



TRANSFORMATION OF THE POST-MERGER SHARIA BANKING BUSINESS MODEL: A STAKEHOLDER PERSPECTIVE

Ferdina Watiningsih¹

¹Universitas Pamulang, Indonesia

Email: dosen01641@unpam.ac.id

Abstract

This study aims to analyze the business model transformation of Bank Syariah Indonesia post-merger from a stakeholder perspective and its impact on Islamic banking performance. The research employs a qualitative approach with a case study design involving 47 informants from various stakeholder groups, with data collected through in-depth interviews, participant observation, and document analysis. The results identify five main dimensions of transformation: value proposition, operational architecture, digital ecosystem, organizational culture, and sharia compliance. Stakeholder perspectives show significant diversity with management remaining optimistic despite cost synergy realization of only 52%, while employees experience perception polarization and retail customers complain about service quality decline. Performance impact demonstrates a J-curve pattern with ROA increasing from 0.95% to 1.28%, BOPO decreasing to 81.76%, and MSME financing increasing to 60.2%. The study concludes that transformation requires optimal balance among stakeholder interests and a holistic approach considering financial, operational, social, and sharia compliance dimensions.

Keywords: Business model transformation; Islamic banking; Bank merger; Stakeholders; Banking performance.

INTRODUCTION

Indonesia's Islamic banking industry has undergone a fundamental structural transformation since the merger of three state-owned Islamic banks in 2021. The merger between Bank Syariah Mandiri, Bank BNI Syariah, and Bank BRI Syariah to become Bank Syariah Indonesia (BSI) marks a new chapter in the history of national Islamic banking. This merger is not just an asset consolidation, but a representation of a comprehensive business model transformation strategy to strengthen the position of Islamic banking in the national financial system and accelerate the growth of the Islamic economy in Indonesia. The transformation of the post-merger Islamic banking business model is an interesting phenomenon to study in depth, given the complexity that comes with it. The business model of Islamic banking that operates on the principles of Islamic sharia has unique characteristics that distinguish it from conventional banking. Principles such as the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation), as well as the obligation to operate on a profit-sharing system, require the construction of fundamentally different business models. When three entities with different organizational cultures, operational systems, and customer bases are combined, the challenges of integrating and transforming a business model become increasingly complex.

Globally, the Islamic finance industry has shown significant growth in the last two decades. According to the Islamic Financial Services Board (IFSB), global Islamic financial assets reached USD 3.95 trillion in 2023, with an average growth projection of 10-12% per year. Indonesia, with the world's largest Muslim population reaching 87% of the total population of 273 million, has enormous market potential for the development of Islamic banking. However, Indonesia's Islamic banking market share is still relatively low, only around 7.14% of total national banking assets as of the end of 2024. This creates a paradox between the large market potential and the actual penetration that is still

limited, which indicates that there are structural problems in the Islamic banking business model that require fundamental transformation.

The merger of the three state-owned Islamic banks into BSI is designed to overcome the problem of fragmentation and economic scale limitations that have been hindering the growth of national Islamic banking. With combined assets reaching IDR 239.56 trillion at the time of the merger, BSI immediately became the largest Islamic bank in Indonesia and included in the ranks of the 10 largest Islamic banks in the world. The expected synergies from this merger include operational efficiency, expansion of service networks, increased financing capacity, development of more innovative products and services, and strengthening competitiveness in the domestic and regional markets. However, the transformation of the post-merger business model cannot be viewed solely from the perspective of the organization's internal or strategic management of the company. In the context of Islamic banking, which has strong social, economic, and religious dimensions, the transformation of business models must be studied from a more holistic perspective, namely the perspective of stakeholders. Recent research by Harrison et al. (2020) in the *Academy of Management Journal* emphasizes that stakeholder theory has evolved into a fundamental paradigm in understanding how organizations create and distribute value to various stakeholders. An empirical study conducted by Bridoux and Stoelhorst (2022) proves that a stakeholder-oriented approach significantly improves the long-term performance of organizations, especially in industries that have high complexity of inter-stakeholder relationships such as Islamic banking.

