



The Influence of Collaboration Strategies, Learning Programs, Compliance Activities, and Work Engagement with the Mediation of Individual Performance Achieving Performance of Sharia Units

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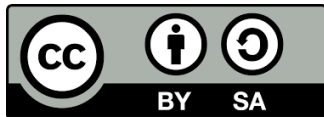
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Abstract

Sharia Business Units (SBUs) in Indonesia face increasing pressure to strengthen organizational readiness and financial performance amid evolving regulatory requirements for institutional separation. This study examined the relationships between strategic collaboration, learning programs, compliance activities, work engagement, and financial performance, with individual performance serving as a mediating variable. An explanatory sequential mixed-methods design was employed, combining a questionnaire survey of 215 employees from Indonesian SBUs with semi-structured interviews involving six purposively selected informants. Quantitative data were analyzed using partial least squares structural equation modeling (PLS-SEM) with SmartPLS 4, while qualitative interview data were analyzed thematically using NVivo 15. The results revealed that strategic collaboration, learning programs, and compliance activities were significantly and positively associated with individual performance, with learning programs demonstrating the strongest relationship ($\beta = 0.502$). Individual performance was significantly associated with financial performance ($\beta = 0.394$) and mediated the relationships between these three organizational factors and financial performance. Work engagement also exhibited a significant direct association with financial performance. The structural model explained 54.2% of the variance in individual performance and 56.9% of the variance in financial performance. Qualitative findings highlighted the importance of effective governance, employee competencies, and resource sharing with parent banks in supporting organizational performance. Overall, the findings suggested that sustainable financial performance and institutional readiness among SBUs depend on continuous employee development, strategic collaboration, and consistent compliance with Sharia principles, supported by improved individual performance and effective alignment with parent-bank resources.



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INTRODUCTION

Islamic banking in Indonesia has developed within a dual banking system established under Law No. 7 of 1992, subsequently amended by Law No. 10 of 1998 and further strengthened by Law No. 21 of 2008 concerning Sharia Banking. This regulatory framework also established provisions governing the separation of Sharia Business Units (Unit Usaha Syariah, UUS) from their conventional parent banks (Al Arif et al., 2020; Antonio, 2001; Trinugroho et al., 2021). Subsequent regulatory developments, particularly Law No. 4 of 2023 concerning Financial Sector Development and Strengthening (Pengembangan dan Penguatan Sektor Keuangan, P2SK) and Financial Services Authority Regulation (Peraturan Otoritas Jasa Keuangan, POJK) No. 12 of 2023, introduced revised requirements for UUS separation. Under these provisions, a UUS is required to undertake a spin-off when its assets reach at least 50% of its parent bank's total assets or IDR 50 trillion. Units that remain below these thresholds

may continue operating within their parent banks while strengthening their organizational capabilities and institutional readiness. Consequently, a spin-off represents more than a regulatory obligation; it constitutes an institutional transformation requiring organizational readiness, sufficient business capacity, effective governance, and long-term financial sustainability.

By 2025, Indonesia's Islamic banking industry comprised 14 Sharia Commercial Banks and 19 UUS, supported by an expanding branch network (Table 1). Nevertheless, regulatory inconsistencies and institutional challenges continued to constrain industry development (Hakim Sitompul et al., 2025). UUS operating within conventional banking institutions, including Permata Bank, CIMB Niaga, OCBC NISP, and Maybank Indonesia, exhibited considerable differences in operational scale, parent-bank support, technological integration, human resource readiness, and strategic collaboration practices. These institutions also faced challenges involving limited strategic autonomy, dependence on parent-bank infrastructure, the need to strengthen employee competencies, relatively low Islamic financial literacy in certain market segments, and increasing pressure to accelerate digital transformation. Such conditions highlighted the importance of organizational strategies that could strengthen operational capabilities while maintaining compliance with evolving regulatory requirements.

