

# PRIVATE STRUCTURE APPROACH IN PRINCIPAL AND AGENT USING THE PSYCHOPHYSICAL ISLAMIC PSYCHOLOGY: DECONSTRUCTION HOLISTIC ON THE AGENCY THEORY

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## ABSTRACT

*Principal and agent behavior have been positioned on the opposite poles and synergized by a materialist contract. Positivist approach is thick with the capitalist view which has diluted human elements as social beings who can work together in a trust. Human, which is in Islamic psychology consists of body, soul and nafs will give a real picture that do not simply put the agent as a person who is an opportunistic and tend to break the contract. The main approach that could be built in the stakeholder and agency theories is how to establish, maintain and attract private structure of principals and agents to the nature of truth. This article criticizing the agency theory perspective using psychophysical psychology of Islam. Article is expected to give a new color in the agency theory and contribute improvements in further development of this theory especially when implemented in a culture that still talents with religious elements.*

**Key word:** Islamic Finance, Agency Theory, Islamic Psychology

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## 1. BEGINNING: INTRODUCTION

Theories that studies the behavior of firms does not simply uncover the "black box" of complex behaviors. Each company's decision to invest in different fields, selling a product with a certain strategy or decision to go public is part of the black box that are difficult to solve. Whether psychological factors are entered in making the choice? This question has not been fully answered (Foss, et al., 2000; Dixit, 1989; Williamson, 2000). The theoretical model for the company were developed based on conventional economic perspective on absolute economic variables. Theory is constructed as an objective function derived from profit maximization and cost minimization. Aspects of ethics and morality, psychology and sociology are used limitedly to develop a theory of companies in particular are associated with economical decision to enter the market and "pick up" profits or out of the market to avoid loss. The opportunity cost is the only pure economic considerations (Naqvi, 1994). This paradigm cannot be separated from the capitalist mindset that later developed in theory and practical rational economic which the welfare of the owner of the company is a fundamental value that dominates the company's practices. Although the stakeholder theory initiated by R. Edward Freeman in the 1980s provides a definition where the owner of the company is not only the stakeholder but also investors, creditors, employees, government, local communities but the practical implications, the investor or the owner of the company occupies the main focus of attention and fulfillment of corporate welfare.

Agency theory is influential in the development of a theoretical range of areas, such as: managerial labor market, corporate board, corporate financial policy shareholders and institutional ownership, market control executive compensation and budget on public sector organizations. However, this theory is still surrounded by controversy. The supporters argued that revolution is underway and the foundation for a strong organization theory is being laid (Jensen 1983). While on the other hand, criticism is pointed at this theory ideology which is considered to be very materialistic. Donaldson (1987), said this as an ideology that praised to the skies the institution of private property without regard to human rights and property rights. Common mistakes made by positive organization theory is a partial approach in which various aspects of the management are ignored.

This paper uses Islamic psychology approach in overhauling the agency theory. Principal and agent behavior has been placed at the opposite pole and synergized by materialist contract. Positive approach that is very thick with capitalist mindset has weakened the human element as a social creature who is able to work together in trust. Human substance in Islamic psychology composed of body, soul and *nafs* will give a real picture that it is not as simple to put agents "definitely" as being opportunistic and tend to deny the contract.

## 2. AGENCY THEORY IN A SQUEEZED PLOT

Agency theory is a theory that describes the relationship between the Principal and Agency in which principals delegate authority to the agency in terms of business management as well as decision-making within the company (Jensen and Meckling, 1976). Relationship between agent and principal, including so-called agency relationship, the various problems that occur in the relationship includes, the costs that occur in agency relationships and agency theory important implications for the selection of accounting methods.

Agency theory management seat as the agent and the investors (shareholders and bondholders) as a principal in a company. Owners of capital gives responsibility to the management to act on behalf of the interests of the owners. Various decisions taken by the management is on the basis of advantage for the owner. From the description above it can be concluded that the agency

theory was born from a form of corruption that explicitly separates the owner of the company in terms of management oversight and processing company

Problems that arise in the agency relationship that is the concern of agency theory first is, when the agent has different interests with the principal so that each party seek to maximize their interests. Agent who is supposed to carry out the mandate from the principal in fact violate the commitment by not always act in the best interests of the principal. Second, it is difficult and expensive for the principal to verify the actual management of the work done. Third, the problem of risk division when principal and agent have different risk borne. Jensen and Meckling (1976) explains that the agency problem occurs when managers ownership of shares in the company is less than 100% so that managers are more likely to act to fulfill their self-interest and not based on maximizing the value of the decision-makers on the issue of funding.

