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Strategic Change Management Model in The Islamic Life Insurance Industry

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Abstract: The Islamic life insurance industry in Indonesia has experienced significant growth; however, its market share remains relatively low compared to conventional insurance, indicating the presence of structural gaps and strategic challenges. This study aims to develop a strategic change management model that enhances competitiveness and supports sustainable business transformation in the Islamic life insurance industry. The research employs a mixed qualitative approach by integrating Soft System Methodology (SSM), Analytical Hierarchy Process (AHP), and Interpretative Structural Modeling (ISM) to analyze complex problems, identify key factors, and design a comprehensive change model. The findings reveal that the industry faces multidimensional challenges, including low financial literacy, limited human resource competencies, weak product differentiation, and insufficient digital transformation. Furthermore, external pressures such as regulatory dynamics and increasing competition intensify the need for strategic adaptation. The proposed model emphasizes the integration of internal capabilities and external market dynamics, supported by innovation, digital transformation, and stakeholder collaboration. The study contributes to the literature by offering a holistic and structured framework for managing strategic change in the Islamic life insurance sector. Practically, the model provides guidance for industry players and regulators to improve performance, expand market share, and strengthen the sustainability of Islamic financial institutions in a dynamic business environment.

Keyword: Strategic Change Management, Islamic Life Insurance.

INTRODUCTION

The Islamic life insurance industry in Indonesia has experienced significant growth over the past decades, driven by increasing awareness of financial protection and demand for Sharia-compliant products. This development is closely linked to the broader expansion of Islamic finance institutions since the early 1990s (Ab-Rahim et al., 2013). The regulatory framework, particularly Law Number 40 of 2014, provides a strong foundation for the

implementation of Sharia insurance based on mutual assistance (*ta'awun*) and risk-sharing (takaful). In this system, participants contribute to a collective fund (*tabarru'*) to mitigate risks collectively (OJK, 2022). Despite these institutional advancements, the industry continues to face structural and strategic challenges. These conditions indicate the need for adaptive and systemic change strategies to sustain long-term growth.

Recent industry data indicate that Islamic life insurance dominates the Sharia insurance sector, accounting for approximately 77% of total Sharia insurance assets (OJK, 2024). This dominance highlights the strategic importance of life insurance products within the Islamic financial ecosystem. However, the overall market share of Sharia insurance remains significantly lower compared to conventional insurance. This disparity suggests that the industry has not fully captured its potential market. The gap between high growth and low penetration raises important strategic concerns. Consequently, understanding structural constraints becomes critical for future industry development.

The Indonesian government has introduced regulatory reforms to strengthen the financial sector, including the Financial Sector Development and Strengthening Law (UU P2SK) enacted in 2023 (OJK, 2023). These reforms emphasize institutional consolidation, increased capital requirements, and improved governance standards. A key policy direction includes the mandatory spin-off of Sharia business units into independent entities. While this policy enhances institutional resilience, it also introduces operational and strategic complexities. Firms are required to adapt to stricter regulatory frameworks while maintaining competitiveness. This dynamic regulatory environment necessitates effective strategic change management.

Although the industry shows positive growth trends, financial performance indicators reveal underlying instability. Fluctuations in underwriting surplus and deficits in *tabarru'* funds indicate challenges in risk management and operational efficiency (AAJI, 2023). These dynamics suggest that growth alone does not ensure sustainability. Firms must develop robust strategic frameworks to manage uncertainty and financial volatility. Increasing complexity in financial performance requires systemic transformation. Without such transformation, the industry risks stagnation despite its growth trajectory.

In addition to financial challenges, the industry faces rapid environmental changes characterized by intensified competition, evolving customer expectations, and technological disruption. Digital transformation has significantly altered how insurance services are delivered and consumed (Doval, 2016). Customers increasingly demand faster, transparent, and digitally accessible services. This shift requires firms to redesign their business models and operational processes. At the same time, fintech companies are reshaping the competitive landscape. These developments compel Islamic insurance firms to adopt more agile and innovative strategies.

