



FROM TRANSFORMATIONAL LEADERSHIP TO SUSTAINABLE ISLAMIC CORPORATE CULTURE: EVIDENCE FROM AN INDONESIAN ISLAMIC BANK

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Abstract

Organizations operating under similar Sharia governance requirements do not necessarily achieve the same depth of Islamic organizational culture, raising the question of how leader-articulated values move beyond formal compliance and become embedded practice. This study examines the organizational mechanism through which Islamic values, once articulated by leadership, are institutionalized, repeatedly enacted, and reflected in a culture that becomes progressively less dependent on any individual leader. An interpretive qualitative single-case design was conducted at PT Bank NTB Syariah, a regional development bank that completed its conversion to full Sharia operations in 2018. Data were generated through in-depth interviews with twenty purposively selected informants, participant observation across six strategic forums, and review of seven internal documents, analyzed thematically with source and method triangulation, member checking, and reflexive attention to the lead researcher's insider position. Findings show institutionalization and repeated organizational practice as interdependent, mutually reinforcing processes contributing to cultural crystallization. A subset of accounts explicitly linking self-regulation to faith points to faith-linked accountability as a candidate reinforcing mechanism. These findings are synthesized into the IMAN Model, in which leader-articulated values become embedded organizational culture when institutionalization and repeated practice reinforce one another over time, rather than through the continued presence of leadership itself. The study repositions leadership from explanatory center to initiating condition, offering an interpretive process account of value embedding with implications for how Islamic financial institutions build sustainable organizational culture beyond the tenure of individual leaders.

Keywords *Institutionalization, Organizational Culture, Sustainable Organizational Culture, Islamic Banking, Values-Based Leadership*

INTRODUCTION

Islamic banks may operate under broadly similar Sharia governance arrangements and still develop different depths of Islamic organizational culture. Policies, Sharia supervisory structures, standard operating procedures, and visible leadership commitments can be formally established, yet employees may differ in the extent to which Islamic values are enacted consistently when direct supervision is absent. This creates a practical and theoretical puzzle: how do leader-articulated Islamic values move beyond formal compliance and become embedded in everyday organizational practice?

Transformational leadership scholarship explains how leaders articulate vision, model values, stimulate reflection, and mobilize commitment (Bass & Avolio, 1994). Islamic leadership scholarship further identifies values such as amanah, justice, truthfulness, consultation, and ihsan as important in Muslim organizational settings (Beekun & Badawi, 1999; Fadli, 2021; Mas'ud, 2020). These perspectives explain how value-oriented change can be initiated. They are less specific, however, about what occurs after values have been articulated: how those values enter organizational systems, how they are repeatedly

enacted, and how they may eventually become less dependent on the leader who first promoted them.

Institutionalization and routine-dynamics scholarship offer a bridge for addressing this gap. Selznick's classic account frames institutionalization as the infusion of values into organizational life, while institutional work emphasizes purposive efforts to create and maintain arrangements and routine dynamics explains how abstract patterns are reproduced, adapted, and stabilized through situated performance (Selznick, 1957; Lawrence & Suddaby, 2006; Feldman & Pentland, 2003; Feldman et al., 2021; Wright et al., 2017; Howard-Grenville, 2005; Wolthuis et al., 2022). Schein's layered model helps distinguish artifacts, espoused values, and deeper assumptions, while organizational socialization research explains how members learn organizational expectations (Schein, 2010; Bauer et al., 2025). Recent ethical-culture and workplace-spirituality research likewise cautions against equating espoused values with lived culture and calls for closer attention to how values operate across individual and organizational levels (Roy et al., 2024; Dik et al., 2024; Karakas & Sarigollu, 2019). Recent studies in Islamic banking also connect leadership, spirituality, organizational culture, and employee outcomes, although they are generally more outcome-oriented than process-oriented (Astuti et al., 2026; Setiawan & Khoiriyah, 2026; Sodiq et al., 2026).

This study therefore treats transformational leadership as an initiating condition rather than the explanatory center. It asks one central question: how do leader-articulated Islamic values become institutionalized as an embedded organizational culture that operates increasingly independently of continuous leader presence? The study examines this question through PT Bank NTB Syariah, a regional development bank that completed its full conversion to Sharia operations in 2018. The post-conversion setting is analytically valuable because formal structural change, inherited organizational routines, Islamic expectations, regulatory accountability, and performance pressures are visible within the same organization.

