

## REVITALIZING INDONESIAN ISLAMIC BANKING PERFORMANCE: A STAKEHOLDER ANALYSIS

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### ABSTRACT

This paper is to capture the process of how stakeholder analysis can be a measure of company performance and use it as a basis for revitalizing company performance. This paper uses Indonesian Islamic banking (IIB) as a case study. The nature of this study is determined in the form of a qualitative study that furthermore segregated into three stages of analysis in their research protocol: data gathering using in-depth interview toward 48 IIB stakeholders, data processing using N-Vivo as a tool for coding, and data analysis using five steps stakeholder analysis. The finding sought to explore two functions of stakeholder analysis, as a barometer of company performance and its role as a foundation for revitalizing company strategies by finding the primary stakeholders to prioritize. Those two functions are unseparated entities. Stakeholder analysis provides the Indonesian context for the IIB, so the discussion does not only refer to why IIB cannot fulfill its potential but can dig the root of the problems. Since the revitalizing strategy's purpose is to make a company healthier and stronger, an adequate context will provide the basis for formulating solution strategies. Internal stakeholder's view on IIB performance is relatively positive, meanwhile external stakeholders more various views on IIB performance. This research found that the religious values promoted by IB can increase the company's value but at the same time it can also reduce the interest in using IB. It is necessary to investigate further how the appropriate strategy to place this religious value in society.

**JEL Classification:** G18, G21, G28

**Keywords:** *Performance, Management, Banking*

## I. INTRODUCTION

### 1.1. Background

Issues relating to company performance have been extensively explored as the main themes in management and organization sciences because of their roles as a barometer to measure the success of an organization. Company performance measurement issues are essential in all banking companies, including in Islamic Banking (IB). The related issues are becoming even more critical with the notion of IB as newcomers as an alternative system to the banking world. IB's new color, its position as a late-entry organization, and its unique characteristics as an organization that brings religious values to business have made IB's performance in the spotlight. The spotlight is whether the application of the Sharia system in a bank affects organizational performance, and the position of late-entry has done much research comparing the performance of the IB with its predecessor bank, namely conventional banking (CB) (Beck et al., 2013; Hanif et al., 2012; Johnes et al., 2014; Mollah & Zaman, 2015; Siraj & Sudarsanan Pillai, 2012).

The definition of organizational success in IB itself varied, ranging from success in terms of financial aspect (Rosly and Abu Bakar, 2003; Eljelly and Abdelgadir Elobeed, 2013; Harfiah, Purwati, and Ulfah, 2016; Rafiq, 2016; Rodoni et al., 2017; Hassan and Aliyu, 2018) as the broadest measurement used, management aspects (Huda et al., 2013; Tariq et al., 2014) which is rarely used, and the social aspects (Faliza, 2016; Gustani, 2013; Zafar & Sulaiman, 2020). Besides from these essential aspects, previous studies developed to the existence of other specific measurements of organizational performances that linked to organizational characteristics, such as IB in terms of sharia success (Ascarya et al., 2017; Bedoui & Mansour, 2015; Mohammed et al., 2000; Rusydiana & Hasib, 2019; Syafii Antonio et al., 2012). The company performance measurement so far has been more quantitatively using index or ratio and frequently measured with internal resources, such as financial reports and annual reports. The present study measures company performance using **qualitative methods** and **added external company resources by exploring the views of stakeholders**.

In this present study, the authors used IIB as a case study. The presence of IB into the Indonesian market is a phenomenon in itself. The first IIB established in 1992 is expected to reap success because 80% of Indonesia's population is Muslim and Indonesia is the country with the most significant number of Muslims in the world (Lipka & Hackett, 2017). As of October 2019, there are 14 Islamic Commercial Banks (BUS) and 20 Sharia Business Units (UUS) with total assets of IDR 499.98 trillion. In this period, IB assets (BUS and UUS) grew 10.15 percent (YoY). The Compounded Annual Growth Rate (CAGR) of Islamic banking is even

15 per cent, higher than the national banking industry, which recorded a CAGR of 10 percent (OJK, 2019).

However, if judging from the market volume, IIB is exposed to more significant fewer market exposures from the CB, such as the number of total assets of IB that has been recorded per April 2020 is amounted to Rp 348.294 trillion; meanwhile, the CB can record up to Rp 8.648 trillion (OJK, 2019). Based on previous information, it is safely stated that the growth of IB rise has not been able to surpass or at least overtake CB. The market data presented the number of market shares of IIB's has amounted to 6,12% of the total national banking market shares. OJK also released the National Financial Literacy Survey (SNLK, 2019), and the results were an Islamic financial literacy index of 8.93 per cent and a Sharia financial inclusion index of 9% (Puspaningtyas, 2019). The three indices state that in terms of the Indonesian market, knowledge, familiarity, and those who access IIB are still below 10%.

Seeing the market conditions of IIB which are potentially promising but not yet good enough in the market, **IIB necessary to improve** their performance based on the market's view, in this case, the stakeholders of IIB. **This statement has three implications.** First, to improve performance in this paper means to revitalize. Revitalize is to make something potent, more active or more healthy (Oxford English Dictionary, 2017). Second, revitalizing performance in this paper means how an organization make its performance healthier and more robust by formulating strategies. Third, formulating strategy in this paper using stakeholder analysis. **Why stakeholder analysis is important variable to the case of IIB? Because IIB should know the root causes of the lack of acceptance of IIB in Indonesian society in the context of market knowledge and familiarity above. For this reason, in-depth qualitative studies, coming from external to the organization, covering all stakeholder aspects need to be done to provide recommendations for the right strategy, and stakeholder analysis is the most appropriate one.**

Stakeholder analysis also provide information for the management to understand whom the parties have an interest in them, and this will be useful for establishing appropriate and targeted strategies in the future. On this basis, stakeholder analysis can be a tool that helps management to analyze the company's key stakeholders. Understanding the stakeholder perspective allows the company to recognize its position in the eyes of the market so that it can determine its strategy (Bunn et al., 2002; Payne et al., 2005); it has roles in the value creation process (Clarkson, 1995; Frow & Payne, 2011; Preston & Sapienza, 1990; Tantalo & Priem, 2016); which in turn improves organizational performance (Clarkson, 1995; He et al., 2011; Soto et al., 2018).

