

## Conference Paper

# Efforts to Realize Halal Business: Implementation of Celestial Management in MSMEs

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**Abstract**

Celestial management is a method that incorporates spiritual values in the management of an organization. Spirituality in organizations can make a positive contribution to business development. Celestial management can also be used to help organizations avoid practises that are prohibited in Islam. This study aims to provide a clear framing of the implementation of celestial management in MSMEs business practices. AA Packaging is a MSMEs in Malang, East Java, which has successfully implemented celestial management. The focus of this research is to find out this can drive the growth of its business. This research was carried out using a qualitative approach, with case studies. The data collection was conducted by means of document analysis, observations and interviews to the parties related to celestial management implementation. The data obtained is then reduced, identified and analyzed for answering research questions. AA Packaging implements celestial management in organizations through capital and financial policies. The AA Packaging owner thinks that organizational policies made based on celestial management are one of the efforts of *da'wah*. In addition, the celestial management policy is also realized through giving *shodaqoh* to those in need. AA Packaging has proven that the celestial management policy supports business growth.

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## 1. Introduction

Islam, is a religion that explicitly teaches its people to carry out da'wah to the wider community. Da'wah serves to organize a religious life. Islamic teachings spread through da'wah can save people from destructive things (Aziz, 2006). Allah SWT says in Surat An-Nahl verse 125.

*Call the way of your Lord with wisdom and good study and keep it in a good way. Allah is Knower of those who go astray from His ways, and He is Knower of those who are guided.*

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The concept of da'wah, in the religious sense includes the activities of tabligh, tatbiq and tandhim (Sulthon, 2013). Tabligh is defined as broadcasting, tatbiq is the application and tandhim is the management. Da'wah can be done through a combination of values contained in Islamic teachings in everyday life. One manifestation of da'wah in the form of a tandhim, is the implementation of celestial management in the organization.

The Celestial Management (TCM), also known as spiritual management. The concept of TCM is based on spirituality values that encourage management from just getting things done through the people to becoming getting Gods will be done by the people. TCM is said to be a spiritual value because the workings of this concept are based on the propositions of the Qur'an and the Hadith of the Prophet Muhammad. Organizational development in TCM is based on three things, which is life is a place of worship, life is a place of wealth, and life is a place of warfare (place of battle). One of the applications of spirituality in organizational management is reviewed by Choerudin (2014), the results of the study show that there is a significant positive relationship between spirituality, work satisfaction and work performance, while negative for turnover intention. The success of implementing spirituality will not be separated from the role of the leader in instilling organizational culture. This is in line with the research of Odumeru and Ogbonna (2012), which recognizes that in many organizations, leaders still dictate the direction and goals of the organization (top down).

AA Packaging, is an MSME (Micro, Small and Medium Enterprises) located in Malang City, East Java. AA Packaging was founded in 2009 and is owned by individuals. The initial goal of establishing AA packaging was to provide quality packaging at affordable prices for business owners. The presence of AA Packaging is in line with the psychological conditions of consumers whose majority judge the quality of products based on their packaging. AA packaging's operating income currently reaches tens of millions of rupiah with 10 employees. As a native local product of Malang, the AA Packaging distribution has spread to foreign countries. On the other hand AA Packaging owners also became speakers at the Disperindag workshop involving national MSMEs. This makes AA Packaging not only materially successful but also successful in disseminating useful knowledge.

Based on the results of the initial interview with the owner it can be concluded that the success of AA Packaging is inseparable from the implementation of spirituality in the management of the company. Celestial management in this MSMEs, is derived from the owner to employees so that it can form an organizational culture that is rich in spirit values. On the other hand, celestial management is also considered part of da'wah by the owner of AA Packaging The spirit principle in business is mainly applied by the

owner in terms of business capital and profit utilization. The owner does not want to use capital that contains elements of usury (riba). In Surat al-Shaff verse 4 is stated:

إِنَّ اللَّهَ يُحِبُّ الَّذِينَ يُقَاتِلُونَ فِي سَبِيلِهِ صَفًّا كَأَنَّهُمْ بُنْيَانٌ مَرْصُورٌ

*Indeed, Allah likes people who fight in His way in a regular line as if they are like a solidly arranged building.*

This research was carried out with the motivation that MSMEs were a major contributor to the Indonesian economy (Siregar, 2019). On the other hand there has not been a clear framing of the implementation of celestial management in MSMEs, although in theory celestial management has proven to support organizational growth. The focus and purpose of the research is to find out how the implementation of celestial management in AA Packaging and how celestial management drives the growth of the organization. The researcher, wants to illustrate how spirituality concepts can support the success of a business so that it can be used as a best practice for other MSMEs who wish to implement the same thing. The need for this research is also driven by an effort to realize a halal business climate in the Indonesian economy. Business is not just a matter of numbers and material but also a da'wah field that can reassure people.

