

BUSINESS NETWORK STRATEGY IN ISLAMIC MICRO FINANCE INSTITUTION OF ISLAMIC BOARDING SCHOOL

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Abstract

Purpose of the study: This study aims to explore the Sidogiri Islamic Boarding School (IBS) that have Islamic Micro Finance Institutions (IMFI) business portraits and strategies to develop the business model.

Methodology: The paper using qualitative method using study case. It observation, interview, and review previous study.

Main Findings: Pondok Pasentran (PP) Sidogiri has developed business network model that keeps part of social function. There are three business model that runs by PP Sidogiri; value chain, networking mode, operating model and value proposition. All the business model based on Islamic principles. There are three practical strategies includes the need for integration and awareness related to business models that involve all components of the business network owned by IBS Sidogiri.

Implications of the study: This conceptual study highlights practical development strategies for Sidogiri IBS IMFI based on the potential, through business network, management and performance measurement model of PP Sidogiri.

Novelty/Originality of this study: The paper suggests development strategies based on the network which involves all components of a large business network owned by PP Sidogiri, including santri, branch madrasa, UGT, alumni and sympathizers who form a unified whole as a business network.

Keywords: Business network, Islamic microfinance, Islamic boarding school, Pasentran, Business strategy.

INTRODUCTION

Education is an important agenda that needs to be considered because the future of younger generation will be based on education (Ajmain, M, et.al, 2019; Lynch, S. et.al. 2019; Panagiotakopoulos, 2014; Vilke & Vilkas, 2018; Zaptcioglu, C. 2017). Islamic education has a complex and long-term vision, namely the goodness of the world and the hereafter is as pronounced in the Quran, Chapter 21:107. Based on this, Islamic education is developed to form a dynamic and adaptive society order for change by adhering to Islamic values (Choudhury, A. 1989, 1990; Habib Rana & Shaukat Malik, 2016).

The term boarding school (Islamic Boarding School - IBS) is always related to the cottage (Izfanna & Hisyam, 2012). Islamic boarding schools come from the santri word which means "the place of residence of the santri" (Dhofier, 1983). While santri are from Tamil, which means the teacher recites. The context of understanding about this Pondok Pasentran (PP) is similar to the hermitage which in its environment there is a housing complex for the residence of the students (students). The housing is usually in the form of room plots as a dormitory. The basic elements that must be fulfilled by the PP are huts, mosque, the teaching of classical Islamic books, Kiyai as founders and leaders, and of course santri as students of knowledge.

Characteristics of pesantren according to can be seen from the general pattern of traditional Islamic education, the tradition of rihlah (journey of seeking knowledge), and the teaching system (Dhofier, 1983). Other characters from pesantren are referred to as great traditions such as blessing and reward. Another phenomenon of the pesantren that becomes distinctive is its soul, which is the underlying spirit and permeates all activities carried out by the entire boarding school. In the course of the development of the era with a number of contradictions or anomalies of values in the midst of society, pesantren conduct resistance in the form of reactions or responses and adaptations. One reason is the nature of the pesantren's liquidity. Islamic boarding school liquidity can be seen from the history and orientation of Islamic boarding schools that always change with the times. Due to the development of pesantren orientation, currently, pesantren are divided into three types namely IBS Salaf, Khalaf (modern) IBS and Integrated (Integrated) IBS.

The IBS Salaf has several characteristics, namely the management and administration of Islamic boarding schools is very simple with the pesantren management system centered on the rules of the Kiyai; very attached to the Kiyai figure; the pattern and system of education are conventional or based on old traditions with the teaching-learning process are unidirectional (scholars teach and students listen), teaching methods are known as sorogan and bandongan (wetonan) and do not know the level of the class; the santri buildings and dormitories are not neatly arranged and generally blend with nature.

While the IBS Khalaf has the characteristic of having management and administration with modern standards; Not bound or centralized to clerical figures; Has a pattern and modern education system with a blend of curriculum between subject-based religion and general knowledge-based subjects; Facilities and forms of Islamic boarding schools are more established, organized, permanent and usually fenced. Finally, Integrated IBS has the characteristics of semi-salaf type and

semi-khalaf; Having strong traditional values and Kiyai are still central figures; The norms and code of ethics of classical boarding schools are still the standard patterns of daily student relations and etiquette in Islamic boarding schools; Adapting the modern education system as a form of response or adjustment to the development of non-boarding education institutions.

