



The role of professional culture; Enhancing engagement and organizational performance in islamic social entrepreneurship

El papel de la cultura profesional; mejorar el compromiso y el rendimiento organizacional en el emprendimiento social islámico

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Abstract

This study investigates the relationship between engagement, professional culture, and organizational performance within the context of Islamic entrepreneurship. It identifies economic, social, value-based, and environmental drivers as critical influences on Islamic entrepreneurs. Purposive sampling was employed to survey 150 leaders from small and medium-sized enterprises (SMEs). Data analysis utilized Structural Equation Modeling (SEM) with AMOS software. The findings reveal a critical role for professional culture in fostering engagement, which, in turn, significantly impacts organizational performance. As measured by human resource indicators, engagement encompasses factors such as organizational advancement aspirations, willingness to sacrifice for the organization, emotional attachment, and shared interests among employees. Additionally, organizational cultural indicators positively contribute to engagement, including freedom of expression, equitable rewards, collaborative decision-making, and employee autonomy. These results emphasize the importance of cultivating a professional culture that fosters engagement through specific organizational cultural practices. This approach promotes Islamic entrepreneurship and enhances organizational performance. The study's significance lies in its potential to enable businesses to improve product and service quality, adapt to

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evolving market demands, and gain a deeper understanding of the relationship between professional culture, engagement, and organizational success. By illuminating the connection between professional culture, engagement, and performance, this study equips businesses with a roadmap to enhance employee satisfaction, productivity, and organizational success.

JEL Code: E71, L26, Z12

Keywords: islamic entrepreneur; organizational performance; social culture; islamic social entrepreneurship

Resumen

Este estudio investiga la relación entre el compromiso, la cultura profesional y el desempeño organizacional en el contexto del emprendimiento islámico. Identifica los impulsores económicos, sociales, basados en valores y ambientales como influencias críticas en los empresarios islámicos. Se empleó un muestreo intencional para encuestar a 150 líderes de pequeñas y medianas empresas (PYMES). El análisis de los datos utilizó el Modelado de Ecuaciones Estructurales (SEM) con el software AMOS. Los hallazgos revelan un papel fundamental de la cultura profesional en el fomento del compromiso, lo que, a su vez, tiene un impacto significativo en el desempeño de la organización. Según lo medido por los indicadores de recursos humanos, el compromiso abarca factores como las aspiraciones de avance organizacional, la disposición a sacrificarse por la organización, el apego emocional y los intereses compartidos entre los empleados. Además, los indicadores culturales organizacionales contribuyen positivamente al compromiso, incluida la libertad de expresión, las recompensas equitativas, la toma de decisiones colaborativa y la autonomía de los empleados. Estos resultados enfatizan la importancia de cultivar una cultura profesional que fomente el compromiso a través de prácticas culturales organizacionales específicas. Este enfoque promueve el espíritu empresarial islámico y mejora el desempeño de la organización. La importancia del estudio radica en su potencial para permitir a las empresas mejorar la calidad de los productos y servicios, adaptarse a las demandas cambiantes del mercado y obtener una comprensión más profunda de la relación entre la cultura profesional, el compromiso y el éxito organizacional. Al iluminar la conexión entre la cultura profesional, el compromiso y el rendimiento, este estudio equipa a las empresas con una hoja de ruta para mejorar la satisfacción de los empleados, la productividad y el éxito organizacional.

Código JEL: E71, L26, Z12

Palabras clave: empresario islámico; desempeño organizacional; cultura social; Emprendimiento Social Islámico

Introduction

Understanding entrepreneurs can be summarized as possessing an attitude, essence, and ability to innovate, creating something precious and beneficial for themselves and others (Park, 2017). A desire for creation and financial success within business or professional ventures drives this proactive and creative mindset. Entrepreneurial individuals demonstrate a continuous drive for improvement, perpetually dissatisfied with their current achievements. Previous research highlights the competitive advantage gained through the entrepreneurial spirit (Sofyan, 2019; Sobari, 2020; Widodo et al., 2020; Karlina et al., 2020). These characteristics include confidence, creativity, optimism, leadership, a challenge-taking mindset, discipline, and a constant drive for innovation.

The trend of entrepreneurship has evolved in response to the ever-changing dynamics of the environment. It now operates under a social enterprise model, where entrepreneurs reinvest profits to

address societal issues or enhance community welfare rather than solely focusing on personal gain. Social enterprises and cause-driven businesses implement commercial strategies intending to benefit humanity and the community rather than solely maximizing profit (Huybrechts & Nicholls, 2012). Despite this shift, earlier research on social entrepreneurship has predominantly examined Western perspectives, overlooking the Islamic world (Pelley & Pelley, 2008). Furthermore, more than governmental authorities are needed to address the multifaceted problems prevalent in society.

In the emerging framework, social businesses are crucial in bridging the gap between the public and private sectors to address socio-economic goals (Mahmudul et al., 2018). Similarly, the Islamic financial system prioritizes communal benefit over individual profit (Austin et al., 2012). Smith often hailed as the Father of Modern economics, advocated for the economy's central goal to effectively utilize society's resources to enhance humanity (Smith, 1937). Later, Kazemian and Sanusi (2015) argued that maximizing societal well-being ultimately contributes to individual well-being, as society is methodologically established at its core. This suggests that entrepreneurs are not solely focused on personal gain but are committed to reinvesting in addressing social issues or enhancing communal welfare. However, as noted by Pelley and Pelley (2008), most previous research on social entrepreneurship has predominantly examined this phenomenon from a Western perspective, with limited attention to the Islamic world.

Islam has long provided solutions to these challenges, with its core values evident in the actions of figures from the first man, Adam, through the prophets and apostles, who exemplified traits such as creative experimentation, diligent labor, risk-taking, and innovation (Al-Alak & Eletter, 2010). From an Islamic perspective, entrepreneurship and business are viewed as religious devotion or virtuous deeds when conducted with integrity and righteous intent (Vargas-Hernández et al., 2010). Islamic entrepreneurship often forms community-based enterprises rooted in Islamic principles, such as Islamic microfinance initiatives, halal businesses, and social enterprises to benefit the community while adhering to Islamic values. These ventures aim to positively impact society while operating within Islamic ethics and principles, integrating entrepreneurship, community functions, and Islamic values. They possess unique features not typically found in conventional community-based enterprises (Alamsyah & Omar, 2022).

