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THE IMPLEMENTATION OF AGENCY THEORY AS AN EFFORT TO CREATE A SUSTAINABLE COMPETITIVE ADVANTAGE IN KOPON- TREN SIDOGIRI

Jasmin¹, Moeljadi², Niila Khaoiru Amaliya³, Masfa Malan⁴

¹IAIN Ternate

²Faculty of Economics and Business, Universitas Brawijaya

^{3,4}IAIN Ternate

E-mail: ¹jasmin@iain-ternate.ac.id, ²moeljadip@yahoo.com,

³niilakhoiruamaliya@iain-ternate.ac.id, ⁴Mafamalan@iain-ternate.ac.id

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ABSTRACT

This research is explained about any focus for implementation of agency theory as an effort to create sustainable competitive advantage Kopontren Sidogiri". How is the perspective on islamic teacher and the Sidogiri Ponpes Management regarding agency theory at Kopontren Sidogiri, the perceptions from islamic teacher and Sidogiri Islamic Boarding School Management regarding to the potential conflicts that arise in Kopontren Sidogiri, perceptions of islamic teacher and Board of Ponpes Administrators Sidogiri related to sustainable competitive advantage at Kopontren Sidogiri, then the construction of agency theory models as an effort to achieve sustainable competitive advantage in the Sidogiri Islamic Boarding School.

This study was uses interview techniques as the main method of collecting data. The interviews conducted in this study were in-depth interviews with the semi-structure interview method. This research was conducted at the Sidogiri Islamic Boarding School Cooperative. For a result of research is Some values of spirituality in the agency problem in Kopontren Sidogiri are the values of honesty and openness in transparency, the value of responsibility and care for accountability, value of social and democratic responsibility in responsibility, the value of helping oneself and solidarity in independence, the value of justice and equality in fairness. These spiritual values lead to the achievement of good cooperative governance. So,

the conclusion for this journal is to generate agency theory implementation in the Islamic Boarding School, likely any encourage management system as well.

INTRODUCTION

Sidogiri Islamic Boarding School Cooperative (Kopontren) is a business entity founded by the Sidogiri Islamic Boarding School which has benefits for the pesantren, students and community. The benefits felt by the Islamic Boarding School with the presence of Kopontren are to support the independence of the Islamic Boarding School. This is because part of the Islamic Boarding School's income comes from the remaining business results (SHU). So, any benefits of Kopontren for students are providing daily necessities, being a place to learn independence, entrepreneurship, and dedication. The benefits of Kopontren for many communities are that they provide daily necessities at competitive prices and become a wholesale place for business people in shops or grocery stalls (Bakhri, 2014).

Kopontren Sidogiri was founded in 1961. The history of its establishment began with the efforts of KA. Sa'doellah Nawawie as the person in charge and chairman of the Sidogiri Ponpes Management who pioneered the establishment of a cooperative as a forum for learning independence, entrepreneurship and community service for students. His first business activity was opening a shop and grocery store in the Islamic Boarding School environment that provided daily needs for the students. Kopontren Sidogiri officially became a legal entity starting July 15, 1997. Since then, Kopontren Sidogiri has continued to develop rapidly. Thanks to the progress of the Sidogiri Kopontren, in 2002 the Sidogiri Islamic Boarding School was awarded the title of the "First Entrepreneurial Boarding School" (Bakhri, 2014).

The membership of Kopontren Sidogiri is consists of three categories, including:

- a. Special Members, are members who have special rights because they consist of the board of the Sidogiri Islamic Boarding School, which in this case is represented by the General Chair of the Sidogiri Islamic Boarding School.
- b. Ordinary Members
- c. Extraordinary Member

A survey also conducted by researchers provided information regarding the uniqueness of Kopontren Sidogiri, likely the presence of special members. The current management explained that a special member is a member formed based on the RAT decision and has been formally agreed, although other cooperatives do not apply. This is done in order to maintain the safety of the leadership relay and members of the Sidogiri Kopontren, so that they are dominated by the internal Ponpes Sidogiri. Preventive action needs to be taken so that the management of Kopontren Sidogiri remains under Ponpes Sidogiri.

A research background for the formation is about special members, which a concern that if the Sidogiri Kopontren were under the leadership and man-

agement of outside the Ponpes, the Kopontren's goals could change, no longer have a thick sharia element and no longer create benefit but rather the goal of achieving material goals. Research conducted by Sulaiman, Masrukin, Chusmeru, & Pangestuti (2016) shown that Kopontren needs the support of the boarding school leadership and the participation of all students to become members and cadres (Sulaiman, Masrukin, Chusmeru, & Pangestuti, 2016). The results are explained by the Sidogiri Islamic Boarding School management that involvement of the Ponpes leadership as a special member is intended. So, Kopontren can run according to their khittoh under the supervision of the leadership of the Sidogiri Islamic Boarding School.

Kopontren Sidogiri has 3 business units, including: (1) Bottled Drinking Water (AMDK) with the "Santri" brand, (2) a mini market with the "Basmallah" brand, and (3) Cooperative management. Santri AMDK products and Basmallah mini markets have spread in various cities on the island of Java. The success that continues to soar makes Kopontren have to be careful in safeguarding their assets, especially in the leadership of the cooperative which must be guarded. So, it remains under the Sidogiri Islamic Boarding School. It regard to keeping the Kopontren under the Ponpes, the agency theory, whether consciously or not, has been applied to Kopontren Sidogiri. Agency theory is a concept of differentiating rights and authorities in order to control conflicts of interest between the owner (principal) and the manager (agent). In agency theory, the owner is called the principal and the management is called the agent. As applied to the Sidogiri Kopontren, the Kopontren owner is the Sidogiri Islamic Boarding School, while the manager or agent is the Kopontren administrators. The rights and responsibilities of the principal and agent are all determined in a mutually agreed upon working relationship, in this case agreed upon in the RAT forum (Annual Member Meeting).

