



Islamic Business Ethics: How to Apply it on the Supply Chain Management?

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ABSTRACT

The purpose of this research was analyzing the application of Supply Chain Management in the perspective of Islamic business ethics. Islamic business ethics is related to the implementation of Supply Chain Management in related companies, from the purchasing process of production, retail distribution to consumption by the public. There needs to be a concept of applying Islamic business ethics as a basis for doing business. Business ethics are sometimes ignored by business people. By applying business ethics, a businessman can understand even very difficult business competition, how to maintain good manners, be friendly, how to dress properly and how to speak words to deal with customers, all of which has meaning. business people do everything they can to get high profits, even business people often ignore the ethics that must be considered in running a business. The method used in this research was qualitative research by using the document analysis. The results of this article on the application of Supply Chain Management in the perspective of Islamic business ethics were that every company when conducting its business must have elements of unity, justice, free will, responsibility and virtue.

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INTRODUCTION

With the development of the era, companies are required to be able to compete in the era of globalization and innovate. In the world of markets, companies play a significant role in creating value where buyers and sellers meet. The increasingly rapid expansion of technology makes companies continue to create new innovations in business competition. Therefore, the company's dream is to become a leader and be

able to innovate and be able to develop in their respective fields. Similar to the market, marketer competition also takes place nationally and internationally.

A good strategy in competing is to create effective actions in making new innovations in competition with other companies. The ability to compete shows the progress of innovation in seeking opportunities that are needed by consumers. Opportunities for consumers in areas with high income levels, the company places more emphasis on a product that is relatively expensive and the latest. Meanwhile, consumers who have low-income levels, the products offered to consumers are products that have relatively cheap prices and can be reached by the lower middle class. The product innovation strategy is very suitable to be marketed to consumers who have high income levels. Companies must be observant in paying attention to the movements of opportunities that exist in the community. Marketers must also pay attention to the position of their products that are sold to consumers in order to compete with other similar products. Strength in the movement of demand is part of the company's benchmark to the people who need the product. An alternative strategy in developing a global competitive business is supply chain, this strategy is part of management based on competitive excellence, which focuses on consumer behavior. Technological developments are a major factor in the development of supply chains in winning the competition and becoming the first company to innovate in marketing its products to consumers.

An independent organization that has a joint relationship with a separate product service with the main goal of the product being accepted by the end consumer is part of the supply chain management process. It is necessary to underline that the process of economic activity is the activity of making goods called production, an activity that can deliver goods from the producer to the consumer is a distribution activity and an activity that plays an important role in spending goods is part of consumption activities. Activities that involve many employees in making a new product, and processing natural resources properly are factors of production. In Islam, what is meant by quality is an effort to produce the best, while at the same time improving and ensuring its sustainability and progress as the word of Allah SWT in QS. Al-Mulk verse 2.

الَّذِي خَلَقَ الْمَوْتَ وَالْحَيَاةَ لِيَبْلُوَكُمْ أَيُّكُمْ أَحْسَنُ عَمَلًا ۗ وَهُوَ الْعَزِيزُ الرَّحِيمُ ﴿٢﴾

It is He Who has created death and life that He may try you which of you is best in deed. And He is the All-Mighty, the Oft-Forgiving.

The purpose of charity in the verse is an activity with self-improvement through good activities. A process of improvement will have the beginning of good intentions or vice versa, good activities will also start with good activities. A process towards quality using activities that are precise, directed, clear and complete or in other terms must be

professional.

Destruction affairs can be done with people who are not in the right field. Prophet Muhammad SAW stated that, "The wages of a worker must be paid before the sweat on his body dries", in this case the Prophet emphasized, that "the best income is the income of a worker who does the work carefully and he respects his employer".¹

The universal and comprehensive nature and characteristics are Islamic management theory as follows:² 1) Islam has a management that is filled with values, ethics, morals and beliefs that originate from Islam. 2) In solving the problem, Islam looks not only at the faults of the leadership and the mistakes of the employees, but places more emphasis on the shared hope, the belief that is embodied in togetherness. 3) Islamic values appear in the sincerity of employees and leaders in their work, both of which play a role in making decisions based on sharia elements. 4) the work system in Islam is that the leader is formed with the element of shura, advises each other between superiors and employees and can accept criticism and suggestions for the good of the public.

The supply chain management process from upstream is the production process to distribution then downstream, which is accepted by consumers. The author's interest in exploring the problem of storage of raw materials, work-in-process inventory, and finished goods from the point of origin to the point of consumption. interconnecting or interrelated networks, channels and business nodes involved in providing the products and services required by end consumers in the supply chain. From this process the author uses elements of Islamic business ethics in the process so that consumers provide mutual benefit. So, Muslim consumers do not hesitate to choose these products and will have an impact on consumer loyalty to the company.

There needs to be a concept of applying Islamic business ethics as a basis for doing business. Business ethics in Islam needs to be developed or applied in the real world because the concept of Islamic business ethics will have a positive effect, it is the common good. Research related on the application of the Islamic business ethics has also been carried out by Sup³. On the one hand, business people only care about profit without being balanced with tolerance and Islamic values. For example, reducing the scale, mixing bad products with products that have good quality in order to have the same price. In the process, the value of business responsibility becomes the main factor in carrying out business. As mentioned in Q.S Ash Syu'araa verse 181-183:

¹ Prof. Dr. H. Veithzal Rivai, S.E., M.M., M.B.A, dkk. *Islamic Business and Economic Ethics*, 182-215.

² Al Ahmady, Abdulloh Mubarak, *Implementasi Supply Chain Management dengan nilai syariah di PT Behaestex Gresik*. (Masters thesis, UIN Sunan Ampel Surabaya. 2017), 4.

