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## 1 Ulema's Business Strategy in Indonesia: A Study Case

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**Abstract:** *The role of ulema in the life of the Madurese community is not only as a religious leader but also as an advisor in all aspects of life, e.g., marriage, childbirth, aqiqah, and death. In addition, ulema also plays a role in the development of community business, as has been done by several ulemas in Madura, such as one of the caregivers of the most prominent Islamic boarding school in Madura. This study aims to analyse the business strategy of Madurese ulama. It is qualitative research with in-depth interviews about the business strategy developed by ulema in Madura. Four Islamic boarding schools and ulema are the objects of this research, so this research concludes that the ulema in Madura do not have a specific business strategy. However, observing the business practices carried out by the Madurese ulama, the ulema has implemented a business strategy, namely a product differentiation strategy. Product differentiation strategy is a competitive strategy that refers to different customer perceptions of the same product. Thus, all business areas cultivated by ulema will be developed on the condition that they do not conflict with Islamic teachings.*

**Keywords:** Boarding school, Business strategy, Product, Ulema.

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**Paper type:** Research paper

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**Abstrak:** Peran kyai dalam kehidupan masyarakat Madura bukan hanya sebagai pemimpin agama, namun juga penasehat dalam semua aspek kehidupan, mulai dari proses menikah, melahirkan, aqiqah, sampai meninggal dunia. Selain itu, kyai juga berperan dalam pengembangan bisnis keumatan seperti yang dilakukan oleh beberapa kyai di Madura seperti salah satu pengasuh pondok pesantren terbesar di Madura. Penelitian ini merupakan penelitian kualitatif dengan wawancara mendalam tentang strategi bisnis yang dikembangkan oleh kyai di Madura. Ada empat pesantren dan kyai yang mejadi objek penelitian ini sehingga penelitian ini menghasilkan kesimpulan bahwa para kyai di Madura merasa tidak mempunyai strategi bisnis secara khusus. Akan tetapi mengamati praktik bisnis yang dilakukan oleh kyai di Madura maka kyai sebenarnya telah menerapkan sebuah strategi bisnis yaitu strategi diferensiasi produk. Strategi diferensiasi produk merupakan sebuah strategi persaingan yang mengacu pada persepsi pelanggan yang berbeda terhadap sebuah produk yang sama. Dengan demikian semua lahan bisnis yang memungkinkan untuk digarap oleh kyai, maka akan digarap dengan syarat tidak bertentangan dengan ajaran Islam.

**Kata kunci:** Kyai, Pesantren, Strategi Bisnis, Produk.

## INTRODUCTION

For the Madurese community, the figure of the ulema is used as a religious (spiritual) teacher and very influential in various aspects of life activities, such as social aspects, education, culture, politics, and even in terms of the economic development of the people. Ulema is considered an important figure in the social context of the Madurese community, especially in the transformation of religious values. The role of the ulema is also crucial because he is considered an influential figure in teaching and defending the importance of Islamic education (Pribadi, 2012).

The term ulema for the Javanese and Madurese communities is also called 'kyai' (*warasatul anbiya'*), who usually have boarding school as a forum and means of preaching. The existence of the ulema in Madura has become a role model because he is known as an authoritative figure and has good religious knowledge. Hence, his *dauh* and fatwa are always the basis for acting and behaving. In addition, (Dhofir, 1994) mentions that the ulema becomes very influential due to their leadership which is considered charismatic and understands the people's suffering. The role of the ulema in social life is not limited to strengthening religious values (*tafaquh fi al-Din*) but how he can influence more prominent aspects, such as the economic aspect (*tafaquh fi al-Tijarah*). The figure of the ulema has excellent potential to realise a robust social order in various elements of Madurese life. Therefore, it can be illustrated that the role of the ulema also affects the community's survival, especially for the Madurese community (Pribadi, 2013).

All aspects of community life require the services of an ulema, such as: leading a wedding procession and birth celebrations (Pribadi, 2015) Nevertheless, the current phenomenon shows interesting facts for study when an ulema has been involved in many activities in the economic field. This phenomenon indicates that the ulema figure becomes multi-role because his authority can be a strong potential in creating and building success in the financial field. In addition, the role of the ulema for the Madurese has become so strong that it has become a "way of life" and a reference for social values in people's lives.

The success of the ulema in Madura gave birth to an in-depth study of the economic thinking of the Madurese ulema. It will undoubtedly become a "madhhab of thought" that can be studied to add to the scientific treasures in Islamic economics (Pribadi, 2015). The colours and polishes of the characteristics, as well as the local wisdom contained, will inspire to move the dynamics of economic thought in the Indonesian context. The influence of the ulema on the Madurese community will significantly affect how people think about the importance of building the economic strengthening of the people, as it is also vital to maintain and strengthen the values of Islam in the context of social life.

Several previous studies have been conducted on business strategy in the context of institutional development. First, Kassemeier et al. (2021) reveal the company's ways and techniques to satisfy customers and how the processes are carried out to build customer relationships. The results of this study indicate that the approach adopted by the company to build intimacy is to continuity in providing the best service for customers, show uniqueness to customers, and always strive to improve services and products to customers/consumers. It is done to gain sympathy and psychological closeness between the company and its customers.

Second, Jayaswal et al. (2011) found that to understand the interaction between product substance and the company's operational strategy and how these interactions can form an optimal product differentiation strategy. The results of this study indicate that the steps taken by the company are to offer many different products under the same capacity. In addition, several steps are taken, including the company's operational strategy, financing of the company's ability, and the end customer behaviour.