## **1.2. Objective**

This qualitative study aims (1) to reveal keys of stakeholder perspectives on IIB performance (2) with the use of five steps of stakeholder analysis as a foundation for developing specific strategies and allocating resources to deal with critical stakeholders. The results of this present study are expected to provide (1) an Indonesian context to IIB; (2) the basis for revitalizing the strategy for IIB, (3) making policies on the development of IB. However, the theoretical purpose of this present study is designed to capture the process of how stakeholder analysis can be a measure of organizational performance and a basis for revitalizing corporate strategy

## **II. LITERATURE REVIEW**

### **2.1. Background Theory**

The concept of stakeholder started in the early 1930s in the United States, where the general electric company identified four major interest groups it had to consider: customers, employees, the general public, and shareholders (Preston & Sapienza, 1990). Nevertheless, academician use of stakeholders' terms was started intensely by the Stanford Research Institute in 1963, which defines them as "those groups without whose support the organization would cease to exist" (Littau et al., 2010). This concept was strengthened when a book entitled Strategic Management: A Stakeholder Approach has been launched, which is known as the root of stakeholder theory. This book defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives (E. R. Freeman, 1984), which later became the turning point of the stakeholder theory.

The definition of a stakeholder is then divided into two major parts, definitions in a broad general sense and a definition in a narrow sense (Mitchell, R.K, Agle, B.R. and Wood, 1997). In general, stakeholders are individuals or groups who can influence the achievement of company goals and have a mutually correlated relationship. Meanwhile, from a narrower point of view, stakeholders are the parties on which the company depends on ensuring its sustainability. The interests of each stakeholder are not consistent permanently, thus required the assertiveness and flexibility of companies to respond to a variety of different interests.

The term stakeholder can be defined as an individual or group that has a legitimate interest in a company. There are several categories of stakeholders: internal-external stakeholders and primary-secondary stakeholders. Based on the

stakeholders' position in company management, stakeholders can be categorized as internal and external stakeholders. Internal stakeholders are entities within a business, meanwhile, external stakeholders are entities not within a business itself but who care about or are affected by its performance. Based on the boundaries of what constitutes a stakeholder, stakeholders can be categorized as primary or secondary (Clarkson, 1995; Waddock & Smith, 2000). Primary stakeholders are those groups the firm depends on for its survival and continued success. On the other hand, secondary stakeholder groups do not have a contractual obligation with the firm nor exercise any legal authority over the firm (Easley & Lenox, 2006).

## **2.2. Previous Studies**

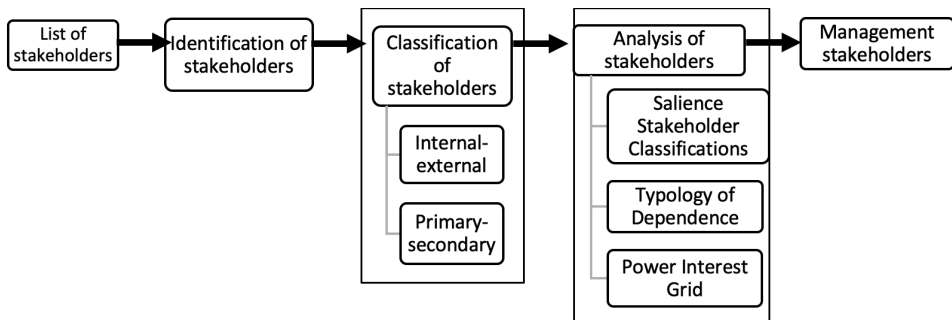
Along with the increasing interest of academics in the discussion of stakeholders, there is also a growing awareness of stakeholder management practitioners that a company is not an entity that only operates for its interests but provides benefits for the related environment. The stakeholder theory then develops into stakeholder management which ended the debates on competing objectives between shareholders and stakeholders (Pedrini & Ferri, 2019), and moved the idea into building mutually beneficial between those two entities (Berman et al., 1999). Another issue that arises is the inability of company and stakeholder to sustain growth spontaneously, and the company should design methods to build and organize relationships with the different stakeholders to improve their ability to respond to their expectations to maintain sustainability (Atti et al., 2019; Bhattacharya et al., 2009; E. R. Freeman, 1984; R. E. Freeman, 2015; Littau et al., 2010; Minoja, 2012a; Pedrini & Ferri, 2019).

Recent studies more focus on how stakeholder management influence the company performance by exploring how the stakeholders' perspective could improve business objectives (Rana'ngen and Zobel, 2014; Heikkurinen and Bonnedahl, 2013; Matos and Silvestre, 2013), and in the long run have an essential role in the sustainability of a company (Perrini & Tencati, 2006; Soto et al., 2018; Wojewnik-Filipkowska et al., 2019). The influence of stakeholder management on the company performance and sustainability is possible because stakeholder management becomes the basis for the value creation process (Frow & Payne, 2011; Hult et al., 2011; Tantalo & Priem, 2016; Wojewnik-Filipkowska et al., 2019), improve decision making (Hult et al., 2011; Minoja, 2012b; Soto, Quintana and Rodríguez, 2018; Pedrini and Ferri, 2019), and integrated into company strategy (de Colle, 2005; Frooman, 1999; Minoja, 2012b). Regarding company strategy, stakeholder management can be integrated into the strategy development process, strategy execution, and result of the strategy or performance measurement (Pedrini & Ferri, 2019), so it can be a basis to revitalize company strategy.

