

“A resource-based strategic management in Sharia banks: Examining the association of organizational culture, innovation, and digital transformation”

AUTHORS	Halid Hasan 
	
	Farika Nikmah 
	Weni Rosdiana 
	Sri Wilujeng 
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Halid Hasan, Dr., Associate Professor, Department of Business Administration, Faculty of Business Administration, State Polytechnic of Malang, Indonesia. (Corresponding author)

Farika Nikmah, Dr., Associate Professor, Department of Business Administration, Faculty of Business Administration, State Polytechnic of Malang, Indonesia.

Weni Rosdiana, Dr., Associate Professor, Department of Management, Faculty of Vocational Studies, State University of Surabaya, Indonesia.

Sri Wilujeng, Dr., Assistant Professor, Department of Management, Faculty of Economy and Business, University of PGRI Kanjuruhan, Indonesia.



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Halid Hasan (Indonesia), Farika Nikmah (Indonesia), Weni Rosdiana (Indonesia), Sri Wilujeng (Indonesia)

A RESOURCE-BASED STRATEGIC MANAGEMENT IN SHARIA BANKS: EXAMINING THE ASSOCIATION OF ORGANIZATIONAL CULTURE, INNOVATION, AND DIGITAL TRANSFORMATION

Abstract

Sharia banking institutions in Indonesia have significant growth potential, given that the majority of the population is Muslim. This study aims to analyze the association between organizational culture, innovation, and digital transformation within the context of resource-based strategic management in Sharia banks of East Java. Data were collected from state-owned (6 main and 90 branch offices) and private (3 main and 66 branch offices) Sharia banks in East Java during January and February 2026, after these Sharia banks completed their annual financial reports. A total of 165 respondents were selected using a purposive sampling method. The selected respondents were secretaries with at least three years of work experience. Data were analyzed using structural equation modeling partial least squares (SEM-PLS). The analysis results show that organizational culture has a positive and significant relationship with resource-based strategic management (path coefficient = 0.450; $t = 8.640$; $p < 0.001$). Innovation also has a positive and significant relationship with resource-based strategic management (path coefficient = 0.305; $t = 5.742$; $p < 0.001$). Similarly, digital transformation has a positive and significant relationship with resource-based strategic management (path coefficient = 0.349; $t = 6.183$; $p < 0.001$). These findings indicate that organizational culture, innovation, and digital transformation are positively related to resource-based strategic management in Sharia banks of East Java.

Keywords

intangible resources, Sharia banking, resource-based strategic management

JEL Classification

G21, D23, O30

INTRODUCTION

Resource-based strategic management emphasizes that an organization's competitive advantage is not solely determined by external factors (Mailani et al., 2024) but rather is built on its internal strengths (Lubis, 2022), such as a strong organizational culture, the ability to innovate, and readiness for digital transformation. Building resource-based strategic management is crucial for all organizations, including banks (Stanišić, 2018), given their extensive involvement in serving nearly every aspect of society.

This study defines resource-based strategic management as the organizational capability to formulate and implement strategic decisions by effectively identifying, deploying, integrating, and developing valuable organizational resources in accordance with the resource-based view (Barney, 1991; Grant, 1991). Organizational culture, innovation, and digital transformation are three internal resources believed to play a strategic role in supporting the implementation of resource-

based strategic management. Organizational culture shapes values and work behaviors that support the achievement of organizational goals; innovation enables organizations to adapt to changes in the business environment, while digital transformation improves the effectiveness of business processes and the quality of customer service. Together, these three factors can strengthen organizational capabilities amid the banking industry's increasingly competitive dynamics (Said et al., 2021).

Galati et al. (2014) argue that the effectiveness of implementing resource-based strategic management is influenced by firm characteristics and managerial openness. Firm characteristics refer to the organization's openness to external knowledge, market opportunities, technological developments, and collaboration with external stakeholders. Such openness enables organizations to acquire new knowledge and combine internal resources with external capabilities, thereby enhancing strategic flexibility and organizational competitiveness.

Managerial openness reflects the willingness of managers to embrace new ideas, evaluate alternative strategic options, and support organizational learning and innovation. In addition, the openness of management's perceptions and attitudes toward change plays a critical role in determining how organizational resources are interpreted and strategically utilized. Managers who perceive environmental changes as opportunities rather than threats are more likely to initiate innovation, encourage digital transformation, and reconfigure organizational resources to achieve long-term strategic objectives.

Currently, Sharia banks are growing, in line with most of the Indonesian population being Muslim. Sharia banks, which have less experience than conventional banks, are also forced to implement resource-based strategic management to maintain a strong competitive edge. These banks, which provide financial services to the public, face Sharia regulatory compliance, including upholding additional values such as fairness and trust in their operations (Haija et al., 2026). This situation requires them to optimize their internal resources to maintain competitive advantage without neglecting the institutional characteristics that underpin their operations.

Although resource-based strategic management has been widely used to explain organizational competitive advantage, research integrating organizational culture, innovation, and digital transformation in the context of Sharia banks remains relatively limited. Most previous research has examined these three factors separately or primarily within conventional organizations and financial institutions. Consequently, research has not comprehensively studied the relationship between these three internal resources and resource-based strategic management in Sharia banks. Furthermore, Sharia banks operate under Sharia principles, creating a different organizational context than conventional financial institutions and necessitating a study that examines this relationship within the Sharia banking environment.

