
DEVELOPMENT OF A STRATEGIC CHANGE MANAGEMENT MODEL IN THE SHARIA LIFE INSURANCE INDUSTRY USING SOFT SYSTEM METHODOLOGY (SSM)

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Abstract: The sharia life insurance industry in Indonesia has great potential as public awareness of sharia financial services increases. However, the development of this sector still faces various obstacles, including regulatory limitations that do not fully support Sharia characteristics, limited capital, low product innovation, and human resource capacity that is not optimal, especially in mastering digital technology and services. This study uses qualitative research methods. The data collection techniques in this study were questionnaires, interviews, and Focus Group Discussions. The data that has been collected is then analyzed descriptively using the Soft System Methodology (SSM) approach. The results of this study show that the sharia life insurance industry in Indonesia still faces significant challenges related to regulations, capital, product innovation, digitalization, and financial literacy. Through the Soft System Methodology approach, a gap between conceptual models and real conditions is identified, so adaptive, collaborative, and innovative strategies are needed, including strengthening Sharia capital, partnerships with fintechs, and increasing literacy and human resource capacity. Future research is recommended to use a quantitative or mixed-method approach with a broader study object for more comprehensive results.

Keywords: Management Model, Sharia Life Insurance Industry, Soft System Methodology (SSM).

1. INTRODUCTION

The Sharia life insurance industry in Indonesia has experienced significant growth in recent decades. This cannot be separated 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. In the midst of global and local economic dynamics, sharia life insurance companies need to continue to adapt and make strategic changes to remain competitive and relevant.

The OJK has strengthened the health of the insurance sector with the issuance of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (P2SK Law), which was promulgated 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 that the separation of sharia units in insurance companies and reinsurance companies is carried out after meeting certain requirements, aligned with regulatory directions that aim to encourage 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 the application of international standards.

Currently, the growth of the sharia insurance business has increased significantly, as seen from 2021 data, which shows 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 is still not fully explored, thus opening up opportunities for further development through more aggressive marketing strategies, product innovation, and increased public awareness of the benefits of sharia insurance.

The Islamic insurance business is currently experiencing faster and faster turbulence, characterized by increasingly strong competition, rapid market changes, and changing customer expectations. To maintain a competitive advantage and compete with its competitors, Sharia insurers must have an effective strategy in place, given the dynamic changes

that are taking place in the industry. Changes in the business environment increase competition both within and outside the industry, so it is necessary to approach change from various sources, both internal and external. This is necessary to create a business environment that is competitive and able to adapt to a more favorable 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 the achievement of life insurance, especially sharia life insurance, recorded an increase in profit. 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. There are currently eight full-fledged sharia life insurance companies, both local and joint ventures, 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 adds to the variety of products offered but also encourages the sharia life insurance industry to be more competitive. This increase can be seen from various increasingly diverse product and service innovations, as well as more aggressive marketing strategies. The presence of a big player like Prudential Syariah creates healthy competition and encourages other companies to improve the quality of their services and products, thereby providing greater benefits to society and driving the growth of the industry as a whole.

The Indonesian Sharia Insurance Association (AASI) said that sharia insurance has many advantages, such as no forfeited system, surplus and underwriting allocated and distributed, investment profits shared for policyholders, and transparent Sharia management of funds. After the COVID-19 pandemic, public awareness of health and life safety increased, resulting in a positive trend in the adoption of insurance, including sharia insurance. According to AASI research, sharia insurance assets in Indonesia were worth IDR 43.68 trillion in the 3rd quarter of 2021. Overall asset growth shows growth of 6.10% annually (www.aasi.co.id). In addition to increasing Sharia insurance assets, public interest in Sharia insurance protection is increasing every year. This is evidenced by the gross claims of Sharia insurance, which have increased from 2015 to 2022.