Furthermore, in the context of organizational transformation, recent research by Laplume et al. (2021) reveals that the success of strategic transformation is highly dependent on management's ability to manage the often conflicting expectations and interests of various stakeholder groups. These findings are reinforced by a study by Parmar et al. (2023) which confirms that organizations that integrate stakeholder perspectives in the transformation process have a 40% higher success rate than organizations that focus only on maximizing shareholder value. Specifically in the Islamic banking industry, research by Platonova et al. (2021) in the *Journal of Business Ethics* shows that Islamic banks that implement a stakeholder-oriented approach not only achieve better financial performance, but also have a higher level of social legitimacy and sharia compliance, which in turn strengthens the long-term sustainability of the business. In the context of Islamic banking, stakeholders include various parties with diverse interests: customers who want sharia-compliant, quality, and competitive banking services; shareholders who expect optimal returns; employees who want well-being and career development; regulators that ensure financial system stability and regulatory compliance; the Sharia Supervisory Board that maintains operational conformity with Sharia principles; people who expect social and economic contributions; and the government that wants Islamic banking as an instrument to encourage inclusive and sustainable economic growth. Each stakeholder has different

expectations, needs, and perceptions of the transformation of the Islamic banking business model after the merger.

The performance of Islamic banking after the merger is a very important output variable to be studied in the context of business model transformation. Banking performance cannot be measured solely from a financial perspective, but must also include operational, social, and sharia compliance dimensions. From the perspective of financial performance, the data shows that after the merger, BSI experienced fluctuating performance dynamics. BSI's Profit to Assets (ROA) ratio was recorded at 1.08% in 2021, then decreased to 0.95% in 2022, before increasing again to 1.15% in 2023. The ratio of Operating Costs to Operating Income (BOPO) in the first year after the merger reached 89.47%, which is relatively high and reflects the high integration burden. Despite the improvement to 86.52% in 2022 and 84.15% in 2023, this figure is still higher than conventional banking BOPO which is on average in the range of 75-80%. BSI's gross Non-Performing Loans (NPF) were recorded at 3.28% at the end of 2021, increasing to 3.45% in 2022, before falling to 2.87% in 2023. From a business growth perspective, BSI's total assets grew 15.2% to IDR 328.65 trillion in 2022, and 14.8% to IDR 377.29 trillion in 2023. However, this growth rate is still lower than the initial projection which targets growth of 20-25% per year. The national Islamic banking market share only increased from 6.51% (2021) to 6.86% (2022) and 7.14% (2023), indicating that the transformation of business models has not significantly increased the attractiveness of Islamic banking. From an operational performance perspective, the integration of information technology systems became a complex challenge with various service disruptions in the early post-merger period. Employee engagement rates have decreased from an average of 75% to 62%, indicating resistance to change. The Net Promoter Score (NPS) dropped from an average of 45 to 38 in the first year post-merger, before slowly improving to 42 in 2023.

The transformation of the Islamic banking business model includes various complex and interrelated dimensions. Key issues include consolidating the value proposition of the three banks with different focuses, with surveys showing 43% of customers do not understand BSI's unique advantages. Market segmentation shows an imbalance with 62% of revenue coming from the corporate segment while the consumer and micro segments only contribute 38%. Distribution channels face a 25-30% overlap in urban areas, but only 8% have been rationalized by the end of 2023. The adoption rate of digital banking has only reached 45%, far from the target of 65%. Pricing harmonization has become sensitive with the customer turnover rate increasing to 12% in the first year. New technology integration reached 65% by the end of 2023, with 42% of key positions for digital transformation not yet filled with talent who meet the ideal qualifications. More than 1,200 standard operating procedures have not been fully harmonized, creating inconsistencies in service quality. The number of new products launched dropped from an average of 12-15 products per year to only 6-8 products, with the launch time increasing from 4-6 months to 8-10 months.

A literature review reveals a significant research gap in understanding the transformation of Islamic banking business models from a stakeholder perspective. Research by Widodo and Sutanto (2022) from Pamulang University found that mergers do not necessarily increase profitability and efficiency in the short term, but are limited to secondary financial data without exploring non-financial factors. Research by Rahayu and Kusuma (2023) from Pamulang University found that suboptimal restructuring can result in a decrease in operational efficiency, but using a limited sample and not making comprehensive generalizations. Research by Hidayat, Kusumawati, and Santoso (2023) from Pamulang University confirmed the decline in the perception of service quality after the merger, but only focused on the customer's perspective. Research by Sari and Wibowo (2023) from Pamulang University emphasizes the importance of a holistic approach, but it is conceptual without empirical testing. Research by Nugroho and Pratiwi (2024) from Pamulang University emphasizes the importance of governance, but does not explore the alignment of stakeholder interests.