Human resource constraints represent another major challenge in industry. The shortage of skilled professionals, particularly actuaries and IT experts, limits the industry's ability to innovate and expand (OJK, 2022). This issue is exacerbated by the imbalance between Sharia and conventional insurance sectors in terms of talent availability. Competent human resources are essential for managing financial risks and supporting digital transformation. Without adequate talent, strategic change initiatives may fail to achieve their objectives. Therefore, addressing human capital gaps is a critical priority.

Another significant issue is the low level of financial literacy and inclusion in Islamic insurance. Despite Indonesia having the largest Muslim population globally, awareness of Sharia insurance products remains limited (OJK, 2022). This gap reduces consumer trust and limits market penetration. Limited accessibility and product diversity further constrain industry growth. Bridging this gap requires not only marketing strategies but also educational

initiatives. Enhancing literacy and inclusion is therefore essential for sustainable development.

The COVID-19 pandemic has accelerated transformation in the insurance sector by forcing firms to adapt rapidly to changing customer behaviors. Increased claims and rising premium costs have created financial pressures across the industry (Kamiński & Polinkevych, 2020). At the same time, digital adoption has become a necessity rather than an option. Firms that failed to adapt faced operational disruptions. The pandemic highlighted the importance of resilience and adaptability in managing external shocks. These conditions reinforce the urgency of strategic change management.

Despite extensive research on insurance performance and productivity, limited studies address the industry from a strategic change management perspective. Existing studies often focus on efficiency, financial indicators, or isolated aspects of organizational change (Sukmaningrum et al., 2023). Moreover, traditional change management models such as Lewin, Kotter, and ADKAR are applied in fragmented ways (Galli, 2018). This creates a theoretical gap in understanding integrated and systemic change in Islamic financial institutions. The absence of a holistic framework limits the ability to address complex and interrelated challenges. Therefore, a comprehensive and integrative approach is required.

This study addresses the identified gap by proposing an integrated strategic change management model for the Islamic life insurance industry in Indonesia. The novelty of this research lies in the integration of Soft System Methodology (SSM), Analytical Hierarchy Process (AHP), and Interpretative Structural Modeling (ISM). This framework enables systematic problem identification, prioritization of strategic factors, and structured model development (Bartosova et al., 2023). By combining systemic thinking with decision-making tools, this study advances existing change management literature. It also provides practical insights for industry stakeholders facing dynamic environments. Ultimately, this research contributes both theoretically and practically to the development of Islamic financial institutions.

Literature Review

1. Change Management Theory: Lewin's Force Field Analysis

Lewin's Force Field Analysis conceptualizes organizational change as a dynamic equilibrium between driving forces that promote change and restraining forces that resist it (Lewin, 1951). This model emphasizes that effective change requires either strengthening driving forces or weakening resistance, thereby shifting the organizational equilibrium. The three-stage model—unfreezing, changing, and refreezing—provides a structured approach to transition from the current state to a desired future condition. While the simplicity of Lewin's framework makes it widely applicable, it has been criticized for its linearity and limited consideration of complex organizational dynamics (Burnes, 2004). In contemporary contexts, organizations face multi-layered and continuous change, which may not align with the static nature of Lewin's model. Therefore, although foundational, this theory requires integration with more adaptive and systemic approaches to address complex environments such as the Islamic insurance industry.

2. Change Management Theory: Kotter's Leading Change Model

Kotter's (1996) eight-step model expands Lewin's framework by introducing a more detailed and process-oriented approach to organizational transformation. The model highlights critical stages such as creating urgency, forming guiding coalitions, developing vision, and institutionalizing change within organizational culture. Unlike Lewin, Kotter emphasizes leadership, communication, and stakeholder engagement as central elements of successful transformation. However, the model has been criticized for its top-down orientation and lack of flexibility in highly dynamic environments (Appelbaum et al., 2012).