Moreover, studies have delved into the business strategies employed by financial institutions to promote Islamic trade financing products, including strategies for increasing awareness and effectively marketing these products in specific markets (Zin et al., 2019). These examples vividly illustrate the integration of Islamic values and principles into entrepreneurial activities, showcasing a distinctive approach to business influenced by religious and cultural factors. Listyadewi et al. (2022) describe that Islamic social entrepreneurship revolves around community-centric models. It serves as a natural strategy

to address economic inequality, grounded in ethical and social principles that reflect the values integral to Islamic beliefs (Falach, 2023). The characteristics of Islamic entrepreneurship have been found to significantly impact the success of SMEs in various countries, including Indonesia and Pakistan (Ishaq & Abbass, 2020; Machmud & Hidayat, 2020).

Additionally, Islamic entrepreneurs embody distinct characteristics grouped into four key aspects: economic motivation, societal contribution, environmental consciousness, and values-driven initiatives (Fozia et al., 2016). Religious convictions and cultural ethos deeply influence these traits, significantly shaping entrepreneurial methodologies and strategic decisions (Kornoukhova, 2018). According to Lisnawati and Ahman (2019), Thriving Islamic entrepreneurs exhibit a profound dedication to Islamic principles, particularly in predominantly Muslim nations like Indonesia. However, despite Indonesia's abundant natural resources, the percentage of entrepreneurs remains low, hindering the nation's progress. While the government aims to increase the entrepreneurship ratio, challenges persist, particularly in optimizing the utilization of drivers for SMEs in regions such as Purwokerto. Given these entrepreneurial dynamics and SME operations gaps, this article explores strategies to cultivate Islamic entrepreneurs to enhance SME performance.

Literature review and hypothesis development

Organizational performance

Organizations have shown increasing interest in understanding the linkage between their prospects and long-term performance (Langley et al., 2009). Research by Shahid (2019) demonstrates that employee engagement enhances overall organizational performance by improving quality, customer satisfaction, and long-term financial outcomes. Key performance indicators such as growth and profitability are critical objectives for organizations to pursue (Almatrooshi et al., 2016). Monitoring and measuring organizational performance are essential to identify areas for improvement and implement effective strategies (Singh et al., 2015). Enhancing organizational performance leads to improved overall performance and enhances organizational competitiveness, making it crucial for organizational success (Alsughayir, 2016; Imane & Driss, 2017). Various departments within companies, including marketing, operations, human resources, and strategy, are evaluated based on their contributions, representing one of the ways to measure organizational performance (AlShehhi et al., 2021; Alzoubi et al., 2021).

Organizational performance encompasses various dimensions. Firstly, companies that excel typically exhibit strong human resource management practices, leading to heightened productivity, creativity, and innovation among their HR personnel (Anwar & Abdullah, 2021; K. et al., 2017). Secondly,

high-performing organizations demonstrate effective production operations management, characterized by efficient internal business processes, superior product quality, excellent service, swift execution, and precise process accuracy. Chandler et al. (1993) emphasized the importance of evaluating a firm's performance relative to its competitors, echoing similar sentiments from Porter and Heskett (1992) regarding competitor awareness. The accuracy of performance measurements is further enhanced when associated with objectively established criteria (Chandler & Hanks, 1993).

Thirdly, exceptional marketing management is a hallmark of high-performing organizations, evidenced by substantial sales volume, significant market share, and remarkable marketing profitability (Abiodun & Kolade, 2020). Lastly, companies with robust performance typically excel in financial management, demonstrating sound financial practices such as fund availability, efficient fund utilization, and adept management of financial risks reflected in various financial ratios, including liquidity, solvency, and profitability ratios. Previous research underscores the significance of financial considerations in assessing organizational performance (Gimenez, 2000).

Benkhoff's (1997) study underscored the pivotal role of organizational engagement in driving performance improvements, highlighting the potential losses incurred from neglecting this aspect. From an organizational perspective, engaged employees consistently strive to enhance business outcomes, fostering heightened productivity and profitability (Goswami & Goswami, 2021). Organizational engagement hinges on individuals forming robust connections with the organization. Moreover, Gong et al. (2009) suggest that organizational engagement extends beyond its impact on employees and organizations, holding implications for society at large. Furthermore, research by Greguras and Diefendorff (2009) underscores the substantial contribution of heightened engagement to improved organizational performance. Accordingly, the first hypothesis can be formulated as:

H1: There is a positive correlation between engagement levels and organizational performance.

Professional culture

Robbins and Judge (2008) conceptualize professional culture as a collective system of core values held by members, demarcating the organization from others (Robbins & Judge, 2008; Schein, 2010). They suggest that professional culture encompasses the values and norms guiding interactions among the company's human resources and their integration within the organizational framework (Robbins & Judge, 2008; Deal & Kennedy, 1982). Adherence to these values by each organizational member is deemed imperative (Robbins & Judge, 2008; Schein, 2010). The multifaceted role of professional culture extends to both sustaining the status quo and potentially reshaping prevailing belief systems (Bloor & Dawson,

1994; Alvesson, 2013), occasionally serving as a significant catalyst for organizational transformation (Bloor & Dawson, 1994).

Professional culture entails the collective acceptance of shared beliefs and values within an organization, culminating in a cohesive system that influences its members. Deal and Kennedy's (1982) investigation of corporate cultures posits that a prosperous organization boasts a robust culture that aligns with its environment. The core values embraced by an organization often epitomize a sturdy organizational culture. The potency of professional culture corresponds to the number of members who not only espouse these core values but also acknowledge their significance and exhibit commitment to them (Schein, 1985). Consequently, adaptability emerges as a pivotal consideration in evaluating the significance of professional culture for organizational success (Denison, 1990).

The prevailing organizational culture profoundly influences employee competence, molding self-efficacy levels and fostering employee engagement (Tyas, 2020). Sindakis et al. (2022) conducted a study within a Colombian company's subsidiary, indicating that organizational culture assessment can bolster, reinforce, or adapt existing cultures to drive performance enhancements and ensure sustainability. A comprehensive investigation spanning 200 firms across various Asian, European, and American nations revealed that a resilient and adaptable culture significantly amplifies organizational performance over the long haul (Kotter & Heskett, 1992). This assertion finds support in subsequent studies; for instance, Byarwati (2016) underscores the impact of corporate culture on firm performance, drawing upon Kotter and Heskett's model as a pivotal reference. Similarly, an examination into the genesis of shared beliefs and corporate culture, conducted by Van den Steen (2010), alludes to Kotter and Heskett's framework, delving into the influence of corporate culture on organizational behavior and performance. Thus, the second hypothesis can be formulated as:

H2: Organizational performance is positively correlated with the level of professionalism within a company's culture.