The Resource-Based View (RBV) provides a theoretical foundation for understanding how organizations achieve sustainable competitive advantage through the effective management of valuable, rare, inimitable, and organizationally embedded resources (Barney, 1991; Ferreira et al., 2020; Monson, 2024). Within UUS, these strategic resources include collaboration with parent banks, Sharia banking expertise, organizational learning capabilities, and consistent compliance with Sharia principles (Fielnanda et al., 2024). The dynamic capabilities perspective further emphasizes an organization's ability to sense opportunities and threats, seize strategic opportunities, and transform organizational resources in response to environmental and regulatory changes (Mohamed & Hussein, 2025; Teece, 2007). The effective utilization of these resources and capabilities is closely related to individual performance, which reflects employees' contributions across operational, specialist, and managerial functions. Individual performance may be strengthened through structured learning programs, effective compliance activities, and sustained work engagement, thereby supporting broader organizational and financial performance objectives (Bakker et al., 2023; Kahn, 1990; Kim & Hang, 2024).

Within the UUS context, strategic collaboration extends beyond routine operational coordination and encompasses the strategic integration of resources and capabilities between business units and their conventional parent banks. Such collaboration involves shared business infrastructure, knowledge transfer, employee competency development, governance support, technological integration, and optimization of service distribution networks. Its effectiveness may influence the ability of UUS to develop organizational capabilities and sustain competitive advantages within an increasingly competitive financial services environment (Ferreira et al., 2020; Huynh & Nguyen, 2024; Schilke et al., 2018). Previous research has also demonstrated differences between Islamic and conventional banks in terms of risk exposure, asset quality, financial stability, and institutional resilience. However, empirical findings have remained inconsistent, suggesting that these relationships depend on institutional characteristics,

regulatory environments, and organizational adaptive capabilities (Beck et al., 2013; Čihák & Hesse, 2010; Hidayah et al., 2021).

Previous studies have predominantly focused on conventional business organizations or independent Sharia Commercial Banks, while research specifically examining UUS within conventional banking structures has remained relatively limited. Existing investigations have generally assessed strategic collaboration, learning programs, compliance activities, and work engagement separately, with insufficient attention to their simultaneous relationships with individual and financial performance. Furthermore, the mediating role of individual performance in explaining how organizational capabilities translate into financial outcomes has received limited empirical examination within the UUS context. Although partial least squares structural equation modeling (PLS-SEM) provides an analytical approach for examining complex relationships involving multiple constructs and mediation pathways, its application to integrated organizational performance models within UUS remains an area requiring further investigation (Hair et al., 2022). From a practical perspective, several institutional challenges also remain unresolved, including uncertainty regarding the strategic autonomy of UUS following regulatory changes, the operational implications of revised separation requirements, and the absence of standardized strategic collaboration mechanisms between UUS and their parent banks (Komite Nasional Ekonomi dan Keuangan Syariah [KNEKS], 2024; Otoritas Jasa Keuangan [OJK], 2023a, 2023b). These theoretical and practical gaps highlight the need for an integrated framework linking organizational resources, employee performance, and financial outcomes under changing regulatory conditions.

Based on these considerations, this study aimed to examine the relationships between strategic collaboration, learning programs, compliance activities, work engagement, individual performance, and financial performance within Indonesian UUS. Specifically, the study investigated the direct associations of these organizational factors with individual and financial performance, the mediating role of individual performance, and the strategic approaches that UUS could adopt to strengthen financial performance amid regulatory changes concerning institutional separation. An explanatory sequential mixed-methods design was employed, beginning with a questionnaire survey of 215 respondents comprising 52 line managers, 30 specialists, and 133 staff members. Approximately 54% of respondents were affiliated with Permata Bank's UUS, while approximately 10% each represented the UUS of CIMB Niaga, OCBC NISP, and Maybank Indonesia. Quantitative data were analyzed using PLS-SEM, followed by qualitative interviews with banking practitioners and thematic analysis using NVivo 15. The study focused on regulatory developments occurring between December 2022 and October 2023 and employed cross-sectional survey data collected in 2023.

