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Strategic Change Management Model in the Sharia Life Insurance Industry

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ABSTRACT

The sharia life insurance industry is facing increasingly complex competitive dynamics in the era of globalization and technological advancement. Many sharia life insurance companies still use conventional management models that are less responsive to market changes, regulations, and digital innovation. The need to adjust operations to sharia principles while keeping up with industry developments drives the need for a comprehensive strategic change management model to improve competitiveness and efficiency. This study aims to develop a strategic change management model that is specifically tailored to the characteristics of the sharia life insurance industry. This study uses a qualitative research method. Data collection techniques in this study are interviews and literature studies. The data that has been collected is then analyzed in three stages, namely data reduction, data presentation and drawing conclusions. The results of this study indicate that strategic change management in the sharia life insurance industry still faces challenges in terms of the lack of well-identified competencies, stakeholder involvement, and continuity between data processes and results. The integration of the Kotter and Lewin change model with the Market-Based View Theory approach has been proven to strengthen a more adaptive and competitive change strategy for the sharia life insurance industry in Indonesia. In addition, the use of the VOSviewer application helps in mapping research trends and identifying relationships between key concepts, thus enabling the development of a more comprehensive and sustainable change model.

Keywords: Change Management, Strategic, Islamic Life Insurance Industry

INTRODUCTION

The sharia life insurance industry in Indonesia has experienced significant growth in the last few decades. This is inseparable from the increasing public awareness of the importance of insurance protection and the increasing number of people who choose financial products that are in accordance with sharia principles. Amidst the dynamics of the global and local economy, sharia life insurance companies need to continue to adapt and make strategic changes to remain competitive and relevant.

Since the establishment of Islamic banking and Islamic insurance in 1991, it has paved the way for Islamic economics in Indonesia. Theoretically, the relationship between insurance and economic growth is considered a cause-and-effect relationship that benefits everyone and groups because it protects assets and other economic rights (Ab-Rahim et al. 2013). Islamic insurance, which is regulated in Law Number 40 of 2014, is an effort to help each other (ta'awuni) and protect each other (takafuli) between participants through the formation of a pool of funds (tabarru funds) using Islamic principles in dealing with certain risks. Decree of the General of Financial Institutions No. Kep 4499/LK/2000 explains the types, assessments, and investment restrictions of insurance and reinsurance companies with the Islamic system.

Based on the Sharia Non-Bank Financial Industry (IKNB) Statistics data published by the Financial Services Authority (OJK), it shows that the total market share of sharia company assets as of April 2023 shows the total assets of the sharia insurance industry of 45.72 trillion. Sharia life insurance dominates the sharia insurance industry by 77% of the total assets of 35.14 trillion, then sharia general insurance has a market share of 18% of the total assets of

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8.11 trillion, while sharia reinsurance has a market share of 5% of the total assets of 2.47 trillion. The following is the market share data of the total assets of sharia insurance companies in 2023.

OJK has strengthened the health of the insurance sector by issuing Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK), which was enacted on January 12, 2023, the provisions regarding the separation of sharia units as stipulated in Article 87 of the Insurance Law were amended by Article 52 of the P2SK Law. In essence, Article 52 of the P2SK Law mandates the separation of sharia units in insurance companies and reinsurance companies to be carried out after meeting certain requirements, aligned with the direction of regulations aimed at encouraging consolidation in the insurance industry, through increasing paid-up capital for the establishment of insurance companies, increasing minimum equity for insurance companies, strengthening governance and risk management, strengthening the insurance industry ecosystem, and implementing international standards.

Currently, the growth of the sharia insurance business has experienced a significant increase, as seen from the 2021 data which showed an increase of 36.26%. However, the contribution of sharia insurance is still below conventional insurance. This shows that there is great potential in the sharia insurance market that has not been fully explored, thus opening up opportunities for further development through more aggressive marketing strategies, product innovation, and increasing public awareness of the benefits of sharia insurance.