Indonesia as a country with the largest Muslim population in the world also has a large number of IBS ([Darmadi, 2013](#); [Kasri & Ramli, 2019](#); [Vanany, Soon, Maryani, & Wibawa, 2019](#)). Furthermore, IBS has a role in empowering the local economy and the underprivileged community ([Hudaefi & Heryani, 2019](#)). Of the thousands of IBS in Indonesia, 63% include the IBS Salaf. For the IBS and Integrated IBS registration, each 6%, and 30%. As an educational institution, pesantren are expected to be able to be independent in their operations. Therefore, pesantren strive to obtain halal income for the continuity of the teaching and learning process. Given that one alternative solution is to establish a boarding school business institution, not a few who have business lines operated such as the Islamic Micro Finance Institution (IMFI - Baitul Maal wat Tamwil). Of the total IBS in Indonesia, Sidogiri IBS is the largest IMFI in Indonesia ([Direktorat Pemberdayaan Koperasi dan UKM Kementerian Perencanaan Pembangunan Nasional, 2014](#)). Sidogiri IBS designs all of its business institutions in "Sidogiri Sharia Business Network" which consists of Sidogiri Kopontren (Islamic Boarding School Cooperative-Islamic Boarding School Cooperative), UGT (Task Teacher Business) IMFI, and MMU (Masalah Mursalah lil Ummah) IMFI.

UGT IMFI and MMU IMFI were established with the main goal of providing alternatives to people who want to practice Islamic finance. Both IMFIs have different bases where IMG UGT has a wider range (national scale). Whereas Sidogiri Kopontren is a means of pesantren income, as a learning tool for santri in entrepreneurship and as a provider of daily needs for the community at a fairly competitive price.

In the end, this study sought to explore how the Sidogiri IBS IMFI business portraits and strategies to develop the business model. The results of this research are different studies previously conducted by ([Abdelkafi & Täuscher, 2016](#); [Magretta, 2010](#); [Morris, M. et.al. 2005](#); [Schaltegger, S. et.al. 2016](#)) focuses only on business models on social institutions without formulating development strategies. The next part of this study discusses the research methods used, then presents the results of the study. Finally, this research will conclude.

METHODOLOGY

This type of research uses a qualitative approach. The application of this qualitative method takes into account the possibility of data obtained in the form of data in the form of facts that need an in-depth analysis of the form of business models and business development strategies of the IBS Sidogiri business unit ([Garcia & Gluesing, 2013](#)).

The focus of the research is the business model and business development strategies of pesantren in an effort to run their social roles and functions. This type of research is a case study with the object of research used is IBS Sidogiri, Indonesia. In this case study research, the author uses time-series data whose analysis uses descriptive, where data is obtained through observations (field research), interviews, and library documentation.

Some analytical techniques are carried out, namely direct observation where the researcher directly observes the object under study; Interview technique was conducted an in-depth deep interview, where the researcher conducted direct interviews with the scholars, managers, and students of PP Sidogiri. Finally, the documentation and library techniques used previous related research studies.

DISCUSSION / ANALYSIS

Portrait of the IMFI Business Model Network-Based

As a boarding school that has stood and existed for almost three centuries, PP Sidogiri has a very large network. The network, among others, is the first santri network which has a very large number and has the potential of a network, namely the Wali Santri network of each santri child. Second, the branch network madrasa where the main madrasa has a different number of branch madrasas in each of the main madrasas. Third, the UGT network. Fourth network alumni who number in the thousands and spread across Indonesia, Malaysia and the Middle East. Fifth, sympathizers of Sidogiri IBS both from academia and practitioners.

There are several elements that form the basis of the business model run by PP Sidogiri, namely value chain, and networking model, operating model and value proposition . This is important considering that the business model used is based on ukhuwah so that the basis of its fundamentals is the value chain and networking model supported by the value proposition .

Value Chain (why the product or service deserves to be chosen by the customer) is implemented by taking into account the value of Ukhuwah. Ukhuwah means not just brotherhood, but rather a close bond of socio-economic adhesives and has a significant effect on the achievement of society's progress. Ukhuwah is expressed in community attitudes and behaviors that have kohesiv character, mutual trust, give and receive, and protect each other for mutual progress.

