious, and economic structures. Institutional Entrepreneurship explains how actors mobilise ideas, resources, meanings, and legitimacy to create, maintain, or transform institutional arrangements (Battilana et al., 2009; Garud et al., 2007; Greenwood & Suddaby, 2006). This is relevant to *pesantren*, where entrepreneurial activities operate within pre-existing religious, educational, and social structures and may sustain both economic viability and institutional identity. However, Institutional Entrepreneurship explains primarily how institutionalisation occurs, rather than which religious values provide its normative substance. TAWADHU addresses this gap through *Tarbiyah*, *Wathaniyah*, *Dakwah*, *Hamasatul Jihad*, and *Uswah* as the values through which entrepreneurial agency may be translated into organisational routines and governance.

Faith-Based Organisation (FBO) scholarship further explains the interaction of religious identity, organisational mission, community engagement, and economic sustainability through multiple religious, social, and managerial logics imperatives (Kimura, 2021). To him, the *pesantren* is not a typical business enterprise, but an entrepreneurial ecosystem of religion, where Islamic education, religious formation, *dakwah*, community engagement, and entrepreneurial activity are intertwined. FBO scholarship, however, is not enough to explain the process through which religious values are transformed into entrepreneurial governance and fatwa-oriented practice. TAWADHU addresses this gap by identifying the value mechanisms through which religious socialization influences entrepreneurial behavior and institutional practice.

Religious Institutional Theory further adds to these perspectives in so far as it explains how institutional logics, religious authority and traditions influence the legitimization of organizational action (Gümüsay et al., 2019). In the *pesantren*, the authority of *Kyai*, religious education, collective expectations and institutional traditions may influence entrepreneurial decision-making and legitimacy. However, the theory does not specify how religious values are operationalised through concrete mechanisms of Islamic normative guidance. This

limitation directs attention to *fatwa* as an institutional mechanism through which religious principles may inform economic practice.

Fatwa, Maqāṣid al-Sharī'ah, and Value-Based Governance

A *fatwa* is jurisprudential guidance through which qualified religious authorities interpret *Shariah* principles in specific circumstances. Its normative force differs from statutory law and depends on the institutional and legal context in which it operates (Hallaq, 2009). The *fatwa* is used to determine the *Shariah* legitimacy of contracts, products and practices in the Islamic economic activity (Dusuki & Bouheraoua, 2011). But its relevance to governance is not confined to formal halal–haram determination; its effectiveness depends on how religious guidance is understood, internalized and enacted within organizations.

The *fatwa*-based guidance is supplemented by the *Maqāṣid al-Sharī'ah* by integrating the legal requirements with the wider aims of justice and welfare and the safeguarding of the fundamental interests of religion and wealth (Chapra, 2000). The difference here is between formal compliance – compliance with prescribed requirements – and value-based governance where normative principles are embedded in the culture of the organization, in leadership, in decision-making and in practice. Therefore, Islamic governance includes not only formal rules but also informal mechanisms such as moral commitment, social expectations, organizational culture and internalized values (Ghafran & Yasmin, 2020; Gümüşay, 2015).

There is an extensive literature on *fatwa* and formal *Shariah* compliance, but there is little understanding of how religiously based values are infused in entrepreneurial behavior and organizational governance to enable the application of *fatwa*-based principles (Hashir & Rashid, 2025; Tarip, 2024; Yan, 2020). The gap is particularly striking in *pesantren*, where religious education, institutional authority and socialization might support the internalization of normative guidance. Therefore, this study proposes Value-Based Governance (VBG) as a mediating mechanism between TAWADHU values and entrepreneurial behavior, institutional decision making and *fatwa* compliance. VBG is not an alternative to formal *fatwa* authority or *Shariah* supervision, but an explication of how internalized values can operationalize religious guidance into sustained organizational practice.

Developing the TAWADHU Framework for Theocentric Entrepreneurship

The literature identifies a gap in explaining how religious values become embedded in entrepreneurial behaviour and governance to facilitate *fatwa*-oriented practice. The five interconnected values of TAWADHU to fill this gap are *Tarbiyah* (formation), *Wathaniyah* (collective responsibility), *Dakwah* (dissemination of Islamic values), *Hamasatul Jihad* (ethical resilience), and *Uswah* (exemplary leadership). These values are not only virtues, but also mechanisms linking moral formation and entrepreneurial governance:

Tawadhu Values → Internalisation Of Values → Entrepreneurial Behaviour → Value-Based Governance → Fatwa Compliance

In this pathway, the normative paradigm is theocentric entrepreneurship, the value architecture is TAWADHU, the institutional mechanism is Value-Based Governance (VBG) and the observable governance outcome is *fatwa* compliance. TAWADHU is therefore a complement and not a substitute for formal *Shariah* supervision and *fatwa* authority. Importantly, TAWADHU does not assume that values automatically produce compliance. Rather,

internalised values facilitate *fatwa*-oriented practice when translated through leadership, organisational culture, routines, and decision-making. TAWADHU is thus positioned as a theoretically bounded mid-range framework explaining how religious values become governance resources within the *pesantren* ecosystem.