The academic contribution of this study lies in the development of an integrative conceptual model, referred to as the UUS Strategic Synergy Framework, which connects organizational resources, strategic capabilities, employee behavior, and financial performance within the institutional transformation of Islamic banking units (Crossan et al., 1999; Saks, 2006). By positioning individual performance as a mediating mechanism, the framework provides a more comprehensive explanation of how strategic collaboration, learning programs, compliance activities, and work engagement may contribute to financial outcomes. From a practical perspective, the findings offer strategic insights for UUS management and conventional parent banks seeking to strengthen organizational readiness, optimize resource

sharing, enhance employee capabilities, and maintain financial sustainability. Furthermore, the study provides an empirical foundation for evaluating institutional adaptation and organizational responses to regulatory pressures within Indonesia's Islamic banking sector (DiMaggio & Powell, 1983).

METHOD

Research Design

This study employed a mixed-methods approach with an explanatory sequential design (Creswell & Plano Clark, 2018). The quantitative phase examined the relationships among the study variables using partial least squares structural equation modeling (PLS-SEM), while the qualitative phase involved semi-structured interviews with Islamic banking executives, practitioners, and experts to provide deeper insights into the quantitative findings. The quantitative results informed the selection of key issues explored during the qualitative phase. To minimize potential researcher bias arising from the researcher's professional experience in human resource management within a Sharia Business Unit (UUS) and its parent bank, standardized research instruments, predefined respondent selection criteria, and systematic analytical procedures were employed.

Research Model and Variables

The model examines the direct and indirect effects of four exogenous variables, namely Strategic Collaboration, Learning Program, Compliance Activities, and Work Engagement (also referred to as Work Commitment), on Financial Performance as the endogenous variable, with Individual Performance as the mediating variable. All constructs are measured reflectively with five indicators each (30 indicators in total) on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The dimensions of each variable are summarized in Table 1.

Table 1. Research Variables and Measurement Dimensions

Variable	Role	Dimensions (one indicator each)
<i>Strategic Collaboration</i>	Exogenous	Quality of the UUS–parent bank relationship; communication and transparency; activity integration; orientation to <i>maqāṣid al-sharī'ah</i> ; top management support
<i>Learning Program</i>	Exogenous	Access to and intensity of training; training effectiveness; organizational support and learning culture; learning outcomes (sharia knowledge); informal/workplace learning
<i>Compliance Activities</i>	Exogenous	Supervision and control; understanding and literacy of procedures; periodic sharia audit and evaluation; compliance culture and values; fairness of sanctions
<i>Work Engagement</i>	Exogenous	Vigor; dedication; absorption; proactive contextual contribution; meaning and challenge in work
<i>Individual Performance</i>	Mediator	Task performance (timeliness and accuracy); goal attainment; self-management; proactive performance;

Variable	Role	Dimensions (one indicator each)
<i>Financial Performance</i>	Endogenous	learning-related performance (feedback seeking)
		Financial growth; profitability and consistency; operational efficiency; customer satisfaction impact; strategic initiatives and added value

SEM-PLS was chosen because it can handle complex structural models, does not require multivariate normality, suits exploratory-predictive research, and works with moderate sample sizes (Hair et al., 2019). The analysis consists of outer model evaluation (convergent validity, discriminant validity, composite reliability, Cronbach's alpha, and AVE) and inner model evaluation (path coefficients, t-statistics, p-values, R^2 , f^2 , Q^2 , and mediation tests through bootstrapping), using SmartPLS 4. SPSS was used as a supporting validity and reliability check.

Population, Sample, and Data

The population comprises employees of Sharia Business Units of conventional commercial banks in Indonesia. Respondents were drawn through non-probability convenience sampling from UUS PermataBank, CIMB Niaga, OCBC NISP, Maybank Indonesia, and other UUS, covering operational areas such as Jakarta, Bandung, Surabaya, Semarang, Medan, Makassar, and Aceh. Following Hair et al. (2019), the minimum sample is 5×30 indicators = 150 respondents; the study obtained 215 respondents (about 54% from UUS PermataBank and about 10% each from CIMB Niaga, OCBC NISP, and Maybank Indonesia). Because the sample is non-probabilistic, the findings are interpreted as analytical generalizations rather than estimates of population parameters.