³ Devid Frastiawan Amir Sup, "Peran AMDAL Dalam Mengawal Etika Bisnis Terhadap Lingkungan Dalam Perspektif Ekonomi Syariah" *Journal of Shari Economics* 2, no. 1 (June 2020): 1-15. 2020. <https://doi.org/10.35896/jse.v2i1.76>

مَا خَلَقْنَاهُمَا إِلَّا بِالْحَقِّ وَلَكِنَّ أَكْثَرَهُمْ لَا يَعْلَمُونَ ﴿٦٦﴾ إِنَّ يَوْمَ الْفَصْلِ مِيقَاتُهُمْ

أَجْمَعِينَ ﴿٤١﴾ يَوْمَ لَا يُغْنِي مَوْلَى عَنْ مَوْلَى شَيْئًا وَلَا هُمْ يُنصَرُونَ ﴿٤١﴾

Give full measure (do not have your scales on the negative end) and be not of those who fail (their souls, those whose sins are more than their merits); Weigh with the measure of those who are upon a direction (those who wish to reach Allah and have more merits than the sins). And do not defraud people by reducing their things (do not cause their positive degrees to be less than their negative degrees by hindering them from making the wish to reach Allah) and (based on this) do not cause disorder in the earth, making mischief.

It was explained that all human beings are required to behave honestly in all things, a slap in the face for dishonest businessmen. The form of dishonesty in business people is cheating when weighing, quantifying, and measuring goods.⁴ Human activities to establish cooperation, help, and keep away from envy and revenge are Islamic business ethics activities.⁵ Business is not merely looking for profit, it is necessary to have Islamic business ethics values applied in business from the process, namely (producers, traders, sales, advertising, and so on).⁶ Islamic business ethics are values that must be carried out by business people. Islamic business ethics also functions as controlling (regulating) the economic activities of business people, because the philosophy of ethics is based on scientific reasoning and religion to judge. The basis of this assessment in the practice of life in society is often found that religiously there are values regarding good or bad or evil things, such as those who oppressed or being oppressed.

LITERATURE REVIEW

Supply Chain Management

According to Assauri, supply chain is the activity of distributing goods and services from upstream, it is from producers to downstream, to consumers. The supply chain involves an ongoing relationship of goods, money, and information.⁷ Activities related to longistics, both procurement of goods and services, conversion are part of supply chain management. The supply chain management process relates to the supply

⁴ Johan Arifin, *Etika Bisnis Islami*, (Semarang: Walisongo Press, 2009), Hal 154

⁵ Yusuf Qordhowi, *Norma Dan Etika Ekonomi Islam*, (Jakarta: Gema Insani Press, 1993), hal. 31

⁶ Ika Yunia Fauzia, *Etika Bisnis Dalam Islam*, (Jakarta: Kencana Prenada Media Group, 2017)

⁷ Assauri, Sofjan, *Strategic Management, Sustainable Competitive Advantages*, (Jakarta: Lembaga Management Fakultas Ekonomi Universitas Indonesia, 2011), 208.

and demand process in the management of the company, the process relates to partners, suppliers and intermediaries, third party service providers and customers.⁸ A business model that can provide good and increasing profits is to use a supply chain management model, this business model has become one of the dominant concepts in the tens of years in the eighties to nineties.⁹

Implementation of the flow of planning, organizing, coordinating, implementing, to controlling is part of the management strategy, especially those that can support the development of the company. An external factor that can be a major supporter in the development of a company is the existence of a relationship that continues to provide goods to the company with good quality and can be processed by the company after the finished goods will be distributed to distributors. The trend of rising prices of goods in Indonesia is a global economic trend that consumers need to watch out for, what needs to be considered in the transaction of goods to consumers is that the complex and demanding nature is one of the factors that fosters a sense of wanting to provide new innovations to consumers in order to compete with other companies.¹⁰

According to Schroeder, supply chain is the process of providing goods and services from suppliers to companies and distributing them to consumers.¹¹ According to Christopher, the supply chain of existing values provides overall benefits at a fairly low cost, this relationship is formed between providers of goods and services to customers. The flow of product materials, both within an organization, and between organizations. The principle of supply chain management is essentially the synchronization and coordination of activities carried out by the company. For example, a manufacturing industry is a complexity whose handling requires the intervention of all parties, not only through the physical flow of materials or products but also parts of product design, manufacturing, marketing, accounting, and others are part of the material flow or product flow in one organization.

The opinions of Anderson on principles and strategies in Supply Chain Management include:

1. Providing service to customers according to consumer needs.
2. Planning market opportunities needed by consumers, market forecasts are used as the basis for producing quality and good products that are accepted by the market.
3. Positioning the product close to consumers and still paying attention to the supply chain.

⁸ Kamel Aissa Fantazy B.Sc. (Aston University, U.K); M.Sc., *An Empirical Study of the Relationships Among Strategy, Flexibility, and Performance in the Supply Chain Context: A Path Analysis Approach*, (Tabbin Institute Cairo Egypt, Januari 2007) 31.

⁹ Walters, David, *Effectiveness and Efficiency: The Role of Demand chain management*, *The International Journal of Council Management*, Vol. 17, No. 1, pp. 75-94.

¹⁰ <http://www.slideshare.net/RizaArdhiyansah/presentasi-intro-to-supply-chain-management>.

¹¹ Agus, Widyarto, *Peran Supply Chain Management Dalam Sistem Produksi Dan Operasi Perusahaan*, (Jurnal Manajemen Bisnis, Vol 16, 2012), 5.

4. The way to reduce costs in the process of supply chain management activities is to manage supply chain sources.
5. Using technology in developing supply chains in providing and supporting all decisions in the supply chain process in order to provide benefits to the flow of products, services and information.
6. Measuring the performance of quality and quantity in the supply chain in providing good service to consumers.

There are two functions of the supply chain, as follows:

1. The main function of Supply Chain Management is to convert raw materials into finished materials and then distribute them to consumers. The things related to the supply chain are physical costs, namely material costs, storage costs, production costs, transportation costs and so on.
2. The second function of Supply Chain Management is that the goods produced reflect the interest of customers/consumers in using the company's products. The matters relating to the second function are the costs of market surveys, product planning, and costs due to the non-fulfillment of consumer aspirations by the products provided by a supply chain.