METHODOLOGY

Research Paradigm and Approach

The interpretivist paradigm and qualitative phenomenological approach were used in this study to investigate the experiences and enactments of religious values, entrepreneurial practices, and governance mechanisms in the *pesantren* entrepreneurial ecosystem (Creswell, 2007, 2022). In line with Interpretative Phenomenological Analysis (IPA), it is concerned with the participant's lived experience and meaning-making, rather than pre-determined causal relationships (Smith, 2008). In turn, *Maqāṣid al-Sharī'ah* is employed as an additional normative lens to assess if the identified practices and governance mechanisms are compatible with chosen Islamic objectives, rather than dictating predetermined conclusions (Al-Shatibi, 2004; Chapra, 2008; Kamali, 2019). This separation in preserving phenomenological integrity provides a theological basis for *Shariah* governance and fatwa compliance study (Dusuki & Bouheraoua, 2011; Laldin & Furqani, 2013; Obid & Naysary, 2014).

Design of Research

A single-case study design is used for exploratory purposes to foster theory building (Yin, 2018). The selection of *Riyadlul Jannah* Islamic Boarding School, Mojokerto, as a purposive sample, because the boarding school has an entrepreneurial ecosystem that has successfully integrated market logic with religious values. The present study is aimed at analytical generalisation and integration of the findings into the *TAWADHU* framework to contribute to the theoretical model of Islamic institutional governance.

Data Collection Techniques: A Triangulated Approach

The validity of the data is ensured by triangulation of the methods, namely *Semi-Structured Interview*

In-depth semi-structured interviews were conducted with 25 key informants to phenomenologically explore how actors construct meaning around value-based governance and fatwa compliance (Smith, 2008). Informants were selected via purposive sampling based on strategic positioning, experience, and institutional involvement.

Table 3. Profile of Key Informants (N = 25)

Category	Informant Codes	N (%)	Roles / Positions Represented	Involvement Range	Selection Criteria / Justification
Religious Leaders	RL-01 to RL-03	3 (12%)	Kyai, Sharia advisory members, senior instructors	12 – 20+ yrs	Religious authority, institutional direction, and normative guidance

Business Managers	BM-01 to BM-09	to 9 (36%)	Managing director, business-unit managers, accountant, cooperative director, administrators	6 – 10 yrs	Direct involvement in entrepreneurial decision-making and governance
Alumni Entrepreneurs	AL-01 to AL-05	to 5 (20%)	Alumni businesses, distributors, franchisees, supply-chain partners	3 – 7 yrs	Experience in translating pesantren values into external entrepreneurial practice
External Stakeholders	ES-01 to ES-08	to 8 (32%)	Government officer, academic, halal auditor, consumer, trade officer	9 – 20 yrs	External perspectives on governance, legitimacy, compliance, and socio-economic impact

The interviews explored participants' experiences of religious value formation, entrepreneurial decision-making, leadership, organisational norms, religious authority, governance practices, and responses to *fatwa*-oriented guidance. Interview questions were deliberately open-ended to allow participants to describe their experiences in their own terms and to minimise the imposition of the TAWADHU framework during data collection.

Participant Observation

Field observations were conducted to capture the practical manifestations of religious values in everyday decision-making and commercial interactions.

Table 4. Operational Protocols for Participant Observation

Dimension	Field Details and Protocols
Observation Settings	Production sites: mineral water bottling plant, printing unit, and livestock farm. Governance settings: executive boardrooms during monthly management and Sharia advisory meetings. Market and community settings: retail outlets, cooperative centres and informal consultation circles (<i>sowan</i>).
Duration & Timeline	6 months of continuous field immersion (Oct. 2025-Mar. 2026).
Frequency & Intensity	3-4 visits to the pitch per week, approximately 180 cumulative hours of direct observation.
Observed activities	Spiritual routines: <i>doa</i> , <i>tausiyah</i> , <i>Tarbiyah</i> before work. Management Implications: Immediate discussions about contract execution and ethical pricing problems.

