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Implementation of Islamic business ethics and its impacts on family business

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Abstract

This study is aimed to analyse the Islamic business ethics and how it affects the companies. The subject of the study is a home industry which process the milkfish in Pematang, Central Java. The Islamic business ethics used are based on the five axioms, they are tawhid, balance, free desire, charity and responsibility. While the effects are measured by the six business progress parameters, they are marketing aspect, management aspect, human resources aspect, law aspect, social aspect, environment effect aspect and financial aspect. The data collection of the study is done by the qualitative descriptive approach. The result of the study shows that generally the company has applied the Islamic business ethics based on the referred five axioms. Besides, the Islamic business ethics application on the company also has effects on the six aspects of the company business progress.

Keywords : Islamic business ethics, Business progress parameter, Home industry

Introduction

The business world recently has the more rapid progress moreover it is supported by the vary rapidly developing information technology systems. The word ethics is originally from the word *ethos* in Greek which means habit or custom. In the Webster dictionary ethics means the distinguishing character, sentiment, moral nature, or guiding beliefs of a person, group, or institution (Saifullah, 2011). In this modern business era, to face the competitive business atmosphere as well as to realize the fair business competition, we have what it is known as the business ethics.

Business ethics are used as the business competition controller to make it on the track of the good business values. A business competition is considered as a fair competition if it follows the business values. Businessmen can also use the business ethics as the paradigm sources in running a good business (Rosyadi, 2012). Generally, business is defined as an activity which is done by a person to get some profits in order to fulfil the life daily needs by managing the economic resources effectively and efficiently (Muhammad, 2009). With the existence of Islamic business principals, a business will definitely run based on the Islamic principles.

Without applying the right business ethics, there will be a big possibility that the businessmen do the malpractice which can disadvantage the consumers. For example, the case of food poisoning which happened a lot in Indonesia on 2015. It was even declared as an unusual incident in some areas. In this condition, the producers' attitude has a big influence. Basically the producers' attitude summons the businessmen' attitude in producing either the products or the service. Producing a product means create a benefit of the product. It is not only creating the physical product but it is more about the benefit which is created from the product (Usman, 2007).

According to the background which is mentioned above, this study is aimed to analyse the Islamic business ethics application and its effects on the company. This study is done by a case study on a home industry working on the milkfish processing in Pematang regency, Central Java.

Literature Review

The previous studies about the business ethics have been done on the wide coverage. It starts from the philosophy base to the practice as well as the application in the business world. The philosophical review related to the business ethics in Islam is used to identify the Al Quran



and sunnah view and also the Moslem philosopher' view (Ahmad, 2011; Aldulaimi, 2016; Butterworth, 1987; Hidayatulloh, 2012; Nasr, 1987; Nawatmi, 2010; Saifullah, 2011). The effort of bringing Islamic business ethics in the practice in this modern world can also be done through the many studies which are done by the experts (Possumah, Ismail, & Shahimi, 2013; Syed & Ali, 2010; Uddin, 2003).

Islamic business ethics are also existing in the further area by emphasizing the consumers protection. Several researchers have also done some studies about the consumers protection in the view of Islam as an inseparable part of the business (Albaqme, 2014; Khan & Aftab, 2000; Morris & Al Dabbagh, 2004; Ramlan & Nahrowi, 2014; Usman, 2007). The studies on business ethics in Indonesia have also be done with many different focuses. Some of them focus on the effort of analysing business ethics practice in some companies (Amalia, 2012, 2014; Haurissa & Praptiningsih, 2014; Setiadi & Kasmiruddin, 2014; Sinarta & Harjanti, 2014) or the implementation of several business strategies in the company which is viewed using the Islamic ethics (Hidayat & Hasib, 2015; Kalimah, 2015; Soegianto & Sutanto, 2013; Yusmad, 2014). Besides, the study of Islamic business ethics is also connected with the economic attitude, including the perception as well as the impacts of it (Darmawati, 2012; Faraby & Faiza, 2014; Hakim, 2013; Maharani, 2013). So that, this study has a speciality compared with the previous studies since it analyses the Islamic business ethics and its effects on a home industry.

Theoretical Approach

Islamic Business Ethics

Ethics in Islam is regarded as the product of faith, Islamic sharia law, and taqwa (God-fearing) which is based on the strong belief toward the truth of Allah SWT. Islam is the source of values and ethics in all aspects of life as a whole, including in the business area. The Islamic business must be started as part of worship to Allah SWT with the objective to fulfil all His rules (Harahap, 2010, p. 70). Islam sees the business operational in two areas, the first ones are in the basic principles which are stated in Al Quran and sunnah and it will never change forever, then the second one is in the developing general knowledge (Shihab, 2011, p. 9).

There are several Islamic business ethics principals which are the also the ethics axioms which cover tawhid, balance, free desire, goodness and responsibility (Djakfar, 2012, p. 22; Muhammad, 2004, p. 53; Naqvi, 1997). In the human life globally, Islamic business ethics is not the only parameter, because there are still many parameters which are created by the human in this world (Djakfar, 2012, p. 42)

Based on the five ethics axioms, all the activities, processes and even the company business system refers to it in order to be fit to the Islamic business ethics. All components which are related to the company have to be realized well and optimally. Based on the five axioms in Islamic business ethics, the company will be avoided from the activities which are not allowed in Islam or the activities which against the sharia law.