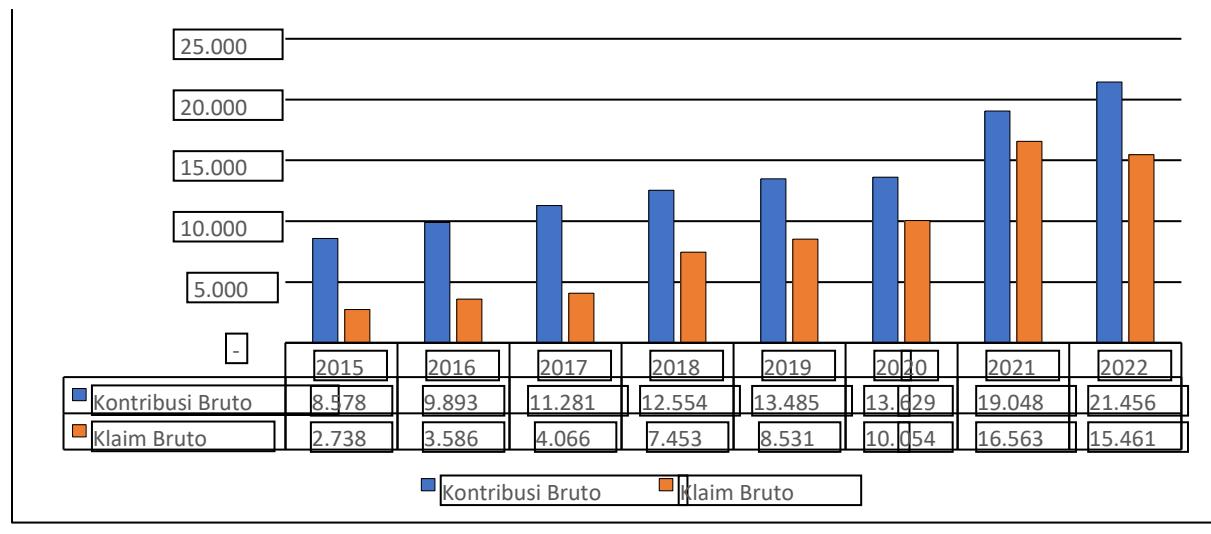


Figure 1. Growth in gross contributions and claims

Source: www.aasi.co.id, 2024

Based on the data, Figure 1 shows that there are several challenges for Sharia life insurance, namely, penetration and demand. However, the Sharia insurance industry also has various potentials because it looks at the development of total assets, market share, gross contributions, and claims. This prospect is supported by the majority of Indonesian people who are Muslims. According to OJK (2022), the increasing role of the Sharia Insurance industry and the increasing need for the existence of Sharia insurance require a comprehensive strategy, including Sharia Insurance penetration strategies, the development of Sharia insurance products, operations, and other components that support the sustainable development of 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 Sharia life insurance industry by anticipating all global challenges and preparing itself to change and innovate. This must be done by all companies in the face of 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 (2016) research explains that the global environment is complex, changeable, and dynamic. Companies acting globally need to be aware of the complexity of the global environment in order to gain a competitive advantage. Therefore, organizations need to adopt a change strategy. Change management strategies are based on changing managers' attitudes towards dynamic competitive advantage and focusing on dynamic creation and focusing on creation rather than operations.

Based on the growth of gross contribution data and gross claims of sharia insurance, sharia life insurance has a large market share compared to sharia general insurance and sharia reinsurance. Nevertheless, the challenge of Sharia insurance is the fierce 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 compulsory insurance premiums of 45%, and the contribution of sharia insurance 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.

The COVID-19 pandemic has affected the development of the insurance market, with the biggest impact on health insurance. Insurance and reinsurance rates have changed, increasing significantly so that customers are burdened with higher costs. In a year, the premium increase is around 30% to 50%. This is the impact of the number of claims that occur; this increase also has an impact on customers who do not make claims, which reduces the demand for insurance. Another condition requires insurance companies to change to keep up with market demand, where customers are more comfortable not meeting in person to sign insurance applications, so a new business model is needed. According to Zakharchenko and Yavir (2000), insurance companies have changed their business models based on digitalization, innovation, and insurance culture.

Based on the phenomenon of the development of sharia life insurance that occurs, it can be stated that: (1) Previous research only measured efficiency, productivity, and competition in the sharia and general insurance industry, but has not related the productivity problems of the insurance industry with the change management of the sharia insurance industry, thereby creating new opportunities in identifying problems in sharia insurance and creating a change management model; (2) Previous research in researching change management was limited to literature review and identifying various Change Management models and factors that affect the success of change management, but still limited to influence testing, quantitative models, and literature studies. This has the potential to generate new opportunities to research change management with more complete modeling techniques that can summarize the opinions of experts to provide specific opinions; (3) previous research that examined change management and identified obstacles in the implementation of change management using Fuzzy. However, it is still limited to finding the cause and identifying obstacles with Fuzzy which is an opportunity to produce new research by using more complex analyses namely SSM, Fuzzy AHP, and ISM to identify problems as well as create a strategic change management model in the Islamic life insurance industry; (4) There are several things that cause change management failure, namely lean construction, lack of clear vision, lack of leadership skills, low stakeholder involvement, poor communication, lack of change management skills and knowledge.

Challenges in the Sharia Insurance Industry today include regulatory changes, technological developments, and the dynamics of changing market needs. So, strategic change management is crucial. One of the challenges in managing strategic changes in Sharia life insurance in Indonesia is the regulations in the financial sector, where they often change to adjust to the latest economic and social conditions. Islamic life insurance companies must be able to adapt quickly to these changes to ensure compliance and smooth operations. Advances in information and communication technology have brought about major changes in the way insurance companies operate. The digitization of business processes, the use of big data, and the adoption of AI and blockchain technology are some examples of developments that the sharia life insurance industry must adopt as customer needs and preferences continue to grow. The public is now more aware of the importance of financial and investment planning in accordance with Sharia principles. Therefore, companies need to continue to innovate in the products and services offered to meet customer expectations. 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 society. Therefore, industrial development efforts are needed that can be directed to increase public literacy, expand marketing reach, innovate products that suit the needs and capabilities of the community, and increase the capacity of industry players.

2. METHOD

The research was conducted in Indonesia, in the Jakarta area (head office), which can reach all informants in the research by involving the Board of Directors and managerial levels at 8 sharia life insurance companies as players in the full-fledged sharia life insurance industry, experts, regulators, and customers. The research was conducted from October 2024 to October 2025. The data collection techniques in this study were questionnaires, interviews, and Focus Group Discussions. The population in this study is Fledged Sharia life insurance companies, consisting of 8 companies. The sample size of the research companies is 8. The Sharia life insurance company is a member of the Indonesian Sharia Insurance Association (<https://aasi.or.id>). Respondents consisted of 4 categories of respondents, namely; 1) The board of directors, commissioners and leaders of sharia life insurance companies who are resource persons/key persons who explain the internal conditions, models and business processes of sharia life insurance (situational and descriptive analysis); 2) Islamic life insurance practitioners/experts to explain more deeply the problems and problems faced by the Islamic life insurance industry, solutions to strategic models and conceptual models of change management with questionnaires, in-depth interviews and FGDs; 3) Islamic economics and finance experts representing various related institutions such as the Financial Services Authority, AASI, AAJI, Sharia Supervisory Board, and Academics, and (4) Customers to find out the public's perception of Islamic life insurance products and services. The data that has been collected is then analyzed descriptively using the Soft System Methodology (SSM) approach.