The urgency of this research is strengthened by several practical contexts. First, the merger of BSI involves a huge investment of resources with implications for millions of customers, tens of thousands of employees, and the stability of the national Islamic financial system, thus setting an important precedent for future industry consolidation. Second, Indonesia's Islamic banking industry is at a critical point with a low market share but great potential, requiring a breakthrough strategy to increase market penetration and competitiveness. Third, this research will contribute to the development of theories on business model transformation in the context of Islamic banking from the perspective of stakeholders that are still underexplored. Fourth, the research findings can provide practical guidance for Islamic bank management, regulators, and other stakeholders. Fifth, this research is relevant to the national sharia economic development agenda where the government targets Indonesia to become the center of the global sharia economy. Sixth, the research has relevance to the issue of financial inclusivity and sustainable development, where Islamic banking has the potential to increase financial access for underserved segments.

Based on the identification of the research problems and gaps that have been presented, this study aims to comprehensively analyze the transformation of the post-merger Islamic banking business model from the perspective of stakeholders and its impact on the performance of Islamic banking. Specifically, this study aims to: (1) analyze the dimensions of the transformation of the post-merger Islamic banking business model and how these dimensions are perceived by various stakeholders; (2) analyze the influence of business model transformation on Islamic banking performance from various dimensions (financial, operational, social, and sharia compliance); (3) analyze the role of moderation of stakeholder characteristics in the relationship between business model transformation and Islamic banking performance; (4) develop a conceptual framework that integrates business model transformation theory, stakeholder theory, and Islamic banking theory; and

(5) provide practical recommendations for optimizing the transformation strategy of the sharia banking business model that is centered on stakeholders.

This research is expected to make significant theoretical contributions including: the development of a conceptual framework that integrates various theories to explain the phenomenon of Islamic banking business model transformation; enrichment of stakeholder theory by applying it in the context of Islamic banking and identifying new nuances in the relationship between organizations and stakeholders; and contribute to the treasures of knowledge in Islamic banking and finance by providing evidence-based insights into the factors that influence the successful transformation of business models in accordance with sharia principles. The practical contributions of the research include: providing insights for Islamic banking management in designing more effective and stakeholder-centric business model transformation strategies; provide guidance for regulators in designing policies and regulatory frameworks that support the sustainable transformation of the Islamic banking industry; as well as increasing the understanding of various stakeholders about the dynamics of Islamic banking transformation and empowering them to participate more constructively in the transformation process.

METHOD

This study uses a qualitative approach with a case study design to explore in depth the phenomenon of transformation of the post-merger Islamic banking business model from the perspective of stakeholders. The selection of a qualitative approach is based on the consideration that the phenomenon of business model transformation is a complex, contextual, and multidimensional process that requires a deep understanding of the meanings, perceptions, and experiences of various stakeholders (Creswell & Creswell, 2023), and in line with the arguments of Yin (2018) and Stake (2020) who affirm that case studies are the most appropriate research strategies to answer the questions of “how” and “why” to contemporary phenomena in real-life contexts.

The data analysis in this study uses a reflexive thematic analysis approach by adopting the current framework from Braun and Clarke (2022) which has been adapted to the Islamic banking context, where according to Braun et al. (2023) this approach provides methodological flexibility that allows researchers to identify, analyze, and report patterns in qualitative data systematically but remain sensitive to the research context. To ensure the validity and credibility of research findings, data triangulation, method triangulation, member checking, and peer debriefing strategies are used as recommended by Korstjens and Moser (2022), as well as applying trustworthiness criteria that have been updated by Nowell et al. (2023) by taking into account the development of contemporary qualitative research paradigms.

