

The Corporate Waqaf - A Malaysian Experience In Building Sustainable Business Capability

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CORPORATE WAQAF WAY TO PROSPERITY

Muslims all over the world have no choice but to pull their act together – economically, socially and politically. And they have to do it fast. They are already conscious of the fact that today, Muslim nations are the world's hotbeds of seemingly endless conflict and persistent warfare. They also do not need reminding, in spite of the rhetoric of the Islamist extremists among them stating otherwise, that a greater part of the solution is to be found in prospering the Muslim masses everywhere.

In short, what is needed fast are jobs, incomes and meaningful careers for the teeming unemployed young Muslims worldwide. It is imperative for Muslims everywhere to give highest priority towards the rebuilding of their own economic capabilities to free them from dependence and quickly achieve empowerment. One starting point is for them to accept the reality that today we all live in a business-driven, competitive world economic environment. In this economic climate, organised business has been one of the biggest contributors to general prosperity, as seen everywhere else in the world.

The BRIC countries of Brazil, Russia, India and China are already moving ahead on this fast lane. Muslims have either to come on board, or risk being mired in persistent poverty, conflict and senseless self-immolation. After all Islam has been very clear about the risks of persistent poverty. One of the Prophet's famous traditions or sayings had stipulated that poverty leads towards unfaith!

Economic empowerment

From the business perspective, a general indifference, and a condescending attitude towards business among Muslims had brought this situation: they did not gain the maximum benefit from Islam's clear reminder that nine-tenth of livelihood is generated through business. The lack of interest and the low level of know-how and skills to pursue business on an organised, sustainable basis, especially on the part of those Muslims who are involved in business, had also caused them to lose out to others and consequently be easily overtaken and jostled out

of the economic mainstream. Thus, they become economically vulnerable and perpetually dependent.

The Muslims' extreme economic predicament requires a total effort that is equivalent to a "Business Jihad", no less! Imagine if all the energy and motivational force of a jihadic war effort is harnessed, mobilized and channeled towards wealth creation to prosper the ummah and the world - and through ways, means and methods of peace and prosperity that translate the best that Islam can offer in values and civilisational terms to the world we live in.

After all, Muslims should know that the "greater" jihad, the more meaningful Jihad, is not one waged with violence and warfare. In this respect, Business Jihad and Corporate Waqaf are intended to be business-driven and market-friendly alternatives for Muslims to rid themselves of poverty and alienation. These can be effective ways to put a stop to their economic lethargy and helplessness, and turn the tide once and for all to economically empower Muslims.

The Business Jihad and Corporate Waqaf ways are also fully aligned with the critical need to ensure that, in the pursuit of material wealth and riches, Islamic values, teachings, and Islam's high ethical standards are not at all compromised.

Turning the tide and empowering an ummah - the vast majority of whom have been mired in the indignity and depravity of poverty, and who had suffered for centuries from the humiliation of colonisation and a prolonged post-independent dependency mindset - is indeed an extreme challenge.

From what has been achieved by most Muslim nations thus far, including in Malaysia, in the matter of getting Malay Muslims to be on par with other better-off Malaysians, it appears totally inadequate to limit the transformational effort to the use of conventional development economic tools and known policy-driven methods.

Business Jihad is, therefore, a deliberate attempt to reach deep into the source of motivational force understood by Muslims and Malays. The aim is to harness and mobilise this motivational force to rekindle the powerful dynamics of Islamic societies and channel them towards making a success of a business-driven economic empowerment program.

Organisational strategy

Corporate Waqaf, on the other hand, is an innovative adaptation of the Islamic waqaf institution that can be made a key organisational strategy to translate the Business Jihad energy into real and sustainable business and economic success. Corporate Waqaf is therefore a creative and innovative act to use the waqaf concept and apply it to achieve business and corporate objectives.

Just like conventional waqafs, Corporate Waqaf can be established through voluntary and pious acts of Islamic charity, generosity and selflessness involving the endowment of one's property or asset for the benefit of chosen beneficiaries and the long term interest of the larger community. It can also be established by Governments transferring their corporate interests, for example in GLCs, into a Corporate Waqaf body established for that purpose.

A conventional waqaf is more often associated with the vesting in waqaf the physical assets and property such as land, buildings, physical infrastructures, public utilities and such. In practice, conventional waqaf may also involve the waqaf of cash, shares, and equity, though these are less prominent.

Corporate Waqaf, however, goes beyond the waqaf entity being just institutional owners having passive possession over shares and equity, and using the earnings or dividend payouts from these shares and equity for the good of the intended beneficiaries. The Corporate Waqaf involves an institutional entity - that is, a "Waqaf Corporation" - by giving it full *Mutawwali* status (or official Management-Trustee status) by the relevant Islamic religious authorities.

