

Implementation of Sustainable Innovation as Sharia-Based on The Resto-Pool Development Strategy of Business

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Abstract: This study investigates the implementation of sustainable innovation as a Sharia-based strategy in the development of karaoke-restaurant businesses, focusing on two case studies: Muslim Generation Resto in Sumenep and K-Broo True Family Karaoke Syariah in Sidoarjo. Employing a qualitative approach with phenomenological and comparative methods, data were collected through in-depth interviews, observation, and documentation involving business owners, managers, employees, and customers. The findings reveal that both businesses apply elements of Sharia principles in product offerings, services, and management, although with varying degrees of integration. Sustainable innovation—particularly in service design, system adjustments, and customer engagement—plays a key role in maintaining competitiveness and ethical compliance. This research contributes to the growing discourse on Islamic business practices and highlights the potential of Sharia-based entertainment models to align with global trends in ethical entrepreneurship and sustainable business strategies.

Keywords: Sharia Business, Sustainable Innovation, Islamic Entrepreneurship, Halal Lifestyle, Karaoke Industry

Introduction

The entertainment industry in Indonesia has undergone significant transformation over the past decade, especially in the karaoke business sector. Originally associated with nightlife, alcohol, and morally questionable activities, karaoke venues have gradually shifted to cater to a broader demographic, including family-oriented segments. This shift is driven by the increasing demand for ethical and culturally sensitive recreational options among Indonesia's Muslim-majority population. With religious values influencing consumer choices, the need to align leisure with Sharia principles has become more urgent than ever before (Fauziyah, 2018: 17).

This demand coincides with the rise of the halal lifestyle movement, which encourages consumers to seek goods and services aligned with Islamic ethics, ranging from food to finance and entertainment (Adinugraha et al., 2019: 57-81). Businesses that respond to this demand must not only offer halal-certified products but also provide an overall environment conducive to Islamic values. Scholars have emphasized that the integration of spirituality and market logic presents both opportunities and tensions for entrepreneurs attempting to navigate religious authenticity while remaining economically viable (Basalamah, 2011: 763-769). Within this context, the emergence of Sharia-compliant karaoke-restaurants such as Muslim Generation Resto in Sumenep and K-Broo True Family Karaoke Syariah in Sidoarjo represents an innovative response to reconcile entertainment with piety.

Despite their growing popularity, Sharia-based entertainment venues face multifaceted challenges. Social stigma, community resistance, and the complex interpretation of Sharia norms often hamper public acceptance (Jimmy, 2019). Moreover, there is the operational challenge of reconfiguring business models that were originally structured for conventional leisure activities. For instance, ensuring gender-appropriate interaction, eliminating alcohol, and providing prayer facilities demand not only infrastructural redesign but also a cultural shift in how entertainment is conceived and delivered. This is where sustainable innovation becomes critical, allowing businesses to evolve in ways that maintain both spiritual integrity and market adaptability (Handrimurtjahjo, 2014, 437-446).

The concept of sustainable innovation in this context refers to systematic changes that align ethical values, social responsibility, and business competitiveness. According to Stevels (1997: 48), sustainable innovation includes both environmental and ethical dimensions, which must be integrated into organizational systems and not merely presented as marketing labels. In Sharia-based businesses, this innovation may manifest through human resource restructuring, value chain adjustments, digital transformation, and ethical branding — all while adhering to Islamic

jurisprudence. Despite the potential of such innovations, empirical research on their application within the entertainment sector remains scarce, particularly in Muslim-majority countries like Indonesia.

Existing scholarship tends to concentrate on halal certification systems, Islamic banking, or food safety standards, leaving a significant gap in understanding how Sharia compliance is operationalized in hybrid sectors such as hospitality-entertainment (Hamidon & Buang, 2016: 105-118). While studies such as Fahrudin (2017: 1-9) explore consumer perception of Sharia labels in karaoke, few investigate how these labels translate into long-term strategic development. More importantly, very little is known about how sustainable innovation intersects with Sharia implementation in enhancing both legitimacy and profitability of such businesses. This lack of empirical insight limits the theoretical advancement of Islamic business models beyond conventional domains.