### 2.3. Conceptual Framework

Stakeholder analysis is an approach, a tool or set of tools for generating knowledge about actors – individuals and organizations – to understand their behaviour, intentions, inter-relations and interests; and for assessing the influence and resources they bring to bear on decision-making or implementation processes (Brugha & Varvasovszky, 2000). A stakeholder analysis approach is for understanding the importance and nature of various stakeholder groups and their impact on market development.

There are five-step process of stakeholder analysis: (1) Identify the key sectors and stakeholders relevant, (2) Describe essential characteristics of each stakeholder group, (3) Analyze and classify the stakeholders according to stakeholder attributes, (4) Examine the dynamic relationships among stakeholders, and (5) Evaluate generic stakeholder management strategies (Varvasovszky & Brugha, 2000). Many tools can be used to analyze stakeholders. In this study, the researcher used Salience Stakeholder Classifications; Typology of Dependence between Stakeholders and Companies, and Power Interest Grid Analysis. Research framework that applies in this study shown in figure 1 below.



Source: adapted with adjustment from (Varvasovszky & Brugha, 2000)

**Figure 1. Research Framework**

Salience Stakeholder Classifications are spawned from a mixture of three fundamental attributes: power, legitimacy, and urgency, based on their salience towards the company (Mitchell, R.K, Agle, B.R. and Wood, 1997). Describe a stakeholder typology based on these three primary attributes, namely: (1) latent stakeholder - a typology that has only one attribute, including dormant stakeholder (power), discretionary stakeholder (legitimacy), and demanding stakeholder (urgency); (2) stakeholder expectant – having typology. A combination of two attributes, including dominant stakeholders (power and legitimacy), dependent stakeholders (legitimacy and urgency), and dangerous

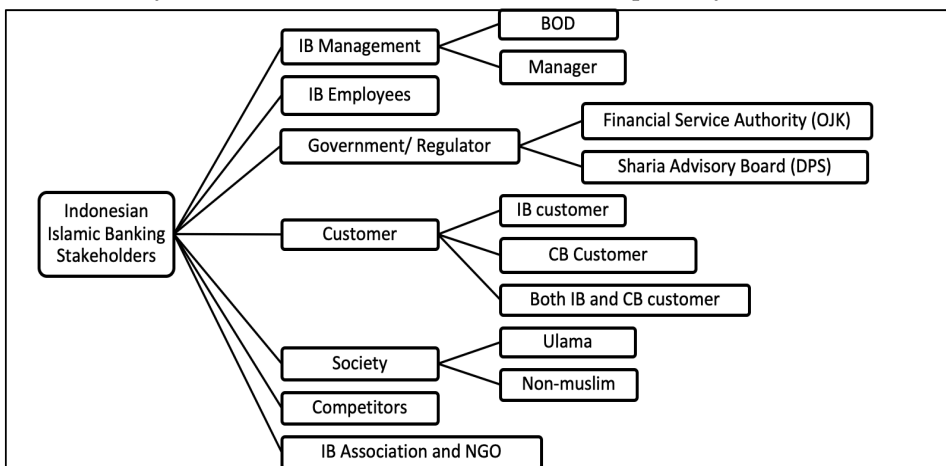
stakeholders (urgency and power); and (3) definitive stakeholder - a typology that has all three stakeholder attributes, so that with the highest level of salience, the voice of this stakeholder group will dominate and often have a significant effect on company performance.

Typology of dependence is guidelines for analyzing the dependence between stakeholders and companies through specific typologies (Frooman, 1999). The matrix describes which stakeholders depend on the company, and vice versa. The relationship between the company and stakeholders can be divided into four characteristics, namely low interdependence, firm power, stakeholder power, and high interdependence. The power interest grid is a mapping to determine the classification of stakeholders based on the relationship between power and interest owned by the relevant stakeholders (Gardner et al., 1987). This matrix explains the four quadrants of stakeholders based on the mapping results of their power and interests, namely minimum effort, keep informed, keep satisfied, and key players quadrant.

### III. METHODOLOGY

#### 3.1. Data

Based on the literature review and observations on IIB, this paper proposes IIB stakeholders, as shown in figure 2. The authors identify seven main stakeholders namely management, employees, government or regulators, customers, society, competitors, and IB Association and non-government organization. Shareholders are not included here because only two Islamic banks have IPOs, namely BRIS and Bank Panin Syariah. These stakeholders than become primary sources data.



**Figure 2. Indonesian Islamic Banking Stakeholders**

This study using semi-structured interviews toward primary sources, both face to face, focus group discussion and phone-interview due to the Covid-19 pandemic. Semi-structured interviews were used in this research because while it focus on core topic but still allow to discover hidden or emerging themes (Magaldi D., 2020).

### 3.2. Model Development

The nature of this study is determined in the form of a qualitative study that is furthermore segregated into three stages of analysis in their research protocol (Figure 3). This research focus on stakeholder perceptions, so qualitative approach has been applied to capture the views and the contextual conditions (social, institutional, and environmental) in which the participants operated, and can provide insights into what led to particular events or outcomes (Yin, 2016)




Data Gathering	Data Processing	Data Analysis
1. Identifying Stakeholder	4. Transcribe & Translate Voice Interview	7. Stakeholder Analysis
2. Design Interview Guide	5. Coding using Nvivo	8. Stakeholder Quadrant
3. Interview with the stakeholder	6. Stakeholder Perspective on IIB	9. Revitalization Strategy
		
<u>Ethics:</u> Institution permit & informed consent before (3) <u>Triangulation:</u> people (2 interviewer), time, and space (via phone, email, face to face interview)	<u>Triangulation:</u> coding process done by two researcher (inter-rater) (5) (6) Is the answer of research question 1	(9) Is the answer of research question 2

Figure 3. Research Design

### 3.3. Method

#### 3.3.1. Data Gathering

In the first stage, three main steps that started from identified and determined lists of IIB stakeholders, compiled a list of questions for the interview guides, contacted and interviewed respondents. The second step in this stage is designed interviewee questions as shown in table 1. To ensure the validation of the interviewee questions, this study using interview protocol refinement (IPR) framework from Castillo-Montoya (2016) that consists four steps (1) breakdown the research questions into interviewee questions; (2) constructing an inquiry-based conversation (3) receiving feedback from experts on interview guides and (4) piloting the interview protocol. The IPR framework can be used by researchers



because it supports the aim to garner rich and productive data to answer pressing research questions, while still ensuring the validity of the instrument.