1. LITERATURE REVIEW AND HYPOTHESES

Sharia banks have shown significant growth, driven by the dominant muslim population. However, their popularity and market share remain relatively low compared to conventional banks, despite essentially similar services offered, with the primary difference being the use of Sharia contracts. Therefore, Sharia banks need to strengthen their adaptive, innovative, and resource-based strategic management to increase competitiveness and expand market reach.

Currently, the number of Sharia banks in Indonesia, particularly in East Java, remains lower than that of conventional banks. This condition indicates that such banks still need to strengthen their efforts to build public trust, improve service quality, and enhance competitiveness. One strategic effort that can be undertaken is to strengthen the internal conditions of the organization through resource-based strategic management (Bromiley & Rau, 2016). Resource-based strategic management is an approach that emphasizes internal strengths, both in the form of tangible and intan-

gible assets, as the main foundation for achieving superior performance and long-term competitive advantage (Herdinata et al., 2025). By optimizing unique core competencies, organizations can respond to external opportunities more effectively and sustainably.

Referring to RBV theory, resource-based management occurs when resources meet the criteria of value and scarcity, making them difficult to imitate (Kornelius et al., 2020). Resource-based strategic management is the strategic use of organizational resources to improve business performance and achieve sustainable competitive advantage (Bornay-Barrachina et al., 2023). Organizational resources and capabilities form the basis for designing competitive strategies (Ortega, 2010). Herdinata et al. (2025) prove that strategic management by maximizing resource utilization in banking makes banks more agile and responsive in seizing external opportunities. The higher risk in the banking business requires strategic planning for resource-based strategic management. This is an urgent need for banking businesses to achieve competitive advantage and survive sustainably.

The integration of organizational culture, innovation, and digital transformation can be understood as an important mechanism for implementing resource-based strategic management in Sharia banking. From the resource-based view (RBV), competitive advantage does not depend solely on the availability of resources, but also on an organization's ability to develop, combine, and utilize resources that are valuable, rare, difficult to imitate, and non-substitutable. In this context, organizational culture represents an intangible organizational resource that shapes shared values, behaviors, and the capacity to respond to environmental changes. Innovation reflects the firm's ability to continuously develop new products, processes, and services, while digital transformation enables the organization to reconfigure its resources and capabilities in response to technological developments. The integration of these three dimensions therefore provides a strategic foundation for Sharia banks to strengthen their organizational capabilities and translate internal resources into sustainable competitive advantage.

Organizational culture and strategic management have been widely discussed (Barney, 1991). Resources can create competitive advantages, and they fall into three types: physical, organizational, and human resources. Culture is considered an organizational resource (Barney, 1991). Culture is part of an organization's resources, including behavior, management systems, and other organizational strengths (Genc, 2013). Organizational culture is a crucial force for any organization. As a key resource, culture defines expected workplace behavior (Momos & Otuya, 2020). Organizational culture consists of shared beliefs and values established by leaders (Kamaku et al., 2021). Leaders then communicate and reinforce these values through various means, ultimately shaping employee perceptions, behaviors, and understanding. Organizational culture also provides context for every action and decision the organization takes (Hussain & Talpur, 2021). However, given the diversity of organizations and situations, there is no single cultural pattern that can be universally applied to all organizations.

Organizational culture embodies values that are understood, adhered to, and implemented by members of an organization (Zeqiri & Alija, 2016). In the context of strategic management, these shared values can shape how organizational members interpret strategic priorities and respond to the complexity and dynamics of the business environment. In rapidly changing business conditions, an open and flexible culture is crucial for organizations to remain adaptable (Obaji et al., 2017). A culture that is receptive to change can facilitate strategy implementation by encouraging organizational members to adjust their behaviors and practices in response to emerging challenges. In particular, an organizational culture that encourages learning and innovation can facilitate the development of creative solutions to strategic challenges (Martins & Terblanche, 2003).

Innovation is a crucial resource in strategic management. It is an organization's ability to create and experiment by introducing new products/services by adopting the latest technology (Rauch et al., 2009). Banking organizations, innovating in services, focus on meeting customer needs, finding new customers, and managing existing ones. Innovation as a resource includes the development

of new ideas/practices because of collaboration between individuals or units at any level within the organization (Do et al., 2022). The existence of innovation has a positive impact on business sustainability because it reflects the organization's ability to continuously innovate and adapt to dynamic market developments and needs. Innovation is inevitable amidst the ever-evolving dynamics of the work environment. Rapid technological developments and changing public expectations make innovation not merely an option but a requirement for organizations to remain relevant and competitive. If an organization views innovation as a strategic resource, it tends to take an open perspective, adapt to change, and focus on business sustainability.

