Istiqamah Absorptive Capability, Dynamic Capability, And Organizational Performance: An Islamic Strategic Management Review For Halal Food And Beverage MSMES

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ABSTRACT:

This study examines the strategic role of Istiqamah Absorptive Capability in enhancing dynamic capability and organizational performance in halal food and beverage MSMEs. Integrating Resource-Based Theory (RBT), Dynamic Capability Theory (DCT), absorptive capability, and Islamic strategic management, the study explains how organizations sustain competitive advantage in dynamic environments. Using a literature review approach from Scopus, Web of Science, ScienceDirect, Emerald, MDPI, and Google Scholar, the findings show that absorptive capability supports innovation, organizational learning, adaptability, and competitive advantage. However, prior studies report inconsistent relationships between knowledge sharing, absorptive capability, and organizational performance. To address this gap, the study proposes Istiqamah Absorptive Capability, defined as an organization's consistent and ethically grounded ability to acquire, assimilate, transform, and utilize knowledge continuously based on Islamic values. This capability strengthens sustainable learning, ethical decision-making, innovation, and long-term organizational performance. In halal MSMEs, it enables organizations to transform halal certification, market changes, and external pressures into strategic opportunities that improve competitiveness, operational effectiveness, consumer trust, and business sustainability. The study contributes theoretically by integrating Islamic values into dynamic capability and absorptive capability literature.

Keywords: istiqamah absorptive capability, dynamic capability, organizational performance, knowledge sharing, halal MSMEs, Islamic strategic management, absorptive capability.

Introduction

Resource-Based Theory (RBT) explains that sustainable competitive advantage originates from valuable, rare, inimitable, and non-substitutable internal resources (Barney, 1991). Nevertheless, static resources alone are insufficient in highly dynamic business environments. Dynamic Capability Theory (DCT) extends this perspective by emphasizing the organizational ability to integrate, build, and reconfigure resources in response to environmental change (D. J. Teece, 2018). While RBT focuses on what organizations possess, DCT highlights what organizations are capable of doing with those resources (Li & Liu, 2014). The integration of both theories provides a strategic management foundation for understanding how organizations maintain long-term competitiveness through sensing, seizing, and transforming mechanisms (Li & Liu, 2014). Without dynamic capabilities, firms that rely solely on internal resources risk losing relevance during periods of disruptive change. Conversely, DCT enables organizations to innovate, adapt, and continuously transform strategic assets according to market demands (Martin, 2019) (Bloom, 2017; Schilke, Hu, & Helfat, 2018).

Dynamic Capability Theory is particularly important because it explains how organizations survive and grow in uncertain and rapidly changing business conditions (Babaei & Aghdassi, 2022). Through sensing, organizations identify opportunities and threats; through seizing, they allocate resources strategically; and through transforming, they reconfigure assets and competencies to maintain relevance (D. J. Teece, Pisano, & Shuen, 2009). This approach addresses the limitations of static theories such as RBT by emphasizing continuous renewal and adaptation to technological shifts, changing consumer preferences, and market turbulence (Bloom, 2017). DCT also strengthens strategic flexibility because it views competitive advantage as the outcome of dynamic interactions between internal capabilities and external environmental conditions (Vu, 2020). In addition, the theory highlights organizational learning and capability development as central drivers of sustainable innovation (Wang & Ahmed, 2007).

Despite its strengths, the sensing dimension within DCT remains conceptually abstract and difficult to operationalize empirically. Sensing refers to the capability to identify opportunities and threats through environmental scanning, market learning, and technological analysis. However, many studies evaluate sensing retrospectively based on organizational success, creating a tautological problem in which successful firms are automatically assumed to possess strong sensing capabilities ((Bartol & Srivastava, 2002). This ambiguity also creates overlap with concepts such as market orientation, environmental scanning, and intelligence gathering (Helfat & Peteraf, 2009; Peteraf, Di Stefano, & Verona, 2013; Wang & Ahmed, 2007). Consequently, organizations face difficulties in distinguishing sensing as a unique dynamic capability rather than ordinary information collection activities (Kump, Engelmann, Kessler, & Schweiger, 2019).

To address these limitations, Wang & Ahmed (2007) proposed a more operational framework by dividing dynamic capability into adaptive capability, absorptive capability, and innovative capability. Adaptive capability reflects the organization's ability to adjust strategic direction according to market changes. Absorptive capability represents the ability to acquire, assimilate, transform, and exploit external knowledge effectively. Innovative capability refers to the organization's capacity to develop new products, processes, and business models. Compared with Teece's macro-level perspective (D. J. Teece et al., 2009), Wang & Ahmed's framework offers practical dimensions that can be measured and implemented strategically (Wang & Ahmed, 2007). These perspectives complement one another because Teece provides the conceptual process of strategic adaptation, while Wang and Ahmed operationalize how organizations develop and measure dynamic capabilities. Within this framework, absorptive capability functions as a critical strategic mechanism supporting sensing, seizing, and transforming processes. The

absorption of external knowledge enables organizations to detect opportunities and threats more accurately (D. J. Teece et al., 2009). Furthermore, newly acquired knowledge strengthens managerial decision-making during seizing and guides organizations in reconfiguring resources and processes during transformation. Therefore, absorptive capability acts as the "knowledge engine" driving organizational adaptation, innovation, and sustainable competitive advantage.