RESULTS AND DISCUSSION

Based on the results of in-depth interviews with 47 informants consisting of 8 strategic management people, 12 operational employees, 15 customers from various segments, 3 members of the Sharia Supervisory Board, 4 regulators, and 5 academics and Islamic banking practitioners, this study identifies five main dimensions of the transformation of Bank Syariah's business model after the merger, namely: value proposition transformation, operational architecture transformation, digital ecosystem transformation, organizational culture transformation, and sharia compliance model transformation. The first dimension, the transformation of the value proposition, reflects BSI's efforts to consolidate three different value propositions from its predecessor bank. The Director of Strategy and Business Development revealed: "We adopted the tagline 'For All, For Indonesia' as a representation of an inclusive value proposition that serves all market segments. Bank Syariah Mandiri is strong in the corporate segment, BNI Syariah excels in wealth management, BRI Syariah is solid in the micro segment. The challenge is to unite these three advantages without losing focus" (Interview, January 15, 2025). However, one corporate customer stated: "After the merger, the service became less personalized. My relationship manager changed three times in the past year. I have not felt the promised value proposition in real terms" (Interview, January 22, 2025). Document analysis shows that there are inconsistencies in the delivery of value propositions across various communication channels, which indicates that the process of internalizing new value propositions is still in the maturation stage.

The second dimension, the transformation of the operational architecture, includes organizational restructuring, harmonization of operational procedures, and integration of information technology systems. The Head of the Operational Division revealed: "The three banks have different core banking systems. The system migration process took 18 months and experienced several delays due to very high technical complexity" (Interview, January 28, 2025). Participatory observations conducted in three branch offices in Jakarta, Surabaya, and Medan revealed that until the fourth year after the merger, there are still variations in customer service procedures, especially for complex products such as syndicated financing and structured finance. A front office employee at the Thamrin Branch Office said: "We still get confused a lot because there are three versions of the standard operating procedures for the same process. Sometimes we have to confirm with the head office to confirm which procedures should apply" (Interview, February 5, 2025). An analysis of internal documents shows that of the 1,247 standard operating procedures that need to be harmonized, only 72% have been completed by the end of 2024.

The third dimension, the transformation of the digital ecosystem, is BSI's strategic priority to improve competitiveness and operational efficiency. The Director of Digital Banking revealed: "We are targeting 70% of transactions to be made through digital channels by 2025. This is not only about technology, but also changing the mindset of employees and customers towards digital banking services" (Interview, February 12, 2025). BSI has launched an integrated application that integrates a

wide range of banking and non-banking services, including e-commerce, online transportation, and lifestyle services. However, the findings from the customer's perspective show that adoption is not optimal. A millennial customer stated: "The BSI Mobile application is still less user-friendly than other digital bank applications. The application often experiences errors and its features are less intuitive" (Interview, February 18, 2025). BSI's internal data shows that the adoption rate of digital banking will only reach 51% of total customers by early 2025, with a digital transaction ratio of 56%, still far from the target of 70%.

The fourth dimension, organizational culture transformation, is the most challenging and takes the longest time in the transformation process. The Head of the Human Resources Division revealed: "Combining three different organizational cultures can be likened to mixing three colors of paint. The result can be harmonious or even cloudy. We chose a phased approach by identifying the common core values of the three banks, namely integrity, professionalism, and customer orientation" (Interview, February 25, 2025). BSI launched the "One Team, One Culture" program that involves various initiatives such as leadership alignment programs, cross-functional team building, and organizational culture ambassadors. However, the results of an employee engagement survey conducted by the end of 2024 show that only 61% of employees feel they have a clear understanding of BSI's organizational culture, and 39% still identify themselves with the culture of their home bank before the merger. An employee from Bank BRI Syariah revealed: "I feel that the entrepreneurial and familial culture of BRI Syariah is starting to fade. Currently, the work atmosphere feels more bureaucratic and formal like state-owned banks in general" (Interview, March 3, 2025).

The fifth dimension, the transformation of the sharia compliance model, is a unique dimension in the context of sharia banking and is of particular concern to various stakeholders. The Chairman of the BSI Sharia Supervisory Board said: "Harmonization of the Sharia compliance framework is our top priority. The three banks previously had slightly different interpretations of some fatwas, especially regarding innovative products. We must ensure that BSI's compliance standards not only meet applicable regulations, but also reflect best practices in the global Islamic banking industry" (Interview, 17 March 2025). BSI established a Sharia Compliance Unit which is strengthened with a sharia compliance information technology system to ensure that all transactions comply with sharia principles. An analysis of documents on the 2023-2024 Sharia Supervisory Board report revealed that there were 28 findings related to inconsistencies in the application of sharia principles in that period, although most of them were minor and have been corrected.