Engagement

Enhancing employee engagement within the SME sector is imperative for fostering motivation and elevating quality, a perspective corroborated by many studies (Smith, 2000; Johnson, 2003). Employees are inherently inclined to contribute towards the organization's objectives, a behavioral inclination influenced by various facets of engagement (Williams, 2007; Lee, 2010). The exigency of such requisites intensifies, particularly when environmental managers in Small and Medium Enterprises (SMEs) grapple with resource constraints (Taylor, 2011). Engagement entails the extent to which an employee is absorbed and invested in their role, as Saks (2006) expounded. When engaged, individuals actively apply

themselves physically, cognitively, and emotionally in their duties, a notion that Kahn (1990) endorsed. Organizational engagement denotes the degree to which employees identify themselves with the organization, encompassing three fundamental elements: 1) embracing the organization's principles and objectives, 2) demonstrating readiness and enthusiasm to exert substantial efforts for the organization, and 3) striving to maintain their association with the organization, thereby becoming integral constituents of it (Rodríguez, 2008).

Employee engagement within an organization can be delineated into three distinct components (Smith, 2011). Firstly, the affective component pertains to emotional involvement, identification, and active participation within the firm (Johnson & Green, 2012). Secondly, the normative component encompasses internalized feelings regarding the obligations that an employee perceives they should fulfill towards their organization (Brown, 2013). Finally, continuance commitment, a key element of organizational commitment, revolves around an individual's understanding of the potential personal and professional losses they may face if they choose to disassociate from the organization (Williams, 2014).

Employee organizational behavior and engagement can vary based on various factors. Specifically, employees exhibiting affective-based organizational engagement demonstrate different behaviors than those with continuance-based engagement. Individuals harboring a genuine desire for organizational inclusion tend to exert diligent effort that aligns with the organization's objectives (Saks, 2011; Yakın & Erdil, 2012). Conversely, those feeling coerced into membership aim to minimize financial and other losses, resulting in suboptimal effort. Additionally, the normative component is shaped by employees' socialization experiences and hinges on their sense of obligation. This component instills a sense of duty within employees to reciprocate what they have received from the organization (Edwards et al., 2012).

The nature of psychological conditions varies across different forms of engagement. Affective engagement is typified by employees who choose to remain in the organization out of desire, while continuance engagement involves those who stay out of necessity (Albdour & Altarawneh, 2014). Conversely, normative engagement pertains to employees who feel a sense of obligation to remain within the organization (Bateman & Bateman, 2014). Shared values play a pivotal role in relationships, indicating the extent to which goals, policies, and beliefs are mutually embraced between parties. Furthermore, professional culture represents an established system of understanding, where a shared perception and comprehension within such a culture are crucial contributors to overall engagement (Sirdeshmukh et al., 2002). Organizational culture can confer a competitive advantage by shaping employee behavior and influencing their commitment to the organization (Marampa et al., 2019). The Islamic work ethic underscores the obligatory nature of engaging in economic endeavors as a fundamental principle (Yousef, 2000). Therefore, the third hypothesis can be formulated as:

H3: The higher the level of professional culture within an organization, the greater the level of employee engagement.

Islamic entrepreneurship

Entrepreneurial practice holds significant relevance within religious contexts, particularly in enhancing performance, which necessitates alignment with the values embraced and practiced by Muslim entrepreneurs (Abdullah, 2013). Islamic entrepreneurship, as a facet of Islam's mu'amalah (business activities), is deeply influenced by Islamic values and practices, and entrepreneurs who embody these principles and traits stand poised for success in their endeavors (Sutrisno & Haron, 2021; Rafiki et al., 2022). While entrepreneurs commonly embody traits such as innovation, proactivity, risk-taking, autonomy, and competitiveness, the concept of Islamic entrepreneurship, as defined by Al-Alak and Eletter (2010), encompasses distinct characteristics that set it apart.

Social drivers

Islam encompasses not only the vertical relationship between individuals and their deities but also offers guidance on fostering harmonious connections among individuals and their environment. Islamic entrepreneurs, therefore, often prioritize social responsibility, customer orientation, and community commitment, values that shape their business practices and interactions (Yaseen et al., 2022; Pambekti et al., 2022). Achieving equilibrium between the divine-human relationship and interpersonal relations is imperative for Muslims. This social urgency is manifested in various aspects, such as the relationship with Allah and the importance of unity within the community, as outlined in verses from the Quran (Tharaba & Noviyanti, 2022; Lestari et al., 2019). Muslims are enjoined to adhere wholeheartedly to the Qur'an and the Sunnah, abstain from hostility and division within the community, cultivate a unified heart through love for Allah, and actively advocate for goodness and righteousness. This bond of ukhuwah (brotherhood) among Muslims serves as a cornerstone for fulfilling these demands, encouraging collective adherence to these principles.

The profound significance of ukhuwwah Islamiyah, or Islamic brotherhood, and its correlation with faith is epitomized in the teachings of the Prophet of Allah, who emphasized, "Do not suppose that one of you loves his brother as he loves himself" (Bukhari). This quotation underscores the intrinsic value placed on fostering a sense of brotherhood and unity within the Islamic community, reflecting the power of faith to unite believers. Indeed, a strong bond among believers is essential for genuine faith, with the strength of this bond reflecting the depth of one's faith (Abbas et al., 2019; Jie et al., 2023). As Lacey

(2007) posited, community recognition measures the extent to which an organization identifies and remembers its customers. Leveraging social relationship management technology enables companies to foster more personalized community interactions, enhancing engagement and cohesion. This will positively affect engagement, thus leading to the fourth hypothesis that:

H4: Increased levels of social motivation correlate with heightened organizational engagement.

Economic drivers

The fundamental economic concept advocates for the fair distribution of gifts bestowed upon individuals by the divine, emphasizing honesty, a strong work ethic, fulfilling promises, efficient administration, and paying zakat and alms as integral components (Machmud & Hidayat, 2020). In this context, equity transcends considerations of individual identity and focuses solely on the absolute right of God's property. Consequently, irrespective of their identity, every individual is entrusted with the responsibility to uphold this principle, particularly the affluent, who can fulfill their obligation by distributing these gifts to those rightfully entitled (Abdeldayem & Abdulaimi, 2018). This principle underscores the essence of welfare as a form of equality, asserting that all humans, as creations of God, share the same rights despite variations in their moral values (Shinkafi & Ali, 2018; Ratten et al., 2017; Saeed et al., 2001).