3. FINDINGS AND DISCUSSIONS

Internal Business Processes in a Resource-Based View (RBV) Perspective

Resource-Based View (RBV) through VRIO (Valuable, Rare, Inimitable, Organized) analysis shows that Sharia life insurance companies in Indonesia are currently not able to meet the four main dimensions. Business activities have not fully created unique value, services are less different from competitors, processes are easy to replicate, and organizations do not yet have a structured framework for change. This condition causes the industry to not have a strong, sustained competitive advantage.

Table 1. VRIO Analysis of Sharia Life Insurance Company: VRIO Factor

Factor VRIO	Analysis Results	Potential for Change
Valuable	NO; Most Islamic life insurance companies are still carrying out activities similar to conventional ones, with limited human resources, sharia-specific, and minimal product innovation.	YES, Companies can be valuable if they can develop services and strategies based on Sharia principles authentically, forming unique value and customer experience.
Sweet	NO; currently, the value proposition and services of Sharia insurance are not quite different or rare compared to conventional competitors; there is still a generalization of products and market approaches.	YES, with Sharia value-based differentiation, strengthening brand identity, and focusing on specific market segmentation, companies can fall into the category of scarce resources.
Low Imitability (Costly to Imitate)	NO; current products and business processes are still easy to imitate by conventional and other Islamic companies, because they are not yet rooted in a typical value system.	Yes, if the company develops a distinctive organizational culture, a training system based on sharia values, and authentic leadership, then these capabilities will be difficult for competitors to replicate.
Organized to Exploit the Resources	NO; Many companies do not yet have a change management framework, internal training system, or organizational structure that supports Sharia value-based transformation.	YES, Through the development of a structured and visionary strategic change management model, companies can begin to organize resources to achieve excellence Competitive.

VRIO's analysis of the internal conditions of Sharia life insurance companies in Indonesia shows that currently, there is no sustainable competitive advantage. This is due to limited resources and capabilities, such as sharia human resources, organizational culture, product innovation, and change management systems that are not optimal in terms of value, scarcity, imitation, and organization.

However, there is great potential to build this advantage in the future. Through sharia value-based differentiation, brand identity strengthening, transformative leadership development, distinctive organizational culture, and the implementation of an adaptive strategic change management model, sharia life insurance companies can transform into valuable, rare, hard-to-replicate, and organized entities, thereby creating a sustainable competitive advantage.

Internal Business Processes in a Market-Based View (MBV) Perspective

MBV's analysis shows that the competitive advantage of the sharia life insurance industry is largely determined by external factors in the form of regulations, digital technology, consumer behavior, and ecosystem synergy. To remain relevant and competitive, companies need to adopt collaborative strategies, strengthen digital transformation, and affirm differentiation based on authentic Sharia values.

Table 2. MBV Analysis of Sharia Life Insurance

External Factors	Analysis Results	Strategic Implications
Regulation	The P2SK Law, OJK, and DSN-MUI fatwa form the industrial structure, but implementation is often out of sync with market readiness.	It needs a regulatory advocacy strategy and intense collaboration with regulators.
Technology	Digitalization opens up opportunities for transformation, but it requires high investment and digital human resources.	Digital transformation must be a priority, focusing on application-based distribution and services.
User	Sharia literacy is low, consumers are price sensitive, and the younger generation needs fast and digital services.	Sharia value-based differentiation + Islamic financial literacy education program.
Sharia Ecosystem	Banks, fintech, cooperatives, and communities have not fully synergized.	Building the integration of the sharia ecosystem through strategic partnerships.

External Analysis of Business Processes: Porter's Five Forces Perspective

Porter's Five Forces analysis shows that the sharia life insurance industry faces high external pressures, with the threat of newcomers from sharia fintech and digital platforms, the increasing bargaining power of critical and digitally savvy young customers, and the reliance on traditional agents and external technologies that strengthen supplier positions. Substitution products such as conventional insurance, pension funds, and savings also become a challenge if the advantages of sharia are not communicated effectively. In addition, competition with conventional companies is getting tighter as they are superior in infrastructure, technology, and experience, while Islamic companies are still limited in innovation, market literacy, and branding strategies.

Table 3. Porter's Five Forces Analysis of Sharia Life Insurance

Porter's Strengths	Analysis Results	Pressure Level
The Threat of Newcomers	Islamic fintech and insurtech are easy to enter because of the low barriers.	Tall
Customer Bargaining Power	The young segment demands fast, price-sensitive, low-literacy digital services.	Tall
Supplier Bargaining Power	Dominant agent, high acquisition cost, dependence on external technology.	Medium- High

The Threat of Substitution Products	Conventional products, pension funds, savings/deposits,	Medium- High
Competition Between Industries	Competition is fierce with more established conventional insurance.	Tall

Therefore, the analysis shows that this industry is less attractive when viewed from the aspect of pure competition because external pressures such as the entry of new entrants, the presence of substitute products, critical consumers, and the strong position of suppliers can reduce the level of profitability. Even so, opportunities remain open if Sharia life insurance companies are able to present authentic differentiation based on Sharia values, increase people's financial literacy, and accelerate the digitalization process.

