How to Reduce Moral Hazard Crisis in Business: Study from Indonesian’s Pesantren
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Abstract

This empirical study report on Pesantren (Islamic Boarding School) aimed to explore how to manage the pesantren enterprise. It deals with the pesantren phenomenon but from a different angle. A philosophical stream of Al Hikam taught Kasab (human must fill their needs earnestly) and Tajrid (life attitude doesn't make bustle about solely worldly pursuit). Those tasawuf concepts are reflected in pesantren's economic behaviour, which is believed to counter a business ethic crisis that began being popularized in the late 90s about the spiritual organization.

Keyword : Pesantren; Al Hikam book; Islamic Business Ethic; Moral Crisis; tasawuf work

1. INTRODUCTION

This empirical research explores business activities conducted by Pesantren X1 (Islamic Boarding School), a spiritual organization that has a position as a modern boarding school. This pesantren applies a collaborative strategy with various business institutions, government, and non-governmental organizations (NGOs) at national and international levels. Asbab / iktisab / kasab concept (humans must try to fulfil their needs) and At Tajrid (attitudes of life that do not concern themselves doing causes or search for pursuing worldly interests) are the dimensions of spiritual teachings taught and applied by this pesantren. It proved they can manage a business in various fields. (Pawar, 2017) viewed spirituality from three perspectives, individual, workplace and organization. Some researchers believe that a high spirituality person makes it easier to understand ethical issues in organizations (Weaver, 2002). (Pava, 2003), (Brown, 2003) studied literature about spirituality in business but has not yet found a formula that integrates spirituality and business. The pesantren has been known since the colonial era to have positively contributed to society, not only in education, politics, and social and economic activities. In driving its business activities, the spiritual dimension distinguishes pesantren from other economic actors. The dimensions of Sufism teaching that animates Islamic business ethics are still being studied, implemented, and passed on. It will be creating trust for business partners, consumers, and other stakeholders. The expectation is that pesantren business sustainability will be maintained.

Pesantren is one of the organizations that was built on the spirituality foundation. However, there have not been many studies on pesantren related to their spiritual teachings, which were interpreted into economic behaviour, especially the pesantren business management. In the context of spiritual organization, (Miguel, Armineo, & Oliveira, 2006) have grouped organization types, specifically Soulful organizations (humans and organizations integration) and holistic organizations (the union of the deepest basic human needs of the organization. The literature study from (Karakas, 2010) concludes the benefits of applying spirituality in organizations viz (1) increase the welfare and life quality of employees; (2) spirituality gives deep meaning to the purpose of work; (3) Spirituality provides a sense of

1 During field interviews, the leadership or owner of the pesantren asked not to write down the name of the institution. Here the author writes it with pesantren X
mutual attachment in the community. (Bhatnagar, Sharma, & Ramachandran, 2019) found two spiritual dimensions in Family firm philanthropy (FFP) in India, namely Dharma (serving the community) and Karma (Acting and doing something selfless).

The pesantren is the first educational institution in Indonesia to conduct spiritual struggle, Islamic education, and social outreach. It is a centre for academic, social, political and religious change (Ziemek, 1983). Some scientists have organized research on pesantren. Geertz (1960) examines the role of the ulema as a cultural broker that filters out information from outside that will be conveyed to students and their congregations. His research was replicated by (1987), in which the ulema did not merely play a passive role as a broker but actively selected positive values and attitudes that the community must implement. Ulema also gives legitimacy to the choices of action taken by the community.

Another study from (Geertz, 1983) about the life of pesantren forms the variant culture of santri (students) "abangan" and "priyayi" (santri is a term for a student who studies at pesantren / Islamic boarding school). Geertz's thesis was continued by Woodward, who studied the religion (Islam) acculturation and local culture. Another researcher who investigated the issue of pesantren was a historian who described the pesantren Gontor (Castle, 1966). Other foreign researchers were (Steenbrink, 1973) and (Bruinessen, 1990), who explored the classic Islamic books in pesantren and their teaching methods.

