

## Islamic Economic Perspective on the Implementation of Michael F. Porter's Theory in Business Strategy Management

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### Abstract

*This study uses a qualitative approach which aims to explain the competitive advantage strategy of the Sidogiri Islamic Boarding School business using. The qualitative method used is SWOT analysis by Michael E. Porter which consists of Value Chain, Porter's Dynamic Diamond and Porter's Five Forces. The data collection used was observation, interview, documentation, observation and participation techniques. Then check the validity of the data using the triangulation method. From the research results, the Sunan Drajat Islamic Boarding School business in carrying out its activities it is based on the principles of benefit, honesty, justice, free from gharar and trust. Meanwhile, the results of the Porter's diamond model analysis found that the Sidogiri Islamic Boarding School business applies sharia principles, with the relationship between the main factors supporting each other. As for the results of Porter's Five Forces, it can be concluded that from the field data there are similarities between several components with the theory and there are some that are not in accordance with the theory. From the analysis that has been mentioned, it can be concluded that the PPSD Business uses an image differentiation strategy in marketing its products to remain superior in the midst of many similar business.*

**Keywords:** Business Strategy Management, Michael Porter, Islamic Economics

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### 1. INTRODUCTIONS

Islamic boarding schools are educational institutions that play an important role in instilling Islamic character in Indonesia and an institution that is responsible for the goals of National Education. (Esen and Uyar, 2012) The existence of pesantren in Indonesia has contributed greatly, both at the local and national levels. At the beginning of the 21st century until now, the growth of pesantren is growing rapidly and increasingly developing. The existence of pesantren in the early 21st century gave a new color in all fields. Article 3 No. 20 of 2003 of the National Education System Law explains that national education functions to cultivate character and knowledge, but the direction of goals in pesantren has moved to a broader aspect, especially society and welfare. (Nyam *et al.*, 2022)

Various efforts are promoted to achieve the planned goals, one of which involves layers of society

in pesantren economic activities. One of the goals is independence. Independence in various ways, whether independent in terms of social or economic life. (Chikán *et al.*, 2022) In an Islamic Boarding School to achieve the goal of independence of students and welfare, it can establish an Islamic Boarding School Business Unit. The Pesantren business unit itself consists of all components of the pesantren community. Business unit managers are not only those who live in pesantren but also the wider community who participate in managing business circulation. (García Ochoa, León Lara and Nuño de la Parra, 2017)

The PPSD Business Unit is seen to be very developing all the factors it has to increase profits, products and marketing to spread widely in the country and abroad. In addition to product improvement, the business unit established by PPSD aims to alleviate poverty. (Fernandes, Aires and

Salgado, 2023) The purpose of the PPSD business unit is based on the philosophy of Sidogiri, namely:

- a. Wenehono taken marang wong kang wuto (Give a cane to a blind person, meaning Give knowledge so that people will be smart)
- b. Wenehono mangan marang wong kang luwe (Give food to the hungry, meaning Make the lives of the poor people prosperous),
- c. Wenehono busono marang wong kang wudho (Give clothes to people who are naked, means Teach decency to people who have no shame,
- d. Wenehono yupan marang wong kang kudan (Give shelter to the one who is caught in the rain, meaning give shelter to the one who suffers).

Apart from the philosophy of Sidogiri, of course the PPSD business unit has strategic management that accommodates the business unit. According to Michael R Porter (1995) defines strategic management is something that makes the company as a whole amount more than the parts so that there is no element of synergy in it. (Wongsansukcharoen and Thaweepaiboonwong, 2023) Strategy must be chosen by looking at various aspects with the scope of the problems faced in order to use the right strategy in the development of business units. (Rua and Santos, 2022)

Strategies must be chosen from various aspects with the scope of the problems faced in order to use the right strategy in developing business units. Especially in business competition, the emergence of competitors for the PPSD business unit is a challenge for the company. The existence of competitors makes the company have to make more efforts to make consumers make purchases. (Cader, Koneczna and Smol, 2022)

