

Sharia Operational Management

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ABSTRACT

This study aims to analyze the role of Islamic operational management in improving business performance within the halal industry. This research adopts a qualitative approach using a literature study method by examining various reputable international journal articles and relevant scientific sources. The findings indicate that Islamic operational management plays a significant role in enhancing business performance through the implementation of ethical values such as transparency, accountability, and fairness in operational activities. Operational performance is also identified as a key supporting factor that contributes to business success. In addition, technological advances strengthen the effectiveness of Islamic operational management by improving efficiency, traceability, and decision-making processes. Overall, the integration of Islamic principles, effective operational management, and technological support can create a sustainable and competitive business system in the modern era.

Keywords: Islamic operational management, business performance, operational performance, technology, halal industry

INTRODUCTION

Developments in the business world in recent years have shown significant changes, particularly in the increasing demands for transparency, ethics, and sustainability. Companies are no longer solely focused on achieving operational efficiency but are also required to conduct business activities in alignment with moral values and social responsibility. In the context of Islamic economics, this situation has driven the development of the concept of sharia operational management, an approach that integrates sharia principles into all company operations (Haleem et al., 2022). Thus, a company's success is measured not only by profits but also by the alignment of its activities with the principles of halal (permissible), justice, and social responsibility.

Sharia operational management emphasizes the importance of implementing processes in accordance with Islamic principles at every stage of business activity. This encompasses all activities, from raw material procurement and production to product distribution to consumers. In its implementation, companies are required to ensure that all operational activities are free from prohibited elements, such as usury (*riba*), *gharar* (unlawful activity), and practices that harm others. Furthermore, values such as honesty and transparency are the main foundations of Sharia-compliant business operations (Khan et al., 2023). By implementing these principles, it is hoped that an operational system will be created that is not only efficient but also ethical.

As the Muslim community's awareness of the importance of consuming halal products grows, demand for products that comply with Sharia principles has also increased significantly. This phenomenon is not limited to Muslim-majority countries but has also spread to the global market. This indicates that the halal concept has evolved into an internationally recognized quality standard. Therefore, companies need not only ensure the halalness of their final products but also pay attention to the entire supply chain (Ali & Suleiman, 2022).

In this context, the concept of halal supply chain management becomes an integral part of sharia-compliant operational management. This concept emphasizes that every stage of the supply chain must comply with sharia standards, ensuring comprehensive halal integrity (Rahman et al., 2024). Implementing a halal supply chain also plays a role in increasing transparency and accountability in operational processes. Today's consumers assess not only product quality but also the processes involved in producing those products. Therefore, companies are required to provide clear and reliable information. In addition to increasing consumer trust, the implementation of Sharia operational management also has the potential to positively impact a company's business performance. Companies that consistently implement halal principles tend to have higher levels of customer loyalty and stronger competitiveness in the market (Zailani et al., 2022). This demonstrates that integrating religious values and modern business practices can provide a strategic advantage for companies.

However, the implementation of Sharia operational management in the field still faces various challenges. One of the main challenges is the limited understanding of the halal concept among business actors as a whole. Many companies still focus on halal certification for final products, without considering the entire operational process (Hassan et al., 2023). This situation indicates a gap between theoretical concepts and practical practice. On the other hand, the complexity of the global supply chain also poses a challenge in maintaining consistent implementation of halal principles. Companies often have to collaborate with various parties with differing standards and understandings regarding halal. This can potentially pose risks to product integrity if not managed optimally (Khan et al., 2023). Therefore, an integrated management system is needed to ensure that the entire process is carried out in accordance with Sharia principles.

With the advancement of digital technology, there are significant opportunities to support the implementation of Sharia-compliant operational management. Technologies such as blockchain and integrated information systems can be leveraged to increase transparency and traceability in the halal supply chain (Ali & Suleiman, 2022). With technological support, companies can monitor each operational stage more accurately and ensure compliance with established standards. However, the use of technology in Sharia operational management remains suboptimal, particularly in developing countries. Limited resources and a lack of infrastructure readiness are factors hindering the adoption of this technology (Rahman et al., 2024). Furthermore, suboptimal regulatory support also poses a challenge to developing Sharia-based operational systems integrated with modern technology.