Business Progress Parameter

The progress of a business is influenced by various factors. It can be from the internal factors or external factors, either the supportive factors or the destructive factors. The Islamic business ethics application parameters can also be used to measure the progress of a business. The parameters are the marketing, management and human resources, law, social, environmental effects, and financial aspects (Emawati, 2007). From the overall aspect parameters which are used to identify the progress of a business, financial aspects is the most widely used parameter to measure the progress level of a business company. To be able to identify if a company has a good progress, we should do the analysis and evaluation on the company by counting the benefit and the cost which are needed during the operational activity. One of the components to identify is the cash flow. This parameter can be realized well if the business company run on the other five parameters well. Without the other five parameters, there is only few possibilities for the company to make a good cash flow. The good cash flow in a company can be the parameter to measure the progress level of the company. If the company has the good cash flow, there is a big possibility that the company can grow well.

Method of the Study

This study is a descriptive qualitative study. The object of the study is a milkfish company in Pemalang region, Central Java. This milkfish company is chosen as the object of the study because of its achievement which is claimed by either the national government or the regional government as the first company who produce the milkfish products as the typical food from Pemalang region, Central Java even though it is only a small business. This study uses two types of data, the primary data and the secondary data. The primary data is obtained in the study field so that it is also called as the field data which is obtained by doing the interview, observation and documentation (Moleong, 1990, p. 157). While the secondary data is obtained indirectly from the object of the study. It is obtained from the literature related to the object of the study (Moleong, 1990, p. 159).

Result of the Study and the Discussion

The Application of Islamic Business Ethics

The result of the study generally shows that the company has applied the Islamic business ethics through the five axioms. The application of tawhid ethics in the company can be seen from the good products quality, the good workers' performance, and the good production process. The Islamic values are also emphasized in running the business, it can be identified by the existing Islamic forum and the briefing before starting the production process. The application of balance ethics in the company system can be seen from the quality of production and distribution activities. The good production and distribution quality is aimed to give the best products to the consumers as well as to serve their needs. The justice concept in this case is realized when the company gives the best products for the consumers and on the other way the consumers will give the best loyalty as well.

The application of free desire ethics can be seen from the quality of main ingredients which are used by the company which are the good quality products. Besides, the company chooses not to use the MSG in all milkfish products. The application of responsibility is done by the company by making the legal company certificate. The certified company or the legality shows that the company runs the business well as the responsibility to the consumers. The application of wisdom ethics can be seen from the other four ethics which have been applied by the company which can be an indication that the company have given the benefit for people from many different economic status, reliable and also not to give the badness for all parties in its surrounding.

The Effects of Islamic Business Ethics Application

The result of the study generally shows that the application of business ethics gives effects on the progress of the business if we see from the six business progress parameters. The application of Islamic business ethics affects the marketing aspect when the company can sell the milkfish products to some provinces in Java island. The marketing aspects cover the marketing mixture which consists of 4P, they are product, price, promotion and place. The good quality products, reasonable price, good promotion as well as good products distribution make the company grow and get the trust from the consumers either from the local area or from the other cities.

The application of Islamic business ethics also affects the management and human resources aspects when the workers have high honesty level in doing all operational activities. Besides, the company owner also emphasizes the honesty value and responsibility, either it is related to life or the hereafter.

The application of Islamic business ethics also affects the law aspect like what we can see on people's trust, including either the local government or the central government. The company can be successfully registered in some BADAN HUKUM as the standard of good company. It is proven by the existing permission letter which is owned by the company, that is P-IRT (Food Home Industry) or it is also called a letter of home industry which is published by the Health Department of Pemalang regional government in Central Java. The company also has tax number, halal certificate, and legality after it is certified by the notaries.

The application of Islamic business ethics also affects the social aspect in the form of contribution which is done by the company. It can be seen from the workers which are the local people who live surrounding and some community group which are made and educated by the company owner. The company also budget some of the profit for charity and *zakat*. The application of

Islamic business ethics also has impact on the aspect of environmental effect by giving zero bad impact on the environment.

The application of Islamic business ethics also affects the financial aspect like what can be seen from the progress as well as the good business potential. Even indeed the company income can be managed in a better way or developed professionally in a better way.

This study shows that in general the company has applied the business ethics and results in positive effect on the operational process. It is not exactly the same as the previous studies since the different theoretical review refer to the different literature. However, the fact that the company apply the Islamic business ethics well is also found in the previous studies, such as in the study of Setiadi & Kasmiruddin (2014) in hotel industry, Amalia (2012,2014) in market marketing, Hidayat & Fasib (2015) in food industry, and Sinarta & Harjani (2004) in cosmetics industry.

Conclusion

The company which is the object of the study has applied the Islamic business ethics in every aspect of the company. It is identified from the Islamic business ethics axioms, that is the tawhid, balance, responsibility, free desire and wisdom. The application of Islamic business ethics positively affects all operational aspects in the company. It is indicated by the analysis result in several aspects, that is in marketing, management, human resource environmental impact and the financial aspects.

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