Dynamic capability also has a direct relationship with organizational performance, particularly in uncertain environments. Organizations that can continuously integrate and reconfigure internal and external resources are more capable of sustaining operations, improving strategic effectiveness, and maintaining competitive relevance (Awwad, Abuhommous, & Adaileh, 2025; D. J. Teece et al., 2009; D. Teece, Pisano, & Shuen, 1997). In the halal industry, dynamic capability becomes increasingly essential because halal businesses must respond to evolving certification regulations, global halal standards, and changing consumer awareness regarding halal integrity, quality, and sustainability. Through sensing, halal firms identify regulatory changes and emerging halal consumption trends. Through seizing, they accelerate halal certification, adopt traceability technologies, and develop value-added halal innovations. Through transformation, firms redesign supply chains, production systems, and management practices to align with halal principles and operational efficiency (Ali, Sun, & Ali, 2017; Ismail, 2025; D. Teece et al., 1997).

In this context, absorptive capability plays a foundational role in building dynamic capability. Through acquisition and assimilation processes, organizations identify, obtain, and internalize relevant external knowledge from customers, suppliers, and strategic partners. This knowledge becomes a strategic input for sensing activities and supports proactive decision-making, innovation success, and adaptation to environmental changes (Cohen & Levinthal, 1990; D. J. Teece, 2007; Zahra & George, 2002). Integrated absorptive and dynamic capabilities improve operational efficiency, innovation quality, customer satisfaction, and organizational reputation (Wang & Ahmed, 2007). Absorptive capability is widely recognized as a key framework for organizational learning, innovation, and competitive advantage (Yu, 2013). It enables organizations to identify and exploit external knowledge more effectively than competitors, strengthen collaboration, integrate knowledge across functions, improve R&D effectiveness, and enhance strategic agility in anticipating market changes (Kump et al., 2019). Nevertheless, absorptive capability is highly dependent on prior related knowledge. Organizations tend to absorb knowledge that aligns with existing experiences and routines while ignoring disruptive or contradictory ideas. This creates path dependency, limiting organizational adaptability and reducing the ability to convert information into strategic innovation (Cohen & Levinthal, 1990).

The study further integrates absorptive capability with Islamic perspectives through the concept of istiqamah. In Islamic strategic management, sensing activities must be conducted honestly, objectively, and in alignment with sharia principles. Organizations are required to evaluate market information, technologies, and regulations not only from economic perspectives but also through ethical and spiritual considerations. This process ensures that decisions avoid elements of gharar, manipulation, injustice, and prohibited practices. Consequently, absorptive capability becomes more than a business tool; it evolves into a mechanism for maintaining organizational decisions within the framework of maqasid al-shariah, which emphasizes the protection of religion, life, intellect, lineage, and wealth (Mubarok & Martini, 2023).

At the transforming stage, absorptive capability guides organizations in redesigning assets, processes, and business models while maintaining Islamic ethics (Jufri, Hadiwibowo, & Kurniawan, 2024). Organizational transformation should not focus solely on efficiency or technological advancement but also on achieving fairness, transparency, social

welfare, and environmental sustainability, as reflected in QS. Al-Jinn: 16 and QS. Al-Fussilat: 30. The principle of istiqamah encourages organizations to reject economically attractive innovations that contradict sharia values while consistently pursuing morally responsible business strategies. In this sense, competitive advantage is not only sustainable economically but also spiritually meaningful (Beekun & Badawi, 2005).

The concept of istiqamah absorptive capability is particularly relevant for halal food and beverage MSMEs. Halal certification regulations create coercive pressures that force MSMEs to adapt to external standards. According to DiMaggio & Powell (1983), coercive isomorphism occurs when organizations comply with regulations imposed by legitimate authorities such as governments. In halal MSMEs, certification obligations are not only necessary for legal compliance but also essential for gaining legitimacy and improving market competitiveness. To meet these requirements, MSMEs must develop absorptive capability to acquire, understand, and internalize knowledge related to halal certification procedures, halal production standards, and halal quality management systems (Yusuf, Rauf, & Amin, 2024). Through acquisition, assimilation, transformation, and exploitation processes, MSMEs can strategically respond to market changes, regulations, and competitive pressures. Information obtained from customers, suppliers, government institutions, and industry networks becomes the basis for innovation, strategic decisions, and business process adjustments. As a result, absorptive capability enables MSMEs not only to comply with halal certification requirements but also to transform compliance into a strategic source of competitive advantage (Wijaya et al., 2023).

Halal certification itself plays a strategic role in increasing consumer trust in halal food and beverage products. The halal label represents assurance that products comply with Islamic law under the supervision of authorized institutions (Sumpena, Hikmah, & Annisa, 2026). In global markets, halal certification also functions as a gateway for entering Muslim-majority export markets (Wilson et al., 2013). However, many MSMEs still perceive certification merely as an administrative obligation rather than a strategic business asset. Organizations that recognize halal certification strategically are more likely to absorb new knowledge related to quality standards, clean production processes, and halal supply chain management (Wang & Ahmed, 2007). Consequently, absorptive capability becomes a catalyst for organizational learning, innovation, and sustainable competitiveness (Lane, Koka, & Pathak, 2006).

This study also highlights significant research gaps regarding knowledge management, absorptive capability, and organizational performance. Several studies report positive relationships between knowledge sharing, absorptive capability, innovation, and organizational performance (Flatten, Engelen, Zahra, & Brettel, 2011; Imamoglu, Ince, Turkcan, & Atakay, 2019; Kohansal, Alimoradi, & Bohloul, 2013; Zahra & George, 2002). In contrast, other studies argue that excessive knowledge sharing may create information overload, reduce decision-making effectiveness, and weaken organizational performance (Danko & Crhová, 2025; Easterby-Smith, Lyles, & Tsang, 2008). Similarly, absorptive capability does not always produce positive outcomes because its impact may depend on organizational context and environmental conditions (Awwad et al., 2025; Dzenopoljac, Dzenopoljac, Muhammed, Abidi, & Kraus, 2024; Macpherson & Holt, 2007).