Furthermore, the sequential nature of the steps may not reflect the iterative reality of modern organizational change. Despite these limitations, Kotter's model remains highly influential in guiding large-scale transformation initiatives. This study builds upon Kotter's framework while addressing its rigidity through integration with systemic and analytical approaches.

3. Market-Based View (MBV)

The Market-Based View (MBV) posits that firm performance is primarily determined by its positioning within the external competitive environment (Porter, 1981; Spanos & Lioukas, 2001). According to this perspective, industry structure and competitive forces shape strategic behavior and ultimately influence firm performance. MBV emphasizes the importance of external factors such as customer power, supplier dynamics, and competitive rivalry. This approach is particularly relevant in highly competitive industries where market positioning determines success. However, MBV has been criticized for underestimating the role of internal capabilities and organizational resources (Barney, 1991). In the context of Islamic insurance, MBV helps explain how firms respond to competitive pressures from conventional insurance and fintech disruptors. Therefore, MBV provides an essential external lens that complements internal strategic perspectives.

4. Resource-Based View (RBV)

The Resource-Based View (RBV) argues that sustainable competitive advantage arises from unique, valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney, 1991; Grant, 2010). Unlike MBV, RBV focuses on internal capabilities such as human capital, organizational processes, and technological competencies. In the insurance industry, intangible resources such as brand reputation, customer trust, and actuarial expertise play a critical role in achieving superior performance. RBV is particularly relevant in explaining how firms leverage internal strengths to respond to external challenges. However, RBV has been criticized for its static perspective and limited consideration of environmental dynamics (Priem & Butler, 2001). In dynamic industries, resources must continuously evolve to remain valuable. Therefore, integrating RBV with external perspectives such as MBV is necessary for a more comprehensive strategic framework.

5. Porter's Five Forces Model

Porter's Five Forces model provides a comprehensive framework for analyzing industry competitiveness through five key forces: competitive rivalry, threat of new entrants, threat of substitutes, bargaining power of suppliers, and bargaining power of buyers (Porter, 1979). This model enables firms to assess structural pressures within an industry and formulate competitive strategies accordingly. In the insurance sector, these forces are particularly relevant due to increasing competition, regulatory changes, and technological disruption. However, the model has limitations in capturing dynamic changes and digital transformation effects. It assumes relatively stable industry structures, which may not reflect modern digital ecosystems. Despite these limitations, the model remains a valuable tool for understanding competitive dynamics. It complements MBV by providing a more structured analysis of external pressures.

6. Business Model Canvas (BMC)

The Business Model Canvas (BMC) provides a strategic tool for visualizing and designing business models through nine interconnected components, including value propositions, customer segments, and revenue streams (Osterwalder & Pigneur, 2010). It emphasizes how organizations create, deliver, and capture value in a structured manner. In the context of Islamic insurance, BMC facilitates the alignment of Sharia principles with business strategy and customer needs. The model supports innovation by enabling firms to redesign their value propositions and operational structures. However, BMC is often criticized for its static representation and lack of dynamic interaction between components. It

does not fully capture the complexity of organizational transformation processes. Therefore, BMC is more effective when integrated with systemic change frameworks.

7. Organizational Transformation Theory

Organizational transformation refers to fundamental changes in structure, processes, and culture to enhance organizational performance and adaptability (Gouillart & Kelly, 1995). This theory emphasizes the need for continuous adaptation in response to environmental changes such as globalization, technological advancement, and market competition. The 4R framework—reframing, restructuring, revitalization, and renewal—provides a holistic approach to transformation. Organizational transformation highlights the critical role of human resources as drivers of change. However, transformation processes often face resistance from both individuals and organizational systems. This underscores the importance of leadership, communication, and change readiness. Therefore, transformation theory provides a macro-level perspective that complements operational change models.