### 3. DISMISSING THE STORM: UNITING AD DZOHIR AL BATIN

Science is a human media to achieve life goals and even change the nature of life it self (Safi, 2001). So science can not escape from value because science can not walk alone. Science is the result of a way of life that is colored by religion, nation and civilization is absolute. This means that every science, if we observe the epistemological principles, will unravel the content value which the source is the worldview or life philosophy of a nation, religion and civilization. Al-Attas (1989) provide an epistemological emphasis on the spiritual aspect as one of the factors that influence worldview where the achievement of science and reason, which is also referred to as the soul's journey to the meaning, is a spiritual process. Daud (2005, 65) explains the thinking of Al-Attas as follows:

...bahwa ilmu, yang memerlukan serentetan usaha dari orang yang mengetahui untuk memilikinya, adalah pemberian Allah SWT kepada siapa saja yang dikehendaki-Nya. Dengan demikian, seseorang yang berpotensi mengetahui sesuatu perlu membuat persiapan intelektual dan spiritual agar layak menerima pemberian Allah SWT ini.

... That science, which requires a series effort from the people who know to have them, is a gift of Allah SWT to anyone who He wills. Thus, a person who could potentially know something is required to make intellectual and spiritual preparations necessary in order to deserve God's gift.

American psychology or sociology is different from China, the science of fiqh is not found in the Indian civilization. Therefore the principles of contemporary epistemology which is born of modern Western civilization when examined contain Western values. From the above it can be concluded that science is not value-free but loaded with values that gave birth to the science. Science does not emerge suddenly or born by itself but rather from the worldview. Zarkasyi (2005, 10) describes it as follows:

...perlu ditegaskan bahwa ilmu dalam Islam dan dalam tradisi manapun tidak lahir secara tiba-tiba. Seperti dijelaskan diatas fondasi bagi lahirnya suatu disiplin ilmu adalah worldview yang memiliki konsep-konsep keilmuan. Worldview ilmiah ini kemudian menghasilkan tradisi intelektual (tradisi ilmiah) dalam masyarakat dan selanjutnya lahirlah disiplin ilmu.

... it must be stressed that science in Islam and in any tradition is not born suddenly. As described above the foundation for the birth of a discipline is a worldview that has scientific concepts. Scientific worldview then generate intellectual tradition (scientific tradition) in the community and further give birth to disciplines.

According to Triyuwono (2006), knowledge is in the context that gave birth to it or context of discovery. Furthermore, Triyuwono explained that in the specific context of space and time, science exist not just influenced purely by scientific factor but also driven by other factors such as ideological, moral, religious, and traditions. Therefore, the assertion that science is value-free and universal, applicable to all the sociological and psychological environment, local culture and norms, religion and its spiritual values are unreasonable. Raping done by science to the society and nature as a form of reality as depicted today as poverty, social crime, natural disasters are a reflection of the failure of a science.

A scientist in producing science has a social responsibility. The resulting knowledge is not confined to individual scholarly activities but the resulting knowledge can benefit the community. As described above, science is the result of a nation's way of life, religion, certain values. Building knowledge through Islamic principles approach will produce scholarly products which are loaded with Islamic values. Islamic scholarly products have a very fundamental difference with Western scholarly products. Qur'an and Hadist as the primary source highly stressed the aspect of Tauhid in which all aspects of life is a devotion to God. When economy talks about profit then how is profit that is justified by God, when economy regulate income distribution then how income distribution is justified in Islamic principles. Therefore the role of the Qur'an and Hadist in producing Islamic science is a must. Revelation is one of the primary sources to achieve the goals of science to achieve certainty and faith and reason and the senses are not enough to achieve that belief. This science has a weight or contents higher than the knowledge that is based only on the senses and the intellect .

### 4. DIVING IN THE OCEAN OF HUMAN SUBSTANCE WHICH SCULPTS THE PRIVATE STRUCTURE OF PRINCIPAL AND AGENT

Accounting existence can't be separated from other disciplines, it can't even "live". Sociology, psychology, anthropology and even history helped in the building of accounting to be what it is now. Accounting is behavior, accounting is nature, accounting

is culture, accounting is spirit and so on. Why? Because accounting exist in the interaction of human behavior that is unique and full of mystery. Rational mind is only able to measure human in the limit of concrete action but is unable to penetrate the nature of heart. The rational mind is only able to measure the accounting action in the physical measurements. But even "super power" technology will not be able to measure the heart, containing totally good intentions or full of evil thoughts. Therefore, building a theory relating to human behavior by simplifying human behavior is not a wise action, and only produce a partial and narrow theory. Positioning manager just as a rational agent that is opportunistic in material measurement is the same as not understanding who is the principal and who is the agent. Basically they are human beings who have a complex, unique and special soul and personality structure. Therefore, to build a theory related to human behavior then we need to know the substance of the human to get the human nature and dynamics materially and immaterially.