2. LITERATURE REVIEW

Many Indonesian researchers who explore pesantren examined the pesantren tradition Dhoffier (1985) Dhoffier (1985) Dhoffier (1985). The Islamic da’wah developed from the results of the intellectual journey of Indonesian scholars in various parts of the world, written by (Mas’ud, 2004). The kyai leadership in the pesantren was examined by (Arifin, 2015). Along with the Indonesian political constellation, research related to ulema and politic rose as written by (Suprayogo, 2009), (Turmudi, 2004). The issue of pesantren internal conflict also concerned researchers (Syarifudin & Farchan, 2004). In the economic research context, many researchers are interested in pesantren-based economic empowerment (Nadzir, 2016), and other researchers also explored the nature of the Islamic work ethic in managing pesantren business (Zahroh & H.R., 2015).

The emergence of business ethics theory in the 1980s felt like a new paradigm in running a business entity (L. Bouckaert & Zsolnai, 2011). This theory compensates for shareholder theories that focus on profit maximization. Furthermore, followed by the development of new strategies such as social audit, a balance between people, planet and profit (Zsolnai, 2011), investment ethics and the emergence of the concept of corporate social responsibility (CSR) whose implementation continues to grow.

In some major events related to business ethics, the public was shocked by the laying of 3,000 Renault employees without communication and negotiation processes in late 1997. Renault ran the concept of participatory business ethics and stakeholder cooperation within the factory. But when faced with the profitability problem, They forgot the stakeholder philosophy. This event made everyone aware that decision-makers often forget the value because it has been firmly embedded in the policymaker's logic about maximizing profits.

In the early 1990s, the common was shocked again by the dot-com crisis. The fall of several large companies, such as Enron, Lernaut & Hauspie, and WorldCom caused similar fundamental problems. "Ethic" management does not imply a consistent and integral commitment to ethics. (G. Bouckaert & Pollit, 2011) revealed that ethical implementation was only due to market forces.

Some challenges that often cannot be solved by modern management are related to business ethics (Usman, 2015). First, many companies tend to ignore moral and ethical values, justifying all means to achieve organizational goals; secondly, business actors still bribe, manipulate, corruption, nepotism, enrich themselves, and neglect social responsibility; third, bringing down competitors so that only the company wins.

Various deviation conditions above because modern management has not been able to provide the right solution. Drucker (1964), in the book Managing for Result, described the
existence of a business as a profit-making entity. The pressure to create profits triggers business policymakers to make every effort that sometimes tends to be greedy and only pay attention to financial benefits and create material welfare. According to Amin (2010), many entrepreneurs and decision-makers in organizations do not care about issues so profoundly related to the search for meaning in life and business. The emergence of attention and practice of virtue values in management forms the foundation of characteristics, forming a new paradigm.

A more spiritual approach to business ethics is needed. Without greater intrinsic motivation, business ethics will be reduced (L. Bouckaert & Zsolnai, 2012). Most definition of spirituality has several elements in common: reconnection for the inner; the search for universal values that elevates the individual above the egocentric struggle; deep empathy with all living creatures; and, finally, the desire to stay in touch with the source of life (Lord of the worlds). In other words, spirituality is the search for inner identity, connectedness, and transcendence (L. Bouckaert & Zsolnai, 2012). During this time, many parties often associate spirituality and religion.

This new paradigm emphasizes the importance of the values of spirituality in managing organizations. Researchers' interest in spirituality in an organization has grown (Crossman, 2016). Robbins P & T.A. (2011) revealed that spiritual organizations tend to have a strong sense of purpose. The environment, organizational culture, and knowledge of management influence spiritual organizations. It produces excellent and social values that appear in the organization's image, vision, mission, and organizational values (Geaquinto, Paulo, & Pinheiro, 2020).

Suppose all santri in Indonesia apply the teachings of moral dimensions of business spirituality. As a result, future entrepreneurs will uphold Islamic business ethics, which affects the business atmosphere in this country. The moral hazard crisis will be reduced. The increasing number of pesantren and santri will support these conditions. In the last four decades, the growth of pesantren in Indonesia has dramatically increased. The Ministry of Religious Affairs of the Republic of Indonesia released data on the number of pesantren in 1977, still 4,195 pesantren with some santri around 677,394. Ten years later, there was a sharp increase in the number of pesantren 6,239, with a total of 1,084,801 students, both male and female.

