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## Syari'ah Business Management Model: Case Study of Small and Medium Industries (IKM) in Tanjung Balai

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**ABSTRACT:** *The syari'ah business management model is an interesting theme as its development continues to increase. There are 3 (three) developing models: 1) Sole proprietorships, 2) Partnership, and 3) Muḍarabah, a form of cooperation in which the owner of the capital (Shahibul mal) entrusts a certain amount of capital to the manager (muḍarib) with an agreement at the beginning. This paper analyzes the shari'ah business management model developed by the Small and Medium Industries (IKM) as a business unit with shari'ah principles financing. The number of business units can affect the business management model that is applied, and the management model can affect the results of the business being run. By using qualitative descriptive analysis method, this study found that Small and Medium Industries (IKM) use several business models in accordance with the type of business being carried out, namely single ownership and partnership as well as a combination of both models. The results of the study show that comparative analysis in the application of Sharia business models is almost the same in Small and Medium Industries (IKM). First, IKM uses several business models, according to the type of business being run. That is, the type and type of business that is run influences the business model that is applied. But there is one concept that is used as a foundation in doing business, that is, SMIs are not merely profit-oriented, but there is also a benefit value. Some variations of business models applied by IKM, namely: 1) Sole proprietorship. Second, the business management model implemented by the company can determine the success of a business / business. Therefore it is very important for SMIs to pay attention to the management model of their business.*

**KEYWORDS:** *Business Management Model<sup>1</sup>, Islamic Business<sup>2</sup>*

### I. INTRODUCTION

The development of Islamic business (shari'ah) is now increasingly widespread and mushrooming in Indonesia. One of the drivers is because of the awareness of the majority Muslim community to use and utilize products (goods and services) that are ālāl and ṭayyib. So the role of producers or syari'ah-based business companies is a promising alternative. The development on the one hand should be grateful, but on the other hand it also needs to be watched out. Because it is not impossible that various variations of syari'ah products that have emerged at this time turned out to be nothing more than just 'changing names'. That is, paradigmatically a company can still rest on the concept of secular-capitalistic business, but be polished with label labelsyari'ah or precisely the label of Islamic ethics, such as: honesty, trust and the like. As a result, what is important for the company is getting a profitable market share in the Shari'ah market. This is a challenge for Muslim entrepreneurs in developing a syar'i business. Not just a polish, but also principles, concepts, people, implementation and results that truly showcase the character of a shari'ah-based business that is intact, unique and baraka.

It is undeniable, small and medium industries (IKM) are an economic pillar for a developing country like Indonesia. With the spirit of developing a creative economy through creating value added, it can answer the challenges of an environmentally friendly industry (Affif, 2012). Unfortunately, in the face of business changes, small and medium industries (SMIs) are prioritizing competition with each other in pursuit of business growth, competing for competitive advantage, fighting for market share, and striving to create differentiation. Until not infrequently competition in the market between businessmen brings the consequences of bankruptcy.

As noted by Kim and Moubourgne (2005) that business people in an industry use various efforts to overcome market changes by intentionally making market boundaries to inhibit and minimize new business people. Business people who have been involved in the industry actively continue to protect the market share that they have achieved. This picture of competition signifies a tight industrial competition situation. Kim and Moubourgne, (2005) call it a bloodied ocean or red ocean. The point is the increasingly



crowded market space, profit prospects and business growth decline, the product has been synonymous with commodities.

There are several business principles in Islam that should not be overlooked by business people, both personally and as a business group, that is: they may not use indiscriminate and destructive methods, 1 may not conduct business activities in the form of gambling or there are similarities with gambling 2) do not abuse each other and harm each other, 3 do not act fraudulently in the measure, scales or forgery of quality, 4 and do not use ribawi methods or interest systems.<sup>5</sup> These principles become the main basis in the management of the shari'ah business carried out by entrepreneur or company. But with a variety of business models that are currently developing, it is possible that the principle is violated so that it has the potential to harm other parties. Islam strictly prohibits this from happening. In that context, the models of Islamic business management are interesting to study.