In Islamic terminology human is made of three substances which is body, soul and *nafs*. The first substance, the substance of the human body is made up of the physical structure of organisms. The human organism is more perfect than the physical organisme of other creatures. Every physical biotic creatures have the same material elements made of earth, fire, air and water element. The four elements are abiotic material (dead). It would live if given life energy that is physical in nature that is typically referred to as soul. Ibn Maskawih in Muhaimin (1993) call it as *al-hayat*. While al-Ghazali in Muhaimin (1983) call it *ar-ruh* (spirit). Lives or the lives of human beings have been around since the sperm and ovum. Hence the meaning of *al-hayat* is different from *ar-ruh* because *al-hayat* has exist since the sex cells exist while *ar-ruh* exist after the embryo is four months old in the womb (HR al-Bukhari). Soul is owned by animal and human, while the spirit is only owned by human. Body will crumble into dust, while the death of *al-hayat* does not mean the death of *ar-ruh*, because *ar-ruh* always lived before and after the existence of human life. If the life essence has lived up to the time limit it will run out of energy in various ways either by sickness, accident and even without any cause human will experience death. The bodies will be destroyed along with all organs fused back together and return to the earth.

The second substance, the *ar-ruh* or spirit is a human psychic substance that is the essence of life both in this world and life thereafter. Because of spirit, the whole human personality build in Islam is unique. It is different from the western personality psychology that just translate soul as accidental spirit. Ruh is the difference between human existence with other beings. Understanding the essence is a mystery. Even in the Qur'an in Surah Al-Isra' verse 85 Allah says that the spirit is God's business. Spirit is a substance that has its own nature. According to al-Farabi in Hadi (1981) the spirit comes from the order realm (*amar*) which have different properties to the body. Why? Because the spirit comes from God, even though it is not the same as the his substance. Spirit is the driver of body that can remember, think, know, and so on. Spirit is multi-dimensional which is not limited by space and time. Physical death is not the death of the spirit, it came out and entered into the human body, it was there before the human body exist (Surah Al-A'raf: 172, al-Ahzab: 72).

The third substance, *nafs* an in the form of human psychophysical which exist because the synergy of body and ruh. *Nafs* have combined natures between body and spirit nature. Therefore, if the *nafs* is oriented to the nature of the body its behavior became bad and wretched whereas if it refer to the nature of the spirit then its life will be good and safe. In a hadist narrated by Imam al-Buhkari, the two components synergy occurs when the fetus is four-month old in the womb. *Nafs* is the body and spiritual potential (psychophysical) where the potential becomes more and more potential if people keep trying. This potential can drive human behavior, so it can be said that actualization of *nafs* is the image of the human personality. An option, actualization which is close to the spirit holiness or toward the humility of body. This actualization in the development of quality is influenced by factors such as age, experience, knowledge, environmental, cultural, spiritual maturity and others. *Nafs* is an infinite universe, a miniature universe. Therefore whoever is the master of their soul is certainly the master of the universe, the *dhoir* universe and the inner universe (Nasr, 1995). *Nafs* substance as described above has the potential called *ghazirah* or instinct, character or temperament. If this potential is associated with the substance of the body and spirit, it can be divided into three parts, namely *al-qalb*(heart), *al-aql* (mind) and *hawa-nafs* (carnality). Al-Ghazali argued that the heart has the instinct called *al-nur-ilaihy* (divine light) and *al-Bashirah al-bathinah* (inner eye) which radiates faith and belief. Al-Zamakhsharyi in Muhammad confirms that that *al-qalb* or heart was created by God in accordance with the natural tendency and tend to accept the truth from Him. Heart is the controller, overseer, guide, and the controller of other *nafs* structures. When this heart functions normally and is not contaminated by disease, the human life will be good and in accordance with their *natural tendency*. *Ilahiyah* natures if not hindered by *hijab* so that natures supra-consciousness sparks emanating are due to the existence of God will be total.