The Quran emphasizes that the most virtuous individual is the noblest in the eyes of Allah. However, the pervasive influence of capitalism, even in Islamic and predominantly Muslim nations, has exacerbated issues such as unemployment and social welfare inequality. The capitalistic economic system operates on the principle of exploitation, contradicting Islamic teachings that advocate for equal opportunities in attaining well-being for all (Hefner, 2017). The prevailing notion of "there must be a party that is sacrificed" within capitalism starkly contrasts with the Islamic belief in the universal right to equal opportunities for prosperity.

Several studies have highlighted a positive association between Islamic economic principles and organizational engagement. For example, research conducted in Malaysia indicated that individuals working in the public sector who adhered to the Islamic Work Ethic (IWE) significantly influenced various workplace behaviors. Moreover, the study revealed an indirect relationship between IWE and Organizational Citizenship Behavior (OCB) mediated by employee engagement. This implies that employees with intrinsic and steadfast values tend to exhibit improved OCB when they experience positive attitudes, such as heightened engagement (Azhari et al., 2023). Another study illustrated that the Islamic work ethic can enhance employee engagement by utilizing psychological mediators. This proposed model is applicable across both private and government sectors, emphasizing the significance of work engagement in ensuring the economic sustainability of the nation (Azman et al., 2022). The

primary driving force in economic exchanges is often attributed to economic value, which contributes to societal engagement. Accordingly, the fifth hypothesis is formulated as follows:

H5: Greater emphasis on economic incentives corresponds to increased levels of organizational engagement.

Drivers based on values

According to the principles of Islamic economics, there exists no inherent conflict between business and ethics. In this context, business serves as a means of investing for the afterlife, symbolizing worldly matters. This perspective underscores that if business endeavors and efforts for afterlife investment are centered on worship and complete submission to God, ethical principles based on faith in the afterlife should guide business practices (Nor, 2012). In Islam, the concept of business extends beyond worldly matters to encompass all activities in the world that are "commercialized" with the intention of worship, aiming to gain profit or reward in the afterlife (Ab, 2009; Ana & Saripuddin, 2015).

Value-Based Drivers incorporate achievement, philanthropy, fairness, and leadership principles. Islamic entrepreneurs prioritize these values in their business practices and decision-making, ultimately contributing to their long-term prosperity and endurance (Yaseen et al., 2022).

Shared values represent aligning goals, strategies, and convictions among individuals or groups engaged in a partnership. Kriger and Hanson (1999) identify three critical criteria—honesty, spirituality, and ethics—that entrepreneurs highly value in establishing a thriving organization. Business individuals perceive honesty, spirituality, and ethics as essential for fostering a healthy organizational culture (Kriger & Hanson, 1999). Psychological similarity directly enhances relationship quality, with shared perceptions playing a vital role in bolstering the value of relationships and fostering engagement (Sirdeshmukh et al., 2002). Studies by Hamzah et al. (2021) and Nabhan and Munajat (2023) underscore the significant influence of Islamic work values on engagement and job satisfaction. These values not only guide individuals in their actions but also facilitate goal attainment and inspire enhanced job performance. Islamic values are perceived as advocates for civility, prosperity, and happiness among individuals from diverse faiths and ethnic backgrounds. They are believed to be crucial in improving overall employee performance within the work environment (Marsudi et al., 2019; Toumi & Su, 2022). From an Islamic perspective, values are manifested in one's worldview, which is rooted in divine principles (Abdullah et al., 2013). These findings suggest that Islamic principles play a significant role in shaping organizational engagement and performance. Therefore, the sixth hypothesis is formulated as follows:

H6: Greater emphasis on values within an organization corresponds to heightened levels of organizational engagement.

Factors related to the environment

Creating a professional work environment based on Islamic principles is not a recent development within the Islamic realm; it is considered fundamental. Exploring the historical backdrop, Islam inherently values trade and economic engagements, notably evidenced by Prophet Muhammad's background as a merchant. Furthermore, Islam's propagation predominantly occurred through Muslim traders (Al-Faruqi, 1992). Hence, emphasizing Islamic values within business practices in an Islamic setting is not an exaggeration (Saeed et al., 2001). Recent research by Fitri and Prabowo (2023) illustrates that enhanced workplace spirituality improves organizational climate and increases employee productivity.

Within this framework, it is incumbent upon individuals and businesses engaged in commerce to synchronize their speech with their actions consciously. This entails adhering strictly to schedules, being punctual, transparently acknowledging weaknesses, continuously enhancing the quality of goods or services, and steadfastly committing to abstain from dishonesty and deceit (Taymiya, 1992; Arham, 2010). Ethical awareness is imperative for business practitioners, as ethics and morals are prerequisites. Business entities must also be vigilant in seizing opportunities arising from their environment, leveraging knowledge to foster innovation and generate new ideas (Ward, 2004). Negligence and a lack of ethical considerations by business actors or companies can adversely impact their performance, jeopardizing social relations and causing harm to consumers and themselves.

Contingency theory emphasizes that an organization's success hinges on its ability to adapt and address the interplay between internal dynamics and external influences. Specifically, the performance of entrepreneurial entities is markedly shaped by the attributes of the surrounding external environment (Lumpkin & Dess, 1996). Islamic entrepreneurs are also concerned about environmental sustainability and strive to minimize environmental impact. This commitment to environmental responsibility is often reflected in their choice of business practices and investments (Alamsyah & Omar, 2022). Companies that adhere to Islamic principles often adopt an organizational culture around trust, morality, and social responsibility. Islamic Corporate Social Responsibility practices have positively impacted corporate performance (Ifada et al., 2019). Variances in the intensity of external environmental factors necessitate distinct decision-making processes to align with the company's resources. In a highly dynamic environment characterized by constant change, entrepreneurial firms have numerous opportunities to exploit (Miles et al., 2000). Studying how shifts in the external business landscape impact professional culture is crucial for boosting competitiveness. Thus, the final hypothesis proposed in this inquiry is:

H7: Environmental factors intensify, as does the cultivation of a professional culture.

