

## Hybridization: How Does a Waqf Institution Manage Its Complexity? Evidence from Yayasan Wakaf UMI

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**ABSTRACT**

This study aims to analyze the hybridization that occurs in waqf institutions. We combine a literature review, a case study, and expert opinions. The case study was conducted at the Indonesian Muslim University Waqf Foundation (YWUMI). Case study data collection was carried out through semi-structured interviews with 11 respondents. Requests for expert views were made through focus group discussions with four experts. Hybridization causes them to experience institutional complexity with the coexistence of business logic and Islamic social logic. YWUMI navigates institutional complexity through a structural differentiation strategy in which each unit of logic applies differently. In addition, the internalization of Islamic morality helps them manage organizational hybridity. The use of a hybrid organizational approach and institutional logic will provide insight into waqf management, especially regarding the institutional impact of initiatives to encourage productive waqf management.

**Abstrak:** Penelitian ini bertujuan untuk menganalisis hibridisasi yang terjadi pada lembaga wakaf. Kami menggabungkan tinjauan literatur, studi kasus, dan pendapat ahli. Studi kasus dilakukan di Yayasan Wakaf Universitas Muslim Indonesia (YWUMI). Pengumpulan data studi kasus dilakukan melalui wawancara semi terstruktur dengan 11 responden. Permintaan pendapat pakar dilakukan melalui FGD dengan empat pakar. Hibridisasi menyebabkan mereka mengalami kompleksitas kelembagaan dengan koeksistensi logika bisnis dan logika sosial Islam. YWUMI menavigasi kompleksitas kelembagaan melalui strategi diferensiasi struktural di mana setiap unit logika berlaku berbeda. Selain itu, internalisasi moralitas Islam membantu mereka mengelola hibriditas organisasi. Penggunaan pendekatan organisasi hybrid dan logika kelembagaan akan memberikan wawasan tentang pengelolaan wakaf, terutama mengenai dampak kelembagaan dari inisiatif untuk mendorong pengelolaan wakaf yang produktif.

**Kata kunci:** manajemen wakaf, kompleksitas kelembagaan, organisasi hibrid

## INTRODUCTION

Waqf institutions have thus far been positioned more as nonprofit, third-sector entities with a mission to serve the community<sup>1</sup>. In fact, according to the hadith of Ibn Umar, in order to reap advantages, waqf assets must first be turned into a business. In this situation, productive efforts through commercial endeavors must be pursued to maximize the community's benefits from waqf assets. As a result, it is crucial that waqf institutions change from being nonprofit organizations to ones that generate income. The sustainability of waqf institutions depends on their ability to generate income which is not only concentrated from one type of income, but from various sources of income<sup>2</sup>.

Therefore, we tend to consider waqf institutions as hybrid organizations rather than non-profit ones. A hybrid organization is one that mixes numerous previously dissimilar characteristics, features, values, and organizational objectives. For instance, a state-owned firm combines elements of the public and private sectors<sup>3</sup>. An organization that integrates social and economic objectives into its operations is another type of hybrid organization<sup>4</sup>.

In this study, we define hybridization as the process by which waqf institutions manage waqf assets commercially through the establishment of business units. At the same time, they engage in charitable activities. As a result, they operate with two institutional logics at the same time, namely commercial logic and social logic. In some cases, hybridization of waqf institutions contributes significantly to their finances. For example, the formation of Warees Private Limited, as the manager of waqf assets, has had a significant impact on the finances of the Singapore Islamic Religious Council.<sup>5</sup>

Positioning waqf institutions as hybrid organizations will change how we manage waqf institutions. Previous research has shown that hybrid organizations require different strategies and governance than traditional

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<sup>1</sup> Arshad, M. N. M., & Haneef, M. A. M. (2016). Third sector Socio-Economic models: How waqf fits in? *Institutions and Economies*, 8(2), 72–90.

<sup>2</sup> Sulaiman, M., & Alhaji Zakari, M. (2019). Financial sustainability of state waqf institutions (SWIs) in Malaysia. *Journal of Islamic Accounting and Business Research*, 10(2), 236–258. <https://doi.org/10.1108/JIABR-05-2016-0054>

<sup>3</sup> Dragomir, V. D., Dumitru, M., & Feleagă, L. (2021). Political interventions in state-owned enterprises: The corporate governance failures of a European airline. *Journal of Accounting and Public Policy*. <https://doi.org/10.1016/j.jaccpubpol.2021.106855>

<sup>4</sup> Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, 53(6), 1419–1440. <https://doi.org/10.5465/amj.2010.57318391>

<sup>5</sup> Saad, N. M., Kassim, S., & Hamid, Z. (2013). Involvement of Corporate Entities in Waqaf Management: Experiences of Malaysia and Singapore. *Asian Economic and Financial Review*, 3(July), 736–748.

organizations<sup>6</sup>. Thus, the goal of this study is to delve deeper into waqf institutions as hybrid organizations.