The sharia insurance business is currently experiencing increasingly rapid turbulence, marked by increasingly strong competition, rapid market changes, and changes in customer expectations. To maintain competitive advantage and compete with its competitors, sharia insurance companies must have an effective strategy considering the dynamic changes that occur in this industry. Changes in the business environment increase competition both within and outside the industry, so a change approach is needed from various sources, both internal and external. This is needed to create a competitive business environment and be able to adapt to a more profitable era of change. This condition encourages businesses to compete with each other to achieve strategic competitiveness in the face of change. Changes that color the competitive environment are also experienced by the sharia insurance industry.

Data submitted by the Indonesian Life Insurance Association (AAJI) shows that life insurance achievements, especially sharia life insurance, recorded an increase in profits. This may be due to the large sharia life insurance market in Indonesia, with 87% of the population being Muslim. Sharia Life Insurance business performance. Currently there are eight full-fledge sharia life insurance companies, both local and joint venture, and some of them are still showing positive progress.

The development of sharia life insurance performance shows a significant increase, especially with the entry of Prudential Syariah in 2021. The presence of Prudential Syariah not only increases the variety of products offered, but also encourages the sharia life insurance industry to become more competitive. This increase can be seen from various product and service innovations that are increasingly diverse, as well as more aggressive marketing strategies. The presence of big players such as Prudential Syariah creates healthy competition and encourages other companies to improve the quality of their services and products, thereby providing greater benefits to the community and encouraging overall industry growth.

The Indonesian Sharia Insurance Association (AASI) said that sharia insurance has many advantages, such as no forfeiture system, surplus and underwriting are allocated and distributed, investment profits are shared with policyholders, and fund management is transparent and in accordance with sharia principles. After the COVID-19 pandemic, public awareness of health and life safety has increased, resulting in a positive trend in insurance adoption, including sharia insurance. According to AASI research, sharia insurance assets in Indonesia were worth IDR 43.68 trillion in the third quarter of 2021. Overall asset growth showed a growth of 6.10% annually (www.aasi.co.id).

In addition to the increase in sharia insurance assets, public interest in sharia insurance protection is increasing every year. This is evidenced by the increase in gross sharia insurance claims from 2015-2022. The following is the growth in gross contributions and gross claims of sharia insurance in Indonesia. However, there are several challenges for sharia life insurance, namely penetration and demand. However, the sharia insurance industry also has various potentials because it sees the development of total assets, market share, and gross contributions and

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claims. This prospect is supported by the majority of Indonesian people being Muslim. According to OJK (2022), the increasing role of the Sharia Insurance industry and the increasing need of the community for the existence of Sharia insurance require a comprehensive strategy including the Sharia Insurance penetration strategy, development of sharia insurance products, operations and other components that support the development of sustainable Sharia Insurance.

This potential can increase the development of Islamic financial institutions in general and Islamic life insurance in particular which has a large market share compared to Islamic general insurance and Islamic reinsurance. This potential can be a growth factor for the Islamic life insurance industry by anticipating all global challenges and preparing to change and innovate. This must be done by all companies in facing change and facing the challenges of global change in various aspects of life both now and in the future. According to Kotter (1996), organizations must prepare themselves for innovation and change. This is not only to be successful but to survive in an era of increasing competition. In line with Kotter (1996), Doval's research (2016), explains that the global environment is complex, volatile, and dynamic. Companies that act globally need to be aware of the complexity of the global environment to gain competitive advantage. Therefore, organizations need to adopt a change strategy. The change management strategy is based on changing managers' attitudes towards dynamic competitive advantage and focusing on dynamic creation and focusing on creation rather than operations.

Based on the data on the growth of gross contributions and gross claims of sharia insurance, it shows that sharia life insurance has a large market share compared to sharia general insurance and sharia reinsurance. However, the challenge of sharia insurance is the tight competition with conventional insurance. The scale of the sharia insurance industry in Indonesia is still small compared to the conventional insurance industry The scale of the sharia insurance industry in Indonesia is still small compared to the conventional insurance industry Based on data as of December 31, 2022, conventional insurance premiums reached a market share of 50.32%, social and mandatory insurance premiums of 45%, and sharia insurance contributions of 4.76%. For this reason, it is necessary to strengthen the role of sharia insurance in Indonesia to fill the gap in the market share of sharia life insurance compared to conventional insurance.