One of the goals of supply chain management is to match supply and demand properly and effectively. Problems with supply chain management related to suppliers are determining the right level of outsourcing

1. Procurement management
2. Supplier management
3. Manage relationships with customers
4. Identify the problem and respond to the problem
5. Risk management¹²

Below are the mechanisms in supply chain management:

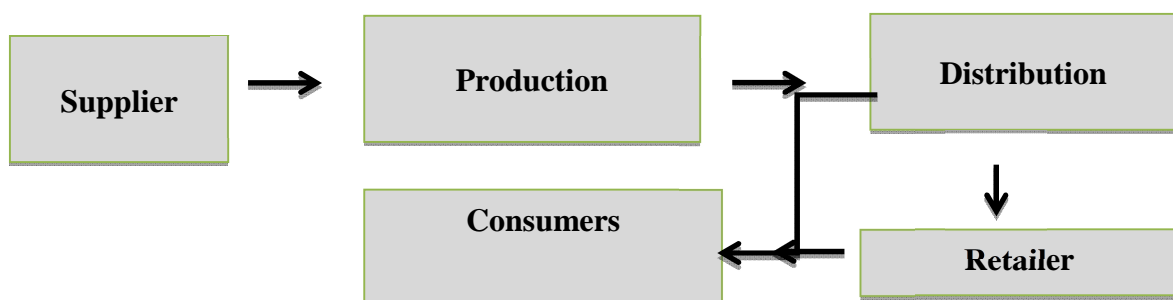


Figure 1. Supply Chain Process

¹² Desi, Ariani, *Analisis Pengaruh Supply Chain Management Terhadap Kinerja Perusahaan*, (Jurnal Manajemen & Organisasi, Vol 10, 2013), 132.

Supplier

The first process in supply chain management is the supplier process in the supply chain. This process must pay attention to the quality and quantity of goods supplied in the production section. The selection of honest suppliers is the main basis for the company to move forward. If the wrong supplier will have a bad impact on the production process. This process pays attention to the flow of goods that enter production and is then regulated by the production manager. The head of utility at the direction of the production manager has the responsibility of accommodating and processing the materials required by the company. Time must be considered in supplying goods to the company and must have the principle of being on time, effective and systematic.

Good cooperation between the company and the supplier gives a positive effect desired by the end consumer. Perma done by the manager is to control and regulate and plan the course of the production process. The task was given to the Head of Production Planning Control (PPC) and Quality Control (QC). The Head of PPC and QC made charts and production plans last year to be used as a benchmark for the company's progress. Things that must be considered in the selection of suppliers are quality, cost, delivery, flexibility and responsiveness.

The task of selecting the goods is regulated by the head of utility. The Utilities Head is responsible for providing the materials needed just in time. The utility head makes a neat and systematic schedule with suppliers. In addition, matters relating to the utility division head include the provision of electrical energy sources, factory room temperature control (AC), and equipment installation. Furthermore, the selected materials are managed by the inspecting division head for supervision and inspection. Careful and thorough supervision is carried out so that the selected materials are always in good condition until they are received by the production team.

Production

Production is a process of converting inputs into outputs, so that the value of these goods increases. Determination of the combination of production factors used in the production process is very important so that the production process carried out can be efficient and the production results can be optimal. Every factor of production in the economy is owned by someone. The owners sell the factors of production to entrepreneurs and in return for their services they will earn income. Labor gets salaries and wages, land gets rent, capital gets interest and entrepreneurial skills earn profits. The income earned by each type of factor of production depends on the price and the amount of each factor of production used. The amount of income obtained by the various factors of production used to produce an item is the same as the price of the item.¹³

¹³ <http://repository.usu.ac.id/bitstream/123456789/41384/4/Chapter%20II.pdf>, diakses pada 6

In production activities, raw goods are converted into finished goods needed by consumers who are supervised by the production manager. Things that need to be considered in the production process are the presence of employees who have skills in their fields, land with all its potential, as goods that can never be separated from the discussion about production; second, labor, because the quality and quantity of production is largely determined by labor; third, capital, material objects used to produce wealth or economic services; fourth, production management, to get good production quality requires good management as well; fifth, technology, production tools in the form of machines, factories and others; sixth, raw materials or materials in the form of mining, agriculture and animals.¹⁴

Companies must pay attention to and implement supply chain management elements:¹⁵ demand management/forecasting, advanced planning and scheduling, transportation management, distribution and deployment, production planning, available to promise, supply chain modeler, optimizer (Linear programming, non-linear programming, heuristics, and genetic algorithms. It should be noted in the production process is a production management mechanism that produces goods of good quality. The type of production process in terms of the flow of raw materials into finished goods can be divided into 2 types, they are:¹⁶

a. *Continuous Process*

A continuous production process will occur if the producing company takes a long time to prepare equipment or machinery and the type of machine only varies slightly because usually a specific pattern and type have been determined to produce products on a large scale from raw materials to finished goods. finished goods with a definite order pattern as well and these activities will continue for a long time and the quality and maintenance costs are quite large. This type of continuous production process usually occurs in industries that only have one operating shift or the activity does not stop for a long time and the goods produced have almost the same shape. Example; cement companies, textiles, cars and so on.

b. *Intermittent*

This discontinuous production pattern occurs because of the frequent cessation of machines or production tools to adjust to the wishes of the final product to be created. Surely, not the entire production process will have a completely different production process, sometimes for three parts or two parts of the production process before producing the final goods have the same sequence pattern as well.

Pebruari 2021.

¹⁴ Mustafa Edwin Nasution, et al, *Pengenalan Eksklusif Ekonomi Islam*, (Jakarta: Kencana Prenadamedia Group, 2006) 108-109.

¹⁵ Agus Widyarto, *Peran Supply Chain Management Dalam Sistem Produksi Dan Operasi Perusahaan*, *BENEFIT Jurnal Manajemen dan Bisnis* Volume 16, Nomor 2, Desember 2012, 91-98.

¹⁶ Sofjan Assauri, *Manajemen Produksi dan Operasional*, (Jakarta: Fakultas Ekonomi Universitas Indonesia, 2004) 74.