By addressing this gap, the present study aims to critically examine how two Sharia-compliant karaoke-restaurants—Muslim Generation Resto in Sumenep and K-Broo True Family Karaoke Syariah in Sidoarjo—implement sustainable innovation in their business models. This research adopts a qualitative comparative case study using a phenomenological approach to analyze managerial strategies, service adaptation, customer engagement, and Sharia compliance mechanisms. Drawing on field interviews and direct observations, the study compares the effectiveness and limitations of innovation models adopted by both businesses. In doing so, this paper contributes to the expanding field of Islamic entrepreneurship and halal service innovation, offering new perspectives on how Islamic ethics and commercial imperatives can be harmonized in creative industries.

Research Method

This study adopts a qualitative research design with a phenomenological and comparative case study approach. The phenomenological method was chosen to explore the lived experiences and subjective meanings of individuals involved in managing Sharia-based karaoke-restaurant businesses. Phenomenology is particularly relevant in this context as it enables the researcher to uncover how actors perceive and interpret the integration of Sharia principles into daily business operations (Ghony & Almanshur, 2012: 58). A comparative case study approach complements this method by allowing in-depth analysis of two different business models—Muslim Generation Resto in Sumenep and K-Broo True Family Karaoke Syariah in Sidoarjo—highlighting similarities, differences, and contextual nuances.

Data collection was carried out through three primary techniques: semi-structured in-depth interviews, participant observation, and document analysis. Key informants included business owners, Sharia supervisors, Turāth: Interdisciplinary Journal of Economics
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operational managers, employees (including cashiers, waiters, and baristas), and regular customers. Interviews were guided by flexible protocols that allowed for the emergence of rich, context-specific insights. Observations were conducted on-site to assess the physical layout, customer interactions, and compliance with Sharia principles. Supplementary data were obtained from business documents, promotional materials, and visual documentation of the venues.

To ensure data triangulation and credibility, the study employed a multi-source validation strategy. Interview data were cross-checked with observations and documentary evidence. Peer debriefing with academic supervisors and member checks with selected participants were conducted to enhance the reliability and authenticity of the findings (Silalahi, 2010: 312).

Data analysis was conducted using Creswell's phenomenological analysis framework, which involves several iterative stages: (1) organizing the data, (2) reading and memoing emergent ideas, (3) describing experiences, (4) classifying themes, and (5) synthesizing structural meanings (Creswell, 1998: 147-152). The analysis was facilitated by manual coding and thematic clustering to identify patterns related to sustainable innovation and Sharia compliance.

This methodological approach is particularly suited for understanding complex social phenomena within a specific cultural and religious context. By combining phenomenology with comparative analysis, the study seeks to generate nuanced insights that reflect both individual experiences and broader institutional patterns in the application of Sharia-based business strategies.

Results

This section presents the empirical findings based on fieldwork conducted at two case study sites: Muslim Generation Resto (Geslim) in Sumenep and K-Broo True Family Karaoke Syariah in Sidoarjo. The findings are categorized into three major themes: (1) implementation of Sharia principles in business operations, (2) dimensions of sustainable innovation, and (3) strategic efforts for business development.

1. Sharia-Based Business Implementation

Geslim Resto demonstrates a strong commitment to the implementation of Sharia values in its operational model. Every karaoke room is constructed with transparent glass panels to ensure visibility, minimizing the potential for immoral behavior. Female employees are required to wear hijab and modest clothing, reflecting the restaurant's dedication to Islamic ethics. In addition, Geslim provides prayer facilities (*musholla*) and prayer-

related amenities, ensuring that religious obligations are accommodated during customer visits (Afif, 2019).