Analysis of the Business Model Canvas (BMC) Approach

The Business Model Canvas (BMC) is a strategic tool used to describe, design, and analyze business models in a comprehensive and integrated manner. In the Sharia life insurance industry in Indonesia, the BMC approach is relevant because it is able to explain the relationship between the main components of the business based on Sharia principles, ranging from the aspect of resources, key partners, key activities, to customer segments and revenue streams. The preparation of this BMC is expected to provide a comprehensive overview of how Sharia life insurance companies design sustainability strategies while maintaining compliance with Sharia principles.

Table 4. Sharia Life Insurance Business Model Canvas

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> Bancassurance (bank) OJK Sharia Fintech Ecosystem of sharia institutions (universities, hospitals, Muhammadiyah schools) PBMT, sharia cooperatives, Islamic communities 	<p>Operation :</p> <ul style="list-style-type: none"> Underwriting Claims Investment management Product development (Development of sharia (non-conventional) products TBSP Increased Digitalization and adoption of technology (AI, distribution platforms) Risk management <p>Marketing & Sales:</p> <ul style="list-style-type: none"> Agent training Branding and education on Islamic financial literacy 	<ul style="list-style-type: none"> Risk Sharing (bukan Risk Transfer) Dana Tabarru' - please help Surplus Underwriting Riba-free, gharar, maysir Mudharabah System Sharia-based products with three values: religious, universal (ta'awun), and economical Ta'awun (please help) At-ta'mir (protection) A just mudharabah Halal investment options 	<ul style="list-style-type: none"> Personal approach, family relationships Campaigns and events with the community Consistent and educational service by agents Use of Net Promoter Score (NPS) to measure loyalty 	<ul style="list-style-type: none"> Young families, the elderly, segment middle-low income Mosque-based communities, schools, and Islamic institutions Need long-term protection Want to invest in halal. Conformist Muslims (highly religious) Muslim universalist (rational + sharia preference) Rationalist and non-Muslim Muslims who focus on values
	Key Resources		Channels	
	<ul style="list-style-type: none"> Quality Human Resources Certified Agent. Actuarial Personnel Sharia Supervisory Board Modal Sector Solvabilitas (RBC) 		<p>Offline Channels:</p> <ul style="list-style-type: none"> Agency Bancassurance Branch offices. Direct Marketing Such marketing Partnerships with communities and institutions 	

	<ul style="list-style-type: none"> Integrated System Infrastructure IT. 		Digital Channels: <ul style="list-style-type: none"> Website & Apps Digital Services. Sharia e-wallets. Social media 	
Cost Structure		Revenue Streams		
Operational Costs: <ul style="list-style-type: none"> Marketing Expenses Agent commission & incentives Claims expense Administrative costs 		Kontribusi: <ul style="list-style-type: none"> Regular Contribution - sustainable Renewal of Contributions. Loading fee - maks 55% Ujrah/management fee 		
Regulatory & Compliance: <ul style="list-style-type: none"> Capital requirement (Investment fee) Compliance costs - audit syariah Technology investment Training & development 		Investment Income: <ul style="list-style-type: none"> Sharia Investment Results Mudharabah sharing 		
Strategic Investments: <ul style="list-style-type: none"> Product development & R&D Market expansion Digital transformation Partnership development 		Surplus Sharing: <ul style="list-style-type: none"> Surplus Underwriting Management fee from tabarru' 		

BMC Sharia Life Insurance emphasizes collaboration with strategic partners such as Sharia banks and fintechs, regulators, Islamic communities, and educational institutions. Key activities include underwriting, claims management, halal investment, and sharia product innovation with the support of competent human resources, sharia actuaries, capital, and technology. The values offered include risk sharing, tabarru, transparency, usury/gharar/maysir free, and digital services, with customer relationships built through financial literacy, loyalty programs, and multichannel distribution. The customer segment includes young families, lower-middle-class communities, Islamic communities, and millennials/Gen-Z Muslims. The main cost structure comes from operations, claims, commissions, compliance, sharia audits, and technology investments, while revenue comes from premiums, ujrah, investment returns, and underwriting surpluses. This BMC emphasizes the competitiveness of the industry through the integration of sharia values, digital innovation, financial literacy, and strategic partnerships.

Soft System Methodology Analysis of the Strategic Change Management Model in the Sharia Life Insurance Industry in Indonesia

The problematic situation in the Sharia life insurance industry in Indonesia needs to be thoroughly understood before designing strategic interventions. The research began with a mapping of industry performance, including market dynamics, regulations, human resources, institutions, and technology adoption that affect business sustainability. Critical issues that hinder growth include overlapping OJK and DSN-MUI regulations, limited product innovation, low public literacy, and low penetration of the younger generation. This complexity is visualized through the rich picture and analyzed using the CATWOE approach to formulate the root of the system definition that pays attention to the perspective of the stakeholders. Based on these results, a conceptual model of strategic change management was designed that is oriented towards sustainable, inclusive, and adaptive transformation to disruption, while still being based on Sharia principles as core values.

SSM Phase One: Situation Considered Problematic

The results of the interviews show that the sharia life insurance industry faces multidimensional challenges, both internal and external. Some of the key issues include the need for more inclusive market segmentation, a balance between sharia values and market expansion, managerial transparency, strengthening human resources, social value-based education, digital transformation, the quality of distribution agents, as well as sharia actuarial limitations and capital constraints. In addition, low public literacy, dominance of investment products, fraud risk in community-based digital protection, and stagnation of market share are critical concerns for the sustainability of the industry.