The interview protocol is a research instrument, but in qualitative research, the most useful instrument is the researcher (Merriam, 2016). As the interview protocol will be carried out by researchers to many sources, a research team consisted of a leading researcher and two research assistants is arranged. Two research assistants had been trained beforehand by the principal researcher to conduct proper interviews and recognized the crucial attributes that need to be investigated further to ensure the process validity and data triangulation.

**Table 1. Interviewee Questions**

No	Stakeholder	Interview Questions
1.	Internal Stakeholder	1. What is your position in this IB? You own choice/assignment? 2. What are your expectations for the IB where you work? 3. Have your expectations been fulfilled? 4. How do you view the development of IB today?
2.	Customer and Non-customer Stakeholder	5. Which bank are you currently a customer? 6. What are your considerations in choosing a bank? 7. Are you satisfied with the bank of your choice now? 8. How do you view the development of IB? 9. Do you have experience with IB? At what stage? 10. Are you satisfied with your experience with IB?
3.	Non-user Stakeholder	11. What is your position now? 12. How do you view the development of IB? 13. What are your hopes for IB? 14. What is your role for IB?

### 3.3.2. Data Processing

The second stage is pointed to data processing. The results of the interview were transcribed and translated Indonesian to the English language by the researcher team. This step of analysis is designed to increase accuracy and minimize the possibility of biases. In this stage, authors employed the aid of N-Vivo 12 (Nvivo, 2018) to sorted and clustered the interview transcript to several sub-categories that represent each interviewee group. After obtaining several sub-categories, they are grouped into categories. From this list of categories, the authors acquired the stakeholders' perspectives on IIB.

### 3.3.3. Data Analysis

Lastly, in the third stage, the authors performed data analysis using stakeholder analysis. Stakeholder analysis is a tool that helps companies identify and assess the influence and role of a party or group on company activities. In this section, the researcher describes the analysis from a case study of IIB. Data

collection was obtained from various channels, including interviews with top-level management, discussions with employees, and other stakeholders, researcher's observation, and external publications of the company.

The process of taking and processing data in this paper pays attention to research ethics, such as a research permit for institution and informed consent both in writing and interview records stating the willingness to be interviewed and guaranteeing the confidentiality of respondents' data. Authors use data and methodology triangulation to ensure the level of its validity and reliability. Data triangulation is using various types of data sources and evidence from different situations (Denzin, 2018). The authors noted to the existences of the three subtypes that are further explored, namely people, time, and space; by interviewed, more than one person for each subject's characteristics, applied different interview times, and interviews were conducted both offline and online. While methodology triangulation by combining interview, observation, and desk research using varied secondary sources.

The detailed characteristics of the respondents are adjusted to fit the research needs (table 2). The selection of the first research subjects is determined based on the purposive sampling technique. Next, after we found the appropriate respondents that have the required characteristics fitted for this study, then we obtained the next respondents with the snowballing method.

**Table 2. Respondents Characteristics**

Stakeholders	Position	Categories	Number of participants
Internal	Board of Director	Director	1
		Vice President	2
	Manager	Strategic Business Division	2
		Service & networking Division	3
		Human Capital Division	3
		Knowledge Management Division	3
	Employee	Various department from 3 banks	6
	Total Internal Stakeholders		
External	Government	Financial Service Authority (OJK)	1
		National Sharia Supervisory (DSN)	1
	Competitor	Employee of CB	3
	Customer	IB Customer	6
		Both IB & IB	3
		Entrepreneurs	3
		Customers CB	6
	Society	Other Religious	3
		Ulama	2
	Total External Stakeholders		
Total Stakeholders			48

The first interview was conducted with internal stakeholders consisting of three IIB, which were the market leaders, market challengers, and regional IIB. Internal IIB stakeholders interviewed consisted of three management levels: top management level namely board director (director and vice president); middle-level management namely managers (strategic business, service-networking, human capital, and knowledge management division); and the staff level namely employees from various departments.

The next stage is interviews with external stakeholders. Due to the Covid-19 situation, in this stage, the authors conducted a remote interview via telephone – the interview duration ranging from 15 minutes to two and a half hours. Interviews with 28 external stakeholders of IBIs are conducted to achieve a complete picture of the situation. These external stakeholders are IIB Customers, Non-IIB Customers, Regulators/Government Officials, Competitors of IB (in this sense, are pointed to the CB Employees), IB, and Conventional Bank Customer from the Entrepreneurs community, and lastly Non-Moslem Communities.

#### **IV. RESULTS AND ANALYSIS**

In this present study, the researcher analyses IIB stakeholders based on the theoretical framework in figure 1. Stakeholder analysis at IIB is designed as an attempt to scrutinizes which parties are mainly referred to as primary stakeholders. Thus, the company can devote material, time, and energy to meeting the needs of its primary stakeholders. Stage one and two covered the list and identification of stakeholders have been discussed in the previous section (section III), namely in figure 3 and table 2. Meanwhile, in this section stages three to five are discussed.

##### **4.1 Classification of IIB Stakeholders**

Stakeholder classification is useful for determining stakeholders according to their function or interest in the company. From the list of company stakeholders and the results of interviews with three management IIB, the researcher concludes that the IIB stakeholder groups are divided into internal-external (table 3) and primary-secondary groups (see table 4).