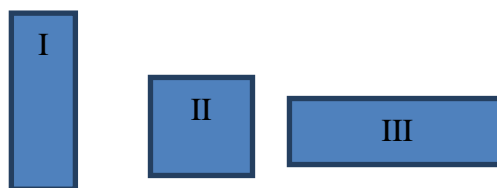
*Al-aql* or mind has meaning of holding, bonding, prohibit, prevent. Based on the meaning of this language then an intelligent person is a person who can hold and bind their own lust so that their rationality soul is able to exist. Mind is the potential that lies in the head (commonly referred to as the brain) that is sprinkled by the light of conscience and prepared to obtain and reconcile with science. Mind acquire knowledge through argumentative power while heart gain knowledge through taste. Mind which Psychologically has the function of creativity or cognitive abilities. Cognition is all the experience which includes observation, seeing, watching, giving opinion, assuming, imagining, predicting, thinking, considering, suspecting and assessing (James, 1989). Mind is a separate *nafs* substance that serves think. Mind is not a heart activity despite having similarities with heart in cognition but have different methods. Mind is able to achieve rational knowledge but not able to touch the supra-rational. Mind is capable of capturing a limited sense of things that are abstract but is not able to enter and discover the essence. Mind is able to bring human to consciousness but stop at the door of supra-consciousness. Hz. Maulana in Ozelsel (2002) put it as follows:

Ketika engkau telah mencapai titik ini, diamlah dan jangan melakukan usaha lebih jauh. Disini akal tidak lagi mengendalikan. Ketika telah sampi di pantai, akal hanya berdiri di sana, sungguhpun tidak ada lagi sesuatu yang "berdiri di sana":

When you've reached this point, be quiet and do not make any further effort. Here the mind is no longer in control. When it has reached the beach, the mind just stand up there, even though there is no longer something that is "standing there":

*Hawa-nafs* or carnality has two potential that is the potential to avoid from everything that is dangerous and the potential to survive, self-defense and keep the ego against errors, anxiety, shyness (*al - ghadah*). Utilizing and rationalizing its own actions or referred to as carnality (Nasr, 1995). Furthermore, Nasr explain that carnality has the potential to induce self from all the fun. Carnality in the terminology of psychology is called appetite which is a desire, motive or impulse by changes in physiological state. Principles of carnality work by following the principles of pleasure and try to express the primitive impulses. Primitive impulses have in common with the working principle of animal life, where wild animals have aggressive impulses (to attack) while the impulse of tame animals have sexual impulses. Carnality shows the structure in the subconscious of the human personality (Muhaimin, 1993). Therefore, if human chooses to provide the largest portion to carnality, dominating the personality structure work then the human personality will not be able to exist both in the world and beyond. Islamic psychology approach in depicting this human model is based on the QS. al-A'raf: 179 which has the same position with animals and even more despicable.

Level of personality in Islamic psychology really depends on the which substance is more dominant in controlling them, whether the soul substance or body substance. Musbikin (2006) in his book "*Menganalogikan Rukun Islam bagi kesehatan fisik dan Psikologi Manusia*" simplify greeting image patterns as follows:



**Figure 1: Pattern Level Personality**

The vertical box figure illustrates the role of spirit while the horizontal box describes the role of the body. The process of human life can not be separated from the role of these two substances, but it depend on the dominance of the proportions of each substance to measure the quality of personality. In the first vertical box, the role of the spirit is more dominant than the role of the body in which it is the work of heart. The second horizontal box picture exhibited similar proportions of the role of body and spirit and which is the work of the mind. Meanwhile, for the third horizontal box, the role of the body is more dominant than the soul and it showed dominance of lust.

##### **5. THEY (THE BELIEVERS WHOSE SOULS WERE PURCHASED BY ALLAH)... (SURAH TAUBAH, 9; 112)**

Islamic psychology considers the integration of mind, heart and carnality system are the building blocks of human personality. Personality is the product of the interaction of the three potential where each person is different in the amount of dominance. Each potential under normal circumstances collaborate and work as a team. However, in certain conditions those potential conflict, pulling each other and competing for dominance over the shaping of attitude, decision and behavior. This particular condition occurs when the attitude, decision and behavior have multiple conflicting properties. But every human being has a natural tendency. *Fitrah* or natural tendency is innate, that is there and inherent in human without any effort to try. Every human realize that there is natural tendency in them. Association to seek the truth and get back on the truth. Heart potential is the substance on pulling back toward the truth and bring the supra-consciousness, human nature, spirit and even finding God.

From the description of the entire human substance forming the human personality, then realized a picture of human as a creature that is unique, special and complicated. They can choose to be an angel personality or lower than animals personality. Therefore, to construct theories related to human behavior requires a holistic view in order to touch the essence of the problem. Positioning agent on a position that they must be opportunistic and that it is necessary to have a mechanisms of reward and punishment for honesty and cheating in the levels of limited material produces a narrow theory. Positioning agents as rational economic actors who are responsible only to the extent of shareholders, customers, suppliers, government, nature is a narrow definition of responsibility. The main approach that should be built in the agency theory is how to establish, maintain, attract private structure of principal and agent to the nature of truth and accountable for the process and the results to God.