The background to agency theory or model is assumption that individuals are always motivated by their own interests. An agency problem will arise when cooperative behavior that maximizes group welfare is not in accordance with individual personal interests. This condition can make one or more members expected to deviate from cooperative behavior and can trigger other individuals to act in deviance as well. Until finally the company will not run well because one another will suspect each other of deviant behavior (Kholmi, 2010). From agency theory, the proposed solution is the existence of a clear work contract relationship and regulates the proportion of the rights and obligations of each party while still considering the overall benefits (Arifin, 2005 in Kholmi, 2010).

In principle, the special members that are enforced in the Sidogiri Kopontren are used to control the management of the cooperative so that it is in accordance with the main purpose of its establishment and remain under the management of the Sidogiri Islamic Boarding School. The use of the theory of gravity which is manifested by the presence of special members at the Sidogiri Kopontren is a strategic step for the company to continue to grow and be able to win competition in the global era with other conventional cooperative op-

ponents. The benefit of the people continues to strive to create Kopontren Sidogiri, so its presence can be of value in the eyes of stakeholders. In the end, Kopontren Sidogiri can have a sustainable competitive advantage by managing its Kopontren business properly, correctly and wisely.

THEORITICAL

Theories related to problems

Agency theory

In corporate governance, there is an agency relationship perspective. According to Anthony & Govindanrajan (2005), agency theory is a relationship or contract between the principal and agent. The main principle of this theory stated that there is a working relationship between the party giving the authority (principal), namely the investor, and the party receiving the authority (agency), such as manager, in the form of a cooperation contract. Agency theory also assumes that each individual is solely motivated by his own interests, which often creates conflicts of interest between the principal and agent.

Agency theory in its development is divided into two schools, such as Jensen & Meckling (1976) and Eisenhardt (1989). According to Jensen & Meckling (1976), agency theory includes: (1) Positive Theory of Agency, this theory focuses on identifying situations when shareholders and managers as agents experience conflict and government mechanisms that limit self-saving in agents. (2) Principal Agent Literature, focusing on the optimal contract between behavior and results which in general emphasizes the relationship between shareholders and agents.

According to Jensen and Meckling (1976) there are two types of asymmetric information, including adverse selection and moral hazard. Adverse selection, which is a condition in which the principal cannot know whether a decision made by the agent is actually based on the information he has obtained, or it occurs as negligence in his duties. Moral Hazard, namely the problems that arise if the agent does not carry out the things those have been mutually agreed upon in the work contract.

Management has the possibility to take actions that do not benefit the company as a whole, which in the long term will certainly harm the interests of the company. Even to achieve its own interests, management can act using accounting as a tool for engineering, therefore, agency problems arise when there are differences in interests between company shareholders and managers as agents. Shareholders as providers of funds and facilities have an interest in securing these funds and facilities for the company's operations because shareholders have an interest in the security of funds that have been invested in the company. The manager himself, as manager of the company, gets a salary from the company, so the decisions made by managers are expected to prosper shareholders and increase company value.

Agency cost

With agency problems caused by problems of interest and information asymmetry, this creates agency costs, which according to Jensen and Meckling (1976) are consist of: (a) The monitoring expenditures by the principle, such as monitoring costs incurred by principals to monitor agent behavior, including efforts to control agent behavior through budget restriction, and compensation policies, (b) The bonding expenditures by the agent. The bonding cost is issued by the agent to guarantee that the agent will not use certain actions that will harm the principal or to guarantee that the principal will be compensated if he does not take many actions, (c) The residual loss which is a decrease in the level of welfare of the principal or agent after the existence agency relationship.

According to Ang Cole, & Lin (2000), using total operating, general and administrative (OGA) expenses. This variable measures agency cost based on the ratio of operating, general and administrative expenses to total sales. The ratio of operating, general and administrative expenses reflects the managerial discretion in spending company resources the higher the higher the managerial discretionary burden a higher for agency cost that occurs. The second method of measurement for agency cost is the asset turnover ratio, which is defined as sales divided by assets. This measurement method is used by Ang et al. (2000), such as companies with high turnover ratios that reflect assets in the use of resources and the more productive these assets are used to create value for shareholders.

Sustainable competitive advantage

According to the opinion of Glueck & Jauch (1994), a company is said to have a competitive advantage if it has the following characteristics:

Having special competences, for example having a product with better quality, having a smoother and faster distribution channel, having a product brand that is more famous than competitors. Able to create imperfect competition. In perfect competition, every company can enter and exit the market easily. Therefore, companies that want to seek competitive advantage must leave the perfectly competitive market and create market conditions in which only the company is able to excel in the eyes of consumers.

Sustainability, meaning that competitive advantage must be sustainable and uninterrupted. Although, it should be noted that excellence is inherently dynamic and cannot be sustained forever. Competition today and in the future must be viewed as competition with high dynamics, not something static so it needs to be followed by sustainable strategic thinking. The external environment provides opportunities and threats to competing companies. Therefore, a competitive advantage does not only see the weaknesses of competitors, but also must pay attention to market conditions. The profit obtained is higher

than the average profit of other companies. This can be seen by the company's sales quantity and market share control.

According to Ferdinand (2003) said that competitive advantage can be generated when the company successfully builds, maintains and develops various distinctive advantages of the company as a result of the operation of its strategic assets. Competitive advantage is also generated because of the resources and competencies that are the company's potential. Furthermore, Ferdinand (2003) also said that competitive advantage is something every company is looking for.

Competitive advantage is important when a company enters a highly competitive market, where short-term and even long-term success is determined by the company's ability to build a solid basis for sustainable advantage that is better than its competitors in the same market. Competitive advantage is enhanced through the resources and capabilities that are unique to the company. So that it is expected to produce superior performance (for example: sales volume, market share percentage, marketing performance growth rate) and financial performance (for example: return on investment, and prosperity for the owner).