Future research directions emphasize the importance of examining absorptive capability in broader and more strategic contexts. Arndt et al. (2023) propose further investigation into how intellectual property systems influence organizations' ability to absorb external knowledge. Ni & Abdullah (2025) highlight the strategic role of absorptive capability in green innovation and environmental learning, while Godfrey et al. (2023) encourage the adaptation of absorptive capability models beyond commercial sectors. Existing studies also reveal conceptual and methodological limitations, including ambiguity between potential and realized

absorptive capacity (Ortenzi et al., 2013), excessive emphasis on tangible outcomes while neglecting organizational design and individual antecedents (Volberda, Foss, & Lyles, 2010), and overreliance on simplified indicators such as R&D spending and patent counts (Lane et al., 2006). Additionally, the dominance of cross-sectional research designs limits causal interpretation, creating opportunities for future longitudinal studies (Pu & Liu, 2023). The integration of Resource-Based Theory, Dynamic Capability Theory, absorptive capability, and Islamic values provides a comprehensive strategic management framework for halal food and beverage MSMEs. This framework explains how organizations can transform external pressures, market knowledge, and halal compliance into dynamic strategic capabilities that enhance organizational performance, sustainable competitiveness, and long-term organizational resilience.

By considering Istiqamah Absorptive Capability as an organizational capability, along with the various issues identified in previous studies and the phenomena experienced by halal food and beverage MSMEs as described above, this study formulates the following research title: **"Istiqamah Absorptive Capability, Dynamic Capability, and Organizational Performance: An Islamic Strategic Management Review For Halal Food and Beverage MSMEs"**. This study aims to examine the strategic roles of absorptive and dynamic capabilities in improving the organizational performance of halal food and beverage MSMEs. Specifically, the study seeks to analyze how organizations acquire, assimilate, transform, and exploit external knowledge to strengthen adaptive capability, innovation, and sustainable competitive advantage within dynamic business environments. Furthermore, this study explores the integration of Islamic values, particularly the concept of istiqamah, into absorptive capability as a strategic mechanism for ensuring that organizational adaptation, innovation, and decision-making remain aligned with sharia principles while enhancing long-term organizational performance.

Research Methodology

This paper is developed using a review approach by critically examining theoretical and empirical studies related to strategic management, dynamic capability, absorptive capability, and organizational performance within the context of halal food and beverage MSMEs (Attirmidzi, 2025; Putra, 2025; Rangkuti, 2023). The review is grounded in a wide range of academic sources, including textbooks, peer-reviewed journal articles, conference proceedings, and conceptual studies that discuss the evolution of Resource-Based Theory (RBT), Dynamic Capability Theory (DCT), knowledge management, organizational learning, and Islamic strategic management perspectives. To ensure the comprehensiveness and academic rigor of the study, the review was collected from internationally recognized databases and indexing platforms such as Scopus, Web of Science (WoS), ScienceDirect, Emerald Insight, MDPI, and Google Scholar. These sources were selected because they provide high-quality scholarly publications containing both foundational theories and recent empirical findings relevant to the development of absorptive capability and organizational performance (Kero & Bogale, 2023).

The review process focuses on identifying, comparing, and synthesizing prior studies concerning the role of absorptive capability in supporting organizational adaptation, innovation, competitive advantage, and long-term sustainability. Particular attention is given to the integration between Dynamic Capability Theory and absorptive capability frameworks, especially the dimensions of acquisition, assimilation, transformation, and exploitation of external knowledge (Makhloufi, Laghouag, Sahli, & Belaid, 2021; Sancho-zamora, Hernández-perlines, Peña-garcía, & Gutiérrez-broncano, 2022). The review also explores how these strategic capabilities contribute to organizational responsiveness in dynamic environments characterized by technological disruption, regulatory change, increasing market competition, and evolving consumer preferences in the halal industry. In addition, this paper incorporates Islamic perspectives, particularly the

concept of istiqamah, to explain how organizational adaptation and strategic decision-making can remain aligned with ethical and Sharia principles while maintaining competitiveness and sustainability. The concept of organizational performance discussed in this paper is examined comprehensively across multiple levels of analysis, including individual performance, group or team performance, and overall organizational performance. At the individual level, performance refers to employees' ability to acquire knowledge, adapt to change, and contribute to innovation and operational effectiveness. At the group or team level, performance includes collaborative learning, knowledge sharing, coordination, and collective problem-solving capabilities that support organizational adaptability (Do, Budhwar, Shipton, Nguyen, & Nguyen, 2022; Mahdiya & Wahab, 2025).

Furthermore, this review aims to identify inconsistencies, limitations, and research gaps in previous studies concerning the relationship between knowledge management, absorptive capability, dynamic capability, and organizational performance. Several prior studies have reported positive relationships between absorptive capability and innovation performance, while others indicate inconsistent or context-dependent outcomes (Do et al., 2022; Mahdiya & Wahab, 2025; Makhloufi et al., 2021; Sancho-zamora et al., 2022; Xing, Yeoh, & Jaafar, 2025). Therefore, this paper seeks to provide a broader strategic management perspective by integrating theoretical insights from Resource-Based Theory, Dynamic Capability Theory, organizational learning, and Islamic values into a comprehensive conceptual framework (Do et al., 2022). Through this approach, the study contributes to a deeper understanding of how halal food and beverage MSMEs can strengthen organizational resilience, improve strategic adaptability, and enhance organizational performance in increasingly uncertain and competitive business environments (Apriliyanto, 2023; Khairawati, Marianti, & Wijiharta, 2022; Nurjamjam, 2024; Wahyuni & Pudjowati, 2024).