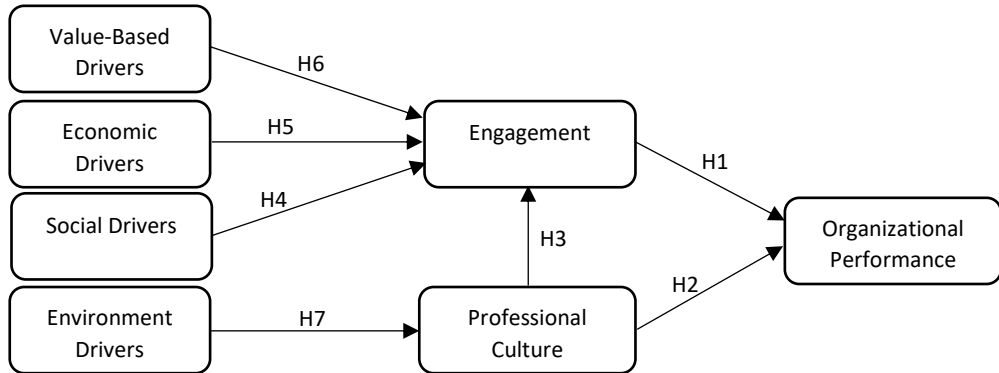


Figure 1. Research model

Research method

Respondents

The principal aim of this study was to delve into the leadership dynamics within small and medium-sized enterprises (SMEs) situated in the urban locale of Indonesia. Data was collected among affiliated members of the Purwokerto City Cooperatives and SMEs Office, revealing a total population of 409 individuals fitting this classification. The sampling strategy was purposive, selecting participants based on predetermined population characteristics. Specifically, criteria included a minimum of 5 years of operational experience and representation from diverse SME businesses. According to Lewis et al. (2021), there is no consensus with respect to the exact sample size. Thus, employing the maximum likelihood (ML) estimation model was deemed appropriate due to its unbiased properties and minimal variance, a fitting choice given the sample size ranging from 100 to 200 individuals, ultimately comprising 150 respondents.

Variables and indicators

The research encompasses variables such as social drivers, economic drivers, value-based drivers, environmental drivers, engagement, professional culture, and SME performance. The defined variables and their corresponding indicators are presented in the following Table 1.

Table 1
Measurement

Variables	Indicators	Sources
Social drivers	a) Do not advance the competition	Al-Alak and Eletter (2010)
	b) Friendship bond	
	c) Concern	
Economic drivers	a) Employee welfare	Al-Alak and Eletter (2010)
	b) Encouraging financial exchange	
	c) Taking care of the environment is of utmost importance	
Value-based drivers	a) Moral orientation	Al-Alak and Ele, similar inquisitiveness (2010)
	b) Devotional intentions	
	c) Quality of life harmony	
Environment drivers	a) Consistency	Al-Alak and Eletter (2010)
	b) Improved quality	
	c) Ethical and moral consciousness	
Engagement	a) Having passion	Sirdeshmukh et al. (2002)
	b) Having willingness	
	c) Emotional bonding	
	d) Similar inquisitiveness	
Professional culture	a) Expressing opinions	Sirdeshmukh et al. (2002)
	b) Fair rewards	
	c) Consensus	
	d) Autonomy	
SME performance	a) Efficiency	Sirdeshmukh et al. (2002)
	b) Gainfulness	
	c) Market share	
	d) Market position	

Technique for data analysis

This study employed Structural Equation Modeling (SEM) facilitated by the AMOS 4.0 software. SEM is a comprehensive statistical approach to unraveling intricate relationships within the dataset. Its utilization in management research offers substantial advantages, particularly in validating conceptual dimensions and quantifying theoretically established connections. The application of SEM involves several procedural steps, including (1) the formulation of a model grounded in theory, (2) the creation of

path diagrams to represent interrelationships among variables visually, and (3) the assessment of goodness-of-fit criteria. These steps enable researchers to develop a comprehensive understanding of the underlying relationships and ensure the robustness of the model. Furthermore, the evaluation of model adequacy entails reviewing various goodness-of-fit criteria, which provide insights into the overall fit of the model to the observed data, thereby enhancing the reliability and validity of the study findings.

Results

In conducting instrument testing for validity, three items each from the social driving, economic driving, value-based driving, and environmental driving instruments, along with four items from the involvement and professional culture instruments, were subjected to analysis. The resulting *r* values exceeded the critical *r* table values, indicating the validity of all items. Additionally, the reliability test yielded a Cronbach Alpha value of ≥ 0.60 , confirming the suitability of the measurement instruments for capturing the constructs under investigation. Prerequisite tests were also performed, starting with the Homogeneity Test, where the Levene Statistics demonstrated a significance value of $0.433 > 0.05$, affirming data homogeneity. Subsequently, the Normality Test using Kolmogorov-Smirnov indicated a value of $0.274 > 0.05$ for the standardized residual data, confirming normal distribution. Moving forward, factor analysis was conducted, with the Kaiser-Meyer-Olkin test exceeding 0.5, signifying the predictability and further analyzability of the variables. Furthermore, Bartlett's Test of Sphericity yielded a significance value of $0.000 < 0.05$, indicating that the indicators used in the research are correlated and suitable for factor analysis.

The assessment of the model's suitability and its congruence with the dataset employed in this study is confirmed through rigorous testing. This validation is underpinned by The Chi-square, probability, CMIN/DF, and TLI values, which all fall within the expected ranges (see Table 2). It is important to note that while GFI and AGFI show only marginal acceptability, as detailed in Table 2, their alignment with the study's goals remains significant.

Table 2
Fit indices

GFI	Outcomes	Cut-off-value	Clarification
CMIN/DF	1.138	≤ 2.00	Good
TLI	0.976	≥ 0.95	Good
RMSEA	0.034	≤ 0.08	Good
Probability	0.080	≥ 0.05	Good
GFI	0.853	≥ 0.90	Marginal
CFI	0.979	≥ 0.95	Good
X-Chi-square	247.994	Small expected	Good

Following confirmatory factor analysis, it becomes evident that each indicator within the fitted model plays a significant role in defining a latent construct. This systematic procedure facilitates the development of a comprehensive Structural Equation Model (SEM). The results of this analysis are visually represented in Table 3.

