Islamic Model of Corporate Governance at The Islamic Boarding School

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ABSTRACT

Objective – The aim of paper is to investigate whether traditional management, is the Islamic boarding school has implemented the Islamic Corporate Governance Methodology/Technique – This research is a qualitative study using case study. Key Informant in this research is the General Secretary of Bahrul Ulum Foundation. The analysis technique used is the technique belong to Yin (2009) that divides three techniques for the analysis of case studies: the pairing pattern analysis techniques, the technique of making the explanation, the time series analysis technique. Findings – The findings indicate that in its implementation, corporate governance at Islamic boarding school based on the value of Tawhid. Furthermore, principle of transparency, accountability, responsibility, independence and fairness being the corporate governance principles at an Islamic boarding school. Research Implications: This study uses only one boarding school. Future studies are expected to examine more than one boarding school to obtain mixed results. Novelty – Based on the finding, the study suggests the ICG formulation will be found appropriate for every boarding school in Indonesia. Type of Paper: Empirical

Keywords: Corporate Governance (CG); Bahrul Ulum Boarding School; Islamic Corporate Governance (ICG); Management; Organizational Structure.
JEL Classification: G38, I21.

1. Introduction

CG concept arose as an attempt to control or cope with the behavior of selfish management. CG to create mechanisms and tools to enable the creation of a control system for the balance of the stakeholders and create efficiencies for the company (Ariyoto, 2000). CG in Islam is different from conventional ones. CG in Islam has the legal basis of the Qur’an and Sunnah (Al-Suhaibani & Naifar, 2013).

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There are two types of management that implemented in Islamic boarding school. They are traditional management and modern management. In traditional management, “the shareholder” of Islamic boarding school is a family which managed the Islamic boarding school by the lineage from generation to generation. In contrast, an Islamic boarding school in modern management is managed by family and the alumnus. Bahrul Ulum Islamic Boarding School implementing traditional management because it is managed by the lineage of the family and still survive until now by the sixth generation. It is the interesting part to be learned and do the research to examine it further: With traditional management, is the Islamic boarding school has implemented the ICG?

Islamic Boarding School contributed enormously as educational institutions, religious broadcasters and religious social movements of the public. This study uses Bahrul Ulum boarding school which is one of the oldest boarding school in East Java, which still survives in the midst of strong formal education. Bahrul Ulum is now under the leadership of the 6th generation of its founder earlier. In ancient times this boarding school only teaches about Islam just like the Koran. As time evolved boarding school participated and began to teach many things and establish new educational places like the MTs BU, MA-WH, BU MAI and even has its own High School. Bahrul Ulum boarding school has about 35 units and 18 units of boarding lodge formal education.

To know the application of ICG at Islamic Boarding School Bahrul Ulum Tambakberas Jombang so appeared some research questions:

1. How is the relationship between ICG and Islamic boarding school?
2. How is the implementation and the scheme of ICG to the Islamic boarding school Bahrul Ulum Tambakberas Jombang?
3. What is the barriers that faced by Islamic boarding school Bahrul Ulum Tambakberas Jombang by implementing the ICG?

According to the research questions, so there are some research objectives:

1. To analyze the relationship of ICG and the Islamic boarding school.
2. To know the implementation and the scheme of ICG to the Islamic boarding school Bahrul Ulum Tambakberas in Jombang.
3. To give suggestions and schemes about the implementation of ICG appropriate with the environment of Islamic boarding school Bahrul Ulum Tambakberas Jombang.

2. Literature Review

2.1. Corporate Governance (CG)

According to Turnbull (1997), “Corporate governance describes all the influences affecting the institutional processes, including those of appointing the controllers and/or regulators involved in organizing the production and sale of goods and services.” Aoki (2000) defines corporate governance concerns as “the structure of rights and responsibilities among the parties with a stake in the firm.”

2.2. Islamic Corporate Governance (ICG)

According to Hasan (2012), in the Islamic perspective, CG can be defined as a set of organizational arrangements as to how a company to direct, organize, manage, and control where the available governance structures that can protect the interests of stakeholders, achieving the objectives of the company, can hold social responsibility, and has complied with the principles of Sharia. According to Hasan (2009) GCG in Islam is the purpose of the implementation of GCG based maslahah, protect the interests of stakeholders in
the form of protection is based on sharia. If there are those who feel aggrieved stakeholders, then it's dark accordance with maslahah.