METHODOLOGY

The research methods were used include: (1) Paradigm and Qualitative Research Approaches, (2) Case studies as qualitative research designs, (3) research settings, (4) data collection methods, (5) determination of research informants, (6) validity data, (7) data analysis techniques.

Paradigm and research approach

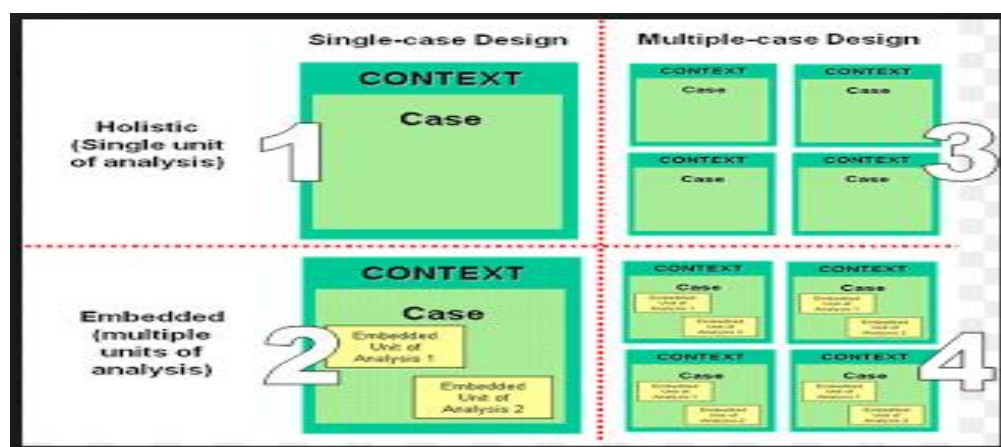
Paradigm or what is also called world-views provides a basis and reference for a study to be able to answer the problems studied in a study (Creswell, 2015). This study uses the interpretivism paradigm to provide meaning and understanding of various information conveyed by informants. As stated by Creswell (2016), the interpretivism paradigm directs research towards a comprehensive understanding of the depth and complexity of a phenomenon.

A case study as a qualitative research design

Creswell (2015) stated that case studies are one type of design in qualitative research. A case study is a qualitative research approach whose research explores real life, contemporary limited systems (cases) or various limited systems (various cases) through detailed and in-depth data collection involving various sources of information, including: observations, interviews, audiovisual materials, and documents. As well as sharing reports which are then reported in the form of case descriptions or case themes?

The case study design according to Yin, RK, (2015) has four types, namely (1) a single holistic case design, (2) a single interwoven case design, (3) a holistic

multicase design, and (4) an interwoven multicase design, as visualized in the following image:



Source: Yin, R.K. (2015)

Figure 1 Type of Case Study Designs

This research uses a single holistic case study (single-case) which places the object as the focus of the research. Yin, R.K. (2015) suggested that the rationale for using case studies with a single holistic case design strategy as follows: (1) conducting a critical test of a significant theory, (2) an extreme or unique case, (3) disclosure of a case / situation that was originally leaves no room for scientific observation.

Data collection methods

Creswell (2015) said that qualitative research with a case study strategy is characterized by the form of data collection that comes from various sources. Creswell (2016) states that there are four types of data sources that are often used in qualitative research, including: (1) observation, (2) interviews, (3) documents, (4) audio and visual material.

Determination of research informants

The unit of observation in this study is called the "informant". Yin (2015) stated that informants are very important for the success of case studies because they not only provide information about something to researchers, but can also provide suggestions about other supporting sources of evidence, as well as create access to the relevant sources. Informants play an essential role in conducting case studies.

Validity of data

According to Creswell (2016) testing the validity of the data in this study includes validity and reliability. The difference between validity and reliability tests in qualitative and quantitative research lies in the part being tested. In

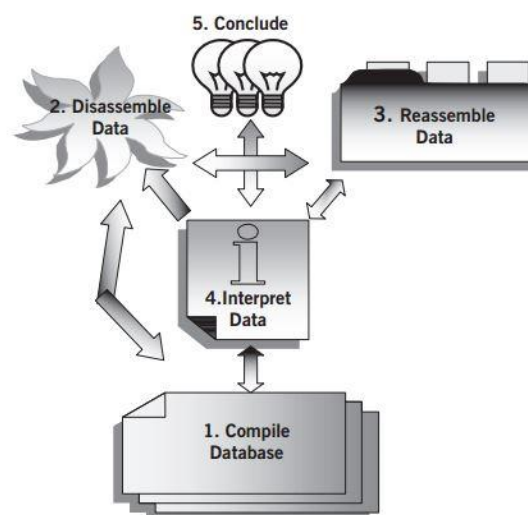
quantitative research, validity and reliability tests are carried out on research instruments, while in qualitative research it is carried out on research data.

Data analysis techniques

In general qualitative research according to Yin (2011) there are five phases in data analysis techniques as seen in the picture below:

The first stage is collecting data from the field as long as the required data is insufficient. Adding additional informants can be added, if the data is sufficient in making conclusions, data collection can be stopped. The second stage is the process of simplifying data sets into smaller parts in the simplification. The third stage is the presentation of data where this stage rearranges or organizes information systematically, combines and arranges linkages between data, describes the processes and phenomena that exist in the object so that in the process of presenting data, it can be done repeatedly or more in a back and forth method.

The fourth stage is the stage of presenting data interpretation. Where in the presentation process using rearranged materials to create a new narrative, with accompanying tables and graphics with relevant data and will become the main analytical part of the manuscript. So that the researcher wants to interpret it in a fresh way (review) and reduce or reassemble the data differently, all these sequences are represented by one-way and two-way arrows. The fifth stage is the closing stage. This stage is the depiction of the conclusions of the whole research, this conclusion is related to the interpretation of the fourth stage and includes all other stages.