In order to win the competition with competitors and overcome the challenges in business, the PPSD business unit needs to formulate appropriate strategic management. Therefore, to be able to develop its business or to survive in the market, a company depends on porter's five forces. Porter (2008) states that a company will have a competitive advantage if it is in a condition that is. (Banmairuoy, Kritjaroen and Homsombat, 2022)

Porter (2008) states that a company will have a competitive advantage if the company is in favorable conditions from five main competitive factors, namely the entry of new entrants, the threat of substitute products, the bargaining power of buyers, the bargaining power of suppliers, and competition

among existing competitors. (Cardoso and De Barros, 2023)

One of the methods used to deal with competition is by using industry competitiveness. Porter (2008) states that understanding industrial competitiveness can provide benefits, namely: 1) encourage productivity and increase the ability to be independent, 2) can increase economic capacity, both in the context of the regional economy and the quantity of economic actors so that economic growth increases, 3) the belief that market mechanisms are more efficient mechanism creates more efficiency. According to Porter (1993) competition is the essence of success. (Zhao and Tan, 2023)

The implementation of Porter's theory is by doing everything possible to gain profit, including in utilizing the weaknesses of other companies to make the company number one. Then the competition is so fierce between companies to take market share from other companies without seeing the condition of competing companies and also not placing human capital in the right position. (Lehene, Jaradat and Nistor, 2024)

This pressure to create profits triggers policy makers to make every effort that sometimes tends to be greedy for mere financial benefits. It does not matter whether the methods used can harm consumers, shareholders or even the environment. (Zustika and Ubaidillah, 2023) This is in accordance with research conducted by Vita (2023) where her research shows that the competitive strategy at El Fladeo Corp in achieving the competitive advantage used is cost leadership, which can provide cheaper rates by reducing labor and product costs in order to gain market share. (Vita *et al.*, 2023)

This suppression of labor costs concerns the interests of many people's lives, which will have an impact on employee performance impact on employee performance. Erna Rustiana and Hedi Cupiadi in 2016 showed that PT PLN (Persero) UPJ Garut City in carrying out operational activities based on the policies of PT PLN (Persero). This is done considering that PT PLN (Persero) uses two business level strategies, namely Single and Compound Business Unit (SBU) Strategy. (Gang, no date)

And to maximize the professional performance of each main function in the company to customers, the steps of PT PLN (Persero) UPJ Garut City based on central policy set a strategy program that is Front Line Service (FLS) strategy program is Front Line Service

(FLS) with its flagship program, namely FOCUS (For Customer Satisfaction) is the right strategy with the support of resources in a qualified and professional company. ('Original Research', 2023)

This proves that in terms of strategy implementation, PT PLN (Persero), especially UPJ Garut Kota, has implemented the policies set by the center to the maximum so that its services satisfy customers. (Ilmiah and Islam, 2025) This is done by maximizing the function of planning to program implementation by each of the main functions in the company in accordance with the conditions of the work area of each UPJ.

Thus, from the concrete explanation of the research context and of the many fields of business owned and the achievements obtained by PP. Sidogiri, of course the PPSD business unit has a different competitive advantage strategy, because the PPSD business unit has a different orientation with the culture contained in a boarding school. Especially on the purpose of establishing the PPSD business unit itself is to alleviate poverty based on the four philosophies of Sidogiri. This is where researchers feel the need to know extensively about the management of competitive strategies in the existing business units in PPSD. (Ilmiah and Islam, 2023)

Strategic management itself is not only devoted to the strategy applied by Michael E. Porter but also the application of strategic management from the perspective of PP. Sidogiri, which in a boarding school is more steeped in Islamic values. So that researchers need to conduct research to explore information, for that researchers raised research with the title Islamic Economic Perspective on the Implementation of Michael F. Porter's Theory in Business Strategy Management.

## **2. METHODS**

This research is a study using a qualitative approach (qualitative research) with a case study method. According to Moleong (2013) qualitative research is research that intends to understand phenomena about what is experienced by research subjects, for example behavior, perceptions, motivations, actions etc., holistically, and by means of descriptions in the form of words and language, in a special natural context by utilizing various natural methods in the form of words and language, in a special natural context by utilizing various natural methods.