## 2. Literature Review

### 2.1. Celestial Management

The celestial management, is a management science based on the interpretation of spirituality values and principles derived from the word of Allah SWT to be implemented in life. The application of this knowledge in an organization rests on the belief that work is part of worship. Work is not only related horizontally to fellow human beings but also vertically upwards with the Allah SWT. Management in Arabic, is *Idara* which means to go around or circle. In the business context it is defined as a business running on a cycle and management is the driving force (Hebbesh quoted by Amin, 2008). The celestial management domain is divided into three, which is; (a) *life is a place of worship*; (b) *life is a place of wealth*; dan (c) *life is a place of warfare* (Amin, 2009).

Life is a place of worship, this means that life is a place to prayer to Allah SWT. Working in this context does not only serve the leadership, but is a manifestation of devotion to the Allah SWT. Therefore, the workplace must be interpreted as a place of worship and free from things that are haram. Business organizations that are managed and driven based on the principle of heaven, are a place of worship. Second, life is a



**Figure 1:** Dimension of Celestial Management

place of wealth is defined as life is a place to create prosperity and a center to gather and share well-being. On this side, the organization, however, based on ethics, still must make a profit. Organizational management is not only centered on top management but is distributed fairly and equally on every element. Life is a place of warfare namely life is a battleground or a place of competition. In this case, every individual in the organization is required to work with sincerity in order to have readiness in facing business competition.

## 2.2. Organizational Culture

Organizational culture is a system of disseminating trust and values that develops in an organization and directs the behavior of its members. Organizational culture can be an instrument of primary competitive advantage, that is if the organizational culture supports the organization’s strategy. Robbins (2003) defines organizational culture as a system of shared meanings shared by members who distinguish the organization from other organizations. Schein (2004) defines organizational culture as a pattern of basic assumptions that are found or developed by a group of people while they learn to solve problems, adjust to the external environment, and integrate with the internal environment. Brown as cited by Kenneth et al., (2007) defines organizational culture as a pattern of trust, value values, and learned ways of dealing with experiences that have been developed throughout organizational history that manifest in material arrangements and organizational behavior. Based on several definitions of organizational culture above, it can be concluded that organizational culture is the norms, values, assumptions, beliefs, habits that are made in an organization and approved by all members of the organization as a guideline or reference in the organization in doing good activities intended for employees or for the benefit of others. The values or norms

adopted in the organization will guide every action of the elements in it. Organizational culture that is developed based on Divine principles, will indirectly shape humans in it to have a similar view.

### 2.3. Previous Reserach

Choerudin's (2014) research shows that there is a significant positive relationship between spirituality and work satisfaction and work performance, while negative for turnover intention. The success of implementing spirituality is inseparable from the role of leadership in instilling organizational culture. This is in line with the research of Odumeru and Ogbonna (2012), which recognizes that in many organizations, leaders still dictate the direction and goals of the organization (top down). Gupta's research, et al. (2013) concluded that positive relationship between all the dimensions of spirituality in the workplace and job satisfaction. In other hand, although all the dimensions of spirituality in the workplace are important, organizational values and a sense of community are the most important in terms of the job satisfaction level of employees. In this case companies can improve their functioning by encouraging employee spirituality in the workplace.

## 3. Methods

This type of research is a case study research conducted in one of the MSMEs in Malang City. The rationality of the object of research is that AA Packaging is a MSME that has successfully implemented celestial management in the management of the organization. The implementation of celestial management in AA Packaging has proven to positively encourage organizational growth. Data collection is done through interviews, observation and documentation studies. Interviews were conducted with AA Packaging owners and employees. Furthermore, observations are made by observing the business processes that occur in AA Packaging MSMEs. Another method is through documentation studies related to the implementation of celestial management in AA Packaging MSMEs. Data analysis in this study was carried out together with other parts of research development, namely data collection and writing findings. Research data analysis is done by "separating" the data, which is a process that focuses on some data and ignores other parts (Guest, MacQueen, & Namey in Creswell, 2016). Data analysis activities in this study, namely data reduction, data presentation, conclusion and verification of data. This study, using source triangulation techniques and method

triangulation, to carry out validity tests on the results of the study. In addition, researchers will also conduct member checks to reduce the bias that might occur.