The Networking Model is applied to the value of patterned Silaturahmi and Inpekbi. Patterned silaturahmi is a trustworthy commitment of mutual trust, mutual protection, and advancement and a commitment to compete in virtue. Inpekbi is the

principle and foundation of the pesantren in business development and community empowerment. There are four underlying elements: (1) Ilahi = economic and business development must depend entirely on God; (2) Personal = Successful business and economics must be sustained by superior and competitive human resources (good work ethic); (3) Economy = all business activities must be managed properly (professionally); (4) Kinship = all efforts are carried out on the principle of kinship (strong commitment and inner bond)

The Operating Model (how these values are implemented in the rhythm of the company and given to consumers) is implemented by taking into account competitiveness, market orientation and customer orientation, virtue, and quality, quantity and continuity. Competitiveness is the process of developing innovation in offering products that are produced (there is added value from the products produced). Market and customer orientation is a balance between material and spiritual, market-oriented and avoid disappointing customers. The orientation of virtue is to protect and promote each other in strong partnership cooperation and high commitment to the development of Islamic boarding schools. Whereas Quality, quantity, and continuity is an action to prioritize the virtues in the entire business process by not excluding the quality, quantity and continuity factors of production.

Value Proposition (the value created by the company for the customer) is applied by taking into account the concept of mutual benefit and mutual prosperity. Mutual benefit means being able to create an increase in welfare not only for parties directly involved (both internal and external) but also for the surrounding community. Whereas common welfare means a direct impact on improving people's welfare and socio-economic justice.

Development of IMFI Business Model Strategy

The first strategy is the need for integration and awareness related to business models that involve all components of the business network owned by IBS Sidogiri. As mentioned earlier, IBS has students, branch madrasas, UGTs, alumni and sympathizers who form a whole unit as a business network. IBS Sidogiri needs to do promotion and education related to this. With the integration and good awareness between the parties related to the IBS culture then good communication will occur and programs that are owned by IBS Sidogiri are able to run optimally. Of course, the promotion and education must be done by those who understand each element and its implementation must be adjusted to its audience.

The next strategy is to create a business process flow that includes several management focuses, namely finance, marketing, and human resources so that PP Sidogiri is able to develop the business properly. Financial management is not only concerned with allocating and using funds efficiently but also related to asset regulation decisions which have an effect on policy-making to manage company assets in order to achieve the organization's main goal of generating profits but still efficient in its use. Besides that, it is also related to funding decisions where the management policy is for matters relating to obtaining funds.

Next, marketing management is a management activity based on its function which essentially strives to identify what the market really needs, and how it can be fulfilled. The Marketing Management function includes market research, product development, communication-promotion, distribution, pricing and service delivery. All of these activities are carried out to know, serve, fulfill and satisfy market needs.

Then, human resource management. Human resources (HR) is one of the most important factors that cannot even be separated from an organization. HR is also the key that determines organizational development. In essence, human resources in the form of humans are employed in an organization as a driver, thinker and planner to achieve the goals of the organization. Increasing the performance of human resources will have an impact on the better performance of the organization in carrying out its role in the community. Improving the performance of human resources requires systematic and directed management so that the process of achieving organizational goals can be carried out effectively and efficiently.

The next strategy is to analyze and compile performance measurements on the IBS Sidogiri business model. Of course, the compiled model will have its own problems. Therefore it is important to analyze and compile performance measurements. Of course, it must be adjusted to the needs and carried out by people who are experts in their fields.

CONCLUSION

This business network model is a form of pesantren business development strategy that is inseparable from the role and social function of PP Sidogiri. This economic empowerment certainly involves all the components of a large business network owned by PP Sidogiri, including santri, branch madrasa, UGT, alumni and sympathizers who form a unified whole as a business network. In its operations the business network consists of three elements that form the basis of the business model run by PP Sidogiri namely value chain, networking model, operating model and value proposition with *ukhuwah* as its fundamental foundation.

In addition, there are three practical strategies to optimize the model. The strategy includes the need for integration and awareness related to business models that involve all components of the business network owned by IBS Sidogiri. Then it is necessary to create a business process flow that includes four management focuses, namely finance, operations, marketing, and human resources so that IBS Sidogiri is able to develop the business properly. Then it needs to be compiled and analyzed related to performance measurement in the business of the PP Sidogiri model.

LIMITATION AND STUDY FORWARD

This study still uses a qualitative approach, but it has succeeded in formulating a strategy for developing a business unit for Islamic Boarding School.

Future research can be in the form of action research and reviewing how effectively this model is applied to business units in other Islamic boarding schools as a form of empirical study.

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