Third, (Shao, 2020) investigates production strategies in markets where customers have heterogeneous preferences for certain types of products. The results of this study indicate that a high-level mass customisation system can only sometimes increase optimal results. It means that consumers prefer low-level mass customisation systems. With these results, the strategy pattern used is based on real situations and conditions in the field.

Previous research shows that strategy in business is a vital thing to do. On a regional scale in East Java, the Sidogiri Islamic Boarding School is an example of the importance of building economic independence for Islamic boarding schools. It means that awareness of the economic strengthening of the people has become a particular concern for ulema, especially in efforts to strengthen boarding school institutions (Karim, 2008). Even though ulema and boarding schools have succeeded in creating economic strengthening, a conceptual study of the role and ulema strategy in building a strong economy is necessary to discuss. In addition, the phenomenon of ulema in Madura is a unique and exciting entity to conduct an in-depth study related to economic themes, one of which is in the business aspect. Ulema in Madura as an entity certainly has its business strategy because of the complexity of the problems handled by the ulema. However, they still take the time to be actively involved in economic issues, so it becomes interesting to study.

As religious leaders and community leaders, ulema also has a unique strategy to create an excellent economic atmosphere through the values of spiritual teachings. The role of the ulema also has a new colour in studying Islamic

economics. Therefore, it is imperative to have an in-depth conceptual study of the ulema's strategy for building an effective economy to strengthen the people's economy. The purpose of this study is to analyse the business strategy of the Madurese ulema.

### **Business Strategy with Cost Leadership Concept**

Cost leadership focuses on strategies to reduce economic costs so that they are lower than other competitors in the market. Therefore, the price offered is lower for similar products in the market. In terms of cost is an advantage that will win the battle in a business competition. This strategy generally focuses on reducing the accommodation costs of a company so that the company can offer its products to consumers at a lower price than the market price in general. This strategy aims to attract consumers because the price factor is always a consideration in shopping. By providing a more economical fee, the opportunity for "exploding" sales will be more incredible, which will be the advantage of our product compared to other company products (Puspoprano, 2006).

The quality of a product offered in a business is one of the determinants of customer satisfaction. However, the excellent quality of a product also has an impact on the number of costs that entrepreneurs must incur. Therefore, business actors need careful consideration so that the business runs optimally with clear goals and objectives. Moreover, in achieving the purposes of a company, a strategy is necessary for determining a price. Two factors can be used as a reference in determining product prices, including internal and external factors. Internal factors include product production costs, marketing costs, optimal profits, market share, and company cash flow. Ensure that sales revenue will cover the cost of producing and marketing the product. It happens a lot in new developments where the company's goal is only to meet expenses as a temporary effort to build an effect on the market. External factors include demand elasticity, customer expectations, direct competitor pricing, related product pricing, direct product pricing, and government regulation. Demand elasticity means the more demand, the higher the product's price. Customer expectations are that the more consumers feel this product is valuable, which can affect the price. Direct competitor pricing is product competitors influence the pricing of products to be marketed. Related product pricing means a description of a product whose benefits are the same as a new product whose price will be determined. The price must be adjusted to the paramount product price. For example, the headset price will be adjusted to the price of the cellphone as the main product. Government regulation means the products to be marketed must comply with the standards set by the government—the more complex the standards set by the government, the higher the product's price (Haron, 2016).

Those factors can be the primary reference by business actors in determining the prices of the products they manage so that these products can compete. Business actors can also read the future threats and challenges of business. So with this estimate, business actors will have the right solution for the upcoming global market challenges (Duffy, 2003).

The dynamics that develop within the company run very fast. It encourages every company to be able to adapt to changes and existing social developments exclusively. Opportunities and threats continually evolve along with the development of social life. It is undoubtedly a challenge for each company to actualise itself with these developments and changes. Companies that are responsive in anticipating changes and developments in social dynamics tend to be more successful than those slow and even neglectful of the dynamic developments (Carroll, 2000).

To **21**'s business opportunities are highly dependent on the times. They are entering the era of the industrial revolution 4.0, where everything is internet-based. So the enormous business opportunity today is online business (Pires & Gonçalves, 2010). In addition to the times, geographic location also affects business opportunities (Davidsson, 1991). Doing business in goods or services often needed by the community is today's most prominent business opportunity (PolicyLink, 2007). Problems or threats often occur in small businesses, are less promotion (marketing) processes, improper management of workers, and no product development (Huang & Brown, 1999).

To realise a cost-effective leadership strategy, every company must have strong characteristics attached to the company, such as how the company can implement simple management and focus on a limited business (Cambra-Fierro et al., 2008). In addition, quantitative financing needs to receive significant attention because cost leadership can be a spirit to suppress all less important financing aspects (Cooper, 2015).

Using **the right strategy is one of the success factors for** every company in managing its institution. Therefore, management and leadership strategies are decisive factors that every policyholder must consider, especially a manager in the company. The cost leadership strategy has become an inseparable part of the construction of marketing management in general (Marx, 2015).

#### **Business Strategy with Product Differentiation and Focus**

**Product differentiation is a competitive strategy that refers to different customer perceptions of the same product** resulting in a premium price. The customer's perception is pursued (Bittmann et al., 2020). For example, watch products, people have the perception that Rolex is better than Seiko. Another example of bottled water with the Aqua brand is better than the Total brand. This product differentiation strategy is a positive way of competing (Tintara & Respati, 2020).