**Table 3. Indonesian Islamic banking's stakeholders**

Internal Stakeholder	External Stakeholder
Board of Directors	Government/Regulator
Management	Society
Employees	Ulama, Competitors, IB association and NGO

Internal stakeholders are parties that come from within the company and are directly involved in the company's business operations. Meanwhile, external stakeholders are not included in the company's organizational structure and are not directly involved in the company's activities (Brugha & Varvasovszky, 2000; Friedman & Miles, 2002; Hult et al., 2011). Internal stakeholders at IIB include management (in this case, top and middle management) and employees, meanwhile there are six external stakeholders, namely customer, government, society, ulama, competitors, and IB association and NGO.

**Table 4: IIB Primary and Secondary Stakeholder**

Primary Stakeholder	Secondary Stakeholder
Customers	Society
Government/regulator	Ulama
Management	Competitors
Employees	IB association and NGO

Primary stakeholders are parties who have an economic interest in the company and are willing to take risks, and secondary stakeholders are not closely related to the entity and do not have direct access to the company (Bunn et al., 2002; Hult et al., 2011). Each company has different primary and secondary stakeholders, depending on company characteristics and environmental conditions. IIB's primary stakeholders are management, employee, customer, and government; while IIB secondary stakeholders are society, ulama, competitors, IB association, and NGO.

## 4.2 Stakeholder's Perspective of Indonesian Islamic Banking

### 4.2.1. Internal Stakeholders

Details of information for the internal stakeholder can be seen in Table 5 below. In this group, the interviews were conducted with three IIBs. Total interviewees are 20 (column 4.1) with positions as management and employees. Three main categories emerge in this internal stakeholder group (column 5.2, 5.3, and 5.4).

### Background Work at IIB

There are three backgrounds reasons of people who worked at IIB. The first reason is obligation duties from the parent bank (3/20) who positioned as one of the principals and vice directors of IIB; the second reason is proposing to move from the conventional parent bank because the migration believes that usury is prohibited (5/20), they called this choice as migrating to more religious life (hijra); the third reason relates to the beginning enrolls in IIB to choose Sharia way or simply because at that moment, there exist vacant vacancies in the IIB (12/20).

**Table 5: Internal Stakeholder Perspective on IB**

Position (5.1)	Background work at IIB (5.2)	Interest and fulfilment of expectations (5.3)	Perspectives on Islamic Banking (5.4)
<ul style="list-style-type: none"> <li>• Board of Director (3)</li> <li>• Manager (11)</li> <li>• Employee (6)</li> <li>• Total number of respondents: 20</li> </ul>	<ul style="list-style-type: none"> <li>• Assignment</li> <li>• Moved out based on personal desire</li> <li>• Since the beginning has already registered in the IB</li> </ul>	<ul style="list-style-type: none"> <li>• Profitability , liquidity, and excellent asset quality</li> <li>• Salaries , allowances, and comfortable facilities</li> <li>• HR competency improvement facilities</li> <li>• Awards on innovation and creativity</li> <li>• Participate in fighting for an Islamic economy</li> </ul>	<ul style="list-style-type: none"> <li>• Similar with other banks or companies, which includes 3P (people-profit-planet)</li> <li>• Optimistic that the IB will move forward with the right strategy, innovation, and government support</li> <li>• IIB with book three just one, its indicates that the capital is not strong enough, the price per unit is high</li> <li>• It is aligned with Sharia principles because there are already DPS, MUI, OJK but they must continue the process.</li> <li>• Transaction and work in the IB will get benefits of the world hereafter</li> <li>• Weaknesses: market-share, Islamic finance literacy, expansion of outlets, IT, and human resource development</li> <li>• Government support has increased, but prioritized IB, especially those related to Islam such as Islamic Court (PA), madrasa, and hajj</li> </ul>

### Interest and fulfilment of expectations

Comprehensively, there are five points submitted by the respondents' related interest and expectations of them against IB where they work. The first interest is good profitability and good asset quality. In particular, this point of interest emerged from the Main Director and Vice President; however, in general, this point affected the benefit of all internal stakeholders. Excellent level of profitability and quality of asset will affect the future of IIB in general, while also simultaneously affects the well-being of internal stakeholders in particular. The category served as evidence of the development of IIB, specifically for those that intentionally moved or "hijra" to the IIB. However, based on the interview results regarding the level of fulfilment of this interest, in general, they said that it had not been fulfilled entirely but was continuing to process it.

The second interest is an excellent salary, benefits, and facilities. This point is conveyed explicitly by the employees, but it can be assumed that all internal stakeholders have these interests. However, if they were asked whether they were satisfied, all respondents answered that related to salaries, allowances, and facilities were relative. The third interest is facilities for enhancing HR

competencies. There seem bits of different perspectives from top management sides and employees' sides. The top management conveyed that their focus in this category has undoubtedly become a program of leadership, while on the other hand, the employees stated that overall, the training and development program is enough, even though it is still less active than a conventional bank.

The fourth interest is an appreciation for innovation and creativity. This point has started to earn the attention of top management of IIBs who are market leaders and market challengers. There are several improvement programs, including the existence of knowledge management as well as innovation competition programs. This category is not sufficiently explored for the regional bank because the program there is already enough to accommodate the needs of the market area that is not too complex as in the centre. The last interest is to participate in fighting for Islamic economic development in Indonesia. This point has become the focus on respondents who moved to the IB because of "hijra" on several top management, middle management, and employees. For this category of respondents, they believed that joined the IB is a manifest of their religiosity and fight for economics Islam is a part of worship.

### **Perspectives of internal stakeholders regarding the IIB**

Based on an extensive number of information that interviewers able to collect, furthermore divided into seven main perspectives. First perspective in general the top management stated that as an entity, IB is similar to a bank or other companies, which includes people-planet-profit (3P). The only differences that occurred are the vision and basic operations that distinguished IB from CB. Nevertheless, the demand for profit still lingers.

