

Visionary Leadership and Dynamic Capabilities: Transforming *Pesantren* into a Social Enterprise

Ahmad Faiz Khudlari Thoha^{1*}

¹Department of Da'wa Management, Sekolah Tinggi Ilmu Dakwah dan Komunikasi Islam Ar
Rahmah, Surabaya, Indonesia

*Corresponding Author

E-mail: ahmadfaiz@stidkiarrahmah.ac.id

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Abstract: Pesantren, or Islamic boarding schools, play a crucial role in shaping the socio-economic and cultural landscapes of Indonesia. This study investigates the transformation of Pesantren Riyadlul Jannah Pacet into a social enterprise, with a focus on the crucial roles played by dynamic capabilities and visionary leadership as its core trajectory. The research employs a qualitative case study methodology, incorporating semi-structured interviews, participatory observations, and document analysis. It uncovers how visionary leadership and effective application of dynamic capabilities enable this transformation. The key findings emphasize the incorporation of commercial enterprises into conventional educational models, resulting in a substantial improvement in the socio-economic influence of the Pesantren. This study adds to the discourse on social entrepreneurship in religious educational environments, providing valuable insights for institutions going through similar changes and informing policy decisions to enhance the role of Pesantren in national development. This research highlights the capacity of conventional educational institutions to successfully adjust and prosper through forward-thinking leadership and strategic transformation, offering a blueprint for achieving sustainable socio-economic empowerment.

Keywords: Dynamic capabilities; organizational transformation; Pesantren; social entrepreneurship; visionary leadership

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INTRODUCTION

Pesantren, or Islamic boarding schools, play a crucial role in Indonesia's socio-economic fabric, serving as strongholds for scholastic, spiritual, and communal growth. These institutions, profoundly rooted in Islamic heritage, serve as vital centers for moral and intellectual development. They also play a crucial role in their communities, strongly impacted by the prevailing Muslim culture of the nation (Anggadwita, 2021; Bayu, 2022). Nevertheless, the dynamic socio-economic requirements and the worldwide transition towards sustainability and self-sufficiency pose a dual challenge and opportunity for these conventional establishments.

The rise of social entrepreneurship (SE) as a powerful catalyst provides a hopeful avenue for Pesantren to expand their function beyond being mere educational institutions and actively engage in uplifting the community. However, this transition is filled with challenges such as reconciling religious values with entrepreneurial drive, implementing new educational approaches, and managing the complex interplay of human resources, technology, and strategic management (Clarke & Ware, 2015; Shier & Handy, 2015; Vézina et al., 2019; Rofiaty, 2019). The essence of this change is centered around the efficient utilization of dynamic capabilities (DC) that empower Pesantren to perceive, capture, and adapt their operational principles in accordance with evolving circumstances.

The imperative for Pesantren to embrace these changes is emphasized by their extensive presence—exceeding 27,000 establishments fostering over 4.1 million students—and their potential influence on Indonesia's socio-economic and cultural terrain (Kementerian Agama Republik Indonesia, 2022). Integrating social entrepreneurship ideas rooted in Islamic beliefs can greatly improve community welfare and contribute to the overall growth of the nation. The government's "pesantrenpreneur" effort highlights the pressing need and promising prospects of such transformative endeavors (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2021).

This study thoroughly examines how Pesantren Riyadlul Jannah Pacet has undertaken a transformative process. It utilizes a qualitative case study approach to analyze the implementation and efficacy of dynamic capacities. The study uses the Gioia approach to rigorously identify essential topics thematically and develop a strong theoretical framework. This is achieved through in-depth interviews, participatory observations, and painstaking document analysis (PP Rijan, 2017; Unair News, 2020). This text highlights how Pesantren Riyadlul Jannah Pacet has successfully managed the complex task of blending commercial units with traditional educational models while also actively engaging the community in its efforts to improve socio-economic conditions.

The findings of this research have the potential to significantly enhance the existing body of knowledge on social entrepreneurship and dynamic capabilities, specifically within the realm of religious and educational organizations. Its objective is to offer comprehensive comprehension and effective tactics for other Pesantren institutions considering comparable transformative journeys. Furthermore, the results will provide guidance and have an impact on policy decisions, promoting the long-term development of Pesantren economies and the overall goal of social empowerment in Indonesia. This study addresses the lack of knowledge regarding the implementation of dynamic capabilities in non-profit and religious organizations. It offers new insights and strong strategies to ensure the significance and adaptability of Pesantren in contemporary society (da Costa et al., 2020; Ince & Hahn, 2020).