The paper contributes an interpretive process account in which institutionalization and repeated organizational practice are analytically distinct but mutually reinforcing. A smaller subset of informant accounts also suggests that faith-linked accountability, expressed through ideas of *aqidah*, *ihsan*, *muraqabah*, and self-regulation, may reinforce the process from within. These findings are synthesized as the IMAN Model of Islamic Value Institutionalization. The model is offered as a case-derived conceptual explanation, not as a universal causal theory.

METHODS

Research Design and Case Selection

The study employed an interpretive qualitative single-case design, informed by case-study principles that emphasize contextual depth and systematic inquiry (Stake, 1995; Yin, 2014). The case was selected because full conversion to Sharia operations created a concentrated setting in which formal structural change and ongoing value internalization could be examined together. The study sought to understand organizational processes and actors' interpretations rather than estimate causal effects among variables.

Data were collected between February and June 2026 through semi-structured in-depth interviews with twenty purposively selected informants, participant observation in six strategic internal forums, and review of seven internal documents. Informants represented senior leaders, governance-body representatives, middle managers, frontline employees, and external stakeholders. This composition allowed leadership and system-design accounts to be compared with frontline lived experience and external perspectives.

Table 1. Informant Groups and Data Sources

Informant category	n	Relationship to researcher	Role in triangulation
Senior leaders	4	Direct or indirect reporting line	Leadership and system design
Governance-body representatives	2	No direct reporting line	Compliance and culture oversight
Middle managers	4	Mixed professional contact	System translation and implementation
Frontline employees	6	No direct prior professional interaction	Repeated practice and lived experience
External stakeholders	4	External to organization	External validation and boundary conditions

Data Analysis, Trustworthiness, and Ethics

Analysis followed an emic-oriented thematic process (Braun & Clarke, 2006). Interview, observation, and documentary materials were coded for recurring meanings and practices while maintaining a distinction between informants' own language and researcher-derived analytical concepts. Related codes were grouped into themes concerning leadership initiation, translation into organizational systems, repeated organizational enactment, faith-linked accountability, and organizationally circulated meaning. Relationships among these themes were reconstructed as an interpretive process explanation.

Trustworthiness was strengthened through source and method triangulation, member checking, and explicit reflexivity regarding the lead researcher's insider position as Division Head of Compliance. Ten informants - six frontline employees and four external stakeholders - had no direct reporting line or prior professional interaction with the lead researcher, providing a useful comparison with accounts from participants more closely connected to the researcher's organizational role. Seven informants returned written confirmation of interview summaries. The study claims managed reflexivity rather than complete detachment.

All informants provided informed consent. For this paper, participants are identified by broad role categories rather than by name or specific title. Institutional research permissions were obtained from Universitas Islam Negeri Mataram, PT Bank NTB Syariah, the relevant provincial agency for national unity and politics, and the West Nusa Tenggara Regional Research and Innovation Agency.

RESULTS

Leadership Initiates, but Does Not Complete, Internalization

Observed leadership interactions showed leaders articulating and legitimizing an interpretive frame that connected performance demands with Sharia commitments. In one strategic performance forum, a senior leader responded to branch underperformance by asking diagnostic questions and acknowledging unresolved head-office support gaps rather than relying solely on directive reprimand. Across interviews, leaders also described a shift over time from more directive oversight during the transition period toward more participative and increasingly self-sustaining modes of operation.

The evidence suggests that leadership opens the space for internalization, but does not by itself explain how values become culture. Not all observed or recalled leadership interactions were dialogic; earlier periods included close and directive oversight aimed at establishing a new mindset. This temporal variation reinforces the interpretation of leadership as an initiating condition rather than a continuously sufficient explanation.

Values Are Translated into Organizational Systems

The clearest evidence of institutionalization appeared when values were translated into formal organizational arrangements. Informants across planning, finance, and compliance described the Bank Business Plan and key performance indicators as major channels through which leadership priorities reached daily employee behavior. A concrete example was the redesign of a branch-level funding indicator from an end-of-month position to a monthly-average measure, explicitly intended to discourage cosmetic end-period reporting. Integrity-related indicators, procedural compliance, and audit outcomes were also incorporated into performance evaluation.

This finding shows institutionalization as more than symbolic value communication: the meaning of acceptable performance was formally changed. Yet system translation remained incomplete. Informants reported continued interchange of conventional and Sharia terminology - including credit/financing and interest/margin - in everyday internal communication. Formal translation was therefore necessary but not sufficient for conceptual internalization.