Moreover, the restaurant maintains a Sharia Supervisory Council (SSC) responsible for ensuring compliance with Islamic principles in day-to-day operations. Though the identity of the council members is kept confidential, their presence indicates a formal mechanism for Islamic governance within the organization. Regular activities such as joint *sholawatan* among staff also reinforce the religious atmosphere, contributing to a unique spiritual branding (Wahyudi, 2019).

K-Broo True Family Karaoke Syariah, on the other hand, operates with a more flexible interpretation of Sharia compliance. While it maintains alcohol-free policies and enforces dress codes for both staff and visitors, its structure does not include a formalized Sharia Supervisory Board. Nonetheless, all female staff are required to wear hijab, and regulatory notices are displayed to prohibit indecent behavior, bringing a level of Islamic enforcement into the entertainment space (Jimi, 2019).

Although both businesses adhere to basic halal principles—such as halal-certified food and prohibitions on intoxicants—there are differences in the depth of implementation. Geslim emphasizes community trust and religious symbolism, whereas K-Broo focuses on accessibility and customer segmentation, tailoring its services to a wider urban demographic.

2. Sustainable Innovation Dimensions

a) Incremental Innovation

Incremental innovation refers to small yet progressive improvements in products and services. Geslim Resto has enhanced the sound quality of its karaoke systems and expanded its song library to include Islamic-themed and family-friendly music. These changes not only improve user experience but also reinforce the religious positioning of the business.

K-Broo has implemented similar improvements, including the upgrade of karaoke user interfaces to simplify song selection and integrate digital catalogs. In addition, the business regularly updates its song database to cater to varied musical preferences while avoiding content deemed inappropriate. These efforts reflect a desire to maintain competitiveness through quality enhancement (Al-Faresi, 2019).

b) Re-Design

While Geslim management acknowledges the presence of internal re-design efforts, these remain undisclosed due to strategic confidentiality. However, it was observed that layout arrangements and thematic decorations in karaoke rooms were adapted to reflect Islamic aesthetics, such as Arabic calligraphy and soft lighting conducive to modest environments.

K-Broo has not pursued major product redesigns. Management noted the financial risks involved in such efforts, particularly amid fluctuating customer demand. As a result, product re-design is viewed as a long-term goal rather than an immediate strategic move (Norma, 2019).

c) System Innovation

System innovation is evident in both businesses, particularly in their approach to service delivery and customer engagement. Geslim and K-Broo employ flexible pricing strategies, offering promotional discounts during off-peak hours and loyalty vouchers for frequent visitors. For instance, Geslim provides a free hour of karaoke for every five vouchers collected, while K-Broo offers bundled packages combining karaoke, food, and beverage services.

Customer feedback mechanisms also differ. Geslim relies on informal in-person feedback and community dialogue, whereas K-Broo previously employed formal questionnaires, though it has since shifted to direct interpersonal approaches due to low participation rates. Both businesses utilize social media platforms such as Instagram and WhatsApp to promote their services and engage with customers, particularly younger audiences (Jimmy, 2019).

3. Business Development and Sustainability Strategies

In terms of development strategy, Geslim prioritizes religious branding and community integration. The business collaborates with local hotels, religious groups, and tourism events such as “Visit Sumenep” to attract a steady customer base. Its emphasis on spiritual environment and ethical conduct has earned trust from religious leaders and local residents, enhancing its long-term sustainability (Rasidi, 2019).

Conversely, K-Broo employs a more diversified market strategy by targeting middle-class urban families and young adults. It has established partnerships with hotel chains and entertainment associations in Sidoarjo. K-Broo also incorporates digital payment systems such as OVO and credit card machines to streamline transactions and appeal to tech-savvy consumers.

The difference in sustainability strategy can be attributed to geographic and demographic factors. Geslim operates in a semi-rural setting where cultural and religious homogeneity allows for stricter Sharia implementation. K-Broo, situated in an urban commercial zone, adopts a hybrid model that balances Islamic compliance with commercial flexibility.

Both businesses, however, share a common challenge: overcoming the negative public stigma often associated with karaoke establishments. By adopting a Sharia-based identity and embedding ethical values into their

service models, they aim to reshape public perceptions and create safe, family-friendly entertainment spaces.