## II. LITERATURE REVIEW

### 2.1. Syari'ah Business Management Model

In general, business terms are defined as activities carried out by humans to obtain income or income or livelihood in order to fulfill their needs and desires by managing economic resources effectively and efficiently.<sup>6</sup> Historically, the word business came from English, namely "Business", from the basic word "busy" which means "busy". Busy doing activities and profitable jobs. In the Indonesian dictionary, business is a trading business, a commercial venture.<sup>7</sup> Business itself has two different senses, namely: first, business is an activity, and second, business is a company. According to Hughes and Kapoor, business is an organized individual business activity to earn profits or sell goods and services in order to gain profits and be able to meet people's needs.<sup>9</sup> Ebert defines business as an organization that manages goods and services to earn profit.<sup>10</sup> In Islam, business can be understood as a series of business activities in various forms that are not limited in the number (quantity) of property ownership (goods / services) including profits, but are limited in the way of acquiring and utilizing assets (there are halal and haram rules) .<sup>11</sup> There are several verses in al- The Qur'an which talks about business, including: al-Baqarah [2]: 282; al-Nisā [4]: 29; al-Taubah [9]: 24; al-Nur [24]: 37; Fāṭir [35]: 29; al-Ṣaff [61]: 10, and al-Jumu'ah [62]: 11.

The Qur'an explains the concept of business with several words which include the words: al-tijārah (trading, trading), al-Bay'u (selling), and tadāyantum (muamalah) .<sup>12</sup> The word tijārah in the Qur'an can be found in Surat al-Baqarah [2]: 282, al-Nisa [4]: 29, al-Taubah [9]: 24, al-Nūr [24]: 37, Fāṭir [35]: 29, al-Ṣaff [61]: 10, and al-Jumu'ah [62]: 11. Al-ba'i is the opposite of the words of al-shira '(buy). Al-ba'i etymologically means selling.<sup>13</sup> The word al-bay 'is mentioned in Surat al-Baqarah [2]: 254, 275. While the word tadāyantum is called once in Surat al-Baqarah [2]: 282. The Qur'an he also often refers to business using the words buy-sell, profit-loss and others as in Surat al-Taubah [9]: 111.

Business in the Qur'an, both taken from the terms of tijārah, al-bay ', ishtarā, and tadāyantum, not only explains business in material nature, but also immaterial. Muslim entrepreneurs as business people must work according to their professionalism and keep up with Allah's commands. In this context the Qur'an offers benefits with an exchange that never recognizes losses, namely tijārahlan tabūrā.<sup>14</sup> Because a shari'ah-based business is a business activity carried out by a person based on the Islamic Shari'a, where every method of obtaining and using the assets they get must be in accordance with the rules of Islam (halal and haram). In Islamic business, one must always remember and submit all the results of the efforts that have been made to Allah. By surrendering to Allah and assuming work as worship someone will always be sincere in work, this is what is meant by tawhīdulūhiyyah

### 2.2 Basic Principles and Business Orientation in Islam

There are four principles (axioms) in Islamic economics that must be applied in the Shari'ah business, namely: tauhid (unity), balance or equality (equilibrium), free will (free will), and responsibility (responsibility) .<sup>16</sup> Tawhid ushered man in the recognition of the oneness of Allah as the Lord of the universe. Therefore, all activities - especially in muamalah and business - should follow God's rules.<sup>17</sup> Whereas balance, justice or equality (equilibrium) is a concept that shows the existence of social justice. Islamic teachings are oriented towards the creation of human characters who have balanced and fair attitudes and behaviors in the context of relations between humans and themselves, with other people (society) and also with the environment.<sup>18</sup> While with free will, humans have a potential in making choices - diverse choices, because human freedom is not restricted. However, free will must be in line with the benefit of individual interests, especially in the interests of the people. Responsibility, this is closely related to human responsibility for all activities carried out to God and also responsibility to humans as a



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community. Freedom in doing business by humans can not be separated from the responsibility that must be given for activities carried out in accordance with what is in the Qur'an that each individual is responsible for all activities.

In addition to the 4 (four) axioms mentioned above, Beekun adds the fifth, namely benevolence or known as Ihsan, 20 namely the will to do kindness and put the business in the direction of doing good. While business orientation in Islam is to achieve the four main things, namely the target results in the form of material profit and non-material benefits, growth, sustainability, and blessing.<sup>21</sup> The target of profit-material and non-material benefits means that the business is not only for profit (qimahmadiyah or material value), but also obtains and provides non-material benefits (benefits or benefits) to internal company organizations and external (environment), such as the creation of an atmosphere of brotherhood, social care and so on.

In addition to obtaining profits and benefits, business in Islam also has a growth, sustainability and blessing orientation. That is, that the company must strive to maintain growth to always increase, while remaining within the corridors of Shari'ah, not justifying any means. What has been achieved must continue to be maintained, so that the company can exist in a long time. In the end, what has been achieved must also bring blessings. That is, the shari'ah business places blessing as a core goal, because it is a form of acceptance of all human activities.