Table 3
Hypothesis testing

	Std. Estimate	C.R.	S.E.
Social drivers → Engagement	0.224	2.392	0.116
Environment drive → Professional culture	0.224	2.003	0.134
Value-Based drivers → Engagement	0.225	2.279	0.094
Professional culture → Engagement	0.240	2.601	0.100
Economic drivers → Engagement	0.223	2.297	0.097
Professional culture → Organizational performance	0.252	2.451	0.108
Engagement → Organizational performance	0.211	2.120	0.096

Table 3 overviews the structural equation model (SEM) results. Several significant findings can be concluded from the table: (1) Examining the relationship between social drivers and engagement demonstrates a positive significant correlation with a standardized estimate of 0.224. (2) Similarly, the examination results of the influence of environmental drive on professional culture show a positive significance, with a standardized estimate of 0.224. (3) The relationship between value-based drivers and engagement indicates a positive correlation, with a standardized estimate value of 0.225. (4) The association between professional culture and engagement is examined, with a standardized estimate of 0.240 and a critical ratio of 2.601, pointing to a positive and statistically significant relationship. (5) The examination of the influence of economic drivers on engagement also suggests a positive correlation, with a standardized estimate value of 0.223. (6) The relationship between professional culture and organizational performance analysis demonstrated a standardized estimate value of 0.252 and a critical ratio of 2.451, indicating a positive and significant association. (6) Finally, the relationship between Engagement and Organizational Performance is investigated, revealing a positive correlation with a standardized estimate of 0.211 and a significant critical ratio of 2.120.

Direct, indirect and total influences

The analysis seeks to evaluate the effects of the variables proposed in the hypothesis, considering immediate, mediated, and overall impacts. Immediate impact refers to the coefficients represented by one-ended arrows, known as path coefficients, reflecting direct effects. Mediating variables contribute to indirect effects, while the overall effect encompasses the combined impact of both direct and indirect

influences. The direct, indirect, and overall impact assessment for each variant of the Islamic entrepreneur model is presented in Table 4.

Table 4
Direct, indirect and total influences

Variables	Influence	Environment Drivers	Value-Based Drivers	Social Drivers	Economic Drivers	Professional culture	Engagement
Engagement	Direct	0.000	0.000	0.244	0.223	0.240	0.000
	Indirect	0.000	0.000	0.000	0.000	0.000	0.000
	Total	0.054	0.225	0.244	0.223	0.240	0.000
Professional culture	Direct	0.240	0.000	0.000	0.000	0.000	0.000
	Indirect	0.000	0.000	0.000	0.000	0.000	0.000
	Total	0.224	0.000	0.000	0.000	0.000	0.000
Organizational Performance	Direct	0.000	0.000	0.000	0.000	0.252	0.211
	Indirect	0.068	0.047	0.005	0.047	0.051	0.000
	Total	0.068	0.047	0.052	0.047	0.303	0.211

Table 4 provide a comprehensive analysis of the Islamic entrepreneurship model, focusing on examining the direct, indirect, and cumulative effects of various variables. Directly, professional culture is influenced by environmental factors (coefficient 0.224). However, the research model must demonstrate an indirect effect on the social capital variable at the first level of the structural equation model. Transitioning to the participation variable, the level of engagement significantly correlates with value factors (0.225), with social factors (0.223) and additional social factors (0.244) also playing pivotal roles. Notably, the variable associated with value factors (0.225) exhibits the most substantial impact on engagement. Similar to the "professional culture" variable, this research model does not reveal any indirect effect on the "organizational culture" variable since the "commitment" variable is positioned at the initial level of the structural equation model.

The organizational performance variable in the Islamic entrepreneurship model is directly related to professional culture (0.252) and commitment (0.211). The professional culture variable (0.252) is the most influential factor in organizational performance. However, indirect effects on organizational performance are evident: value-based factors and economic factors exert an influence of 0.047, environmental factors 0.068, social factors 0.052, and work culture 0.051. In summary, general influencing factors, values, and economic factors account for 0.047, environmental factors 0.068, social factors 0.052, professional culture 0.303, and effort 0.211.

Discussion

The influence of engagement on organizational performance

The principal hypothesis posited in this study asserts a direct correlation between heightened levels of organizational engagement and improved organizational performance. Evaluation of organizational performance encompasses several key metrics, including sustained profitability above industry averages over three years, market share surpassing competitors, superior efficiency metrics compared to industry norms, and achieving a market position superior to the industry average. Meanwhile, indicators of organizational commitment include employees' dedication to advancing the organization, their willingness to make sacrifices for its betterment, emotional attachment to the organization, and shared interests among employees. Additionally, indicators of professional culture entail fostering an environment conducive to open expression, implementing fair reward systems, employing consensus-based decision-making, and granting employees autonomy.

The computed parameter linking engagement to organizational performance yields statistical significance, with a Critical Ratio (CR) of 2.1200, surpassing the established threshold of $CR \geq \pm 2.000$ at a significance level of 0.05 (5%). Thus, Hypothesis 1 is corroborated, affirming a direct relationship: heightened organizational engagement corresponds to improved organizational performance. These results underscore the intrinsic connection between bolstering organizational performance and cultivating robust organizational engagement.

Individuals within organizations exhibit diverse behaviors and orientations contingent upon their level of organizational engagement. The genesis of organizational engagement lies in individuals aligning themselves with the organization's objectives. Moreover, scholarly discourse suggests that organizational engagement has ramifications not only for employees and organizations but also extends to broader societal implications (Gong et al., 2009). The validation of this hypothesis is consistent with prior research indicating that heightened engagement leads to enhanced organizational performance (Greguras & Diefendorff, 2009).

The influence of professional culture on organizational performance

The second hypothesis posited in this study proposes a positive correlation between elevated levels of professional culture and enhanced organizational performance. Evaluation of organizational performance entails several benchmarks: surpassing average profitability over the past three years, outperforming

average market share, improving efficiency over the same period, and maintaining a market position above the average. Indicators of professional culture encompass fostering open communication, equitable distribution of rewards, consensus-driven decision-making, and granting employees autonomy.

Analysis of the relationship between professional culture and organizational performance yields a significant finding, evidenced by a Critical Ratio (CR) of 2.451, surpassing the threshold of ± 2.00 at a significance level of 0.05 (5%). Consequently, Hypothesis 2 is validated, indicating a clear association between a robust professional culture and enhanced organizational performance. These results underscore the correlation between improving organizational performance and cultivating a robust professional culture.

A robust culture is characterized by widespread adherence to the organization's core values. The potency of professional culture amplifies as more members adopt these core values, recognize their significance, and demonstrate a sense of commitment (Robbins & Judge, 2008). Adaptability emerges as a critical factor in elucidating the importance of professional culture in driving organizational success. This hypothesis aligns with a comprehensive study involving 200 companies across various Asian, European, and American regions, which concluded that a resilient and adaptable culture significantly contributes to sustained long-term enhancements in organizational performance.