Governance and Compliance: compliance with internal fatwas in dealing with customers, and solving disputes.

Extensive participant observation was used to supplement semi-structured interviews, seeking to observe the practical enactment of religious values in everyday decision-making and commercial transactions. The observation fieldwork was conducted for six months (October 2023 – March 2024) and involved about 180 hours of direct observation in various operational units within the *Pesantren Riyadlul Jannah* ecosystem. Observations were 3–4 days/week and included formal governance meetings and informal daily business routines. **Table 4.** Summary of the observation settings, duration, frequency and specific activities for the observation during the study.

Data Analysis: Combining IPA and Maqasid

The data analysis was performed in two systematic steps, combining empirical qualitative exploration and normative validation. Interpretative Phenomenological Analysis (IPA) (Pringle et al., 2011; Smith, 2008) to was used in the empirical phase to identify latent and semantic themes from interview transcripts and field notes. NVivo 14 was used only to support data management and coding, to store and structure analytical nodes, while theme identification and theoretical synthesis were carried out by the human researchers. Subsequently, the normative phase mapped the empirically emergent TAWADHU dimensions onto the core objectives of *Maqāṣid al-Sharī'ah*—specifically *Hifẓ ad-Dīn* (preservation of faith), *Hifẓ al-Māl* (preservation of wealth), and *Maslaḥah* (public interest)—to systematically evaluate how these internal religious values shape value-based *fatwa* compliance and *Sharia* governance within the *pesantren* enterprises (Dusuki & Bouheraoua, 2011; Chapra, 2008).

Table 5. Normative Mapping of TAWADHU Values to Maqāṣid al-Sharī'ah

TAWADHU Element	Operational Definition	Primary Maqāṣid Dimension	Governance & Compliance Mechanism
<i>Tarbiyah</i>	Spiritual, intellectual, and practical formation preceding and accompanying entrepreneurial action	<i>Hifẓ ad-Dīn</i> (Preservation of Faith)	Strengthens ethical self-regulation and prepares actors to internalise Shariah-oriented guidance
<i>Wathaniyah</i>	Collective responsibility for community and national socio-economic welfare.	<i>Maslaḥah</i> (Public Interest)	Directs entrepreneurial resources and decisions toward broader social benefit
<i>Dakwah</i>	Using economic interaction as a medium for communicating and embodying Islamic values.	<i>Hifẓ ad-Dīn</i> & <i>Maslaḥah</i>	Extends ethical and Shariah-oriented norms through commercial relationships
<i>Hamasatul Jihad</i>	Perseverance, commitment, and ethical resilience in pursuing legitimate economic objectives.	<i>Hifẓ al-Māl</i> (Preservation of Wealth)	Supports responsible continuity and resilience without compromising Shariah principles.
<i>Uswah</i>	Exemplary leadership and Prophetic role-modelling in organisational conduct.	<i>Hifẓ ad-Dīn</i> & <i>Hifẓ al-Māl</i>	Reinforces trustworthy leadership, transparency, and consistency between religious values and organisational practice.

Source: Author's construction based on the empirical TAWADHU dimensions and the *Maqāsid al-Sharī'ah* perspectives of Chapra (2008) and Dusuki & Bouheraoua (2011).

The mapping provides an analytical bridge between the empirically identified TAWADHU values and their potential governance significance. It does not imply that each value corresponds exclusively to a single *maqāsid* objective; rather, the matrix identifies the principal normative dimension through which each value becomes analytically relevant to governance and fatwa-oriented practice.

Rigour of Methods: Reliability and Validity

The rigour of this enquiry was ensured through the trustworthiness criteria proposed by by Lincoln et al. (1985), Credibility by triangulation and member checking, Transferability through thick descriptions of the research context, Dependability by a systematic audit trail, Confirmability through reflexive practice. Moreover, the application of *Maqasid al-Shariah* adds another level of theological resilience, ensuring the contemporary relevance of the findings in the discourse of Islamic governance.

Contributions and Ethical Issues

The research was carried out following international ethical protocols such as informed consent, data anonymity, and socio-religious sensitivity especially considering the sacredness of pesantren as an institution. Methodologically, the study develops a hybrid model of qualitative phenomenological analysis and normative validation. This provides an analytical rigours (as is) and doctrinally sound (as ought to be) framework for future research in the Islamic economics.