So, what makes the difference is that when the production process from raw materials to the final product (the result of the production process) always has a different sequence pattern according to the final product that consumers want. This type is used in companies whose production is based on orders from consumers (buyers who will buy), for example: furniture, metal casting, clothing and so on.¹⁷

A high-risk product is a product that is processed with high risk or the results produced have a high risk and result in the value of goods and services being also high risk, which will result in a small market of consumer interest. Product modification can provide a new innovation in product development. This needs to be considered in completing the design and initial product testing process activities. For example, where there is a high degree of uncertainty regarding the technical performance of the product, consideration may be given to modeling key features and testing them earlier in the process. Various solutions may be explored in parallel to ensure that one solution gives the best results. The design review should estimate the level of risk on a regular basis, with the expectation that the risk can be minimized over time and as soon as possible.

Quick build products in the development of these products include, such as software and electronic products, the manufacture and testing of prototype models is a fast process, so that the test can be repeated several times. Following concept development in this process, the system-level design stage results in the breakdown of the product into features of high, medium and low priority. This stage is followed by several cycles of design, production, integration and testing activities, starting with the highest priority. This process takes advantage of rapid prototyping cycles by using the results from each cycle to learn how to modify priorities for the next cycle. The customer may be involved in the testing process. When time or budget runs out, typically all high-priority features are being incorporated into product development, and low-priority features may be eliminated until the next product build.

Distributor

Response time is the time used to order goods or services to the final consumer. Product variety The kinds of products needed by consumers are the company's priority in producing goods and services. Product availability of products that have been produced by the company makes the choice and inventory of goods. Customer experience is an interesting or bad experience obtained by a customer in ordering an item, the item is enjoyed by the customer whether it is in accordance with customer satisfaction or not, Order visibility of the customer who has ordered is then influenced by the desire to own an item and results in the escort of the goods and tracking the goods, the customer's wishes are not to be mistaken for the goods ordered by others. Returnability when the goods are not in accordance with the order then the alternative

¹⁷ Sofjan Assauri, *Manajemen Produksi dan Operasional*, 74.

can be returned to the manufacturer. The designs of distribution channels are as follows:

- a. Manufacturer storage with direct shipping
- b. Manufacturer storage with direct shipping and in-transit merge.
- c. Distributor storage with carrier delivery
- d. Distributor storage with last mile delivery
- e. Manufacturer or distributor storage with consumer pickup

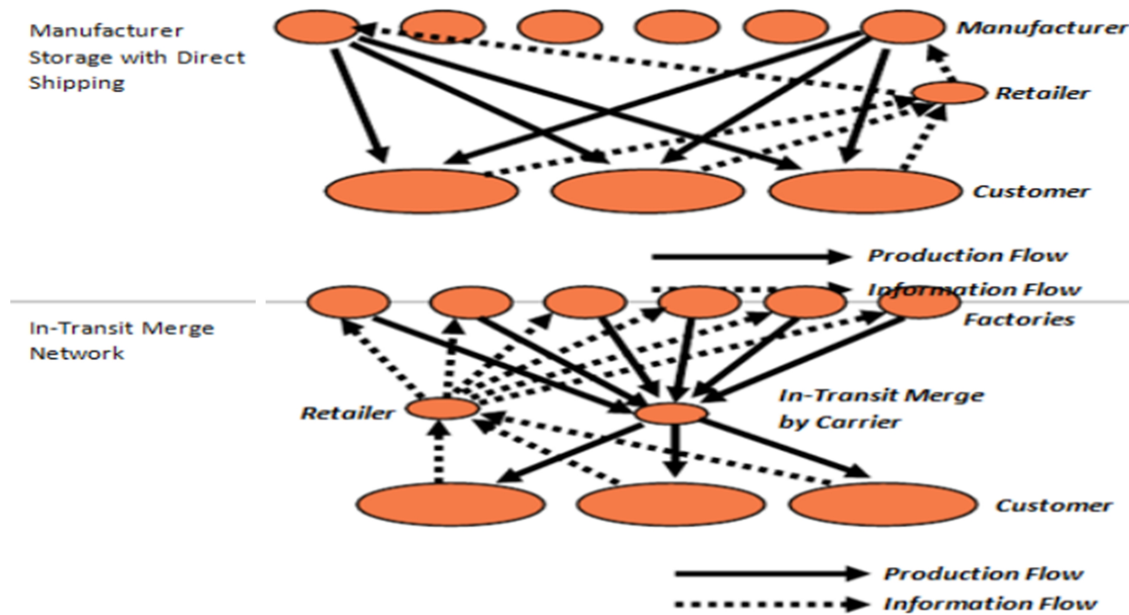


Figure 2. Distribution Channel Design

Butor manufacturer storage with direct shipping is the first model design. The product is shipped directly from the manufacturer to the final consumer, bypassing the retailer (who takes the order and initiates the delivery request). All inventory is stored in the factory. The flow of information from the customer, through the retailer, to the manufacturer, while the product is sent directly from the manufacturer to the customer. In some cases, like Dell, the manufacturer sells directly to the customer.

Next is the distribution network with a manufacturer storage model with direct shipping and in-transit merge. It is a direct delivery model from the manufacturer to the final consumer. In-transit merge combines the pieces of an order that come from different locations so that the customer gets a single shipment. When a customer orders a PC from Dell and a monitor from Sony, in transit – merge by carrier picks up the PC at the Dell factory and the monitor at the Sony factory and then combines the two together in a single shipping package for the customer. Distributor storage with carrier delivery, i.e. inventory is not owned by manufacturers in factories, but is held by distributors/retailers in warehouses then distribution sends products from distributor warehouses to end customers.