Source: Yin, 2011

Picture 2 Analysis Data Technic

RESULTS

Overview of the Sidogiri Islamic boarding school

Pondok Pesantren Sidogiri is one of the oldest Islamic boarding schools in East Java, which is hundreds of years old. The Sidogiri Islamic Boarding School was founded in 1158 AH or 1745 AD, by Sayid Sulaiman who was the first son of the couple Sayid Abdurrahman bin Umar ba Syaiban and Syarifah Khadijah, the grandson of Syarif Hidayatullah (Sunan Gunung Jati). Sayid Sulaiman has a lineage from Hadramaut, Yemen. At the beginning of the establishment of the Sidogiri Islamic Boarding School, Sayid Sulaiman was accompanied by his student named Aminulloh from Bawean Island. This information is based on notes written by KA. Sa'doellah Nawawie in 1971. The activities of the Sidogiri Islamic Boarding School began with ma'hadiyah education and in 1938 a new madrasah education was established under the name Madrasah Miftahul Ulum with class levels of sifir (zero) and ibtidaiyah, followed by the tsanawiyah level which was opened in 1957 and aliyah level in 1983.

Ma'hadiyah education is the original Islamic boarding school education which has been maintained until now in order to produce Muslim cadres with noble morals. Ma'hadiyah activities as complex non-academic student debriefing are combined with the daily activities of the students which include congregational prayer, tahajjud prayer, witr prayer, nadhom takror, dhuha prayer, yellow book recitation, ma'hadiyah congregation prayer, reading education al-Qur'an, reading sholawat, reading burdah, istighotsah, reading rotibul haddad, reciting the Koran to the boarding school caretaker, and scientific discussion.

Madrasah education or classical education with madrasah diniyah curriculum which consists of madrasah I'dadiyah, Isti'dadiyah, Ibtidaiyah Tsanawiyah and Aliyah. The I'dadiyah program is a preparatory education program for early childhood children. This program is implemented in a classical manner using his own work method, namely al-Miftah li al-'Ulûm, a name given directly by the caregiver of the Sidogiri Islamic Boarding School, KH. A. Nawawie Abdul Djalil. With this method, early age students who have been able to read the Qur'an, but have not been able to read the book for at most one year are expected to be able to read the book Fath al-Qarîb well.

The isti'dadiyah level is a preparatory class (class sifir or zero to grade two) with the aim that new students who enter the Ibtidaiyah and Tsanawiyah levels do not have too much different ability levels. That's why the subjects taught are only basic materials that lead to debriefing, especially in reading books.

The educational target at the Ibtidaiyah level is that students are able to read and understand the books that are taught in madrasahs. Therefore, in addition to organizing deliberations every Sunday and Wednesday night, the Madrasah Ibtidaiyah also organizes guidance on reading books for students, either through homeroom teachers or specially appointed advisors. This book read-

ing course is held twice a week, namely Wednesday and Thursday. For the latter, it is devoted to class V students, which is a requirement for advancement. At the madrasah level, Tsanawiyah is an effort to deepen the faith and develop the creativity of students who focus on strengthening the Ahlusunah wal Jamaah faith. Its main supporting activities are courses on faith, social jurisprudence and Sufism.

Since 1961, graduates of Madrasah Miftahul Ulum at the Tsanawiyah level have been obliged to carry out duties as duty teachers in several regions in Indonesia for one year to obtain a graduation certificate with the condition that they are not allowed to intern in their own place of origin in order to make themselves mature towards mastering material in theory and practice. Meanwhile, the level of madrasah aliyah is aimed at producing teachers who have good morals who master the field of jurisprudence and related sciences.

Kopontren sidogiri

The Sidogiri Islamic Boarding School, apart from providing religious education through the Ma'hadiyah and Madrasah education systems, also provides education to students about entrepreneurial skills. In 1961, KA. Sa'doellah Nawawie as the person in charge and chairman of the Sidogiri Islamic Boarding School Board pioneered the establishment of the Sidogiri Islamic Boarding School Cooperative (Kopontren) as a place to train the students' independence, entrepreneurship and dedication. Kopontren Sidogiri's first business activities were shops and grocery stalls providing daily needs for the santri and located in the area of the later pesantren. Kopontren Sidogiri was officially incorporated as of July 15, 1997 with a decree number 44 / BH / KWK.13 / IX / 1997. With the development of the business, five years later, Kopontren Sidogiri to be precise in 2002 was awarded the title of the "First Entrepreneurial Islamic Boarding School" in Indonesia.

Kopontren Sidogiri is currently developing rapidly with a more established management system and has cooperative service units spread across several districts and cities in East Java Province such as Pasuruan, Probolinggo, Bondowoso, Situbondo, Banyuwangi, Jember, Malang, Lamongan, Bangkalan, Pamekasan, Sampang and Sumenep even reached Kalimantan. Kopontren Sidogiri continues to strive to innovate and be at the forefront of the retail business. Kopontren Sidogiri's business units are quite diverse, ranging from canteens, bookstores, household appliance stores, cosmetics, mini markets, printing shops and pulse and cellphone shops.

The attitude of independence as a basic principle of the Sidogiri Islamic Boarding School (PPS) needs to be supported by strong financial strength. The Islamic Boarding School Cooperative (Kopontren) Sidogiri, since it was first pioneered by KA. Sadoellah Nawawie in 1961 AD, was able to take the role as the main source of financial support in PPS. The existence of this institution has great benefits for the pesantren, students and society. Apart from being a source of income for the pesantren and providing daily needs for students and

the community, Kopontren Sidogiri is one of the means for santri to practice the muamalah fiqh knowledge that they have learned from the Ulama Ulama at-Turats.