The location of this research was carried out at PP. Sidogiri, Banjaranyar Village, Paciran District, Lamongan Regency. The location selection was done intentionally. The location was chosen because in PP. Sidogiri has a business unit that does not yet exist in other boarding schools, especially in the Lamongan Regency area. According to Creswell (2014) provides an explanation that to analyze qualitative data, researchers move in a circle of data analysis with text or image data (for example, photos, video recordings) and come out with reports or narratives. The process of analyzing data in qualitative research is carried out since data collection and is carried out in depth, both during and after the field.

## **3. RESULT AND DISCUSSIONS**

### **3.1. Result**

Simply put, a value chain is a way of looking at a business as a chain of activities that transforms inputs into outputs of value to customers. Value to customers comes from three basic sources, namely, First, activities that differentiate the product. Second, activities that lower the cost of the product. Third, activities that can immediately fulfill customer needs. The value chain in a narrow sense describes a series of activities that aim to produce certain outputs that have value. These activities include the conceptualization and design stages.

The process of obtaining inputs or means of production, the production process, marketing and distribution activities, and after-sales service performance. In general, the value chain is a theory put forward by Michael Porter, the value chain is a series of overall processes that occur from the beginning of processing raw materials to become a finished product, then distributed to consumers. The application of this value chain concept is not only within the scope of the company but also across companies. Other experts, such as Blocher, Chen, Lin, Daphne and others mention that the value chain is a concept in analyzing activities made with the aim of offering their products to consumers.

Where the purpose of the value chain is to create value through the activities carried out by the company which ultimately leads to competitive advantage. Based on the definitions of these experts, it can be concluded that the value chain is a chain trick where we have to select the best decisions from each business activity so as to achieve the lowest value (cheap) and the cost of a product is calculated from the

total cost of the value activities that have been issued so that the lower the value of the activity, the lower the value of the activity. so that the lower the value of the activity, the lower the production cost.

In the scientific family, the value chain is closely related to business and economics. Where the theory will make it easier for companies to develop goods or services. The value chain is the first step in determining the company's position in the industry. The value chain concept provides an appropriate framework to explain how an organizational unit can manage substantial considerations in allocating its resources, creating distinctions and effectively managing its costs.

Value activity analysis can help management better understand the company's strategic competitive advantages and better understand the company's position in the overall industry value chain. After identifying its position, the company recognizes the activities that make up the value. These activities are studied to identify whether they provide value to the product or not. If the activity provides value, it will continue to be used and improved to maximize value. Conversely, if after identifying its position, the company recognizes the activities that make up the value.

These activities are studied to identify whether they provide value to the product or not. If the activity provides value, it will continue to be used and improved in order to maximize value. From the conceptual framework of this theory, then PP. Sidogiri in order to develop its business unit needs a value chain or a framework for developing a value creation strategy in the company's operations. Companies create value by producing something useful from the resources used. The greater the value created and provided to customers, the more profitable its operations because it is able to build a competitive advantage. Thus, the business unit of PP.

Sidogiri in applying the value chain has its own ways and principles in its implementation and cannot be separated from the law. in its implementation and cannot be separated from the laws of Allah SWT, namely the Qur'an and Hadith, which can be called the value chain. The most important thing in maintaining a business that is run is how a job actually has an impact not only on world affairs but also the hereafter.

Based on the findings in the field and from the results of the value chain analysis, it was found that the PP business unit. Sidogiri applies Halal Value

Chain which is in accordance with Akidah and Sharia (Islamic laws). As has been described in the previous discussion, it is mentioned several important things that the business unit of PP. Sidogiri has a value chain concept based on Islamic Sharia. In the theory of value chain analysis, it is shown that from various activities included in the main activities and supporting activities carried out by the business unit of PP. Sidogiri mostly apply the principles of sharia which include halalan thayyiban, helping in goodness (ta'awun), doing business with justice (al - adl), free from sharia/adl), free from maysir and gharar (fraud).