A differentiation strategy is a company that can create product advantages by placing the differences between the product and other people's products (Swink & Harvey Hegarty, 1998). The strategy is more directed at how to create a perception of a product. Perception dramatically influences a person's interest in choosing a product, so a good perception will give birth to trust and encouragement to choose the product (Kalicharan, 2014). The existence of more value for a product will also encourage someone to be able to select a product so that the sales potential will be even more tremendous (Swink & Harvey Hegarty, 1998). Product differentiation makes a company get a relatively high price above average (premium price). It is related to how to play a product's environmental opportunities and challenges.

Hence, customers are willing to pay more for products that meet their size, taste, style, needs, or expressions (Jayaswal *et al.*, 2011).

The implementation of differentiation certainly requires a very mature concept. Differentiation should be based on how our products have a good impression on consumers to build a good perception. However, differentiation is not only about the product but also about providing a good perception of managerial aspects and services so that it can be embedded in the minds of consumers that the company has a focus and orientation towards users (customer-oriented) (Turunen & Toivonen, 2011). Conceptually, product differentiation indicators can include form, features, performance quality, suitability, durability, reliability, repairability, style, and design. Therefore, these indicators are expected to be a separate consideration in implementing a differentiation strategy to current product needs (Dejawata *et al.*, 2014; Kotler & Keller, 2009).

Implementation of the differentiation strategy also often encounters problems in the field. It is due to the complexity of the problems in the company's management, such as product aspects, marketing challenges, distribution channels and the level of service provided. Strengthening managerial elements is essential to provide direction and reference in preventive and curative actions (Bititci *et al.*, 2011). In addition, several steps should be carried out for a better business strategy. (1) There is a determination of time and money to formulate a strategic plan. (2) Analysis of conditions. (3) Mapping between personal goals and company goals. (4) There is a company problem specification. (5) The strategy implementation has been determined by mentioning the strategy in detail. (6) Control and feedback are a necessity of an implementation (Puspoprano, 2006).

It is necessary to monitor the management policies to neutralise the problems occurring in the product differentiation implementation, which include managerial control, compensation policies and organisational management structures. The issue of implementing product differentiation found in every company will undoubtedly be different. It depends on the company's ability to control and adapt to the phenomena in the field. Companies that can master and adjust to field situations are more likely to be able to overcome these problems. On the other hand, companies that are slow and passive in adapting tend to experience difficulties. Management flexibility is needed to obtain better results (Puspoprano, 2006).

## <sup>5</sup> RESEARCH METHODS

This research is a phenomenological approach, a type of qualitative research with a social definition paradigm engaged in micro studies to provide space for individuals to make interpretations to gain knowledge about a meaning. This study emphasises the research purpose, which refers to the sense of social activities experienced in individual consciousness empirically by interacting directly with the research object (Eckberg & Hill, 1979). This research is a field study of business activities by ulema in Madura as a form of social action. The business strategy of ulema in Madura will find something behind the visible. One of the phenomenological methods of "because motives" and "in order to motives" sharpen the business dynamics findings (Ailon, 2020).

The data in this study were collected through interviews, observation, documentation, and three reductions. First, phenomenological reduction, all experiences in the form of consciousness are filtered or temporarily confined. In other words, researchers seek to reveal the nature of the phenomenon that occurs. Second, editic reduction or sorting/editing to find the essence of nature found by using the following steps. (1) Imaginatively illustrating through oral history or anonymous confrontational, as it happened. (2) Identifying and classifying through an interpretative or in-depth interview. (3) Sorting carefully, then analysed simultaneously and in-depth(Dimyati, 1997). Third, transcendental reduction, obtaining a pure state of the subject. Efforts are made for the subject to get rid of all knowledge and empirical possessed so that the subject returns to a clean soul in pure consciousness (transcendental) to construct or compile the subject being targeted. For this reason, in-depth interviews are needed with e<sup>20</sup>pathy for data informants and clarification. The <sup>24</sup>earch location is in Madura. The selection of the research locus is based on the consideration that the ulema's business activities are apparent in the city, and Islamic boarding schools even own many supermarkets.

## RESULTS AND DISCUSSION

### Ulemas Position in Madurese Community Life

#### Madurese Community Religious Activities

Religious teachings visibly inspire community activities. Religion has become the lifeblood of the Pamekasan community. Moreover, Pamekasan is a city of Salam Gate. The community's religious practice can be seen as natural in Pamekasan. Even the desire to go on a pilgrimage is the desire of every Madurese conscience, including the Pamekasan people (Qurtuby, 2017). Regardless of the status that will be held, the pilgrimage becomes religious legitimacy in Madura. Although there is a paradoxical phenomenon, immorality leaders still proudly carry the title of Hajj. Owners of bullocks, pigeons, and *tayuban* are not reluctant and even proud to be called *abah* (father). However, as a symbol of religious fanaticism, ulema is highly valued in Madura.

Islamic boarding schools have made a significant contribution. Islamic boarding schools also affect people's life. A pesantren or its subordinate organisation hardly inhabits an inch of land in Madura. The religious condition of the community must be kept from establishing several Islamic boarding schools in Pamekasan(Susilo et al., 2021).

Islamic boarding schools are the most elite religious education institution for the Muslim community in Indonesia, especially in areas with a reasonably high level of religiosity, such as Madura island(Saputro, 2011). It is not surprising that the scientific history of Madurese scholars is mainly based on Islamic boarding schools. The rest is learning from their parents, prominent Madura scholars, and self-taught (autodidactic) (Jannah, 2019).