Public awareness of religious education was increasing. In the next two decades, the pesantren number increased by almost 224% or 9,388. An increase also followed it in the number of santri who rose 261% or around 1,770,768 santri. In the first-millennium era in the early 2000s, the Directorate General of Islamic Institutions of the Indonesian Ministry of Religious Affairs has statistical data on the increasing number of pesantren. In 2001 the number of pesantren in Indonesia was 11,312 pesantren with 2,737,805 santri, and in 2005 it became 14,798 pesantren with a total of 3,464,334 santri. In the digital era, the Directorate of Islamic Education, Ministry of Religious Affairs of the Republic of Indonesia, revealed an increase in the number of students in 2016 to 4,290,626 spread across 28,194 pesantren covering all of Indonesia in both rural and urban areas.

Generally, pesantren are divided into two types according to their learning model (Rashid, 2004 in Suwito dan Fauzan). First, the Salafiyyah Pesantren (traditional Islamic boarding school) is a pesantren that teaches the Quran and the Islamic religious sciences with their main characteristics, teaching the classical yellow book about the procedures for worship, the history of Islamic civilization, etc. The Salafiyyah pesantren curriculum is regulated by the institution's management based on the characteristics of the pesantren itself. Second, Pesantren Khalafiyyah (modern boarding school) is a boarding school that provides teaching like the Salafiyyah boarding school plus also organizes formal education (public schools) such as elementary schools, junior high schools, senior high schools, and universities. It also teaches expertise and other skills. Based on data from Diniyah and pesantren education statistics, at present, the number of pesantren by type can be seen in Figure 1 below:
Based on those explanations, the research question of this study was: How was the implementation of the spiritual teachings (tasawuf) of Al-Hikam to santri reflected in managing the Al-Ishlah pesantren family business?

Spiritual comes from the Latin "spiritus" which means something that gives life to a system or organization (Amin, 2010). Spirituality is not a matter of religion or belief system. Spirituality involves universal values, meanings, and goals in human life that are not dependent on what religion a person embraces.

Most definitions of spirituality have many elements in common: reconnection for the inner self; the search for universal values that elevate the individual above the egocentric struggle; deep empathy with all living things; and, finally, the desire to stay in touch with the source of life (Lord of the worlds). In other words, spirituality is the search for inner identity, connectedness, and transcendence (L. Bouckaert & Zsolnai, 2012). During this time, many parties often associate spirituality and religion. Allah Almighty in (Q.S 68 Al Qalam verse 4) uses the sentence khuluq to describe the Prophet Muhammad's behaviour. Khuluq is a derivative of the word akhlaq, which means the same or can be equated with ethics in Islam (Siddiqui, 1997). In other words, the normative model of Muslim behaviour is based on ethics (Beekun & Badawi, 2005).

3. RESEARCH METHOD

This research is qualitative method research that aims to dig deeper about the teachings of Al-Hikam book (work of Sufi Ibnu Athaillah), which animate the implementation of business ethics in running several businesses owned by pesantren.

The research method used was combining content analysis and Case Study. The content analysis assumes that word groups express the underlying theme, and the same keyword can be interpreted as a relationship that reflects the underlying concept (Krippendorff, 2004; Neuendorf, 2002). In the first step, the study examines the contents of the Al Hikam book specifically related to its implementation in business ethics. Regarding other methods, content analysis is essential as a triangulation (Duriau, Reger, & Pfarrer, 2007).

The case study complemented the previous method. This approach was more appropriate because it uses cases to develop theories inductively. This theory arises because it lies in and is produced by recognizing the pattern of relationships between constructs in and in all cases and the underlying logical arguments (Eisenhardt & Graebner, 2007).