LITERATURE REVIEW

Review of Relevant Studies

The transformation of pesantren (Islamic boarding schools) into thriving social enterprises has attracted growing scholarly interest. This section carefully examines significant contributions in order to gain a thorough understanding of the complex phenomenon of social entrepreneurship within the distinct context of Indonesian pesantrens.

In their study, Hariyati et al. (2022) offer a comprehensive analysis of the social entrepreneurship models implemented at Pondok Pesantren Miftahul Hikmah. Their qualitative study demonstrates an all-encompassing approach to entrepreneurial education and practice, incorporating social values and community engagement as essential elements. This study emphasizes the significance of hands-on training and practical implementation in fostering an entrepreneurial mindset within the religious and social structure of Pesantrens.

Mahfud (2021) critically examines the "One Pesantren-One Product" initiative, highlighting its impact on both economic and social progress within the context of programmatic innovation. The program exemplifies a focused strategy within Pesantrens, utilizing their resources and community connections to promote innovation and economic development. This initiative exemplifies a wider pattern observed among Pesantrens, where they are embracing targeted and well-planned actions with the goal of promoting local and economic growth through social entrepreneurship.

Prasetyawan & Rohimat (2019) critically analyze the empowerment aspect of social entrepreneurship by specifically examining women's empowerment initiatives in Pesantrens. Their research conducted at Pondok Pesantren Modern as Salam Surakarta highlights the significant influence of entrepreneurial endeavors on marginalized communities. Pesantrens play a significant role in promoting economic independence and societal welfare, especially for women, by supporting ventures such as catering services.

Reginald & Mawardi (2014) provide a detailed examination of the various entrepreneurial endeavors taking place at Pondok Pesantren Sidogiri. Their research exemplifies the wider trend within Pesantrens toward adopting diverse and inventive business strategies. These initiatives, ranging from educational improvements to the creation of financial institutions, are intricately connected to Islamic ethical and social principles, showcasing a seamless integration of tradition and innovation.

Robani et al. (2022) examine the involvement of pesantrens in the Islamic solidarity economy, considering its wider economic consequences. Their research on social entrepreneurship within Pesantrens sheds light on the strategic utilization of religious and community-driven initiatives to cultivate a viable economic framework that is in line with Islamic principles. The research highlights the capacity of pesantrens to play a crucial role in advancing economic sustainability and community welfare without being overly dependent on government subsidies.

The reviewed research suggests that social entrepreneurship is being dynamically and innovatively adapted within the Pesantren context. These studies emphasize the

significance of incorporating the community, fostering innovation, and implementing strategic adjustments, all while adhering to Islamic principles. Additionally, they contemplate the difficulties and possibilities that arise when trying to strike a balance between conventional religious instruction and the requirements of contemporary economic and social necessities.

Relevant Concepts and Theories

In order to gain a deeper comprehension of the transformative mechanisms in Pesantrens as they transition into sustainable social enterprises, this analysis examines various theoretical perspectives.

Organizational Transformation Theory

This theory builds upon the influential research conducted by Lewin (1947) and subsequent advancements, offering a structured approach to comprehending the complex processes of organizational change. The text highlights the significance of being prepared for change, the process of shifting from old to new conditions, and the establishment of new standards and frameworks (Moran & Brightman, 2001). This theory is especially relevant to pesantrens as they transition from traditional religious institutions to dynamic entities involved in social entrepreneurship.

Dynamic Capabilities (DC)

Teece et al. (1997) introduced the concept of DC to address the need for organizations to adapt, integrate, and reconfigure internal and external competencies to address rapidly changing environments. For Pesantrens, the adoption and nurturing of DC are crucial in navigating the transformation into effective social enterprises that are responsive to social needs and economic opportunities.

Social Entrepreneurship (SE) and Social Value Creation (SVC)

SE is a powerful vehicle for addressing societal issues with innovative, sustainable business models. It blends the mission-driven aspect of the non-profit world with the market-driven approach of business (1998). For Pesantrens, understanding SE and SVC is crucial for aligning their religious and educational missions with the entrepreneurial strategies necessary for sustainable impact.