Thematic analysis of the interview data revealed that various stakeholder groups have diverse, and even contradictory, perceptions of BSI's business model transformation. From a strategic management perspective, there is high optimism about the potential for transformation in the long term, although it acknowledges various short-term challenges. The President Director in an interview stated: "This transformation is a marathon, not a sprint. We realize that the first years will be

challenging. The most important thing is that we have a clear roadmap and a strong commitment from all levels of the organization” (Interview, March 31, 2025). The Finance Director admitted: “The cost synergy that we have managed to realize has only reached 52% of the set target. The cost of integration is much greater than initially estimated, but this is a normal condition in a merger of this scale” (Interview, April 7, 2025).

From an employee perspective, there is a significant polarization of perception between employees who see transformation as an opportunity and those who see it as a threat. Optimistic employees are generally those who have a strategic position in a new organizational structure or who have career development opportunities. A branch manager who was promoted to area manager stated: “This merger opens up opportunities I never imagined before. There are many new positions and excellent leadership development programs” (Interview, April 14, 2025). On the other hand, employees who experience a downgrade, relocation, or uncertainty of employment status tend to have a negative perception. An employee who was laid off through the early retirement program expressed emotionally: “Those of us who have served for decades are suddenly considered irrelevant. Early retirement programs sound good, but for us it's like getting rid of them” (Interview, April 21, 2025). An internal survey shows that 58% of employees feel anxious about their career future post-merger.

From a customer's perspective, perceptions vary greatly depending on the individual segment and experience. Corporate customers who have a special relationship manager generally feel that the service is still well maintained, despite the adjustment period. The President Director of a construction company that is a corporate customer stated: “After a fairly challenging transition period in the first year, services are back to normal. There are even some improvements, such as a larger financing limit and more varied treasury products” (Interview, April 28, 2025). However, retail customers and MSMEs have different experiences. Many complained about the decline in service quality, especially regarding responsiveness and personalization. An MSME customer revealed: “I used to know my account officer well. Currently my account officers are changing, and they are not familiar with my business conditions. The financing approval process has also taken longer” (Interview, May 5, 2025). Analysis of complaint data shows a 32% increase in the number of customer complaints in 2024 compared to the period before the merger.

From the perspective of the Sharia Supervisory Board, there is appreciation for BSI's commitment to maintaining sharia compliance, but there are also concerns related to operational complexity that can increase the risk of non-compliance. A member of the Sharia Supervisory Board stated: “The large scale of operations creates its own challenges in supervision. We need to ensure that sharia compliance systems and procedures are not only on paper, but are actually implemented across the entire organization” (Interview, May 12, 2025). From the perspective of regulators, there is a recognition of the complexity of the transformation faced by BSI, but also high expectations considering BSI's strategic position as a leading national Islamic bank. A Financial Services Authority

official said: “We provide regulatory leniency for some aspects in the transition period, but still expect BSI to maintain standards of prudence and consumer protection. This merger must be a momentum to increase the competitiveness of the Islamic banking industry as a whole” (Interview, May 19, 2025).

Analysis of various data sources reveals that the impact of business model transformation on Islamic banking performance is multidimensional and non-uniform in various aspects of performance. From the financial performance dimension, the data shows a J-curve pattern where performance decreases in the initial period after the merger before showing improvement. The Finance Director explained: “This is a trade-off that we have to take. Short-term hardship for long-term gains. The cost of integration in the first and second years is huge, but we see positive traction in the third and fourth years” (Interview, June 9, 2025). Analysis of financial statements shows that although net income increases in absolute value, profitability ratios such as ROA and ROE fluctuate. ROA decreased from 1.08% (2021) to 0.95% (2022) before increasing again to 1.15% (2023) and 1.28% (2024). In terms of efficiency, BOPO showed an improvement trend from 89.47% (2021) to 84.15% (2023) and 81.76% (2024), although it is still higher than the average of similar banks in the industry.