We began this research by conducting a literature review of previous studies on hybrid organizations because research on waqf institutions as hybrid organizations is scarce. Case studies in western contexts dominate these studies. The goal of this review is to identify the main themes associated with hybrid organizations. Two main themes were identified from the literature review, namely institutional complexity and strategies for managing complexity. These two themes then become the basis for exploring hybridization in the case of waqf institutions.

Case studies were conducted at foundation-based waqf institutions. We chose the UMI Waqf Foundation (YWUMI) as the case in this study using theoretical sampling. YWUMI is a waqf institution in Makassar, South Sulawesi, Indonesia. YWUMI's institution evolved from simply providing educational services to developing by establishing several business units to generate revenue. The organizational structure of YWUMI is divided into three pillars: education, health, and business. The education pillar provides educational services, the health pillar provides health services, and the business pillar generates income for foundations. As a result, YWUMI operates as a hybrid organization.

The case study was carried out through semi-structured interviews with 11 respondents. Aside from that, we held focus group discussions with experts in the field of waqf. The FGD took the form of a small group discussion with four experts. This triangulation is important in qualitative studies to increase confidence in the validity of research findings<sup>7</sup>.

This research is expected to contribute both theoretically to the development of theories on waqf management and in practical terms to assist waqf institutions in improving their performance through corporatization and overcoming the tensions of the institutional complexities they face. The remainder of this paper is structured as follows, the first section presents an introduction containing the context, the objectives and the contribution of the research. Section 2 presents a review of the literature from various reference sources. Section 3 contains a description of the YWUMI context, which is the case in this study. The research method is described in section 4. Then, section 5 contains the empirical results obtained in the field, followed by analysis and discussion in section 6. Finally, section 7 contains conclusions.

## METHODS

This study used a qualitative approach in accordance with its objectives. A qualitative approach offers an interesting and useful way of conducting

<sup>6</sup> Pache, A.-C., & Santos, F. (2013). Inside the hybrid organization: Selective coupling as a response to competing institutional logics. *Academy of Management Journal*, 56(4), 972–1001. <https://doi.org/10.5465/amj.2011.0405>

<sup>7</sup> Guba, E. G. (1981). Criteria for Assessing the Trustworthiness of Naturalistic Inquiries. *Educational Communication and Technology*, 29(2), 75–91.

research that intends to obtain natural data without settings or subjective intervention from researchers<sup>8</sup>. The results of qualitative research will present a rich description and provide concepts and theories to understand organizational reality<sup>9</sup>. Besides that, qualitative research is the most humanistic approach to revealing human thoughts and actions<sup>10</sup>.

As previously described, we followed a multi-phase approach to this study<sup>11</sup>. The first phase is a literature review. The purpose of the literature review is to identify the critical factors about hybrid organizations from previous studies. We selected the literature on hybrid organizations published in Q1 journals. Most of the literature contains case studies of hybrid organizations in western contexts.

The second phase is the case study. The case study is intended to provide a factual description of the field regarding hybridization that occurs in waqf institutions. The selected cases used a theoretical sampling approach. Theoretical sampling is important to ensure that the selection of cases and participants interviewed are all based on research objectives<sup>12</sup> (Yin, 2018). YWUMI was chosen as a case study because it meets the sample criteria for a waqf institution that develops waqf assets through business activities. Semi-structured interviews and a review of YWUMI documents related to the research objectives were used to collect data.

The semi-structured interview involved 10 people: four from the foundation's headquarters and six from business unit management representatives. The informants are chosen based on foundation management's instructions regarding who is competent and has a thorough understanding of foundation and business unit management. In addition, we reviewed several documents, including unit budget disbursement request documents, business unit semi-annual reports, and business unit cost control and sales charts. The document review process is conducted simultaneously with the interview process.

The third phase is expert opinion. In an effort to build theory, clarification is needed to validate field findings. Therefore, the third phase is asking for expert opinion. Requests for expert opinion were carried out through a focus group discussion (FGD). FGD is conducted in the form of small groups with the consideration that it will make the participants more comfortable giving their views compared to large-scale discussions (McQuarrie, 1989). As a

<sup>8</sup> Yin, R. K. (2011). Qualitative Research From Start to Finish. The Guilford Press.

<sup>9</sup> Gephart, R. P. (2018). Qualitative Research as Interpretive Social Science. In The SAGE Handbook of Qualitative Business and Management Research Methods: History and Traditions (pp. 33-53). SAGE Publication, Ltd. <https://doi.org/10.4135/9781526430212.n3>

<sup>10</sup> Lichtman, M. (2017). Qualitative Research for Social Science. SAGE Publication, Inc

<sup>11</sup> Yuan, H., Lu, W., & Jianli Hao, J. (2013). The evolution of construction waste sorting on-site. Renewable and Sustainable Energy Reviews, 20, 483-490. <https://doi.org/10.1016/j.rser.2012.12.012>

<sup>12</sup> Yin, R. K. (2018). Case Study Research and Applications: Design and Methods. In SAGE Publication, Inc (6th ed.). <https://doi.org/10.1177/109634809702100108>

result, we organized a focus group discussion (FGD) with four experts. The four experts consist of three academics and one professional.