In addition, sharia governance and compliance, the lack of product differentiation, the lack of a complete sharia ecosystem, and the less strategic role of DPS are also significant problems. Overall, the interview confirms that the industry needs to face limitations in innovation, human resources, public literacy, and regulatory policies systemically.

These findings are visualized in a rich picture to be the basis for the preparation of root definitions and conceptual models of strategic change based on Sharia principles.

Phase Two SSM: Rich Picture strategic change management model

The rich picture in the Soft System Methodology (SSM) approach illustrates the problematic complexity of the Islamic life insurance industry, which includes challenges in products, human resources, technology, capital, regulation, governance, and shareholder commitment. Interviews with 15 speakers emphasized the need for authentic Sharia product differentiation, the integration of social values in digital services, the readiness of human resources for digitalization, the role of technology as an enabler, and the issue of minimum capital that burdens small companies. Regulations are also seen as fair and not hindering innovation, but still maintain Sharia values.

The rich picture visualization emphasizes that strategic changes must be carried out systemically and collaboratively by balancing regulatory aspects, product innovation, human resource strengthening, digitalization, and capital commitments, as well as being the basis for the formulation of the root definition and conceptual model of strategic change management.

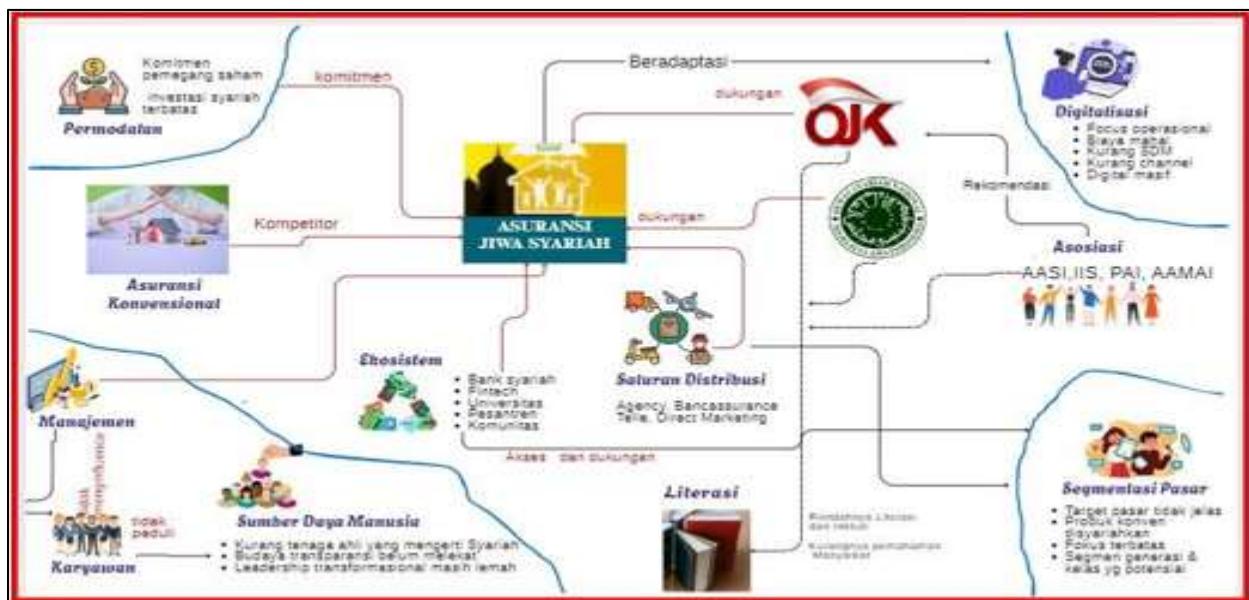


Figure 2. Rich Picture of Sharia Life Insurance Industry Problems

Based on Figure 2, the rich picture of the Sharia life insurance industry shows that there are multidimensional challenges that are interrelated. The main problems include limited capital, low shareholder commitment, and a lack of product differentiation from conventional insurance. HR issues also stand out, especially the lack of sharia experts, a weak culture of transparency, and a lack of transformational leadership, which has an impact on the company's low adaptability. Digitalization is seen as important, but it is hampered by high costs, reliance on external vendors, and a lack of effective digital distribution. The market segment is still limited to religious consumers, while the potential lower middle class has not been worked on due to inappropriate communication strategies. In addition, supporting ecosystems such as Islamic banks, fintech, universities, and communities have not been optimally integrated. The overall analysis confirms that this industry's strategic transformation can only be achieved through a systemic approach that involves active collaboration across actors and sectors.

SSM Stages Three and Four: Root Definition and Purposeful Activity Model (PAM)

The Purposeful Activity Model (PAM) was designed based on the root definition and analysis of CATWOE emphasizes key activities such as increasing sharia insurance literacy, developing competitive products based on sharia principles, and strengthening digital infrastructure. This model emphasizes the importance of collaboration between companies, regulators (OJK, DSN-MUI), associations, and educational institutions to close the human resource gap, draft inclusive regulations, and build a sustainable innovation ecosystem. The results of the third and fourth stages show that strategic change requires a systemic approach that is aligned with the realities of the industry, while bridging sharia principles with the demands of modern markets, resulting in profit-oriented, social, and blessing-oriented growth.