Primary data were collected through questionnaires (16 November 2025 – 24 January 2026) and semi-structured interviews with six informants selected purposively. Secondary data came from bank annual reports, OJK reports, UUS-related POJK, scientific publications, and internal training and compliance documents.

Data Analysis Techniques

Quantitative data were analyzed through descriptive statistics, outer model testing, and inner model testing with SEM-PLS (Hair et al., 2022; Henseler et al., 2015). Interview data were transcribed verbatim and analyzed in NVivo 15 using thematic analysis (Braun & Clarke, 2006) and grounded theory coding (open, axial, and selective coding; Strauss & Corbin, 1998). The qualitative analysis complements rather than replaces the quantitative results by explaining the context, reasons, and dynamics behind the tested relationships.

RESULTS AND DISCUSSION

Respondent Profile

Table 2. Respondent Characteristics (n = 215)

Characteristic	Category	Frequency	Percentage
Gender	Male	119	55.3%
	Female	96	44.7%
Age	36–45 years (Millennials)	–	42%

Characteristic	Category	Frequency	Percentage
Education	25–35 years	–	32%
	46–55 years (Gen X)	–	23%
	< 25 years (Gen Z)	–	3%
	Bachelor (S1)	175	81%
	Master (S2)	22	10%
	Diploma (D3)	14	6%
Position	Doctorate (S3)	4	2%
	Staff	133	61.8%
	Line Manager	52	24.2%
	Specialist	30	14.0%

Respondents are predominantly in the productive middle-age group, highly educated, and mostly at staff level. This indicates that learning programs in UUS operate on an adequate academic base and focus on sharia specialization and professionalism rather than basic competencies. Gender, age, education, and position are descriptive only and are not used as control variables in the SEM-PLS model.

Measurement Model (Outer Model)

All indicator loadings exceeded 0.70, except one Individual Performance indicator (0.671), which remains acceptable (Hair et al., 2019). As shown in Table 3, all constructs have AVE > 0.50 and composite reliability > 0.70, so convergent validity and reliability are met. The SPSS check likewise showed Cronbach's alpha above 0.80 for all indicators.

Table 3. Convergent Validity and Reliability

Variable	AVE	√AVE	Composite Reliability (rho_c)	Remarks
Strategic Collaboration	0.641	0.801	0.899	Valid, reliable
Learning Program	0.750	0.866	0.937	Valid, reliable
Compliance Activities	0.657	0.811	0.905	Valid, reliable
Work Engagement	0.660	0.812	0.906	Valid, reliable
Individual Performance	0.643	0.802	0.899	Valid, reliable
Financial Performance	0.712	0.844	0.925	Valid, reliable

Discriminant validity was confirmed through cross loadings, where every indicator loads highest on its own construct, and through the Fornell–Larcker criterion in Table 4, where the square root of each construct's AVE (diagonal) exceeds its correlations with the other constructs.

Table 4. Fornell–Larcker Criterion (Latent Variable Correlations)

Variable	COL	LP	CA	WE	IP	FP
Strategic Collaboration (COL)	0.801					
Learning Program (LP)	0.425	0.866				
Compliance Activities (CA)	0.541	0.708	0.811			
Work Engagement (WE)	0.574	0.568	0.578	0.812		
Individual Performance (IP)	0.466	0.702	0.628	0.502	0.802	
Financial Performance (FP)	0.533	0.608	0.623	0.580	0.674	0.844

Table 5. Model Fit Test Results

Parameter	Criterion	Value	Remarks
SRMR	< 0.10	0.064	Fit
d_ULS	> 0.05	1.923	Fit
d_G	> 0.05	0.851	Fit
Chi-square	χ^2 statistic $\geq \chi^2$ table	1,004.018 > 43.773	Fit
NFI	Close to 1	0.791	Fit
GoF	0.10 small; 0.25 moderate; 0.36 strong	0.613	Fit (strong)
Q ² predictive relevance	> 0; 0.02 weak, 0.15 moderate, 0.35 strong	0.389	Fit (strong)

The SRMR of 0.064 indicates a small difference between the observed and model-implied correlation matrices, and the GoF and Q² values indicate a strong global fit and strong predictive relevance. The NFI of 0.791 is below the ideal but still acceptable. Overall, the model is adequate for analyzing relationships between latent variables.