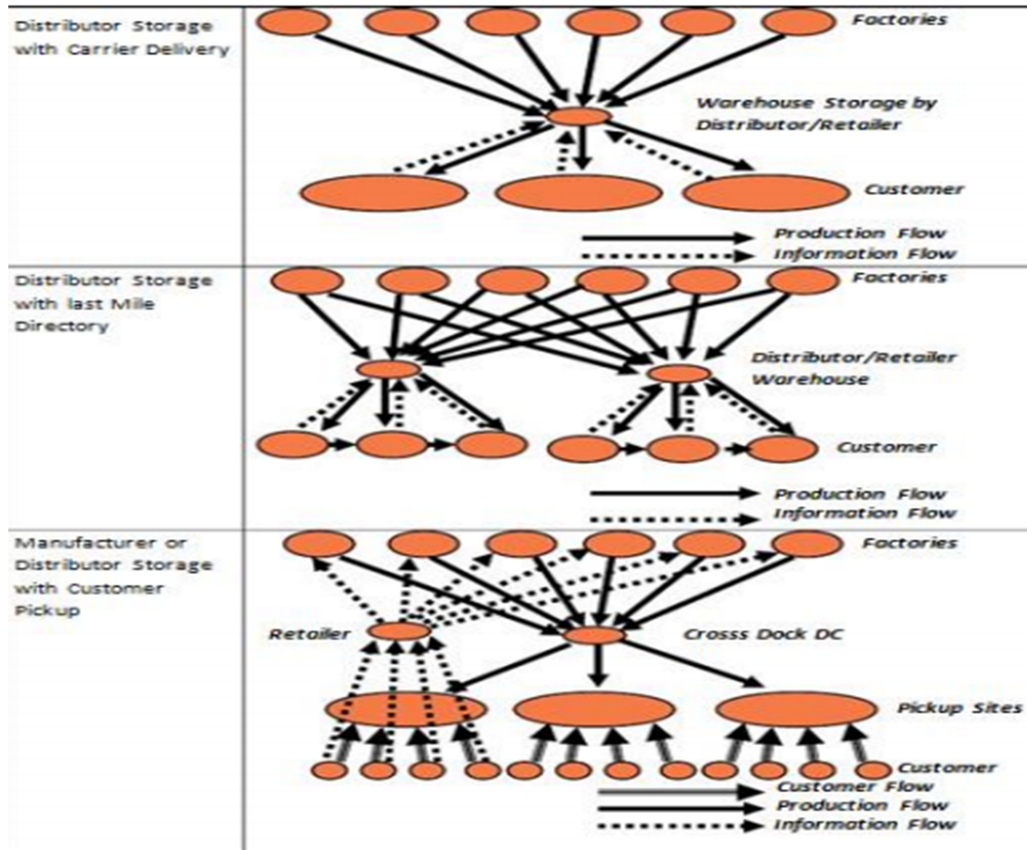


Figure 3. Distributor storage

Distributor storage with last mile delivery is a single delivery, meaning delivery that comes directly to the customer's house. The positive point is getting closer to customers so that positive and negative responses will be accepted and used as a benchmark for the development of the distribution. Shipments on this model refer to distributors/retailers. Manufacturer or distributor storage with consumer pickup is, in this approach, inventory is stored in the warehouse of the manufacturer or distributor and the customer orders via online or on the phone then the customer comes to pick up the order.

Customers

The meaning of a customer is an individual or group who can influence your performance to be able to meet quality standards by always considering many factors such as price, service quality based on their own decisions. In starting a business, it is important for you to be able to determine the right target market or market segment so that you know the type of customer from your business and can sell your products to

continue to increase sales.¹⁸ There are 4 (four) types of customers, including:

a. *Cheap Customer*

This type of Cheap is usually a customer like this generally looking for a cheap product, usually customers do not hesitate to pay the same amount for the same item, if they see a discount. This type tends to be driven by austerity factors. They will always ask “Can it still be less or not?, is it free or not?, Is there a bonus?” So, for handling for customers like this you must be good at promoting your product as attractive as possible.

b. *Difficult Customer*

This Difficult type usually always has a negative view of the products to be sold because they usually have bad experiences in buying similar products, and always comparing products with other products so it is difficult to accept any of your explanations. For handling customers like this, you usually have to be patient in dealing with them, starting from paying attention to the mood, try not to argue, look for other topics to keep their attention and don't be too taken to heart with what the customer says. If we focus on this type, then we will be wasting time, without making a profit.

c. *Sophisticated Customer*

Customers like this you must master the knowledge about the products you will offer. Because this type is more detailed and intelligent, the customer will always do research before buying, have many references about the product to be purchased, this customer will usually be difficult at first, but if the customer has trusted your product, the customer will be loyal, even maybe he will invite his friends to shop for your product.

d. *Affluent Customer*

This type of customer is the most important factor to consider in your marketing efforts, because they are an asset to your business. This customer who doesn't think much about the price, whatever the price we offer, the customer will be loyal to your product and the customer always demands the best in terms of product, service and quality of your product. You have to give these customers individual attention to attract them to become repeat customers and ultimately encourage repeat purchases.

Retailer

Retail is a buying and selling activity that involves selling goods or offering services directly to final consumers. Goods purchased from retail businesses will be used by consumers for personal consumption or for family and household purposes, not for resale. Also known as retail business, retail acts as a marketing intermediary that

¹⁸<https://www.harmony.co.id/blog/arti-customer-tipe-dan-cara-penanganannya-agar-selalu-closing>, diakses tanggal 30 Maret 2021

connects major producers or large wholesalers with consumers who buy in small quantities or in units. After purchasing a number of goods from a larger group of businesses, the retailer or retailer will resell the goods by setting a certain additional price to make a profit.

Retail functions are some of the functions and benefits of retail in the marketing distribution cycle:

- a. Making it easier for consumers to get the goods and services they need
The presence of retail will make it easier for consumers to get the goods and services they want. Without retail, consumers will find it difficult to meet their needs because they have to buy it directly from the main producers.
- b. Providing benefits for manufacturers and wholesalers
The retail business not only benefits consumers in terms of ease of shopping, but can also provide financial benefits for producers and wholesalers. Retailers usually buy stock in large quantities from manufacturers. Funds received from retailers can then be used as capital for producers and replayed in the process of producing goods.
- c. Playing a direct role in promoting the product
Retailers who have purchased a number of products from manufacturers will promote these products to consumers through various promotional methods and advertising strategies. This activity can certainly help increase the popularity of products issued by manufacturers.
- d. Offering various types of goods at various prices
Retailers will stock up on an assortment of items from a number of different manufacturers. The prices offered are also very diverse. This creates market variations that will be directly proportional to the increase in customer satisfaction.

The types of retail can be distinguished based on the product sold, ownership, and location of sale.