Research Result

Dynamic Capability Theory (DCT)

Dynamic Capability Theory (DCT) was introduced by Teece et al. (2009) as a strategic management framework emphasizing the organization's ability to integrate, build, and reconfigure internal and external competencies in response to rapid environmental changes. DCT emerged as an extension of the Resource-Based View (RBV), arguing that organizational resources alone are insufficient to sustain competitive advantage without the capability to continuously adapt and transform (D. J. Teece et al., 2009). The development of DCT was further strengthened by Bloom (2017), who emphasized that dynamic capabilities are not abstract concepts but observable organizational routines such as strategic decision-making, alliance formation, and new product development. Zollo & Winter (2002) expanded this perspective by linking DCT to organizational learning processes, where experience, knowledge articulation, and codification become key drivers in developing dynamic capabilities. Helfat & Peteraf (2009) later defined, DCT as the organizational capacity to intentionally create, extend, and modify its resource base. Teece et al. (2009) also introduced the three core dimensions of dynamic capability: sensing, seizing, and transforming, which remain central to contemporary strategic management studies. These dimensions provide organizations with practical mechanisms for identifying opportunities, allocating strategic resources, and reconfiguring organizational assets to maintain competitiveness (D. J. Teece, 2018).

Subsequent studies highlighted the importance of managerial roles and microfoundations in shaping dynamic capabilities. Adner & Helfat (2003) emphasized that managers' vision, resource allocation decisions, and social networks significantly influence the development of organizational dynamic capabilities. Meanwhile, Ambrosini & Bowman (2009) and Li & Liu (2014) discussed the conceptual limitations and measurement challenges of DCT while proposing future research directions for operationalizing the

theory more effectively. In recent years, DCT has increasingly been associated with sustainability, digital transformation, innovation, and organizational resilience. Rodrigues & Gohr (2022) connected DCT with sustainable innovation in collaborative networks, while Heubeck (2024) emphasized dynamic managerial capabilities, highlighting managerial human capital, social capital, and cognition as essential microfoundations of adaptive strategy. Barreto (2010) further examined the antecedents of dynamic capability and its implications for sustainable organizational performance, particularly within MSMEs.

In addition, Wang & Ahmed (2009) proposed a more operational perspective by dividing dynamic capability into three dimensions: adaptive capability, absorptive capability, and innovative capability. Adaptive capability refers to the organization's ability to adjust strategic direction according to market changes. Absorptive capability reflects the organization's ability to acquire and utilize external knowledge effectively, while innovative capability refers to the capacity to create new products, processes, and business models. While Teece et al. (2009) focus on macro-level managerial processes, Wang & Ahmed (2009) provide measurable and implementable dimensions for developing organizational dynamic capabilities. Therefore, both perspectives complement each other by combining conceptual foundations with practical strategic applications.

Absorptive Capability Theory

According to Wang & Ahmed (2007), absorptive capability refers to an organization's ability to recognize the value of external knowledge, assimilate it, and utilize it effectively for strategic purposes. This capability enables organizations to access external ideas, technologies, and best practices, thereby supporting innovation, market adaptation, and sustainable competitiveness. Within the framework of Dynamic Capability Theory, Teece et al. (2009) emphasize three core activities: sensing, seizing, and transforming as essential mechanisms for organizational adaptation in dynamic environments. In this context, absorptive capability functions as part of the sensing process because the ability to absorb external knowledge helps organizations identify opportunities and threats more accurately. Absorptive capability also supports seizing and transforming activities. Knowledge acquired through absorptive processes strengthens managerial decision-making and assists organizations in reconfiguring resources, assets, and operational processes according to market demands (D. J. Teece et al., 2009; Wang & Ahmed, 2007). Therefore, while Teece provides the strategic adaptation framework, absorptive capability acts as the "knowledge engine" that drives continuous innovation and organizational transformation.

The concept of absorptive capability was originally developed by Cohen & Levinthal (1990), who argued that organizational learning depends not only on prior experience but also on the capacity to integrate new knowledge with existing knowledge. This integration creates synergy that enhances innovation and organizational competitiveness. Subsequent studies expanded the concept across different organizational contexts. Arslan et al. (2021) identified information technology as an important enabler that strengthens absorptive capability through business and IT integration. Grandinetti (2016) emphasized the importance of absorptive capability for SMEs in overcoming knowledge gaps and improving functional capabilities. Zou et al. (2018) found that absorptive capability directly contributes to innovation and knowledge transfer, although its impact on financial performance tends to occur indirectly through innovation outcomes.

Research by Ali et al. (2017) further highlights absorptive capability as a critical driver of innovation and competitive advantage because organizations capable of utilizing acquired knowledge more effectively tend to achieve stronger growth and organizational learning outcomes. However, empirical findings by Pu & Liu (2023) indicate that the relationship between absorptive capability and organizational

performance is not always linear or consistently positive. Theoretical developments by Zahra & George (2002) divided absorptive capability into two dimensions: potential absorptive capacity, consisting of acquisition and assimilation, and realized absorptive capacity, consisting of transformation and exploitation. This framework clarifies how organizations convert external knowledge into innovation, strategic value, and organizational performance.

Despite its strategic advantages, absorptive capability also has several limitations. Developing absorptive capability requires significant investments in learning systems, training, and knowledge management infrastructure. In addition, imbalances between knowledge acquisition and exploitation may create unproductive knowledge slack. Jansen et al. (2005) found that the relationship between absorptive capability and organizational performance is strongly influenced by organizational and environmental factors, meaning that its effects are context-dependent rather than universally positive. Scholars have also criticized the conceptual overlap between absorptive capability and dynamic capability, creating challenges in operationalization and measurement (Zahra & George, 2002). Contemporary research positions absorptive capability as a central component of dynamic capabilities that enables organizations to continuously conduct sensing, seizing, and transforming activities in response to environmental changes (D. J. Teece et al., 2009). Current studies increasingly apply absorptive capability within contexts such as SMEs, digital innovation, sustainability, and public sector organizations. Absorptive capability can be understood as a dynamic organizational capability that systematically enables organizations to identify, absorb, transform, and exploit external knowledge to enhance innovation, adaptability, and sustainable organizational performance (Cohen & Levinthal, 1990; D. J. Teece et al., 2009).