The Madurese community puts religious values in every aspect of their lives, thus placing the ulema/kyai as an inseparable part of the local social structure. Although the ulema is exclusively known as religious leaders, the Madurese community recognises the ulema's function in various lifelines, ranging from social, cultural,



political, educational and economic roles (Mansumoor, 1990).

In general, the social life of the Madurese community cannot be separated from the ulema's role as a religious figure. Every aspect of the social life of the Madurese community cannot be separated from its role. It can be seen from how this character dominates every part of life in Madura. In addition, ulema's role can also be seen in how he can unite the Madurese community. He can exert considerable influence through his charismatic authority and leadership, especially in knitting brotherhood and community cohesiveness.

The existence of ulema (mainly traditional ulema) has a unique lasting power as an intermediary between the people's beliefs and between the people's goal of salvation and their efforts to achieve these goals. They are subject to authority holders who are seen as having better knowledge, wisdom, or understanding. The Madurese community's obedience to the ulema as the authority holder (authoritative) involves a different spirit, submission, and voluntary obedience with full awareness of leaving their personal opinions (Horikoshi, 1987).

Specifically, the people in Madura have the freedom to form various religious associations (*koloman*), such as koloman for reading *Yasin* and *sholawat*, and classical books studies by an ulema. Therefore, the ulema role in the Madurese community has a high position in education, social religion, politics, and economics.

#### Religious Fanaticism

One of the reasons for the ulema's decisive role in the Madurese community's social life is religious fanaticism (Burhani, 2019). This fanaticism encourages someone to be loyal, committed, blind taqlid, and even willing to sacrifice himself. Religious fanaticism is sometimes expressed positively and negatively. It depends on how the individual can actualise himself on an object. Intense fanaticism towards religion will give birth to faith and devotion to carry out religious teachings. However, fanaticism sometimes leads to negative things, such as intolerance, religious radicalisation, and terrorism.

Since ancient times a sense of religious fanaticism can be read in existing inscriptions. The *kennong* and *gong* stones indicate that ancient Madura was an animist. Likewise, it can be recognised by the names of several places such as temples, mandalas, and *semayang* as places of worship to the great one. Even to respect a religious site, the area is freed from the tributes imposed on other places. Since the entry of Islam into Madura around the XV century, fanaticism has shifted to Islam so that Madurese Islamic fanaticism is aligned with Aceh, Minang, Bugis, and Sundanese (Rifa'i, 2007).

Ulema, usually called *syaiichona* (all our teachers), has given birth to several great scholars in the archipelago, including the presence of several well-known names, i.e., Kyai Hajj (KH) Hasyim Asy'ari (founder of Nidlatul Ulema and founder of Tebuireng boarding school), KH Abdul Manaf (Lirboyo Kediri) KH Muhammad Siddiq (Jember), KH Bisri Samsuri (Jombang), KH Munawwir (Krapyak Yogyakarta), KH Maksum (Lasem), and KH Abdullah Mubarak (Tasikmalaya). Around the nineteenth century, a well-known cleric, i.e., Syaichona

Muhammad Kholil, was in West Demangan Bangkalan. Not only was Nahdlatul Ulema born from (blessing) Madura, but Sarekat Islam (SI) which achieved its glory in the twentieth century, is increasing in Madura. The Islamic condition in Madura, especially in Bangkalan and its surroundings, could be predicted as the best period of all time. With a supportive condition, SK becomes an excellent magnet (Rifa'i, 2007).

The historical facts above cannot be denied. Primarily, Madura is still consistent in contributing to the birth of religious and nationalist figures (Latif, 2018). Therefore, Madura's role in developing and strengthening the nation and state cannot be doubted. Madura's "Golden polish" is limited to building the Indonesian government and a more advanced nation based on religious values as a characteristic of the Madurese community.

The religious practice of most of the Madurese is to follow the <sup>16</sup>*ahl al-sunnah wa al-jama'ah*. Most of them practice the *Shafi'i* madhhab (Hilmy, 2015). In Madura Island, Islam-affiliated religious and political organisations have a militant, although there may have been much turmoil during the *New Orde*. Tarekat has a dominant number of followers in Madura. The religious potential in Madura is a political force that cannot be underestimated. Likewise, religious broadcasts, i.e., commemorating Islamic holidays such as molotan (commemoration of the Prophet Muhammad's birthday), are carried out on a large scale, especially in the Sampang and Bangkalan areas. Carrying out the commemoration of the Prophet's birthday is an unwritten obligation. *Khitanan* (circumcision) and *mantenan* (wedding) ceremonies are coloured by religious celebrations such as the completion of Qur'an recitation (*khataman* Qur'an). Some people include music in the ceremonies, but the number is a few. In Madura, there are also foreigners, such as many Chinese, who have converted to Islam. In Madura, there are also foreigners, such as the Chinese, and many of them become *muallaf* (Rifa'i, 2007).

The facts show that the Madurese are an ethnic group that firmly holds religious traditions and culture. Intense fanaticism towards the ulema is part of the implication of their belief that the ulema is a knowledgeable, authoritative, and religious figure and represents the true face of Islam. This belief is inherent in the Madurese community, so it is always passed on to their descendants until now.

The description of religious conditions in Madura can be understood in historical artefacts, language, behaviour, and culture that cannot be separated from the taste and nuance of religion. Religion has become a *kiblat* and a compass that helps regulate the rhythm of Madurese life.

### **Ulema, Islamic Boarding School Leader, as Business Strategy Initiator in Madura**

In running their business, ulema in Madura applies several understandable business strategies. However, due to the business variety run by the ulema, the business strategy mapping will be explained by informants as follows.