FINDINGS AND DISCUSSION

Empirical Evidence: Operationalizing TAWADHU within the Pesantren Ecosystem

The empirical findings from *Riyadlul Jannah* Islamic Boarding School indicate that entrepreneurship within the pesantren ecosystem is not organised around profit maximisation alone. Strategic decisions, organisational routines, and entrepreneurial behaviour are embedded in five interrelated spiritual-pedagogical dimensions of TAWADHU: *Tarbiyah*, *Wathaniyah*, *Da'wah*, *Hamasatul Jihad*, and *Uswah*. Together, these dimensions translate religious values into entrepreneurial conduct, collective welfare, ethical market practice, resilience, and leadership modelling.

Table 6. The Tawadhu Operationalization Architecture

Dimension	Empirical Operationalization	Governance & Behavioral Impact
Tarbiyah	Character refinement (Tazkiyatun nafs) & spiritual pedagogy	Acts as pre-regulatory governance; internalizes ethics prior to formal rule enforcement
Wathaniyah	Surplus redistribution & local recruitment practices	Operationalizes Maslahah; shifts focus from individual wealth to collective socio-economic welfare

Dakwah	Ethical market behavior & transactional transparency	Converts transactional spaces into norm-diffusion devices, building social legitimacy for fatwas
Hamasatul Jihad	Spiritual resilience & persistent anti-poverty economic struggle	Stabilizes compliance during market turbulence; acts as an internal anti-opportunistic control
Uswah	Prophetic role modeling (Sidq, Amanah, Tabligh, Fathanah)	Establishes a deontological anchor, reducing ambiguity between legal theory and execution

Source: Authors' conceptualisation based on the empirical findings.

Tarbiyah: Internalised Ethics and Pre-regulatory Governance

Tarbiyah is a pre-regulatory mechanism of governance where character refinement (*tazkiyatun nafs*) comes before commercial engagement. Economic actors internalize ethical boundaries through spiritual and entrepreneurial formation and not only external *Sharia* audits or formal rules. “*Business here is not only a search for material benefit but a means of moral grooming. Santris managing the business are taught that honesty in weighing and serving buyers is a form of worship. If the intention is only to money, the pedagogical value of the pesantren is lost.*” (Senior Unit Manager, Informant BM-04, Interview, October 2024).

The account also presents entrepreneurship as an economic activity, moral development and worship, all at once. Accurate measurement and fair treatment are not just behavioural requirements, but are manifestations of *tazkiyatun nafs*. Such internalisation promotes discipline, integrity, and accountability (Al-Daghistani, 2022; Ali, 2024). More importantly, the finding broadens the scope of Islamic Work Ethics by emphasising its processual dimension: Ethical predispositions are constantly constructed through institutional practice, rather than solely as fixed individual traits (Beekun, 2019; Ali, 2024).

Wathaniyah: Collective Orientation and Maqasid Realization

Wathaniyah changes the entrepreneurial value from personal enrichment to serving the institution and the community. “*The owner is the institution and the community, so we don't pay dividends to individual capital owners,*” said the Executive Director of the Pesantren Business Holding (Informant BM-01, Interview, November 2024). “*The profits generated from our retail and manufacturing activities are directly channelled to support the education of underprivileged santris and to stimulate the local economy through local collaborations.*”

The evidence suggests that the logic of enterprise resource allocation includes collective welfare, rather than being a corporate-social initiative tacked on top. Local recruitment, educational subsidies and redistribution of surplus challenge individualistic assumptions underlying conventional entrepreneurship, whilst operationalising *maslahah* through organisational practice (Al Daghistani, 2023; Budiyo, 2025). Hence, *Wathaniyah* links entrepreneurship to institutional sustainability, distributive justice and community resilience (Chapra, 2008; Dusuki & Bouheraoua, 2011).

Da'wah: Economic Practice as a Norm Diffusion Device

Da'wah is not merely to talk about religion, but to practise the values of Islam in our market transactions on a daily basis. One loyal customer and local business partner (Informant ES-02, Interview, October 2024) stated that: “*I feel secure when do business with the pesantren enterprise. No fear of being cheated or hidden cost. The transactions here are transparent and honest. This is a benchmark for other traders in this region.*”

The finding shows that transparency, fair pricing and trustworthy transactions are the *da'wah bil hal*: ethical principles are publicly observable through commercial behaviour. The market place thus becomes a site of normative diffusion where Islamic values gain credibility through practice not assertion. Such behaviour can build stakeholder trust, and can also make organisational values socially. It expands *da'wah* to an entrepreneurial mechanism of the diffusion of ethical norms (Al Daghistani, 2023; Budiyo, 2025).