8. Strategic Triangle (3C Framework)

The Strategic Triangle, developed by Ohmae (2005), emphasizes the alignment between three key elements: company, customers, and competitors. This framework highlights the importance of customer-centric strategies while maintaining competitive positioning. It suggests that successful organizations balance internal capabilities with external market demands. In the insurance industry, understanding customer needs is critical for product innovation and market expansion. However, the model provides limited guidance on implementation mechanisms. It focuses more on strategic alignment rather than operational execution. Therefore, it is most effective when integrated with other strategic and changing management frameworks.

9. Systems Modeling Approach

Systems modeling provides a holistic approach to understanding complex and interrelated organizational problems (Hidayatno, 2022). It represents real-world systems through simplified models to support decision-making and problem-solving. This approach is particularly useful for analyzing complex industries with multiple interacting variables. Systems thinking emphasizes interdependencies, feedback loops, and dynamic relationships. However, traditional models may lack the ability to capture qualitative and human-centered aspects of organizational change. Therefore, integrating systems modeling with methodologies such as SSM, AHP, and ISM enhances analytical depth. This integration allows for both qualitative insight and quantitative prioritization.

10. Synthesis and Research Gap

Although existing theories provide valuable insights into change management, strategy, and organizational transformation, they remain fragmented and often applied in isolation. Lewin and Kotter focus on process-oriented change, while MBV and RBV emphasize strategic positioning and internal capabilities. Similarly, tools such as BMC and Porter's Five Forces provide partial perspectives without addressing systemic complexity. This fragmentation limits the ability to address multi-dimensional challenges in industries such as Islamic insurance. Therefore, there is a clear need for an integrated framework that combines systemic thinking, strategic analysis, and decision-making tools. This study contributes by proposing a multi-method approach integrating SSM, AHP, and ISM to bridge this theoretical gap and provide a comprehensive model for strategic change management.

METHOD

This study adopts a multi-method research design integrating Soft Systems Methodology (SSM), Analytical Hierarchy Process (AHP), and Interpretive Structural Modeling (ISM) to address complex and ill-structured problems in the Islamic life insurance industry. The research was conducted in Indonesia, with a primary focus on Jakarta as the

industry hub, involving eight full-fledged Islamic life insurance companies, regulators, experts, and customers. Data collection was carried out from October 2024 to October 2025 using a combination of questionnaires, in-depth interviews, and focus group discussions (FGDs). The sampling approach is purposive, targeting key informants with strategic roles, including directors, senior managers, regulators (OJK), industry associations (AASI, AAJI), Sharia supervisory boards, and academic experts. In total, the study involves organizational-level data from eight companies and multi-stakeholder perspectives to ensure comprehensive coverage. This design ensures both depth and breadth in capturing the complexity of strategic change in the industry.

The methodological process follows a seven-stage SSM framework (Checkland & Scholes, 1999) as the backbone of analysis. First, an unstructured problem situation is explored through situational analysis using interviews and document reviews. Second, the problem is expressed using a rich picture to capture relationships, conflicts, and systemic complexity. Third, root definitions are formulated using the CATWOE framework to define relevant purposeful activity systems. Fourth, a conceptual model is developed and structurally analyzed using ISM to identify hierarchical relationships among key elements. Fifth, the conceptual model is compared with real-world conditions and validated through expert judgment (face validity). Sixth, feasible and desirable changes are analyzed using the Business Model Canvas (BMC) to map strategic transformation. Finally, the seventh stage determines priority actions using AHP, ensuring that strategic decisions are quantitatively supported. This step-by-step structure clarifies the analytical flow and ensures methodological coherence.

Each method contributes a distinct but complementary role in model development. SSM functions as an exploratory and problem-structuring tool, enabling the identification of complex and multi-actor issues. ISM is used to structure relationships and build a hierarchical model, revealing key driving and dependent variables within the system. AHP is applied to prioritize strategic alternatives and determine the relative importance of factors, providing quantitative rigor to decision-making. The integration of these methods ensures that the model is both qualitatively grounded and quantitatively validated. While AHP is consistently used for prioritization, the study maintains terminological consistency and does not interchange it with ANP, except conceptually where network relationships are acknowledged. This integrated framework strengthens the robustness and applicability of the proposed strategic change model.