In synthesizing these theoretical perspectives, this literature review sets the stage for an in-depth exploration of the dynamic capabilities that Pesantrens can leverage to transform into sustainable social enterprises. It also underscores the importance of viewing these transformations through lenses that consider the unique religious, cultural, and societal context of Indonesia. This comprehensive theoretical grounding provides a robust platform for analyzing the case of Pesantren Riyadlul Jannah Pacet's journey and contributes to the broader discourse on social entrepreneurship in religious and educational settings.

METHOD

This study utilized a qualitative case study methodology to examine the process of transforming Pesantren Riyadlul Jannah Pacet into a social enterprise, focusing on the concept of dynamic capabilities. The case study method was deliberately selected due to its capacity to conduct a thorough analysis of intricate phenomena within their authentic setting, especially when the distinction between the phenomenon and the context is not readily apparent (Yin, 2017). The Pesantren Riyadlul Jannah Pacet was chosen using theoretical sampling Eisenhardt (1989) because it is a rare example of a traditional religious education institution that has transitioned into a social enterprise model. This makes it a valuable source of information for studying the process of transformation.

The data collection process incorporated a triangulated approach to ensure thorough coverage and validity. Seven key informants were interviewed through a series of semi-structured interviews. These informants included three Pesantren leaders (*Gus*), the head of the affiliated junior high school, a lecturer from the affiliated higher education institution, a community leader, and an alumnus. The informants were deliberately chosen to collect a wide range of viewpoints on the process of transformation, the difficulties encountered, and the tactics employed. The interviews were conducted with the aim of revealing the fundamental mechanisms of dynamic capabilities, their execution, and the subsequent conversion into a social enterprise.

Participatory observations were conducted alongside interviews to obtain a direct understanding of how business units integrate within the Pesantren environment and interact with educational activities. This facilitated the examination of daily activities and exchanges, providing significant background to the interview data. Secondary data, such as organizational documents, historical records, and relevant publications, were used to provide an additional perspective and help confirm the findings from primary sources. The utilization of multiple data sources through triangulation bolstered the credibility of the research findings.

The data analysis was performed utilizing Gioia's methodology Corley & Gioia (2004) and Gioia et al. (2013), commencing with open coding to identify initial concepts from the data, subsequently proceeding with axial coding to establish relationships between categories, and culminating with selective coding centered around central categories. This iterative process persisted until theoretical saturation was attained, guaranteeing a rigorous and systematic analysis.

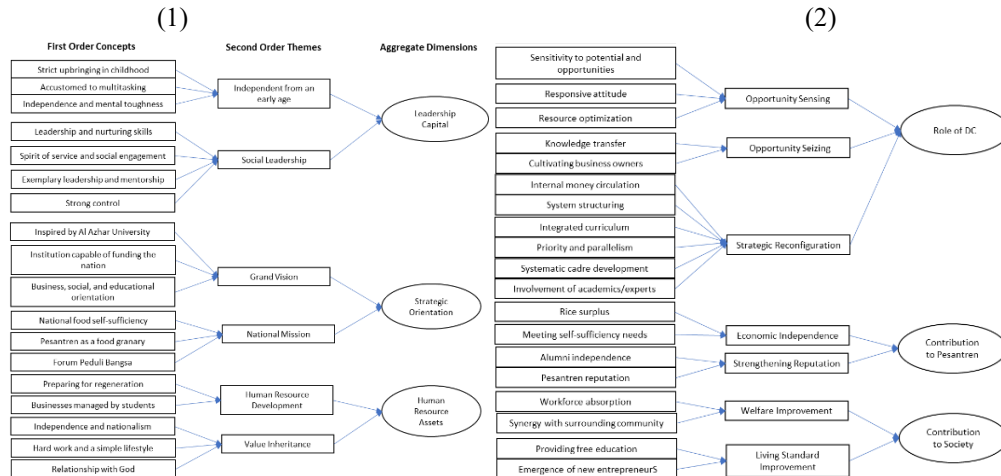
While this approach provides detailed insights, it is recognized that case studies may have limitations in terms of their ability to be generalized. In order to address this issue, the findings are presented with meticulous attention to the context and their potential relevance to comparable environments. The study's reflexivity, along with its iterative data collection and analysis, effectively reduced researcher bias and bolstered the research's validity. This research provides valuable insights into the application of the dynamic capability's framework in the unique context of Islamic educational institutions transitioning into social enterprises. It addresses the transformation of Pesantren Riyadlul Jannah Pacet using a robust qualitative methodology.