Law no. 40 of 2014 concerning Insurance explains that sharia insurance is a collection of agreements that include agreements between sharia insurance companies and policyholders (customers), in the context of managing contributions based on sharia principles with the aim of mutual assistance and protection by (1) providing compensation to policyholders due to losses, or legal responsibility to third parties due to a problem or disaster, and (2) providing payments based on the death of the policyholder based on the life of the participant with benefits that have been previously agreed upon.

According to OJK (2022), Indonesia is one of the countries with great potential in terms of Sharia financial penetration supported by the world's largest Muslim population. Sharia Insurance continues to experience significant growth as seen from the Sharia Life Insurance Assets in 2022 which have a portion of 5.6% compared to total Life Insurance assets in general. Meanwhile, Sharia General Insurance has a market share of 3.7%. This is supported by 15 Full Pledged Sharia Insurance and Sharia Reinsurance companies and 43 Sharia Insurance and Sharia Reinsurance in the form of Sharia Business Units. The role of Sharia Life Insurance in Indonesia is getting bigger as shown by the portion of contribution from Sharia Life Insurance sales in 2022 reaching 11.8%, jumping from 5 years ago where the contribution of Sharia Life Insurance only reached 5.8%. Furthermore, Sharia General Insurance, the sales contribution in 2022 reached 3.8%. This is still far below conventional.

The sharia life insurance industry in Indonesia is at a crucial point where strategic change management is a determining factor for sustainability and growth. By implementing the right strategic change management model, sharia life insurance companies can face challenges and take advantage of existing opportunities, so that they can continue to grow and provide maximum benefits to the community. Therefore, efforts are needed to develop the industry that can be directed at increasing public literacy, expanding marketing reach, product innovation that is in accordance with the needs and capabilities of the community, and increasing the capacity of industry players.

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RESEARCH METHOD

This research was descriptive and explorative with a systematic literature review (SLR) approach and an empirical study based on primary and secondary data conducted in Indonesia, focusing on Jakarta as the center of the sharia life insurance industry, during the period October 2024 to October 2025. The research population includes 8 full-fledged sharia life insurance companies that are members of the Indonesian Sharia Insurance Association (AASI), with a total sampling involving four main categories of respondents, namely directors and company leaders, insurance practitioners/experts, sharia economics and finance experts, and sharia life insurance customers. Data were collected through in-depth interviews, questionnaires, and FGDs, and analyzed using thematic analysis approaches, descriptive statistics, and change management modeling based on Market-Based View Theory and the Lewin & Kotter model. In addition, this study also utilizes the VOSviewer application to map research trends related to strategic change management in the sharia life insurance industry, identify relationships between key concepts, and find research gaps that can be used as a basis for compiling a change model. The results of this study are expected to provide a deeper understanding of the success factors of strategic change management in the sharia life insurance industry and produce a more adaptive, effective, and sustainable change model according to the needs of the industry in Indonesia.

RESULT AND DISCUSSION

This research is strengthened from several previous studies, which stated that during building a model in change management, it explains that the influence of management and leadership is very influential in introducing strategic changes, innovative behavior, causes of change management failure, and identifying various factors that influence the success of change management with a change management model approach. As a framework of the relationship between this study and previous studies, it can be seen in Figure 2.1:

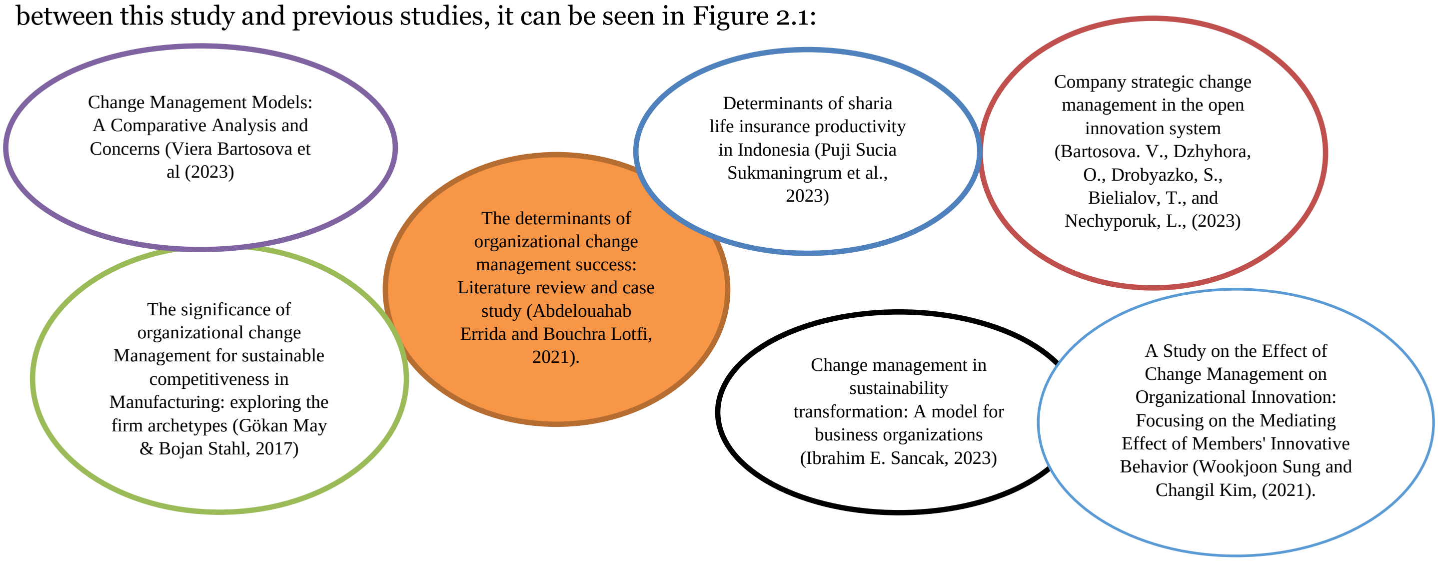

Figure 2.1 Relationship to Previous Research

Based on the results of the state-of-the-art search of previous research, a description of the research position of the change management approach model in Change Management is obtained as follows:

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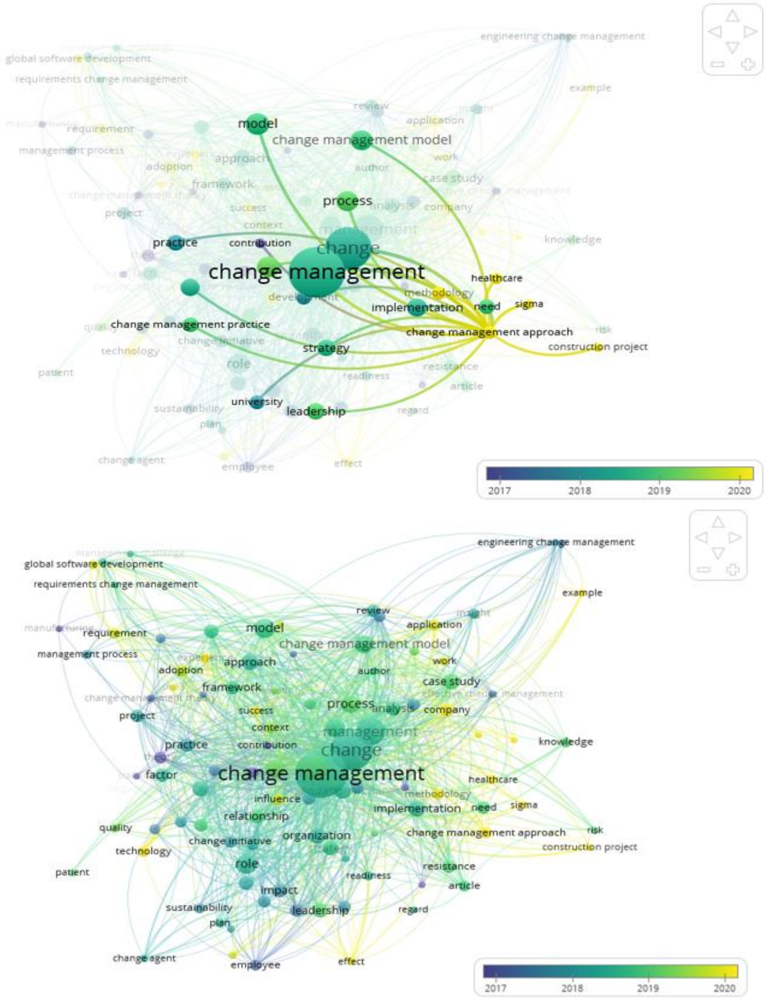