Thus Corporate Waqaf must go beyond just simply being vested with powers to accept ownership of shares and equity transferred to waqaf by individuals, or by other private or public owners, including government agencies and GLCs. More importantly, the defining feature of a Corporate Waqaf must be its appointment as *Mutawwali* that is fully empowered to exercise all the powers that goes with ownership.

A structured approach

The Corporate Waqaf also has to have the ability to autonomously act (within the provision of the trust or waqaf deed) and exercise discretionary managerial powers. In practice, however, it is wise to subject these discretionary powers to a corporate decision-making structure. Such a structure can be adapted from a managerial and decision-making framework normally adopted and practised by business corporations

This adapted version can include, for example, the appointment of CEOs who are made answerable to a supervising Board of Directors. The fastest way to set-up such a Corporate Waqaf, (like the Waqaf An Nur Corporation Bhd established by Johor Corporation of Malaysia), would be to 'implant' the Corporate Waqaf 'head and face' into the body framework or corporate structure established under the provisions of the prevailing (Malaysian) company legislation.

To ensure its effectiveness, a Waqaf Corporation must ascertain that right from the beginning the ownership is not limited only to equity with a meaningless minority position, but in sufficient quantity as to allow the Corporate Waqaf body to exercise influence over the strategic direction and critical affairs of the business involved.

Thus a Corporate Waqaf must be in a position of influence to enhance business value in order to reap the full harvest of capital appreciation over the long term.

Hence, a truly functional and dynamic Corporate Waqaf must not only have equity ownership, but a 'controlling' position in equity ownership. It may start from a passive, or minority equity position, but must move towards control position, especially in businesses that offer strategic long term growth opportunities. Even in a situation where it is in a minority, a Waqaf Corporation should also understand that 'control' and 'influence on control' can still be pro-actively exercised by waqaf if it can work out alliances and coordinate strategies with other likeminded shareholders.

In any event, an effective Corporate Waqaf must successfully move towards position of corporate control of its investments, if not across the board, then at least in selected, key strategic businesses. Such controlling ownership or influential voting power will grant the Waqaf Corporation real, active control over all assets - tangible or intangible - as well as the use of these assets. In this manner it can influence the impact created from business, to ensure that maximum benefit will accrue to its targeted beneficiaries as defined by the trust deeds of the waqaf.

Over time, the cumulative impact of successful Corporate Waqaf ownership will create for it a dynamic leadership position in strategic industries and businesses. This will enable it to determine direction, develop strategies and generally define the scope and kind of impact the Waqaf wants to have. Once the Corporate Waqaf builds sufficient corporate critical mass, (for example by becoming a "Corporate Waqaf MNC" - which is not impossible), it will be in a much stronger position not only to maximise returns to its intended beneficiaries, but also to be in a position to create an impact on the economic system.

Entrepreneurial Talent

In today's business-driven economic climate, the largest portion and the most valuable of society's assets - tangible and intangible - are owned not personally by individuals, but by companies and corporations. Thus Corporate Waqaf enables the Muslim community to have access to such high value assets with the aim of mobilising and managing them through waqaf for the greater benefit of the community and society at large, and to also serve the higher cause of Islam. A true Corporate Waqaf would also be entrusted and charged with the responsibility to 'grow' the corporate assets and businesses over time, thus enhancing and multiplying their value on a sustained basis

A Corporate Waqaf is therefore envisioned to have a distinct and unique advantage compared with a conventional waqaf, in that, it allows access to and thus can benefit from all the dynamics of corporate-driven businesses. At the same time, just like a conventional waqaf, Corporate Waqaf retains its "immortal" status. Being endowed in the form of a waqaf prevents the ownership right from being lost, reduced or whittled down, for example, through

transitory factors such as deaths, or being subjected to dilution due to gross and unchecked personal incompetence, negligence or ethical compromises.

A Corporate Waqaf may be mismanaged, but once this weakness is overcome, the value enhancement process can continue. Most importantly, the core assets and businesses will be preserved by the waqaf status and will remain intact in perpetuity. Corporate Waqafs can therefore be diminished, but would be extremely difficult to destroy.

Thus it is implied that Corporate Waqaf, unlike the less dynamic waqaf of landed property or the passive waqaf of stock, shares and equity, is not comprehensive if it is not structured to also include the harnessing of entrepreneurial energy. Such a corporatised structure must be supported by a program to continuously develop entrepreneurial talent enabling it to build its own team of business managers employed on an organized basis to manage the business and grow the Waqaf over the long term.