- a. Types of Retail Based on Products Sold
Based on the products sold, retail is divided into three types: product retail that sells goods, service retail that offers services, and non-store retail that uses certain media in marketing its products. Some examples of product retail are toy stores and electronics stores that market fewer goods than their center. Vehicle repair services, garden maintenance, as well as driver and child care services are included in retail services, while non-store retail includes vending machines and online shops that are incorporated in e-commerce.
- b. Types of Retail by Ownership
There are three types of retail which are categorized based on the nature of the owner, including independent retail, franchise, and business group. As the name suggests, independent retailers operate independently without joining any party. Stalls, shop houses, and grocery stores are some examples of retail that fall into this

category. In contrast to independent retailers that develop their own business, franchise retail (franchise) involves the central company (franchisor) and derivative entrepreneurs (franchisee) in marketing the same product. Meanwhile, business groups are retail networks that are interrelated in one management, such as supermarkets or department stores.

c. Types of Retail by Sales Location

Types of retail can also be distinguished based on the location of the sale. Retailers that have direct access to public roads are included in the type of strip mall or commercial land retail. In addition, there are also business centers and shopping centers consisting of a combination of retail entrepreneurs who market their products and services in the same area or building.

METHOD

This was a qualitative research. Qualitative research can be understood as a research procedure that utilizes descriptive data, in the form of written or spoken words from observable people and actors. Qualitative research is conducted to explain and analyze phenomena, events, social dynamics, attitudes, beliefs, and perceptions of a person or group towards something. The data used in this research were secondary data from various sources. Then, the data were analyzed by document analysis.

RESULTS AND DISCUSSION

Supply Chain Management Application

The application of supply chain management at a time like this is suitable to be applied, because this system has the advantage of being able to manage the flow of goods or products in a supply chain. In this case, the supply chain management model applies how a network of production and distribution activities of a company can work together to meet consumer demands. The use of supply chain management for companies in several fields in developing countries, including Indonesia, is currently still very limited. Where the relationship between each of the sub-systems involved is generally still in isolation, making it difficult to compete in the free market. This can be seen between the upstream sub-system to the downstream sub-system, which is caused by the sub-system that is mostly played by entrepreneurs in small production scales, and does not have a strong bargaining position.

In Indonesia, it can be implemented optimally by correcting some of the shortcomings that hinder this system, in this case the solution that can be done is to transform the isolated and separated structure to a vertical integration structure. It is intended to integrate upstream to downstream sub-systems in one management decision. These efforts are developed in forms that are able to accommodate industrial

players from each of the existing sub-systems. Several steps can be taken to improve the system so that supply chain management can develop well in Indonesia, including;

1. Emphasis on development and maintenance efforts in the chain, namely the establishment of linkages between chains to be more specific, for example on volume, quality, distribution, depending on the shortcomings of the business sector so that an integrated and interrelated pattern is formed;
2. Control of supply inventory must be carried out so that it is cost efficient, for example in this case the amount of supply is adjusted to the number of products that can be sold which results in a stable supply of raw materials and there is no accumulation of stock which results in an increase in storage costs;
3. In determining the location and transportation in the network chain, calculations are made and pay attention to the impact on inventory costs, in this case it will affect the level of consumer sensitivity, therefore an evaluation of this is very necessary;
4. Establishment of an intermediate information system in charge of collecting, processing, storing, and disseminating information to each stakeholder based on trust, this will support the performance and productivity of each member of the chain.

In implementing supply chain management, it is necessary to also pay attention to things that need to be avoided that will hinder this system, these things include;

- a. Performance measures are not well defined.
- b. Customer service is not clearly defined, and there is no measure of response delay in service.
- c. Late and inaccurate delivery data status
- d. Information systems are not efficient.
- e. The impact of uncertainty is ignored.
- f. Inventory policy is too simple.
- g. Coordination between supply, production, and delivery activities is not good.
- h. Analysis of the method of delivery methods is not complete.
- i. The definition of inventory costs is incorrect.
- j. There are communication barriers between organizations.

Indeed, currently in Indonesia the implementation of supply chain management cannot be developed because there may be obstacles as mentioned above, but by identifying the system that is an obstacle and improving the system and obeying all the rules of supply chain management, it is believed that industrial development in Indonesia will be more advanced. because this system has been tested in several developed countries in the industrial sector. The essence of this system is coordination between chains and also the thought of maximizing performance for inter-chain satisfaction.

Islamic Business Ethics

According to Issa Rafiq Beekun, ethics can be defined as a concept used by business people and used as a basis for determining what is bad and good. The part that needs to be considered in studying ethics is the concept of value, good, bad, must, right, wrong. Every human behavior must have ethics in our application as servants to serve Allah, namely ethically properly and correctly guided by the Qur'an and Al-Hadith. Rules that make a person interpret as the basis of morality in behavior.¹⁹ Business is a relationship between supply and demand for both goods and services, the relationship has the aim of providing benefits and advantages as the perpetrator. Business has the meaning of a collaboration between individuals and other individuals to hold a cooperative business in groups or individuals by selling goods and services, the business has a goal, including profits and benefits.²⁰

According to Mustaq Ahmad, Islamic business ethics is a science that studies good and bad behavior regarding human obligations and rights which have the aim of educating human morals based on the Al-Quran and Al-Hadith in trading activities both services and goods.²¹ Meanwhile, according to A. Hanafi and Hamid Salam as quoted by Johan Arifin, a concept of truth, trust, sincerity, brotherhood, knowledge, and justice based on the Qur'an and hadith this concept is the meaning of Islamic business ethics.²²

The concept of Islamic business ethics has a basis that needs to be obeyed in business activities and can be accepted by the wider community.²³ The following are the principles of Islamic business according to Muhammad:²⁴

1. The Principle of Tauhid

This concept emphasizes the aspect of everything on earth, both human resources and natural resources, which belong to Allah. The concept of oneness focuses more on the life of a Muslim, whether economic, political, religious, who directs his life only to Allah SWT. The effect of the concept of oneness on Islamic business ethics is basically having a fear of doing it when honest in trying because there is Allah who is watching us wherever we are. the concept of oneness in Islamic business ethics, business people never feel dazzled by the greatness of others, a business person does not allow himself to be forced to act against the rules that have been set by Allah, namely cheating on the initiative of others. Allah SWT, who owns the universe, can take everything we have easily, the treasures that have been entrusted to us, therefore, the Islamic community in particular must have a humble attitude and live their lives in moderation.²⁵

¹⁹ Faisal Badroen, *Etika Bisnis Dalam Islam*, (Jakarta: Prenada Media Grop, 2006), 14.