These findings suggest that Sharia compliance and sustainable innovation are not mutually exclusive. Instead, when thoughtfully integrated, they can form a symbiotic relationship that enhances brand trust, customer loyalty, and long-term business viability.

Furthermore, the study highlights the need for context-sensitive strategies. What works in Sumenep may not be fully transferable to Sidoarjo, and vice versa. Hence, Islamic business models must remain adaptive to local culture, market demands, and regulatory frameworks.

Discussion

The findings of this study offer a critical lens into how Sharia-based business models function within Indonesia's emerging halal entertainment sector. By analyzing two different cases—Muslim Generation Resto in Sumenep and K-Broo True Family Karaoke Syariah in Sidoarjo—this research reveals how Islamic values are embedded in operational design, and how sustainable innovation is applied to support long-term business viability. The discussion focuses on three main dimensions: (1) the integration of Sharia principles, (2) innovation strategies for competitive advantage, and (3) contextual business adaptation.

1. Sharia Principles as Institutional Identity

The implementation of Sharia principles at both sites underscores a deliberate strategy to construct a distinctive religious identity. In the case of Geslim, Sharia norms are deeply institutionalized—not only in symbolic features such as staff uniforms and prayer facilities, but also through managerial commitment to religious rituals and community engagement. This strong ethical infrastructure positions the business not just as a commercial venture but as a morally guided institution aligned with *maqāṣid al-sharīʿah*, or the higher objectives of Islamic law (Fauziyah, 2016: 87-104).

K-Broo, while similarly promoting Sharia-based values, adopts a more flexible and market-oriented model. Its partial implementation of Islamic practices (e.g., hijab requirements, no alcohol, ethical signage) suggests a pragmatic Sharia orientation, where compliance is balanced with the need for market accessibility. This hybridization reflects a wider phenomenon in the halal economy, where businesses selectively incorporate religious norms to optimize reach and profitability (Basalamah, 2011).

This contrast echoes prior research suggesting that faith-driven enterprises operate on a continuum—from fully pious to commercially adaptive—depending on their institutional context, stakeholder expectations, and leadership ideology (Adinugraha et al, 2019; Huda, 2022). Hence, Sharia

implementation is not monolithic but dynamically interpreted and operationalized in response to environmental conditions.

2. Sustainable Innovation and Strategic Differentiation

Sustainable innovation emerges in both cases as a core mechanism for differentiation and resilience. At Geslim, innovation is primarily incremental and relational: improvements in karaoke services, staff hospitality, and ethical ambiance serve to reinforce brand trust among religious customers. At K-Broo, innovation includes digital user interfaces, e-payment systems, and bundled packages—demonstrating a commitment to customer-centric modernization without violating religious boundaries.

These practices align with the concept of strategic entrepreneurship, wherein businesses pursue opportunity recognition, resource reconfiguration, and sustainable competitive advantage while remaining consistent with institutional values (Handrimurtjahjo, 2014). The findings also suggest that innovation in Sharia-based settings is not limited to technology or products, but extends to organizational culture, governance, and service ethics.

Interestingly, both businesses demonstrate system innovation through responsive customer service, community feedback loops, and use of social media. These non-technological innovations help embed ethical value propositions into the customer experience. This supports Stevels' (1997) argument that sustainable innovation includes both tangible and intangible systems of value integration (Stevels, 1997).

3. Adaptive Strategies in Different Market Contexts

Geographical and socio-cultural contexts significantly influence business behavior. Geslim operates in a semi-rural religious society where Islamic authenticity is a primary driver of consumer loyalty. Hence, its strategies emphasize communal trust, symbolic consistency, and conformity with local religious values.

Conversely, K-Broo must cater to a more diverse and commercially competitive urban market, where consumer expectations are shaped by convenience, flexibility, and variety. While maintaining a Sharia brand identity, K-Broo innovates with pricing, packaging, and media marketing to stay relevant among younger and more heterogeneous customer segments.