## 4. Analysis and Discussion

### 4.1. Analysis

AA Packaging, is a MSMEs which was established in Malang, East Java in 2004. The establishment of AA Packaging is motivated by the needs of business owners for quality packaging. Along with the proliferation of e-commerce businesses, a product is not only assessed in terms of product quality but also seen from the packaging. Initially, AA Packaging was managed individually by the owner, as time went on the employee grew to two people. Since the beginning of its establishment, the owner of AA Packaging was not pleased to use capital from the Bank to expand the business. Therefore, owners try to find other ways by utilizing CSR (Corporate Social Responsibility) programs from various companies. Through this CSR program, AA Packaging owners can get up to 30 million rupiah in fresh funds. This fund, if judged by the giver can be utilized properly will be added over time. In addition, the CSR program also provides facilities in the form of national and international exhibitions to recipients of funds. AA Packaging through its CSR program has participated in exhibitions in Japan, Singapore and Brunei.

As time went on, the owners of AA Pacakging began to realize that even though the CSR capital they obtained was quite large, there was no blessing in their lives. This is because the capital obtained through the CSR program is still in contact with usury (riba). Funds from the CSR program are provided with a loan system with an interest of 0.5% per month. This loan is obtained without collateral and the amount will continue to be enlarged if the recipient is considered capable of managing funds properly.

*My life feels less blessed, although materially sufficient but something always happens to my business. If you think about materially, it is indeed enough, but the goal of life is not only that. (R).*

A A Packaging owners initially felt very difficult when releasing CSR funds. Capital injections that are routinely received every month slowly disappear. This also affected the AA Packaging business process. In addition to the difficulties in the production process this also results in employee salaries.

*I invite my employee to talk privately. That over the next few months their salary will be late. But I promise, there are no layoffs, only the salary is late.*

*Alhamdulillah they are willing, sincere and not resigned. Maybe because they believed in me at that time. (R)*

The commitment to leave something that is not permitted by Allah SWT ultimately produces results. Over time AA Packaging rises. Through improved management and savings in production, capital can gradually be accumulated. Until now, AA Packaging turnover has reached tens of millions of rupiah with 10 permanent employees. The marketing area of AA Packaging is widespread from Malang City, East Java to Hong Kong. In addition, the owner of AA Packaging also cooperated with the trade office and UNESCO to provide entrepreneurship training for other MSMEs in East Java.

*When releasing riba my life became very blessing. Thank God, my household life becomes more focused. I have enough time with my child and wife, the most important thing is my worship did not disturbed (R).*

*Giving knowledge to other MSMEs can be da'wah for me. I told them that without usury our efforts can also be successful and definitely successful. The MSMEs owner who have seen real examples of those who have experienced it can be moved to live without riba (R).*

The implementation of Islamic values by AA Packaging is also adapted by the minimum saving at the Bank. Funds in the Bank are only funds that are used every month to pay business expenses such as salaries and electricity. The rest of the funds will be played back soon for business capital. In addition, when earning a profit the AA Packaging owner uses a portion to make a Sodaqoh. This method is done so that the business runs with more blessings and profits are not only for consumption. Some of the sodaqoh activities carried out by the owner of AA Packaging with building roads, supporting orphans and helping to build mosques. Sodaqoh in this form is routinely carried out every month.

*The profit of the business is not all of our rights, some also have the rights of those who are less in need. The fortune came from Allah, so I should not be greedy for the fortune. Sodaqoh will not make us poor, but will get richer (R).*

In the future AA Packaging owners will continue to implement Islamic values in their business. This is done to realize sharia halal business management. In addition, the owner also hopes that by applying Islamic values in business, the employees can form an Islamic organizational culture. Mental spirituality in working is more or less adapted by employees in everyday life.

*I consider this is jihad, fighting for something that is permissible in the way of Allah. InshaAllah, my jihad starts from a small thing, my business. In the future for AA Packaging I will continue to do continuous improvement for good things and sourced from Allah SWT (R).*

## 4.2. Discussions

The implementation of celestial management in AA Packaging MSMEs is applied to various aspects, which is (a) capital without usury (riba); (b) the implementation of da'wah and (c) the application of shodaqoh.

### 4.2.1. Capital without Usury (riba)

Riba 'in the teachings of Islam according to the majority of commentators (jumhur al-mufassirin) is a form of giving that someone is conveying to others, not with the aim of reaching Allah's rida but only for worldly rewards. Usury in Arabic means extra or excess even if a little, for the amount of principal lent. The definition of usury is technically, is taking extra from basic assets or capital in vanity both in debts and buying and selling (Abu al Walid, 1981). The meaning of the concept in this concept will lead to injustice for economic actors, especially for the middle to lower economic community. In the Qur'an riba is called eight times in four different suras, namely one time in verse 39 surah al-Rum, one time in verse 161 surah al-Nisa ', one time in verse 130 surah Ali Imran, three times in verse 275 surah al Baqarah, once in verse 276 surah al Baqarah, and once in verse 278 surah al-Baqarah. The four chapters chronologically describe the four stages of the prohibition of usury. Based on this, AA Packaging owners are consciously trying to keep their business away from usury. ' Business capital that initially reached 30 million every month was released because it still intersects with usury. Initial adjustments to this process are considered heavy and have a profound effect on business continuity. At that time, AA Packaging had suffered a loss. But in the end, with patience, family support and an uninterrupted prayer, the business of AA Packaging can rise again. Currently AA Packaging has a turnover of 10 times greater than when still using capital with an element of usury. The number of employees also increased from two people to 10 people. On the other hand, the scope of marketing is increasingly widespread, not only in the city of Malang and East Java but also abroad. Furthermore, the owner of AA Packaging is also believed to be a tutor for training MSMEs in East Java. This proves that without usury a business can still run well and develop positively.