#### **Ulema as Business Strategy Initiator at Banyuwanyar Boarding School**

In implementing his business strategy, one of the ulema, as the first informant, admitted that he did not know much about business. However, he was willing to

learn about the business strategy from anyone. As an illustration, he entered the tobacco business and failed. Then, a famous Chinese businessman in Pamekasan, AA, who owns an SB shop, visited him. The ulema wonder why AA's business is multiplying. If AA rented a place, slowly but surely, his business would increase, and even he would buy the rented area. AA explained the concept of his business strategy that he applied in doing business, primarily for the commerce sector, i.e., do not allow buyers to owe, glorify and appreciate customers, use time effectively, and always check/control the stock. Furthermore, after AA generated profit, he used only 25%, while 75% will be retained earnings. Thus, his business is growing because the capital is increasing.

It is practised by one of the ulemas, for example, in pioneering bottled drinking water under the NN brand. Initially, the capital was around 180 million rupiahs. Each year, the capital was added to about 800 million rupiahs. In 2021, the estimated total turnover will be approximately 2 billion rupiahs. NN bottled water can be produced in 2000 doz per day, estimated to earn 20 million rupiahs per day, after deducting employee salaries of as many as 34 operators and employees per month, around 25 million rupiahs.

Furthermore, ulema also explained that he leans on how the Prophet Muhammad ran a business. He will find the best way to realise everything possible to become a business, as he said:

"In running my business, I am not picky. I do everything that can be done. When the Prophet's friend asked him what he would do, he told his friend to go to a valley with a thorn tree. The thorn tree was brought to the market, and his friend became a wood seller. There is another friend whose hands are smooth, then he is given money as capital to trade leaves, and he trades bay leaves. Finally, he becomes the boss of bay leaves."

"However, what is important in running a business is to be sincere and pay attention to Islamic rules in the business sector. Likewise, all the steps in running a business must be intended only for Allah, not because of other things. With such intentions, a businessman is a *fi sabil allah* fighter."

Business is just a *gan-langghan* (a blocker of something) of sincerity. It means that ulema must be sincere when doing business. Ulema will sincerely fulfil his obligations as a leader in a boarding school. So, in running a boarding school, he avoids expecting other people's gifts. His goal for doing business is to become an *'iffah* person.

However, ulema, who manages one of the big boarding schools in Madura, is very flexible in running his various business. He only asks for detailed reports for a few months. He gives freedom to his subordinates to be creative people. He always advised them to pray, *tawakkal*, and put out all their potential thoughts to run the business. He advised them always to be enthusiastic about doing business, even if they were students and have been graduated from boarding school. They were ordered to try hard and have established finance. They were asked not to practise their knowledge by teaching but by implementing Islamic business.

An ulema who only had a construction shop in Pangereman already has three construction shops in different locations (Duko Timur village, Larangan sub-district, and Bato Baih Sampang). It contrasts with the assets he owned. He appears very simple in his house, cars, and clothes. His car is an old colt diesel L 120, a carry (worth nine million rupiahs), and an old mercy (worth seven million rupiahs). He also joked that now he could ride mercy. He seemed to have not thought about himself. He realised that being a boarding school leader meant leading Islam. Therefore, all his behaviour will be highlighted and followed by everyone, so he chooses casual cars. He not only gives advice but also gives an example in real action.

The interview results also show that ulema creates a standard in choosing and determining a boarding school manager, based not only on pious but also on business agility. An ulema is community support and hope. He must find solutions to legal problems and be agile in business to be a real example for students, alumni, and the community to strengthen their economy.

SS is an alumnus of a boarding school in Madura. When he studied in boarding school, he was a pedicab driver in Surabaya. When *acabis* (visited the ulema to get his advice), the ulema advised him to open a shop, although he could only sell a kilogram of sugar. Hopefully, when he cannot work because of health risks, his children and his family can help him to work. Finally, SS opened a shop, which became quite large to meet his family's needs. Then, he started a non-formal religious, educational institution (*madrasah diniyah*).

Ulema is a businessman and a business coach, so the trusted students who have been fostered before will be given the authority to manage startups business around the boarding school. Ulema also provides capital for alumni who have business skills to run their businesses in the form of *shirkah*.

Furthermore, ulema also prepares the regeneration of his business. His eldest son, RR, was mandated to manage the ice factory belonging to the Islamic boarding school. The ice factory, which was built in 2006 and started producing ice in 2007, has made 1000 ice blocks daily. An ice block price is nine thousand rupiahs. The net income is eight million rupiahs (minus operations and daily maintenance costs).

Interview with the ulema shows that students could work on all lines of business. The category product consists of soap, soy sauce, clothes, and sarongs. Therefore, he advised his students to work hard and tawakkal in running a business. However, it is acknowledged that at the Banyuwang Islamic boarding school, no core team has seriously thought about translating the ulema's ideas. Everything goes independently, so the conglomeration movement in business has yet to be seen realistically. All business is only given to certain people trusted by the ulema for a long time. The trusted people are senior students from one of the pesantren in Madura who have been in the community for a long time.

There is no problematic strategy for running a business. The ulema advice has always been the motto of the students and alumni. First, work hard. It means that a businessperson should be generous in running a business. It must be done thoughtfully and responsibly. Second, work smart. It means that if there is a problem, keep going. Think and mobilise all the potential abilities that exist. Look for clues, inspiration, and ways to do business. Third, work sincerely. It means that

besides that, all must be sincere in all that we do. Humans are obliged to try, and Allah will decide. Therefore, running a business must be solely for the sake of Allah, and the result must be submitted to Allah, and we must accept (*ikhlas*) the gifts from Allah.