Istiqamah

In the Islamic perspective, absorptive capability during the seizing stage is not only intended to utilize new knowledge for strategic decision-making but also to ensure that every decision remains aligned with ethical values and Sharia principles. Organizations guided by Islamic values apply moral and spiritual filters when evaluating opportunities, ensuring that strategies avoid elements of haram practices, riba, injustice, and unethical behavior. This reflects the concept of istiqamah, which emphasizes steadfastness and consistency in adhering to moral principles despite market pressures (QS. Al-Fussilat: 30) (Jufri et al., 2024). At the transforming stage, absorptive capability within an Islamic framework guides organizations in reconfiguring assets, processes, and business models while maintaining ethical and socially responsible practices. Organizational transformation is therefore directed not only toward efficiency and innovation but also toward fairness, transparency, social welfare, and sustainability (QS. Al-Baqarah: 267). Through istiqamah, organizations are encouraged to reject economically attractive innovations that contradict sharia values and instead pursue strategies that strengthen moral integrity, environmental sustainability, and collective well-being (Beekun & Badawi, 2005).

The concept of istiqamah in Islam refers to steadfastness, consistency, and commitment to remaining on the path of truth in belief, speech, and action. The Qur'an emphasizes istiqamah as a direct command from Allah SWT, as stated in QS. Hud: 112, which instructs believers to remain firm on the righteous path (Nurgenti, 2024). Similarly, QS. Al-Fussilat: 30 explains that those who consistently uphold faith and righteous deeds will receive peace, protection, and glad tidings from the angels (Qirom, Hoer, Asror, & Syahidah, 2026). The Prophet Muhammad SAW also emphasized the importance of istiqamah in the hadith: "Say, 'I believe in Allah,' then remain steadfast" (HR. Muslim). This highlights that faith must be demonstrated through continuous commitment and consistent action rather than temporary behavior (Faza, 2021). Islam further

values continuous and consistent good deeds, even if small, as reflected in the hadith narrated by Bukhari and Muslim stating that the most beloved deeds to Allah are those performed consistently. Scholars such as Ibn Rajab explain that istiqamah requires spiritual discipline (riyadhah al-nafs), self-awareness, and continuous struggle (mujahadah) to maintain moral and spiritual stability (Wahid & Mufid, 2026).

Istiqamah Absorptive Capability

The concept of absorptive capability proposed by Wang & Ahmed (2007) emphasizes that an organization's ability to absorb external knowledge constitutes a critical determinant of sustainable competitive advantage. Wang views absorptive capability as a dynamic capability that enables organizations to acquire, assimilate, transform, and exploit knowledge originating from the external environment. In this perspective, organizational competitiveness is influenced not merely by the ownership of strategic resources, but also by the organization's structured learning processes and its ability to continuously renew knowledge. The relationship between absorptive capability and knowledge sharing becomes highly significant because internal knowledge-sharing practices strengthen the organization's capacity to interpret, integrate, and utilize newly acquired knowledge effectively. Through continuous interaction among individuals, teams, and organizational units, external knowledge can be disseminated and transformed into collective organizational understanding that supports innovation and strategic adaptation.

According to Wang & Ahmed (2007), absorptive capability consists of four primary dimensions: acquisition, assimilation, transformation, and exploitation. The acquisition dimension refers to the organization's ability to identify and obtain relevant external knowledge from customers, suppliers, competitors, regulators, research institutions, and other strategic stakeholders. Assimilation refers to the capability to analyze, interpret, and understand the acquired information so that it becomes meaningful and applicable within organizational processes. Transformation involves combining newly acquired knowledge with existing organizational knowledge, experiences, and routines to create new strategic insights and competencies. Meanwhile, exploitation focuses on applying and utilizing knowledge to develop innovation, improve organizational processes, strengthen decision-making quality, and enhance organizational performance. Across these four dimensions, knowledge sharing serves as an essential mechanism for distributing knowledge among organizational members, accelerating learning processes, and strengthening organizational responsiveness toward environmental changes.

From a knowledge management perspective, the integration between absorptive capability and knowledge sharing represents a fundamental basis for improving organizational performance and sustaining long-term competitiveness. Knowledge-sharing practices do not merely facilitate information exchange but also strengthen collective understanding, collaborative learning, and organizational adaptability. According to Wang & Ahmed (2007), organizations with high absorptive capability tend to be more effective in utilizing external knowledge through structured knowledge-sharing mechanisms, thereby enhancing innovation capability and competitive advantage. Consequently, the synergy between absorptive capability and knowledge sharing contributes to the development of a learning organization capable of continuous improvement, strategic renewal, and sustainable performance achievement.

From a strategic management perspective, the integration of absorptive capability and knowledge sharing grounded in the value of istiqamah can significantly strengthen sustainable organizational competitiveness. Organizations that consistently absorb, process, and disseminate knowledge are more capable of adapting to external environmental dynamics and generating continuous innovation. According to Wang & Ahmed (2007), dynamic capabilities such as absorptive capability play a central role in improving organizational performance through

continuous learning and strategic adaptation. Therefore, strengthening knowledge-sharing practices consistently and sustainably, aligned with the principle of istiqamah, enables organizations to evolve into learning organizations capable of achieving superior and sustainable performance.