The object of this research was the Al-Islah Modern Islamic Boarding School located in Bondowoso, East Java. This pesantren was chosen because it was known to have several business units that were run. Most even in fields that were not the business core of this pesantren, including:

1) Cow farm
2) Broiler and layer farms
3) Aquaculture freshwater
A qualitative approach with the case study is considered appropriate for this study. Besides uncovering relevant conditions or events, it is also to build a theory of how actors or informants respond to changes in the business world by Sufi teachings in pesantren. In constructing a theory, we also know logic replication from previous research (Eisenhardt, 1989). Some previous studies use the logic that religious-spiritual teachings will create positive business ethics (Geaquinto et al., 2020) (Kalemci & Kalemci Tuzun, 2019) (Bhatnagar et al., 2019). Initial observations showed that there were some businesses declined or even collapsed. So this research needs to explore how the actors (in this context were Kyai and Santri, who manage the pesantren business). Knowing how they respond to these events is regarded as the implementation of business ethics in running various companies owned by the pesantren.

To explore the object of study, the researcher actively participated in several activities at the Pesantren X in a few months (from February to May 2022). Review of Jalalain’s book periodically, economic discussions and seminars organized by pesantren, interviews pesantren leader especially business & economic division and interviews several sentries.

4. RESULT AND DISCUSSION

Al-Hikam's teachings are Sufism works that are so broad and profound. The Sufism concept is practised by people who want to find a Sufi path, which entrepreneurs have also adopted in the last few decades in all its forms. In modern management, we know the emotional spiritual quotient. The teachings of Sufism Al Hikam combine the teachings of Sufism Akhlaqi (focus on improving morals and character). Trying to realize good behaviour, and avoiding reprehensible qualities). Amali (ways to draw closer to Allah through outward and inward practice), and Philosophy (Sufism that combines mystical vision and rational vision). According to (Siddiqui, 1997), in some contemporary studies, business ethics is widely discussed in the Qur'an, hadith, and fiqh studies and can also be extracted from the work of Sufis (mystics). Moreover, the development of sharia-based businesses gradually expands. This condition requires the entrepreneur to understand the global culture of markets in Muslim-majority countries and the western world (Rice, 1999).

Awareness of entrepreneurs to incorporate and adopt spiritual teachings in running their organizations (Crossman & Crossman, 2016) because the spiritual is considered to be able to grow the values of goodness and social values that are useful in business (Poole, 2009).

The interview results with the leader of Pesantren X, especially in the economic division, found that the Al Hikam book is one of the books taught here, besides several other books. The Al Hikam Book is quite popular among Sufi life learners written by Ibn Athailah (709 H), and he was ulema from Egypt. Not all of the contents of the Al Hikam are applied in the Pesantren X, but only a few teachings by the founder are considered necessary. The teachings of Al Hikam, which are deemed to be relevant if applied by sentries and adherents, especially in the business field, are al-muhasabah, al-yaqin, husnudhan and al-tawakkal.

Internalization of the teachings of Al Hikam's book on Business Ethics

Al-Muhasabah

According to those pesantren leaders, Al-muhasabah is self-introspection. Every santri in Pesantren X is always recommended to be al muhasabah, not to rely on his business effort. Al muhasabah is a form of dhikr to Allah, be careful of ghaflah (negligence) because oversight causes stiffness of the heart. In the first lesson, the book Al Hikam reads (Ataillah, n.d.):
"Half of the signs that a person relies on the strength of his efforts, which is reduced hope for the grace of God when it happens to him a mistake or sin".

Through al-Muhasabah, the sentries will realize demeaning themselves in front of Allah so that they will perform the Taubah (aware and regret his sin (wrong or evil deeds) and intends to rectify their behaviour and actions, return to the true religious path). Taubah, in Sufi’s view, is the basis for a journey to Allah for desiring His countenance. As revealed by the Sufis, "At Taubah asasul magam” Taubah is the first step to clean the heart. One of the informants, a pesantren leader, added that in addition to conducting the repentance process with dhikr and remorse, the santris must also do virtues, for example, by doing service or work for pesantren, for instance, working in one pesantren business unit.

Hard work and full of enthusiasm do not guarantee to produce optimal results, and all depend on the power of Allah Almighty. Therefore, santri is often reminded not to rely solely on attempts and physical endeavours but to depend on the grace of Allah Almighty. The book Al Hikam on the 3rd and 4th wisdom (Ataillah, n.d.) states:

"The hard spirit/struggle can not penetrate the curtain of destiny, sacredness, or extraordinary events of a wali. It can not penetrate out of destiny, then everything that happens solely with God’s destiny”.

