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CONFERENCE PROCEEDING

SUB THEMES

- 1. CORPORATE GOVERNANCE
- 2. ISLAMIC BANKING AND CAPITAL MARKET
- 3. MONEY PAYMENT SYSTEM & FINANCIAL INNOVATION
- 4. TAKAFUL & RISK MANAGEMENT
- 5. ISLAMIC SOCIAL FINANCE
- 6. ARABIC PAPERS

CORPORATE GOVERNANCE

Sub Theme		Corporate Governance						
No Paper ID		Paper Title	Author(s)	Affiliation				
1	6th AICIF: 083-075	Tax Amnesty and JIHAD on CV. SR (Phenomenology Study)	Ahmad Rudi Yulianto	Universitas Islam Sultan Agung (UNISSULA), Indonesia				
2	6th AICIF: 039-032	Good Corporate Governance, Earnings Quality, and Firm Value: Empirical Study on Jakarta Islamic Index Companies 2008-2015 using Structural Equation Model-Partial Least Square Method	Sugiyarti Fatma Laela, Dian Yuni Anggraeni, Rahma Wijayanti	Sekolah Tinggi Ekonomi Islam (STEI) Tazkia, Indonesia				
3	6th AICIF: 076-063	Taawun: An Islamic Practice to Reduce Voluntary Turnover Intention	Ken Sudarti, Alifah Ratnawati, Mulyana, M. Husni Mubarok	Universitas Islam Sultan Agung (UNISSULA), Indonesia				
4	6th AICIF: 079-066	Successful Determinant of Islamic Knowledge Organization	Marno Nugroho	Universitas Islam Sultan Agung (UNISSULA), Indonesia				
5	6th AICIF: 082-069	The Effectiveness of Internal Control, Organizational Ethical Culture, and Fraud Prevention: The Role of Moderating Individual Morality	Provita Wijayanti, Rustam Hanafi, Nurhidayati	Universitas Islam Sultan Agung (UNISSULA), Indonesia				
6	6th AICIF: 084-071	Critics on the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP) from Shariah Banking and Investment	Hakimah Yaacob, Khairul Hidayatullah Basir	Universiti Islam Sultan Sharif Ali (UNISSA), Brunei Darussalam				
7	6th AICIF: 084-072	Enabling Legal Environment of Islamic Finance in Brunei: A Demand for Improvement	Hakimah Yaacob, Khairul Hidayatullah Basir	Universiti Islam Sultan Sharif Ali (UNISSA), Brunei Darussalam				
8	6th AICIF: 088-076	The Impact of Collaborative Networks and Islamic Works Ethic on Business Performance of Small and Medium Enterprises	Mulyana	Universitas Islam Sultan Agung (UNISSULA), Indonesia				
9	6th AICIF: 090-078	Corporate governance from Islamic perspective	Abdulrahman Alnofli	International Islamic University Malaysia				
10	6th AICIF: 093-082	Corporate Social Responsibility in Islamic Perspective	Chrisna Suhendi	Universitas Islam Sultan Agung (UNISSULA), Indonesia				
11	6th AICIF: 094-084	Internal Control, Acceptance of Compensation and Unethical Behavior as a Predictor of Trends in the Establishment of Fraud	Khoirul Fuad	Universitas Islam Sultan Agung (UNISSULA), Indonesia				
12	6th AICIF: 101-125	Earnings Management of Family Generation Company in Indonesia: Socio Emotional Wealth (SEW) Theory Perspective	Edy Suprianto, Y Anni Aryani, Doddy Setiawan, Rahmawati	Universitas Islam Sultan Agung (UNISSULA), Indonesia				

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13	6th AICIF: 081-103	The Role of Partnership in Improving SMEs Reputation: An Islamic Outlook	Tri Wikaningrum, Imam Ghozali, Ahyar Yuniawan	Universitas Islam Sultan Agung (UNISSULA), Indonesia
14	6th AICIF: 134-127	The Analysis of Online Shopping Satisfaction in Islamic Perspective (Case Study to Student Of University Of Darussalam Gontor Campus Magelang On Period 2017)	Mustaan Al Faruqi, Mufti Afif	University of Darussalam (UNIDA) Gontor, Indonesia
15	6th AICIF: 155-146	Short-run and Long-run Relationship between Economic Growth, Foreign Direct Investment, Trade Liberalization and Education on Income Inequality: Evidence from Indonesia	Siti Nur Azizah, Neneng Ela Fauziyah	UIN Sunan Kalijaga, Indonesia

