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# The organizational climate in Indonesian Islamic banks: A conceptual determination for organizational growth

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**Abstract**

**Research aims:** This study aims to investigate the growth of Indonesian Islamic banks and explore the determinants of organizational growth from different perspectives through climate factors, namely clarity, standard, commitment, communication, responsibility and teamwork, and support. The study also attempts to develop a model to measure the growth of Islamic banking institutions. Only limited studies have thus far explored this issue, with this study trying to fill the gap.

**Design/Methodology/Approach:** This paper drew upon theories and arguments from the “climate” and “growth” areas and identified organizational climate as one of the main topics affecting Islamic banks. Grounded in a review of the mutual impact of organizational climate and growth constructs, the authors developed research propositions and discussed the implications of the proposed relationships for both.

**Research findings:** Despite Islamic banks having been established and prospered for 28 years, supported by Indonesia having the largest Muslim population of any country in the world, the development of Islamic banks in Indonesia has been inferior to that of conventional banks. This paper argues that organizational climate must be considered an important factor in enhancing Indonesian Islamic banks' quality. It is because the essence of its climate may help an organization become more effective and generate a better perception, with the climate being used to improve the organization's quality of management.

**Theoretical contribution/Originality:** By combining the aspects of “climate” and “growth” from earlier studies and categorizing them by organizational studies and a comprehensive literature review, this study proposes a model specific to the banking institution. The study offers a conceptual model for the organizational climate in Islamic banking institutions and argues that organizational climate can be used to determine organizational growth in Indonesian Islamic banks.

**Practitioner/Policy implication:** Based on its proposed conceptual model, this study is expected to contribute knowledge of Indonesian Islamic banks, policies, stakeholders, regulators, and government. The research explores various related studies in organizational growth from a climate perspective. Further, this study's results will be of significant practical assistance to the managers of Islamic banks and policymakers in developing climate mechanisms for Islamic banking growth. Moreover, this study significantly contributes to economic growth's sustainability and enhances banks' growth.

**Research limitation/Implication:** While several factors may be used to predict and determine growth, this study used climate factors to determine the growth of Islamic banking institutions. Thus, it is necessary to explore various factors to develop further studies and add new insight to determine organizational growth.

**Keywords:** Accounting Research; Accounting Conference; Proceeding; Scientific Research; Regional Accounting Conference

## Introduction

Generally, growth in banking is explained in terms of saving and consumption theories (Kasri, 2010), while the specific determinants of potential banking growth depend on a country's development. Masson et al. (1998) investigated the determinants of private saving behavior in 21 industrial and 40 developing countries from 1982 to 1993. They found that the growth of GDP, GDP per capita, interest rate, and the terms of trade were positively and significantly related to private saving behavior in the developed countries examined in their study. Furthermore, Loayza et al. (2000) conducted a study on 20 industrial countries and 49 developing countries from 1965 to 1994. Their study identified nine factors as determinants of private saving: income rate of return, domestic borrowing constraint, financial depth, fiscal policy, pension system, demographics, income, and wealth distribution.

In fact, banks carry out financial intermediation activities concerning economic activities in the economic sector. It reflects that the financial sector's performance can generate economic growth, which is closely aligned with the development of a country. Financial intermediaries' activities are more important than direct finance since business activities can be increased directly from the leader in the financial market against economic growth. For instance, during 1970–1996, Japan had 85 percent in external funds of non-financial business from bank loans and a financial market at 15 percent. Meanwhile, Germany had 80 percent of its external funds from bank loans and others from the financial market (Farahani & Dastan, 2013; Mishkin, 2006).

Extensively, financial development plays an essential role in determining economic growth in terms of involving an underdeveloped financial system that has acted as a barrier to restraining economic growth (Goldsmith, 1969; Gurley & Shaw, 1955). Financial development is beneficial in terms of helping industries take advantage of growth opportunities (Fisman & Love, 2003), while banks serving as financial intermediaries provide facilities to facilitate economic growth. It is worth noting that the relationship between financial development and economic growth is present (Goldsmith, 1969); however, some studies have determined this relationship between financial and economic growth to be insignificant in countries with low income per capita (Deidda & Fattouh, 2002; Rioja & Valev, 2002).

This study is particularly interesting in considering growth since it has been one of the most important topics studied in business literature. Growth can be measured using various metrics, such as total number, size, age, volume, rate, ratio and average (Abd. Majid & Kassim, 2015; Abduh & Omar, 2012; Chandler et al., 2009; Farahani & Dastan, 2013; Garcia-Manjon & Romero-Merino, 2012; Ghauri et al., 2012; Grassa & Gazdar, 2014; Hachicha & Amar, 2015; Hassan & Hart, 2016; Kasri, 2010; Lechner et al., 2016; Masood et al., 2011; Mukhlisin, 2010; Najaf & Ashraf, 2016; Shaikh, 2014; Weinzimmer et al., 1998; Weinzimmer, 2000; Yusof & Bahlous, 2013).

Furthermore, firm growth determinants can be classified into three dimensions: individual, organization, and environment (Zhou & Wit, 2009). Some studies have

analyzed a base model that included 13 identified determinants of organizational growth in prior studies, finding that industry characteristics, organizational strategies, and top management teams' characteristics influenced organizational growth (Weinzimmer et al., 1998). Meanwhile, an organization grows for various reasons, and it has typically not been easy to examine the true reasons for growth after the fact (Pfeffer & Salancik, 1978). As such, obtaining a consensus on the reasons for the observed growth in a specific organization is often tough.

For that reason, this study aims to investigate the growth of Indonesian Islamic banks and explore the determinants of organizational growth from different perspectives through climate factors: clarity, standard, commitment, communication, responsibility, and teamwork and support. By combining the aspects of "climate" and "growth" from earlier studies and categorizing them by organizational studies and a comprehensive literature review, this study proposes a model specific to the banking institution.