RESULT AND DISCUSSION

The main aim of the study was to thoroughly investigate and comprehend the process by which Pesantren Riyadlul Jannah Pacet transformed into a social enterprise, with a specific emphasis on its dynamic capabilities. This study, based on the rigorous qualitative methodology of the Gioia methodology, has conducted a comprehensive analysis of the transformation of the Pesantren through narrative and thematic analysis. This study examines the complex interplay of leadership, strategy, and human resource development that has collectively influenced its evolution. This study has been carefully planned to examine the various factors that have influenced the development of the Pesantren, transforming it from a traditional religious educational institution into a dynamic social enterprise that is focused on serving the community.

The comprehensive examination leads to the visual depiction of the data structure in Figure 1. This representation showcases the intricate interaction of different factors and emphasizes the transformative journey undertaken by Pesantren Riyadlul Jannah Pacet. The analysis of data obtained from interviews, observations, and document analysis provides a comprehensive understanding of how dynamic capabilities have been utilized to navigate and initiate change within the Pesantren. This research significantly contributes to the discussion on organizational transformation in religious educational environments.

Figure 1: Data Structure



This investigation has documented the complex transformation of Pesantren Riyadlul Jannah Pacet. The study has emphasized crucial factors such as leadership capital, strategic orientation, and human resource optimization, which together have reshaped its influence on the institution and the community. The findings demonstrate the complex relationships between these factors, highlighting the ability of traditional institutions to innovate and adjust while maintaining their core values in the face of changing challenges.

Fundamental Elements of Transformation

The transformation of Pesantren Riyadlul Jannah Pacet into a social enterprise is a complex process, influenced by various essential components that collectively define its progress and results. This section provides a more detailed analysis of these components, offering a more sophisticated comprehension of the transformative dynamics in action.

1. Leadership Capital

The pesantren's transformative journey, guided by the visionary leadership of KH. Mahfudz Syaubari, MA, the founder, showcases the significant influence of such leadership in action. From the outset, Kyai Mahfudz possessed a profound vision for the pesantren to make a substantial contribution to the national economy. The individual's leadership style, which combines spiritual guidance, educational innovation, and practical skills, closely matches the characteristics of Islamic visionary leadership as described by (Yulius, 2022). This type of leadership is known for its significant impact on promoting organizational commitment and improving employee performance.

The current pesantren leader's illustrative anecdotes about Kyai Mahfudz's childhood, such as his habit of “carrying fishing rods, goats, books, and religious texts to school”, not only demonstrate his commitment to various responsibilities but also symbolize the core of his visionary leadership. Kyai Mahfudz's ability to create and implement a compelling vision for the pesantren while also encouraging the community to embrace progressive economic strategies without compromising Islamic principles is demonstrated through this combination of roles. This leadership dimension aligns with the findings of Karwan et al. (2020) and Al-Ajami (2021), who emphasize the crucial role of visionary leaders in initiating change and communicating a cohesive vision that propels organizational progress. Furthermore, the advancements made under Kyai Mahfudz's guidance exemplify the successful synergy between forward-thinking leadership and skillful personnel administration in enhancing performance, consistent with the research conducted by (Miharja & Hayati, 2021). The leadership journey of Kyai Mahfudz exemplifies the significant impact of visionary leadership in fostering a dynamic and progressive atmosphere while also upholding the fundamental cultural and religious values of the pesantren and making valuable contributions to the wider economic context.

2. Strategic Orientation

Pesantren Riyadlul Jannah Pacet, under the leadership of KH. Mahfudz, has developed a strong and well-established strategic approach that combines traditional religious education with modern innovation and the demands of society. He envisions creating an independent institution that goes beyond traditional religious education and makes a significant contribution to the country's self-sufficiency in food production. This vision encompasses a comprehensive strategic approach that integrates both market and social orientations, which are essential for the effectiveness and long-term viability of non-profit organizations (Dart, 2004; Duque-Zuluaga & Schneider, 2008). The strategic direction is consistently influenced by a focus on learning, highlighting the significance of entrepreneurial and ongoing learning mindsets in improving organizational performance, specifically in the non-profit industry (Baba, 2015).