Successfull Determinant of Islamic Knowledge Organization

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Abstract

Classical Organizational Theory explains that learning organizations are accumulated experiences and routinely develop and transfer knowledge to its members. Furthermore, various researches explain that the organizational theory is not enough if it only develop the tacit knowledge that is possessed, so it requires deliberate learning efforts that come from direct or indirect learning so that it becomes a knowledgeable organization. This knowledge can be from a variety of experiences, derived from failures or sources of knowledge that rarely become the attention of the organization.

The success of an organization can create a dominant position in the various competitive situations that is faced. Goal Setting Theory based on Islamic values includes Stakeholder welfare, working hard, lawful and not exploiting human resources with Knowledge Management Quality mediation will produce good Innovation Capabilities. The empirical model that is built is organizational excellence in determining goals based on challenging Islamic values will have an effect in increasing the dominant position and creating knowledge quality which ultimately can improve innovation capabilities.

Small and Medium Industries that is owned by Muslims in Java will be the object of this research. Research with SEM techniques will answer the various hypotheses proposed to enrich existing theories, especially regarding the strengthening of Islamic values and knowledge management.

Keywords: Knowledge Organization, Goal setting based Islamic Value, Quality Knowledge Management, Innovation Capabilities, and Central Gravity Dominant Logic.

1. Introduction

The impact of industrialization has created a cheaper, quality and efficient work pattern, production pattern and distribution pattern. Various discoveries in the fields of information and communication technologies such as the internet, e-mail and android technology have forced economic actors, especially the industry, to adjust to these changes. By achieving higher levels of performance, it is required detection and ambiguous interpretation of environmental signals so that appropriate action must be taken (Hari, 1994; Hari & Schoemaker, 2006).

Innovation is the company's effort to introduce new products to the target market. Many determinants that become supporters of organizational innovation orientation are organizational culture (Naranjo-Valencia, 2011). The relationship among individual learning, organizational learning, and organizational change will be an interesting study to create professional capacity. Several studies such as (Fenwick & McMillan, 2005; Buuren, Buijs, & Slob, 2010, Buuren, 2013) produce an ideal model of how to build competencies with the drivers of theory and practice.

The paradigm shift in innovation has now changed from rigid and very rigorous innovation based on rules regarding growth and prosperity from individual to company level (Schumpeter, 1934; Nelson and Winter, 1982) into various models of non-technological innovation that depend on issues from innovation research investigated whether radical or gradual innovation (Dewar and Dutton, 1986; Ettlie et al., 1984) concerning product and process innovation (Utterback and Abernathy, 1975).

Innovation in small industries becomes important with the limitations they have to survive. Small and medium industries (IKM) is currently mostly Informal and traditionally managed, so knowledge management and its derivatives may be found in product innovation, process innovation, organizational structure innovation, and new

management techniques. Similarly, imitating is intended to modify the innovation process that does not violate the law but economically can increase the value of the company (Jay Kandampully, 2002).

Integrated Innovation Management has antecedents in the form of other managerial, inter-organizational and intra-organizational aspects. These three aspects can be represented by the increasingly superior competencies possessed by Management utilizing the potential among the three aspects above. The competencies needed are those that are able to integrate, organize and harmonize various competencies possessed by HR. The fit study of strategic HR and organization is still rare, as well as the empirical study in Indonesian SMEs (Becker, 1996).

Some literature suggests that it is necessary to strengthen intellectual capital through knowledge organizations with innovation. Building on knowledge, there are at least three models of knowledge, namely tacit, codification and explicit (Berg, 2013), and in Islamic management, it is necessary to emphasize how Islamic value animates organizational management practices (Fahmi, 2012).

This research will try to close the next theory gap. The empirical model will be obtained by compiling and positioning the organizational competency model through the concept of knowledge organization, Islamic value, and innovation.