In general internal stakeholders feel quite optimistic that IB can leap forward as long as their operational activities are aligned with the appropriate strategy, innovation, and government support. Meanwhile, the number of IIB listed in book three is still limited to one and based on this information, we can state that the level of IB capital is not sufficiently robust. This weakness affected many aspects of development in IB, such as the Product (high level of price per unit), human resources (limited development), operational (limited infrastructures facilities).

All respondents believed that the IIB's following the Sharia Guidelines because there are DPS, MUI, and OJK that have set standards and supervised. However, there is still a need to continue in the process to maintain Sharia and develop monitoring tools. Those perspective are believed by most of the internal stakeholders and led to others believe that transacting and working in the IIB will benefit the afterlife. Respondents feel calm working at IIB because it is aligned with their beliefs and believe that IIB will become a blessing to the universe.

Respondents also stated that IIBs still have many shortcomings, including market share, Islamic financial literacy, and the number of ATM infrastructure, those three variables are still below 10%. Other drawbacks are the lack of outlet expansion, IT, and human resource development. They perceive that government support has increased in recent years. However, the government is not sufficiently Sharia first, especially for programs related to Islam such as religious courts, Islamic Education Institutions, zakat-infaq-shadaqoh, Hajj and Umrah, thus have not been submitted to IB.

4.2.2. Customer and Non-customer Stakeholders

This group is consisting of 23 customer and non-customer interviewees (Table 6). Included in this category (column 6.1) are customers from IB (6/23), CB customers (6/23), both customers (3/23), entrepreneurs both using IB, CB, or both (3/23), and non-Muslim customer (3/23). For non-Muslim customers, all respondents are CB customers. Three categories emerged in this group (column 6.2, 6.3, 6.4).

**Table 6. Customer and Non-customer Stakeholder Perspective on IB**

Stakeholder category (6.1)	Factors Influencing Bank Selection (6.2)	View on IB (6.3)	Customer Journey with Islamic Banking (6.4)
<ul style="list-style-type: none"> <li>• IB customer (6)</li> <li>• CV customer (6)</li> <li>• Both (3)</li> <li>• Entrepreneur (3)</li> <li>• Non- Muslim (3)</li> <li>Total respondents: 23</li> </ul>	<ul style="list-style-type: none"> <li>• Accessibilities</li> <li>• Networking</li> <li>• Service &amp; Product</li> <li>• Marketing</li> <li>• Safety</li> <li>• Religious belief</li> </ul>	<ul style="list-style-type: none"> <li>• Pro</li> <li>• Contra</li> <li>• Neutral</li> </ul>	<ul style="list-style-type: none"> <li>• Observer</li> <li>• Interest</li> <li>• Satisfied customer</li> <li>• Unsatisfied customer</li> </ul>

**The fundamental reasoning for choosing the bank**

The first question asked is which bank customers are they and how satisfied they are with their choice. From these questions, the reasons for choosing a bank were explored, from 23 interviewees with different backgrounds, stating the six reasons for choosing a bank. First reason is accessibility (17/23), what is meant by accessibility here is the proximity of branches, the ease of finding ATMs, and the accessibility of online banking. Common complaints against Sharia banks regarding accessibility are the limited number of ATMs, the number and points of branch locations that are difficult to access, especially employers and employees who have limited time, and not all IB have good e-banking. Also entrepreneurs that still need transaction via bank office.

Second reason is networking (13/23), what is meant here is a network of fellow bank owners who will make transactions, for example, employees who receive a

salary following the choice of their office. Entrepreneurs choose accounts that are widely used by buyers and suppliers, buyers choose banks that are widely used by sellers, also exclusive usage such as games, stocks. Third reason is service and product offered (12/23). Although in general, the bank's products are almost the same, the bank's foresight in designing services and services is the reason for choosing the bank. One CB is an account owned by almost all respondents because its products are attractive, and the service both offline and online is satisfying. However, what is interesting is that two entrepreneurs who were not IB customers initially opened an IB account because they were interested in the Product of an IB that supports their business, namely the ease of tracking transactions from online buyers. This service and Product for the pros is a decisive factor; namely, they are calm with Sharia services, while the cons make this a negative point, namely they feel uncomfortable with the names of products, systems, and ways of serving from Islamic banks. The complaint is that the IB product is deemed unclear, both from the naming language, system, and differentiation from conventional banks, as well as the service of one of the IBs, is less professional.

Fourth reason is marketing (8/23). In general, all customers consider the marketing of the IB to be less aggressive, less effective and do not reach customers. Some pro respondents did receive information regarding IIB because they worked or attended Islamic institutions. However, most respondents feel that they have never been offered directly by the marketing party; generally, they know the IB indirectly, namely through advertisements, through existing buildings, or customers who are looking for information themselves. Especially for entrepreneurs, all respondents feel that they have never been addressed by marketing, so they are the ones who find out how IB products are. Some respondents even stated that when they searched out, they did not receive adequate information or poor service.

The fifth reason is safety (7/23). This point is deemed necessary by several respondents, while some other respondents considered that in general, all banks are guaranteed to be protected by the government. Safety, in this case, includes guaranteed asset storage, transaction security, especially online banking, and transparency as a guardian of security. There were several complaints from respondents about one of the IBs, namely the unprofessional bookkeeping. The sixth reason is the religious belief (5/23). Three types of respondents fall into this criterion, namely those who choose to only use IB as based on religious beliefs so that they do not consider CB, those who choose to use IB but also accompanied by CB as financial service needed, and those who refuse to use IB because that it is not following their religious mission (non-Muslim customers).