#### 4.2.2. Implementation of Da'wah

Da'wah aims to change the mental attitude and human behavior that is not good to be better. Da'wah is useful to improve the quality of one's faith and Islam of his own volition. Da'wah is upholding the teachings of Islam to every human being so that the teachings are able to encourage an action (Tasmara, 1997). In the sense of religion da'wah includes the activities of Tabligh, Tatbiq and Tandhim (Sulthon, 2013). Tabligh is defined as broadcasting, tatbiq is the application and tandhim is a management. Da'wah can be done through a combination of values contained in Islamic teachings in everyday life.

*From Abdullah bin Amr ibn Al-Ash radhiallahu anhuma, that the Prophet ﷺ said: Convey from me even though one verse, and tell the story of the Children of Israel and that is fine. And whoever lies upon me intentionally, then his seat is in hell (HR.Bukhari)*

Celestial management in organizational management is a tool for AA Packaging owners to carry out da'wah. Adaptation of spirituality values will form a norm that is in harmony with Islamic values. Furthermore, this form of commitment will create an organizational culture that is rich in spiritual values. That in the form of MSMEs the owner is the only top management so what the owner does will be the highlight of his employees. When an MSME owner is doing positive things easily, employees can copy this and vice versa. This was also interpreted by the owner of AA Packaging by applying (tatbiq) the principle of not touching usury. The hope of the owner of AA Packaging, is that one day the employee will have the same view with the leader. On the other hand, AA Packaging owners carry out tabligh activities by conveying celestial management experiences that have been personally implemented by themselves. The owner gave testimony and confidence that without usury business remained successful and must have been successful. This kind of da'wah is felt to be more effective because it comes from people who have experienced it directly.

#### 4.2.3. Application of Shodaqoh

Celestial management in managing funding in AA Packaging MSMEs was also carried out through the application of shodaqoh. The definition of shodaqoh is to infuse or give part of his wealth in the way of Allah SWT, both aimed at the poor, relatives, family, and for the interests of Jihad Sabilah. The meaning of shadaqoh is also listed in the verses of the Qur'an on Al-Baqarah (2): 264 and Al-Taubah (9): 60. This is also in accordance

with Islamic teachings and is listed in the pillars of Islam namely Zakat. Zakat has other instruments, namely infaq and shodaqoh. Through the collection of these instruments, a prosperous community can be built through poverty alleviation. This is also explained by Obaidullah (2012) as follows;

*“The importance of zakah and other forms charity, such as, sadaqah and waqf for poverty alleviation can be hardly overemphasized. The recommended approach to poverty alleviation in Muslim Countries according to contemporary scholars is to integrate zakah, sadaqah and waqf with micro-finance”*

The view of zakat according to Damanhuri (1999) “Zakat is the value of Islamic teachings that are revealed in order to bring mercy to all nature”. In handling poverty, Hafidhuddin (2009) illustrates that some anti-poverty instruments have been known even proven in history. The triumph of Umar bin Khattab in the mobilization of zakat, infaq and shadaqoh and the establishment of the *bait al-maal*, is concrete evidence. The establishment of Bait Al-Maal, has positive implications for the country’s economic development at that time. In fact, in the extreme khafilah before, Abu Bakar Ash Shidiq fought people who did not pay zakat. From this explanation it can be concluded that AA Packaging MSMEs express their sincere shodaqoh to improve the welfare of the surrounding community. The owner has the principle that some fortune is a right for those who need it. In this way AA Packaging owners strive to fulfill their responsibilities to the community and Allah SWT

## 5. Conclusions

The implementation of celestial management in AA Packaging MSMEs is realized through three things, namely; (a) capital without usury ; (b) the implementation of da’wah and (c) the application of shodaqoh. Celestial management has been proven to positively encourage business growth for AA Packaging MSMEs. Through celestial management, AA Packaging owners conduct continuous improvement for their organizations in order to realize a sharia halal business climate. Business is not just a matter of numbers and material but also a missionary field that can reassure people.

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