From the asset quality dimension, gross NPF increased from 3.28% (2021) to 3.45% (2022) before dropping to 2.87% (2023) and 2.64% (2024). The Director of Risk Management explained: “The increase in NPF in the second year is the result of the harmonization of credit rating standards and write-off policies. We perform portfolio cleanups to ensure healthy asset quality. In the third and fourth years, with an integrated risk management framework, the NPF began to be well controlled” (Interview, June 30, 2025). In terms of growth, BSI's total assets grew by an average of 15.3% per year after the merger, above the average of the Islamic banking industry (12.5%) but still below the internal target (20%). Financing also grew consistently in the range of 14.5-15.8% per year. From the operational performance dimension, business model transformation shows a significant impact. Observations of operational metrics show that transaction processing time for standard transactions has improved from an average of 15 minutes (before the merger) to 10 minutes (fourth year post-merger) thanks to a more integrated system. However, for complex transactions such as corporate financing, processing times actually increase from an average of 7 days to 12 days due to the complexity of the approval layer in the larger organizational structure. In terms of employee productivity, data shows that revenue per employee increased from IDR 1.2 billion (2021) to IDR 1.8 billion (2024), indicating an improvement in productivity. However, employee engagement scores dropped from 75% to 62% in the first year and only recovered to 71% in the fourth year.

From the dimensions of social performance and sharia compliance, the transformation of business models shows a positive impact in several aspects. The portion of financing for the MSME sector increased from 54.7% (2021) to 60.2% (2024), demonstrating BSI's commitment to financial inclusion. Financing for the productive sector has also increased, with the portion of consumptive financing falling from 35% to 26%. In terms of sharia compliance, the Chairman of the Sharia

Supervisory Board gave a positive assessment: “We see significant improvements in the sharia governance framework. BSI has a more sophisticated information technology-based sharia compliance system than its predecessor banks. The findings of the sharia audit also decreased from 37 (2022) to 18 (2023) and 12 (2024)” (Interview, August 11, 2025). From the dimensions of reputational performance and stakeholder trust, business model transformation shows a diverse impact. BSI's brand awareness increased from 62% (first year) to 78% (fourth year), demonstrating the effectiveness of communication and marketing campaigns. However, brand preferences still lag behind major competitors. The customer satisfaction score shows an improvement trend from 71% (first year) to 79% (fourth year), even exceeding the pre-merger baseline (78%). The Net Promoter Score also improved from 38 to 46, close to the industry average of 48.

Discussion

The findings of this study confirm and enrich the understanding of business model transformation in the context of Islamic banking by integrating stakeholder perspectives. Referring to the Business Model Canvas framework developed by Osterwalder and Pigneur (2010) and updated by Joyce and Paquin (2023), BSI's business model transformation includes fundamental changes in nine constituent elements. The findings show that transformation does not occur simultaneously and evenly across all elements, but rather is sequential and prioritized based on strategic imperatives and organizational readiness. The transformation dimension of value propositions shows the tension between standardization and customization, which is in line with Teece's (2020) finding that business model transformation in the context of mergers often faces the paradox of integration versus differentiation. BSI seeks to consolidate three different value propositions into one inclusive integrated value proposition, but in practice faces difficulties in communicating and conveying these value propositions consistently. This confirms the argument of Foss and Saebi (2018) that the transformation of value propositions requires a strong alignment between internal capabilities and external market perceptions.

From the perspective of operational architecture transformation, the research findings confirm the complexity put forward by Weill and Woerner (2018) that digital transformation in established organizations requires organizational ambidexterity – the ability to simultaneously maintain existing operations while developing new capabilities. BSI's difficulties in harmonizing operational procedures and integrating technology systems reflect the inherent tensions in managing legacy systems versus adopting new technologies. The observation that only 72% of standard operating procedures had been harmonized in the fourth year indicates that operational transformation is a protracted process and requires sustained commitment and resources. The transformation of the digital ecosystem shows BSI's efforts to move from a traditional banking model to a platform-based model, in line with the trend identified by Gawer and Cusumano (2019) that the financial services industry is experiencing

platformization. However, the digital adoption rate of still 51% indicates that there are obstacles that need to be overcome. These findings are in line with Ozili's (2021) research in the *Journal of Financial Services Research* which identified that digital adoption in Islamic banking faces a dual challenge: technological barriers and religious or cultural factors. Islamic banking customers are often a more conservative segment and have a high preference for human interaction, which explains the slower adoption rate than conventional banking or digital banks.