## Literature Review

### Growth in Organizations

The growth of organizations will influence the economic sector; on the other hand, how an organization is managed will also indirectly affect the growth of the organization, such as through increased power, its ability to withstand environmental change, profit, and the increased dignity of organizational members (Weinzimmer, 2000). Numerous studies on organizational growth have asserted the limited ability of studies to determine growth. However, despite previous studies having put forward several determinants of organizational growth, organization theory, and strategy, researchers have thus far not reached any consensus on the factors that lead to organizational growth (Davidsson, 1991; Kazanjian, 1988; Whetten, 1987).

Various studies have also investigated the influence of strategy factors on organizational growth (Donaldson, 1987; Grinyer et al., 1988; Hamilton & Shergill, 1992; Johnson & Thomas, 1987). Other studies, meanwhile, have examined the relationship between top management characteristics and organizational growth (Gupta, 1984; Hambrick & Mason, 1984; Norburn & Birley, 1988). In addition, several studies have identified the simultaneous effect of strategy and top management characteristics on organizational growth (Feesser & Willard, 1990) and the effect of strategy and industry characteristics on organizational growth (Eisenhardt & Schoonhoven, 1990). While some prior studies have sought to develop a combined model of organizational growth (Weinzimmer, 2000), limited attempts have been made to explore the different existing perspectives concerning determining organizational growth.

Furthermore, to measure an organization's growth rate, various studies have used formulas to observe the growth. Growth rates have been standardized for the size of the organization in question by dividing the beta coefficient by the mean size of an organization over the observation period (Dess & Beard, 1984; Grinyer et al., 1988).

Hamilton and Shergill (1992) also used a modified version of the ordinary least-squares beta coefficient approach. The beta coefficient approach can capture the fine-grained variations in sales data better than the methods commonly used to measure growth and dampen the effect of outliers (Weinzimmer et al., 1998). Both Dess and Beard (1984) and Grinyer et al. (1988) noted that growth rates were standardized for each organization's size over the investigation period. Hence, in their study, Weinzimmer et al. (1998) used a common formula to measure the growth from the organization theory and strategy literature.

An organization's growth can be determined in several ways, including from an economic and management perspective. The reviews of economics and management studies conducted concerning the discussion regarding organizational growth have focused on a single dimension of change in size instead of multiple dimensions (Birley & Westhead, 1990; Weinzimmer et al., 1998). For instance, Kimberly (1976) investigated some of the literature's dimensions: employees, assets, sales, and capacity. Nevertheless, with their focus on growth, most studies inspected in a literature review have employed sales (or revenue) as a growth concept (Weinzimmer et al., 1998). Meanwhile, Child (1973) and Kimberly (1976) asserted that organizational growth could not be measured simply by sales, contending that multiple concepts must be considered instead. Moreover, other studies were found that used employees and assets to measure growth.

### **Climate in Organization**

Contextually, climate is the key variable in the discussion of team, conflict literature, and conflict (Bradley et al., 2012; Frazier & Bowler, 2015; Wang et al., 2013). Meanwhile, workload sharing is identified as the essential team process that “enhances effectiveness by preventing social loafing or free riding” (Campion et al., 1993, p. 830). Jackson and Joshi (2011) asserted that climate and culture are key contextual moderators that need further study as part of the topic. The term participative climate refers to shared perceptions that the team is interpersonally non-threatening and encourages involvement (Peltokorpi & Hasu, 2014; Pirola-Merlo et al., 2002; Anderson & West, 1998; West, 1990). In teams with a highly participative climate, members are encouraged to participate in discussions and decision-making as they perceive the climate to be supportive. This climate of respect within teams allows members to feel comfortable expressing ideas without fear of being disregarded or negatively perceived (Anderson & West, 1998; Peltokorpi & Hasu, 2014; Pirola-Merlo et al., 2002; West, 1990). Furthermore, when the team climate is non-threatening, respectful, and encouraging communication, members are likely to be more comfortable around teammates and less offended by those seeking dominance.

Organizational climate is an interesting area to seek to enhance at the management level. Generally, the concept of organizational climate relates to the perception of those who work in the organization and institution. Climate can be understood as an “umbrella” that encapsulates a specific perception in a few general dimensions (Ali & Patnaik, 2014). Lewin (1951) mentioned that organizational climate is usually linked to

the theory of motivation, which reflects that managers in organizations will increase their awareness of the importance of organizational climate through their work (Ali & Patnaik, 2014; Forehand & Von Haller, 1964; James & Jones, 1974).

Organizational climate should be considered by the decision maker owing to the significant influence that it can have on the outlook. Additionally, organizational climate is linked to employees' perception of their job environment (Suliman & Obaidli, 2011). The job environment comprises five factors: role conflict, task variety, financial rewards, relations with co-workers, and participants (Lambert et al., 2001). Furthermore, organizational climate consists of the six elements of decision-making: warmth, risk, openness, reward and structure (Downey et al., 1975). Meanwhile, Suliman and Obaidli (2011) stated that corporate climate could be categorized into the job, role, leaders, organization, and workgroup.

Batlis (1980) noted that organizational climate has the following characteristics. It relates to the global impression of the organization; it is a multidimensional variable and could also be described as an intervening variable and climate perception. Suliman and Obaidli (2011) also pointed to the debates among scholars concerning the categorization of organizational climate; indeed, they proposed three major classifications of organizational climate – the structural, perceptual, and interactional approaches.