Innovation is a key strategy for organizations to survive and compete in the face of external challenges (Li et al., 2021). The current business environment is highly uncertain, where businesses must continually address new challenges to compete and survive (Do et al., 2022). Complex economic conditions are characterized by high inflation, market volatility, uncertainty, rapid technological advances, and rapid changes in customer needs (Forliano et al., 2023). The advent of the digital era, with its shift to a digital business world (Kraus et al., 2022) and accelerated by the pandemic, has imposed a strategic imperative to reshape organizational strategies, business models, and innovation practices to ensure competitiveness (Garrido-Moreno et al., 2024).

Another organizational resource is digital transformation. Digital transformation is the process of integrating digital technology into all aspects of a business, fundamentally changing how an organization operates and delivers value to consumers (Kraus et al., 2022). Its goal is to improve an organization's performance and reach, fundamentally changing customer relationships, internal processes, and value propositions (Vial, 2019). Digital transformation brings about significant changes in organizational characteristics through the integration of information technology, computing, communications, and connectivity (Schwarzmueller et al., 2018). This means that digital transformation is not limited to the use of technology but also encompasses comprehensive changes in work processes, decision-making, and risk management within the organization.

Digital transformation is an internal resource that is now being widely implemented by most organizations. It also provides significant benefits in improving operational efficiency, productivity, and organizational competitiveness (Seyedghorban et al., 2020). The use of digital-based management applications, such as artificial intelligence and automation, contributes to reducing errors, accelerating decision-making processes, and improving team collaboration (Brocke et al., 2021). Data and analytics allow organizations to identify market trends and consumer behavior more quickly and accurately, enabling faster innovation (Sestino et al., 2020). Therefore, digital transformation enhances an organization's ability to adapt and grow amidst ever-changing global competition (Brocke et al., 2021).

Organizational culture, innovation, and digital transformation are essential supporting factors in building a resource-based strategic management approach. Organizational culture serves as a framework encompassing beliefs, values, assumptions, and norms agreed upon and adhered to by organizational members. These values serve as ethical guidelines and the basis for decision-making and organizational problem-solving. With its adaptive, collaborative, and service-oriented character, organizational culture serves as a foundation for shaping effective behavior and work methods.

As is in the case with Sharia banks, there is increasingly fierce competition, both among Sharia banks and conventional banks and with other financing institutions, which demands strengthening the implementation of resource-based strategic management. This situation is exacerbated by the public's continued preference for conventional banks, necessitating strategic efforts for Sharia banks to enhance their competitiveness. Therefore, strengthening organizational culture, increasing innovation capacity, and accelerating digital transformation are crucial.

Accordingly, this study investigates the impact of organizational culture, innovation, and digital transformation on resource-based strategic management. Organizational culture, innovation, and digital transformation serve not only as supporting factors but also as the primary foundation for building sustainable competitive advantage through a resource-based strategic management approach. Therefore, the study's hypotheses are:

- H1: *Organizational culture (X1) is positively and significantly associated with resource-based strategic management (Y).*
- H2: *Innovation (X2) is positively and significantly associated with resource-based strategic management (Y).*
- H3: *Digital transformation (X3) is positively and significantly associated with resource-based strategic management (Y).*

2. METHOD

This paper uses a quantitative approach, analyzing numerical data obtained from measuring variables. These variables are organizational culture, innovation, digital transformation, and resource-based strategic management. In terms of research typology, we use an explanatory method to explain the relationships among the variables and test the hypotheses. Therefore, this type of research can also be called causal research.

The research sample consisted of 165 secretaries from state-owned Sharia (6 head offices and 90 branch offices) and private banks (3 head offices and 66 branch offices) in East Java, Indonesia. The study used purposive sampling because it required respondents with sufficient knowledge of organizational policies, administrative coordination, and internal operational processes. To ensure an adequate level of organizational experience, respondents were required to (1) hold a senior secretary position, (2) have a minimum of three years of work experience within the bank, and (3) be assigned to either head office or branch office with regular involvement in managerial coordination.

Senior secretaries were selected as key informants because their responsibilities extend beyond routine administrative tasks. They regularly coordinate with branch managers and senior executives, manage organizational communications, participate in managerial meetings, facilitate the implementation of organizational policies, and monitor administrative processes across functional units. Through these responsibilities, secretaries develop broad organizational knowledge regarding organizational culture, innovation initiatives, and

digital transformation programs implemented within their respective banks. Consequently, they were considered appropriate respondents for assessing organizational practices rather than evaluating financial performance or executive strategic decision-making.

The data were obtained by distributing questionnaires. The questionnaire items were adapted from previous studies. Organizational culture items were adapted from Denison and Mishra (1995), innovation items from Dziallas and Blind (2018), digital transformation items from Ahmad et al. (2021), and resource-based strategic management items from Galati et al. (2014). The data were analyzed using PLS-SEM, including validity and reliability assessment in the outer model. The outer model evaluation verified whether the indicators adequately and consistently represented the latent variables. Once the outer model criteria were satisfied, the analysis proceeded to the inner or structural model evaluation to examine the hypothesized relationships among constructs and determine their statistical significance. The structural model evaluation assessed the model's explanatory and predictive capabilities as well as the significance of the relationships between the variables.