#### **Ulema as Initiator of Business Strategy at the Kebun Baru Boarding School**

Ulema, the initiator of the supermarket owned by the Kebun Baru Islamic boarding school, is a business managed by ulema as a continuation of the previous manager. In running their business, the ulema in this pesantren applies several business strategies they can understand according to the ulema's capacity.

The reason for changing the financial reporting system is to be of higher quality and more straightforward. In running the business, the business leader (ulema) continuously fixes the administrative management related to the company's running, such as: setting daily and monthly financial reports with precise financial details compared to the previous system, which uses financial statements every semester or yearly. The initial business run by the ulema was a coffee shop which later developed into a garment and is now a mini market/supermarket.

The business also continues to demand more professional workers. It differs from the previous system, which only worked because of *tabarrukan* (expecting blessings). In addition, supermarkets with qualified workers are believed to be more developed. These changes make workers trained regularly to become reliable businessmen after graduating from boarding school and returning to the community.

The next idea in the boarding school business is the application of sharia values that colour the supermarket business. For example: in prayer time, under any circumstances, the supermarket must be closed and stop serving its customers. All workers must pray in congregation at the available mosque or prayer room. Regarding products, Kebun Baru supermarket only sells products with a clear benefit for the community. Entertainment goods, such as television, that significantly contribute to moral decadence are unavailable in that supermarket.

The last idea implemented at the Kebun Baru supermarket is monthly mental and spiritual coaching for workers. One thing that is emphasised to understand is that doing business is not only purely for profit but seeking blessings in business is also needed. Indeed, being blessed is invisible, but a harmonious life and the fulfilment of all needs are clear evidence of the existence of a blessed.

The Kebun Baru boarding school mart was a coffee shop founded by KA in 2002. That supermarkets are businesses in the real sector in Kebun Baru, while businesses in the monetary sector are financial institutions initiated in 1991 by KMA. This synergy between the economic and real sectors has led to supermarkets having quite good achievements and contributing the most shares, around 60%, to a financial institution, i.e., Baitul Maal wa Tamwil (BMT) al Iktisab Kebun Baru. In 2011, the assets were approximately 250 million rupiahs, increasing to around 2 billion rupiahs in 2013. Table 1 shows Kebun Baru supermarket revenues. This supermarket operation will help the boarding school's operational costs and become a business training facility for students. Thus, it will be an effective solution to overcoming people's problems, i.e., unemployment.

When asked about business talent, the ulema stated that everyone could do business if he wanted to. Producing good products, offered in a good way, God willing, it will sell well, and the company will run. However, the foresight to see the market opportunity is needed. In addition, a businessperson must be honest and transparent, especially to customers, so they are satisfied and can become loyal customers. To create customer relationships, loyal customers and customers who buy large quantities got special gifts at least once a year, usually just before Eid.

#### **Ulema as Initiator of Business Strategy at the Bata-bata Boarding School**

In 1999, Bata-bata Islamic boarding school created Biro Keuangan Keluarga/BKK (Family Finance Bureau) business focusing on heavy equipment. According to the ulema, as BKK director, he wants to avoid the red ocean, such as grocery shops owned by other Islamic boarding schools. BKK was formed because of the varied abilities of the family member, especially in the economic field, so one of the family members had to focus on thinking about the family business, and the others will be able to think seriously about education at the Bata-Bata Islamic Boarding School. Hopefully, BKK will make the family business manage professionally. Later, the BKK assets will be inherited by the next generation.

BKK's initial capital from the ulema's father, also an ulema (KAHM), is 75 million rupiahs. In 2013, BKK's assets growth became around 4 billion rupiahs, including heavy equipment (excavators, dump trucks, and wood shippers). The ulema has been interested in business since a child. When he was 17 years old, he was interested in machines and tried to create them.

The ulema emphasised that the heavy equipment sector is an excellent opportunity to implement Islamic economics because there are many muamalah deviations. For example, when a customer needs to rent an excavator, he must pay the rent before using the equipment. If the device is broken during the rental period, the rental period continues, and the rental costs remain the customer's responsibility even though heavy equipment cannot be used. That is a very burdensome contract for tenants. Another form of fraud is at the operator, who usually cheats the heavy equipment fuel. This kind of cheating often occurs and is considered normal.

Undoubtedly, heavy equipment project players often protest the ulema. The ulema tries to fight it by only charging for what is done. For example, when the equipment cannot be worked because of the weather (high tide in seaside works), the customer only needs to pay according to how long the machine can work. It is heavy and challenging preaching. He was considered to have violated the code of ethics for the heavy equipment business. The ulema responded that the code of ethics must not violate Islamic principles, i.e., cheating.

BKK employs heavy equipment operators who are alumni of Islamic boarding schools. The heavy equipment used was produced before 2000. The dump tracks used were made in 1995, 1996 and 1997. Operators have machine repair skills. They often work in shabby clothes because they must be ready to repair heavy equipment whenever needed. The operator is paid around 4 million rupiahs per month. Each heavy equipment operator will receive 30,000 meals per day and 20% of the rental price after deducting operational costs. By employing qualified technicians as operators, BKK can cover its shortcomings in old heavy equipment.

The operator is paid around 4 million rupiahs per month. The majority of BKK's competitors are entrepreneurs of Chinese descent. As indigenous people who must participate in the development, especially in Madura, the choice of business in heavy equipment is necessary.