### **The Indonesian Islamic Bank Issues**

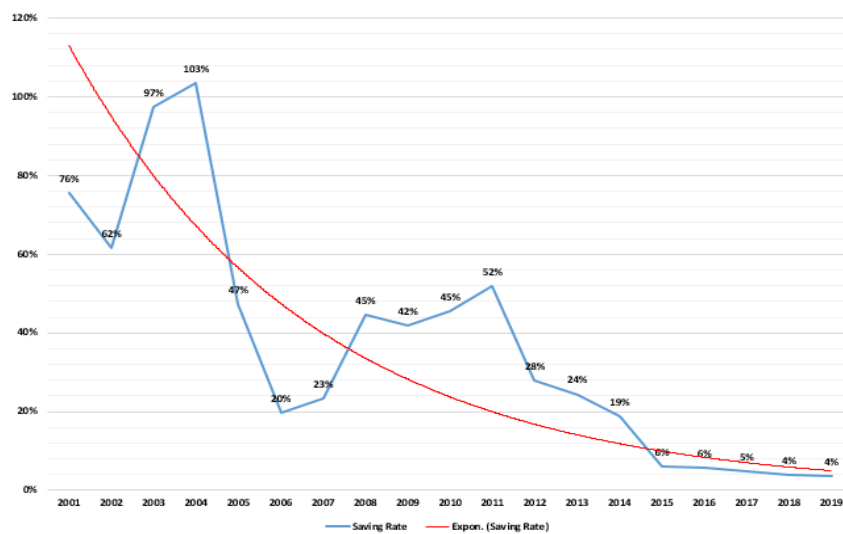
Many years ago, Islamic financial institutions were established to serve customers who wished to conduct business transactions that were more transparent, prudent, and fair. Per the Global Islamic Finance Report (Edbiz Consulting, 2019), Islamic banking has registered exponential growth worldwide, with an annual growth rate of 21,8 percent globally. Moreover, based on the Global Islamic Finance Market Report (Edbiz Consulting, 2019), Islamic Banking is the largest sector contributing 71 per cent or USD 1.72 trillion to the Islamic finance industry. Furthermore, Islamic banks' development has not been restricted to Islamic countries but is also progressing in minority Muslim communities. Therefore, Islamic banking has become a financial intermediary for activities in the economic sector, and the researchers have already established that financial sector turnover can impact economic growth and is closely related to the development of a country.

While the further development of Islamic finance will influence the economic sector, the management of the organization will also have an effect indirectly on the growth of Islamic financial development, such as through increased power, the ability to withstand environmental change, profit, and the increased dignity of organizational members (Weinzimmer, 2000). Nonetheless, several studies on organizational growth have asserted their limitations in determining growth. Indeed, previous studies have suggested that despite the existence of several determinants of organizational growth within strategy and organization theory, researchers have not been able to reach a consensus regarding the factors that lead to organizational growth (Davidsson, 1991; Kazanjian, 1988; Whetten, 1987).

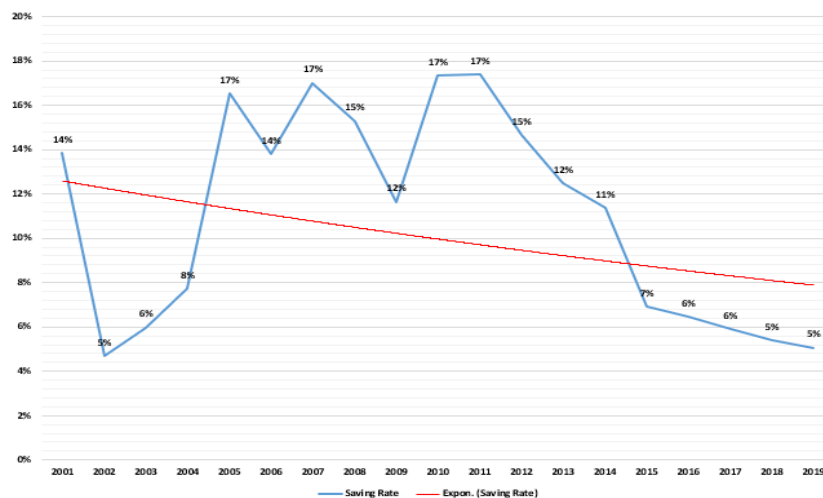
## Ilmi

### The organizational climate in Indonesian Islamic banks ...

In Indonesia, the Islamic banking system has become a competitor among conventional banks and other financial institutions. Despite the development of Islamic banks and their progress from 1991 to 2019, supported by the fact that Indonesia is the most Muslim-populated country in the world, the development of Islamic banking in Indonesia has failed to keep pace with conventional banking. It can be viewed by comparing the percentage of savings and financing between conventional and Islamic banks. Figures 1 and 2 show the decline in the percentage of savings in Islamic and conventional banks during 2001 – 2019, respectively. It is illustrated that Islamic banks were declining overall, dramatically falling their saving percentages. Meanwhile, conventional banks also experienced a downward trend, less pronounced than their Islamic counterparts.