The final test, hypothesis testing, determined whether the structural model showed significant associations between the variables. The test used bootstrapping in SEM-PLS to obtain path coefficients, *t*-statistics, and *p*-values. The decision-making criteria were based on a significance level (α) of 0.05 with a *t*-table value of 1.96. A hypothesis is accepted if the *t*-statistic value is > 1.96 and *p*-values < 0.05 , indicating that the association between variables is statistically significant.

3. RESULTS

This study includes four main variables: organizational culture, innovation, digital transformation, and resource-based strategic management. The analysis began with an outer model analysis to verify that the indicators accurately and consistently represented the latent variables (Hair et al., 2019). The outer model in SEM-PLS includes testing for internal consistency reliability, convergent validity, and discriminant validity.

Convergent validity reflects the degree of inter-relationship among indicators within a construct, ensuring the instrument measures similar conceptual dimensions. In practice, this test is measured through the outer loading parameter and the Average Variance Extracted (AVE) value. The outer loading value indicates the strength of the relationship between each indicator and the latent construct being measured. An outer loading value of ≥ 0.708 is considered ideal, while values between 0.40 and 0.70 can still be maintained if they do not reduce the composite reliability value (Hair et al., 2019). Table 1 shows the results of the convergent validity test, and Table 2 shows the AVE results.

Table 1. Convergent validity

Variable	X1	X2	X3	Y
X1.1	0.839			
X1.2	0.874			
X1.3	0.846			
X1.4	0.871			
X2.1		0.855		
X2.2		0.854		
X2.3		0.872		
X2.4		0.875		
X3.1			0.890	
X3.2			0.868	
X3.3			0.861	
X3.4			0.828	
X3.5			0.861	
X3.6			0.796	
Y1.1				0.905
Y1.2				0.865
Y1.3				0.875

Note: X1 is organizational culture; X2 is innovation; X3 is digital transformation; Y is resource-based strategic management.

Table 2. AVE testing

Construct	Average variance extracted (AVE)
X1	0.736
X2	0.747
X3	0.725
Y	0.778

Note: X1 is organizational culture; X2 is innovation; X3 is digital transformation; Y is resource-based strategic management.

The test results show that all indicators in constructs X1, X2, X3, and Y have outer loading values above 0.70 (range 0.796–0.905), thus fulfilling the convergent validity criteria because

they can represent the latent constructs strongly. In addition, all Average Variance Extracted (AVE) values are also above 0.50 ($X1 = 0.736$; $X2 = 0.747$; $X3 = 0.725$; $Y = 0.778$), which means that each construct can explain more than 50% of the variance of its indicators. Thus, the measurement model in this study is declared convergently valid and is suitable to proceed to structural model testing.

The next outer model analysis, discriminant validity, aims to ensure that each latent variable in the model is truly distinct from one another and that there is no overlap between constructs. In this study, discriminant validity testing was conducted using the heterotrait-monotrait ratio (HTMT) approach. The HTMT criteria state that the ratio between constructs must be below 0.90 (or, more strictly, <0.85) to meet discriminant validity (Henseler et al., 2012). If all HTMT values in the model are below this threshold, each construct has clear differences and the measurement model has met the discriminant validity criteria. Table 3 presents the results of the discriminant validity test using HTMT.

Table 3. Discriminant validity testing using HTMT

Construct	X1	X2	X3	Y
X1				
X2	0.275			
X3	0.242	0.187		
Y	0.691	0.541	0.559	

Note: X1 is organizational culture; X2 is innovation; X3 is digital transformation; Y is resource-based strategic management.

Based on Table 3, all ratios between constructs are below the 0.90 limit. The highest HTMT value is found in the relationship between X1 and Y at 0.691, followed by X3 with Y at 0.559, X2 with Y at 0.541, X1 with X2 at 0.275, X1 with X3 at 0.242, and X2 with X3 at 0.187. Because all values are well below the 0.90 threshold, each construct differs clearly, and there is no overlap between latent variables. Thus, the measurement model has met the criteria for discriminant validity.

To complement the outer model analysis, a reliability test was conducted. This test assesses internal consistency, indicating the extent to which indicators within a construct can consis-

tently measure latent variables. In this study, reliability was tested using Cronbach's Alpha and composite reliability (CR). Cronbach's Alpha assesses consistency based on correlations between indicators, while composite reliability is more appropriate in SEM-PLS because it accounts for each indicator's contribution through its outer loading. A construct is considered reliable if Cronbach's Alpha and composite reliability are ≥ 0.70 , while values of $0.60-0.70$ are still acceptable in exploratory research (Hair et al., 2019). Table 4 shows the reliability testing.

Table 4. Reliability testing

Construct	Cronbach's Alpha	Composite reliability
X1	0.88	0.918
X2	0.887	0.922
X3	0.924	0.940
Y	0.857	0.913

Note: X1 is organizational culture; X2 is innovation; X3 is digital transformation; Y is resource-based strategic management.

Based on the reliability test results, all constructs had Cronbach's Alpha and composite reliability values above 0.70. Construct X1 obtained 0.88 and 0.918; X2 – 0.887 and 0.922; X3 – 0.924 and 0.94; and Y – 0.857 and 0.913. These values indicate that each variable has excellent internal consistency. Thus, all constructs are declared reliable and suitable for further analysis.