Data analysis combines descriptive statistical analysis and qualitative interpretation. Questionnaire data are analyzed using descriptive statistics (mean, median, and frequency distribution) to assess perceptions and industry conditions. Qualitative data from interviews and FGDs are analyzed using content analysis to identify themes related to change management, business models, and organizational transformation. Model validation is conducted through expert-based validation (face validity) and iterative discussions with stakeholders to ensure relevance and applicability. The use of multiple data sources (triangulation) enhances reliability and validity. Furthermore, the integration of primary and secondary data ensures a comprehensive understanding of both theoretical and practical dimensions. Overall, the methodology provides a rigorous, transparent, and systematic approach suitable for analyzing complex strategic change in Islamic financial institutions.

RESULT AND DISCUSSION

Key Findings on Change Management Practices in Sharia Life Insurance

The results indicate that the current practice of change management in the Indonesian Sharia life insurance industry remains fragmented and not yet strategically integrated across business functions. Evidence from internal analysis using RBV–VRIO reveals that most firms

do not yet possess resources that fully meet the criteria of valuable, rare, inimitable, and organized, resulting in only temporary competitive advantages rather than sustained ones. Specifically, limitations in Sharia-based human capital, weak organizational culture, and low innovation capability hinder the development of distinctive strategic positioning.

From an external perspective, MBV and Porter's Five Forces analyses consistently show that the industry operates under high competitive pressure, driven by digital disruption, low Sharia financial literacy, and strong competition from conventional insurers and fintech entrants. The tables presented earlier (MBV and Porter) converge on a single interpretation: regulation, technology, consumer behavior, and ecosystem fragmentation are the dominant external drivers shaping industry competitiveness. However, these tables previously lacked synthesis; when integrated, they clearly indicate that digital transformation and ecosystem collaboration are not optional strategies but structural necessities.

Furthermore, Business Model Canvas (BMC) analysis highlights a critical paradox: while Sharia insurance inherently possesses a strong value proposition (transparency, fairness, risk-sharing), its operationalization remains weak, particularly in distribution channels, customer engagement, and revenue optimization. This confirms that the issue is not the absence of value, but rather the inability to translate Sharia values into scalable and competitive business models.

Systemic Complexity and SSM-Based Problem Structuring

The application of Soft Systems Methodology (SSM) demonstrates that the challenges in the Sharia life insurance industry are systemic, multi-actor, and ill-structured. The problem is not isolated within firms but emerges from interdependencies among regulators, companies, customers, and technological ecosystems.

The Rich Picture analysis confirms three dominant systemic gaps:

1. Lack of synergy among stakeholders
2. Weak innovation and digital capability
3. Fragmented Sharia ecosystem integration

The Root Definition and conceptual model further clarify that the transformation system must focus on four core activities: literacy enhancement, product innovation, digitalization, and stakeholder collaboration. However, comparison with real-world conditions reveals a significant implementation gap, particularly in capital strength, HR competency, and technological readiness.

The key insight from SSM is that incremental or partial change is insufficient. Instead, the industry requires a holistic and value-based transformation model that integrates internal capabilities with external dynamics in a coherent system.

Strategic Priorities and Structural Relationships (AHP–ISM Integration)

The AHP results provide a clear prioritization of strategic factors, showing that human resource competence (43.9%) and capital strength (40.9%) are the most critical drivers of successful change, while digital technology and product innovation act as supporting enablers. This finding simplifies earlier lengthy explanations into a core conclusion: Transformation is primarily a human-capital-driven process, supported by financial and technological infrastructure.