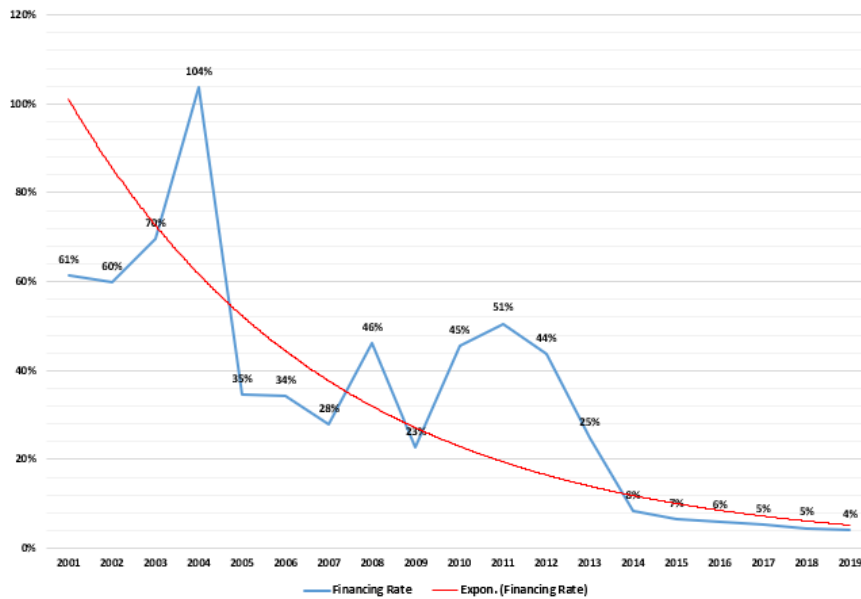


**Figure 1** The Growth Rate of Saving in Islamic Banks for the 2001–2019 Period (Financial Service Authority/OJK)



**Figure 2** The Growth Rate of Saving in Conventional Banks for the 2001–2019 Period (Financial Service Authority/OJK)

Furthermore, conventional and Islamic banks registered different financing percentages between 2001 and 2019. It is clearly evident in Figures 3 and 4 that Islamic banks experienced a gradual decline, while conventional banks experienced wide fluctuations in the rate of financing throughout the 18 years. However, despite these fluctuations in the financing rate, the overall trend in the financing rate in conventional banks was better than that for Islamic banks, as seen by the shallower decline in the trend line.



**Figure 3** The Growth Rate of Financing in Islamic Banks for the 2001–2019 Period (Financial Service Authority/OJK)



**Figure 4** The Growth Rate of Financing in Conventional Banks for the 2001–2019 Period (Financial Service Authority/OJK)

The phenomenon of Indonesian Islamic banks continues to be an interesting topic, worthy of further discussion and study, due to its dominance within the Islamic finance market. For that, this study aims to analyze the growth of Indonesian Islamic banks based on this issue and the literature since only a few studies have been conducted from an organizational growth perspective. Therefore, the need to investigate this issue further was triggered by the fact that research on the declining growth of the Islamic banking industry in Indonesia over the last 15 years has yet to be conducted. The aim is to expose the root causes of Indonesian Islamic banking's stagnancy from the organizational climate perspective.

Given that various researchers have refrained from exploring the determinants of organizational growth, the first aim of this paper is to explore these from a different perspective, i.e., through the "organizational climate" in Islamic banks, and to clarify organizational climate from its related constructs in the organizational growth literature. Thus, this paper suggests that "organizational climate" could influence the growth of Islamic banks in Indonesia.

Because only a few studies have been conducted from an organizational growth perspective, the second and key of this paper's aim is to investigate the growth of Indonesian Islamic banks based on the issue and literature. Indeed, to overcome the limitations of prior studies in examining the multiple levels of determinants using an economic and management approach, this study took an "organizational climate" approach to the investigation to fill the gap in the research.

### **The Rationale of the Study**

Organizational research is a topical subject widely discussed in economics, finance, management, strategy, and marketing. Some studies have considered it necessary to ensure firm survival (Garcia-Manjon & Romero-Merino, 2012; Geroski, 1995; Sutton, 1997). Child and Kieser (1981) highlighted three explanations for organizational growth in their studies. First, growth can be a product of other strategies. It can thus be understood that an organization's success will increase satisfaction with the services it provides, and success will encourage growth. Second, growth is often sought directly, as it provides a means by which to derive the internal management of an organization. Pfeffer and Salancik (1978) describe how the increase in resources that comes with growth facilitates the gain of the commitment of various functions to organizational purposes and priorities. Third, growth enables an organization to become less dependent on its environment through a reduction in either the level of uncertainty or external control. Several studies have shown that larger organizations tend to achieve more consistent and stable performance (Caves, 1970; Ferguson, 1960; Marris & Wood, 1971; Whetten, 1987).

Furthermore, the climate of an organization can enhance the quality at every level within it. The organization's climate affects the development of the organizational work environment to become conducive, better, measurable, and achievable to the organization's objectives. The climate within the organization will also influence the



outlook, well-being, and attitudes of the organizational members and comprises a mixture of norms, values, expectations, policies, procedures, work motivation, commitment, individual and teamwork performance, and the quality of the working environment. Moreover, climate is an important factor in improving the organization's performance since the climate at work influences individual attitudes and will also influence the organization's growth.

Waldman (1994) noted four necessary characteristics of the organizational climate. First, climate supports quality, thus nurturing an environment conducive to achieving quality goals. Second, climate as a corporation refers to how individuals and groups can work together. Third, there is a climate of trust, which is important in communication between management and employees; as such, management should support employees to enhance their productivity. Fourth, climate in terms of customer service is a critical factor in ensuring that the organization provides a high service quality level. In fact, an organization's climate is fundamental in improving management and employees, such as communication, cooperation, creativity, employee satisfaction, morale, and others (Farokhi & Murty, 2014). In a similar study, Shadur et al. (1999) noted that employee involvement comprises three important variables: participation, communication, and teamwork. This is because the climate within the work unit can influence individual attitudes (Schulte et al., 2006), which will influence the organization's performance. Zhang et al. (2002) also investigated the relationship between organizational climate and employee involvement. Their study revealed the existence of significant geographical disparities regarding employee involvement; in addition, non-bureaucratic, supportive, and communicative climates were the strongest predictors of the employee in the organization.