Table 5. CATWOE Analysis

Simbol	Elemen	Information

C	Customers (Pelanggan)	Customers, MSME actors, beneficiary families, and the general public who are users of sharia-based protection services.
A	Actors	Management of sharia life insurance companies, marketers (agents), claims managers, Sharia Supervisory Board (DPS), regulators (OJK), and shareholders.
T	Transformation Process	Islamic product innovation, digitization of service processes and business model updates, increasing literacy, and human resource competence, as well as adjusting to market regulatory dynamics.
In	Worldview (Sudut Pandang)	Sharia life insurance must be competitive and relevant in the digital era without abandoning basic Sharia principles such as help, justice, and blessing.
Or	Owners (Pemilik Isu)	Corporate shareholders, the industry regulator (OJK), National Sharia Council MUI
And	Environmental Constraints	Inequality in public literacy, limited capital, limited human resources for sharia experts, technological disruption, and macroeconomic fluctuations.

In the Sharia life insurance system, customers include customers, heirs, and the public who need financial protection according to Sharia principles, with the main needs in the form of access, understanding, comfort, and belief in the value of justice, transparency, and blessings. Soft Systems Methodology (SSM) is used to simplify complexity through conceptual models that serve as tools for reflection, discussion, and exploration, while bridging ambiguous realities with structured solutions. The underlying worldview is that sharia life insurance must remain competitive and inclusive in the digital era without abandoning the principles of ta'awun, justice, and sharia maqashid, so that success is measured not only from financial aspects, but also from the actualization of social and spiritual values.

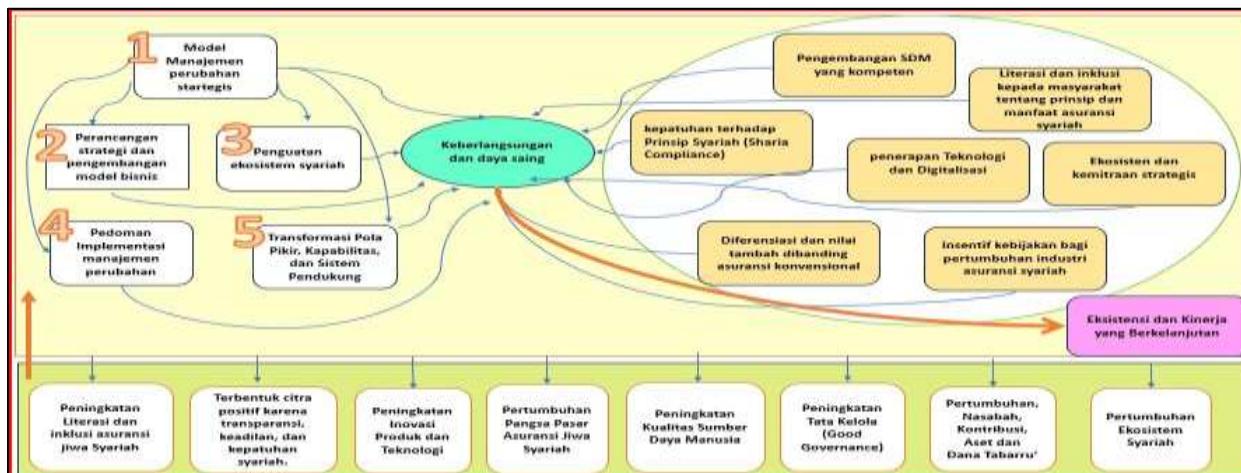


Figure 3. Conceptual model

The conceptual model of strategic change management in the Islamic life insurance industry emphasizes structured transformation to maintain the competitiveness and sustainability of the industry. The foundation of this model is built on five main pillars: the preparation of strategic change management models, the design of strategies and business models, the strengthening of the sharia ecosystem, implementation guidelines, and the transformation of mindsets, capabilities, and support systems. The enabler factors that support it include the development of competent human resources, sharia compliance, digitalization, product differentiation, financial literacy, policy incentives, and strategic partnerships. The practical implications include increasing literacy, a positive image based on transparency, strengthening products and technology, customer growth and tabarru' funds, and strengthening sharia governance and ecosystem.

Within the framework of the Soft Systems Methodology (SSM), this model functions to simplify the complexity of the system through the Purposeful Activity Model (PAM), which describes the interrelated strategic activities to

achieve systemic change. The success of implementation depends on synergy between actors, organizational readiness, and openness to innovation. The effectiveness of change is evaluated with the 5Es (efficacy, efficiency, effectiveness, elegance, ethicality) approach, so that this model is not only academically valuable, but also a practical guide for decision-makers in building a modern, inclusive, and sustainable Islamic life insurance industry.

Table 6. Activity system performance measurement criteria based on 5 E's

5 E's	Information
Efficacy	The system can functionally support the formation of a relevant and implementable strategic change management model in the Islamic life insurance industry.
Efficiency (Efficiency)	The available resources and facilities can be used optimally, with good governance and synergistic collaboration between stakeholders.
Effectiveness (Effectiveness)	Strategic goals were achieved, characterized by increasing competitiveness, product innovation, and the company's adaptive ability to technological disruptions and market dynamics.
Elegansi (Elegance)	The transformation process implemented results in an overall positive impact, creating added value for management, customers, regulators, and business partners.
Etika (Ethicality)	The change model carried out is in line with Sharia principles and business ethics, and is recognized and used as a reference by stakeholders as a form of sustainable practice.