Hamasatul Jihad: Spiritual Strength as a Compliance Stabilizer

Hamasatul Jihad provides the resilience dimension of TAWADHU by defining the economic hardship as a state that needs resilience, adaptability and moral consistency. The Business Unit Supervisor (Informant BM-07, Interview, November 2024) said: “*If the prices of raw materials go up or there are market crises, we cannot reduce the quality of the product or the measurements to maintain the margins. Economic jihad spirit requires us to survive through creativity and efficiency, not by violating the Shariah*”

This evidence indicates that resilience is not only about financial or operational capacity but also about commitment that limits opportunistic responses under pressure. The finding contributes to resilience literature on adaptive capacity and resource mobilisation (Duchek, 2020), by showing how transcendental commitments may stabilise ethical behaviour in times of market turbulence. Hence, *Hamasatul Jihad* links resilience with moral persistence, not survival at any cost.

Uswah: Prophetic Ethics as a Normative Anchor

Uswah is transforming abstract ethical principles into observable leadership behaviour. The Kyai is not only a source of legal fatwa guidance from classical texts, but also directly becomes a model of moral simplicity and firmness in high-risk business decisions. Senior Administrative Officer (Informant BM-09, Interview, October 2024), on Kyai: “*He is our moral compass.*” The finding identified the prophetic attributes – *sidq*, *amanah*, *tabligh* and *fathanah* – as practical benchmark of entrepreneurial judgement. Rather than remaining abstract ethical ideals, these values are embedded through leadership and become behavioural reference points for organisational actors. This finding is consistent with the work of (Eisenbeiß & Brodbeck, 2014), in terms of role modelling as an important aspect of ethical leadership, but with a distinct theocentric grounding in pesantren context.

The five dimensions combine to create an integrated empirical architecture, not a set of discrete virtues. *Tarbiyah* produces ethical consciousness, *Uswah* offers behavioural modelling, *Da'wah* actualises values in market interaction, *Wathaniyah* steers enterprise toward collective welfare, and *Hamasatul Jihad* maintains ethical commitments under pressure. This configuration provides an empirical basis for the exploration of the movement of values from individual formation to organisational conduct and governance.

Theoretical Extensions: Reconstructing Entrepreneurship Beyond Conventional Boundaries

The empirical findings contribute to the existing literature on entrepreneurship by demonstrating that entrepreneurial activity in a pesantren ecosystem can simultaneously pursue innovation, human welfare, ethical continuity and transcendental accountability. TAWADHU does not add another catalogue of Islamic virtues, but specifies how normative commitments are translated into entrepreneurial and organisational practice.

Table 7. Theoretical Extensions of the TAWADHU Framework

Perspective	Dominant assumption	TAWADHU empirical insight	Theoretical extension
Schumpeterian entrepreneurship	Innovation produces transformation through creative destruction	Innovation strengthens institutional self-reliance while preserving the pesantren's educational and social mission	Value-preserving innovation
Humane Entrepreneurship	Entrepreneurship should prioritise human welfare, human capital, and sustainability	Human and community welfare are embedded in <i>amanah</i> , <i>ibadah</i> , and transcendental accountability	Theocentric humane entrepreneurship
Islamic Work Ethics	Islamic ethics are primarily examined as individual orientations and behaviours	<i>Tarbiyah</i> , <i>Uswah</i> , <i>Da'wah</i> , <i>Wathaniyah</i> , and <i>Hamasatul Jihad</i> transform values into organisational routines	Meso-level institutionalisation of Islamic ethics
Maqasid-oriented governance	Maqasid provides broad normative objectives for Islamic economic activity	TAWADHU translates normative objectives into everyday entrepreneurial practices	Micro-institutionalisation of Maqasid-oriented governance

Source: Authors' conceptualisation based on the empirical findings.

First, TAWADHU qualifies Schumpeterian innovation by showing that innovation in pesantren does not mean disruption of institutions. Instead, it can build economic self-sufficiency while serving educational and social ends, here understood as value-preserving innovation (Schumpeter, 1934). This interpretation is consistent with the study's broader argument that entrepreneurial transformation should continue to be associated with institutional mission and normative continuity.

Secondly, TAWADHU expands upon Humane Entrepreneurship by rooting human welfare and sustainable value creation in *amanah*, *ibadah*, and transcendental accountability. This thus offers a theocentric normative anchor while preserving HRE's concern for human and stakeholder well-being (K. C. Kim et al., 2018; Parente et al., 2021). Here, ethical responsibility is not only stakeholder responsiveness but also stewardship and accountability to God (Chapra, 2008; Dusuki & Bouheraoua, 2011).