Once the measurement model criteria are met, the analysis moves to the inner, or structural, model evaluation. The primary focus is to analyze the causal relationships between constructs and determine the significance of the previously formulated hypotheses. Structural model evaluation is conducted by assessing the model's feasibility, predictive ability, and the significance of the relationships between the variables.

There are several tests for the inner model. The first stage is the multicollinearity test, which aims to verify the absence of excessive correlation between exogenous latent variables. Multicollinearity evaluation is performed using the Variance Inflation Factor (VIF) value. A VIF value exceeding 5 indicates potential multicollinearity issues that need to be addressed in the structural model (Subhaktiyasa, 2024). Table 5 shows the multicollinearity results.

Table 5. Multicollinearity

Structural path	VIF
X1 $\rightarrow$ Y	1.103
X2 $\rightarrow$ Y	1.081
X3 $\rightarrow$ Y	1.066

Note: X1 is organizational culture; X2 is innovation; X3 is digital transformation; Y is resource-based strategic management.

Based on Table 5, the VIF value for the path X1 $\rightarrow$ Y was 1.103, X2 $\rightarrow$ Y was 1.081, and X3 $\rightarrow$ Y was 1.066. All values were below the 5 threshold, indicating no multicollinearity among the independent variables in the structural model.

The next test, effect size (f^2), was conducted to determine the relative association of each exogenous latent variable on the endogenous variable. The f^2 value is used to assess the contribution of an exogenous variable in increasing the R^2 value of the endogenous variable. F^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large association, respectively (Subhaktiyasa, 2024). Table 6 presents effect size testing.

Table 6. Effect size

Structural path	f-squared
X1 $\rightarrow$ Y	0.449
X2 $\rightarrow$ Y	0.210
X3 $\rightarrow$ Y	0.279

Note: X1 is organizational culture; X2 is innovation; X3 is digital transformation; Y is resource-based strategic management.

Based on Table 6, X1 against Y has a value of 0.449, which indicates a large effect, so that X1 provides the most dominant contribution in increasing the R^2 value of Y. Furthermore, X3 against Y has an f^2 value of 0.279, which is included in the medium association category, while X2 against Y of 0.21 is also in the medium association category. Thus, all exogenous variables have a substantive contribution to Y, with the largest association coming from X1.

The coefficient of determination (R^2) indicates the proportion of the endogenous latent variable's variance that can be explained by the exogenous latent variable. R^2 values of 0.75, 0.50, and 0.25 indicate strong, moderate, and weak explanatory power of the model, respectively (Hair et al., 2019). Table 7 shows the coefficient of determination test.

Table 7. Coefficient of determination

Construct	R-squared
Y	0.59

Note: Y is resource-based strategic management.

Based on Table 7, the R^2 value for variable Y was 0.59. This indicates that 59% of the variance in Y can be explained by exogenous variables in the model, while the remaining 41% is associated with factors outside the study. Referring to the criteria of Sarstedt et al. (2017), this value falls into the category of moderately strong explanatory power. Thus, the structural model in this study has good explanatory power.

The model's predictive relevance was evaluated using the Stone–Geisser's Q^2 value obtained through the blindfolding procedure. The Q^2 statistic assesses whether the structural model has predictive relevance for the endogenous construct by examining how well the observed values can be reconstructed from the estimated model parameters. According to Hair et al. (2019), a Q^2 value greater than zero ($Q^2 > 0$) indicates that the model has predictive relevance for the endogenous construct.

Table 8. Q-squared test

Construct	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Y	495	272.326	0.45

Note: Y is resource-based strategic management.

As shown in Table 8, the Q^2 value for resource-based strategic management is 0.450, which is greater than zero. This result indicates that the structural model has predictive relevance for the endogenous construct, suggesting that the exogenous variables contribute meaningfully to explaining the observed variation in resource-based strategic management. Following the guidelines

of Hair et al. (2019), the positive Q^2 value supports the model's in-sample predictive relevance.

After the results of the outer and inner model tests met all the required values, it was appropriate to proceed to hypothesis testing. It was conducted using the bootstrapping method in SEM-PLS to obtain path coefficients, t -statistics, and p -values. The decision-making criteria were based on a significance level (alpha) of 0.05 with a t -table value of 1.96. A hypothesis is accepted if the t -statistic value is > 1.96 and the p -value is < 0.05 , indicating that the association between the variables is statistically significant. Table 9 summarizes the hypothesis testing.