Structural Model (Inner Model) and Hypothesis Testing

The R² of Individual Performance is 0.542 (adjusted 0.536) and the R² of Financial Performance is 0.569 (adjusted 0.561). Thus, 54.2% of the variation in individual performance and 56.9% of the variation in financial performance are explained by the model, which is a moderate explanatory power for applied social research (Hair et al., 2022). Bootstrapping results for the direct effects are presented in Table 6.

Table 6. Direct Effects (Bootstrapping Path Coefficients)

Hypothesis	Path	β	t-statistic	p-value	Result
H1	Strategic Collaboration → Individual Performance	0.148	2.541	0.006	Significant
H2	Learning Program → Individual Performance	0.502	6.596	0.000	Significant
H3	Compliance Activities → Individual Performance	0.193	2.265	0.012	Significant
H4	Strategic Collaboration → Financial Performance	0.135	2.000	0.023	Significant
H5	Compliance Activities → Financial Performance	0.189	2.662	0.004	Significant
H6	Work Engagement → Financial Performance	0.195	3.179	0.001	Significant
H7	Individual Performance → Financial Performance	0.394	5.652	0.000	Significant

Table 7. Indirect Effects (Mediation by Individual Performance)

Hypothesis	Mediation Path	t-statistic	p-value	Result
H8	Strategic Collaboration → Individual Performance → Financial Performance	2.231	0.013	Significant
H9	Learning Program → Individual Performance → Financial Performance	4.224	0.000	Significant
H10	Compliance Activities → Individual Performance → Financial Performance	2.056	0.020	Significant

All ten hypotheses are supported ($p < 0.05$). Learning Program has the largest effect on Individual Performance ($\beta = 0.502$), and Individual Performance has the largest effect on Financial Performance ($\beta = 0.394$). The Learning Program → Individual Performance → Financial Performance path is also the strongest mediation path ($t = 4.224$).

Discussion of Direct Effects

Strategic collaboration (H1, H4). Collaboration between UUS and the parent bank, between internal units, and across functions improves individual performance by providing access to information, system support, and cross-functional learning, for example in financing approval involving business and risk units, use of the core banking system, and synergy among the Sharia Supervisory Board (DPS), compliance, and business units. Collaboration also directly improves financial performance through larger financing volumes, lower operating costs, and joint risk mitigation. These findings are consistent with relational coordination research (Carmeli & Gittell, 2009) and with POJK No. 2/POJK.03/2024 on Sharia Governance, which treats coordination as a core governance mechanism. In the spin-off context under POJK No. 12/POJK.03/2023, collaboration serves as a transitional mechanism for transferring knowledge, systems, and risk management practices before UUS operates independently.

Learning program (H2). Learning is the most dominant factor in improving individual performance. Training on sharia principles, sharia banking certification, contract-based product learning, sharia risk management, and on-the-job training build the dual competence (sharia and modern banking) required in UUS. Because many UUS employees come from conventional banking, learning functions as a cognitive and cultural transition that prevents sharia operations from being run with a conventional paradigm. This finding is in line with human capital theory (Becker, 1964), Article 68 of Law No. 21 of 2008, and the human resource pillar of RP3SI 2023–2027 (OJK, 2024).

Compliance activities (H3, H5). Sharia compliance shapes disciplined, accurate, and responsible work behavior through proper contract selection, appropriate margin and profit-sharing ratios, transparent product information, and periodic sharia audits. It also directly improves financial performance by strengthening customer trust and reputation and lowering legal and reputational risk. Compliance is therefore a core governance mechanism and an ethics-based intangible asset rather than an administrative burden (Mollah & Zaman, 2015).