3. Optimization of Human Resources

The readiness of human capital is a vital determinant in the growth and success of social enterprises. It refers to the skills, knowledge, and abilities of individuals within an organization (Pansuwong et al., 2022). Human capital, as evidenced by its influence on enterprise management, innovation, safety performance, and competitiveness (Chen, 2022; Cao & Yu, 2023), is crucial for driving organizational progress. This concept is demonstrated in the extensive transformation process at Pesantren Riyadlul Jannah Pacet, where there is a strong emphasis on a comprehensive approach to developing human resources. The goal is to foster a productive foundation of human capital. This strategic investment encompasses all stakeholders of the pesantren community, such as family members, management, the local community, and students. It is in line with the pesantren's dedication to integrating economic and social goals within a social enterprise framework (Dart, 2004; Haugh, 2007). The pesantren ensures the long-term success of its transformation efforts and prepares its community to excel in a changing socio-economic environment by developing a strong base of human resources and imparting essential skills and values.

Ultimately, the fundamental elements of leadership capital, strategic orientation, and optimization of human resources are the foundation upon which Pesantren Riyadlul Jannah Pacet has successfully transitioned into a social enterprise. The interplay between each element generates a dynamic process that is adaptable to both internal and external changes, challenges, and opportunities. As we explore these elements further, it becomes clear that the transformation is not a straightforward process but an intricate and continuous journey of growth, learning, and adaptation (Tece et al., 1997; Eisenhardt & Martin, 2000). The transformation narrative of the Pesantren demonstrates the effectiveness of visionary leadership, strategic orientation, and human resource optimization in achieving substantial organizational change.

The Role of Dynamic Capabilities in Transformation

The transformation of Pesantren Riyadlul Jannah Pacet into a social enterprise emphasizes the significance of dynamic capabilities in skillfully navigating the evolving environment of religious and community-oriented education. Teece et al. (1997) define dynamic capabilities as an organization's capacity to effectively adapt to rapidly changing circumstances by integrating, constructing, and reconfiguring internal and external competences. These capabilities encompass the ability to sense opportunities, seize opportunities, and reconfigure strategy, enabling organizations to thrive in the presence of change. In order to maximize its significance and influence, it is imperative for the Pesantren to skillfully integrate traditional principles with contemporary requirements and prospects. The achievement of religious education excellence can be facilitated by integrating it with social entrepreneurship and innovation, as highlighted by (Bhardwaj & Srivastava, 2021).

1. Sensing Opportunities

The transformation journey of Pesantren Riyadlul Jannah Pacet is characterized by its capacity to perceive opportunities in both the external and internal environments. Sensing encompasses the perception and comprehension of emerging patterns,

requirements, and possible partnerships that are in line with its objectives. The process of actively monitoring the environment and forming strategic partnerships allows for the expansion of resources and the exploration of new opportunities for growth and innovation. The proactive method of identifying opportunities is crucial for shaping the institution's strategies and offerings, enabling it to be more pertinent and adaptable to the needs of students and the community. The Pesantren's dedication to integrating strategic orientation with operational flexibility and continuous learning is demonstrated through its implementation of programs that foster entrepreneurship and management skills among its students.

2. Seizing Opportunities

Maximizing the utilization of opportunities is another crucial factor in enhancing dynamic capabilities and ensuring long-term growth. Pesantren Riyadlul Jannah Pacet implements effective resource allocation, knowledge dissemination, and the cultivation of entrepreneurial skills among its students. The institution effectively utilizes its resources by employing various strategies, such as using food waste as fish feed, leveraging students as business managers, establishing internship-based business partnerships, and optimizing the use of its land for multiple purposes. These practices exemplify the institution's innovative resource management, which is in line with the principles of dynamic capabilities (Teece et al., 1997). Engaging in partnerships with external businesses provides students with hands-on learning opportunities that improve their abilities in management and entrepreneurship. This aligns with the concept of "seizing capacity" in dynamic capabilities theory. Promoting students' savings and investment in business ventures cultivates entrepreneurship and ownership, incorporating elements of learning and adaptability into dynamic capabilities (Teece, 2007).

3. Reconfiguring Strategy

The process of ongoing strategic reconfiguration entails modifying the curriculum, maximizing financial management, and effectively organizing systems. Pesantren Riyadlul Jannah Pacet has adopted a comprehensive curriculum that combines conventional education with customary Pesantren rituals. The curriculum is specifically designed to promote the comprehensive growth of students and foster entrepreneurship, aligning with the institution's dedication to cultivating resilient and innovative leaders. Utilizing digital payment systems to optimize internal financial circulation exemplifies a dedication to maximizing resources and achieving financial autonomy (Warner & Wäger, 2019). The process of system reorganization guarantees optimal efficiency and adaptability in order to effectively respond to environmental changes. This demonstrates the institution's commitment to constantly adapting and innovating, as stated by (Teece, 2007).