Agents are human beings who have the physical and non-physical potential to carry out its duties. Although agents can choose the path of cheating, lies, manipulation and other bestiality but the agent has the potential to essentially be trustworthy, honest, fair, and another godly nature. Therefore, to maintain and improve the quality of potential heart the approach is not merely material but also immaterial. Reward in the form of bonuses and salary reduction or get fired is the approach of the material. The nature of the material is measured and limited such bodies. While the personality building structure of the agent and the principal which is non-physical or immaterial is not scalable and not limited. Even agent and principal spirit as the highest substance is the God spark eventhough not the same as Himself. Limitless on the dimensions of space and time so to transform the personality of the spirit would need awareness through non-physical approach. Islamic Psychology provides three methods for obtaining and maintaining awareness of agents and principals based on Hadits of Umar ibn al-Khattab, namely, *first*, the method of faith is defined as a sense of security and confidence that come from the faith that outside himself there is a limitless power that control

and influence life which is Allah SWT. Principal in delegating their property to the agent is part of faith in God, their belief is that God would keep, maintain and bless for their efforts to fulfill life. Principal keep their faith through prayer, alms, fasting, pilgrimage in their nature and get away from the symbol. Hz Maulana in Ozelsel (2002, pp: 108) define symbol as one of the secondary causes or curtain as follows:

Orang biasa melihat penyebab-sekunder. Tetapi kepada para wali diilhamkan bahwa penyebab-sekunder hanyalah tirai. Ketika mereka melihat hal seperti itu, mereka mengetahui bahwa penyebab sekunder adalah dalih dan bahwa penyebab sesungguhnya adalah sesuatu yang lain. Bagi masyarakat awam penyebab sekunder adalah tirai yang menutupi diri mereka Mengapa engkau melupakan semua itu?

Pure profit motivation, anxiety and prejudice to the agent is a curtain that blurs the essence. Increasingly layered curtains, essence become more invisible so that the carnality potential dominates personality structure work producing a narrow mindset and behavior. This condition is moving similar to the agent soul structure where the essence of heart is increasingly powerless against the domination of the carnality substance if a secondary causes become the curtain of essence. Therefore keeping faith in the presence of essence, according to Islamic psychology is the first method to keep and maintain a healthy personal structure. *Secondly*, Islamic method which has the meaning of surrender and submission, peace and security and safety fully to the laws and rules of Allah SWT. Submission of the principal and agent form a personality structure that encourages to live clean, holy and customize a variety of conditions in the clear. Hz. Maulana in Ozelsel (2002, pp: 131) gives the following explanation:

Bicara dan diam, tidur dan makan, marah dan maaf, dan semua sifat ini, adalah putaran roda sebuah penggilingan. Ini adalah roda sebuah penggilingan yang berputar terus menerus... Sebab, semua ini adalah keadaan-keadaan dunia. Sekarang yang engkau ketahui, adalah mengeluh kepada Tuhan, merendahkan diri dan mengambil muka serta berkata: "Wahai Tuhan, di samping perjalanan dan perubahan yang terus menerus ini, karunialah aku perbedaan, perubahan spiritual, karena engkau mengetahui semua kebutuhan, dan kemurahan serta keagungan-Mu meliputi segalanya." Jika tujuan ini telah tercapai, maka ada *cahaya atas cahaya*.

Agent in the journey of light over light considers work, salary, bonuses, employment agreements as a full submission to God. While the principal in the journey of light over light see profits, control and supervision as a full submission to God. Welfare of employees, workers, suppliers, the community, the nature in portion is each a part of the profits as submission to God. Stakeholder theory and agency theory constructed by submission or Islamic approach to keep, maintain and engage personality structure of principal and agent in the natural tendency of truth. *Third*, *Ihsaniyah* method which has good meaning (*muhsin*), principal and agent know the right thing, apply good procedure and done with good intentions. Every journey is a continuous role quality improvement which measurement is closeness, submission, romanticism and love for God. Not using *faith, islamic* and *ihsan* to generate profits but profits which are closer, subjecting oneself, believe and have faith in Light Source of Love. Advantages that brings principal and agent safely at " the hereafter hometown".

## 6. PULLING THE PERSONALITY STRUCTURE OF PRINCIPAL AND AGENTS BACK TOWARD THE NATURAL TENDENCY OF TRUTH

Due to the dominance of the materialistic modern life patterns and egositic, resulting in an unstable human situation and psychological. Order and traditional spiritual which are rooted and has a tested validity for centuries are dimmed by new methods which ability is limited. According to James (1999), pathology is the knowledge of the disease or disorder while psychopathology is a branch of psychology concerned to investigate disease or mental disorder and other abnormal symptoms. In Islamic psychology perspective, a disease caused by deviations from the norms or moral values, spirituality and religion are included in psychopathology. Al-Quran and al-Sunnah mention many types of psychopathology such as associating partners with Allah, wasteful, mocking other, stingy, pitting each other, what is revealed is different to what is believed, prejudice, violating promise, materialism, ungratefulness, and so forth. Principal prejudice to the performance of the agent, and the agent behavior of manipulation and fraud is a form of psychopathology. Therefore, though Weston and Brigham gave three policy alternatives that can be taken by the principal so the agent can perform their duties with full responsibility or the theory of compensation or bonuses will not be able to solve the problem completely. Why? Because in addition to the worldly or material problems, what happens is also an issue of non-material or spiritual illness.