Work engagement (H6). Employees with high vigor, dedication, and absorption provide better service, show initiative, and contribute extra-role effort, which raises productivity, customer satisfaction, and revenue. This supports evidence that engagement is positively related to profitability (Harter et al., 2002; Bakker & Demerouti, 2008). In UUS, engagement also carries a value-based motivation rooted in the concept of *ihsan*.

Individual performance (H7). Financial performance is largely an aggregation of individual contributions, such as the quality of financing analysis, accuracy of contract selection, accuracy of data input, and consistency of compliance supervision, which affect portfolio quality, NPF, process efficiency, and customer satisfaction. Readiness for spin-off therefore depends heavily on human resource quality, not only on asset size or organizational structure.

Discussion of Mediation Effects

The mediation results show that collaboration, learning, and compliance create economic value only when they are translated into better individual performance. Collaboration improves financial performance by improving service speed, analysis accuracy, and decision quality (H8). Learning works as the primary causal pathway: learning → competence → individual performance → financial performance (H9). Compliance acts as a behavioral governance mechanism, because DSN-MUI fatwas, OJK provisions, and internal policies are

implemented by employees in daily practice (H10). Individual Performance thus functions as the transmission belt linking organizational factors to financial outcomes. In the Ability–Motivation–Opportunity framework, collaboration provides opportunity, learning builds ability, and compliance sets the boundaries and motivation for responsible work.

Qualitative Findings and Integration

Interviews with six informants were coded in NVivo 15 into eight categories (Table 8). Compliance Activities was the most dominant category, followed by Individual Performance, Strategic Collaboration, and Non-Spin-off, indicating that informants focused on governance and organizational development rather than on psychological aspects.

Table 8. Coding Categories from Qualitative Analysis (NVivo 15)

No	Coding Category	Number of Informants	Number of References
1	Compliance Activities	3	16
2	Individual Performance	4	11
3	Strategic Collaboration	4	9
4	Non-Spin-off	6	9
5	Financial Performance	3	8
6	Learning Program	2	6
7	Spin-off	1	3
8	Work Engagement	1	1

Informants emphasized that UUS growth relies on leveraging the parent bank's resources, including its office network, infrastructure, technology, human resources, and customer base for sharia cross-selling, which lowers operating costs compared with a stand-alone Sharia Commercial Bank (BUS). They also warned that a spin-off without adequate structural and capital readiness may increase risk and operating burdens. Informants further stressed that sharia staff need deeper competence than conventional staff and that learning should be gradual and continuous. Table 9 integrates the quantitative and qualitative results.

Table 9. Integration of Quantitative and Qualitative Results

Variable	Quantitative Result (SEM-PLS)	Qualitative Result	Synthesis
Strategic Collaboration	Positive effect on Individual and Financial Performance	Collaboration with the parent bank strengthens readiness to face spin-off	Collaboration is a key factor for individual and organizational performance
Learning Program	Strongest positive effect on Individual Performance	Competency development increases human resource readiness for change	Learning improves individual capability, which drives performance
Compliance Activities	Positive effect on Individual and Financial Performance, and indirect effect through Individual Performance	Compliance is the main foundation of UUS operational sustainability	Compliance meets regulation and strengthens organizational effectiveness
Individual Performance	Positive effect on Financial Performance	Competence and coordination improve achievement of organizational goals	Individual quality is a key driver of financial performance
Work Engagement	Positive direct effect on Financial Performance	Not a dominant theme in interviews	Engagement matters statistically but is not seen as a main readiness factor

Sharia Business Unit Performance and Strategy Towards Spin-off

Following Law No. 4 of 2023 (P2SK Law) and POJK No. 12/POJK.03/2023, the debate on the spin-off obligation centers on implementation timing, organizational readiness, and success criteria rather than on the goal of developing Islamic banking itself. Table 10 compares the performance of the four UUS before and after the P2SK Law.