²⁰ Muhammad Djakfar, *Hukum Bisnis: Membangun Wacana Integrasi Perundangan Nasional Dengan Shariah*, (Yogyakarta: PT . LKIS Printing Cemerlang, 2009), 25.

²¹ Mustaq Ahmad, *Etika Bisnis Dalam Islam*, (Jakarta: Pustaka Al-Kautsar, 2001), hal 152

²² Johan Arifin, *Etika Bisnis Islami*, (Semarang: Walisongo Press, 2009), hal 74

²³ Sonny A Keraf, *Etika Bisnis Tuntutan Dan Relevansinya*, (Yogyakarta: Kanisisus, 1998), hal 73

²⁴ Muhammad, *Etika Bisnis Islami*, (Yogyakarta, UPP AMP YKPN: 2004)

²⁵ Muhammad, *Etika Bisnis Islami*, 53

2. The Principle of Justice/Balance ('adl)

The nature of this justice focuses on the balance between business actors, both suppliers and recipients, demand and supply that must be fair in trying and guided by the Al-Quran and Al-Hadith. Justice is more than just a natural characteristic, it is a dynamic character that every Muslim must strive for in his life. The need for balance and equality was emphasized by Allah SWT when he referred to Muslims as *ummatun wasatun*. In order to maintain a balance between those who have and those who do not, Allah SWT emphasizes the importance of giving and condemns excessive consumption. The principle of balance or equality applies in business, for example Allah SWT warns Muslim entrepreneurs to perfect the dose. As in the word of Allah SWT QS. Al Isra verse 35: ³⁵

وَأَوْفُوا الْكَيْلَ إِذَا كِلْتُمْ وَزِنُوا بِالْقِسْطَاسِ الْمُسْتَقِيمِ ذَٰلِكَ خَيْرٌ وَأَحْسَنُ تَأْوِيلًا ﴿٣٥﴾

Give full measure when you measure, and weigh with even scales. That is fair and better in consequence

It is interesting to understand that another meaning of the word 'adl is justice or equality. As can be seen in the verse above, a balanced transaction is equal and fair. The Qur'an uses the term 'adl in this sense. Overall, Islam does not really want to create a society of martyr-traders, who do business solely for the sake of philanthropy. On the other hand, Islam wants to curb the tendency of human greed and love to own things. As a result, both stinginess and extravagance are condemned, both in the Qur'an and in the hadith.

3. The principle of free will

Humans come to earth have authority and free behavior to do any activity but humans are limited by that freedom. If humans do bad then they will get sin, if humans do good then humans will get a reward. This principle of free will in Islamic business ethics focuses more on business actors being free to innovate on products sold to consumers but still paying attention to halal and haram elements because the basic law in muamalah is permissible. Mubah itself is legal. The concept of free will is a concept that has the freedom to make contracts and keep them or break them. A Muslim who has surrendered his life to the will of Allah SWT, and will keep all the contracts he has made. As in the word of God in Q.S Al-Maaidah verse 1:

يٰۤاَيُّهَا الَّذِيْنَ ءَامَنُوْا اَوْفُوْا بِالْعُقُوْدِ ۗ اٰحَلَّتْ لَكُمْ بِهَيْمَةِ الْاَنْعَامِ اِلَّا مَا يُتْلٰى عَلَيْكُمْ

غَيْرِ مُحْلٰى الصَّيْدِ وَاَنْتُمْ حُرْمٌ ۗ اِنَّ اللّٰهَ تَحْكُمُ مَا يُرِيْدُ ﴿٣٨﴾

O you who believe (who wish to reach Allah and submit to Him)! Fulfill the contracts (you have). Lawful to you all the cattle quadrupeds except that which is announced to you although it is not considered as lawful to hunt while you are putting on the pilgrim's garb; surely Allah orders what He wills.

The meaning of the aqad from the verse above is that the contract (agreement) includes: the servant's pre-faith promise to Allah and the agreement made by humans in the association of others.

4. Principle of Responsibility

The principle of responsibility in Islamic business ethics alludes to responsibility as a business person. For example, a businessman commits fraud in reducing the scales, indirectly, a businessman must be responsible in this world and in the hereafter. Business people are responsible for the goods and services sold and bought to consumers. The principle of unlimited freedom is an absolute, it implies no attitude of responsibility or accountability. To fulfill the concept of justice and unity as found in Allah's creation, humans must be responsible for all their actions. For Example, if a Muslim businessman behaves unethically, he cannot blame his actions on business pressure issues or on the fact that everyone else behaves as well. unethical. He must bear ultimate responsibility for his own actions. QS. Al-Mudatsir verse 38:

كُلُّ نَفْسٍ بِمَا كَسَبَتْ رَهِيْنَةٌ ﴿٣٨﴾

All souls are held in pledge for what they have earned.

From this verse it can be concluded that every human being is responsible for himself and what he does before Allah in the future. We as Muslims must have an honest attitude in our behavior. If humans do good then Allah will reward that person and vice versa.

5. The Principle of Virtue (Ihsan)

Virtue in Islamic business ethics is a good deed and benefits others. Virtue in Islamic business ethics acts of kindness are not driven by the desire to help but benefit others more than the person who performs the act and is carried out

without any obligation. Goodness is driven by values in Islam.²⁶ Al-Ghazali divides 6 virtues, including:

- a. Business is the activity of providing goods and services to consumers. The needs of consumers are given but businessmen are only looking for a little profit .
- b. If a Muslim meets an old merchant and needs help then buy it but, a Muslim is better off losing a little of his wealth to give to people in need by tucked into buying merchandise for the poor
- c. Provide leniency in paying debts to borrowers.
- d. Give things to those who can't afford it.
- e. A debtor must have a self-aware attitude and pay his debts without having to be asked first.
- f. Not forcing people to pay when they can't afford it.