Phase	Data Collection Methods	Sources/ Key Informants
Phase 1: Identification of critical factors	Literature review	Papers from Q1 journal
Phase 2: Case Study	Semi-structured interviews and documentation	<p>a. 4 members of the foundation's management</p> <p>b. 3 business unit heads</p> <p>c. 3 business unit staff</p>
Phase 3: Expert opinion	Focus group discussion	<p>a. 3 academics /researchers</p> <p>b. 1 proffesional</p>

## Case Background

YWUMI was founded on February 8, 1953. This foundation was founded by community leaders, ulama, and government elements (kings) in South Sulawesi, Indonesia. Initially, this foundation was named the Indonesian Muslim University Development Waqf Foundation, because the initial purpose of this foundation was to build an Islamic college in Makassar.

Since its inception, YWUMI has collected waqf from Muslims and has focused on empowering them through education. From year to year, the assets managed by the YWUMI Waqf Foundation continue to increase. These assets are sourced from Muslim waqf assistance in the form of immovable assets in the form of land as well as donations from students' parents devoted to the construction and purchase of campus facilities and infrastructure. In addition, YWUMI also increases waqf assets through the productive businesses they manage.

Over time, YWUMI currently manages the waqf assets through three pillars, namely the education and da'wah pillar, the health and da'wah pillar, and the third, business and da'wah pillar. For the pillars of education and da'wah, YWUMI has an Muslim University, WU Islamic Boarding School in Gowa, MU Islamic Boarding School in Takalar, DM Islamic Boarding School in Pangkep, and several educational preparation establishments. The Indonesian Muslim University is now the largest private university in eastern Indonesia.

For the pillars of health and da'wah, YWUMI has the Ibnu Sina Hospital located in Makassar City. The third pillar, business and da'wah, YWUMI has Baitul Maal Wattamwil YWUMI (BMT) as a business unit engaged in finance; PT Teknik, which operates in the construction and housing development sector; PT Bisnis, which is engaged in general trading; PT Industri, which is engaged in the production of bottled mineral water; and PT Grafika, which is engaged in printing.

Through these three pillars, YWUMI can generate income that is channeled to finance educational institution operational activities, procurement of facilities and infrastructure (land, buildings, and supporting facilities),

scholarships, salaries of all employees (over 1000 people), and other charitable activities for the advancement of Islamic da'wah.

## RESULT AND DISCUSSION

### Lessons from Previous Research on Hybrid Organizations

We have a scarcity of literature that systematically addresses the hybridization that occurs in waqf organizations. Therefore, our study begins with a review of the past empirical literature on hybridization in conventional social enterprises. It is aimed to uncover the main themes in the hybridization that occurs in social companies. These main themes will form the basis for examining our case. In the following, we present the main themes that we uncovered from past empirical studies.

The first theme we discovered in the prior case study was institutional complexity. Hybridity in hybrid organizations results in the coexistence of two or more institutional logics. This adds to the institutional complexity. Based on earlier case study research, we found many phenomena that represent institutional complexity in hybrid organizations, including tension due to competing goals<sup>13</sup><sup>14</sup>. The various goals that emerge from hybridization can cause an organization to depart from its original mission<sup>15</sup>. Performance paradoxes are another manifestation of institutional complexity<sup>16</sup>. A company's financial performance has little bearing on its social performance. Likewise, vice versa.

The institutional complexity of hybrid organizations also appears in the contradiction between collaboration and competition<sup>17</sup>. When an organization becomes a business entity, collaborative connections with other groups might develop into competition. Furthermore, diverse expectations from external stakeholders cause organizational management to become perplexed when

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<sup>13</sup> Pellegrini, G., Annosi, M. C., Contò, F., & Fiore, M. (2020). What are the conflicting tensions in an Italian cooperative and how do members manage them? Business goals', integrated management, and reduction of waste within a fruit and vegetables supply chain. *Sustainability* (Switzerland), 12(7). <https://doi.org/10.3390/su12073050>

<sup>14</sup> Siegner, M., Pinkse, J., & Panwar, R. (2018). Managing tensions in a social enterprise: The complex balancing act to deliver a multi-faceted but coherent social mission. *Journal of Cleaner Production*, 174, 1314-1324. <https://doi.org/10.1016/j.jclepro.2017.11.076>

<sup>15</sup> Klein, S., Schneider, S., & Spieth, P. (2021). How to stay on the road? A business model perspective on mission drift in social purpose organizations. *Journal of Business Research*, 125, 658-671. <https://doi.org/10.1016/j.jbusres.2020.01.053>

<sup>16</sup> Cheah, J., Amran, A., & Yahya, S. (2019). Internal oriented resources and social enterprises' performance: How can social enterprises help themselves before helping others? *Journal of Cleaner Production*, 211, 607-619. <https://doi.org/10.1016/j.jclepro.2018.11.203>