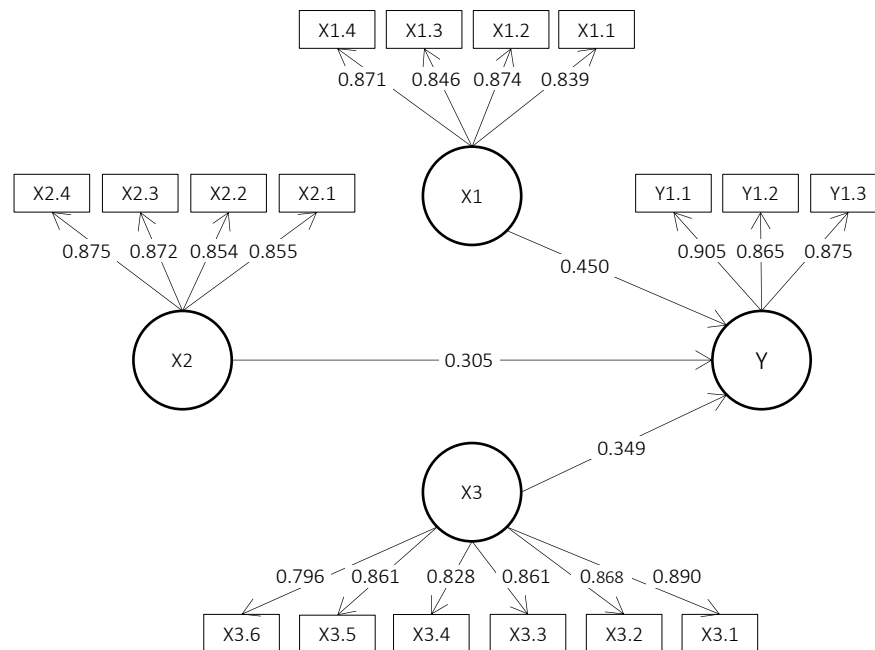
Based on the results of hypotheses testing with a significance level of 0.05 ($t > 1.96$), the following results were obtained. First, $X1 \rightarrow Y$ has a path coefficient of 0.45 with a t -statistic of 8.64 and a p -value of < 0.001 . Since $t > 1.96$ and $p < 0.05$, $X1$ has a positive and significant association with Y. Second, $X2 \rightarrow Y$ has a path coefficient of 0.305 with a t -statistic of 5.742 and a p -value of < 0.001 . Since $t > 1.96$ and $p < 0.05$, $X2$ has a positive and significant association with Y. Third, $X3 \rightarrow Y$ has a path coefficient of 0.349 with a t -statistic of 6.183 and a p -value of < 0.001 . Since $t > 1.96$ and $p < 0.05$, $X3$ has a positive and significant association with Y.

The bootstrapping procedure was performed to assess the significance of the structural relationships and the measurement indicators. Figure 1 presents the bootstrapping results, showing the outer loadings of the indicators and the path coefficients between the exogenous and endogenous constructs. The detailed results of the hypothesis testing, including the path coefficients, t -statistics, and p -values, are presented in Table 9.

Table 9. Hypotheses testing

Hypotheses	Original sample (O)	Sample means (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
$X1 \rightarrow Y$	0.450	0.451	0.052	8.640	< 0.001
$X2 \rightarrow Y$	0.305	0.306	0.053	5.742	< 0.001
$X3 \rightarrow Y$	0.349	0.350	0.056	6.183	< 0.001

Note: $X1$ is organizational culture; $X2$ is innovation; $X3$ is digital transformation; Y is resource-based strategic management.



Note: X1 is organizational culture; X2 is innovation; X3 is digital transformation; Y is resource-based strategic management.

Figure 1. Bootstrapping result

4. DISCUSSION

The findings indicate that organizational culture is positively and significantly associated with resource-based strategic management in Sharia banks, thus supporting Hypothesis 1 (H1). Among all the variables tested, organizational culture had the largest path coefficient ($\beta = 0.450$), indicating that organizational culture is the internal resource most strongly associated with resource-based strategic management in this research model. These findings suggest that organizational values, understood and consistently implemented by organizational members, can strengthen Sharia banks' ability to strategically manage internal resources.

These results indicate that organizational culture not only functions as a set of values that govern organizational behavior but also serves as a mechanism that supports decision-making, coordination, and organizational adaptation to environmental changes. In the context of Sharia banks, an organizational culture that supports collaboration, learning, and commitment to organizational values can strengthen the organization's ability to align its resources with strategic objectives. Thus, organizational culture serves as a foundation that enables organizations to utilize resources more effectively to maintain a competitive advantage.

The findings indicate that organizational culture has a positive and significant effect on resource-based strategic management. This finding supports the resource-based view (RBV), which emphasizes that organizational resources can become a source of competitive advantage when they are valuable, distinctive, and difficult to imitate. In this context, organizational culture can be understood as an intangible organizational resource that shapes shared values, behavioral patterns, and the way organizational members utilize organizational capabilities. A strong and adaptive culture can therefore support the implementation of strategic management by creating consistency in organizational behavior while enabling members to respond to changes in the business environment. This finding is also consistent with Qiwen et al. (2025), who showed that organizational culture can support management in formulating strategic policies, strengthening organizational adaptability, and facilitating decision-making in dynamic environments. Thus, the significant relationship found in this study suggests that organizational culture is not merely a set of shared values, but can function as an internal resource that supports the development and implementation of resource-based strategic management in Sharia banking.

The organizational culture of Sharia banks is fundamentally sound (Heriansyah et al., 2024). However, this culture needs to be continuously adapted to the dynamics and developments of society, given that Sharia banks in East Java have the second-highest customer base in Indonesia. Sharia banks must continuously disseminate Sharia values and principles in banking to the public, despite most of Indonesia's population being Muslim (Gunawan et al., 2025). This is crucial to increase public awareness and strengthen public understanding of Sharia banking concepts, practices, and unique value.