Repeated Practice Reinforces Institutionalized Values

Informants repeatedly distinguished between classroom transmission and experience-based learning. Senior participants emphasized direct assignment, mentoring and coaching, job rotation, evaluation of decision quality, and recurring value-oriented practices as stronger vehicles for behavioral formation than classroom instruction alone. Routine practices included shared morning prayer, weekly religious study, recurring product briefings, coaching, and work-based evaluation.

The evidence supports two related forms of enactment: ritual enactment, which repeatedly reinforces shared meaning, and work-based enactment, through which values are exercised in concrete tasks and decisions. Institutionalization and repeated practice were analytically distinct but empirically intertwined. The data did not establish a strict causal or temporal sequence; rather, systems appeared to encourage practice while

repeated practice helped sustain and interpret the systems. A frontline employee's skepticism about the additional complexity of pursuing 'blessing' alongside sales illustrates that this process remained contested and uneven.

Emerging Embedded Culture and Faith-Linked Accountability

When values were both institutionalized and repeatedly enacted, several informants described conduct becoming less dependent on immediate supervision. One middle manager summarized the desired condition as Sharia compliance that grows from individual awareness and is practiced consistently without always needing to be supervised. A governance representative separately connected trustworthy conduct to *aqidah* rather than to ritual observance alone.

Across different accounts, a similar trajectory appeared: from direction-dependent practice toward self-regulating and collectively expected practice. This study refers to that emerging condition as cultural crystallization. The term does not claim that culture was fully embedded or proven durable across leadership succession; it describes a pattern observed within the study period in which some value-laden conduct appeared increasingly expected rather than individually enforced.

Only a smaller subset of informants explicitly linked self-regulation to faith and divine accountability. The paper therefore interprets faith-linked accountability cautiously as a candidate reinforcing mechanism, not as the primary or universal explanation of self-regulation. Professional identity, collective norms, and organizational identification remain plausible alternative sources of similar conduct for informants who did not make the faith connection explicit.

Berkah Bermakna as Organizationally Circulated Meaning

The phrase 'Berkah Bermakna' (Meaningful Blessing) recurred across accounts of leadership, work culture, competitiveness, and daily experience. Because the phrase also appears in the bank's own value-proposition communication, it is treated here as an organizationally circulated in-vivo expression rather than as a newly discovered independent construct. Informants elaborated its meaning through three recurring threads: spiritual accountability, social benefit, and Sharia authenticity.

References to blessing, meaningful contribution, or closely related value language appeared across eleven of twenty interviews, although only a smaller subset used the exact compound phrase. The phrase is therefore interpreted as supporting evidence of how organizational members make sense of the meaningful outcome of internalization, rather than as a second theoretical contribution alongside the organizational process model.

DISCUSSION

From Leadership Influence to an Organizational Process Explanation

The central contribution of the study is a shift in explanatory focus. Transformational leadership remains important because leaders articulate, model, and legitimize values, but the sustainability of culture depends on what happens after those values are spoken. The findings connect leadership initiation with institutionalization and routine dynamics,

showing how articulated values enter organizational systems and are then exercised through repeated everyday practice. In this sense, the case provides evidence for an organizational process explanation rather than for a simple claim that Islamic leadership produces Islamic culture.

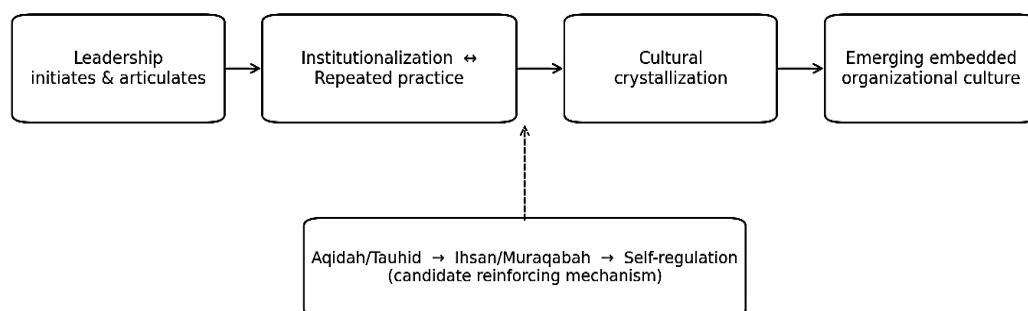
The indicator-redesign example provides the strongest empirical anchor for this process. A commitment to integrity became organizationally consequential when it changed the definition of performance itself. Repeated enactment then provided recurring occasions through which institutionalized values were interpreted and applied. This aligns with institutional-work research emphasizing purposive maintenance of values and with routine-dynamics research showing that routines are reproduced through situated performance rather than mechanical repetition alone (Wright et al., 2017; Feldman et al., 2021).