<sup>17</sup> Winch, G. M., & Maytorena-Sanchez, E. (2020). Institutional projects and contradictory logics: Responding to complexity in institutional field change. *International Journal of Project Management*, 38(6), 368-378. <https://doi.org/10.1016/j.ijproman.2020.08.004>

attempting to accommodate them<sup>18</sup>. Finally, complexity is evident in human resource management<sup>19</sup>. Social companies are compelled to hire community organizations that lack the necessary skills, which goes against the efficiency principle

The second theme we discovered in earlier research is strategies for handling institutional complexity. At least four strategies to dealing with complexity were found. Structure differentiation is the initial strategy. Different structures manage each of the several institutional logics in a compartmented manner<sup>20 21</sup>. The next strategy is the merging strategy. A hybrid unit combines different logics. Hybrid units are new organizational identities that represent several institutional logics<sup>22</sup>. Pache & Santos refers to it as "selective coupling"<sup>23</sup>. Meanwhile, Park & Bae use the phrases "highly integrated" and "moderately integrated."<sup>24</sup>

### Case Findings: Institutional Complexity Plurality of Goals

Based on the interviews, we identified several goals for YWUMI after they adopted corporatization. First, the informant acknowledged that YWUMI is a waqf institution. As a result, their primary goal is to spread Islam and benefit Muslims. This objective is clearly stated on their website. Each pillar of YWUMI must carry out the mandate of da'wah.

*"The primary goal is to disseminate Islamic symbols that benefit both humans and the natural environment."* ([www.umi.ac.id](http://www.umi.ac.id))

This goal has evolved over time. Economic independence from government subsidies and outsiders forces them to fund their operations solely through their own earnings. Then there was a new goal: to make their own money. Each pillar is responsible for finding sources of income to support the

<sup>18</sup> Ramus, T., Vaccaro, A., & Berrone, P. (2020). Time Matters! How hybrid organizations use time to respond to divergent stakeholder demands. *Organization Studies*

<sup>19</sup> Chan, A., Ryan, S., & Quarter, J. (2017). Supported Social Enterprise: A Modified Social Welfare Organization. *Nonprofit and Voluntary Sector Quarterly*, 46(2), 261–279. <https://doi.org/10.1177/0899764016655620>

<sup>20</sup> Battilana, J., Sengul, M., Pache, A.-C., & Model, J. (2015). Harnessing productive tensions in hybrid organizations: The case of work integration social enterprises. *Academy of Management Journal*, 58(6), 1658–1685. <https://doi.org/10.5465/amj.2013.0903>

<sup>21</sup> Frederiksen, N., Gottlieb, S. C., & Leiringer, R. (2021). Organising for infrastructure development programmes: Governing internal logic multiplicity across organisational spaces. *International Journal of Project Management*, 39(3), 223–235. <https://doi.org/10.1016/j.ijproman.2021.01.004>

<sup>22</sup> Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, 53(6), 1419–1440. <https://doi.org/10.5465/amj.2010.57318391>

<sup>23</sup> Pache, A.-C., & Santos, F. (2013). Inside the hybrid organization: Selective coupling as a response to competing institutional logics. *Academy of Management Journal*, 56(4), 972–1001. <https://doi.org/10.5465/amj.2011.0405>

<sup>24</sup> Park, J.-H., & Bae, Z.-T. (2020). Legitimation of social enterprises as hybrid organizations. *Sustainability (Switzerland)*, 12(18). <https://doi.org/10.3390/su12187583>

foundation's activities. As a result, the university will try to maximize acceptance by charging students a "waqf" levy. Businesses and hospitals strive to maximize revenue from the services and products they provide to the general public.

The appearance of the word "profit" in YWUMI operations exemplifies the deinstitutionalization of old ideas about nonprofit institutions. It is not appropriate to rely solely on donations at this time. They must now pursue profit in order to achieve their primary goal. Profit within the framework of waqf institutions, according to informants, was an intermediate goal. The ultimate goal of this corporatization is the social goal of Islam itself, which is to benefit the Ummah as much as possible. Profit plays an important role in the realization of YWUMI's social program. These programs include educational services, scholarships for deserving students, and community social assistance.

*"So, the profits from the business entity are used to finance the foundation's activities."* (Executive Secretary of YWUMI)

In addition, we find other social goals. According to the informant, the second social goal is to provide as many job opportunities as possible to people in need.

*"When Prof. Abdurrahman Basalamah established this business unit, he stressed that our goal is not only to make a profit but also to help our Muslim brothers and sisters out there go to work to support their children and wives."* (The Accounting Officer of PT. Ukhudah UMI Industri)

However, these two social goals have a contradictory relationship. When YWUMI seeks to provide the most diverse employment opportunities for the community, the units must bear a significant salary burden, and the low skill of the recruited workforce may impede profit realization. Of course, this means a lower profit contribution to YWUMI's social programs. In fact, the informants admit that the incentive to generate profit is not as strong as it is in other commercial institutions. Some business units reported no significant growth at all. They believe it would be beneficial if the business unit could pay employees every month.