The influence of professional culture on engagement

This study's third hypothesis suggests a direct relationship: a more robust professional culture corresponds to heightened organizational engagement. Assessing organizational engagement includes gauging indicators such as the demonstrated commitment of human resources to advance the organization, their readiness to make sacrifices, emotional attachment, and the presence of shared interests among them. Professional culture indicators encompass elements like enabling freedom of expression, fair reward systems, consensus-based decision-making, and granting autonomy to employees.

The parameter analysis reveals a significant correlation between professional culture and engagement, as evidenced by a Critical Ratio (CR) of 2.601. This surpasses the threshold of ± 2.00 at a significance level of 0.05 (5%). Consequently, Hypothesis 3 is supported, indicating a clear association between a robust professional culture and heightened organizational engagement. These results emphasize how cultivating a professional culture actively contributes to enhancing engagement within an organization.

The degree to which individuals embrace core principles within a professional culture can vary, but acknowledging their importance and displaying commitment reflects the culture's strength. Shared values are pivotal in determining how collectively aligned members are with goals, policies, and beliefs

in professional settings. As Robbins and Judge (2008) highlighted, a professional culture thrives on a shared understanding embraced by all its members. This assertion resonates with Sirdeshmukh et al.'s (2002) research, emphasizing the substantial impact of shared perceptions on enriching relationship value and fostering engagement. These findings underscore the critical role of professional culture in shaping organizational dynamics and fostering employee engagement.

The impact of social drivers on engagement

The fourth hypothesis of this study investigates the relationship between heightened social drivers and increased organizational engagement, focusing on critical indicators such as HR commitment, willingness to sacrifice, emotional attachment, and shared interests among HR members. These social drivers include prioritizing collaboration over competition, forging strong business partnerships, and showing concern for environmental issues. The analysis reveals a significant association, with a Critical Ratio (CR) of 2.392, surpassing the threshold of ± 2.00 at a significance level of 0.05 (5%). Consequently, Hypothesis 4 is confirmed, emphasizing the influential role of social drivers in enhancing organizational engagement. Moreover, organizations continually strive to enhance human capital, which encompasses knowledge that generates value and requires effective management of knowledge sources and information flow, particularly regarding markets. Skilled and motivated HR professionals are better equipped to influence external partners and foster enduring relationships with the organization, utilizing personal external social networks as valuable resources. The study findings suggest a correlation: increased human capital corresponds to increased social capital, indicating the organization's ability to adeptly address external partner needs, tackle challenges, and access diverse information.

Furthermore, achieving a balance between spiritual devotion and interpersonal relationships is crucial for individuals practicing the Islamic faith. Community recognition, reflecting customers' identification or memorable experiences with the organization, evolves gradually through interactions, becoming more challenging as the customer base expands. These findings align with previous research highlighting the positive impact of social networking on customer engagement.

The influence of economic drivers on engagement

The fifth hypothesis of this study delves into the correlation between heightened economic incentives and increased organizational engagement, focusing on critical indicators such as commitment to advancing the organization, willingness to compromise, emotional attachment, and shared interests among human resources. Economic drivers in this context encompass the organization's emphasis on employee well-

being, promotion of mutually beneficial financial interactions, and concern for the welfare of the business environment. Analysis of the computed parameters linking economic drivers to engagement reveals significant findings, reflected in a Critical Ratio (CR) of 2.297, surpassing the established threshold of ± 2.00 at a significance level of 0.05 (5%). Consequently, Hypothesis 5 is validated, indicating a clear association between higher economic drivers and increased organizational engagement. These findings underscore the influential role of economic drivers in enhancing engagement within the organizational framework. In an economic context, equity establishes a foundation of equality in distributing all resources bestowed upon God's servants, regardless of their attributes or origins. This principle highlights the inherent entitlement of all things belonging exclusively to God, emphasizing the responsibility to distribute His gifts to those rightfully entitled. The confirmation of this hypothesis aligns with studies elaborating on the primary role of economic value in exchanges, providing further clarity on how economic value contributes to organizational engagement.

The influence of drivers based on values on engagement

The sixth hypothesis proposed in this study suggests a relationship between elevated levels of value-based motivators and increased organizational engagement, which manifests through expressions from human resources such as motivation to drive the organization forward, willingness to make sacrifices, emotional attachment, and shared interests. Indicators of value-based drivers include the organization's adherence to moral principles rooted in faith in the afterlife, the perception of business values as a form of devotion, and advocacy for a balanced quality of life. The analysis of the parameter between value-based drivers and engagement presents a significant outcome, with a Critical Ratio (CR) of 2.279, exceeding the threshold of ± 2.00 at a significance level of 0.05 (5%). Hence, Hypothesis 6 gains support, indicating that heightened value-based drivers correlate with increased organizational engagement. These findings highlight the influential role of value-based drivers in augmenting organizational engagement. The alignment between business and ethics is not inherently paradoxical, as business, representing worldly affairs, is considered a crucial element of afterlife investment. If a business's orientation aligns with endeavors related to afterlife investment, conceptualized as acts of worship and complete obedience to a higher power, it must uphold moral principles rooted firmly in faith in the hereafter. This hypothesis finds support in research elucidating how shared values signify the endorsement of goals, policies, and beliefs within parties engaged in relationships. Psychological consistencies directly influence the quality of relationships, where shared perspectives enhance the value of relationships and contribute to engagement, as evidenced in the investigation conducted by Sirdeshmukh et al. (2002).

The influence of environment drivers on engagement

The seventh hypothesis posits a correlation between heightened environmental motivators and increased organizational engagement, characterized by expressions of drive, sacrifice, emotional attachment, and shared interests among human resources. Environmental drivers, as indicators, encompass actions consistently aligned with statements, ongoing enhancement of product/service quality, and a commitment to ethical business practices. Analysis reveals a noteworthy outcome in the relationship between environmental drivers and engagement, evidenced by a Critical Ratio (CR) of 2.003, surpassing the critical threshold of ± 2.00 at a significance level of 0.05 (5%). Consequently, Hypothesis 7 is validated, underscoring a positive association between heightened environmental drivers and increased organizational engagement. These findings emphasize the significant influence of environment-driven factors on enhancing engagement levels. Business practitioners must align verbal assertions with practical engagements in their professional conduct, including adherence to timetables, punctuality, transparent acknowledgment of limitations, continuous improvement of products/services, and avoidance of dishonesty and deceit. Ethical awareness is paramount, as organizations neglecting ethical considerations risk compromising performance, damaging social relations, alienating consumers, and harming themselves. Support for this hypothesis aligns with research suggesting that organizational performance hinges on the alignment between internal factors and the environment, with diverse external environments requiring different intensities of decision-making and involvement levels for effective adaptation.