The discussion regarding absorptive capability and its integration with Islamic values gives rise to a conceptual novelty referred to as Istiqamah Absorptive Capability. This concept emerges from the integration of dynamic capability theory, absorptive capability theory, knowledge management, and the Islamic worldview. Istiqamah Absorptive Capability reflects the organization's consistent and value-driven ability to acquire, assimilate, transform, and exploit external knowledge while maintaining adherence to ethical principles, sustainability, and organizational learning continuity. In this framework, organizational adaptation and innovation are not solely directed toward economic performance but are also aligned with Islamic values emphasizing integrity, justice, trustworthiness, social welfare, and long-term benefit. Thus, Istiqamah Absorptive Capability represents a strategic capability that combines organizational flexibility, continuous learning, and moral consistency to achieve sustainable organizational performance in dynamic business environments.

Istiqamah Absorptive Capability refers to an organization's conscious, steadfast, and committed ability to continuously recognize, assimilate, transform, and utilize new knowledge to enhance organizational innovation and performance while remaining grounded in ethical values and principles of truth. This concept emphasizes that the process of acquiring and applying external knowledge should not merely focus on economic or competitive objectives, but must also be carried out consistently, responsibly, and in alignment with moral and ethical considerations. In this framework, organizational learning becomes a continuous and disciplined process that integrates strategic adaptability with integrity-based decision-making.

The novelty of this study lies in the development of the concept of Istiqamah Absorptive Capability as an integrative framework that combines absorptive capability, knowledge sharing, dynamic capability, and Islamic values. This conceptual development seeks to address existing research gaps concerning the inconsistent relationship between knowledge sharing, absorptive capability, and organizational performance identified in previous studies. The study argues that organizations capable of implementing effective knowledge-sharing practices will find it easier to strengthen their Istiqamah Absorptive Capability because the continuous exchange of knowledge enhances collective understanding, organizational learning, and strategic innovation capabilities. As a result, organizations become more adaptive, resilient, and strategically innovative in responding to environmental changes and competitive pressures. Furthermore, the integration of istiqamah into absorptive capability introduces a value-based dimension that reinforces consistency and sustainability in organizational learning processes. Through continuous commitment to ethical knowledge management and innovation practices, organizations are expected not only to improve strategic capabilities but also to strengthen long-term organizational performance. Consequently, effective knowledge sharing, supported by Istiqamah Absorptive Capability, serves as a strategic driver, enabling organizations to achieve sustainable innovation, competitive advantage, and superior organizational performance in dynamic business environments.

Organizational Performance

According to Ross et al. (2019), organizational performance is reflected in financial indicators such as profitability, efficiency in asset utilization, and the organization's ability to generate sustainable cash flows. These indicators demonstrate how effectively an organization manages its financial resources to achieve long-term stability and competitiveness. Financial performance is often considered a critical representation of organizational success because it reflects

managerial effectiveness in allocating resources, maximizing returns, and maintaining operational sustainability. Meanwhile, Richard et al. (2009) explain that organizational performance consists of three major dimensions: financial performance, operational performance, and market performance. Financial performance includes profitability, revenue growth, and financial sustainability. Operational performance focuses on internal process efficiency, productivity, quality management, and resource optimization. Market performance reflects the organization's ability to maintain customer loyalty, strengthen market share, and enhance competitive positioning within the industry. Therefore, organizational performance can be understood as a comprehensive indicator that illustrates the organization's success in managing resources and implementing strategic objectives effectively. In contemporary organizational studies, performance measurement has increasingly adopted multidimensional approaches. According to Venkatraman (1989), organizational performance can be evaluated through two primary dimensions: financial performance and non-financial performance. Financial performance generally includes profitability, return on assets, and sales growth, whereas non-financial performance includes customer satisfaction, product quality, innovation capability, operational efficiency, organizational reputation, and sustainability performance. This multidimensional perspective is considered more comprehensive because it captures organizational conditions holistically rather than focusing solely on financial outcomes.

Currently, most organizational performance measurement systems apply integrated approaches that incorporate multiple perspectives of organizational effectiveness (Midovska & Klisaroski, 2019). Within this framework, sales growth is often viewed as an important reflection of market-based strategy effectiveness. Organizations that successfully increase sales growth demonstrate their ability to understand customer needs, develop relevant products, and implement effective marketing strategies. According to Anokhin et al. (2026), sales growth represents a direct outcome of an organization's success in creating customer value and building long-term market relationships. Therefore, sales growth not only functions as a financial indicator but also reflects the strength of the relationship between organizations and their customers.

From an efficiency perspective, organizational performance can also be measured through the asset turnover ratio, which indicates how effectively organizations utilize their assets to generate revenue (Maharani & Ekadjaja, 2023). This ratio reflects management capability in optimizing organizational resources for operational activities and revenue generation. Asset turnover ratio is considered an important financial analysis indicator because it illustrates the efficiency of asset utilization in supporting sales performance. Brigham & Houston (2019) further explain that a higher asset turnover ratio indicates greater organizational productivity and efficiency in managing assets. Consequently, this ratio becomes a strategic measurement tool for evaluating operational efficiency and managerial effectiveness. In many corporate studies, Return on Assets (ROA) is also widely used because it provides a comprehensive picture of organizational profitability and efficiency. ROA measures the organization's ability to generate profits from total assets, making it one of the most dominant variables in financial and strategic management research.