The Pesantren demonstrates adaptability and durability in managing priorities and parallel tasks, guaranteeing educational excellence while sustaining business operations. The comprehensive care system effectively trains future generations for managerial and leadership positions, demonstrating a dedication to the long-term development of human resources (Zheng, 2021). Engaging in partnerships with scholars and specialists, especially in projects such as productive waqf rice fields, improves the

standard and sustainability of education and entrepreneurial endeavors. These collaborations demonstrate an approach that emphasizes collaboration and the sharing of knowledge (Eti-Tofinga et al., 2018; Zhang et al., 2020).

The transformation of Pesantren Riyadlul Jannah Pacet into a social enterprise, by utilizing dynamic capabilities, demonstrates the implementation of historical principles, strategic assets, and adaptability in developing an organization's dynamic capabilities (Teece et al., 1997; Sydow et al., 2009; Vergne & Durand, 2011). The practices of the Pesantren exemplify how a traditional institution can adapt to contemporary needs while making a positive impact on its community. The dynamic capabilities framework provides a comprehensive perspective for comprehending and examining the transformative process of Pesantren Riyadlul Jannah Pacet. It emphasizes the crucial role of these capabilities in fostering sustainable change and making a significant impact in the education and social enterprise sectors.

Contributions Provided

The journey of Pesantren Riyadlul Jannah Pacet has resulted in significant internal and community-wide advantages, demonstrating the strong collaboration between religious education and social entrepreneurship.

1. Internal Contributions to Pesantren Riyadlul Jannah Pacet

The efforts made by Pesantren Riyadlul Jannah Pacet to achieve agricultural self-sufficiency are commendable, especially in the field of rice cultivation. The Pesantren effectively oversees the cultivation of 10 hectares of farmland, resulting in biannual harvests that consistently produce an impressive 45–50 tons of rice each time. By implementing careful fertilizer management practices, the efficiency of rice yield is increased to 60%, resulting in approximately 27 tons per harvest. This output not only meets the annual rice needs of the Pesantren community, including students, staff, events, and guests, which totals about 24 tons, but also produces an annual excess of approximately 30 tons. The surplus is evidence of Pesantren's involvement in social entrepreneurship, which is based on a dedication to sustainability and socio-economic advantages in accordance with well-established principles of economic and environmental management (Hockerts & Wüstenhagen, 2010).

Moreover, the institution's reputation is greatly bolstered by the achievements of its alumni, which demonstrate the exceptional quality and comprehensive nature of the education offered. The Pesantren plays a significant role in leading the "pesantrenpreneur" movement, which combines education, spirituality, and entrepreneurship in an innovative model. The initiative has significantly enhanced educational and community development, thereby reinforcing the institution's reputation and emphasizing its dedication to promoting sustainability and socio-economic progress. The Pesantren's diverse endeavors not only enhance its reputation but also exemplify its adherence to wider sustainability goals, illustrating a commitment to creating a favorable socio-economic influence within and beyond its local community.

2. Community Contributions by Pesantren Riyadlul Jannah Pacet

The Pesantren's influence on community well-being is clearly demonstrated by its efforts to generate employment opportunities and foster cooperative collaborations, thereby making a substantial contribution to the development of the local economy, particularly in rural areas. The initiatives highlight Pesantren's dedication to promoting social integration and economic sustainability, in line with the principles of social entrepreneurship for a more equitable and enduring society (Hudcová et al., 2018).

In addition, Pesantren has introduced complimentary educational initiatives and entrepreneurial instruction, demonstrating its commitment to generating social value. The Pesantren has fostered the development of community-based entrepreneurship by providing extensive training and mentorship programs to new entrepreneurs, thereby improving the economic and social well-being of the community. These endeavors emphasize the institution's function as a catalyst for beneficial societal transformation and emphasize the significant influence that social entrepreneurship can have on both economic and societal progress.

Ultimately, the conversion of Pesantren Riyadlul Jannah Pacet into a social enterprise serves as a prime example of how traditional institutions can effectively modernize and adjust to present-day obstacles. By making internal improvements and actively engaging with the community, the Pesantren has solidified its crucial position as a catalyst for social transformation and long-lasting progress. It establishes a standard for comparable organizations and contributes to a society that is more inclusive and prosperous. The journey showcases the power of dynamic capabilities and strategic orientation in creating significant and long-lasting transformation within and outside the local community.