According to Kurniati (2008), CG principles used in the Islamic view is as follows:

1. Transparency (disclosure of information). The accuracy of the reception of information has also become an important principle in the implementation of ICG. As in QS Al-Baqarah verse 282: “O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write [it] between you in justice. Let no scribe refuse to write as Allah has taught him”

2. Accountability. Islamic concept which fundamentally believes that nature and all its contents belong to Allah and fully man entrusted to manage as well as possible for the benefit of the people. Accountability not only to stakeholders but also to God as the primary owner (Abu Tapanjah, 2009).

3. Responsibility is compliance. This principle is highly regarded as a good deed in Islam, so every individual in the company should have a high sense of responsibility in their work as stated in the QS Al-Anfaal verse 27: “O you who have believed, do not betray Allah and the Messenger or betray your trusts while you know [the consequence]”

4. Independence. Related to the independence of the consistency and constancy attitude that clung to the truth, even in the face of risk, according to the QS Fushshilat verse 30: “Indeed, those who have said, 'Our Lord is Allah ' and then remained on a right course - the angels will descend upon them, [saying], 'Do not fear and do not grieve but receive good tidings of Paradise, which you were promised.”

5. Fairness (equality and fairness). In Qur’an, the principle of fairness is described in Surat an-Nisa verse 58: “Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice. Excellent is that which Allah instructs you. Indeed, Allah is ever Hearing and Seeing.”

2.3. Muhammad Prophet as a Good Example (Uswatun Hasanah)

Muhammad Prophet is a man who can be a good example for all of the mankind. He got Al-Amin title (a believable human). Muhammad Prophet got that title because his good characters which is Siddiq (Honest), Amanah (Responsible), Fathanah (Capable/Clever), and Tabligh (Convey).

Antonio and Tazkia (2013) said that Muhammad’s leadership principles which relevant to be applied are:

1. Khilafah Principle
   Appropriate with prophet hadist which narrated by Bukhari and Muslim who said “That 'Abdullah bin 'Umar said, “I heard Rasulullah shallallahu 'alaihi wasallam said: “ Each of you is a leader and it’s responsible for his subject...”.

2. Amanah Principle
   Amanah is a leader responsibility attitude to his parties which guided. Amanah can be described as perform the role of leadership well and didn’t do any deviation.

3. Justice Principle
   Appropriate with Allah saying in the QS. Al-Maidah verse 8 is “O Believers, be persistently standing (rightness) to Allah and witnesses in justice. Do not let your hatred of a people prevent you from being just. Be just, it is nearer to piety. And fear Allah, indeed, Allah is aware of what you do.” That Allah have laid to do just to the faithful with the basis of Allah.

4. Openness Principle
   Openness is the principle which taught by Muhammad Prophet in his leadership. According to the explanation above for a good management which appropriates with Islam, so needed to follow the example of Muhammad Prophet as a good example (Uswatun Hasanah). Muhammad has brought treatise from Allah,
so all of Muhammad’s attitudes are good. Appropriate with previous explanation the good organization management appropriate with Islam (ICG) which give priority to ‘adalah (justice), tawazun (balance), fathahah (intelligence), tabligh (transparency), hurriyah (independent), ihsan (professional), wasathan (fairness), ghirah (syariat militancy), idarah (management), khilafah (leadership), aqidah (believing), ijabah (positive thinking), raqabah (monitoring), qira’ah and ishlah (organization who keep learning and always do improvements).

3. Methods

This study used a qualitative approach with a case study approach with methods developed by Yin (2009: 46). The informant in this study using Key Informant. Informants required is the General Secretary of Bahrul Ulum Foundation Drs. KH. Abd. Choliq. From this informants, will obtain another informant to find the data.

The analysis technique used is the technique belong to Yin (2009, p. 133) that divides three techniques for the analysis of case studies: 1. Pairing pattern analysis techniques by comparing theory ICG from the library foundation and its implementation at Bahrul Ulum boarding school, 2. The technique of making the explanation is done by making an explanation of a series of actual events of case studies on the application of ICG Bahrul Ulum boarding school, 3. The time series analysis technique is not used in this study because the study was not done in time or historical futures.