"Rest yourself / your mind rather than doubt regulating the needs of your world, because what has been guaranteed/resolved by others, you need not be busy thinking about it”.

As a result of mubahabah and repentance, it is hoped that the santri will reach a degree of wisdom and surrender their efforts to Allah Almighty's destiny. This attitude will shape the proper business ethics needed in future global business. As future business leaders, Santris are expected to be leaders in business organizations that can influence and develop a corporate culture with a clear Islamic business ethic. The current business environment is increasingly dynamic and dilemma, so Muslims need guidance on business ethics in managing their organizations (Abeng, 1997).

Al-Yaqin

According to the pesantren leader and some students who were informants of the research, that was convinced that what was emphasized in the Islamic Boarding School students of pesantren X was full confidence in the Power and Grace of Allah Almighty. If a santri has a strong belief, he will feel closeness with God and happiness, pleasure, and joy. Such conditions are because the mood is overwhelmed by love, tenderness, beauty, and extraordinary affection, so it is challenging to describe in any way.

This problem is expressed in the book Al Hikam on the 45th wisdom (Ataillah, n.d.), viz :

"The sun's light can show Allah's closeness to you. The sun can show God's existence, not your existence. The nature of the sun shows you only God's existence, not adam, and not your form. Syu'aa'ul bashiirah is the light of reason, Ainul bashirah is the light of knowledge, and haqqul bashirah is the light of the Divine

Every santri must believe in the power and mercy of Allah Almighty. Everything that happens in this world, including everything that happens to us, must be thought to be the Power and Will of Allah Almighty. Al Yaqin's teachings are very important to be owned by entrepreneurs. When they get a profit, it does not cause arrogance. On the contrary, when getting a loss does not cause giving up.

Husnudhan

Husnudhan means kind thinking, excellent thinking to Allah Almighty. Husnudhan is a straightforward moral that reflects the cleanliness of one’s heart, always thinking positively in dealing with various things. Husnudhan's attitude can be seen when someone makes a choice when he is faced with two options that must be determined in his life’s journey. The teachings of this Husnudhan are always instilled in every santri in the Islamic Boarding School (pesantren X). So that they think and act positively toward anyone.

Husnudhan's attitude to anyone can deliver someone to let go of all harmful and despicable qualities. If someone is still covered by suudhan (prejudiced), then he will not be able to accept the essence (truth) of faith and knowledge.
Suudhan attitude, which is the base of following passions, can trigger jealousy, envy, arrogance, divide and conquer, robbing, very love of the world, and greed. To eliminate suudhan attitude, the pesantren leader teaches the santris to always husnudhan (positive thinking) to anyone, both Allah Almighty and anyone. Suudhan's attitude arises because he wants to satisfy his desires, whereas Allah Almighty forbids humans to obey his passions. This concept follows the teachings in the book Al Hikam on the 43rd Wisdom (Ataillah, n.d.) :

"The principal of all immorality, neglect, and lust, because they want to satisfy their desires. Being the subject of all obedience, awareness and moral decency, is because there is restraint (detention) of lust". 

Husnudhan's attitude or good prejudice is the basis of self-actualization. According to Abraham Maslow, the father of humanistic psychology. People who have achieved self-actualization no longer divide good and bad dichotomously. They conduct their work and duties with pleasure, happiness, and no strings attached. They consciously and consistently choose noble values and kindness, and they lightly and consciously do so. Good and bad dichotomies only apply to those who are not consistent with themselves (Maslow, 1954).

Husnudhan's attitude is reflected in the santri of Al-Ishlah pesantren, who are always friendly to each guest, and deliver greetings and smiles. This attitude in modern management has become part of excellent service, and many companies have adopted it as part of the company's culture through smiles and greetings.

**Al-Tawakkal (Surrender to Allah)**

Tawakkal means entrusting all matters to Allah Almighty. Pesantren X teaches santri and worshipers to always surrender to Allah Almighty in all respects, and surrender does not mean not making dzahir efforts (everything tangible seems tangible). Surrender (al-Tawakkal) is a human strive after endeavouring or in real and earnest (struggle) and praying for Allah Almighty.