Third, TAWADHU bridges the micro–macro divide in the scholarship of Islamic ethics by demonstrating how Tarbiyah, Uswah, Dakwah, Wathaniyah and Hamasatul Jihad flow from individual dispositions to organisational routines, leadership and decision-making. This provides a meso-mechanism that links value formation to institutional practice, moving Islamic Work Ethics from individual orientation to organisational institutionalisation (Asutay et al., 2022). This argument resonates with the interpretative emphasis of the study on how values are experienced, enacted and reproduced in settings of organisations (Smith, 2008). Regarding Maqāsid, the framework captures the path through which normative objectives are translated into practice:

Maqāsid → normative direction → TAWADHU → organisational translation → entrepreneurial practice

In sum, TAWADHU moves away from the question of what values entrepreneurs have to the question of how values are institutionalised and reproduced through governance. It thus offers a theoretically bounded link between individual moral agency, organisational practice and Islamic normative goals.

From Economic Agency to Theocentric Entrepreneurial Agency

The results imply that entrepreneurial agency in the pesantren ecosystem cannot be sufficiently explained by opportunity recognition, innovation, and economic value creation alone. Rather, entrepreneurship is embedded in ethical, social and religio-spiritual considerations (Gümüşay, 2015). What makes TAWADHU unique is that it shows how transcendental accountability is embedded throughout the process of entrepreneurial decision-making, rather than being simply an external ethical constraint. “*Business here is not simply about material gains but a space for moral cultivation,*” said BM-04. BM-01 said “*enterprise surplus as supporting education and local economic participation*” (Interviews, October 2024). Thus entrepreneurial value is not only about financial return but also about institutional continuity, community well being and moral responsibility.

This normative orientation is buttressed by religious leadership and organisational practice. BM-09 described the Kyai as “*our moral anchor, especially in high-risk business decisions*” (Interview, October 2024). Such evidence suggests that religious accountability is enacted through leadership modelling, institutional routines and collective purposes rather than abstract belief. Thus business becomes at once an economic activity, a means of moral cultivation and an expression of ibadah. This advances Islamic entrepreneurship scholarship by showing how religious values are embedded into the actual processes through which entrepreneurial decisions are made and legitimised.

We conceive of this configuration as theocentric entrepreneurial agency: an entrepreneurial form that, while still valuing economic rationality, operates within a wider normative hierarchy of transcendental accountability, institutional stewardship, and collective welfare. TAWADHU thus shifts the analytical gaze from how entrepreneurs produce economic value to how entrepreneurial value is defined, legitimised and governed in a theocentric institutional setting. It doesn’t reject conventional economic rationality, but shows how entrepreneurial agency can be simultaneously economically purposeful, socially embedded and theologically accountable. It provides the conceptual basis for understanding how such agency becomes institutionally embedded through value-based governance.

TAWADHU as a Meso-Level Value-Based Governance Mechanism

The findings further conceptualise TAWADHU as a meso-level value-based governance mechanism connecting individual moral formation with organisational routines and collective institutional objectives. TAWADHU is different from approaches that equate Islamic governance with formal rules, fatwas, or external supervision because it focuses on the internal processes through which values are embedded in everyday organisational conduct. It is therefore a complement, not a substitute for formal Sharia governance.

Table 8. TAWADHU as a value-based governance mechanism at meso-level

Governance function	TAWADHU dimension	Empirical manifestation	Governance outcome
Value formation	<i>Tarbiyah</i>	Religious and entrepreneurial education cultivates ethical dispositions	Internal moral orientation
Behavioural anchoring	<i>Uswah</i>	Kyai models ethical judgement and decision-making	Practical normative reference
Market enactment	<i>Da'wah</i>	Integrity and transparency are enacted in transactions	Ethical norm diffusion
Collective orientation	<i>Wathaniyah</i>	Enterprise resources support education and local economic activity	Alignment with collective welfare
Ethical persistence	<i>Hamasatul Jihad</i>	Ethical standards are maintained under economic pressure	Ethical resilience

Source: Authors' conceptualisation based on empirical findings.

The mechanism starts with *Tarbiyah*, which instills ethical commitments prior to the emergence of particular compliance situations, and then *Uswah*, in which the *Kyai* interprets abstract principles into visible judgement and decision-making. *Da'wah* carries these values to the marketplace where transparency and fair dealing make visible the ethical values of the organization and reinforce the trust of stakeholders. *Wathaniyah* collects collective endowments by means of entrepreneurial resources and *Hamasatul Jihad* employs ethical standards in economic hardship through adaptive and responsible behaviour instead of compromised practices (Mutrofin et al., 2025).