Specifically, Islamic banking institutions' growth can be impacted by improving their management and organization, including financial and non-financial performance. Financial performance refers to liquidity, solvability, asset quality, cost control, and others, while non-financial performance relates more to aspects, including organizational structure, risk management, corporate governance, money laundering, terrorism, and others. Islamic banking institutions need to create a good working environment that promotes satisfaction and loyalty and reduces employee turnover. Moreover, institutions and managers/practitioners should be cognizant that employees may leave; in other words, they must consider employee turnover. While there have been only limited studies on the organizational climate of Islamic banks, Suliman and Obaidli (2011) conducted a study into organizational climate and employee turnover in Islamic banks in which they examined the following four factors of corporate climate: decision-making, performance rewards, organizational justice, and chances to innovative.

Furthermore, Tortorella et al. (2015) examined organizational climate in banking institutions, with the findings of their study indicating that certain dimensions of organizational climate, such as empowerment, communication, motivation, company image, recognition, leadership, training, professional growth, and salary, were necessary when seeking to identify climate in the banking context. Moreover, their study utilized

5W2H tools to improve weak points in climate analysis while identifying the need for further improvement in the analysis and debate concerning the impact of organizational climate.

With its focus on the organizational climate, this study attempts to investigate the growth of Islamic banks in Indonesia. It reflects the importance of the organizational climate as a factor in managing the organization; also, the climate in work will influence individual attitudes and the organization's performance. The organizational climate falls within the purview of the management since they are responsible for establishing the work environment, which will directly influence the organization's growth. Further, while many factors influence the organizational climate in institutions or industries, this study would use a range of factors depicting the organizational climate in Islamic banks, which can be expected to illustrate the growth of Islamic banks in Indonesia. As such, based on the previous study, this study would examine organizational climate based on the six factors: clarity, standard, commitment, communication, responsibility, and teamwork and support (Atkinson & Frechette, 2009; Putter, 2010; Snow, 2002, p.394; Furnham & Goodstein, 1997; Wiener, 1982; Babakus et al., 2003; Callan, 1993; Hunt et al., 2000; Tortorella et al., 2015).

To fill in the literature gap and address this important research area, this study undertook a more in-depth literature review of organizational climate studies of Islamic banking institutions. It expects to propose organizational climate as a determinant for examining the organizational growth of Islamic banking institutions.

### **Theoretical Background**

Organizational climate has a long history in industrial and organizational psychology and behavior. At the individual level, *psychological climate* refers to an individual's perceptions of and the meanings they assign to their environment (Dickson et al., 2006). In seeking to describe the concept of psychological climate, Lewin et al. (1939) identified certain elements that had to be considered when addressing organizational climate (Kundu, 2007; Lewin et al., 1939). Furthermore, Lewin et al. (1939) demonstrated in their study that climate exerted a more powerful influence on individuals than previously acquired behavioral tendencies and was, therefore, capable of altering the observed behavioral patterns of group members (Musah et al., 2016). Then, at the organizational level, *organizational climate* reflects beliefs about the organization's environment shared among members and to which members attach psychological meaning to help them make sense of their environment (James & James, 1989; James & Jones, 1974; Schneider, 1975; Schneider & Reichers, 1983). The climate theory notes that managers can influence workers' perceptions about their roles by changing their group membership or directly influencing their expectations through training (Litwin & Stringer, 1968; Musah et al., 2016).

Various studies have also explained that organizational climate is a meaningful concept with significant implications for understanding human behavior in organizational settings (Allen, 2003; Al-Shammari, 1992; Ashforth, 1985; Glission & James, 2002; Musah

et al., 2016; Woodman & King, 1978). Likewise, Gupta et al. (2007) mentioned that organizational climate plays a pivotal role in developing innovative behavior. Furthermore, organizational climate remains of considerable importance in theory and practice (Jackofsky & Slocum, 1988; Kozlowski & Doherty, 1989; LaFollette & Sims, 1975; Payne, 1990; Qualls & Puto, 1989; Schneider et al., 1996). In an empirical study, the ability of organizational climate to impact both individual and group performance was explained by Litwin and Stringer (1968). Using various research methods, they demonstrated that organizational climate impacted both individual and organizational performance.

Additionally, the study of climate is crucial for determining the effectiveness of the organization since it assists in enabling an organization to be more effective and in improving the perception of the organization (Farokhi & Murty, 2014; Stetzer et al., 1997; Waldman, 1993, 1994). Various studies have identified some constituent elements of climate, while there may also be more, i.e., communication, cooperation, creativity, employee satisfaction, morale, and others. The climate in the organization can also be seen through its typical model of organization, structure, environment, and the relationships among the individuals that make up the organization. Likewise, managerial policies, structure, technology, and the external environment can influence the emerging climate. Also, a better-aligned climate that is more conducive to the organization can make it easier to achieve the organizational goal. Thus, a good organizational climate is an important instrument in influencing performance and being more effective concerning higher employee satisfaction, human relations, and productivity (Farokhi & Murty, 2014).

### **Conceptual Framework**

The theory of organizational climate states that the climate will influence the performance of both organizations and their employees and that the climate of an organization is fundamental to enhancing various aspects within it, among others, including communication, cooperation, creativity, employee satisfaction, and morale (Ali & Patnaik, 2014; Farokhi & Murty, 2014; Forehand & Von Haller, 1964; James & Jones, 1974, Litwin & Stringer, 1968; Tagiuri & Litwin, 1968). In the same vein, organizational climate can serve as a management tool to better understand employees' motivation by providing insight into how they perceive the organization (Bellou & Andronikidis, 2008; Davidson, 2003).

The reason for this is that the quality of the organizational climate affects the performance of employees; moreover, the organizational climate supports innovation and extrinsic motivation, which positively contributes to employee behavior and mediates the relationship between organizational climate and employee innovation behavior (Shukla & Pareta, 2013; Wang, 2009). Furthermore, an organization's growth depends on effective and efficient employees (Shukla & Pareta, 2013). In other words, the growth of employees also rests on the health of the organizational climate prevailing within the organization.