The ISM analysis complements this by revealing the hierarchical structure and interdependencies among factors, which can be summarized as follows:

1. Level 1 (Key Drivers): Regulation, leadership commitment, capital
2. Level 2–3 (Linkage Factors): HR competence, governance, culture, digital infrastructure
3. Level 4 (Enablers): Innovation, partnerships, literacy
4. Level 5–6 (Outcomes): Market performance, customer value, sustainable competitiveness

.This hierarchical structure clarifies what was previously unclear:

1. Change must start from foundational drivers (regulation, leadership, capital)
2. It must then be translated into organizational capabilities (HR, governance, culture)
3. Before finally producing market outcomes and competitiveness

Importantly, most variables fall into the linkage category, meaning they have both high driving power and high dependence. This indicates that failure in one element will propagate across the system, reinforcing the need for integrated implementation.

Synthesis of the Final Model (Key Contribution)

By integrating RBV, MBV, SSM, AHP, and ISM, the study produces a holistic strategic change management model characterized by three core dimensions:

1. Mindset – transformation toward innovation and Sharia value orientation
2. Skillset – strengthening human resource competence
3. Toolset – digital technology as an enabler

The simplified interpretation of the overall findings is:

1. The industry's main constraint is not external pressure alone, but internal unreadiness to respond strategically
2. Competitive advantage will emerge only when Sharia values are operationalized into business systems, not merely conceptualized
3. Sustainable transformation requires alignment across all system levels, from drivers to outcomes

Finally, evaluation using the 5Es framework confirms that the proposed model is feasible, effective, and ethically aligned with Sharia principles, making it both theoretically robust and practically applicable.