This is particularly relevant to Sharia banks, where Sharia principles can serve as a distinctive basis for developing an organizational culture that differentiates them from conventional banks. Furthermore, organizational culture provides leadership with an opportunity to evaluate current policies (Anning-Dorson, 2021), including identifying areas for improvement to enhance organizational effectiveness and performance (Hasan, 2023). Organizational culture is no longer viewed as rigid and unchanging (Genc, 2013). Instead, it is dynamic and can evolve in response to the internal and external demands of the organization. This is especially important when facing external challenges, such as increasingly agile market dynamics, rapidly changing consumer preferences, and evolving technological advances, which require an adaptive organizational culture (Martins & Terblanche, 2003). Therefore, Sharia banks need to develop a flexible culture that enables them to respond effectively to change and maintain competitiveness. From a resource-based perspective, organizational culture can be regarded as an intangible organizational resource because shared values, norms, and practices influence how organizational members behave and utilize organizational capabilities. A distinctive organizational culture can also create an environment that supports innovation and continuous improvement. An organizational culture that adapts to changing dynamics creates space for organizations to continuously redesign their strategies (Kamaku et al., 2021). In this way, Sharia banks can become more responsive to environmental challenges, capitalize on emerging opportunities, and encourage the development of new ideas that support competitive advantage and differentiation from conventional banks.

The findings indicate that innovation is positively and significantly associated with resource-based strategic management, thereby supporting Hypothesis 2 (H2). The positive path coefficient ($\beta = 0.305$) suggests that innovation constitutes an important internal capability that enables Sharia banks to utilize their resources more strategically. Although its relationship is weaker than that of organizational culture, the result demonstrates that innovation contributes to strengthening organizational capabilities by facilitating the development of new products, services, and work processes that respond to changes in the banking environment. From a Resource-Based View perspective, innovation represents a strategic organizational capability that enhances the value of internal resources and supports the development of sustainable competitive advantage.

This finding is consistent with Thaib et al. (2025), who emphasized that innovation is an essential strategic consideration for Sharia banking institutions, and with Faizi (2024), who argued that continuous product and service innovation is necessary to maintain competitiveness in an increasingly dynamic banking industry. This study extends these findings by showing that innovation is associated not only with competitiveness but also with resource-based strategic management. This suggests that innovation contributes to the strategic deployment of organizational resources rather than functioning merely as an operational activity. This includes adapting banking services to meet evolving customer expectations (Zaini et al., 2019). Sharia banks need to understand and implement modern technology in line with Sharia principles to develop products and services that are not only competitive but also meet customer needs. Success in innovation can be measured by levels of customer satisfaction and loyalty, such as the increasing number of customers saving and investing in Sharia banks (Dziallas & Blind, 2018).

The findings also support Qiwen et al. (2025) and Silva and Oliveira (2020) that innovation capability is an intangible organizational resource that is valuable, difficult to imitate, and capable of generating competitive advantage. Within the context of Sharia banking, innovation may facilitate organizational adaptation to technological developments and changing customer expectations while

remaining consistent with organizational objectives. Nevertheless, because this study employed a cross-sectional design, the findings should be interpreted as evidence of a positive association rather than a causal association. Future longitudinal studies may better explain how innovation capabilities contribute to the development of resource-based strategic management over time.

Innovation in the Sharia banking sector is crucial for competing in dynamic market conditions, particularly in the digital era. Various product and service innovations have been introduced, including financial technology that offers customers easy access, efficiency, and transparency. For example, mobile banking applications simplify daily transactions. Adapting to digital technology and innovation that respond to market needs is key to ensuring the sustainability and competitiveness of Sharia banks. These innovation efforts require collaboration among regulators, financial institutions, and the public to jointly build a healthy and sustainable Sharia banking ecosystem.

The findings indicate that digital transformation is positively and significantly associated with resource-based strategic management, thereby supporting Hypothesis 3 (H3). The positive path coefficient ($\beta = 0.349$) suggests that digital transformation represents an important organizational capability that enables Sharia banks to strengthen the strategic utilization of their internal resources. Compared with innovation ($\beta = 0.305$), digital transformation demonstrates a stronger association with resource-based strategic management, indicating that organizational capabilities related to digital technologies have become increasingly important in supporting strategic adaptation within the banking sector.

From a resource-based view perspective, digital transformation extends beyond the adoption of new technologies. Rather, it reflects an organizational capability to integrate technological resources, human competencies, and organizational processes in ways that enhance strategic flexibility and operational effectiveness. The findings suggest that Sharia banks with stronger digital transformation capabilities are better positioned to align internal resources with changing business environments, thereby supporting the implementation of resource-based strategic management.

These findings are consistent with Ahmad et al. (2021), who argued that digital transformation enables organizations to create new sources of value through digitally enabled business models, and with Do et al. (2022), who viewed digital transformation as an organizational response to environmental change. The results also support Chuunga and Mpundu (2025) and Bozkus (2024), who emphasized that successful digital transformation depends on organizational learning, collaboration, and an adaptive organizational culture. Collectively, these studies reinforce the present findings that digital transformation represents a strategic organizational capability rather than merely a technological investment.