As such, this study argues that implementing a climate regarding organizational growth is vital. It is because the essence of an organizational climate is that it helps the organization be more effective and leads to a better organization's perception. Moreover, climate can be used to improve the quality of the management in the organization. An organization's commitment to achieving its goals should include management of the performance of the organizational climate since a good organizational climate will influence the organization's growth. Hence, this study employed six dimensions of climate in Islamic banking institutions to demonstrate how climate affects the growth of Islamic banks: clarity, standard, commitment, communication, responsibility, and teamwork and support.

### **Clarity**

The forum research has identified six dimensions of climate: clarity, commitment, standard, responsibility, recognition, and teamwork (Atkinson & Frechette, 2009). Clarity is defined as people's understanding of the organization's goals and policies, including job requirements. In other words, clarity denotes the clarity of the organization regarding its goals and objectives for employees; also, the employees have the right skills to achieve the organization's goals and are supported in their job functions. Additionally, clarity of organizational goals means a concern for clearly defining the organization's goals (Latham & Locke, 1991). Therefore, this study expects to use clarity to explore the organizational climate in Indonesian Islamic banks and demonstrate how organizational climate impacts Islamic banks' growth in Indonesia.

### **Standard**

A standard can be defined as the emphasis management places on a high-performance standard and the pressure it applies to teams to improve performance (Atkinson & Frechette, 2009). To put it another way, standard means the organization's emphasis on quality performance and outstanding production; for instance, the organizational setting's ability to create a high challenge for achieving goals and the attempts to communicate those goals to members. In this regard, this study used standards as a dimension to assess the organizational climate in Indonesian Islamic banks.

### **Commitment**

Commitment means the expression of sustainability to achieve the organization's goals (Atkinson & Frechette, 2009). Put differently, commitment is defined as the totality of the internalized normative pressures to act in a way that meets organizational interests (Wiener, 1982). This commitment's strength can guide the action by such an internalized standard rather than by consideration of the consequences of these actions. Therefore, this study attempted to employ commitment to investigate the organizational climate in Indonesian Islamic banks.

### **Communication**

Communication can be described as the free sharing of information throughout the organization (Callan, 1993; Hunt et al., 2000). It reflects that good communication is critical to employees' ability to perform work activities; communication provides the best means of enhancing satisfaction and can exist in various oral and written forms (Tortorella et al., 2015). The study, therefore, employed communication items to examine the organizational climate in Indonesian Islamic banks.

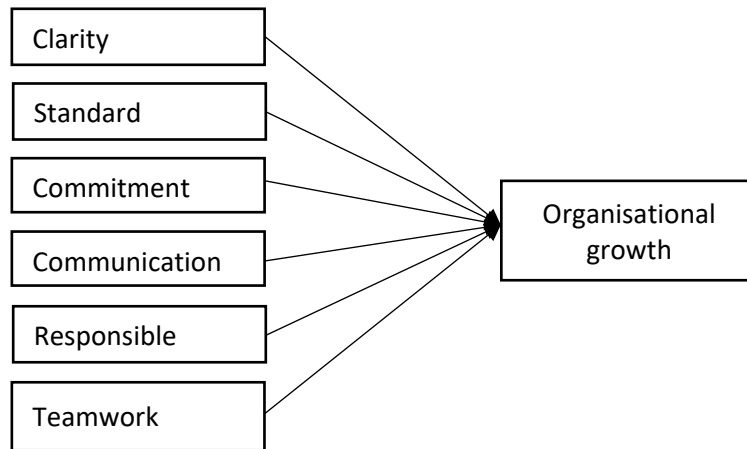
### **Responsibility**

Responsibility can be explained as the degree to which people feel personally responsible and aware of their work and the degree to which members of the organization are given personal responsibility to achieve their part of the organization's goal. In addition, they can make decisions and solve problems without checking with their superiors at each step of the way (Atkinson & Frechette, 2009). Responsibility also refers to the attempts by members of the organization to do their job to achieve the organization's goals and resolve the problems they encounter when doing their jobs. Hence, this study utilized responsibility as a variable to assess the organizational climate in Indonesian Islamic banks.

### **Teamwork**

Teamwork and support are expressed as the sense of belonging to an organization characterized by trust, pride, cohesion, and mutual support. In other words, it is the feeling that good relationships prevail within the work environment (Atkinson & Frechette, 2009). In the organization, each department should seek to collaborate and support each other because teamwork and support are essential in determining the organization's future performance. For these reasons, this study tried to use teamwork and support to investigate Indonesian Islamic banks' organizational climate.

The conceptual framework (Figure 5) predicts that clarity, standard, commitment, responsibility, and teamwork have the potential to determine the growth of Indonesian Islamic Banks. Additionally, the six dimensions have been analyzed from the previous study to identify issues in the organization, and there was potential to improve the management's quality and bring the organization's goal. Hence, the study offers a conceptual model for the organizational climate in Islamic banking institutions and argues that organizational climate can be used to determine organizational growth in Indonesian Islamic banks.



**Figure 5** Conceptual Framework

## Research Method

### Research Design

This study constructed a descriptive analysis based on theories and arguments from the “climate” and “growth” areas. Based on the phenomenon of this study, this paper identified organizational climate as one of the main topics affecting Islamic banks. Grounded in a review of the mutual impact of organizational climate and growth constructs, the authors developed research propositions and discussed the implications of the proposed relationships for both.

Hence, this study created a conceptual model for Indonesian Islamic banks and attempted to predict a model for constructing Indonesian Islamic banks' growth based on an organizational climate perspective.