The use of ROA in organizational studies demonstrates its flexibility both as a dependent and independent variable in analyzing organizational performance. ROA does not merely function as an outcome indicator but also serves as an analytical tool for examining the effects of capital structure, corporate governance, strategic capability, and business strategy on financial performance. Singh et al. (2024) emphasizes that ROA remains one of the most important indicators in financial research because it comprehensively reflects the relationship between net income and total assets. Thus, ROA has strategic significance in management and finance research because it provides a holistic overview of organizational effectiveness and

supports managerial and investment decision-making processes.

Operational performance has become a central focus in operations management literature because it strongly influences overall organizational performance (Shah & Ward, 2003). Research by Ross, Westerfield, and Jordan (2019) indicates that process efficiency, quality control, and optimal resource utilization are key determinants of sustainable competitive advantage. The implementation of operational improvement practices such as lean manufacturing significantly enhances operational performance, which subsequently contributes positively to overall organizational performance. These findings suggest that continuous improvement in internal processes forms the foundation for achieving superior organizational outcomes. In addition to financial and operational dimensions, employee-related factors also play a critical role in determining organizational performance. Employee engagement refers to the level of employees' emotional attachment, involvement, and commitment to the organization, which influences work effort, productivity, and performance quality. According to Tang et al. (2024), the combination of self-efficacy and employee engagement significantly improves adaptive performance, namely the ability of employees to adjust effectively to changing work demands and organizational complexity. Organizations that successfully develop positive psychological factors among employees tend to become more adaptive, productive, and competitive in dynamic business environments.

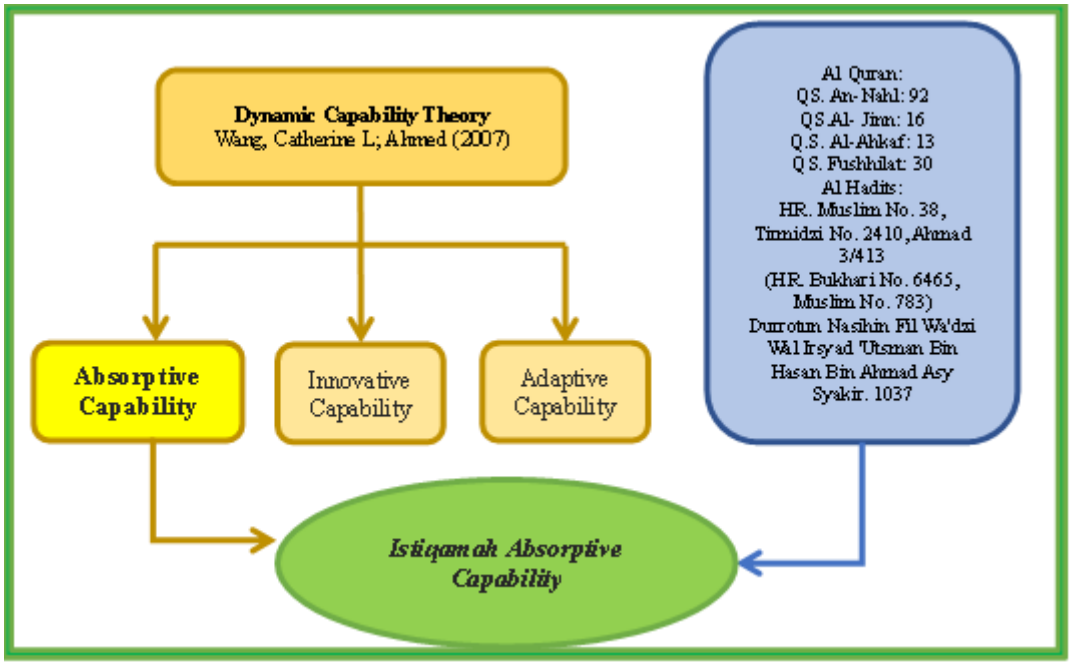

Figure 1. Integration of Dynamic Capability Theory and Islamic World View

Conclusion

This study highlights that sustainable organizational performance in halal food and beverage MSMEs cannot rely solely on ownership of strategic resources, as emphasized in Resource-Based Theory (RBT), but also requires the ability to continuously adapt, reconfigure, and utilize those resources through Dynamic Capability Theory (DCT). The integration of sensing, seizing, and transforming capabilities enables organizations to respond effectively to rapid environmental changes, technological developments, market uncertainty, and evolving halal industry regulations. In this context, absorptive capability emerges as a strategic organizational mechanism that allows firms to acquire, assimilate, transform, and exploit external knowledge in order to enhance innovation, adaptability, and competitive advantage.

The study further demonstrates that absorptive capability has a significant role in strengthening organizational learning and improving organizational performance through knowledge integration, innovation development, and strategic adaptation. However, previous empirical studies reveal inconsistent findings regarding the relationship between knowledge sharing, absorptive capability, and organizational performance. Several studies report positive effects of absorptive capability on innovation and performance, while others indicate that excessive knowledge sharing, organizational limitations, and contextual differences may weaken organizational effectiveness and decision-making processes.

To address these conceptual and empirical gaps, this study introduces the concept of Istiqamah Absorptive Capability as a novelty within strategic management and Islamic organizational studies. Istiqamah Absorptive Capability refers to the organization's consistent and ethically grounded capability to recognize, assimilate, transform, and utilize external knowledge continuously while remaining aligned with Islamic values, moral commitment, and principles of truth. This concept integrates dynamic capability and absorptive capability perspectives with the Islamic worldview, particularly the principle of istiqamah, which emphasizes consistency, integrity, discipline, and sustainability in organizational learning and strategic adaptation.

In the halal MSME context, Istiqamah Absorptive Capability enables organizations not only to comply with halal certification requirements and regulatory pressures but also to transform those pressures into strategic opportunities that improve innovation capability, operational efficiency, consumer trust, brand reputation, and long-term business sustainability. The integration of Islamic ethical values into organizational capability development also ensures that innovation and strategic transformation remain aligned with maqasid al-shariah, social welfare, and sustainable business practices. Therefore, this study concludes that Istiqamah Absorptive Capability serves as a strategic bridge connecting knowledge sharing, dynamic capability, innovation, and organizational performance in halal-oriented organizations.