Formal Control and Internalized Accountability Are Complementary

The findings should not be read as an argument for replacing formal governance with self-regulation. Islamic banking is a highly regulated environment in which prudential regulation, Sharia supervision, audit, internal control, policies, and procedures remain essential. Formal control, however, cannot be physically present in every small organizational decision. Internalized accountability becomes relevant precisely in those discretionary moments where employees must act consistently without immediate external oversight.

This distinction is especially important for interpreting faith-linked accountability. For the subset of accounts that explicitly invoked *aqidah*, *ihsan*, or *muraqabah*, faith appeared to provide an additional reference point for responsibility beyond supervisors and regulators. Yet the evidence base is narrower than that supporting institutionalization and repeated practice. Faith-linked accountability is therefore treated as a possible internal reinforcement operating alongside formal governance, not as a substitute for it.

The IMAN Model and Boundary of the Claim



Note: Relationships are interpretive and process-oriented, not demonstrated causal sequences.

Figure 1. Organizational mechanism of Islamic value institutionalization (IMAN Model)

Note. Reciprocal and reinforcing relationships are interpretively proposed from cross-sectional evidence and should not be read as empirically demonstrated causal sequences. Faith-linked accountability is shown as a candidate mechanism because it is supported only by the subset of accounts explicitly linking self-regulation to faith.

The IMAN Model synthesizes the mechanism reconstructed from the case: leadership initiates and articulates values; institutionalization and repeated organizational practice operate as interdependent and plausibly mutually reinforcing processes; this combination contributes to cultural crystallization and an emerging embedded organizational culture; and faith-linked accountability may reinforce self-regulation for the subset of actors who explicitly connect conduct to faith. IMAN, an Indonesian word derived from Arabic meaning faith, is used as the model label because it reflects the substantive content of the process rather than functioning as a literal English acronym.

The claim is deliberately bounded. The study is cross-sectional and cannot demonstrate that the observed culture will survive an actual leadership transition. Internalization was also uneven: conventional and Sharia terminology continued to coexist, some employees expressed skepticism, and the language of Berkah Bermakna did not resonate uniformly. Sustainability is therefore presented as an emerging organizational condition, not a completed achievement.

Two interpretive propositions follow. First, leader-articulated organizational values are more likely to become embedded when formal institutional arrangements and repeated organizational practice reinforce their enactment over time. Second, in faith-based organizations, faith-linked accountability may reinforce this process by supporting self-regulation beyond immediate external supervision. Both propositions require testing in longitudinal and comparative research.

Practical Implications

For Islamic bank leaders, role modeling and value communication should be treated as the beginning rather than the completion of cultural change. Values need translation into planning, performance management, governance, employee development, and consequences for misconduct, while management should also assess whether formal arrangements are enacted consistently in daily work. Human-resource functions can complement classroom learning with coaching, assignment, rotation, and reflective practice. Sharia supervisory bodies can complement formal review with educative and consultative engagement that helps organizational members understand the meaning behind compliance requirements. The circulated idea of Berkah Bermakna may support value-based differentiation, but its resonance should not be assumed uniform across organizational members; its organizational meaning therefore needs to be reinforced through lived practice rather than communication alone.

CONCLUSION

This study suggests that leaders' articulation of Islamic values alone does not create organizational culture. Such values become embedded when institutionalization and repeated organizational practices reinforce each other over time, making value-based

conduct a shared expectation rather than a response to individual enforcement. Transformational leadership is therefore an initiating condition: leaders introduce and legitimize values, while lasting culture depends on integrating those values into organizational systems and routines. For informants who explicitly linked self-regulation to faith, internalized commitments expressed through *aqidah*, *ihsan*, and *muraqabah* may provide an additional reinforcing pathway. The IMAN Model presents this process as an interpretive synthesis derived from one case, not as a universal theory or fixed sequence. In short, leaders may introduce values, but sustainable culture emerges when those values endure through organizational systems, repeated practice, and shared accountability beyond leaders' continuous presence.

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Conflict of Interest. The lead author is an employee of the case organization, PT Bank NTB Syariah, and served as Division Head of Compliance at the time of data collection. This dual role was disclosed and addressed methodologically through triangulation, participant composition, role-based masking, member checking, and reflexive analysis. The other authors declare no known competing interests in relation to this study.

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