Such a Corporate Waqaf, when managed successfully in both business and waqaf terms, can become a form of organized business that transcends narrow individual and family interests and focus on building lasting communal capabilities for the benefit of the ummah and the society in which it operates.

Immortality

Unlike individuals and people, corporate waqafs have the distinct advantage of “immortality”. Their borderless universality in fact transcends even national boundaries, and further provides them with tremendous prospects for a promising future global role, perhaps even growing to become a waqaf MNC.

Corporate Waqaf’s most formidable inherent appeal is therefore its “immortality” as a legal entity, sanctioned by Islam. This perpetuity is of tremendous strategic significance, especially when applied to business practice. Indeed, Waqafs had long preceded the West which, in spite of its late start, had successfully harnessed this “immortality” factor through their creation of limited liability companies that went on to grow into big corporations and MNCs. The time has come for Muslims to creatively adapt their waqaf institution to business and corporate practice for sustainable economic prosperity and empowerment.

Sustainable organized business has been the greatest competitive advantage contributing to the developed West’s ability to dominate markets, globalize brand names, create wealth and sustain prosperity. These organizational skills and managerial expertise are what Peter F Drucker had once called “organization technology”, and had been put to use by corporations to ensure their ability to continuously add value to wealth, assets and businesses to last over many generations.

In contrast, entrepreneurial as many of them were, the Arabs and other Muslims who have been involved in business and global trade for over centuries, often longer than many of their

Western counterparts, hardly have any enterprise that rank among world-class MNCs to speak about today. This is due to their enterprises having generally remained small and insignificant, hence weak and vulnerable when exposed to the harsh volatility and the extreme challenges of open market competition.

This vulnerability must be overcome before Muslims can take off. Unfortunately, it has since been only prolonged due to the unorganized and unstructured way Muslims have generally been going about in doing their business. It is a known fact, for example, that more than 95% of Arab business enterprises are until today exclusively owned by individuals, or have their ownership rights vested in tightly held family hands.

Thus their vulnerability and unsustainability are highly predictable. One survey stated that though generally very profitable, only 6% of these enterprises lasted to the 3rd generation, with not more than 3% lasting beyond the 3rd generation.

The same vulnerability threatens the position of all other Muslim enterprises, including among the Malays in Malaysia, for so long as their businesses are owned and operated by individuals and families. There is no way that their simple, family-structured businesses can compete and win, without first having the will, courage and determination to renew, restructure, and transform them into highly organised enterprises.

Corporate Waqaf offers them such an opportunity to overcome their vulnerability and become highly competitive organised businesses to ultimately empower the Muslim ummah.

28th December, 2009

See Appendix on brief note about Johor Corporation

Appendix

Johor Corporation (JCorp) is a market-driven Johor State Government-linked Corporation. It is one of Malaysia's leading business conglomerates, comprising more than 280 member companies and employing more than 60,000 employees in Malaysia as well as regionally.

Seven of these member entities are listed on the Malaysian Stock Exchange, with one PLC listed on Port Moresby (Papua New Guinea), as well as London Stock Exchanges.

Total market capitalisation of these eight PLC entities stood at RM10.4 billion at the end of December, 2009. It rose by 51.3 percent compared with RM6.8 billion at end December 2008. (The Composite Index of Bursa Malaysia increased by 42% over the same period). This was also achieved in spite of the delisting of one of its PLCs, namely Johor Land Berhad, in 2009.

Among JCorp's strategic businesses include Palm Oils (with more than 82,000 hectares planted in Malaysia, Papua New Guinea and Solomon Islands); Oleochemicals and Bio-fuel (Renewable Energy); Healthcare (25 Specialist Hospitals in Malaysia, Indonesia and elsewhere); Food & Restaurants (with more than 800 KFC & Pizza Hut & Rasamas outlets in Malaysia, Singapore, Brunei and Cambodia); Poultry and poultry products (under the Ayamas brand); Hotels, Industrial and Commercial Property; Intrapreneur Venture; Shipping and Logistics.

Alhamdulillah, the successful growth of the JCorp Group into a sizeable corporate entity that it is today has been fundamentally due to the energy and drive of hundreds of Intrapreneurs throughout the Group, all achieved without any promise of privatisation, stock options, or MBO. JCorp's Intrapreneurs were energized and driven fundamentally by their higher pursuit for fully translating into reality JCorp's Business Jihad ideals!

JCorp is also in the process of transforming itself into a Corporate Waqaf entity. The bold and strategic move towards this end was taken by JCorp on 3rd August, 2006, when JCorp transferred to waqaf (through Waqaf An Nur Corporation Bhd) equity in 3 of its public listed companies at the Net Asset Value (NAV) OF RM200 million.

(Note: RM1 is approximately 1 Saudi Riyal).

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