In 2013, business was more directed at strengthening the boarding school economy by producing bottled drinking water under the LABINI brand (Arabic for brick). All capital is loaned from alumni. Its motto is alumni by alumni for alumni. All members of the boarding school family should not interfere with this business. It is pure alumni empowerment. So, it must be guaranteed that all parties involved are alumni. It is the spirit of this endeavour.

Thus, the big dream of strengthening the economy of students, alumni, and the community has inspired Islamic boarding schools to produce students who, after becoming alumni, will have skills as provisions for a decent life and have an excellent mentality.

### Ulema Business Strategy Mapping in Madura

In a simple sense, strategy can be interpreted as the best way to achieve a goal or goal. Ulema's business strategy can be interpreted as a strategy implemented by ulema in managing his business with planned business goals and objectives. Goals or objectives arise from the existence of a motivation. In the phenomenology study, motivation consists of "because motives" and "in order to motives". "Because motives" is why people become reasons for someone to do something, including business. "In order to motives" is the goal or target someone wants to achieve when he does something, including business (Kanungo, 2009). The relationship between strategies, goals, and motivation is available in Figure 1.

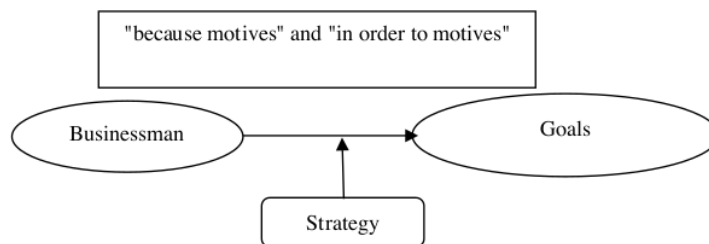


Figure 1. Business Strategy Mapping

### Ulema's Business Motivation

"Because motives" of the business run by the ulema can be mapped to several points. First, some conditions, such as family conditions, encourage ulema to do business. Second, the need for boarding school funds. The school fees charged to traditional boarding school students are very cheap. Business is an elegant solution to cover and overcome to cover boarding school operational costs. However, "in order to motive" of the business run by the ulema is ulema's economic independence

as chief of boarding school. Business becomes a breakthrough to put the ulema in an *iffah* position, i.e., avoiding the desire to expect help from others.

Ulema is considered not a profession because they do not get a straightforward income from their position as ulema. Ulema, who manages a boarding school, usually live with their assets due to receiving an inheritance from the boarding school founder. They also got alms from the community, which is called *cabisan* (gifts when visiting ulema). Generally, in Madura, someone who visits the ulema will *nyabis* or give *cabisan* to the ulema (Kuntowijoyo, 2002).

The price of the goods does not matter, but the intention to give is from the most profound conscience. To avoid the negative stigma of *cabisan*, business is an effective way to become an excuse to the public or society that the ulema does not expect *cabisan*. However, the ulema will also not refuse alms, especially since the real purpose of *cabisan* is as a sense of *estoh* (obey) to the ulema as a respected person.

A senior student at the NJ Islamic boarding school stated that his ulema, KHZM, said that an Islamic fight, such as managing a boarding school, needs *ghanlangghan* (something to become a wedge) of *ikhlas* (sincere). He emphasised that the main enemy in life is hunger. Sincerity must be protected from human eyes and the heart temptations. Therefore, eliminating poverty to be far from disbelief is a precious struggle in sharia. It is following the athar of the Prophet's Companion, Ali R.A. as follows:

كاد الفقر ان يكون كفرا

“Poverty will draw closer to disbelief (Al-Munawi, n.d.)”.

The economy is one of the leading causes of independence in boarding schools. When a boarding school is economically independent, it has enormous potential for independence and vice versa. Since boarding schools are independent, it is challenging to be influenced by the outside environment.

The economy is one of the leading causes of independence in boarding schools. When a boarding school is economically independent, it has enormous potential for independence and vice versa. Since boarding schools are independent, it is challenging to be influenced by the outside environment. They are also free and flexible in overseeing and doing what is ideal without the influence of other parties. The boarding school movement is pure because the goal is to fortify Muslims so people can apply and implement sharia guidance. Likewise, boarding school is a place for a cadre of Islam fighters. However, if an ulema has a creative breakthrough, especially related to empowering the ummah, i.e., are students, alumni, and community, have an extraordinary contribution to the people's economy. Accompanied by explicit action, it is realised that *lisan al-hal afsah min lisan al-maqal*.

Ulema's Product Differentiation Strategy

Ulema is known as a religious figure. However, as a businessman, ulema carries out various business strategies. All business efforts made do not violate sharia. Not all ulema are equipped with a background in mastering business knowledge. They



learn about a business based on experience and intuition based on divine guidance. Ulema does business by capturing all the opportunities around him. Observing business practices by ulema in Pamekasan, Madura, ulema has implemented a product differentiation strategy. Product differentiation is a competitive strategy that refers to customer perceptions of the same product (Puspoprano, 2006).

In addition, an ulema paradigm interprets business as an endeavour or a means to live in this temporary world. Life is interpreted in the same way that the spirit of the Prophet is like a stopover from two long journeys, and the substance of life is a trial. However, they also know that the world is a field for the afterlife. The business that is projected as the afterlife project will be lived wholeheartedly.