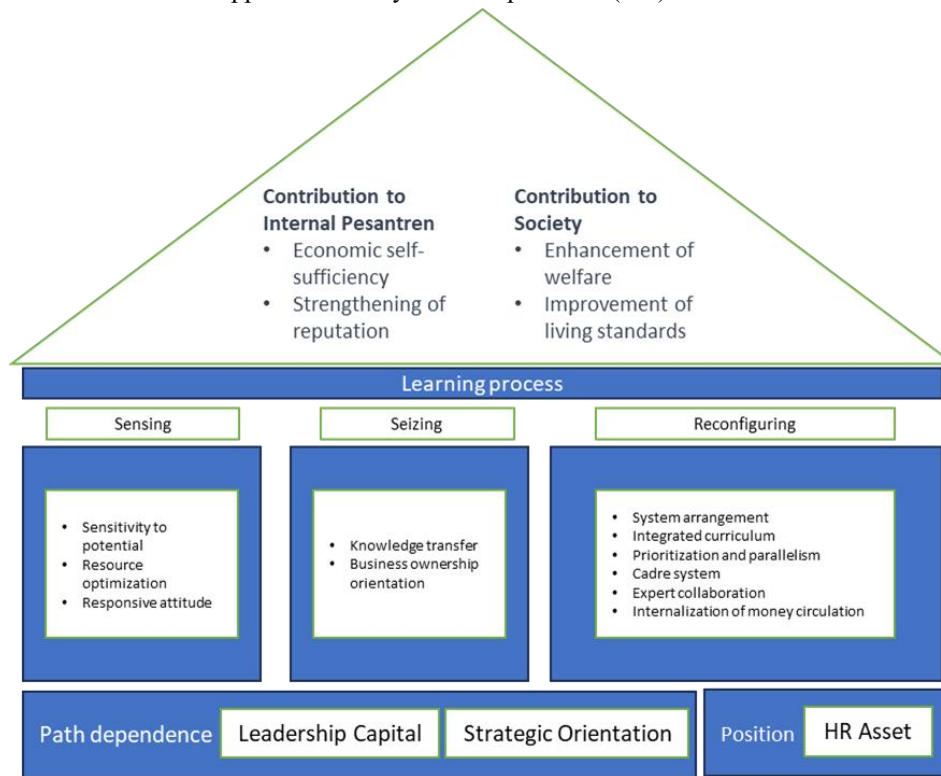
Transformation Model Framework

The process of transforming Pesantren Riyadlul Jannah Pacet into a social enterprise (SE) represents a significant journey of strategic development and enhancing capabilities, guided by the concept of dynamic capabilities (DC). This evolution transcends mere response to external pressures; it signifies a proactive restructuring and harmonization of resources, capabilities, and strategies to guide and foresee change in the educational and socio-economic environment.

The model depicted in Figure 2 embodies the fundamental tenets of dynamic capabilities as expounded by (Teece et al., 1997). The institution is organized based on three fundamental pillars: path dependence, positions, and processes. These pillars greatly impact the strategy and operations of the Pesantren, and together they shape a resilient and future-oriented institution. This framework incorporates the historical background of the Pesantren, its strategic resources, and a culture of ongoing adjustment and education, outlining a path towards a creative and long-lasting future.

The leadership capital of the Pesantren plays a crucial role in determining its growth trajectory, considering the concept of “path dependence”. The institution's future behavioral patterns and strategic possibilities are influenced by its historical experiences and current learning paradigms. This highlights the significance of Pesantren's past in shaping its future actions and responses (Teece, 2007; Sydow et al., 2009).

Figure 1: the transformation model of Pesantren into a Social Enterprise (SE) through the application of Dynamic Capabilities (DC).



The term "positions" pertains to the essential human resources of the Pesantren, such as teachers, students, and graduates, that play a crucial role in determining the institution's ability to innovate and adapt. The strategic allocation of these resources, influenced by Pesantren's reputation and the caliber of its human capital, has a vital role in determining its overall strategic direction (Teece et al., 1997; Vergne & Durand, 2011).