The Subsidiary of the Kopontren Pondok Pesantren Sidogiri

PT. Main Partner Sidogiri

PT. Sidogiri Mitra Utama is a subsidiary of Kopontren Sidogiri with the Brending Basmalah Shop. Toko Basmalah is engaged in the real sector, spread over 125 units in Java and Kalimantan. Basmalah is the concept of Barakah, Sharia, Maslahah, so unlike other modern retailers. In packaging, the Basmalah shop collaborates with the absorption of SMEs (Small and Medium Enterprises), such as Muslim clothing with the Sidogiri brand, Sarong, Songkok, Sidogiri branded foods such as rice, soy sauce, sauces, fried oil and several other things with the santri brand. In addition to the Basmalah Shop, Kopontren Sidogiri has other business entities, such as Giri Tronik, Giri Grafika, Giri Printing, Giri Motor, Giri Tech, and Giri Trans.

PT. Sidogiri Mandiri Utama

PT. Sidogiri Mandiri Utama is a subsidiary of Kopontren Sidogiri which produces Bottled Drinking Water (AMDK) under the Santri brand. The AMDK factory which was originally located in Pakoren Village Rembang Pasuruan, since 11 Safar 1431 H. ago, has moved to the village of Umbulan Winongan Pasuruan. This move is related to the wish of the Kopontren to increase production capacity. The umbulan area is famous for its clean and fresh natural water sources, of number one quality. As quoted on Radar Bromo, there are only two categories of water quality in Umbulan in the world. One in Umbulan and one in Paris France. (Radar Bromo, 27/1/2010). Santri water processed from the Umbulan spring has passed the Standardization Test with a Certificate of Passing the Raw Water Test from the Standardized Laboratory of the Ministry of Industry of the Republic of Indonesia with SNI number 01 - 3553 - 2006.

PT. Sidogiri Pandu Utama

In 2015, PT. Sidogiri Pandu Utama, which is engaged in sharia business services assistance, management and business consulting under the name SEC (Sidogiri Excelent Center). Sidogiri Excelent Center has service units including; Outsourcing Provider, Training end Learning Center, Software House, Sharia Business Assisting, Preparing ISO Certification, Taxation and Finace Assisting, Research and Development, CSR Distribution Assisting, and Advertising and Event Organizer.

Practice agency problem at Kopontren Sidogiri

In agency theory, agency theory states that agency relationships arise when one or more people employ another person (agent) to provide a service and

then delegate decision-making authority to the agent (Jensen and Meckling, 1976). Agency theory can be viewed as a version of game theory (Mursalim, 2005), which creates a contractual model between two or more parties, where one party is called an agent and the other is called a principal. The principal delegate's responsibility for decision making to the agent or it can also be said that the principal has given the agent the mandate to carry out the duties and obligations in accordance with the work contract agreed upon together. According to Scott (2000) said that companies have various types of contracts, for example a work contract between a company and its managers and a loan contract between the company and its creditors. In this agency theory, it is included in the category of work contract between the company (owner of capital or principal) and its managers (agent). Where between the agent and the principal trying to maximize the utility of each with the information they have.

Special members

Special Members are members who have special rights because they consist of the Sidogiri Islamic Boarding School internally, which in this case is represented by the Sidogiri Islamic Boarding School caretaker. The survey conducted by researchers provided information regarding the uniqueness of Kopontren Sidogiri, such as the presence of special members. The current management explained that a special member is a member formed based on the RAT decision and has been formally agreed, although other cooperatives do not apply. This is done in order to maintain the safety of the leadership relay and members of the Sidogiri Kopontren so that they are dominated by the internal Ponpes Sidogiri. Preventive action needs to be taken so that the management of Kopontren Sidogiri remains under Ponpes Sidogiri. H. Ahmad Baihaqi and H. Bahruddin Thoyyib explained:

"...There are special members in the Kopontren Sidogiri. It's not the same as other cooperative structures. This is our uniqueness. This special member is the board of carers of the Sidogiri family council. The formation of this special member is to fortify so that other members who enter the structure are not taken over". (H. Ahmad Baihaqi).

"Kopontren Sidogiri is growing rapidly. Born by Pondok Sidogiri. Even though some members of the cooperative are the general public, they are not allowed to change direction of this cooperative. So, there are special members of the board of carers, so that they can be controlled "(H. Bahruddin Thoyyib) The background for the formation of special members is a concern that if Kopontren Sidogiri is under the leadership and management of outside the Ponpes, then the objectives of the Kopontren can change, no longer have strong elements of sharia and are no longer creating benefits but more on the goal of achieving material goals. Research conducted by Sulaiman, Masrukin, Chusmeru, & Pangestuti (2016) shows that Kopontren needs the support of the boarding school leadership and the participation of all students to become members and cadres (Sulaiman, Masrukin, Chusmeru, & Pangestuti, 2016). The results of this study strengthen the explanation of the Sidogiri Islamic

Boarding School management that the involvement of the Ponpes leadership as a special member is intended so that the Kopontren can run according to their khittoh under the supervision of the leadership of the Sidogiri Islamic Boarding School. With the existence of special members who are controlled by the caregivers of the Sidogiri Islamic boarding school, it will reduce agency conflicts in business practices in the Sidogiri Kopontren.