Impulsing to manifest what they want quickly proves that all human beings have a desire. However, if people are sure that only Allah controls "Innalloha 'ala kulli'syatin Qodir" (actually Allah controls all events), nothing will happen "Illa Bi' idznillah". Actually, what makes people feel extraordinary pleasure when their hearts are convinced that every event only happens with the permission of Allah SWT. Allah Almighty said, "Wamayyatawakkal atallahu fahuwa hasbu". (and whoever al-Tawakkal to Allah will fulfil his physical and inwardly needs). Santri Al-Ishlah was educated to be a trustee (Surrendered people obey God's words). The characteristics of people who give up on Allah are less disappointed in everything that happened to him. Disappointment experienced by someone shows the quality of his surrender to Allah Almighty. Al Hikam's book provides a basis and guidelines for everyone in asking Allah Almighty not to despair and remain to rely on Him. In the 33rd lesson (Ataillah, n.d.), Ibnu Athaillah explained :

"There will be no end to a request that you simply ask, except you rely on the gift of God's power. It is not easy to reach the request, the hope if you rely on your strength and effort and intelligence."

Al tawakkal for santri of pesantren X does not mean surrendering passively or resigning to the situation. Likewise, with the matter of fortune, they do not stand idly by expecting mercy from others. The pesantren leader strictly forbids santri from toma' (hoping for the mercy of others' help, in debt, or even begging). For this reason, pesantren provides facilities for santri to work (kasab) in several pesantren business units.

Worldly activities in seeking fortune are highly recommended by pesantren leaders so that they do not become economically weak. The view and attitude infused that treasure is only the bridge is not the goal because life is a test, not a final objective. Life and wealth are the bridge to reaching the blessing of Allah, running for His love only. These teachings are displayed in various pesantren corners, such as on walls or in many trees around the pesantren. This meaningful advice is written using Arabic or English with a wonderful ornament so that it can always remind the students and worshipers who come to pesantren X.

5. **CONCLUSION**
The *Al-Hikam* Book written by Ibn Athaillah (648-709 H) is one of the Sufism work taught in most pesantren in Indonesia. The teachings of Al-Hikam can be said to be the teachings of Sufism which combine Sufism *Akhlāqi* (focus on improving morals and character, trying to realize good behavior and avoiding reprehensible qualities). *Amali* (ways to draw closer to Allah through outward and inward practice), and *Philosophy* (Sufism that combines mystical and rational visions). Not all teachings in the book of *Al Hikam* can be applied to santri or the congregation of pesantren X. However, some education is very emphasized practice in daily life. The teachings are *al- muhasabah, al-yaqin, husnudhan, and al-Tawakkal*. These attitudes are the foundation for business ethics implementation.

The first step is al-muhasabah, self-introspection, and cleansing the heart by not relying on the results of his efforts to do anything but only depending on Allah's mercies. Not all hard work produces optimal results. The next step is *al-yaqin*, full confidence in the power and will of Allah Almighty. *Al-yaqin* will give a sense of closeness to Allah Almighty to provide calm and happiness. *Al-Yaqin*’s teachings are essential to be owned by entrepreneurs. When they get a profit, do not cause arrogance. on the contrary, when getting a loss, do not despair. The third teaching is *Husnudhan*, where one must always have a kind-minded attitude, do not have jealousy, desire, and envy. *Husnudhan’s* attitude produces hospitality adopted by modern management today as excellent service.

*Al Tawakkal* became the culmination of one's spiritual journey in reaching the love of Allah Almighty that results in His Mercies. People who have applied the attitude of al-tawakkal in their life will feel happy, calm, and peaceful. They are always steady and optimistic in action. This condition is critical for entrepreneurs to produce favourable managerial decisions while still giving full confidence in the provisions of Allah Almighty. Implementing the four teachings of the *Al Hikam* book is hoped to create entrepreneurs who always hold tight to Islamic business ethics. For further research, other researchers can develop multicase and enlarge some informants to alumni who have gotten the *Al-Hikam* teaching intensively. The type of experimental research and the use of quantitative methods to measure business ethic achievement after learning the *Al Hikam* Book can be considered.

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