The measurement of activity system performance in the strategic change management model of the Islamic life insurance industry is carried out using the 5E's approach, which assesses outputs, processes, values, and sustainability. Efficacy ensures that the system supports strategic transformation according to industry needs, while efficiency emphasizes resource optimization through accountable governance and stakeholder collaboration. Effectiveness is a benchmark for adaptability to disruption without abandoning Sharia principles. Elegance highlights the harmony of change that brings real benefits to all parties and strengthens public trust. Ethics is the main foundation, ensuring transformation in accordance with Sharia principles and Islamic moral values, so that it is sustainable and brings blessings. These five dimensions form a comprehensive framework for assessing the success of change that is functional, efficient, results-oriented, qualitative, and ethical.

Stage Five of SSM: Comparison of Conceptual Model Activities with Real-World Conditions

Once the conceptual model is compiled with the SSM approach, the next stage is to compare it with the real conditions of the sharia life insurance industry in Indonesia to identify the gap between the idealism of the model and the operational reality. The results of observations and interviews show that there are significant challenges related to regulations that do not fully support Sharia characteristics, limited capital, a lack of innovation in Sharia products, and low human resource capacity in Sharia technology and services. This comparison is then presented in a structured table to serve as the basis for the preparation of realistic and applicable strategic recommendations:

Table 7. Comparison of conceptual model activities with real conditions in the Sharia Life Insurance industry

Aspects	Conceptual Model	Real-World Conditions
Capital	Establish strategic partnerships with investors and financial institutions to strengthen capital structures and support business expansion.	Dependence on capital from major shareholders is still high, with low readiness to inject additional capital hampering innovation and market expansion.

Product Uniqueness	Developing sharia value-based life insurance products that have strong differentiation from conventional products.	The products offered are still considered similar to conventional products, so they fail to attract the interest of market segments that want authentic Islamic financial solutions. Insurance costs are more expensive.
Human Resource Competencies	Develop a sustainable human resource development strategy with an emphasis on Sharia competencies, digital technology, and customer service.	Workforce competencies are still limited, especially in understanding Sharia principles, digital mastery, and value-based services, so intensive training is needed.
Digital Technology	Building an integrated digital system based on Sharia, including online service platforms, claims automation, underwriting, big data, and artificial intelligence to support efficiency and experience	The use of technology is still limited to basic functions such as websites and simple applications; there has not been deep integration of digital systems, and AI adoption is still low.

The comparative approach between conceptual models and real-world conditions shows that there are gaps in four key aspects of the Islamic life insurance industry: capital, products, human resources, and digital technology. Ideally, capital raising is done through strategic partnerships, but the practice still relies on shareholders with low commitments to expansion. Sharia products are supposed to highlight differentiation based on Sharia values, but in the field, many are still similar to conventional products. Human resources are required to master Sharia, digital literacy, and services, but the fact is that these capacities are still limited, so they require systematic training. Meanwhile, the ideal use of digital technology includes online platforms, big data, and AI, but the real implementation is still limited to simple websites and applications without deep integration.

Stage Six SSM: Systematically desirable and culturally appropriate changes

The next stage in SSM analysis is to design changes that are systematically desirable and culturally feasible in the Sharia life insurance industry. Based on the results of in-depth interviews with experts and practitioners of the sharia life insurance industry, the expected and culturally applicable changes are described in the following table.

Table 8. Systematic changes that are desired and culturally feasible in the Sharia Life Insurance industry

Aspects (Key Factors)	Conceptual Model	Real-World Conditions	Improvements That Can Be Made
Capital	Build strategic partnerships with investors, business partners, and Islamic financial institutions to strengthen the capital base.	Capital dependence is still high on major shareholders, while alternative funding opportunities are still limited and underutilized.	<ol style="list-style-type: none"> 1. To raise strategic partnerships with Islamic financial institutions and social investors. 2. Strengthening the long-term capital commitment of shareholders with a vision of developing the sharia life insurance industry. 3. Explore new funding sources such as waqf funds, sharia sukuk, and sharia-based crowdfunding.
Product Uniqueness	Developing innovative and Sharia-compliant life insurance products according to the needs of potential customers.	Many products still adopt conventional life insurance patterns, so they are not optimal to meet the characteristics and needs of Sharia customers.	<ol style="list-style-type: none"> 1. Continuous research and innovation to develop products with strong and competitive Sharia added value in terms of price 2. Clear differentiation of insurance products and contracts based on Sharia principles. 3. Focus on sharia ecosystems, communities, and individuals in need of sharia-compliant financial protection.

Human Resource Competencies	Developing a sustainable human resource competency development program with a focus on technical competencies in Sharia insurance, customer service, and digital technology	Human resources still need to be improved, especially in mastering Sharia products and digital technology for modern services	<ol style="list-style-type: none"> 1. Standardization of recruitment and training processes based on Sharia competencies and technology. 2. Development of training and workshop curricula that are relevant to market dynamics and technological developments. 3. Performance appraisal and reward systems that motivate continuous improvement of human resources.
Digital Technology	Building an integrated digital system based on Sharia, including online service platforms, claims automation, underwriting, big data, and artificial intelligence to support efficiency and experience	The use of technology is still limited to basic functions such as websites and simple applications; there has not been deep integration of digital systems, and AI adoption is still low.	<ol style="list-style-type: none"> 1. Developing a comprehensive and gradual Sharia digitalization roadmap, starting from digital onboarding to Sharia-based e-claims. 2. Improve IT system integration between marketing, customer service, and finance to speed up processes and transparency. 3. Adopt big data and AI technologies to understand participant behavior and develop retention strategies and product development. 4. Collaborating with Sharia fintech and local insurtech to accelerate digital innovation.