Digital transformation can be achieved by developing digital banking services that enable customers to complete transactions easily, quickly, and securely through mobile and internet banking applications. Furthermore, Sharia financing processes can be digitized, allowing for more efficient handling of applications, verification, and disbursement without compromising prudential principles or Sharia compliance. The use of information technology, such as data analytics and artificial intelligence, can also help banks better understand customer needs and enhance the quality of risk management.

On the other hand, digital transformation can bolster the Sharia economic ecosystem by integrating banking services with “pesantren” (Sharia boarding schools), Sharia educational institutions, halal business players, and organizations managing “zakat”, “infaq”, “sadaqah”, and “waqf”. By leveraging digital technology, the public can access sharia-based social finance services with greater ease and transparency. Consequently, digital transformation in sharia banks aims not only to keep pace with technological advancements but also to expand the application of Sharia values in the community’s economic life. For sharia banks in East Java, a region with significant market potential driven by the large number of “pesantren” and Sharia educational institutions, digital transformation represents a strategic move to enhance competitiveness while strengthening their contribution to the development of the local sharia economy.

Digital transformation is the process of integrating technological resources into a business framework, including in Sharia banks. This process changes how organizations function, deliver value, and interact with customers (Herdinata et al., 2025). It goes beyond simply implementing technology. It also involves organizational change and restructuring culture, processes, and strategies (Zaini et al., 2019). In Sharia banks, the culture must still prioritize Sharia principles, and this presents a unique challenge for Sharia banking. To maintain a competitive advantage, Sharia banks need to strive to increase market agility and optimize operational efficiency. Digital transformation fulfills these goals, leading to improved customer experience and the development of innovative business models.

Along with the rapid development of technology, digitalization, and globalization, this is transforming the economy into a new form (Kamasak, 2015). In this context, the focus of organizational value creation is no longer on tangible assets but intangible assets such as knowledge, creativity, organizational culture, innovation, reputation, and branding. This shift is a crucial strategy for organizations to survive and build sustainable competitiveness.

The large Muslim population in Indonesia should present an opportunity for Sharia banking to make a significant contribution to the national economy.

However, based on banking performance data, Sharia banking's market share has only reached 6.59% of the total national banking market, while the remaining 94% is still dominated by conventional banks (Anwar et al., 2020). Several economic observers have suggested that low levels of Sharia financial literacy among the public are a key contributing factor, along with the perception that access to conventional banks is easier than to Sharia banks (Abduh & Omar, 2012). Furthermore, limited competent resources in Sharia banking also limit innovation that could improve customer convenience, unlike the capabilities possessed by conventional banks (Lebdaoui & Wild, 2016). Therefore, given this phenomenon, Sharia banks need to improve, especially intangible resources, such as organizational culture, innovation, and digital transformation.

Organizational culture, innovation, and digital transformation are interrelated elements in building resource-based strategic management. Innovation and digital transformation require an organizational culture that supports and is open to innovative behavior in carrying out increasingly digitalized business processes. Digital transformation extends beyond the application of technology to encompass changes in work processes, organizational behavior, and individual readiness to transition and adapt to working in a digital environment.

CONCLUSION

The aim of this study was to examine the effects of organizational culture, innovation, and digital transformation on resource-based strategic management in Sharia banks. The findings demonstrate that organizational culture, innovation, and digital transformation have positive and significant effects on resource-based strategic management. Among the three variables, organizational culture showed the largest path coefficient, followed by digital transformation and innovation. These findings indicate that internal organizational resources and capabilities are associated with the implementation of resource-based strategic management in the context of Sharia banking.

This study contributes to the Resource-Based View literature by providing empirical evidence on the relationships between organizational culture, innovation, digital transformation, and resource-based strategic management in Sharia banks. The findings suggest that strengthening these internal organizational resources and capabilities can support the development and implementation of resource-based strategic management within Sharia banking institutions.

Future research may extend the present study by examining additional organizational resources, capabilities, and contextual factors related to resource-based strategic management. Longitudinal research

could also be conducted to examine how these relationships develop over time. Further studies may investigate the relationship between resource-based strategic management and organizational outcomes, such as competitive advantage, organizational performance, and service quality, which were beyond the scope of the present study.

AUTHOR CONTRIBUTIONS

Conceptualization: Halid Hasan, Farika Nikmah.

Data curation: Halid Hasan, Farika Nikmah.

Formal analysis: Halid Hasan, Farika Nikmah, Sri Wilujeng.

Funding acquisition: Halid Hasan.

Investigation: Halid Hasan, Farika Nikmah, Weni Rosdiana.

Methodology: Halid Hasan, Farika Nikmah, Sri Wilujeng.

Project administration: Halid Hasan, Farika Nikmah, Weni Rosdiana.

Resources: Halid Hasan, Farika Nikmah.

Software: Sri Wilujeng.

Supervision: Halid Hasan.

Validation: Halid Hasan, Farika Nikmah, Weni Rosdiana.

Visualization: Halid Hasan, Sri Wilujeng.

Writing – original draft: Halid Hasan, Farika Nikmah, Weni Rosdiana, Sri Wilujeng.

Writing – review & editing: Halid Hasan, Farika Nikmah, Weni Rosdiana.

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