Theoretical Implications

This study contributes theoretically to the development of strategic management literature by integrating Resource-Based Theory (RBT), Dynamic Capability Theory (DCT), absorptive capability theory, and Islamic strategic management perspectives into a unified conceptual framework. The study extends the understanding of dynamic capability by emphasizing that organizational adaptation and sustainable competitive advantage are not merely determined by resource ownership, but also by the organization's ability to continuously learn, absorb, and ethically utilize external knowledge. First, the study strengthens Dynamic Capability Theory by positioning absorptive capability as a critical micro-foundation that supports sensing, seizing, and transforming processes (Teece et al., 2009). The findings support the argument that organizations with strong absorptive capability are more capable of identifying strategic opportunities, making effective strategic decisions, and transforming organizational resources in response to environmental changes.

Second, this study enriches absorptive capability literature by introducing the concept of Istiqamah Absorptive Capability. Previous studies generally conceptualized absorptive capability from a purely managerial and organizational learning perspective. This study expands the concept by incorporating Islamic ethical values such as istiqamah, integrity, consistency, discipline, and moral commitment into organizational learning processes. As a result, absorptive capability is no longer viewed solely as a technical knowledge management mechanism, but also as a value-based strategic capability that guides organizations toward sustainable and ethical performance.

Third, this study contributes to the Islamic strategic management literature by demonstrating that Islamic values can function as strategic organizational resources and dynamic

capabilities. The integration of istiqamah into organizational capability development shows that spiritual and ethical principles can strengthen organizational resilience, adaptive learning, innovation, sustainability, and long-term strategic orientation. Finally, this study contributes conceptually by proposing a more holistic framework linking knowledge sharing, absorptive capability, dynamic capability, Islamic values, and organizational performance. The framework provides a broader explanation of how organizations create sustainable competitive advantage in dynamic environments while maintaining ethical and spiritual consistency.

Empirical Implications

The findings of this study provide several important empirical implications for MSME practitioners, policymakers, halal industry stakeholders, and organizational leaders. First, halal food and beverage MSMEs need to strengthen organizational learning mechanisms through continuous knowledge sharing practices involving employees, suppliers, customers, government institutions, and strategic partners. Knowledge sharing should not only focus on information exchange but also on developing collective understanding and innovation capability. Second, MSMEs should develop absorptive capability systematically by improving their ability to acquire, assimilate, transform, and exploit external knowledge related to halal certification, technological innovation, market trends, digitalization, and operational management. Organizations that possess strong absorptive capability are more likely to adapt successfully to environmental uncertainty and competitive market dynamics.

Third, the study emphasizes that halal certification should not be viewed merely as an administrative obligation, but as a strategic asset capable of improving market legitimacy, consumer trust, organizational reputation, and business sustainability. Through Istiqamah Absorptive Capability, MSMEs can transform regulatory pressures into innovation opportunities and long-term competitive advantage. Fourth, organizational leaders should integrate Islamic ethical values such as istiqamah, honesty, transparency, responsibility, and consistency into organizational culture and strategic decision-making processes. Ethical consistency and sustainable organizational learning can strengthen employee commitment, organizational adaptability, and long-term performance. Fifth, policymakers and halal certification institutions should provide continuous education, training programs, digital knowledge platforms, and mentoring systems to strengthen MSMEs' absorptive capability and organizational learning capacity. Government support in knowledge dissemination and halal ecosystem development is essential to improve the competitiveness and sustainability of halal-oriented MSMEs.

Future Research Trends

Future studies are expected to further develop and empirically validate the concept of Istiqamah Absorptive Capability across different industrial sectors, organizational contexts, and cultural environments. Since the current study is conceptual and literature-based, future empirical research using quantitative, qualitative, or mixed-method approaches is necessary to test the relationships among knowledge sharing, Istiqamah Absorptive Capability, dynamic capability, innovation, and organizational performance. First, future research should examine the mediating and moderating roles of Istiqamah Absorptive Capability in explaining the relationship between knowledge sharing and organizational performance. Researchers may investigate whether Islamic values strengthen or weaken the influence of absorptive capability on innovation, adaptability, and competitive advantage.

Second, future studies may explore the role of digital transformation, artificial intelligence, big data analytics, and digital knowledge management systems in enhancing absorptive capability within halal MSMEs and other organizations. The integration of digital technology into organizational learning processes represents an important direction for strategic management research in the digital economy era.

Third, longitudinal research designs are recommended to better understand the causal relationships and long-term effects of absorptive capability on organizational performance. Most previous studies employed cross-sectional designs, limiting the ability to capture organizational learning dynamics and capability development over time.

Fourth, future research can expand the application of Istiqamah Absorptive Capability beyond halal MSMEs into sectors such as Islamic banking, healthcare, education, public organizations, social enterprises, and digital businesses. Comparative studies across industries and countries may provide broader insights into the applicability and effectiveness of Islamic-based dynamic capabilities. Fifth, future studies should investigate the micro-foundations of Istiqamah Absorptive Capability by examining leadership characteristics, organizational culture, employee spirituality, ethical climate, and managerial cognition as antecedents influencing capability development. Such studies would enrich the understanding of how organizational values interact with strategic capabilities and performance outcomes. Finally, future research may develop measurement scales and empirical indicators specifically designed for Istiqamah Absorptive Capability to improve construct validity, operationalization, and empirical testing within strategic management and Islamic organizational studies.

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