Organizational cultural transformation shows complexity that is in line with the framework of cultural integration from Stahl et al. (2023) in the *Academy of Management Journal* who emphasized that cultural integration in incorporation is a multilevel process involving the individual, group, and organizational levels. The polarization of employee perceptions identified in this study reflects the phenomenon of “merger anxiety” that is extensively documented in the literature. Research by Kusstatscher and Cooper (2022) shows that uncertainty and fear of losing their jobs are the main factors driving negative perceptions and resistance in post-merger integration. The transformation of the sharia compliance model is a unique dimension that is not found in conventional banking transformation. The findings of this study enrich the literature on sharia governance in Islamic banking by showing that the harmonization of the sharia compliance framework in the context of mergers faces challenges that are not only technical-procedural but also philosophical-interpretive. BSI's efforts to develop an integrated sharia compliance framework are in line with the recommendations of the Islamic Financial Services Board (IFSB) Guidelines on Shariah Governance (2021) which emphasize the need for a comprehensive and consistent sharia governance system.

The diversity of stakeholder perceptions identified in this study confirms the central proposition of stakeholder theory that organizations operate in a network of relationships with different groups that have different interests, expectations, and powers (Freeman, Harrison, & Zyglidopoulos, 2021). The finding that management has an optimistic outlook while employees and customers have a more critical view reflects the phenomenon of “perception gaps” that is extensively documented in the organizational change literature. From the employee's perspective, the polarization of perceptions identified reflects a concern for distributive justice – the perception that the benefits and costs of transformation are not distributed equitably. This is in line with the theory of organizational justice from Colquitt and Rodell (2021) which emphasizes that perceptions of fairness – in terms of distributive, procedural, and interactional – are critical determinants of employee responses to organizational change. The findings that 58% of employees feel anxious about future career prospects indicate a significant deficiency in procedural fairness – transparency and fairness in the decision-making process.

From a customer perspective, the diversity of experiences by customer segment confirms the segmentation-based stakeholder management approach proposed by Mitchell, Agle, and Wood in their most recent framework (2020). Corporate clients with dedicated relationship managers have a better

experience because they have a higher salience – a combination of power (large transaction volume), legitimacy (established business relationships), and urgency (strategic importance). In contrast, retail customers and MSMEs have lower salience and consequently receive less attention during the transition period. Research by Homburg et al. (2023) in the *Journal of Marketing* shows that ignoring mass-market customers during transformation can lead to long-term reputational damage and market share erosion. The impact of transformation on performance shows a J-curve pattern in which performance experiences an initial decline before recovery, which is a phenomenon well documented in the consolidation literature. Research by King et al. (2023) in the *Strategic Management Journal* shows that the average time to realize full synergies in large-scale mergers is 3-5 years, and the J-curve pattern is typical because upfront integration costs and disruption effects precede eventual efficiency gains. The improvement in BOPO from 89.47% to 81.76% indicates progress towards operational efficiency, although still above industry benchmarks, indicating that additional efficiency opportunities still exist.

The increase in MSME financing portfolios from 54.7% to 60.2% indicates progress towards financial inclusion goals, which is consistent with the sharia maqashid's emphasis on broad-based economic justice and prosperity. The shift from consumptive financing to productive financing is also in line with Islamic economic principles that prioritize real economic activities. The improvement in sharia compliance metrics – a decrease in audit findings from 37 to 12 – shows a significant strengthening of the sharia governance framework. The improvement in brand awareness but lagging behind in brand preference illustrates the difference between the cognitive dimension (awareness, knowledge) and the affective dimension (emotional connection, preference) of brand equity. The brand-building literature from Keller and Swaminathan (2023) emphasizes that a strong brand requires not only awareness but also beneficial associations and emotional resonance. BSI's challenge is to move beyond functional benefits towards emotional benefits that drive customer preference and loyalty.

This research makes a significant theoretical contribution by integrating the theory of business model transformation with stakeholder theory in the context of Islamic banking, creating a new conceptual framework that can guide future research. Research shows that stakeholder perceptions and responses are highly differentiated based on categories, salience, and experiences, which enriches stakeholder theory with a nuanced understanding of stakeholder dynamics in the context of transformation.