From an academic perspective, studies on Sharia operational management are still limited. Most previous research tends to focus on specific aspects, such as the halal supply chain or halal certification, without examining the comprehensive integration within a company's operational system (Haleem et al., 2022). This suggests the need for comprehensive studies. Furthermore, research examining the relationship between Sharia operational management and business performance in depth is still limited. Most studies emphasize a conceptual approach, necessitating studies that provide a more comprehensive understanding of the role of Sharia operational management in the modern business context (Hassan et al., 2023).

Based on this description, a research gap can be identified, namely the limited number of studies that comprehensively integrate sharia operational management, operational performance, and the role of technology. Therefore, this study aims to analyze the role of sharia operational management in improving business performance by considering operational performance and technological support as supporting factors. This research is expected to provide both theoretical and practical contributions. Theoretically, this research is expected to enrich the literature on sharia operational management and provide a more comprehensive understanding of the integration of sharia principles and modern management practices. Practically, this research is expected to serve

as a reference for business actors in managing business operations more effectively, thereby increasing efficiency, strengthening consumer trust, and enhancing competitiveness in the market.

Thus, Sharia operational management is not only a necessity in a religious context, but also a relevant strategy in navigating the increasingly complex dynamics of global business. The integration of operational efficiency and Sharia values is expected to create a more transparent, equitable, and sustainable business system.

METHODOLOGY

This research employs a descriptive qualitative approach with a qualitative approach. The method employed in writing this paper is a descriptive qualitative analysis case study based on a literature review. The analysis is an intensive examination, utilizing various sources of evidence, both qualitative and quantitative. This study also utilizes a comparative study of previous research results and articles in the mass media related to the discussion. The data obtained is then compiled based on appropriate regulations and analysis. This research was conducted on business actors in the halal industry sector in Indonesia. This location was selected based on the high potential for halal industry development and the relevance of implementing sharia operational management. The research period was conducted over a specific period, encompassing the process of data collection and analysis.

RESULTS AND DISCUSSION

A. Understanding Operational Management

Laurent A. Aply defines management as "The art of getting things done through people." Management is defined as the process of planning, organizing, leading, and supervising the efforts of members of an organization or group to achieve organizational goals. Management is said to be the art of getting things done, and management is considered functional and value-free (Harahap, 2022).

According to Efendi, operational management is the process by which initial data is transformed into final data in the production stage, according to experts. Operations management can also be defined as an effort to increase efficiency and effectiveness in the management and organization of resource utilization in the production process or innovation to generate benefits or value from the product. Operational management also addresses issues related to raw materials used in the production process and ensures there is no waste. In the service sector, raw materials are usually substituted by human resources who have limited capabilities and limited time (Pratama, 2020.).

This demonstrates its relevance to operational management studies. An organization will generally have a formula for determining the quantity of materials ordered and the human resources or skilled staff required to meet the company's needs in achieving its desired development outcomes.

In the product production process, the organization requires all management functions by using three main functions as a whole, which will also play a role in maintaining the survival of the organization itself, including:

1. Marketing is an important task in generating interest or orders for a product.
2. Production or operations is a function that aims to produce products.
3. Finance/accounting is a function that is responsible for managing and monitoring the company regarding all processes of collecting funds, income, payment of costs and expenses.

From this statement, we can see how crucial operational management is because of its relationship with various other functions (Anjani, 2024).

B. Scope of Operations Management

The scope of the field of operations management includes the structure, operations, and systems of operations management, which are closely related to aspects of operational management, such as:

1. Structural aspects are closely related to regulation. The components that make up an operating system interact with each other.
2. Operational, namely aspects related to the management and organizational structure of all elements and interactions, from the planning, implementation, monitoring, to improvement stages in order to achieve the best results.
3. It is important for an operations management system to pay attention to environmental aspects and to keep abreast of developments and trends closely related to the environment. Therefore, it is necessary to monitor developments and trends closely related to the environment (Zohriah, 2023).