*"So far, nothing has changed in the situation (it has not significantly developed). The important thing is that salaries are paid and no losses occur."* (Administration Officer of PT. Ukhudah UMI Industri)

The expert also mentioned this condition. One expert warns that philanthropic foundations that form business units must exercise caution lest their operations be dominated by social logic. They devised the justification that "this is a waqf business that is not solely concerned with profit." That, in fact, is the cause of the inability to run a business professionally.

### ***Ambiguity in Human Resources Management***

To maintain organizational hybridity, HR management in hybrid organizations necessitates a specific. Our field findings show that human resource management at YWUMI is implemented centrally. All employees who are assigned to any of the foundation's units are registered as foundation employees. Their status is not that of university employees or employees of business unit entities. Moreover, we also find interesting arrangements for employees during the corporatization period.

At the level of the heads of the unit, the heads of the foundation place their internal resources whose educational background is in line with the needs of the unit. Management skills and educational experience in the field of economics are considered in the placement of business unit leadership positions in for-profit business units. For example, the manager of PT. Ukhawah UMI Industri is a professional with a background in management. Similarly, the directors of BMT YWUMI and PT. Ukhawah UMI Industri, both of whom hold economics degrees, In the case of hospitals, management is delegated to doctors who have managerial experience. Aside from academic alignment, the selection of business unit leaders involves an assessment of managerial skills. YWUMI leaders expect unit leaders, particularly in business units, to be professional and dedicated to YWUMI.

*“I've been at YWUMI since 1996. My education is a bachelor's degree in economics.”* (Director of BMT YWUMI)

*“I was previously assigned to an apartment for about 8 years before being assigned here. My educational background is in economics.”* (Director of PT. Ukhawah UMI Bisnis)

*“This (appointment of the unit leader) is based on a commitment to YWUMI's because there is an assessment before they are appointed. In particular, requirements regarding tenure and integrity. In business units, the main consideration is the managerial aspect.”* (Executive Secretary of YWUMI)

In contrast to the demand for professionalism at the leadership level, employee recruitment at lower levels does not take professionalism into account. Social considerations trump business interests. The goal is to generate new job opportunities. If someone needed a job to support their family, they would be accepted even if their skill level was below the desired level. This, of course, affects the performance of business units.

*“In employee recruitment, it should refer to professional considerations. However, I see that this is not the case. For example, if there are families who need work and have the potential to enter a business unit, then they are accepted to work in that business unit. Whether he has the ability or not is a secondary question.”* (The Accounting Officer of PT. Ukhawah UMI Industri)

*“We have 43 employees. (This large number is) because we have several shops scattered in several places, namely on the racing street, on campus, and in the UMI tower.... Sometimes we experience losses, especially when the COVID-19 pandemic causes income to decrease... However, what is important is that it can cover operational costs.”* (Administration Officer of PT. Ukhawah UMI Bisnis)

Furthermore, YWUMI's employee transfer system is fluid. As previously stated, the human resource management system at YWUMI is centrally managed. All employees have been designated as foundation employees. YWUMI is still influenced by public-sector logic in this situation. Employee appointments, transfers, and salary determination are completely under the control of the Foundation. Employees are able to move from one unit to another. Employees who move from the philanthropic unit to the business unit, or vice versa, will cause institutional conflict. The employee who has been embedded in the service logic has to adapt to the new environment dominated by business logic.

*"We are all part of the same organization. As a result, employees like us may be transferred to the faculty or the hospital. Not always here."* (Administration Officer of PT. Ukhawah UMI Industri)

*"I was previously assigned to an apartment for about 8 years before being assigned here."* (Director of PT. Ukhawah UMI Bisnis)

*"Before being here, I was assigned to the headquarters of the foundation in the section that oversees all the companies."* (The Accounting Officer of PT. Ukhawah UMI Industri)

As a result, despite having structurally separated philanthropic and business activities based on their three pillars, actors at the unit level reflect a diversity of values. These values are the actor's motivation and goals. Individual employees become hybrid actors caught between business and social motivations as a result of the fluid pattern of mutations from one unit to the others.

Related to this, experts commented that professionalism will indeed be an obstacle when waqf institutions choose to employ beneficiaries. On the one hand, this is good for social contributions, but it will hinder financial performance. Therefore, according to experts, increasing competence is an absolute requirement in situations like this. However, waqf institutions must be able to identify what competencies their employees should have as part of a hybrid organization. Failure to understand the required competencies will lead to organizational failure.

## **Case Findings: Organizational Response**

### *Structural Differentiation for Managing Complexity*

Empirical evidence shows that YWUMI manages institutional complexity through a structural differentiation strategy. The organizational structure of YWUMI is based on three pillars. Through different structures, commercial and philanthropic activities are separated at the head office level. Commercial activities are managed by the business and health divisions, while philanthropic activities are split into two divisions: educational development and religious social.