### **3.2. Discussions**

The establishment of the business unit of PP. Sidogiri has the aim of obtaining benefits in life in the world and the hereafter both for individuals or society. The benefit is a means to achieve prosperity, because by upholding the benefit itself, which is damage. However, some business people still have different opinions about this. The context of Islamic law, the theory of benefit plays an important role in the world of economics, social and politics so that no party is harmed by both internal and external parties. Likewise, something that is basically permissible (not prohibited), but at a certain time or condition can be determined.

It can be understood that PP. Sidogiri creates benefits for business units and employees, even considering employees as a work partner to achieve the benefits of life. This benefit is related to the recruitment and job training of employees of the business unit, where the training will aim for the benefit of employees in pursuing their careers. Therefore, job training is the fulfillment of the skill bar that is owned so that it will be able to meet the qualifications in a job position and make it easier for companies to find workers who meet the required qualifications. In addition to the benefit of the business unit and employees, good relations with suppliers are also important for the business unit of PP. Sidogiri because it offers many opportunities to increase competitive advantage.

The company should also be able to build a good relationship with distributors in terms of marketing their products and continue to maintain customer satisfaction. So that they can work together and maintain mutual trust between the two (amanah). Trust in doing business is often referred to as credibility. Business credibility in general can be

interpreted as public trust in business, both regarding the personnel who manage the business or the business activities themselves. The credibility of the PP business unit. Sidogiri ranks on the quality of raw materials, financial issues, pricing, and marketing. Porter's diamond model is a theory that describes the competitive advantage of a country in the international market or context in regional and national level competition.

The presence of local competitors also affects innovation development. Local competitors have greater stimulus than foreign competitors to upgrade. In addition, an environmental factor that also affects competitive advantage is the government. Understanding government rules and policies, according to Porter, is the best way to understand national competitive advantage. This is because the government plays an important role in creating pressure, incentives, and capabilities for national companies. Governments act as catalysts and challengers. It can motivate, even encourage firms to rise and move to a high level of competitive performance. The government can create an environment, through policy, to achieve competitive advantage, directly or indirectly.

Another part of Porter's diamond is mutually reinforcing. Development of specialized industries. In addition, it also discusses the movement factors of highly skilled individuals in global competition. The mobile factors describe the locations where they can achieve the best productivity, and the best profits/revenues. Porter's diamond theory focuses on the determinants of productivity, and also explains the attractiveness of these mobile factors. Thus, the environment is created through mutual reinforcement of the determinants.

Another implication of this theory is the need to consider geographic aspects (geographic concentration), especially for regional and urban development. At the national level, industrial clustering will be a decisive interaction attraction. From this theory, the researchers reviewed the facts in the field, related to the strategy of the PP business unit. Sidogiri. Based on the findings in the field and from the results of the analysis of Porter's diamond model, it was found that the business unit of PP. Sidogiri applies sharia principles, so that the existence of business units in PP. Sidogiri is expected to have a positive impact on society and support the fulfillment of Islamic economic goals in achieving *maslahah*.

According to porter, the relationship between interrelated components shows that the company has a strong competitive power and shows the company's position in a state of being able to survive in the face of competition. Therefore, the exposure of Porter's diamond model discussion on the business unit of PP. Sidogiri based on the research results that have been presented previously.

#### **4. CONCLUSIONS**

From the results of the discussion, several conclusions can be drawn including the PP business unit. Sidogiri applies the Halal Value Chain, namely the principles of Islamic law. Activities carried out by the business unit of PP. Sidogiri by applying the principles of benefit, *halalan thayyiban*, trust, justice, free from *gharar*, *ghibah*. In terms of service by providing convenience to customers (*at-taysir*). The findings of the Porter Five Forces are product innovation and developing new products and not conducting price wars in the market, establishing partnerships with other similar business units, for the common good, providing good service by explaining the advantages of their products, following the current product developments and considering that there is no competition between industries, because they both need each other and develop the people's economy, especially in the Islamic economy.

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