Table 10. Performance of Four UUS Before and After the P2SK Law

UUS		Asset CAGR 2020–2022	ROA 2020–2022	NPF 2020–2022	Asset CAGR 2023–2025	ROA 2023–2025	NPF 2023– 2025
CIMB Syariah	Niaga	18.55%	2.47%	1.27%	7.57%	2.08%	1.38%
PermataBank Syariah		11.26%	1.43%	2.12%	6.74%	1.38%	1.76%
Maybank Syariah		6.53%	1.85%	3.59%	2.18%	1.11%	2.39%
OCBC Syariah	NISP	9.82%	1.15%	1.89%	8.64%	1.20%	1.68%

Source: Bank financial statements and OJK reports, processed by the author (2026). ROA and NPF are period averages.

Before the P2SK Law, two UUS recorded asset growth above 10%, with CIMB Niaga Syariah achieving the highest profitability and the best asset quality. After the law, asset growth slowed across all four UUS. OCBC NISP Syariah recorded the highest growth (8.64%), CIMB Niaga Syariah remained the most profitable with the lowest NPF, PermataBank Syariah showed moderate growth with improving financing quality, and Maybank Syariah faced slower growth, lower efficiency, and higher NPF. Annual reports for 2023–2024 confirm this pattern: CIMB Niaga Syariah assets grew from Rp62.74 trillion to Rp67.50 trillion, PermataBank Syariah from Rp34.10 trillion to Rp36.40 trillion, Maybank Syariah from Rp41.10 trillion to Rp42.00 trillion, and OCBC NISP Syariah from Rp8.10 trillion to Rp8.80 trillion. These non-uniform responses show that readiness cannot be judged from a single financial indicator or from asset size alone.

Based on the empirical results, interviews, and regulatory dynamics, the study proposes three conceptual typologies of UUS development strategy (Table 11). The typologies describe strategic options by readiness level and do not classify the four UUS studied.

Table 11. Typology of UUS Development Strategies

Typology	Strategy	Main Characteristics
I	Maintain the UUS structure within the parent bank	Limited asset scale (below Rp50 trillion), infrastructure integrated with the parent bank, efficiency still dependent on parent bank systems, focus on market strengthening and financing portfolio growth
II	Spin-off into a Sharia Commercial Bank (BUS)	Large and growing asset base, stable portfolio, strong organizational capability, independent infrastructure, and competent sharia human resources; requires greater capital and managerial capacity
III	Remain in the parent bank with a strengthened collaboration strategy	Strategic partnership with the parent bank in product development, distribution network, digital systems, marketing, and knowledge transfer, while keeping fund collection and products sharia-compliant

The typologies imply that no single model fits all UUS. In line with Abimanyu and At Tamimi (2024), converting a UUS into a BUS does not automatically improve performance; performance depends more on human resource quality, management capability, governance, and efficiency than on institutional form. A mandatory spin-off without readiness may raise costs and weaken competitiveness. Theoretically, the study positions the Resource-Based View as the grand theory explaining how internal capabilities create performance, the Knowledge-Based View as reinforced by the dominant role of learning ($\beta = 0.502$), and Institutional Change theory as the explanation of how the P2SK Law and POJK No. 12/2023 drive adaptation. Strategic collaboration, learning, compliance, and individual performance therefore function as organizational adaptation mechanisms, and readiness for spin-off should be assessed through collaboration maturity, human resource competence, governance and compliance strength, and consistency of individual performance.

CONCLUSION

Integrating partial least squares structural equation modeling (PLS-SEM) results with practitioner interviews, this study concluded that strategic collaboration, learning programs, and compliance activities had significant positive associations with individual performance, with learning programs demonstrating the strongest relationship. Work engagement showed no statistically significant association with individual performance but exhibited a significant direct association with financial performance. Individual performance was significantly and positively associated with financial performance and mediated the relationships between the three organizational capabilities and financial performance. Strategic collaboration and compliance activities also demonstrated significant direct associations with financial performance. The qualitative findings reinforced these results by highlighting the importance of parent-bank collaboration, employee competency development, and regulatory compliance in strengthening organizational readiness for the separation (spin-off) of Sharia Business Units (UUS).