#### Ulema's Business Goal

Business activities also have benefits for other people. The business concept states that a business's first and foremost goal is profit (Puspoprano, 2006). The ulema approved it. It means that it is popular among the kyai. However, the gain is very relative. The concept of *'iffah* has become a separate limitation for kyai. Even though the ulema has billions of assets in his business, an aura of simplicity becomes a spirit in the ulema's life because the business's goal is to seek Allah's pleasure. That is proof of the ulema's submission and resignation from doing business. It is the concept of sharia entrepreneurship. There is a balance between self-egoism and altruistic values—the desire to seek maximum profit with the desire to share with others. Gain under certain conditions is not needed. The important thing is that it can empower others (Roziq Ahmad, 2010).

Ulema has given the best to others. His goal is to become the best human being with two indicators, i.e., prior to *da'wah* with *bi al-hal*, as the Qur'an mentions *kuntum khoir al-ummah* and the Prophet said *khair al-nas 'anfa'uhum li al-nas*. Through business activities, the ulema can provide religious knowledge and spread knowledge about business and employment even though the kyai cannot get out of the group's hegemony, who are his students (*santri*) and alumni. Business is neutral work. The value of all businesses depends on their intentions. If a business is only oriented to the world's life in the form of profit, then a businessperson will get it, but if a business is oriented to Allah and the Prophet, then he will gain profit and be pleased by Allah SWT.

Da'wah consists of three types, i.e., *da'wah bi al-lisan*, *da'wah bi al-qalam*, and *da'wah bi al-hal*. *Da'wah bi al-hal* is an activity to encourage people to do good things and leave bad things to achieve happiness in the world and the hereafter. Likewise, *da'wah* is an effort to provide awareness and teaching to the community following the capacity of world affairs and religion following what is needed by the community. *Da'wah bi al-lisan* uses the tongue more directly, for example, in lectures and discussions. Lectures are still being used as a method of preaching. Even in Friday prayer processions, the sermon will determine whether the Friday prayer is valid or not. *Da'wah bi al-qalam* uses written media in the form of books, magazines, newspapers, and other media whose contents invite others to goodness by the instructions of the Islamic religion. *Da'wah bi al-hal* is carried out with real action. One example is community empowerment. Community empowerment is a *da'wah* that seeks to build power by encouraging, motivating, and raising awareness

of the community's potential to develop it so they can be independent. This effort needs a real example so the community can do it quickly (Aziz, 2004).

Business as a *da'wah bi al-hal* is an opportunity and a challenge for the ulema, so the ulema must become a pioneer in doing business so that the community can easily imitate what the ulema has done. The target is for the community to have empowered economic capacity. No religious orders can be carried out without financial need. For example, although it is only two sentences, learning to read the confession of faith (*syahadat*) also requires wealth. All teachings, i.e., prayer, fasting, zakat, and hajj, need an economic boost. Then, the community feels a change in their standard of living when they meet the ulema business.

As an illustration, people who traditionally mine stone get very little income. In the past, people dug and crushed stones with a simple hammer. Then, ulema plunged into the stone mining business. He bought an excavator and a rock mill. The community feels many benefits. The community earns income from selling stones and stone sand and delivering stones from the ground to trucks and consumers. The excavated stone land can be planted and produce valuable crops such as corn, long beans, and other legumes. Before using technology, their income is around 10 thousand to 15 thousand rupiahs per day, so one month is about 300 thousand to 450 thousand rupiahs. After using excavators and stone mills, their income has increased quite dramatically, around 50 thousand to 100 thousand rupiahs per day, so in one month, it is approximately 1.5-2 million rupiahs. They also get revenue from their agricultural products.

The results of interviews with the public, who are also consumers of ulema's business, show positive responses. Consumer responses vary. Some say they shop at the boarding school's supermarket because there are many kinds of products, and the prices are affordable. Some consumers also have other motivations when shopping in boarding school supermarkets. They feel they have helped grow the Islamic boarding school business when they shop in the boarding school supermarket. Boarding school alumni also like to shop at boarding school supermarkets when they miss the atmosphere of pesantren and as proof of their love for their alma mater, i.e., boarding school and ulemas.

TT said:

“Another form of empowerment that has emerged is the ulema's shop. Building materials sold in stores are prioritised for products from the community, such as wood. The community knows the ulema is a good wood buyer, so people sell the wood and even a forest to him. He is always honest, professional, and pays the wood by cash”.

Furthermore, ZZ said:

“I have been a customer at Kebun Baru supermarket for a long time. I studied in Pamekasan but often shopped there (Kebun Baru supermarket). The goods sold there are of good quality and affordable, so I buy clothes for my daily activities on campus and Eid in that supermarket.”.

Another informant, AJ, said:

“I like shopping there (Kebun Baru Supermarket) because the items are complete and affordable. I also do charity when I shop there because the sales revenue will be used for the boarding school's operations.”

AM mentions:

“I shop at Banyuwangi to maintain a relationship with my alma mater. Besides that, I am sure shopping there will help the Islamic boarding school's economy. It is also proof of my love for boarding school and ulema. Likewise, I believe that shopping at Islamic boarding schools means that I have done charity work at Islamic boarding schools.”

## CONCLUSION

This study aims to analyse the business strategy of Madurese ulemas. Most ulemas have no formal education in business. Nonetheless, they have been educated to do business by their parents or teachers through hands-on learning. In addition, because they are engaged in social organisations, i.e., boarding schools, they need to do business to run these organisations. In doing business, they put forward the concept of sharia. The type of business occupied is based on the abilities and opportunities they see around them. Hence, they do a lot of business diversification. Their business is also a laboratory for their students to learn the business. This research is only limited to ulemas in Madura. More in-depth interviews and observations need to be carried out to describe and map the ulema business concept, which raises opportunities for further study.

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