Conclusions

Islamic entrepreneurship focuses on promoting community welfare and prioritizing goal orientation over profit maximization. This approach significantly impacts organizational performance, with advancement contingent upon identifying viable opportunities. Nurturing Islamic entrepreneurs can enhance organizational performance by fostering engagement underpinned by a robust professional culture. Elevated engagement, driven by social, economic, value-based, and environmental factors, correlates positively with superior business performance (Zin & Adnan, 2016; Buldan et al., 2021; Meiyani & Putra, 2019). Social drivers foster competitive business dynamics and equitable social frameworks, while economic drivers prioritize employee welfare and ethical norms rooted in Islamic entrepreneurship (Beekun, 2022; Ebrahimi & Yusoff, 2017; Tok & Kaminski, 2019; Hamid et al., 2018). Value-based drivers reflect an orientation towards morals based on faith in the afterlife, promoting a harmonious quality of life and engagement. Environmental drivers result in a heightened professional culture, emphasizing ethical business conduct in fulfilling humanitarian goals (Alrubaishi et al., 2021; Mahmud & Hoque,

2015). A robust professional culture encourages freedom of expression, fair reward systems, consensus-based decision-making, and delegation of autonomy to employees, fostering shared understanding among members (Harizan & Mustafa, 2020; Machmud & Hidayat, 2020). Enhanced engagement contributes to improved organizational performance, with indicators of engagement demonstrating aspirations to propel the organization forward, willingness to make sacrifices, and a profound connection to the organization, resulting in increased profitability across business functions (Fozia et al., 2016; Vargas-Hernández et al., 2010).

The study aimed to explore the factors influencing the progression of Islamic entrepreneurs and their impact on organizational performance. It validated hypotheses 4, 5, and 6 to support the influence of social, value-based, and economic drivers on organizational engagement. The study also confirmed the correlation between environmental drivers and professional culture variables influenced by engagement. The research also highlighted the impact of engagement and professional culture on organizational performance.

The study found six critical insights for achieving sustainable competitive advantage. First, fostering an Islamic entrepreneurial ethos involves nurturing engagement grounded in a resilient professional culture, which includes HR demonstrating commitment to organizational advancement, readiness to make sacrifices, fostering emotional bonds, and sharing common interests. Second, enriching professional culture influenced by environmental drivers can also enhance organizational performance. Third, social drivers offer another pathway to enhancing performance through the development of Islamic entrepreneurs, involving human resources expressing commitment to organizational advancement, readiness to make sacrifices, forming emotional bonds, and sharing common interests. Fourth, value-based drivers can uplift organizational performance by fostering an Islamic entrepreneur through organizational engagement nurtured by moral principles, promoting a harmonious standard of living, and encouraging mutually beneficial financial transactions. Finally, economic drivers can also enhance organizational performance through the development of Islamic entrepreneurs, promoting employee welfare, mutually beneficial financial transactions, and a conducive business environment.

Theoretical contribution

This study offers a novel theoretical contribution to the field of Islamic entrepreneurship by investigating the influence of various drivers on organizational performance in SMEs within the specific context of Purwokerto, Indonesia. Building on existing literature, it extends Islamic entrepreneurial theory by demonstrating its efficacy in enhancing performance through value-based, social, environmental, and economic motivations. The findings reveal a significant impact of social, value-based, and economic

drivers on organizational engagement, supporting the notion that Islamic entrepreneurship embodies these characteristics. This aligns with Al-Alak & Eletter (2010) and Sirdeshmukh et al. (2002), highlighting the role of shared values and Islamic principles like unity, guardianship, and worship in fostering engagement.

Furthermore, the study sheds new light on the influence of environmental drivers on professional culture, expanding contingency theory by demonstrating how SMEs adapt their internal culture to diverse external environments for enhanced competitiveness. Finally, the research confirms the crucial role of engagement and professional culture in driving organizational performance, building upon prior studies by Greguras and Diefendorff (2009) and others. This finding is particularly significant within the context of Islamic entrepreneurship, suggesting that cultivating a solid and adaptable culture grounded in Islamic values is critical to achieving sustainable success.

Practical contribution

This research unveils the practical implications of the Islamic entrepreneur model for enhancing SME performance within the specific context of Purwokerto, Indonesia. By adopting this model, SMEs can leverage its three key pillars: Islamic entrepreneurship, professional culture, and organizational engagement. Firstly, embracing Islamic entrepreneurship means integrating faith-based values into business practices. SMEs can achieve this by addressing societal challenges relevant to their Muslim customer base, balancing spiritual devotion and fair, transparent business practices aligned with the principle of just distribution. Aligning economic value with faith-based principles, such as seeking halal investments and continuously improving product quality, fosters trust and positive brand perception among Muslim consumers.

Secondly, cultivating a strong professional culture requires aligning core Islamic values with employee beliefs and behavior. This involves fostering a shared understanding and commitment to these principles, fostering a sense of belonging through inclusivity, and embracing adaptation to diverse market demands. Such a culture fosters trust, collaboration, and agility, enhancing organizational performance. Thirdly, boosting organizational engagement through the Islamic entrepreneur model involves empowering employees in decision-making and critical activities. Additionally, fostering emotional connections through a positive and collaborative work environment cultivates ownership, motivation, and dedication. Finally, communicating the organization's vision and mission, aligned with Islamic values, inspires collective action and shared enthusiasm, further driving performance.

In conclusion, this study presents a valuable roadmap for SMEs to unlock their potential by integrating critical elements of the Islamic entrepreneur model. By embracing faith-based values within

business practices, cultivating a strong professional culture, and boosting employee engagement, SMEs can achieve sustainable growth while contributing positively to their communities.

Limitations and future research directions

While the Structural Equation Model (SEM) demonstrates a noteworthy alignment with the data, the Goodness of Fit Index (GFI) and Adjusted Goodness of Fit Index (AGFI) of 0.853 and 0.814, respectively, suggest a need for further refinement. These marginally acceptable indices highlight potential limitations in the model's current specification, prompting future research to delve deeper and explore alternative measures for a more comprehensive understanding of its efficacy. Additionally, the relatively low influence of environmental drivers on the Professional culture variable (Squared Multiple Correlation: 5%) warrants further investigation. Examining the antecedents of Professional culture through future research holds intriguing potential for enriching our understanding of its formation and dynamics.

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