## 2.3 Business Management Model in Islam

Today's business competition is getting tougher. In order for an organization to continue to survive in doing business, it must continually make improvements and innovations. According to Giesen, Berman, Bell and Blitz, as quoted by Melina said that "anticipating massive across diverse industries, top-performing CEOs are focusing on business innovation models as a path to competitive power and growth."<sup>24</sup> This shows how important model innovation is business in competitive strength and company growth. A business model describes the idea of how an organization creates, gives, and captures values,<sup>25</sup> whether economic, social, or other forms of value. So the term business model is used for a broad scope in formal and informal contexts to show the core aspects of a business, including including goals and objectives, what is offered, strategy, infrastructure, organizational structure, commercial practices, and policies and processes - operational processes.

In general, the definition of a business model incorporates customer value creation as one of the core elements. The customer value creation discussed is mentioned in various terms such as "value creation design" or "creating value", but the main meaning of the terms is the same. The business model must explain how the company creates value for its customers. The Prophet is a very successful businessman in his day. There are two main principles that are exemplary from the business trip of Rasulullah. First, money is not the main capital in business, and second, the main capital in business is building trust and trustworthiness (al-amīn).<sup>26</sup> Business in Islam is all kinds of business activities that are not limited (in terms of quantity) of ownership of goods or services including benefits, but can be limited in terms of how to obtain and use (according to Islamic shari'a law).<sup>27</sup> Islamic business controlled by shari'ah law is quite different from conventional business, in terms of ways to obtain wealth and how to use it.

The Islamic business that is in accordance with the syar'i aims to reach falāḥ as the goal of every Muslim's life. So in managing shari'ah business not only looks at material aspects, but also emphasizes the spiritual aspects. In a worldly context, phallā is a multidimensional concept and has implications for aspects of individual or micro behavior and collective or macro behavior.<sup>28</sup> As for achieving phalla, the concept of maṣlahah is known. Maṣlahah is all forms of circumstances, both material and non-material, that are able to increase the position of man as the most noble creature. According to al-Shatibi, maṣlahah is the basis of human life and consists of 5 (five) things, namely religion (din), soul (nafs), intellectual ('aql), family and lineage (nasl) and wealth (māl).

The business model of Islamic business entities comes from the principles and principles of Islamic business economics as a source of reference. From the process and experience in the development of business economics, the crystallization of value systems drives collective business behavior in the shade of the organs of Islamic business entities. The combination of religious teachings as a source of reference, the crystallization of business behavior and the forging of the business world, gave birth to a business model which was later called the Islamic business model.

According to Muhammad Akram Khan, there are three important models in business organizations according to Islamic economics,<sup>30</sup> namely:

a. Sole Proprietorship is a business that is run by individuals without using separate and separate business forms. Sole proprietorships are the simplest form of business organization. All rights owned by the business are rights owned by the owner. Likewise, all obligations or debts borne by the business are legally



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the liability or debt of the owner. Assets and profits generated by a business are owned by the owner who is personally liable to pay any tax that must be paid in respect of the asset and profit.

b. Partnership is an effort that is developed jointly by two or more people to distribute profits from the results of the business carried out by them. The implication of the definition is that the parties that carry out the partnership are equally issuing their own resources. Revenue sharing is the main purpose of this form of business. Profits will be distributed in proportion to the agreement of both parties. In addition, losses will also be borne by all parties. In principle, Islam requires justice and honesty in transactions. There is no standard rule that determines in the profit sharing system whether 50:50, 60:40, 70:30 and so on. The principle is that the most persistent work must receive more than those who do not.

c. Muḍarabah is a business in the form of cooperation between two or more parties where the owner of capital (ṣāhib al-māl) entrusts a certain amount of capital to the manager (muḍarib) with an agreement at the beginning. This form confirms cooperation with a hundred percent contribution of capital from the owners of capital and expertise from the manager. This type of transaction does not require a representative from ṣāhib al-māl in project management. As a trusted person, muḍarib must act cautiously and be responsible for losses incurred due to negligence and the purpose of using capital for halal businesses. Whereas, ṣāhib al-māl is expected to manage capital in a certain way to create optimal profit.

### III. RESEARCH METHODS

#### Research Data

This research data uses qualitative data that measures sharia business models, namely:

- a. The concept of *maslahah*, namely how the business developed is not only profit-oriented, but also there are other benefits to be achieved (benefit oriented). It is through this concept of the problem that the company seeks to maintain growth to always increase. It was implemented with the existence of the Takessa business unit (Sultan Agung Health Tubes) and SA Radio which were more on achieving benefits than profit.
- b. The concept of blessing, which is the highest goal to be achieved. Then the business methods applied must be in accordance with Islamic teachings and not violate prohibitions in Islam. IKM strives to maximally guard each of its activities so as not to conflict with Islamic Sharia laws

#### **Research methods**

The data analysis technique uses descriptive qualitative method which is the method used by formulating attention to solving the problems faced, where data is collected, compiled and interpreted so that it can provide information about the recording, acquisition and classification of problems in the IKM..