These dimensions together form a governance sequence:

value creation → behaviour modelling → market enactment → collective orientation → ethical resilience.

In principle, the idea is to find TAWADHU in the space between individual morality and the formal governance of institutions. Formal sharia governance sets normative boundaries, while TAWADHU provides an endogenous mechanism in which boundaries can be lived organisational practice (Dusuki & Abdullah, 2007). TAWADHU thus does not eliminate formal Sharia supervision; it rather describes how moral formation, exemplary leadership,

organisational routines and collective purpose can provide formal norms with greater organisational durability and substantive expression.

Micro-Governance: Institutionalising *Maqāṣid al-Sharī'ah*

The TAWADHU framework offers an organisational mechanism for the translation of the normative orientation of *Maqāṣid al-Sharī'ah* into everyday entrepreneurial practice. This is an analytical and not an emic interpretation, as informants did not use *maqāṣid* terminology consistently. Rather, the empirical patterns can be understood as manifestations of broader Islamic objectives, namely the preservation of faith (*ḥifẓ al-dīn*), responsible stewardship of wealth (*ḥifẓ al-māl*), and *maṣlaḥah*. *Tarbiyah* and *Da'wah* safeguard *ḥifẓ al-dīn* through religious formation and ethical conduct in the marketplace, whereas *Uswah* and *Hamasatul Jihad* strengthen responsible and ethically resilient economic behaviour. *Wathaniyah* most directly advances *maṣlaḥah* through directing the resources of enterprise to educational support, local economic participation and the common good. Thus, the higher order Islamic objectives are organisationally observable through the mediation of institutional routines, rather than abstract normative aspirations.

The resulting pathway can be written:

Maqāṣid → normative direction → TAWADHU → organisational translation → entrepreneurial practice

In this pathway, *Maqāṣid al-Sharī'ah* is the normative horizon and TAWADHU the intermediary mechanism of value internalisation and organisational translation. TAWADHU does not therefore replace *Maqāṣid* nor substitute formal governance under *Shariah*; rather it explains how *maqāṣid*-oriented values may be embedded in organisational conduct. Its theoretical significance is to extend *maqāṣid* analysis from abstract aims and macro-level governance to micro-organisational enactment, demonstrating how religious education, exemplary leadership, ethical transactions, collective resource allocation and resilience can reproduce Islamic normative commitments in entrepreneurial practice (Chapra, 2008; Dusuki & Bouheraoua, 2011).

Toward a Theocentric Extension of Humane Entrepreneurship

The findings contribute to Humane Entrepreneurship (HRE) by revealing a theocentric normative foundation for humane and socially responsible entrepreneurial practice. HRE is concerned with human welfare, human capital, sustain- ability, and humane value creation (K. C. Kim et al., 2018; Parente et al., 2021). TAWADHU holds these concerns but contextualises them in terms of *amanah*, *ibadah*, prophetic ethics and transcendental accountability. Thus, the ethic of responsibility is not only responsiveness to stakeholders but also stewardship before God. The contribution is to provide a normative foundation for the sustenance of humane entrepreneurial commitments in a religiously embedded institutional context.

This extension also redefines what it means to be a successful entrepreneur. *Wathaniyah* invests the resources of its enterprises into education, local employment and community welfare, embedding collective benefit within entrepreneurial purpose, rather than as an add-on social responsibility. TAWADHU therefore broadens the evaluative basis of entrepreneurship beyond firm-level performance while retaining economic viability and organisational sustainability as essential conditions.

The theoretical implication is a form of theocentric humane entrepreneurship in which economic performance, human welfare, collective responsibility, and transcendental accountability are mutually embedded. Rather than rejecting HRE or conventional entrepreneurship, TAWADHU re-specifies their normative foundation and shows how an Islamic epistemology can connect ethical stewardship with organisational performance (Al-Daghistani, 2022; Budiyo, 2025; Gümüşay, 2015; Saidu, 2020).

Theoretical Contributions and Boundary Conditions

The findings generate three interrelated theoretical contributions. First, theocentric entrepreneurial agency extends conventional opportunity- and value-creation perspectives by showing that entrepreneurial action can remain economically purposeful while embedded in transcendental accountability, institutional stewardship, and collective welfare. Economic rationality is therefore situated within a broader normative hierarchy in which profit, organisational continuity, social utility, and religious accountability are mutually constituted (Gümüşay, 2015; Schumpeter, 1934; Shane & Venkataraman, 2000). Second, meso-level value-based governance extends Islamic entrepreneurship and ethics beyond individual attitudes and formal regulation by showing how TAWADHU can be embedded in organisational routines, leadership, market conduct, resource allocation, and ethical persistence. It thus bridges moral formation and institutional governance while complementing formal Shariah oversight. Third, value-preserving innovation qualifies the conventional association between entrepreneurship and disruption by showing that innovation can strengthen economic self-reliance while preserving the educational, religious, and social purposes of the *pesantren* (Schumpeter, 1934).