Adiwarman Karim gave his opinion, in transactions in the market must have the nature of justice, fair in transactions. This means that any attempt that has the potential to cause injustice is clearly prohibited. The following business practices are prohibited in Islam: ²⁷

- a. Talaqqi Rukban, it is buying goods before the goods enter the city with the aim of making as much profit as possible.
- b. With the aim of maximizing profits but reducing the scales.
- c. Merchants hide goods that are not suitable for sale in order to get a good price with good quality goods.
- d. Najasy transactions, price manipulation by following other people to bid as high as possible with the intention of destroying market prices.
- e. Ikhtikar practice, traders take unnatural profits.
- g. Ghaban faa-hisy, selling goods at the highest price with the intention of getting as much profit as possible.

Islamic Business Ethics: A Study on the Application of Supply Chain Management

The principle of oneness in the implementation of supply chain management, the company when in the process of producing goods must pay attention to the pattern of good suppliers. The concept of the supplier of goods to the company requires the principle of oneness to God, all matters relating to the supplier of goods and services to the company, the goods belong solely to God. Producing goods and services that have been obtained from suppliers requires a good machine so that the results will meet the company's expectations, the attitude of oneness in the production aspect is a good machine or a good tool belongs to Allah. If God is willing to take it then we can't afford anything and can't do anything. Distribution distributes goods and services to

²⁶ Muhammad, *Etika Bisnis Islami*, 53

²⁷ Muhammad Djakfar, *Agama, Etika, Dan Ekonomi*, (Malang, UIN MALIKI Press: 2014), 212.

consumers, in this process requires vehicles that transport goods and services. So, companies produce goods and then distribute them to consumers with the aim of helping consumers in need because as Muslims we are obliged to help fellow Muslims. With the hope of helping others by distributing goods and services, it will affect the concept of the oneness of God, meaning that God moves companies to produce and distribute these goods and services to consumers. Consumers are the end point of the journey of goods and services because the last connoisseurs of what is produced are people who need goods and services. As consumers who refer to the principle of the oneness of God, consumers should not be excessive to consume goods and services. The process from production to consumer and the goods are in demand by consumers is the principle of the oneness of God. Unknowingly the company is arranged to produce distribution until the consumer is proof of the oneness of Allah.

The principle of justice. It means that the nature of balance in the application of supply chain management from the supplier when buying an item does not harm both parties. Suppliers of goods to the company must also have a fair nature in acting and fair in providing raw goods to the company. Producing goods in a fair way, whether it is fair to give salaries to employees, Fair to give the amount of goods produced, fair to the goods needed by the community Distribution must also be fair, because the process of distributing goods to consumers must be honest and fair, not stealing goods distributed to consumers. Consumers must also be fair in buying goods, meaning that wholeness and desire must also be balanced, not only desires are highlighted without regard to needs.

Principle of Free Will. Based on the concept of free will, companies that apply the concept of supply chain management have the freedom to make contracts and keep them. Submission to Allah is and relying on Allah is the main characteristic of a Muslim. Companies that are said to have Islamic business ethics must be able to fulfill work contracts between suppliers to production parties, production parties to distribution, distribution to consumers. Humans come to earth have authority and free behavior to do any activity but humans are limited by that freedom. If humans do bad then they will get sin, if humans do good then humans will get a reward. This principle of free will in Islamic business ethics focuses more on business actors being free to innovate on products sold to consumers but still paying attention to halal and haram elements because the basic law in muamalah is permissible.

The principle of responsibility for the implementation of supply chain management in reality, the company's responsibility for the goods supplied to the company must have the main element, it is halal goods. Suppliers must also be fully responsible for the goods or services that have been sold to the company. If there is a customer complaint to the company, the company must be ready to be responsible for the production of goods and services. Goods and services that have been produced must be in accordance with Islamic business ethics that have been set out in the Al-Quran and

Al-Hadith. Good distribution must have an element of responsibility for the goods and services it distributes to consumers. If the number of goods distributed is ten, the distribution employee must be honest and the goods must be up to ten. Consumers also have the nature of responsibility for what they have purchased. Responsible for their wants and needs. In fulfilling the concept of justice and unity as found in God's creation, humans must be responsible for all their actions. Companies can be said to have Islamic business ethics that must be able to comply with QS. Al-Mudatsir verse 38, each self is responsible for what he has done. The principle of responsibility must be owned by every company. The progress of the company depends on its responsibilities on aspects consisting of buyers, production, distribution and consumers. If there are complaints of goods that are not good, the company must be responsible and improve the quality of the product. The company manager is also responsible to all employees from upstream to downstream and stakeholders related to the development of the company.

The principle of Virtue. Virtue in the application of Supply Chain Management is defined as pious deeds based on faith in carrying out economic or business activities and how business processes are carried out honestly and not in vanity ways in order to produce benefits and benefits for the environment in which business affairs take place. Through the supplier system, the distribution of consumers in accordance with sharia provisions will give color to acts of virtue in a typical sharia economy, including alleviating poverty. Sharia principles are a source of morals. As Allah says, *"Then We have set you upon Sharia (a Law) of the Commandment (of Allah). Therefore follow that (Law)! And do not follow the low desires of those who do not know."*

Virtue in the form of pious deeds performed by believers will gain real fortune because Allah has included them in His mercy. The principles of Islamic business ethics in the application of Supply Chain Management explicitly prevent the concentration of wealth in a certain group of people and require zakat and encourage good behavior in various forms such as giving infaq, alms, waqf, and avoiding corrupt practices.

CONCLUSION

The application of Supply Chain Management in the perspective of Islamic business ethics, including the element of oneness, everything in the company belongs to Allah SWT as the sole owner of the universe, this shows that Allah is one, the company must be fair in doing business, both fair in providing benefits, fair apply employees in accordance with the concept of ethics in business. The principle of will, the company has the right to be free to produce, sell, distribute it to consumers but still be guided by Islamic business ethics based on the Al-Quran and Al-Hadith, responsibility, the company is responsible to consumers, employees. and virtue, the company is not only looking for profit but also pays attention to the benefit side for consumers.

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