2. Literature Review

2.1. Human Capital Theory

Human Capital Theory is oriented on how human capital is valued as a valuable asset and how HR investments will be aligned with investment as well as machines and others (Schuler, 2000 in Itika, 2011). Human Capital theory is built with various kinds of constructs, including Knowledge, Experience, Professional Proficiency, Cognitive Ability (Feli'cio, 2014).

Mc. Gregor reflects a shift in views about Human Capital, such as from the Psychology Contract in work shifting to intellectual commitment; from promotions that tend to be vertical change to cross-bundle advancement as well as from career management that is determined by the company to be self-actualization. Susan Cantrell (2006) made a model of how the role of human capital achieves business performance. The process starts with the Human Capital Process which will produce further Human Capital Competencies with key performance driven (consisting of Productivity, Quality, Innovation and Customer can produce good business results.

When a quadrant is created where the horizontal axis is the strategic value and the vertical axis is unique, there are 4 types of the best HR that is Core Knowledge (Lepak, 1999). The more unique and more strategic HR, it will be easier to develop and innovate. Human Capital is part of intellectual capital consisting of structural capital, human capital and relational capital.

2.2. Knowledge Management

Gupta et al. (2000) Knowledge Management (KM) is a management process consisting of the development, storage, retrieval and dissemination of information and expertise owned by the organization to support and improve its business performance.

Jafari (2008) explains that currently, KM is the starting point in the action of every business, how it plays a role in explaining the value of a business process. Now, in maintaining business and creating competitive advantages of KM is needed and aligned as capability creates and utilizes knowledge. There are five dimensions considered in developing knowledge, namely: Technology, Environment, Goals and Strategies, Size and Culture.

Because of the technological advances, the economy and the organization are undergoing an unprecedented transformation. These changes affect their organizational culture, processes, resources, and capabilities drastically. The emergence of a knowledge-based economy forces organizations to reassess their resources where knowledge is increasingly perceived as the most important factor. Knowledge is increasingly important regarding its conceptual understanding and epistemology.

Individuals can create knowledge and learn in context of their cognitive abilities and the models they use and update through reciprocal interactions (Turvani, 2001). Knowledge work is the end result of the learning process and vice versa, learning occurs when knowledge is created, shared and used (Loermans, 2002). Knowledge assets are input, output and moderation factors from the knowledge creation process (Nonaka et al., 2000). Knowledge making is one specific knowledge management process. Some authors even consider knowledge management to be related to increased ability through learning (Dosi et al., 2000).

In the management literature, there are three main schools can be identified as knowledge management (Poynder, 1998):

- 1. The first school will show that knowledge management is primarily an information technology issue.
- 2. The second school shows that knowledge management is more a problem of human resources;
- 3. The third school promotes the development process to measure and capture organizational knowledge (Know-how)
- 4. At present, the knowledge management era is important in surviving competition. The capability of utilizing knowledge is a source of competitive advantage. Knowledge is created spiral like the antithesis of concepts like order-chaos, micro-macro, partial-whole, mind-action, tacit-explicit, self-together, deduction-induction, creativity-efficiency (Nonaka and Toyama 2003)

The following figure is the SECI concept from Nonaka. SECI is a process described spiral as a transcendental knowledge conversion practice.

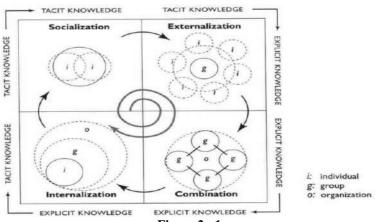


Figure 2:1
SECI's model as Knowledge Creation

The study of Knowledge Management is increasingly developing, such as in the perspective of organizational capabilities (Corner 2015; Darroch and McNaughton 2002; Gold et al. 2001; Massa and Testa 2009a). The discussion is such as how the organization has leveraged so that its competence is by developing absorptive capacity. Linking the role of knowledge management with various types of innovation and organizational practices with results is significant.

Knowledge Management is creating, sharing, and using this knowledge for the benefit of the organization. Knowledge Management also means empowering the administration of new concepts in management education science, where desire has increased over the past few decades. This resulted in the emergence of many different practices and concepts with specializations from researchers and their views. Likewise, the concept is still under development and exploration stage. The application of knowledge management methods and empowerment of workers' administration in modern educational institutions seems to provide new abilities and different competitive possibilities Badah (2012); (GRANT 1996).