The fundamental learning process is divided into sensing, seizing, and reconfiguring. The concept of "sensing" refers to the pesantren's capacity to detect and understand alterations in the environment and identify potential opportunities. This ability is crucial for developing future strategies (Teece, 2007). "Seizing" refers to the ability of the institution to take advantage of these opportunities, thereby improving its managerial and entrepreneurial skills and preparing students to become future leaders and innovators. The term "reconfiguration" pertains to Pesantren's persistent process of adjusting and reorganizing its systems, curriculum, and priorities to maintain alignment with both external and internal changes (Teece, 2007; Warner & Wäger, 2019).

The contributions of the Pesantren to both its internal environment and the wider community are at the highest point of the model. The contributions encompass the attainment of economic independence, the enhancement of reputation, and the improvement of welfare and living standards. This demonstrates Pesantren's role not only as an educational hub but also as a driving force for socio-economic transformation and progress. In summary, the conversion of Pesantren Riyadlul Jannah Pacet into a social enterprise by implementing dynamic capabilities demonstrates the institution's capacity to adapt while maintaining its traditional principles and creating a long-lasting

beneficial influence on its community. It is a strategic combination of historical legacies, strategic assets, and adaptive capabilities Teece et al. (1997); Sydow et al. (2009); Vergne & Durand (2011) that serves as a model for other traditional institutions seeking to navigate the complexities of the modern world and make meaningful contributions to society.

CONCLUSION

This study aims to thoroughly analyze the process of Pesantren Riyadlul Jannah Pacet's transformation into a social enterprise, focusing specifically on visionary leadership and dynamic capabilities. The study delved into the complex relationship between traditional religious education and the emerging concepts of social entrepreneurship, providing insights into the intricate process of institutional change.

The findings highlight the crucial importance of visionary leadership in guiding the Pesantren through its transformative journey. The leadership of KH. Mahfudz Syaubari, MA, is distinguished for its role as a guiding force for transformation, encompassing a fusion of spiritual counsel, visionary education, and effective management. His skill in blending religious customs with modern requirements has established a strong basis for the Pesantren's transformation into a thriving social enterprise. This leadership has not only transformed the fundamental values of the institution but has also fostered a culture of creativity and determination within the Pesantren community.

The essence of this transformation lies in the strategic execution of dynamic capabilities. The study demonstrates how Pesantren has effectively utilized these abilities to perceive, capture, and adapt its operational values in accordance with the evolving socio-economic environment. The Pesantren has exhibited an impressive capacity to adapt and prosper in the face of challenges by identifying opportunities in both the external and internal environments, capitalizing on these opportunities through efficient resource allocation and strategic partnerships, and consistently adjusting its strategies and operations.

The effective incorporation of social entrepreneurship into the Pesantren's religious and educational structure signifies a noteworthy transformation in its function and influence within Indonesian society. The Pesantren has not only broadened its educational mission but has also actively participated in community development, making valuable contributions to local economic advancement and social welfare. This transformative journey exemplifies the strong collaboration between religious education and social entrepreneurship, demonstrating how traditional institutions can make significant contributions to societal development.

This study offers practical insights for other Pesantrens and similar institutions contemplating a transformative endeavor. This highlights the significance of having forward-thinking leaders, aligning religious principles with business endeavors, and developing adaptable skills. The findings suggest that policymakers should establish supportive frameworks to enhance the ability of pesantrens to contribute to national

development goals. These institutions have the potential to act as catalysts for social and economic change.

This research fills a gap in the existing literature by applying the dynamic capabilities framework to the specific context of Islamic educational institutions, thereby contributing to the theoretical discourse. This study expands upon existing organizational transformation theories by applying them to the context of non-profit and religious education. It provides new viewpoints and valuable understandings regarding the strategies and difficulties involved in the development of these institutions.

Nevertheless, the study acknowledges its limitations, specifically its concentration on a solitary Pesantren, which could constrain the applicability of the results. It is recommended that future research conduct comparative studies among multiple Pesantrens or similar institutions in various cultural contexts. Additionally, longitudinal studies should be conducted to evaluate the long-term sustainability and impact of these transformations.

Ultimately, the transformation of Pesantren Riyadlul Jannah Pacet into a social enterprise serves as evidence of the institution's ability to adjust, endure, and exhibit forward-thinking guidance. It sets an example for other traditional institutions as they navigate the complexities of the modern world, showing that embracing change and innovation can result in meaningful and long-lasting contributions to society. The trajectory of Pesantren Riyadlul Jannah Pacet represents more than just a story of transformation; it serves as a source of motivation, demonstrating the capacity for conventional establishments to adapt and take charge amidst societal changes.

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