This finding is consistent with the literature on institutional logics, where businesses must navigate between conflicting expectations from different stakeholders—such as religious leaders, regulatory authorities, and secular consumers (Agarwal & Helfat, 2009). The capacity to adapt without compromising identity is essential for long-term sustainability.

4. From Halal Label to Value-Based Enterprise

Both cases illustrate a transition from viewing “halal” merely as a compliance label to building a value-based enterprise. This reflects the movement from formalistic halal branding to substantive ethical orientation—a shift that parallels global discussions on Islamic business ethics and *maqāṣid al-sharī‘ah* in market systems (Ali, 2016; Huda, 2022).

The data suggest that when Sharia values are internalized as guiding principles rather than superficial marketing tools, they can enrich the firm’s strategic depth, social legitimacy, and stakeholder trust. This supports the argument that religious values, when synergized with innovation, can generate moral capital and intangible assets that conventional business models often overlook.

5. Contribution to Literature and Practice

This study contributes to the literature on Islamic entrepreneurship by providing empirical evidence from an underexplored sector—Sharia-based entertainment. While halal hospitality and Islamic finance have received significant attention, halal leisure services remain marginal in academic discourse. The comparative approach in this research also helps demonstrate the variability and adaptability of Sharia application in business, offering a more nuanced understanding of how religious identity is negotiated in different operational settings.

Practically, the study offers insights for Muslim entrepreneurs, policymakers, and industry stakeholders on how to operationalize Sharia values in innovative ways that align with both ethical and economic imperatives. It emphasizes that religion and modern business innovation need not be in tension, but can co-evolve to form sustainable, culturally embedded business models.

Conclusion

This study set out to examine how Sharia principles and sustainable innovation are operationalized within two karaoke-restaurant enterprises in Indonesia—Muslim Generation Resto in Sumenep and K-Broo True Family Karaoke Syariah in Sidoarjo. The findings demonstrate that both businesses have successfully integrated Islamic ethical frameworks into their operational models, albeit with varying degrees of depth and institutionalization. While Geslim emphasized religious authenticity and internal governance, K-Broo adopted a more flexible and market-oriented approach to Sharia compliance.

The study reveals that sustainable innovation—particularly in the form of service enhancement, ethical branding, and customer engagement systems—plays a critical role in maintaining business viability within faith-based contexts. These innovations allow for strategic differentiation while upholding religious values, highlighting that Islamic ethics and modern

business practices can be mutually reinforcing. Incremental and system-level innovations, rather than radical transformation, are the preferred paths for these enterprises, given their need to balance religious legitimacy with financial sustainability. In a broader context, the study contributes to the global discourse on Islamic entrepreneurship by shedding light on under-researched sectors such as halal leisure and entertainment. It shows that the application of maqāṣid al-sharī'ah in business operations can foster not only ethical compliance but also trust-based competitive advantage, especially in communities where religious values shape consumer behavior. The insights from this study may inform Muslim entrepreneurs, policymakers, and global halal industry stakeholders on how ethical frameworks can be transformed into innovative, adaptive, and culturally grounded business models.

However, this research is not without limitations. First, its scope is confined to two case studies within a specific region of Indonesia, which may not fully represent the diversity of Sharia-based entertainment models in other Islamic or secular contexts. Second, the study primarily relies on qualitative data without integrating measurable indicators of performance, consumer perception, or economic impact. Lastly, the interpretation of Sharia compliance was derived from the perspective of business actors and not triangulated with formal fatwa authorities or religious institutions. Future research should consider a comparative cross-country analysis of Sharia-compliant entertainment enterprises to explore how cultural, regulatory, and theological differences affect business practice. Quantitative studies could also assess consumer satisfaction, brand trust, and financial performance across halal-certified service sectors. Additionally, investigating the role of digital platforms and AI in enhancing ethical service innovation in Islamic businesses would offer timely insights into the intersection of faith, technology, and entrepreneurship in the global South. []

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