Alumni recruitment of Sidogiri Islamic boarding school

The rapid development of the Pondok Pesantren Sidogiri cooperative requires management to anticipate agency risks by identifying them in business development. In the recruitment of employees, a thorough identification is also carried out, but it is more prioritized in the matter of character and alumni of the Sidogiri Islamic boarding school, then alumni of the Islamic boarding school outside the Sidogiri Islamic boarding school, and finally from the general public. The identification of employees from the alumni of the Sidogiri Islamic boarding school was carried out because they would easily find the character of the employees because the track records of employees during their time as students of the Sidogiri Islamic boarding school were already known:

: "...Yes, because we are a boarding school background, so before him we returned home, we were also known for being in a boarding school, how about this, among other things. That's why we, firstly, the recruitment prioritized the sidogiri santri, the second from the pesantren students the third was new from outsiders". (H. Ahmad Baihaqi)

"...We prioritize first from Sidogiri, from Sidogiri the priority is shiddiq and amanah, and we consider it gebyah uyah, lek weton teko pesantren iku wonge shiddiq. Formed, there is sibghoh, namely shiddiq amanah ". (H. Ahmad Baihaqi)

Also, it will build a relationship patron between students and kyai which is common in the tradition of Islamic boarding schools, so that there is a feeling of su'ul adab (guilt for committing disgraceful morals) when employees commit fraud in the Sidogiri cooperative environment managed by the islamic teacher or their teacher. Furthermore, taking employees from the alumni of the Islamic boarding school means that in him the character of shiddiq and mandate has been formed, because these characteristics are shibghoh (character and teachings) formed in boarding school education.

The attitude of interacting with fellow students is shown by the management of the Sidogiri Islamic Boarding School cooperative through strong relationships with alumni of the Sidogiri Islamic Boarding School who are members of the Sidogiri Santri Alumni Association (IASS). In the apprenticeship program, for example, as a forum for managing alumni, IASS will look for, select and send alumni who meet the criteria to take part in internships at various Islamic boarding schools in Sidogiri. The hope is that the interns will be selected as employees. These methods seem to be of benefit to management. First,

the managers, who are mostly teachers of the Sidogiri Islamic Boarding School, will find it easier to find out the track records of alumni. Second, the relationship between islamic teacher, administrators and students is maintained and thirdly, it is easier to build togetherness.

Sami'na wa atha'na (we hear, we obey)

Practices in the field show that interactions between people in business in the Sidogiri Islamic boarding school cooperative are manifested in strong ties with alumni of the Sidogiri Islamic boarding school who are members of the Sidogiri Santri Alumni Association (IASS). Employee recruitment that is prioritized is the alumni of the Sidogiri Islamic boarding school, of course, taken from alumni who meet the qualifications, alumni of other Islamic boarding schools and finally (read: if forced) to be taken from alumni other than the Islamic boarding school. Patron relations between students and kyai with the principle of *sami'na wa ath'ona*, a principle of student obedience to the teacher or islamic teacher, continue to be built and embedded in this business relationship, and indirectly assist in the development of the Sidogiri Islamic boarding school cooperative and the risk management process and avoid agency conflicts. The informants explained:

"...As part of the lessons at the boarding school, there is a kind of *sami'na waatha'na* culture. Santri was taught to obey their teachers. Even if you have to enter the well, if it's a lesson, you have to obey. Unless the teacher orders immorality, the students are obliged to disobey. This is the teaching at the cottage. So when they became employees of the Kopontren, the culture was still very strong, especially since the head of the Kopontren was the teacher first. Therefore, 90% of the employees of the Sidogiri Kopontren are islamic student and alumni of the Sidogiri school. (M. Aminulloh)

"...During the interview, we had a good prejudice to the students. Because this principle is the teaching in the cottage first. Until it can be proven that the employee is guilty". (Bashori Alwi)

"...We also prioritize first from Sidogiri, from Sidogori the priority is *shiddiq* and *amanah*, we consider it *gebyah uyah, lek weton teko pesantren iku wonge shiddiq*. formed, there is *sibghoh*, such *shiddiq amanah* " (H. Ahmad Baihaqi). In selecting new employees, the management of the Sidogiri Islamic boarding school cooperative instills the principle of *khusnudzon* (prejudice) in the employee's personality.

The argument used is that every human being is good, so that there is potential that leads to goodness, until ugliness is found in him. This form is in line with Seligman's (2005) positive psychological theory which states that in fact in humans there is positive potential influenced by positive and positive self-institutions that encourage goodness, responsibility, tolerance, moderation, care and have a high work ethic that has a positive impact for life. This view of Seligman (2005) is also influenced by Maslow's (1993) stated that human-

istic psychological theory which views humans as creative beings who are controlled by their own values and choices genetically and naturally. The principle of *sami'na wa atha'na* as the teachings and culture of students to Islamic teacher makes it easier for management to manage various interests that lead to conflicts that occur, including agency problems.

Entrepreneurship as the estuary of the Pondok Pesantren cooperative

The Sidogiri Islamic boarding school as an Islamic education institution not only emphasizes religious learning, studying various Islamic classical books such as the fields of *fiqh* (Islamic law), theology and *tasawuf* (Islamic mysticism) so that they become individuals who obey God, but also entrepreneurship, economic empowerment, become agents of development for both students and the community. Sidogiri Islamic boarding school as a treasure trove of Islamic education and culture in Indonesia has strategic potential in building the nation's civilization either through developing the boarding school alumni network or by developing business units. Of course, this strategic role cannot be separated from the pillars of Islamic boarding schools, such Islamic teachers, who play the role of a central figure in the boarding school system, the availability of dormitories, students, and the existence of mosques as centers of activity and education. In terms of community empowerment, the goals to be achieved are to develop an entrepreneurial spirit among students and the community develops highly competitive centers and business units, form Islamic value-based microeconomic institutions, and develop economic and funding networks in Islamic Boarding School.

Entrepreneur

The lack of agency conflicts in business at the Sidogiri Islamic boarding school because religious values are a force in entrepreneurial action with the aim of seeking God's pleasure. This principle is the basis for a business orientation based on Islamic law at the Sidogiri Islamic boarding school. The goal is that business can run well in terms of capital, human resources, production and marketing, the results of which are returned to the community. At this time, it is obvious that the role of entrepreneurs in strengthening the economy and society is carried out. This is the mission of establishing entrepreneurship in the Sidogiri Islamic boarding school, such changing from a weak condition to being strong and empowered, from being poor to being rich, from being non-existent.