From a strategic perspective, UUS should prioritize organizational readiness and sustainable financial performance rather than focusing exclusively on achieving the IDR 50 trillion asset threshold. Sustainable performance requires effective collaboration with parent banks, robust compliance mechanisms, and continuous learning programs that strengthen employee competencies, supported by clearly defined performance objectives across UUS and their parent institutions. These findings indicate that UUS performance involves interconnected structural, behavioral, and institutional dimensions. Theoretically, the study positioned individual performance as a strategic mediating mechanism, consistent with human capital theory and the resource-based view (Becker, 1964; Barney, 1991). The findings also suggested that compliance systems may contribute to organizational performance when regulatory requirements are embedded in individual work practices (DiMaggio & Powell, 1983). Furthermore, the study integrated contemporary management perspectives with Islamic ethical principles, including amanah (trustworthiness), itqan (excellence and diligence), and ta'awun (mutual cooperation), emphasizing the alignment between organizational effectiveness and Sharia-based values (Chapra, 2000; Dusuki & Abdullah, 2007).

For UUS management and parent banks, strategic collaboration should be supported by clearly defined operational arrangements, appropriate divisions of responsibility, and effective

cross-unit communication, as administrative coordination alone may be insufficient to improve financial performance (Bryson et al., 2015). Learning programs should be established as continuous organizational development initiatives aligned with business objectives and Sharia principles, with their effectiveness assessed through measurable improvements in employee competencies and work outcomes (Argyris & Schön, 1978; Salas et al., 2012). Compliance activities should also be integrated into organizational governance and culture rather than treated solely as supervisory obligations. Furthermore, management should prioritize individual performance within organizational transformation strategies by strengthening performance appraisal systems, performance-based rewards, and career development programs (Koopmans et al., 2014; Locke & Latham, 2002). Adequate resources should be allocated to competency development, strategic collaboration, learning infrastructure, and Sharia governance as long-term organizational investments rather than merely operational expenditures.

From a regulatory perspective, policies governing UUS development and institutional separation should consider organizational readiness, employee competencies, and governance maturity alongside financial and asset-related requirements. Regulatory authorities should continue strengthening professional competency standards and certification programs for Islamic banking personnel (OJK, 2023b), while ensuring that risk management policies are effectively implemented at both operational and individual levels. Given the relatively strong association between learning programs and individual performance, the 70:20:10 learning and development framework may provide a practical reference for structuring employee development initiatives. Under this framework, approximately 70% of learning opportunities may be organized through experiential workplace activities, 20% through mentoring and knowledge exchange, and 10% through formal training covering Islamic banking operations, Sharia risk management, corporate governance, and regulatory compliance. These proportions should serve as flexible developmental guidelines rather than empirically established requirements.

This study had several limitations, including its focus on UUS operating within conventional parent banks, its cross-sectional research design, and its examination of a limited set of organizational and individual performance variables. Consequently, the findings may not be directly generalizable to independent Sharia Commercial Banks or institutions operating under different regulatory and organizational conditions. Furthermore, the cross-sectional design limited causal interpretation and the assessment of performance changes over time. Future research should examine the proposed model within Sharia Commercial Banks established through institutional separation, incorporate additional explanatory variables such as organizational culture, leadership style, and digital transformation, and employ longitudinal research designs to investigate changes in organizational capabilities and financial performance. Expanding the participation of senior banking executives, operational managers, and regulatory representatives may also provide a more comprehensive understanding of the organizational and institutional factors influencing the sustainable performance of Islamic banking institutions.

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CONFLICT OF INTEREST

The author states that there is no conflict of interest. This research is free from commercial or financial relationships that have the potential to cause conflicts.

AUTHOR CONTRIBUTION

Author 1 contributes to the preparation of research concepts, data collection and analysis, and the preparation of manuscript drafts. Author 2, Author 3, and Author 4 as promoters and supervisors contribute to the direction of concepts and methodologies, supervision, and review and revision of manuscripts. All authors have read and approved the final manuscript.

GENERATIVE ARTIFICIAL INTELLIGENCE USAGE STATEMENT

The author uses artificial intelligence (AI) tools only for grammar improvement and language checking. AI is not used for data analysis or interpretation of results, and the entire content of the manuscript is the responsibility of the author.

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