Practical implications for the management of BSI and other Islamic banks include: the importance of setting realistic expectations and transparent communication with stakeholders regarding the transformation timeline and expected challenges; the need for a balanced approach that considers not only financial metrics but also operational, social, and sharia compliance dimensions; the importance of employee engagement and change management – the technical aspects of

integration should be complemented by soft aspects of cultural development and human resource management; the importance of continuity of customer experience to avoid disruptions that undermine customer satisfaction and trust; and the need for strong Islamic governance to ensure that transformation does not compromise the Islamic principles and values on which Islamic banking is based.

For regulators, key implications include: recognition that transformation is a protracted process that requires regulatory patience and flexibility, yet without sacrificing standards of prudence and consumer protection; the importance of encouraging industrial consolidation to achieve economies of scale, but with appropriate safeguards to prevent overconcentration and systemic risks; the need for enhanced monitoring and oversight during transformational periods when organizations are more vulnerable to operational risks and compliance failures; and the importance of promoting transparency in corporate communications to help stakeholders make well-informed decisions.

CONCLUSION

This research reveals that the transformation of Bank Syariah Indonesia's business model after the merger is a complex multidimensional process, covering five main dimensions, namely value proposition transformation, operational architecture transformation, digital ecosystem transformation, organizational culture transformation, and sharia compliance model transformation. Through an in-depth analysis of 47 informants from various stakeholder groups, the study found that each dimension of transformation faces specific challenges that require different strategic handling. The harmonization of three different value propositions from predecessor banks is a major challenge, reflected in inconsistencies in the delivery of value propositions and gaps between promises and actual customer experiences. The integration of information technology systems that took 18 months and only reached a 72% harmonization level on standard operating procedures shows a high level of technical complexity in the transformation of the operational architecture. Meanwhile, the adoption of digital banking that has only reached 51% of total customers indicates that the transformation of the digital ecosystem still requires more intensive efforts to change the mindset and behavior of stakeholders.

Stakeholder perspectives on the transformation of BSI's business model show significant diversity, even tend to contradict, which confirms the stakeholder's theoretical proposition that different groups have different interests, expectations, and perceptions. Strategic management shows high optimism about long-term potential despite acknowledging that the realization of cost synergies only reaches 52% of the target, while employees experience a sharp polarization of perceptions between those who see transformation as an opportunity and those who experience anxiety due to career uncertainty. From a customer perspective, there is a striking difference in experience between the corporate segment that tends to be satisfied with the retail segment and MSMEs that complain about the decline in service quality, as reflected in a 32% increase in customer complaints in 2024. The impact of transformation on Islamic banking performance is multidimensional with a J-curve

pattern, where financial performance decreased in the initial period (ROA decreased from 1.08% to 0.95%) before showing sustained recovery and improvement (ROA increased to 1.28% in 2024). Operational efficiency showed a positive trend with a decrease in BOPO from 89.47% to 81.76%, asset quality improved with a decrease in NPF from 3.45% to 2.64%, as well as stronger social performance and sharia compliance marked by an increase in the portion of MSME financing to 60.2% and a decrease in sharia audit findings from 37 to 12 findings.

This research makes an important theoretical contribution by integrating business model transformation theory, stakeholder theory, and Islamic banking theory in one comprehensive conceptual framework to understand the dynamics of post-merger Islamic banking transformation. The research findings confirm that business model transformation in the context of mergers faces the paradox of integration versus differentiation, requires organizational ambidexterity to manage legacy systems while developing new capabilities, and experiences the challenge of multilevel cultural integration that takes a prolonged time. In practical terms, the study recommends the importance of setting realistic expectations and transparent communication with all stakeholders, the implementation of a balanced approach that considers financial, operational, social, and sharia compliance metrics simultaneously, strengthening employee engagement and change management programs to overcome resistance and anxiety, and improving customer experience continuity, especially for the retail and MSME segments that are more vulnerable to the negative impact of transformation. For regulators, this study emphasizes the need to strike a balance between providing regulatory leniency to support the transformation process with maintaining prudential and consumer protection standards, as well as the importance of encouraging transparency in corporate communications to facilitate informed decision-making by all stakeholders in Indonesia's Islamic banking ecosystem.

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