*"In the organizational structure of the foundation, there is a head of education development and control. There is also a head of the field of socio-religious development and control. This field is in charge of the Amil Zakat Institution (LAZ). Meanwhile, health activities are controlled by the head of business and health." (Executive Secretary of YWUMI)*

*"There is also a head of the field in charge of business issues. The head of the business field is in charge of motivating the business unit's management to expand its operations." (Treasurer of The YWUMI)*

Each organ in the structure represents a dominant logic that is distinct from other structures due to structural differentiation. Business logic is more dominant in business units under the auspices of the pillars of business and da'wah. They are under no obligation to engage in charitable activities. They were formed solely for the purpose of making money. This was stated by a participant who is a business unit director.

*"Focus on business. We are also not authorized to carry out social activities. There is already a field that handles social activities. So we are purely a business activity. Social activities through LAZ are channeled. The distribution, for example, is given to the poor during Eid. We in the business unit are not focused on giving."* (Director of PT. Ukhudah UMI Bisnis)

Ibnu Sina Hospital, as a unit of the pillars of health and da'wah, is also managed by the same structure as the pillars of business and da'wah, namely the business and health fields. This is due to the fact that these two pillars are intended to generate revenue through commercial activities. Ibnu Sina Hospital is a private hospital that currently offers paid services as a general private hospital. The hospital's income is sufficient to support YWUMI's finances.

Meanwhile, the education development field and the socio-religious field engage in philanthropic activities. Interestingly, universities, as pillars of education and da'wah, are not viewed as business entities governed by business logic. Despite the fact that the university charges students for services that are important to YWUMI's finances, the income is considered a donation or waqf from the student's parents. In the socio-religious field, YWUMI has established the Amil Zakat Institution (LAZ), which focuses on philanthropic activities. This organization is responsible for the management of social funds such as zakat, infaq, employee endowments, profit sharing for business units, and cash waqf.

While YWUMI formally employs structural differentiation to navigate different institutional logics, they are not completely dominated by a single logic at the unit level. We observe that the business unit is a hybrid space in which market logic, as the dominant logic, coexists with socio-religious logic. In the business unit, management often decides to engage in social activities that financially disrupt the company's efficiency.

As a result, social and commercial logic do not completely separate the conditions at YWUMI. We call this open structural differentiation. This term denotes situations in which the structural separation of commercial and

business activities does not preclude the possibility of blending institutional logic in each structural unit.

The opposite of open structural differentiation is closed structural differentiation, in which each unit is fully controlled by a single logic. For example, business units may be solely concerned with profits, with no need to engage in social activities as part of their operations. Profit is its social contribution at the end of its operations. However, the foundation's management is concerned about convergence if each unit operates according to its own logic.

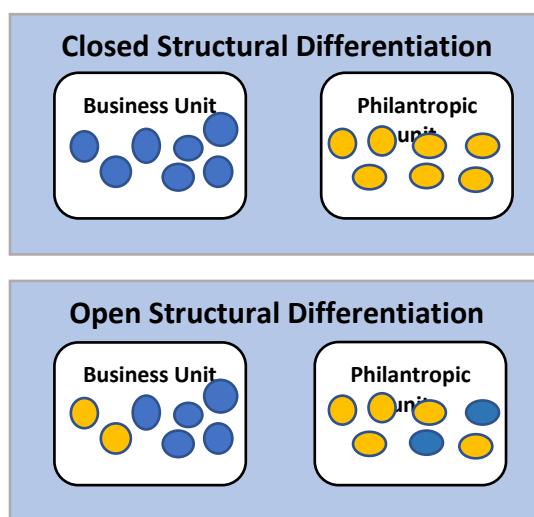


Figure 1. Open Structural Differentiation versus Closed Structural Differentiation

Experts agree that a structural separation between business units and philanthropic units is the best way to manage hybridity in waqf institutions. However, one expert commented on open structural differentiation at YWUMI. There is a risk if people move between units periodically. Business units should be run by professionals who are competent in the business field. Likewise with social units, the competency needs are different. Therefore, structural separation will not be effective if each employee easily moves from one unit to another.

### *Internalization of Islamic morality*

An important finding from the case is the role of Islamic morality in waqf institutions. This is what distinguishes it from previous literature. YWUMI carries the concept of Islamic management into organizational management. Islamic values are internalized through a series of outreach programs. YWUMI has five basic principles of Islamic management that must be internalized by human resources at all levels of management. The five basic principles are *amanah*, *fathonah*, *tabligh*, *shiddiq*, and *himayah*.

*"Whatever the name and level of the entrusted position, it must be seen and accepted as a noble job that must be accounted for, not only to superiors through the organizational hierarchy, but also to Allah."* ([www.umi.ac.id](http://www.umi.ac.id))

Islamic morality can also be seen in how stakeholders establish relationships with one another. They define their bond as ukhuwah. The ukhuwah bond will strengthen stakeholder relationships far more than work relations in general. As a result, Ukhuhwah is seen as having strength in reducing conflicting interests among stakeholders.