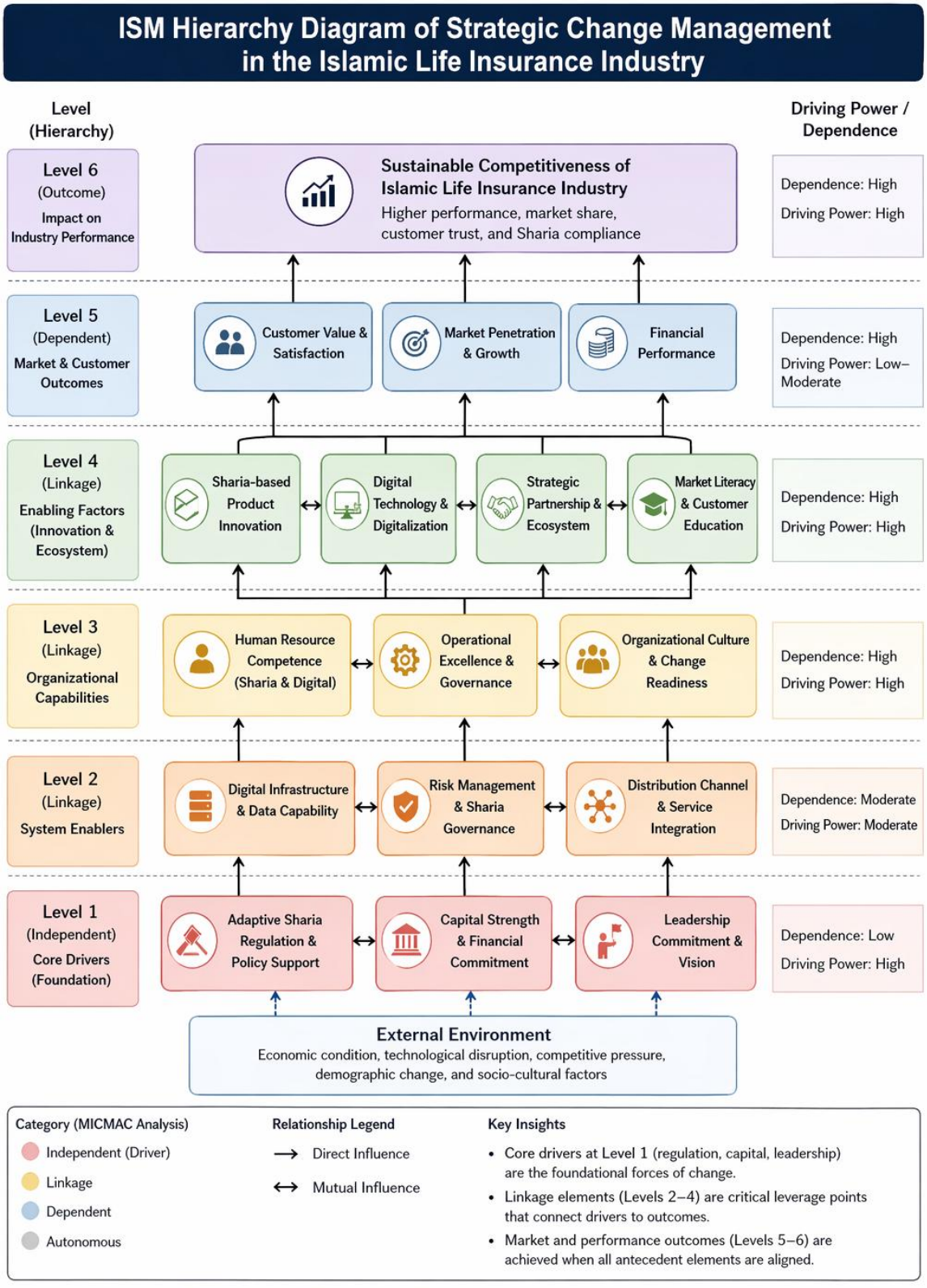

Figure X. ISM Hierarchy Model for Strategic Change Management in the Islamic Life Insurance Industry

Note: The hierarchy is developed based on ISM analysis, integrating expert judgment using AHP weights and SSM-derived key elements.

Figure 1. Hierarchical Structure of Strategic Change Management in the Sharia Life Insurance Industry (ISM Model)

This figure presents the Interpretive Structural Modeling (ISM) hierarchy that illustrates the structured relationships among key elements influencing strategic change management in the Sharia life insurance industry. The model is organized into multiple levels, ranging from foundational driving factors at the bottom to outcome-oriented variables at the top. At the base level, regulatory support, leadership commitment, and capital strength emerge as primary driving forces with high driving power and low dependence. These elements shape the intermediate layers, which consist of organizational capabilities such as human resource competence, governance, and organizational culture, categorized as linkage variables due to their high interdependence.

At the upper levels, enabling factors—including digital technology, product innovation, partnerships, and market literacy—facilitate the translation of internal capabilities into strategic outcomes. The highest level reflects outcome variables, namely customer value, market performance, and sustainable competitiveness. The hierarchical structure highlights that effective transformation must begin with strengthening foundational drivers, followed by capability development and system integration, before achieving competitive outcomes. The dominance of linkage variables indicates that the system is highly interconnected, requiring coordinated and holistic implementation of change strategies. This model provides a comprehensive and systematic representation of how strategic priorities and structural dependencies interact to drive sustainable transformation in the industry.

Conclusion of Results Section

The refined results demonstrate that the Sharia life insurance industry is at a transitional stage, where strong value potential exists but is not yet supported by integrated capabilities. The study's main contribution lies in providing a structured, hierarchical, and actionable change management model, which bridges the gap between fragmented practices and sustainable competitiveness.

Discussion

The findings of this study provide meaningful insights into the strategic transformation of the Islamic life insurance industry, particularly in the context of increasing external pressures and internal limitations. The industry is currently operating in a highly dynamic environment characterized by regulatory shifts, digital disruption, and intensified competition with conventional insurers. While previous sections highlight the importance of mindset, skillset, and toolset as key transformation elements, this discussion advances the argument by positioning these elements within a broader theoretical framework of systemic change management. Unlike traditional approaches that emphasize linear change processes, the results suggest that transformation in this industry is inherently complex, multi-layered, and interdependent, requiring a more holistic and integrated perspective.