### Instrument Design

This study aimed to investigate Indonesian Islamic banks' growth and explore organizational growth's determinants through climate traits. The questionnaire was designed to measure the employees' perceptions to describe the growth of Islamic banks.

The construction of the questionnaire was improved from (1) items used in the previous study; (2) an established research framework; (3) assessment instrument an extensive literature review around organizational growth and organizational climate; and (4) current issues challenging Indonesian Islamic banks.

In fact, designing a questionnaire enhances the quality of a study. A good design requires several steps: developing the questionnaire, evaluating, pre-testing, receiving feedback, revising the questionnaire as needed, conducting validity and reliability tests, and completing and distributing the final questionnaire.

To assess the effect of organizational climate on Islamic banks' growth in Indonesia, this study adapted several items from the Organizational Climate Questionnaire (EOQ) (Furnham & Goodstein, 1997) and considered current issues in Islamic banking. The questionnaire sought to understand employees' motivation and the perception of employees in the organizational environment. Furthermore, Furnham and Goodstein (1997) argued that the EOQ is comprehensive and can be used as a before-and-after measure to evaluate organizational change programs' effectiveness.

### Pilot Studies

This study's conceptual framework presents several broad concepts based on existing literature reviews of organizational climate. A pilot study was conducted to gauge the practicality of using the framework to aid researchers in examining the organizational climate in Indonesian Islamic banks. Pilot studies are considered an appropriate first step for testing the adequacy of research tools and analysis techniques.

Table 1 shows that 20 Islamic bank managers as respondents for the pilot study. The respondents were managers, as they are considered the representative experts of their banks. Additionally, the managers know what happens in Islamic banks and can create good or bad situations and hide Islamic banks' performance (Mersni & Othman, 2016). Therefore, to contribute significant responses, the pilot study focused on Islamic banks' specific organizational climate issues.

**Table 1** Respondents

| No           | Islamic Banks                 | Respondents |
|--------------|-------------------------------|-------------|
| 1            | Bank Muamalat Indonesia       | 1           |
| 2            | Victoria Syariah Bank         | 2           |
| 3            | PT. Bank Jabar Banten Syariah | 1           |
| 4            | PT. Bank BNI Syariah          | 1           |
| 5            | PT. Bank Syariah Mandiri      | 1           |
| 6            | PT. Bank Mega Syariah         | 2           |
| 7            | PT. Bank Panin Syariah        | 1           |
| 8            | PT. Bank Syariah Bukopin      | 2           |
| 9            | PT. Bank Danamon Syariah      | 2           |
| 10           | PT. Bank Permata Syariah      | 2           |
| 11           | PT. Bank CIMB Niaga Syariah   | 1           |
| 12           | PT. Bank OCBC NISP Syariah    | 2           |
| 13           | PT. Bank DKI Jakarta          | 2           |
| <b>Total</b> |                               | <b>20</b>   |

### Measuring Variable

Organizational climate (OC) can identify an organization's culture to set the work environment; it could directly or indirectly influence employees' performance. The organizational climate has character-building to show performance (Batlis, 1980, p. 234). They have been proven to identify climate in the banking context (Tortorella et al.,

2015), such as communication, company image, training, leadership, professional growth, empowerment, motivation, recognition, and salary.

**Table 2** Survey questionnaire items

| Code                  | Questionnaire items                                                                                                        |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>Clarity</b>        |                                                                                                                            |
| OC1                   | The goals of my Islamic bank are clear.                                                                                    |
| OC2                   | My Islamic bank's organizational structure is easy to understand.                                                          |
| OC3                   | The visions and missions of my Islamic banks are clear.                                                                    |
| OC4                   | The rules and policies of my Islamic banks are clear.                                                                      |
| <b>Standard</b>       |                                                                                                                            |
| OC5                   | The expected standard of work for Islamic bank managers is set by top management.                                          |
| OC6                   | The standards of Islamic banking services are established by top management.                                               |
| OC7                   | Work performance standards expected from staff are controlled by the management system of my Islamic bank.                 |
| OC8                   | Top management expects me to improve my work performance.                                                                  |
| <b>Commitment</b>     |                                                                                                                            |
| OC9                   | Staff under my supervision are committed to working for this Islamic bank.                                                 |
| OC10                  | Staff under my supervision are committed to improving bank performance to achieve the Islamic bank's goals and objectives. |
| OC11                  | Staff under my supervision are committed to obeying the work regulations in my department.                                 |
| OC12                  | Staff under my supervision are committed to improving the development of Islamic banks.                                    |
| <b>Communication</b>  |                                                                                                                            |
| OC13                  | A communication system exists in my workplace to effectively share information between staff.                              |
| OC14                  | I am satisfied with my department's communication level to receive the information expected of me.                         |
| OC15                  | The communication gap between the headquarters office and my office undermines the performance of my unit's operation.     |
| OC16                  | Overall, I am satisfied with the communication skills of my staff.                                                         |
| <b>Responsibility</b> |                                                                                                                            |
| OC17                  | I am responsible for completing my main jobs and functions                                                                 |
| OC18                  | I am responsible for the achievement of the goals of my Islamic bank.                                                      |
| OC19                  | I am responsible for every risk of decision-making in my department.                                                       |
| OC20                  | I am satisfied with my staff's level of responsibility to discharge their main tasks and duties to complete.               |
| <b>Teamwork</b>       |                                                                                                                            |
| OC21                  | The bank's top management supports me in improving the quality of work in my department.                                   |
| OC22                  | I am supporting my staff to enhance the quality of teamwork between them.                                                  |
| OC23                  | I am building a teamwork environment conducive for staff.                                                                  |
| OC24                  | My staff cooperates well with other departments in my Islamic bank.                                                        |

Hence, this study would like to investigate how organizational climate had a potential effect on the growth of Islamic banks in Indonesia by adapting five factors (Furham & Goodstein, 1997; Tortorella et al., 2015), i.e., clarity, standard, commitment, communication, responsibility, and teamwork and support. The questionnaires were



then measured using a five-point Likert-type scale from 1 "strongly disagree" to 5 "strongly agree." Table 2 illustrates the sources of the survey questionnaire items.