Such as physical illness, spiritual illness requires treatment by psychological methods or called psychotherapy. James (1999) describes psychotherapy as a treatment technique for helping individuals cope with emotional disorders by modifying behavior, thoughts, and emotions so that the individual are able to develop themselves in overcoming psychological problems. Psychotherapy other than cure illness also stimulate private structures producing immunity against mental disorders or palogi. Musbikin (2006) explains, in Islamic psychotherapy it is divided into two which is worldly psychotherapy and afterlife psychotherapy. Psychotherapy is a natural result of *ijtihad* (effort) human in a form of psychiatric treatment techniques that are based on the rules *Insaniyah*. Afterlife psychotherapy is a guide and grace of Allah that is filled with ideological and theological framework of all psychotherapy. This technique stimulate the existence of spirit and heart to re- live and dominate the private structure. Furthermore Musbikin (2006) stated that the Islamic psychotherapy based on psycho-theo-antro-centric which is a psychology based on the sovereignty of God and human effort. Psycho-theo-antro-centric heal all aspects of worldly and afterlife psychopathology through techniques as disclosed in a Javanese poem from Sunan Bonang as follows:

Tombo ati iku ono limang perkoro. Kaping pisan, moco Qur'an sa'maknane kaping pindo, sholat wengi lakononokaping telu, wong kang sholeh kumpulono kaping papat, wetengiro ingkang luwekaping limo, dzikir wengi ingkang suwe salah akwijine sopo biso ngelakoni insya Allah Gusti Pangeran ngijabahi

In English: There are five cure for heart, First off read the Qur'an and its meanings, second do prayer at night, third associate with religious people, fourth must not have a hungry stomach, fifth do long time of night dhikr, whoever can do one of them, may God give adequacy

Psycho-theo-anthro-centris method of Islamic psychology version complete a variety of ways to prevent and treat both the behavior of the agent and the mindset of the principal in the agency theory. Material measurement that has been developed in agency theory (adapted to the economic principles of Islam) is important and need to be implemented. However, because the nature of the material is measured and limited to physical treatment, whereas in excess will damage the personality structure of the principal and agent in physical and non-physical dimension, then the material motive is not enough to prevent opportunistic agents and improve principal prejudice. Next, agency theory should be reformed through a holistic religious spiritual perspective at the level of philosophy to practical through the approach of Islamic psychology.

## 7. BUILDING AN ORGANIZATIONAL STRUCTURE (BUSINESS ENTITIES) PERSONALITY THROUGH INDIVIDUAL PERSONALITY STRUCTURES: HOLISTIC AGENCY THEORY

The main approach in holistic agency theory is how to establish, maintain, pull personality structure of principal and agent to the natural tendency of truth and be accountable for each process and results to God. It begins by pulling the individual personality to be dominated by the heart potential so that the organization will be build with an organizational personality structure that is dominated by the heart potential. Islamic concept of economic organization is deeper than conventional materialistic concept of economic organization. Everything in Islam starts from the basic foundation that all things were created to worship Him (QS. Ad-Dhariyat: 56). To build an organization on this foundation, each organization individual does not care about company owners, top level management to home-based workers must comply with the rules of the Qur'an and Sunnah and to make every role as a "vehicle" toward God. This indicates that human action in carrying out the role in their quest for the essence of the teachings of God is through submission. Systematically, the internalization of Islamic foundation on individual and organizational personality structure is described in Figure 1.