### **The customer's view of the IB**

Three customer point of views of the IIB. The first point of view is customers who are pro towards IB (12/23), grouping into some reasons such as (a) religious reasons, namely having the belief that usury is haram and believe that IB is purely Sharia; (b) believe usury is haram and consider IB as an alternative solution/way out while proceeding towards halal or more Sharia; (c) have migrated/"hijra", including economically; (d) forced to use CB, although cautiously unsuitable due to networking needs and IB access difficulties.

The second point of view is a customer who Contra toward IB (6/23). An interesting phenomenon in this category are (a) a non-Muslim interviewee clearly stated that he would not become an IB customer because he felt marginalized. After all, it was part of the teachings of another religion, and there was also a fear that later religious issues would be questioned, two other non-Muslims are still neutral; (b) What is also contradicting IB is that it is devout Muslims who adhere to a particular sect, they think that IB is as haram as conventional banks.

The third is a customer who is neutral toward IB (5/23). There are several types of groups that claim to be neutral, including (a) Most entrepreneurs say it does not matter which bank is essential, as far it can provide convenience, service and financially; (b) customers who believe that they believe in usury is haram, but because networking requires using conventional banks, they use conventional banks but do not take interest; (c) Two of the non-Muslim interviewees stated that they are neutral with the IB as long as they meet their needs.

### **The customer journey with the IIB**

There are four levels of experiences that customers experienced based on their engagement with the IB. The first level is customer as an observer (23/23). In general, all respondents are initially observers, who are at the stage when they realize that there is an IIB, be it from news, advertisements, or realizing the existence of an IIB building or outlet. There are two kind of observers, who are well informed so that they are interested in becoming customers, and who are not well informed so that they remain observers either because of a wrong impression or neutral impression but are not accessible to IIB.

The second level is customer interest (19/23). Observers of the first journey, i.e. those who are well informed, will then generate interest. There are several forms of interest, namely looking for useful information via the internet, asking people whom they think they know, and someone calling or visiting the IIB. Customers who enter this second journey also have two kinds, namely those who are well informed, so they choose to join the IIB or who are not well informed, so they are not interested or delay their interest in IIB.

The third level is the satisfied customer (8/23). The first kind of interested customers, namely those who later join the IIB will be divided into two, namely those who are satisfied and those who are unsatisfied. Several reasons emerged for these satisfied customers because of the peace of mind and heart to choose. These reasons relate to their belief or because their service needs are met. Satisfied customers will continue to be IIB customers, and it is possible to expand the use of banking products. The fourth level is the unsatisfied customer (7/23). The second kind of customers who are IB customers is those who are dissatisfied. This dissatisfaction was caused by, among others, difficulties in accessing both online and offline, because they had to use networking with CB, for example, salaries from offices using conventional banks, some were disappointed with IB services in terms of safety, transparency, and product ambiguity.

The interview results above show that the factors that influence bank selection apply in general to both CB and IB. Only a small proportion of respondents chose banks because of belief, and this also applies to the customer journey, in general, the factors that affect customer satisfaction with the bank are the same between IB and CB, there is the only additional peace of mind for those who believe that IB is part of religion. The difference lays in the view of IIB, there is an element of sensitivity to IIB's vision, both for the pros and cons.

### 4.3 Stakeholder Analysis

After going through the identification and classification stages of all IIB stakeholders, the next step to conduct is the stakeholder analysis. This step was taken because the company faced multiple stakeholders and had to choose which stakeholder to prioritize in using the resource, while still paying attention to other stakeholders. Researchers analysed the attributes of stakeholder salience based on the results of interviews (table 7).

**Table 7. List of Salience Stakeholder Classifications**

Group(s)	Stakeholder(s)	Attribute (s)	Classification (s)
Latent	NGO	U	Demanding
	Media	L	Discretionary
Expectant	Competitor	P,U	Dangerous
	Society	P,L	Dominant
Definitive	Management	P,L,U	Definitive
	Employee	P,L,U	Definitive
	Customer	P,L,U	Definitive
	Regulator	P,L,U	Definitive

In the IIB context, definitive stakeholders dominate the company's stakeholder list, namely the four stakeholders. More attention should be pay to definitive groups amid limited time, energy, and company resources (Mitchell, R.K, Agle, B.R. and Wood, 1997). However, companies should not forget about latent stakeholders and expectant stakeholders because they can change to become definitive stakeholders in line with business dynamics from time to time.

There is a matrix that is frequently used to assess the extent to which a stakeholder is dependent on the company (Frooman, 1999). Discussions with IIB management stated that of the many stakeholders associated with the company, only a few have a high degree of dependence (as shown in table 8). In this analysis, competitors are divided into direct and indirect competitors, namely fellow Islamic banks as direct competitors and conventional banks as indirect competitors.

**Table 8. Typology of Dependence between Stakeholders and Companies**

		Does the company depend on stakeholders?	
		No	Yes
Does the company depend on stakeholders?	No	Low interdependence IB Association & NGO; Indirect Competitor (conventional banking); Society; Media	Firm power Direct competitor (IB)
	Yes	Stakeholder power Government/regulator Customer	High interdependence Management Employee

Companies can focus their attention on the stakeholder power and high interdependence quadrant, due to the strength of the stakeholders and the high dependence on the company. Following the summary analysis of the typology in Table 8 above, the two quadrants hold a relatively large portion. By focusing attention on these two groups, management can make the most of its resources. The other two groups should be aware of but not as a focus.

**Table 9. Power Interest Grid Analysis**

		Interest	
		Low	High
Power	Low	Minimum effort NGO/ IB Association Society	Well informed Competitor Media
	High	Keep satisfied Customer	Key player Management, Employees, Regulator

The subsequent analysis used power interest grid analysis that provides guidelines for classifying stakeholders according to the relationship between power and their interests (Gardner, 1997). Researchers analyse this in the context of IIB, with the aim of companies knowing what they have to do to serve the interests of each stakeholder group as shown in table 9 above. The quadrant's key player dominated the number of IIB stakeholders and played a significant role in influencing strategic and implementation considerations in the business; thus, those in this position are the critical stakeholders that IIB should focus. Nevertheless, it is crucial to keep satisfied, because these stakeholders have high power and influence within the company but has low interest, in this sense, the IIB customers because they have many options to choose another bank, but if they move, it will affect the Islamic bank itself.