The validity of the data can be done in several ways by using triangulation. Sugiyono (2011, p. 330) triangulation means to get data from different sources with the same technique.

5. Results and Discussion

5.1. Relationship Between ICG and Islamic Boarding School.

![Diagram of ICG Implementation in Islamic Boarding School]

Figure 1. Design Implementation of ICG in Islamic Boarding School
Source: From the processed data
ICG must follow human who most noble, have best attitude, and be example to mankind is Muhammad Prophet SAW, moreover he got Al-Amin title which has a meaning that can be trust from Quraisy people. So advisable that from all stakeholders of Islamic boarding school and within its management following the characteristics of Muhammad SAW, such as: ‘adalah (justice), tawazun (balance), mas’uliyah (accountability), akhlaq (morality), shiddiq (honesty), amanah (reliable), fathanah (intelligence), tabligh (transparency), hurriyah (independent), ihsan (professional), wasathan (fairness), ghirah (syariat militancy), idarah (management), khilafah (leadership), aqidah (believing), ijabiyah (positive thinking), raqabah (monitoring), qira’ah dan ishlah (organization who keep learning and always do improvements). Not only that, but also in the management still have to strong principled to Al-Qur’an and Hadist as a basis and guidance along with people salvationist toward good people in all aspects. Allah saying in QS. An-Nisa’ verse 59: O Believers, obey Allah and obey the Messenger, and Uli al-Amri in authority among you. Then if you disagree to anything, refer it to Allah (Al-Qur’an) and the Messenger (sunnah). Hadist from Imam Malik said: Have told to me from Malik that Rasulullah shallallahu 'alaihi wasallam said: "I have leave for you, two matters that you won’t lose as long as you heading toward with them, Kitabullah and Sunnah His Prophet”

5.2. Implementation and The Scheme of ICG to The Islamic Boarding School Bahrul Ulum

Islamic boarding schools that initially only teach about read Al-Quran and the science of religion, now has grown and has several places of learning such as MTS, MA, until high school. Now structurally Islamic boarding school Bahrul Ulum is part of the Foundation Bahrul Ulum Islamic boarding school. This foundation was established in 1966 by Notary Act number 03 in September 6, 1966 in a notary Soembono Tjiptowidjojo formerly vice notary in Mojokerto.
According to the National Committee on Governance (NCG) in the book "Corporate Governance dalam Pandangan Islam: Sebuah Konsep Alternatif dalam Penerapan Good Corporate Governance [Corporate Governance in Islam: A Alternative Concept the Implementation of Good Corporate Governance]" in 2006, there are five principles in ICG:

**Transparancy**

From the research Bahrul Ulum boarding school in Tambakberas, Jombang obtained that this school has a vision, mission, and purpose. So, it is shown to provide such information to the public, one of them through his official website which “tambakberas. or .Id”. Information obtained from the website that Vision Islamic Boarding School Bahrul Ulum taste is "Making Tambakberas as the center of Islamic civilization which serves as a counterweight all the livelihood of mankind, to be able to form a safe community, a peaceful, prosperous". Bahrul Ulum Islamic boarding school mission is to make it as the center of Islamic civilization. Mission Ponpes Tambakberas Bahrul Ulum Jombang is: Created man of faith and devoted to God and have a sense of responsibility to develop and spread the teachings of Islam Ahlussunnah Wal Jamaa'ah, create people with akhlaq, and have a sense of social responsibility towards the people, create people of an accomplished, skillful, independent, have the ability of science and are able to apply and develop their knowledge and skills on himself and his environment.

**Accountability**

To see the implementation of accountability used the following indicators: Division of Tasks and Responsibilities of the board, Standard Operating Islamic boarding school known board, Performance evaluation. Based on the research results, the boarding school has made the details of the duties and responsibilities to each committee in accordance with the organizational structure that has been created and is based on the activities carried out. This boarding school has activities that are also routinely performed annually.