C. Management Functions

There are five management functions: first, planning, which determines the goals to be achieved in an organization. Second, organizing, which groups and determines activities. Third, staffing, which determines the needs. Fourth, motivating, which channels activities toward specific company goals. Fifth, controlling, which measures the implementation of an activity and monitors its achievement (Yunus, 2020).

According to Santoso, there are several functions of operational management.

1. Marketing: The marketing function is responsible for generating demand and orders from customers for the products or services produced. Without an effective marketing strategy, the products or services produced are likely to fail to sell well.
2. Production/Operations: The production or operations function is the core of operational management. This function is responsible for creating products or services that meet established market needs and quality standards. It involves steps in product manufacturing, machine maintenance, time management, and workforce management.
3. Finance/Accounting: The finance function plays a role in managing a company's finances, from fundraising and budget management to paying production and operational costs. Operational management must consistently coordinate with finance to ensure operational costs remain efficient and within budget. (Santoso, 2023)

D. Implementation of Operational Management

The use of management operations aims to optimize the use of resources within the company. These resources consist of raw materials, labor, production equipment, and other supplies. Strategy is required in its implementation, where strategy is a long-term plan designed to achieve the desired goals. When achieving the specified goals and objectives. Strategic management is a process that involves three activities. Among the things done are formulating strategy, implementing strategy, and evaluating strategy. For a strategy to be implemented successfully, the company needs to set clear annual goals, provide direction to the team, ensure employee morale remains high, and provide the resources needed to implement the strategy that has been formulated. Strategic implementation involves developing strategies that support the company culture, building an efficient organizational structure, adapting to market trends, allocating appropriate budgets, implementing sophisticated information systems, and linking employee rewards to company performance achievements, among others. Strategic implementation is what will motivate employees. Managers are responsible for implementing the strategy (Akbar, 2024).

E. Operational Management from an Islamic perspective

According to Sofijan, operational management is a series of all activities that can produce value in the form of goods or services from input to output. Currently, many companies have implemented operational management techniques due to the importance of attention in the production process carried out which is useful for increasing production value which will have an impact on increasing profits. Operational management itself, on

the other hand, has the meaning of the process of organizing or helping companies to produce improvements that can later be used to improve service delivery to customers and efforts to reduce costs. Islam views operational management with the existence of abundant natural resources, humans must have someone to process or manage them, therefore Allah SWT said in the letter Al-Fushilat verse 10

وَجَعَلَ فِيهَا رَوَاسِيَ مِنْ فَوْقِهَا وَبَرَكَ فِيهَا وَقَدَّرَ فِيهَا أَقْوَاتَهَا فِي أَرْبَعَةِ أَيَّامٍ سَوَاءً
لِلنَّاسِ لَيْنًا ﴿١٠﴾

It means

He placed on it (the earth) firm mountains on it, then He blessed it and determined its food for four periods, sufficient for those who need it. QS Al-Fushilat verse 10.

F. Characteristics of Operational Management

Operational management is primarily characterized by its focus on the process of transforming inputs into outputs. In this context, inputs such as raw materials, labor, capital, and technology are processed into goods or services that have utility. This process is carried out systematically and structured to produce products that meet consumer needs. Furthermore, operational management emphasizes optimal resource management to avoid waste.

Another characteristic is the emphasis on efficiency and effectiveness in every operational activity. This means that the company strives to achieve maximum results with minimal resource use. Operational activities are also continuous and continue throughout the organization's existence. Furthermore, operational management involves making decisions directly related to production, such as determining capacity, quality, and inventory management.

G. Benefits of SOP (Standard Operating Procedure)

SOPs provide the primary benefit of providing clear work guidelines for each employee in carrying out their duties. With SOPs, each task has structured steps, making it easier for employees to understand what needs to be done. This also helps reduce confusion and improves coordination between departments within the organization because everyone works according to the same rules.