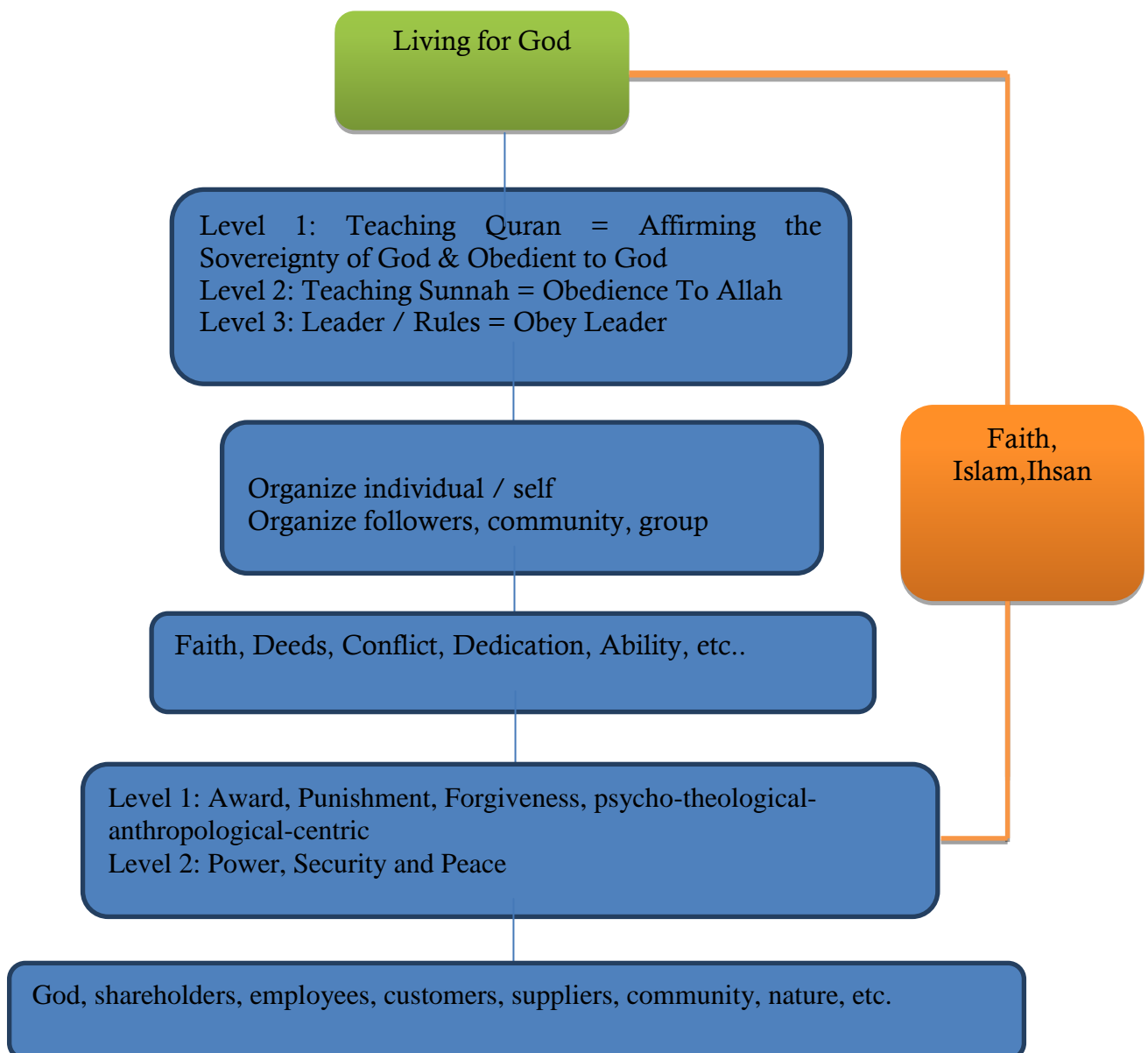
Figure 1 shows the organization and individual goals and the results or outcomes from an Islamic perspective. Organization is a system whose primary function is as a vehicle to cultivate spirituality and morality through the production of goods and services necessary for the continued growth and improvement of human power to freely pursue "the hereafter hometown" meet and be with God. Economic considerations are guided by moral and ethical norms found in the Qur'an and Sunnah. Islam emphasizes on spiritual life in all individual actions to transform the organization. Putting the most performance measurement on improvement of the spiritual rather than materialistic results. (Surat an-Naml: 77). Instead of putting spiritual values to produce the material as much as possible, so that the measure of spiritual success is the amount of material. Islamic values is not used as a tool to expand the company, but the Islamic values serve as the source of inspiration of the company, employee and internal company to reach the ideals of Islam itself (Mulawarman, 2008).