This sub-chapter analyses stakeholders, using those three tools above. The results show that the stakeholders that should receive the focus of attention from IIB are management, employees, regulators, and of course customers. Other stakeholders must be considered, but the effort and resources used do not need to be as many as these four key stakeholders (Preston & Sapienza, 1990).

## V. CONCLUSION AND RECOMMENDATIONS

### 5.1. Conclusion

This study explores which stakeholders have the most influence on IB, what their view on IB performance and what strategies to handle these stakeholders to improve IB performance. This study result is different from previous studies on stakeholders analysis which tend to focus on exploring how stakeholders view the Islamic bank's objective, whether profit or social welfare and using quantitative approach (Ahmed, 2016; Dusuki & Abdullah, 2007; Khan & Ramzan, 2015).

There are several interesting findings regarding internal and external stakeholder's view on the performance of Islamic banks. In general, internal stakeholders view the performance of IB positively. Half of the employee stated that they choose to work in IB because of their religious belief, whether it's because of "hijra" (immigrate from CB) or choosing from the beginning. This internal stakeholder reason to work will give benefit to the IB, if it handled properly. Those benefits are high engagement, high loyalty, and being able to rule out any discontent such as salary or career development as they believe they work as a part of worship to God.

Internal stakeholders provide three critical notes on management, such as products related to innovation and high price per unit; human resource management related to employee development and rewards that are very

different from CB, as well as infrastructure, both physical and technological, which is still minimal, thus reducing customer accessibility. Apart from these notes, internal stakeholders believe that sharia banks will be able to face these challenges and survive in the future. In addition, internal stakeholders believe that a Sharia bank is compliant with Sharia because it has followed the rules and is supervised by the relevant regulator.

Customers as external stakeholders have diverse views and experiences of IB, from the most supportive to the most rejecting. The most supportive ones are customers who have religious belief reason, but also they who experience satisfying products and services. The most rejecting could also be due to religious factors, either non-Muslims who consider IB a bank with a vision of da'wah or Muslims who do not believe that IB is truly Sharia; or rejecting because of dissatisfaction with IB products and services. Meanwhile, those customers in the middle are generally looking for a bank that meets their needs without being limited to types of banks.

This research implies that stakeholder analysis can show whether an organization performance can be well received by a community or not, this is in-line with the research from (Greenley et al., 2005; He et al., 2011; Luk et al., 2005). In the Indonesian Islamic Banking's case, IIB's performance is considered good from the internal stakeholder side although there are still some notes of improvement. While from the external side of stakeholders, whether the IIB's performance is good or not, it still applies the same as conventional banks, namely products and services, but still, the value of the religious belief is one of the assessment materials. Based on the assessment of organizational performance according using stakeholder analysis, a revitalization strategy to improve IIB's performance propose the following recommendations section.

## **5.2. Managerial implications, limitations, and future directions of the study**

Numerous recommendations can arise from this result study. Based on the stakeholder analysis, the researcher narrows down the four main stakeholders that have the most influential on IIB, those are employee, management, customer, and regulator/government. With limited resources, companies must have priorities to serving and fulfilling their interests. Managers can gain benefit from this study.

First, employees are the drivers of a company's operating activities. The researcher found two things must be considered as employee development through training and development as well as encouragement for innovation. Appreciation for employee performance needs to be increased, apart from the material, it can also be in the form of performance appreciation. For example, employees who joined IIB because they "hijra", were appreciated with recognition

and made as influencers, to form a more religious IIB corporate culture and it is proven that employees driven by belief have a more optimal work ethic.

Second, management plays a central role because of its critical role in the formulation analysis of corporate strategy. Management is a system admittedly by IB, there is still a lot to be addressed. Improvement of all aspects of management, be it finance, human resource, marketing, operations, must be improved. Third, IIB customer position is not a key player, but in keep satisfied quadrant. This position is very vulnerable to IIB because the customer has high bargaining power. After all, if they stop being a customer, it will affect IIB; meanwhile, they also have the freedom to choose which bank meets his needs. Due to its vulnerability, IIB must prioritize meeting customer needs if they do not want to be abandoned.

Implication to the government or regulator. IIB has received quite impressive support from the government. In recent years, the support keep escalates, one of which is the formation of the The National Committee for Sharia Economics and Finance (KNEKS) and the conversion of several regional banks. The government has released statements that, in the future, there are plans to merge several IB to increase their asset and resource. However, this support must be more concrete, for instance, giving IB priority to funds related to Islamic Education Institutions, Religious Courts, Umrah and Hajj, and other government funds.

The limitation of this study may offer additional opportunities for further research. This research explores stakeholder views of IB but has not linked them to stakeholder choices or behavior. So this research cannot show the direct impact of stakeholder views on organizational performance. Future studies can add dependent variables, for example, the amount of savings, the amount of investment from customers, employee performance, or employee ethics. With the dependent variable, it can be seen, for example, the relationship between the level of customer assessment of the IB with the investment value in the IB. Likewise, with employees, it can be seen the level of employee reviews of IB with employee performance. Sehingga bisa disusun kebijakan yang lebih specific. So that a more specific policy can be formulated.

This research found that the religious values promoted by IB can increase the company's value but at the same time it can also reduce the interest in using IB. It is necessary to investigate further about how the appropriate strategy to place this religious value in the society, in order to be able to formulate a strategy for both homogeneous market and heterogeneous market. This can also be applied to other organizations that have special visions and values, not just religion, to enter a market with multiple values.

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