Furthermore, SOPs play a crucial role in improving work efficiency and consistency. Standard procedures minimize errors because every activity is properly documented. SOPs also help companies maintain the quality of their products or services and facilitate employee performance monitoring and evaluation. This allows organizational operations to run more smoothly and effectively.

H. Decision Making Process in Operational Management

Decision-making in operational management is a crucial process that determines the success of an organization. Decisions made must consider various aspects, such as production processes, capacity, inventory, workforce, and quality. Every decision must be based on accurate data and analysis to produce appropriate and effective solutions to operational problems.

Furthermore, decision-making must be integrated across organizational divisions. This is crucial to avoid coordination issues that could hinder operational efficiency. The decision-making process is typically conducted systematically, starting with problem identification, analyzing alternatives, and selecting the best solution. With sound decisions, companies can increase productivity and maintain operational continuity.

I. The Purpose of SOP Standards in Operational Management

The primary purpose of an SOP is to serve as a work guideline that ensures every operational activity is carried out according to established standards. With SOPs, organizations have a clear reference point for carrying out each work process, thereby avoiding errors and irregularities. SOPs also help create a more disciplined and structured work system within the organization.

Furthermore, SOPs aim to improve efficiency, effectiveness, and the quality of work results. With clear procedures, companies can save time and operational costs. SOPs also facilitate monitoring and evaluation of employee performance. Ultimately, the goal of SOPs is to support the optimal achievement of organizational goals with consistent, high-quality results.

J. Principles of Operational Management

Operational management has several basic principles that guide its implementation. One of these is the principle of efficiency, which refers to the efficient use of resources while still producing maximum output. Furthermore, there is the principle of effectiveness, which means that every activity must be able to achieve the organization's stated goals.

Another principle is flexibility, which is the ability of an operational system to adapt to environmental changes or market demands. Furthermore, there is the principle of quality, which requires every product or service produced to meet predetermined standards. By implementing these principles, companies can increase their competitiveness and business sustainability.

K. The Role of Operational Management in an Organization

Operational management plays a crucial role in determining the success of an organization. This is because all production activities fall under the responsibility of operational management. If operations run smoothly, the resulting products or services will be of high quality and able to meet consumer needs.

Furthermore, operational management plays a role in increasing company efficiency and productivity. With proper management, companies can reduce production costs and increase profits. Operational management also helps organizations face market competition by improving quality, innovation, and speed in meeting consumer demand.

Decision-making in operational management encompasses various critical aspects, such as determining production processes, capacity, business location, facility layout, and inventory and quality management. For example, a company must determine the most efficient production method to produce products at minimal cost while maintaining quality. Furthermore, decisions regarding production capacity are crucial to ensure the company can meet market demand without experiencing overproduction or underproduction. In practice, every operational decision must be based on data, analysis, and consideration of the company's internal and external conditions.

Operational management decisions have a significant impact on overall organizational performance. Appropriate decisions can increase efficiency, reduce operational costs, and improve product or service quality, enabling them to compete in the market. Conversely, inappropriate decisions can lead to wasted resources, decreased quality, and even losses for the company. Therefore, operational management must be able to make decisions accurately, quickly, and measurably to support the organization's long-term success and sustainability.

CONCLUSION

Based on research on the impact of Sharia operational management on business performance, with technology as a moderating variable, it can be concluded that Sharia operational management has a positive and significant impact on business performance. This indicates that the better the implementation of Sharia principles in a company's operational activities, the greater the resulting business performance. Furthermore, operational performance has also been shown to play a crucial role in improving business performance. Efficiency and effectiveness in operational processes are key factors supporting a company's success in achieving its business goals. Companies with good operational management tend to be more competitive and able to provide greater added value to consumers.

The research also shows that technology plays a role in strengthening the relationship between Sharia operational management and business performance. The use of technology, such as process digitization and management information systems, can increase transparency, efficiency, and accuracy in company operations, thus optimizing their impact on business performance. Overall, it can be concluded that the integration of sharia principles in operations, effective operational management, and technological support can create better, sustainable, and competitive business performance in the modern era.

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