Figure 1 shows the focus of economic organization is doing for God (worship) and the results desired by the company and the individual is a gift, sanctions, forgiveness, power, security and peace. Each element on each level is associated with each subsequent element. For example, at level 1 criteria which is teaching Quran through the belief in the power of God and obeying Him, associated with level 2 which is sunna of the prophet through obedience to the Prophet. Then level 2 is associated with the prophets sunnah guidance or instructions from the leadership or corporate regulation through individual leader. Each individual do things based on the focus of running each of the criteria. Labour focus to do on the subject of God and obedience to the teachings of Quran and Sunnah, obey the prophet and leader. Employees focus on doing for God with submission and obedience to the teachings of Quran and Sunnah, obeying the prophet and leader. Low level managers focus on doing for God by submission and obedience to the teachings of Quran and Sunnah, obeying the Prophet and leader and so on until the top leaders focus on doing for God. Therefore, the Qur'an and the Sunnah emphasized the importance of leadership. A leader is a role model for subordinates also have a large portion in the life of the company. Barney (1986) states that leadership is a process of influencing an organized group in order to achieve the objectives of the group so that the group objectives and organization, motivation, culture maintenance is influenced by leaders. The success of the system depends on the behavior of the leader. Each person must fulfill their responsibility to God and his followers (subordinates) (Surah An-Nisa: 59). Analysis taken from this word of God shows that leaders and subordinates in their role as individual and organization in doing in mind and action is based on the Qur'an and Sunnah that is then accounted back to God. Leaders are in a crucial position in accountability to God because in addition for being responsible for themselves is also responsible for what has been done to their subordinates.

Factors such as deeds, justice, conflict, dedication, faith, ability and obligation collaborate to create a result. At level 1 results are symbolized by reward, punishment or forgiveness. While at level 2 are long-term form of power, security and peace. Man is the representative of God (al-Baqara: 30). In a theoretical perspective this relationship is the same with principal and agent relationship in agency theory. While the information asymmetry occurs when the principal does not have access to all agent information. As for the relationship between human and God, there is no information asymmetry because God has perfect knowledge. All human actions are known and weighed, punishment and reward will be given by God (Surat al-Zalzalah verse 7-8). Good deeds are always promised with reward while bad deeds even though will get punishment but will also be forgiven (forgiveness). In a study of the relationship between motivation and work performance assessment linked to an individual's

motivation to work through sanctions and rewards. Conventional performance assessment (traditional), economic organizations and individual units is evaluated regularly by the actual output compared with the targeted output and input, this is carried out to determine the distribution of rewards and punishments load. At the end of the month, the actual sales will be compared with the target in which individuals are free to try to meet the target as long as not violating the company rules. Finally, fraud, misappropriation, forgery and theft often occurs when organizations and individuals are faced with partial performance and reward evaluation because the driving force is the purpose of maximizing profits.

Unlike the results of level 1 and 2 in the Islamic perspective in which the individual has spiritual purpose and economic goals as a spiritual thrust. Human substance other than spirit are body and an *nafs*, thus maximizing profits, is very low in meeting the needs of the dominance of the spirit and heart. So the rationality of individuals and organizations are guided by the Qur'an and the Sunnah. Physically, reward is in the form of bonus money, house or car while non-physical reward is merit, peace, grace of God, and so on. Meanwhile physical form of punishment is such as warning letter or a down position while the non-physical is sin, anxiety and loss of blessing. However, because Allah is Oft-Forgiving (*Al Ghaffaar*) then no one should turn away from God's grace so that the organization does not necessarily only give punishment but also forgiveness and opportunities. Furthermore is no less of importance is the treatment approach through psycho-theo-anthro-centric that has been described in the previous section, so that mental illness can be cured. In the long run, preservation and maintenance of individual and organizational personality structure through *faith, islam* and *ihsan* will provide long-term results in the form of power, security and peace of both material and non-material. Power materially is the legitimation of the company from the internal and external environment. Power non-materially is the domination of *heart* delivering personality structures toward the spirit existence to reach natural tendency. Security materially is the fulfillment of responsibilities to shareholders, employees, customers, suppliers and even nature. Security non-materially is the promise of God to provide forgiveness and wonderful meeting for doing for God. Peace materially is the fulfillment physical needs while the non-physical peace is the fulfillment inner needs. With the permission of God, the choice to be opportunistic is kept in the smallest part of heart and principal prejudice is jailed by the dominance of *heart* potential. Accountability is no longer limited to the visible but to Him, Light over the Light, Allah, the Mighty, the Great, Allah Azza Wa Jalla.



## SUMMARY

This paper uses Islamic psychological approach to overhaul the agency theory. Principal and agent behavior has been placed at the opposite pole and synergized by materialist contract. Positive approach that is very thick with capitalist mindset has weakened the human element as a social creature who is able to work together in trust. Human substance in Islamic psychology is composed of body, soul and *nafs* will give a real picture that we cannot simply position agents as "definitely" being opportunistic and tend to deny the contract. Developing theories related to human behavior by simplifying human behavior is an unwise action and produce only partial and narrow theories. Positioning manager just as a rational agent that is opportunistic in material measurement is the same as not understanding who is the principal and who is the agent. Basically they are human beings who have a complex, unique and special soul and personality structure. Therefore, to build a theory related to human behavior then we need to know the substance of the human to get the human nature and dynamics materially and immaterially.

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