### IV. RESULTS & DISCUSSION

#### **Steps to realize a Business Model Strategy**

##### **Principle 1: Reconstruct Market Limits**

In a strategy it always involves opportunities and risks, whether it's an initiative on the red ocean or the blue ocean. But now, the field of competition is very unbalanced, with a tendency to be heavier on the analytical framework and tools to succeed in red ocean competition. In this case, it explains that the company must take action to go beyond the existing market space, but the company has not taken decisions from these recommendations seriously.

In particular, Kim and Mauborgne (2005) found six basic approaches to reshape market boundaries, which are called the six-way framework. These six paths oppose the six main assumptions underlying the strategy in many companies, which keeps the company trapped to compete in the red ocean.

**Tabel 3 Six Roads Framework**



# 1<sup>st</sup> INTERNATIONAL HALAL CONFERENCE & EXHIBITION 2019

	Competition on the Red Ocean	Creation of the Blue Ocean
Industry	Focus on competitors in industry	Road 1: Look at Alternative Industries
Strategic Groups	Focus on competitive positions in strategic groups	Road 2: Look at Strategic Groups in Industry
Buyer Groups	Focus on better serving the buyer group	Road 3: Look at the Buyer Chain
Coverage of product or service offerings	Focus on maximizing product value and service offerings within industry boundaries	Road 4: Look at Complementary Product and Service Offers
Oriental-Functional-Emotional	Focus on improving price performance in the industrial functional-emotional orientation	Road 5: Looking at Emotional or Functional
Attraction for Buyers Time	Focus on adapting to external trends that occur	Road 6: Looking at Time

Source: Kim and Mauborgne (2005)

## Principle 2: Focus on the Big Picture, Not the Numbers

This principle is the key to reducing the risk of planning energy investment and time that is too large with results only in the form of tactical red ocean steps. Here, we develop an alternative approach to the strategic canvas planning process. This approach consistently produces strategies that open creativity from various types of people in one organization, open companies to blue oceans, and are easily understood and communicated to be effectively implemented.

## Principle 3: Reach Beyond Existing Demand

This is a key component in value innovation. To achieve this the company must oppose two conventional strategic practices. First, focusing on existing consumers. Second, the urge to sharpen segmentation in order to accommodate differences on the part of buyers. Non-consumers consist of first-level non-consumers, second-level non-consumers and third-level non-consumers to the market.

## Principle 4: run the strategic series correctly

When the strategy has been obtained and produces a new value curve, the next step is to make a strong business model. This is done to ascertain whether the strategies obtained are able to generate healthy growth and profit.

To build the Blue Ocean Strategy, companies need to test it on four things. The four things are buyer utility, price, cost and adoption.

## Principle 5 Addressing the Main Barriers of Organizations

There are four obstacles in the organization for the execution of predetermined strategies, namely: cognitive barriers, resource barriers, political obstacles and motivational obstacles.

## Principle 6: integrating Execution into Strategy

In the sixth principle there are several influences caused by the fair process of people's attitudes and behavior when management executes the strategy.

## Relationship between Sharia Business Management and Managed IKM Development

In general, the business model applied by an industry depends on the type of business being managed. The business developed by SMIs in TanjungBalai is the shellfish industry, the broom stick industry and the water hyacinth industry. All businesses use sharia-based financing.

## V. CONCLUSION & SUGGESTION



# 1<sup>st</sup> INTERNATIONAL HALAL CONFERENCE & EXHIBITION 2019

Comparative analysis in applying Sharia business models is almost the same in Small and Medium Industries (IKM). First, IKM uses several business models, according to the type of business being run. That is, the type and type of business that is run influences the business model that is applied. But there is one concept that is used as a foundation in doing business, that is, SMIs are not merely profit-oriented, but there is also a benefit value. Some variations of business models applied by IKM, namely: 1) Sole proprietorship. Second, the business management model implemented by the company can determine the success of a business / business. Therefore it is very important for SMIs to pay attention to the management model of their business.

The management of Takessa which leads to losses shows the inappropriate analysis carried out in determining the business management model. Also the management of Pumanisa should be applied to a cash register reporting system to make it more accurate and maximum profitability. 2) The need for an intensive dialogue as an education to the public and business people regarding the Shari'ah business model that is not well known. Education to the public will be able to create a strong syari'ah market because people can know a variety of shari'ah business models, and are expected to prefer a syariah business model rather than a conventional business model. Education of business actors will encourage the development of syari'ah business models that are developed because it can facilitate all parties in choosing businesses with the business management model that will be implemented.

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