**Responsibility**

Based on the results of the research, conducted in the form of responsibility both internal and external. Internally, the question is for the students, faculty and staff. Accountability is given every year, in the internal evaluation meeting. Accountability is very important is to God Almighty and to the families of each of us. The Bahrul Ulum Foundation is a family foundation, so that responsibility to the family is also important.

**Independency**

The Bahrul Ulum Foundation is a family foundation. So the management is conducted independently so that each field / department not dominated the other and cannot be interfered with by other parties.

**Fairness (equality and fairness)**

Based on the research results, the boarding school uses a system of openness. For example, is the search for money, making money from the treasury, including in terms of decision-making in accordance with the above description. The openness of the system can be said that the boarding school also provides space for the parties to the cottage or external parties to provide comments and suggestions.

Boarding school is also committed to equality. As in terms of providing Ribath policies based on the policy foundation. Foundation adopted a policy based on the opinions and input from school and ribath. For example, in terms of policy to carry a notebook. Ribath party dared to allow its students to bring notebooks
based policy foundation. Foundation adopted a policy based on input from the school, that they are given the task, and notebook is necessary to do the work. In addition, the board in Bahrul Ulum boarding school is very diverse. They come from every Bani comprising representatives of several generations and gender. This diversity helps to reduce problems that can be caused by the agency.

5.3. What is the barriers that faced by Islamic boarding school Bahrul Ulum Tambakberas Jombang by implementing the ICG?

Overall the application of governance at Bahrul Ulum Tambakberas Jombang Islamic Boarding School has been appropriate with ICG. The implementations have taught at Al-Qur’an, hadith, and following how Muhammad give a good example so there are no significant barriers at there. But, in order to acceptable by society and recognized as a good governance so it is better in the management to implementing good corporate governance standards by following the guidance’s as follow: 1. The general policy of ICG at Islamic boarding school, 2. General guidance of ICG as a reference to implementing ICG, 3. Vision, mission, and the values of Islamic boarding school, 4. Management policy of Islamic boarding school, 5. Code of ethics and attitude orientation of students, ustad, and the management at Islamic boarding school, 6. The general policy of handling a conflict of interests, 7. The policy at handle the violation, 8. Policy about protection of the student's education quality, 9. Transparency policy at the management and the activities at Islamic boarding school, 10. Internal quality management system, 11. A policy of set up the goods and services.

6. Conclusion

From the analysis and discussion, it can be concluded that Bahrul Ulum boarding school has implemented the science of Tawhid in the organizational structure. Another conclusion that can be drawn from the analysis and discussion are:

1. Bahrul Ulum boarding school has implemented the principle of transparency properly which is demonstrated by providing the vision, mission and goals are clear to the general public, also reduce possibility of mistakes understands/ miscommunication
2. The accountability principle applied at Bahrul Ulum boarding school is to provide clear information about the duties and responsibilities of the board boarding school by using SOP clear and what written in the book's vision and mission.
3. Responsibility Principles applied Bahrul Ulum boarding school is a form of responsibility to the board, students and teachers are given every year in the form of internal meetings. It is also a form of responsibility to God and family, also carried out to external parties and the environment.
4. The Bahrul Ulum Foundation is family foundation, so there’s the principle of independence where in decision-making influenced by internal parts is greater than the external. When the decision-making, external parties don’t have major influence.
5. Principle of Fairness that implemented at Bahrul Ulum is to raise equity in the management in Bahrul Ulum. Gender diversity in its staff is come from every Bani comprising representatives of several generations and gender.

Islamic boarding schools in Indonesia are very diverse. They’re still carrying the traditional system in the organization, but they are very modern. This research is a case study other research, so this study cannot be generalized. ICG draft resulting from this case could be different with another case. It would be better if the next study adds to the number of boarding schools, and divide it into several categories boarding school. So the ICG formulation will be found appropriate for every boarding school in Indonesia. In addition, a lot of interesting things that can be studied in a boarding school, including recording systems and financial statements.
References


National Committee on Governance. (2006). *Corporate Governance dalam Pandangan Islam: Sebuah Konsep Altertatif dalam Penerapan Good Corporate Governance* [Corporate Governance in Islam: An Alternative Concept the Implementation of Good Corporate Governance].