"...Why did this Kopontren choose employees from the Islamic boarding school students in Sidogiri, because it was returned to the spirit of its former establishment, like empowerment? Apart from studying religion, the students must be independent later. Self-reliance provisions are taught and practiced in this Kopontren. So, we don't just talk. We can prove it. There are many businesses here. Students can practice towards independence. This is very important for this nation if it wants to progress. Don't just theorize". (H. Ahmad Baihaqi)

"In Sidogiri, there are a lot of businesses that have been running well through the Sidogiri Network Forum (SNF Group). There is Kopontren, there is BMT UGT Sidogiri, and there is Maslahah, BMT Maslahah. Some kind of subsidiary in various fields, when students have sufficient knowledge, they are required to be devout. What khitamah? Yes, of course in the economic and social fields apart from practicing muamalah correctly". (Bahruddin Tho'yib)

In addition, after being strong and empowered in the economic field, students and alumni must serve in the economic sector through social responsibility. Conglomerate business units such as cooperatives (Basmalah), Islamic micro-finance institutions (BMT Maslahah and BMT UGT Sidogiri), waste management, training and entrepreneurship centers (IASS program), property (Giri Way), transportation (Maslahat Trans), water production drinking in packs (Islamic student), publishers and printing (Sidogiri Publisher) with other businesses are forms of transformation and serving played by students and alumni whose benefits are for the public interest.

From zero problem to good cooperative governance

The ideology of cooperatives as a form of crystallization of the values of Islamic boarding school cooperatives, the meaning of cooperatives and the principles of integrated cooperatives in conducting business in the Islamic boarding school cooperative Sidogiri. The three components are collaborated to form a commitment to "beautiful" as an effort to implement policies in the development of cooperatives in Pondok Sidogiri. The cooperative ideology is what makes the Sidogiri Islamic boarding school cooperative have its own characteristics compared to other cooperatives or even corporations.

"We try to cooperate well in accordance with the spirit of the cooperative, such kinship. We also have principles with the same spirit, namely, from the students, by the students and for the students. If the spirit is the same in the boarding school organization, it can minimize the potential for conflict. (H. Ahmad Baihaqi)

"The values of cooperatives are extracted from Indonesian culture, such as mutual cooperation, then solidarity, justice, honesty, there are ten, and the second is the understanding of the cooperative itself. Then the third is the cooperative principle. If this is implemented, the orientation will actually be. Then enter into Good Cooperative Governance". (Bashori Alwie)

The values of Islamic boarding school cooperatives derive from local culture, including: 1) helping oneself; 2) responsibility; 3) democratic; 4) equality; 5) justice; 6) solidarity; 7) honesty; 8) openness; 9) social responsibility; and 10) concern for others. These values are actually Islamic teachings taught in Islamic boarding school education. In addition, the Islamic boarding school cooperative's identity as stated in the Law 25/1992 on cooperatives is in tune with the ideology of cooperatives to achieve good cooperative governance

(Good Cooperative Governance). This condition was achieved when there was no agency conflict in the Sidogiri Islamic boarding school cooperative which was built on the basis of these values.

Table 1 Good Cooperative Governance at Kopontren Sidogiri

No	Aspect	Good Corporate Governance	Good Cooperative Governance
1	Basic Commitment	Based on Capital	Cooperative Ideology
2	Management Principles	Principles of Cooperative	Principle of Kinship / Principle of Cooperative
3	Governance System	Shareholder Orientation (Top-Down)	Flexibel (buttom-up)
4	Voting Patterns	Depends on Share Ownership	One member one-vote

Spiritual values

The value of honesty and openness in transparency

The value of honesty and openness is manifested in the application of the principle of transparency. The principle of transparency which is reflected in the value of spirituality is also called out in QS. Al-Ahzab (33:70):

"O you who believe! Fear you to Allah and say the right words (QS.Al-Ahzab: 70)".

The verse calls for submission to Allah and speak the true words. If it is related to bookkeeping or accounting in the Sidogiri Islamic boarding school cooperative, in essence all the recording processes carried out must represent the truth and be based on honesty. In the end, the results of the process are transparent, so as not to give rise to irrelevant information.

"We are arahantship, mandate, tabligh, fathanah. Shiddiq means honesty. However, even though the departure is a doll, the future direction must be good. Good, it has to be shiddiq, trustful, fathanah is professional. Professionals practice in accordance with existing knowledge, so it takes knowledge, really, that's it". (H. Ahmad Baihaqi)

The value of responsibility and concern in accountability

Responsibility and concern are spiritual values that exist in individuals to be able to carry out their duties while still paying attention to the interests of others. In the word of Allah QS. Al-Mukminuun (23: 8) it is stated:

"And (really lucky) people who keep the mandates and promises (QS.Al-Mukminuun: 8)".

This piece of the verse from the Al-Qur'an calls for maintaining mandates that are one's own responsibility. It is also conveyed in this verse that people who maintain the trust will undoubtedly be blessed with luck. This spirituality value is based on the principle of togetherness. M. Aminullah stated:

"...Every islamic student and alumni of the boarding school who have become employees at this Kopontren must be responsible according to their fields. It is necessary to learn and practice every day. This nature of mandates of our prophet. Also, the Sidogiri Kopontren has a responsibility to the community in the form of social assistance. In fact, every business in Sidogiri is obliged to return some of its proceeds to the community". (M. Aminullah)

The value of social and democratic responsibility in responsibility

The value of social responsibility is metaphorized in the form of zakat and social funds. Zakat is reserved in the form of purification from Member Services, Management Funds and Employee Funds which are part of the SHU allocation. Zakat is issued annually after approval from RAT. Meanwhile, social funds in the form of shodaqoh are an allocation from SHU, and are transparent in the SHU Distribution Report. With the spirituality of accountability accounting, the disclosure of cooperative zakat will be clear. This fulfills the democratic values of, by and for members. These two spiritual values (social responsibility and democracy) are based on the principle of kinship.