*"We are never separated from the principle of ukhuwah. Anyone involved in YWUMI must consider himself part of a big family."* (Executive Secretary of YWUMI)

Profit-sharing (nisbah) is one of the Islamic management practices used at YWUMI. The profit-sharing system is based on the ukhuwah principle, which states that the benefits of YWUMI's efforts should be felt by all stakeholders and contribute to the foundation's asset growth. The mechanism and the amount of the proportion of the ratio adhere to the provisions established by the leadership of the foundation. Periodic reports from business unit management are required as a basis for determining how much profit will be allocated. The business unit's results are classified into three categories: operations (management), development, and mauqaf alaih (LAZ).

Business unit employees who are still influenced by the way the public sector works will be encouraged to conform to the business logic through a profit-sharing system. This is due to the fact that their performance bonuses are based on the profits they make. This is revealed by a participant who is also the leader of a business unit.

*"We are a waqf business. If we reach the target, we will have a share of the results. That's what's shared with the employees. So if you do a good job, you will also get a lot. It already has a standard from the foundation's headquarters."* (Director of PT. Ukhuhwah UMI Industri)

*"The head of the business field is in charge of motivating the business unit's management to expand its operations. For example, if they make a profit, they are entitled to a portion of that profit."* (Treasurer of The YWUMI)

Experts agree that Islamic morality plays an important role in managing organizational hybridity. The relationship between structural differentiation strategies and institutional complexity can be moderated by Islamic morality. When each agent in each division follows their respective institutional logic, the existence of Islamic morality becomes a link that converges the movements of each unit towards the waqf institution's main goal. As a result, experts proposed that there be a unit within the waqf institution whose role it is to guard and supervise business in order for it to comply with Islamic Sharia provisions.

## **Discussion:**

### ***Institutional Complexity***

As we discussed in the previous section, waqf institutions have a plurality of goals that they must balance with the adoption of commercial business practices. Profitability and islamic social goals must coexist in waqf entities. Previous research has found a detrimental link between social and

corporate goals<sup>25-26</sup>. Even organizations with a social orientation will undergo missionary deviations when they acquire commercial ambitions. The claim that commercial activities will be utilized to reinforce social activities has not even been verified<sup>27</sup>.

In our case, however, we discovered different interaction patterns between the goals. The presence of multiple profit-oriented business units at YWUMI, according to the source, did not interfere with YWUMI's primary purpose of providing benefits to the people. Profit is viewed as an important intermediary aim for YWUMI. Instead, institutional complexity arises as a result of a trade-off between two opposing societal aims. The first social goal is to provide educational services and social aid to the community. To achieve the first social goal, business units must maximize their income in order to qualify for the waqf social institution program. As a result, the function of profit is critical for waqf institutions. The problem occurs when they must also accommodate a second societal aim. The second social purpose is to provide more job chances to those in need. As a result, they hire a large number of inexperienced personnel. This, of course, has an impact on the business unit's earnings impact, which also means that the first social purpose is jeopardized.

Employing a workforce with inadequate skills is a concern that waqf institutions must address. According to prior studies, social enterprises that employ marginalized communities, such as people with disabilities, continue to receive significant government and donor funding<sup>28</sup>. Their commercial sales are still insufficient to meet their operational requirements. As a result, it is critical for waqf institutions to negotiate these complications. Waqf institutions must be able to balance their concern for the development of job opportunities for underprivileged groups of people with other social goals that are very dependent on funding from the profits of commercial activities. The following section will look at how waqf institutions manage institutional complexity

### *Strategies for Dealing with Complexity*

YWUMI employs a variety of organizational approaches to address institutional complexities. To begin with, by employing a structural differentiation strategy. Different institutional logics are controlled through

<sup>25</sup> Battilana, J., Sengul, M., Pache, A.-C., & Model, J. (2015). Harnessing productive tensions in hybrid organizations: The case of work integration social enterprises. *Academy of Management Journal*, 58(6), 1658–1685. <https://doi.org/10.5465/amj.2013.0903>

<sup>26</sup> Pellegrini, G., Annosi, M. C., Contò, F., & Fiore, M. (2020). What are the conflicting tensions in an Italian cooperative and how do members manage them? Business goals', integrated management, and reduction of waste within a fruit and vegetables supply chain. *Sustainability (Switzerland)*, 12(7). <https://doi.org/10.3390/su12073050>

<sup>27</sup> Klein, S., Schneider, S., & Spieth, P. (2021). How to stay on the road? A business model perspective on mission drift in social purpose organizations. *Journal of Business Research*, 125, 658–671. <https://doi.org/10.1016/j.jbusres.2020.01.053>

<sup>28</sup> Chan, A., Ryan, S., & Quarter, J. (2017). Supported Social Enterprise: A Modified Social Welfare Organization. *Nonprofit and Voluntary Sector Quarterly*, 46(2), 261–279. <https://doi.org/10.1177/0899764016655620>

distinct structures so that each unit represents a distinct dominating logic. This compartmentalization is consistent with the findings of a number of earlier studies<sup>29-30</sup>. Even if each unit structurally reflects a distinct dominant logic from the others, YWUMI strives to align the behavior of the players within each unit with YWUMI's primary objective, namely the "da'wah" of Islam. As a result, the word "da'wah" is added to the names of each pillar to reflect the convergence efforts, as in the pillars of "education and da'wah," "health and da'wah," and "business and da'wah." Business units are not permitted to go berserk in pursuit of profits that are not in accordance with Islamic syiar.