The sixth stage of SSM in the Sharia life insurance industry emphasizes changes that are realistic and in accordance with the organizational culture context. Capital strengthening can be done through partnerships with Islamic financial institutions, long-term shareholder commitments, and financing alternatives such as productive waqf, sukuk, and sharia crowdfunding. In the product aspect, the focus is directed on continuous research and innovation to create real differentiation through clear Sharia contracts, unique benefits, and strategic market targets such as the Sharia ecosystem and Muslim families. Human resource improvements include recruitment standards, sharia and digital-based training, performance appraisal systems, and incentives that encourage professionalism. Meanwhile, digital transformation requires a roadmap that includes all business processes, cross-unit IT integration, the use of big data and AI, and collaboration with Islamic fintech to strengthen innovation and service efficiency.

Phase Seven of SSM: Implementation and Evaluation of Change

The implementation stage in SSM in the Sharia life insurance industry is an important process that connects conceptual models with real practices, encompassing the transformation of Sharia technical, cultural, and values. The successful implementation is supported by transformational leadership, the involvement of all stakeholders, strengthening human resources through sharia, digital, and customer service training, and supporting an integrated and transparent technology infrastructure. Evaluations are conducted periodically with the 5 E's benchmarks (efficacy, efficiency, effectiveness, elegance, ethics), involving input from customers, regulators, and business partners for continuous improvement. This process is iterative, encouraging policy updates, structural improvements, and strengthening human resource competencies. Through a participatory and value-based approach to Sharia, implementation and evaluation are a means of strengthening competitiveness, trust, and sustainable industry growth economically, socially, and spiritually. Finally, this stage becomes the foundation to form an organizational culture that is inclusive, innovation-oriented, and able to face disruption resiliently. The Sharia life insurance industry that successfully implements and evaluates systematically will be better prepared to respond to market challenges, strengthen customer loyalty, and realize growth that is not only economically sustainable but also has a positive social and spiritual impact. The results of the study show that the sharia life insurance industry in Indonesia faces multidimensional challenges that include aspects of regulation, capital, product innovation, human resource competence, and the adoption of digital technology. This problematic situation is in line with previous findings that low Islamic financial literacy and suboptimal regulatory support are the main factors in the low penetration of the sharia life insurance market in Indonesia (Shiddiq & Mukhsin, 2025; Anwar et al., 2025; Ronaldo & Maulini, 2025). Through the Soft System Methodology (SSM) approach, this complexity can be systematically mapped so as to give an overview of internal and external factors that hinder industrial growth.

The analysis using the rich picture and CATWOE confirms that industrial problems cannot be seen partially, but as interrelated systems. Such as human resource limitations, it is not only a matter of individual capacity, but also related to regulations, company strategies, and supporting ecosystems (Hasanah, 2023). Using the Purposeful Activity Model (PAM), key activities needed for strategic change can be identified, such as increasing literacy, developing authentic sharia-based products, and digitizing services. This means that successful transformation requires collaboration across actors, namely companies, regulators, academics, communities, and shareholders.

The comparison between the conceptual model and the real conditions shows that there is a significant gap, especially in the aspects of capital, product differentiation, human resource competence, and digitalization. At the conceptual level, capital strengthening is expected through strategic partnerships and alternative funding, but in reality, the company is still dependent on major shareholders. Likewise with products, ideally, sharia differentiation is the main attraction, but the reality in the field shows that there are still many products that resemble conventional insurance. This difference shows the need for an implementation strategy that is adaptive to the real limitations in the industry. The sixth stage of SSM emphasizes realistic and culturally appropriate changes, so that the proposed strategy is not only normative but also implementable. Efforts to strengthen capital through productive waqf, sukuk, or sharia crowdfunding can be an innovative solution that is in line with sharia principles and at the same time feasible to be applied (Hariyanto, 2021; Andrean et al., 2022; Arafah et al., 2023). Likewise, digital transformation needs to be carried out in stages through a structured roadmap, collaboration with Islamic fintech, and the use of big data and artificial intelligence (Nuraini, 2023; Qothrunnada et al., 2023). This condition shows that the success of transformation also depends on the adaptability of the industry to evolving social, cultural, and technological conditions.

Furthermore, the implementation and evaluation stage is crucial because it connects the conceptual model with operational reality. Evaluations based on the 5Es (efficacy, efficiency, effectiveness, elegance, ethics) ensure that the changes made can increase competitiveness and are in accordance with Sharia principles and business ethics. This discussion emphasized that SSM is not just an analytical framework, but a reflective-participatory approach that is able to direct the industry towards a strategic transformation that is sustainable, inclusive, and in line with the Sharia maqashid.

4. CONCLUSION

The sharia life insurance industry in Indonesia still faces various strategic challenges, including regulatory limitations that have not fully accommodated sharia characteristics, limited capital, low product innovation, and human resource capacity that is not optimal in mastering sharia technology and services. Based on the application of Soft System Methodology (SSM), it was found that the main gap lies in the difference between the idealism of the conceptual model and the real conditions in the field, especially in the aspects of capital, product differentiation, service digitization, and Islamic financial literacy. The implication of these findings is the need for adaptive, collaborative, and innovative strategies, including strengthening capital through sharia instruments, fintech partnerships for digitalization, and increasing literacy and human resource capacity. Further research is recommended to use a quantitative approach or mixed-method and expand the object of study to obtain more comprehensive generalizations.

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