"...Zakat is a religious teaching and it is implemented in this copontren in RAT. Also, social funds, all of which are reserved and written in the financial statements as our responsibility". (H. Ahmad Baihaqi)

The value of self-help and solidarity in independence

The value of spirituality that is reflected in the principle of independence is the value of helping oneself and solidarity. This value is based on the principle of interdependence, namely the principle of interdependence. It is said to be interdependent because of the symbiosis of mutualism between the cooperative members as principal and the management as the agent. To liberate oneself in terms of independence, the Sidogiri Islamic boarding school cooperative seeks to gather members to strengthen their own capital in the form of principal savings and mandatory savings. It also tries to avoid forms of borrowing from other parties. With strong members, the cooperative will also be strong; the implication is that members can also take advantage of the cooperative's services. This is where the power of solidarity plays a very important role, as well as in the decision-making process that prioritizes deliberation. The informants also stated:

"...When the students are independent, they can actually help themselves, so in the realm of cooperatives. When kopontren is independent it also means that you can help yourself Even so in management. The relationship between the board and members must help each other. Solidarity is all important". (Bahruddin Thooyib)

"The strength of the cooperative comes from the members. This is the spirit of a cooperative. When a cooperative empowers members as an important part, the cooperative plays a role in strengthening its members. So that actually the cooperative does not need to ask for help from other parties in capital, because it is carried out by its members". (H. Ahmad Baihaqi)

The call for realizing this spiritual value is in the word of Allah, QS. Asy-Shura (42:38) which reads:

"And (for) those who receive (obey) God's call and perform prayers, while their business is (decided) by consensus between them; and they give part of the sustenance that We give them (QS. Asy-Shura: 38)".

The above verse calls for deciding matters by deliberation, and at the same time calls for giving up some of the assets (sustenance) they have. Both calls are manifested in the application of the principles of responsibility and independence. The application of this principle comes from religious beliefs as discussed in the theory of ethics which comes from religion.

Value of justice and equality in fairness

Cooperatives have the principle of equality and equality. This principle is the basis for the realization of the values of justice and equality in the application of the fairness principle. Justice and equality apply to all organs of the cooperative. The manifestation of this value is in the distribution of SHU which is carried out fairly and evenly, and does not view cooperative organs based on personal interests.

The value of this spirituality is contained in the word of Allah, QS. Al-Ma'idah verse 8 which reads:

"O you who believe, be you as the enforcer of justice for Allah, (when) you bear witness with justice. And do not hate a people, encourage you to be unfair. Be fair, because fair is closer to piety. And fear Allah, truly, Allah is most thorough in what you do (QS. Al-Ma'idah: 8)".

In the above verse, there is a call to act fairly because of fearing Allah and upholding justice and equality without any conflict of interest. The value of justice and equality in the value of this cooperative is one of the spiritual values that has vertical responsibility.

CONCLUSION

An effort to avoid the agency problem of the Sidogiri Islamic boarding school cooperative is the formation of special members, such as members who have

special rights from within the Sidogiri Islamic Boarding School, represented by the caregivers of the Sidogiri Islamic Boarding School. Special members are members formed based on the RAT decision and have been formally agreed as part of the organizational structure of the Sidogiri Islamic boarding school cooperative. The purpose of forming a special member apart from avoiding agency problems, in general is to maintain the stability of the leadership relay and members of the Kopontren Sidogiri from the internal elements of the Sidogiri Islamic Boarding School. This was as a preventive measure, so management of the Sidogiri Kopontren would remain under the Sidogiri Islamic Boarding School and not fall on the side of other members who were against the current leadership ideology.

Apart from the presence of these special members, to minimize agency problems is through the recruitment of employees from the alumni of the Sidogiri Islamic boarding school, then alumni from the Islamic boarding school outside the Sidogiri Islamic boarding school, and finally from the general public. The recruitment of employees from the alumni of the Sidogiri Islamic boarding school, because it is easy to find the character of employees with track records of employees that have been known while being students of the Sidogiri Islamic boarding school. Also, in the framework of building a relationship patron between students and islamic teacher, which is common in the tradition of Islamic boarding schools, so that there is a feeling of *su'ul adab* (guilt for committing disgraceful morals) when employees commit fraud in the Sidogiri cooperative environment managed by the islamic teacher or their teacher. Furthermore, taking employees from the boarding school alumni means that in him the character of *shiddiq* and *mandated* has been formed, because of the characteristics of the boarding school with the culture of *sami'na waatha'na* (we hear, we obey).

IMPLICATION

There are previously described the discussion of research objectives, the theoretical and practical implications will be further elaborated, including:

1. Theoretical Implications: The findings are related to integration for elements of spirituality in agency problems into principles of good cooperative governance contribute to literacy of good cooperative governance with the embodiment of cooperative values. In addition, it also provides development in cooperative accounting so that it is implemented with the principles of Good Cooperative Governance which is integrated with spiritual values (cooperative values) in addition to cooperative principles.
2. Practical Implications: One of the uniqueness of Sidogiri Kopontren is there are special members who can be used as a reference for other Kopontren. In addition, the principle of Good Cooperative Governance as a result of minimal conflict in the agency problem is a basic aspect of commitment to the Cooperative Ideology which elaborates on the identity and values of cooperatives, thus enabling trends to reflect spiritual values and ideographic values (values

that are local and unique). With the manifestation of these values, it can revive the identity of the cooperative as a member-based institution.

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