Application of knowledge management in organizations is not easy. Knowledge is an important asset that must be managed in the organization both by the leadership and employees. The knowledge must be transferred, codified, documented and applied in daily work. Its existence needs to be supported by technology, learning systems, interactions and work culture (Omotayo 2015).

In today's knowledge economy, organizational performance and competitive advantage come more than what a company knows and human capital makes it possible to use what it knows rather than from manual labor. Usually cases are analyzed by referring to external competition, leadership, organizational politics, culture and technology as a basis for advancing a more dynamic framework for knowledge strategy analysis (Argote & Ingram, 2000; Grant, 1996; Hatch & Dyer, 2004; Kogut & Zander, 1992; Pfeffer & Sutton, 2000; Winter, 1987).

2.2. Innovation and Imitating Creativity

Creativity based on the organization's operations, it focuses on results or creative products. A creative product is a new or original and useful or appropriate product (Amabile, 1996; Ford, 1996). The latest theory shows several components that become a creative person, they are intelligence, ability, motivation, skills, beliefs, values and cognitive style (Nickerson, 1999).

Creativity study is a relatively new field in organizational studies, creativity refers to the idea of the innovation phase (Shalley, 2008) and creativity is seen as an initial and important step in innovation and the key to gaining competitive advantage (Amabile, 2005). Creativity in the organizational context is the conceptualization and development of new ideas, products, processes or procedures by individuals or groups. The level of depth, breadth, and speed of change that hit businesses such as globalization, technology, and knowledge-based economies has put increasing pressure on business creativity and innovation (Ford, 1995; Kim, 2005).

Economic growth is filled with innovation and imitating, the company invests in R & D in how to improve the performance of a product to contribute its profits, if success will accelerate in imitating form as a new product (Segerstrom, 1990).

2.3. Islamic Value in Management Organizational

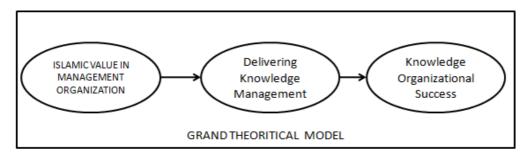
Islam as a perfect religion teaches its followers about accountability after they die. So their responsibility is to humans and God. Alquran and Al Hadits also teach Islamic work ethics as the research of Khumar (2011) which emphasizes co-operation, consultation, avoiding mistakes in aligning the desires of individuals and groups.

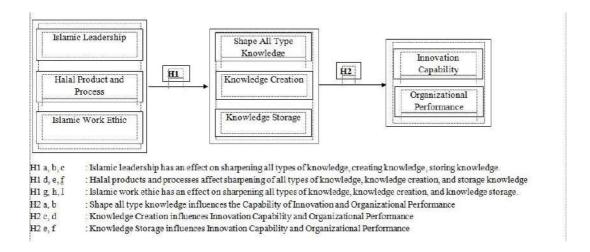
Likewise, Allah commands for increasing productivity, processing well (halal from the input, process, and output), building networks, and improving quality (Mutasim, 2014; Marno, 2016). The context of organizational management is that organizational management must be managed properly including leadership, motivation, and derivatives.

For the organization, the Islamic culture will be explored both in value and practice and how to reflect the teachings of the prophet Muhammad in the organization (Ali, 1992; Hamid, 2012).

2.4. Empirical Model

Before building the empirical model, the Grand Theoretical Model was built as follows:





3. Research Methodology

3.1. Source, Data Types, Population and Sample

3.1.1 Source and Data Types

Data sources used are primary data, data obtained directly by distributing questionnaires with mail surveys followed by in-depth interviews. Respondents are Small and Medium Industry Supporters in Semarang City and Demak Regency. Because the amount of respondents is quite large, so it is expected that there will be the collaboration with the Semarang City Industry Office, Demak Regency, and Central Java Province.

Data Types use Quantitative data and Qualitative data, this concerns the Ordinal scale and intervals for qualitative analysis and qualitative data to complete the discussion of quantitative research. To draw conclusions, the two data are used simultaneously.