Furthermore, internalizing Islamic morality significantly aids them in managing institutional complexity. Previous studies have examined the tension between social goals and profit goals quite a lot. This cannot be separated from the "dualism" way of thinking that has undermined western economic and social theory for centuries<sup>31</sup>. There is a lot of institutional pressure on the idea of a social enterprise when it comes to combining commercial activities with philanthropic activities.

However, in Islam, this worldly existence is seen as a series of journeys towards the ultimate goal, namely eternal life. All human endeavors, whether commercial or social, are worship of Allah. As Allah stated in His revelation, "jinn and humans were not created except to worship Me" (Q.S. Az Zariyat: 56). Therefore, YWUMI applies the concept of intermediation objectives as part of the corporatization of waqf. The goal of intermediation is to make money, but the main goals are to help people and spread Islamic teachings.

Interestingly, implementing an Islamic management system is highly effective at motivating work units to handle waqf assets effectively. This research reinforces Muslim scholars' commitment to demonstrating that an Islamic work environment increases employee motivation, which has a positive effect on organizational performance. Employees who have faith will make every effort to perform at their best for the organization. This, of course, is insufficient. Training programs are required to increase the competency of employees who lack skills at the time of recruiting.

Therefore, YWUMI socialized the five basic principles of Islamic management. All employees within the scope of YWUMI strive to work with trust, fathonah, tabligh, shiddiq, and himayah. The hope is that these five values, combined with a profit-sharing system (ratio), will navigate the complexities posed by corporatization. The waqf institution, which was

<sup>29</sup> Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., & Lounsbury, M. (2011). Institutional complexity and organizational responses. *Academy of Management Annals*, 5(1), 317-371. <https://doi.org/10.1080/19416520.2011.590299>

<sup>30</sup> Frederiksen, N., Gottlieb, S. C., & Leiringer, R. (2021). Organising for infrastructure development programmes: Governing internal logic multiplicity across organisational spaces. *International Journal of Project Management*, 39(3), 223-235. <https://doi.org/10.1016/j.ijproman.2021.01.004>

<sup>31</sup> Jackson, W. A. (1999). Dualism, Duality and the complexity of economic institutions. *International Journal of Social Economics*, 545-558.

originally a non-profit organization characterized by low motivation and competence (public sector logic), can be adjusted to the requirements of the business sector that wants a skilled and professional workforce. Islamic management is also a shield for waqf institutions from the greedy nature of the business environment. Efforts to pursue profit in a competitive market must not sacrifice Islamic sharia. The benefit of the Ummah in the long term must be prioritized over short-term profits.

## CONCLUSION

This study demonstrates how waqf institutions become hybridized. There are gaps in the waqf literature that we have identified. Previously conducted research demonstrates that Muslim academics are motivated to increase the social impact of waqf through corporate activity. Along with demonstrating the social benefits of productive waqf administration, they are trying to build various models of waqf corporatization. They did not, however, discuss what happened when waqf institutions that were previously non-profit were compelled to adapt to a new institutional setting, such as the commercial sector.

This research contributes to our understanding of the institutional implications of these corporatization alternatives. When a waqf institution chooses to engage in commercial activities in order to maximize the management of waqf assets, the institution transforms into a hybrid organization. Our case study highlights the complexities inherent in functioning waqf organizations when several institutional logics are involved. Additionally, we discuss how waqf institutions have dealt with these issues.

In addition to theoretical contributions, this research also offers practical contributions to the management of waqf institutions and policy makers. For waqf institutions, this research can provide a reference in developing strategies to overcome institutional complexities when they decide to engage in commercial activities. For policymakers, this study illustrates the importance of the institutional environment for encouraging the transformation of waqf institutions. The success of productive waqf management requires a conducive institutional environment. There needs to be regulatory support for waqf institutions so that they can compete in a competitive market while protecting them from business risks that could lead to the loss of waqf assets.

Of course, this research is not without its weaknesses. This study focuses on only one case. Therefore, the results of this study and the results of this case study cannot be generalized. Empirical research is still needed to build a strong theory on the management of institutional complexity in waqf institutions.

### Author's Contribution

Muhammad Iqbal: Contribute to formulating research ideas, collecting data, processing data, and interpreting data.

Raditya Sukmana: Contributing to writing systematics, research methods

Iman Harymawan: Contributing to analyzing interpretation results, the language proofread

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We declare that we have no conflict of interest

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