These contributions are limited by the qualitative single-case design. The findings are of theoretically informed mechanisms rather than statistically generalisable causal relationships, and their operation may depend on Kyai authority, the integration of religious education and enterprise, shared normative commitments and institutional history. TAWADHU therefore makes no claim of universal applicability or superiority over alternative governance models. Its central proposition is that theocentric values can be nurtured, translated through organisational governance and replicated in entrepreneurial practice within a religiously embedded ecosystem. Comparative and quantitative studies should explore the extent to which these mechanisms can be transferred across *pesantren*, Islamic social enterprises and Islamic financial institutions, particularly in terms of substantive Shariah compliance, ethical climate, organisational resilience, social value creation and sustainable entrepreneurial performance.

Policy and Institutional Implications: Improving the Governance of Fatwas

The results imply that DSN-MUI and regulators as Islamic governance institutions can improve Shariah governance by complementing formal fatwa-based supervision with value internalisation. *Tarbiyah* develops ethical awareness, *Uswah* influences behaviour, and *Hamasatul Jihad* maintains ethical commitment in duress. This demonstrates that organisational culture and leadership may influence substantive compliance without ignoring procedural compliance. The *pesantren* ecosystem thus offers a useful context for the study of complementary governance, where the formal *Shariah* rules set normative boundaries, while TAWADHU allows for their implementation through organizational practice. Although its transferability requires further validation, the framework suggests that ethical formation, exemplary leadership, collective welfare, and resilience can complement technical and regulatory competence in strengthening value-based *fatwa* compliance.

CONCLUSION

This study demonstrates that *pesantren* entrepreneurship represents a theocentric, value-embedded form of economic agency, in which Islamic values shape entrepreneurial behaviour and organisational governance. Through TAWADHU—*Tarbiyah*, *Wathaniyah*, *Dakwah*, *Hamasatul Jihad*, and *Uswah*—these values become institutionalised practices rather than merely ethical ideals. Theoretically, TAWADHU extends entrepreneurship and Humane Entrepreneurship by introducing theocentric entrepreneurial agency and a meso-level value-based governance mechanism through which *Maqāṣid al-Sharī'ah* can be translated into organisational practice. It complements formal Shariah and *fatwa* supervision by explaining how internalised values may support substantive compliance.

The qualitative single-case design provides contextually grounded rather than generalisable causal evidence. Future research should test TAWADHU across diverse Islamic institutions using comparative and quantitative approaches, particularly regarding Shariah compliance, organisational resilience, social value creation, and sustainable performance. Overall, TAWADHU explains how Islamic commitments can move from value formation to entrepreneurial behaviour and institutional governance, demonstrating that religious values may constitute—not merely constrain—entrepreneurial agency.

DECLARATIONS

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Authors' contributions

Budiyono Santoso (First Author): Investigation, data curation, and conceptualization. He led the field research, conducted primary qualitative interviews, collected field data, and contributed to the initial conceptual development. Eko Suprayitno (Second Author and Corresponding Author): Methodology, conceptualization, writing – review and editing, and project administration. He refined the methodology, restructured the theoretical framing, revised the manuscript, and managed the submission process. Ahmad Djalaluddin (Third Author): Theoretical framework, literature review, and writing – review and editing. He contributed to the theoretical grounding, analyzed the relevant literature, and critically reviewed the manuscript. Fuadah Johari (Fourth Author): Contextualization, validation, and writing – review and editing. She contributed to contextual integration, conducted a secondary review, and completed the final proofreading. All authors read and approved the final manuscript.

Data Availability

The data supporting the findings of this study are available from the corresponding author upon reasonable request, subject to appropriate confidentiality and ethical considerations.

Competing Interest

The authors declare that they have no competing interests.

Ethics Approval

This study involved human participants and was conducted in accordance with applicable ethical principles. Ethical approval was obtained from [name of ethics committee or institution] under reference number [approval number]. Informed consent was obtained from all participants prior to data collection.

Use of Artificial Intelligence

ChatGPT and Grammarly were used to assist with language editing, improve clarity, and refine the academic presentation of the manuscript. All content, analyses, arguments, and conclusions were reviewed, verified, and

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