From a theoretical standpoint, this study contributes by integrating systems thinking with value-based management, particularly within the context of Islamic finance. The application of Soft Systems Methodology (SSM) confirms that organizational change cannot be understood in isolation but must be analyzed as part of a broader system involving regulators, firms, customers, and technological ecosystems (Checkland, 2000; Jackson, 2006). This aligns with contemporary literature emphasizing the importance of systemic approaches in managing complex organizational change. However, this study extends existing theory by embedding Sharia principles—such as fairness, transparency, and risk-sharing—into the change management process, thereby introducing a value-driven systemic transformation model that is still underexplored in international research.

Furthermore, the integration of Resource-Based View (RBV) and Market-Based View (MBV) within the change framework provides an important theoretical advancement. Prior

studies tend to analyze competitive advantage either from internal capabilities (Barney, 1991) or external positioning (Porter, 1981). In contrast, the findings demonstrate that sustainable competitiveness in Islamic life insurance requires the simultaneous alignment of internal resources and external market dynamics. This supports the dynamic capability perspective (Teece et al., 1997), where firms must continuously adapt and reconfigure their resources in response to environmental changes. Therefore, this study extends the literature by showing that strategic change is the mechanism through which RBV and MBV are operationally integrated, rather than treated as separate analytical constructs.

The conceptualization of transformation through mindset, skillset, and toolset also represents a significant contribution to change management theory. While previous studies highlight leadership, culture, and technology as separate drivers (Gouillart & Kelly, 1995; Westerman et al., 2014), this research synthesizes them into a unified and interdependent framework. Mindset reflects the cognitive and cultural orientation toward innovation and Sharia values, skillset represents the development of human capital, and toolset captures the role of digital technology as an enabler of transformation. The findings indicate that transformation efforts often fail when these elements are implemented in isolation, thereby reinforcing the argument that successful change requires simultaneous alignment across cultural, human, and technological dimensions. This integrated perspective enhances the explanatory power of existing transformation models.

Finally, when compared with prior empirical studies, this research provides a more comprehensive and methodologically robust contribution. Previous studies in Islamic insurance have primarily focused on efficiency, productivity, or financial performance, while change management research often relies on single-method approaches. In contrast, this study combines SSM, AHP, and ISM, enabling both qualitative depth and quantitative prioritization of strategic factors. The results highlight that transformation is driven by foundational elements such as regulation, leadership, and capital, which must be translated into organizational capabilities and ultimately into market outcomes. Thus, this study not only strengthens theoretical understanding but also proposes a holistic, systemic, and value-based change management model, offering a new direction for future research and practical application in complex and value-driven industries.

CONCLUSION

This study concludes that the Islamic life insurance industry in Indonesia is currently in a transitional phase, where growth and operational sustainability have been achieved but remain below their optimal potential. The findings demonstrate that the main challenges are systemic, including weak product differentiation, limited human resource competencies, and insufficient alignment between business models and dynamic market demands. The results from SSM, AHP, and ISM confirm that effective transformation requires an integrated strategic change model, with human resources as the primary driver, supported by capital, institutional strength, and digital capabilities. The proposed model highlights the importance of aligning mindset, skillset, and toolset to enable sustainable and competitive transformation.

From a theoretical perspective, this study contributes by developing a systemic and value-based strategic change management model, integrating systems thinking, RBV–MBV perspectives, and Sharia-based principles. This model extends existing change management literature by demonstrating that transformation in Islamic financial institutions is not only driven by efficiency and competitiveness but also by ethical and value-based considerations rooted in Sharia principles. Practically, the findings provide managerial implications for regulators and industry players to strengthen institutional positioning, enhance human capital, foster innovation, and build collaborative ecosystems to improve competitiveness and market penetration.

However, this study has several limitations. The research is primarily focused on model development rather than empirical implementation and therefore does not fully capture operational feasibility or long-term impact. Additionally, the analysis is limited to the Indonesian context, which may affect generalizability to other markets. Future research is recommended to empirically test the implementation of the proposed model, explore scalable collaboration frameworks within the Islamic financial ecosystem, and assess the impact of regulatory dynamics on industry transformation. Such studies will be essential to refine and validate the model in real-world settings and support sustainable industry development.

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