Figure 2.2 Previous VOSviewer Research Results

The results of the VOSviewer network consist of 7 clusters with 103 items and 1432 links. The first cluster consists of change management theory, change management perspective, change management practice, framework, innovation, and business. The second cluster consists of change management, change management approach, and development. The third cluster consists of change agent, organization change management, leadership, sustainability, and transformational leaders. The fourth cluster consists of change management strategy, performance, change initiative culture, employee, readiness, and successful change management. The fifth cluster consists of change management model, effective change management, ethical change management, and Kotter model. The sixth cluster consists of management and company. The seventh cluster consists of change management process, model, and challenge.

Based on the results of VOSviewer in the second Cluster, change management is seen to be connected to the change management approach and development. The link to the change management approach in yellow indicates relatively new research. Based on this, this study analyzes and creates a change management model with a change management approach, namely the Change Management Model (Lewin and Kotter) approach and the Market Based View Theory approach.

In considering the methods and analysis used in designing a corporate change management model with a change management approach in strengthening the insurance industry, the concept needs to be considered and presented in this study. Several literature reviews that have been discussed previously show that many changes management studies have been conducted, but a more in-depth study is needed regarding the importance of designing a change management model to strengthen the insurance industry with the Market Based View Theory approach and the Change Management Model approach (Lewin and Kotter). This research needs to be done to maintain strengthening the sharia insurance industry in Indonesia to be competitive with the conventional insurance industry. The following are the stages of compiling a Systematic Literature Review of compiling research in Figure 2.3 below:

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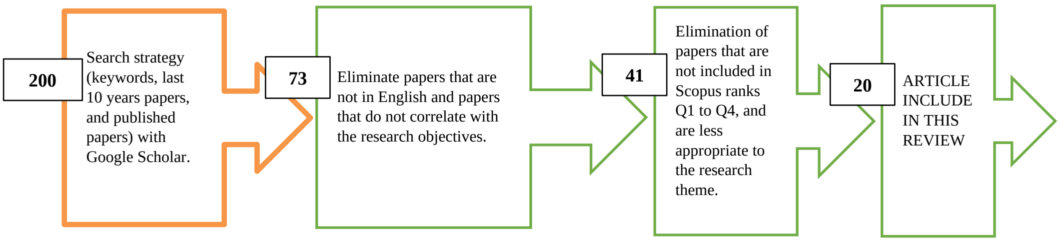

Figure 2.3 Stages of Compiling a Systematic Literature Review (SLR)

Based on the results of the systematic literature review, the results of the search and synthesis of recent research articles in 2023 are related to the Change Management Approach, Sustainability Change Management, and Change Management Model, as well as Change Management Innovation. Research in 2020-2022 on Strategy for Successful Change Management, Organizational Change Management Effort, Model for Change Management, Organizational Change Management Success, Change Management in Employee Development, Climate Change Management Strategies, and Successful Change Management Initiatives. Research in 2018-2019 on Change Management for Sustainability, Leadership Style in Organizational Change Management, Change Management For Performance, Developing Change Management Model, Human Resource in Change Management, Change Management Communication, Change Management Practice, and Concept for Successful Change Management. Change management research in 2015-2017 is related to Transformational Leadership, Change Management Perspective, Applicability Change Management Theory, Innovation & Change Management, Change Management for Sustainability, Change Management Practices for Performance, Culture, Kotter Change Management Framework, and Knowledge Management Strategy for Successful Change Management. However, previous research that focuses on combining various approaches in the change management approach is still relatively rare so that this study has the opportunity to examine change management with a modification of the change management approach, namely the Market Based View Theory approach and the Change Management Model approach (Lewin and Kotter) which are new change management models. Table 2.1 presents the journals considered in this research data set. The following is the distribution of papers across journals:

Table 2.1 Distribution of papers across journals

No	Journal Title	Articles include (20) articles
1	Journal of Environmental Management	2
2	International Journal of Engineering Business Management	1
3	International Journal of Production Research	1
4	Sustainability	1
5	International Journal of Economics and Finance Studies	1
6	Research in Business & Social Science	1
7	Journal of Organizational Change Management	1
8	International Journal of Simulation Modelling	1
9	Journal of Risk and Financial Management	1
10	CIRP Journal of Manufacturing Science and Technology	1
11	International Journal Human Resources Development and Management	1
12	International Journal of Production Research	1
13	IEEE Engineering Management Review	1

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14	Journal of Open Innovation: Technology, Market and Complexity.	1
15	International Journal of Economics and Finance Studies	1
16	Risks	1
17	Helion	1
18	Gazi University Journal of Science	1
19	Decision Science Letters	1

In compiling a Systematic Literature Review, there are several research gaps in this research including Limitations of previous research, Controversy over research findings, and Suggestions for Future Research which have been explained in the research background in table 1.1 which explains the research gaps and gaps in previous research.

Based on the gap summary table, it explains that there are several things that cause change management failure, namely lean construction, lack of clear vision, lack of leadership skills, low stakeholder involvement, and poor communication (Errida and Lotfi, 2021) and lack of change management skills and knowledge (Samuel Musungwini, 2019), in addition, cynicism towards change has a debilitating effect on the change process and can be managed through effective learning orientation in employees and developing readiness for change in the organization (Muhammad Kashif Imran et al., 2016).

The SLR results also found several recommendations from previous studies, namely research that has been conducted to fill the gaps in weaknesses in Kotter's approach to change management by identifying competencies. The findings propose by describing the related competencies needed in managing the change process, identifying common obstacles & investigating continuity between various elements, namely continuity between the data process towards results and the change management process to better mitigate risks (Danny Sittrop and Cheryl Crosthwaite, 2021). Other studies use a change management approach, namely by combining the Jick model with the GE change model, and the Kotter model in identifying various factors that influence the success of change management, and testing its relevance in the case of the company (Errida and Lotfi, 2021).

Other studies also recommend that in implementing change must be measured across the company. Therefore, a network of appropriate indicators and parameters must be prepared, and all must be holistically connected in a process or measurement model. Model development is an ongoing process, which in its structure must consider dynamic movements and changes inside and outside the company (Vedenik and Leber, 2015). In addition, the greater the level of detail of the change management process, the better its implementation and performance in change management practices. A detailed network of change management activities, specific methods & tools dedicated to the early and late stages of the process, and guidelines for efficient and effective change management implementation are beneficial for future change management (Vedenik and Leber, 2015).

This study develops a strategic change management model in the sharia life insurance industry by considering various change approaches that have been identified in previous studies. The SLR results show that Kotter's approach has weaknesses in identifying the competencies needed in change management, so there needs to be a description of relevant competencies, identification of constraints, and continuity between data processes, results, and risk mitigation. In addition, previous studies have also combined the Jick model, the GE change model, and the Kotter model to identify success factors for change management and test their relevance in the company context. Based on these findings, this study proposes a modification of the model by integrating the Market-Based View Theory approach and the Kotter and Lewin models to strengthen the competitiveness of the sharia life insurance industry in Indonesia. To ensure the success of the implementation of change, this study also emphasizes the importance of comprehensive measurement across all areas of the company, with indicators and parameters that are holistically connected in the measurement process. In data analysis, the VOSviewer application is used to map research trends, identify relationships between key concepts, and find research gaps that can be used as a basis for developing a change model. Thus, the proposed change management model is not only more adaptive and sustainable, but also takes into account the internal and external dynamics of the company to improve the effectiveness of strategic change implementation in the Islamic life insurance industry.

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CONCLUSION

The results of the study indicate that the strategic change management model in the sharia life insurance industry is designed to increase competitiveness through a more holistic and adaptive approach. This model combines the Market Based View Theory with the Change Management Model (Lewin and Kotter) to create a more structured and market-oriented change strategy. The main focus in this model is to strengthen the organization's vision, improve leadership skills, and improve stakeholder engagement and communication in the change process. In addition, this model emphasizes the importance of dynamically integrated indicators and parameters in order to adapt to internal and external changes. With this approach, the sharia life insurance industry is expected to be able to adapt to existing challenges and increase the effectiveness of change management implementation in order to achieve long-term sustainability and growth..

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