## Result and Discussion

Table 3 depicts the mean and standard deviation for each variable. Most indicators on organizational climate described the means above 4, indicating that all indicators could be determined to the growth of Islamic banks in Indonesia. Furthermore, all indicators had 5 in the maximum score, and the minimum was mostly 3. It denotes that 20 managers argued that organizational climate could impact the growth of Islamic banks in Indonesia.

**Table 3** Descriptive statistics

| Indicators     | Min | Max | Mean  | Std Deviation | Skewness | Kurtosis |
|----------------|-----|-----|-------|---------------|----------|----------|
| Clarity        | 3   | 5   | 4.135 | 0.513         | 0.140    | 0.528    |
| Standard       | 3   | 5   | 3.952 | 0.541         | -1.320   | 3.752    |
| Commitment     | 3   | 5   | 4.151 | 0.582         | -0.026   | 0.271    |
| Communication  | 3   | 4   | 3.563 | 0.613         | -0.639   | 0.351    |
| Responsibility | 3   | 5   | 4.055 | 0.651         | -0.410   | 0.609    |
| Teamwork       | 3   | 5   | 4.095 | 0.458         | -0.312   | 3.000    |

### Discussion

After reviewing the literature studies on the development of Islamic banking institutions in Indonesia, the authors could summarize that six elements on the climate of Islamic banking growth can be proposed as being influential in enhancing the growth of Islamic banks. This is because organizational climate is an important factor in managing the organization; moreover, the work climate influences not only individual attitudes but also the organization's performance. It falls to the management to establish the organizational climate to set the work environment, directly influencing the organization's growth. Further, while many factors can influence organizational climate in institutions or industries, this study drew on a range of factors that could convey the organizational climate in banking institutions and could be expected to show the growth of banks.

Furthermore, Islamic banks need to understand that solely having the right and fair policies in place will not shield them from employee turnover. Some prior studies have mentioned that the better the organizational climate, the better the quality of its human resources. It, therefore, influences employees' attitudes and performance by encouraging them to have stronger commitment and contribute to the organization's development (Suliman & Obaidli, 2011). As such, studying the organizational climate within Islamic banks is essential.

Consequently, it can be seen that climate can affect the condition of an organization, such as its systems, structure, and managerial behavior; in addition, it can generate impacts on the performance of both individuals and groups in the organization. In

examining the link between organizational climate and Islamic banking institutions, this study employed six dimensions of climate to assess growth in Indonesian Islamic banks.

## Conclusion

Organizational growth is an important topic of study for a variety of reasons, although the most frequently cited is its fundamental impact on the performance of economies through the introduction of new products and the creation of new markets (Shane & Venkataraman, 2000), new jobs and regional or national economic growth (Thurik & Wennekers, 2004). Considering that only limited discussion was identified from the organizational growth perspective, it is imperative to conduct a study to determine the situation and phenomenon in Indonesian Islamic banks.

When highlighting the issue of organizational growth, Delmar et al. (2003) and Garcia-Manjon and Romero-Merino (2012) noted that growth appears to be a multidimensional phenomenon whose measurement requires the use of different variables, in addition to examining the appropriateness of those measures relative to specific theory. Birley and Westhead (1990) also asserted that organizational growth has tended to be focused on the single dimension of change in size. Therefore, this study looked at a series of phenomena related to banking institutions as a new discussion in organizational studies. Hence, the measurement of growth in Islamic banking institutions is a key question in the approximation of this study, and the use of multiple elements is the most appropriate for the current topic.

Further, this study is expected to contribute insights into banking institutions, policies, stakeholders, regulators, and government. The study explored the various related studies in organizational growth from a climate perspective. It is worth noting that this study is especially practical and helpful for bank managers and policymakers to develop mechanisms for the banking institution. Moreover, this study contributes to the sustainability of economic growth and enhances the growth of Islamic banks in Indonesia.

While most prior studies examined banking growth from the financial and economic perspectives, studies undertaken from the organizational growth perspective are rarely found. Furthermore, the available literature has not been able to provide such specific and detailed information as peer needs; specifically, only a few studies have sought to analyze the growth of banks. Hence, the contribution of this study is filling this observed gap in the literature on organizational growth and is expected to enhance academic studies based on the literature.

Likewise, this study developed a conceptual model for analyzing the growth of Islamic banks. The model would be used to investigate the growth of Islamic banking institutions, with the expected outcome being to solve the current issue. This is because organizational climate may contribute to the growth of Islamic banking institutions. Further, this study's results contribute to filling the gap by analyzing the growth of banks

using six elements: clarity, standard, commitment, communication, responsibility, and teamwork and support. Additionally, the assessment model can be used to help institutions measure the growth of a specific organization.

There are various limitations to the findings of this study. First, while different factors can be used to predict and possibly determine growth, this study used climate factors to determine banking institutions' growth. Thus, there is a need to explore different factors when developing further studies and to add new insight to determine organizational growth. Second, while organizational growth has been discussed as an interesting topic in economics, management, strategy, finance, and entrepreneurship, limited studies of organizational growth have been undertaken from the behavioral perspective, becoming a new focus of discussion within the field. Thus, there is a lack of literature regarding the study scope, particularly concerning organizational growth for Islamic banking institutions.

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### Conflicts of Interest

The author declares no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.



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