3.2. Population, Sample, and Sampling Technique

The population of this study was all companies belonging to Small and Medium Enterprises (SMEs) in Semarang City and Demak Regencies. Small companies are with the criteria of the number of employees around 5 to 19 people, while medium-sized companies are with employees around 20 to 100 people. According to data sources from the Trade and Investment Industry Office in Demak Regency (2012), there were 3,708 business units with a total workforce of 10,272 people. The business unit is a combination of Large, Medium, Small and Household Industries. While the small and medium are 3,700. While the number of SMEs in Semarang as of 2012 totaled 5,720 so that the population of this study amounted to 9,210 IKM.

One of the methods that are commonly used to determine the number of samples is by using the Slovin formula (Sevilla et, all in Ferdinand 2006), as follows:

$$n = \frac{N}{1 + ne^2}$$

Where:

N : Number of samples drawn

N : Total population E : error tolerance

With the formula above which has a 5% error rate, a sample of 383 IKM is obtained. The sampling technique used in this study is in some stages, *first* is with the area sampling method, namely sampling based on companies in regions / sub-districts in Semarang City and Demak Regency which have a large SME population. The second is the proportional sampling method, with proportional sampling in each sub-district.

3.3. Measurement Scale of Research variables

The measurement tool that will be used in this study uses interval data. Interval scale is a data measurement tool that can produce data that can produce characteristics like those of other measurement scales with added other characteristics, namely in the form of a fixed interval. Thus the researcher can see the magnitude of the characteristic differences between an individual and another object. An interval measurement scale is really a number. The numbers used can be used to be carried out arithmetic operations, for example, added or multiplied. To do the analysis, this measurement scale uses parametric statistics.

This scale produces measurements that allow calculation of averages, standard deviations, parameter statistics, and correlations and so on. Each indicator item is measured using a Likert scale with seven answer choices, where the lowest answer is given a score of 1 and the highest is given a score of 7. For example:

The company has a clear program on employee training and development, respondents give a score of 7.

Strongly disagree]				V	Strongly agree
	1	2	3	4	5	6	7		

Etc.

3.4. Dimensional Variables and Analysis Techniques

The model will be built with structural equations and can be drawn with the SEM model as well as the empirical model. A study requires the right analytical tools and in accordance with the research patterns and variables that will be examined in order to be interpreted.

Table 3.1: Variables, Measurement and Research Indicators

Variables	Operational	Indicators	Instruments	References
	Definitions			
Islamic Leadership	HRM practices used by Managers in improving Knowledge, Skill, Ability and Attitude and technology know-how	Planning for Evaluation	 Have a development plan according to the organization Have SOP and delegation Prepare for follow-up Evaluation of reactions Behavioral evaluation 	
Halal Products and Processes	A smart process of handling halal products	Clarity in Handling Disadvantages and incompleteness of program implementation	 Communication Goal fit settings Behavioral reward contingencies Self-regulatory control processes Continuous Improvement 	Hattie and Timperley (2007a), (Kluger and DeNisi (1996); Van Dijk and Kluger 2011), Mulder and Ellinger (2013) Godes et al. (2005)
Knowledge Delivering	The ability to transform Tacit knowledge into explicit knowledge	Have and empower Information in the form of Knowledge map, Frame, Case-Based	 Locus Or Knowledge Substrate Knowledge Accumulation Knowledge Acquisition Knowledge Deployment 	Berg (2012)

			Organizational Memory	
Manager Performance	The output and outcome that is shown by the Manager	Achievement of Individual and Organizational Goals	 Increased K, S, A Effective behavior Deviation reduction Effective organizational management. Achievement of targets Transformation capability Irreplaceable 	(Aragón et al. 2014; Che-Ha et al. 2014; Theriou and Chatzoglou 2008) Rabindra (2017)

3.4. Technique Analysis

Along with the research framework, the authors will use path diagrams and The Structural Equation Modeling (SEM) of the AMOS statistical software package used in the model and test hypotheses.

This technique will start from the Descriptive analysis of respondents. Data quality test consists of validity and reliability, confirmatory test, fit model test, and also conclusion.

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