Full Length Research Paper

Organizing and executing a strategy for firms operating in and from the Islamic World

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"Strategy without action is futile, and action without strategy is fatal" (Sun-Tzu). Strategy and organization are closely interlinked. If a firm's strategies can greatly influence the organizational structure, the organizational environment can also make certain business unit strategies very unlikely or sometimes totally impractical for the managers. Establishing close links between a firm's human resource, organizational design and strategy is therefore very crucial for a strategy to become successful. Managers in Islamic firms, on the other hand often fail to create excellent coordination between a firm's strategy and its functional departments, processes, systems and people. Where Islamic firms need to learn the art of converting their strategy into strategic action efficiently, it is also equally important to align their organizations with their strategies. This article is specifically aimed at providing some clear cut guidelines to the mangers of the firms operating in an Islamic environment as to how they can create an excellent coordination between different organizational units and once created, how they can use such a coordination for mobilizing each and every ounce of intelligence available to a firm and putting together all the intellectual resources of their employees for achievement of their strategic goals.

Key words: Islam, strategy, leadership, alignment, religion, organization, execution, implementation.

INTRODUCTION

Strategy is like a recipe which cannot provide someone with a delicious plate of cooked food itself. For that one has to practically put all necessary ingredients in a specific proportion on specific timings according to the details provided in the recipe. Business unit strategy is only an expression of intentions until people in the operating departments of the company carry it out. Therefore, the participation of departments in both the formulation as well as execution of business unit strategy is absolutely necessary if an Islamic firm wants to reach the heights of excellence. Where defining an excellent strategy is very crucial for a business success, efficiently converting it into an action is even more important. Unfortunately processes are not given enough importance in the Islamic firms mainly due to the dominance of traditional values and lack of focus on planning (Kabasakal and Bodur, 2002). Managers in Islamic firms need to understand that they cannot convert a strategy

into action efficiently or add value for the customers unless they give due attention to the processes involved and try to eliminate the barriers between individuals, departments, hierarchies, business and regional units etc. The core competencies of a firm which are considered to be a major source of sustainable competitive advantage in today's highly competitive world are always embedded in the processes (Hinterhuber, 2005). Designing and implementing these business processes efficiently, involving all suppliers and partners in strategic networks and solving the customer's problems more effectively than the competitors is one of the most challenging tasks for managers of Islamic firms in 21st century.

RESEARCH DESIGN AND METHODOLOGY

Since the literature available was not enough for answering my research questions; the work therefore has been mainly explorative in nature and grounded in qualitative research (Eisenhardt, 1989; Glasser-Straus, 1967). The research included structured interviews with business managers in Pakistan where the sampling frames

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were stratified on the basis of conventional firm size and industry stratification criteria. From an epistemological point of view, Popper's (1959) critical rationalism has been followed.

Organization and execution

Once a strategy has been determined, the next step is implanting and monitoring it (Hinterhuber, 2005). In order to implant and control strategic management process effectively, managers in Islamic firms will first have to develop:

(i) An organization that is appropriate for carrying out a strategy,
(ii) A corporate culture that is compatible with the strategy adopted,
(iii) A strategic leadership to guide the whole process,
(iv) A set of plans, programs and budgets to support the long term planning,
(v) An excellent information system, and
(vi) A model of rewards and incentives that help to increase employee's motivation.

Strategy and organization are closely interlinked. Where Islamic firms need to learn the art of converting their strategy into strategic action efficiently, it is also equally important to align the organization itself with their strategy. Just like anywhere in the world, strategy and organization are interdependent on each other in Islamic firms as well. If a firm's strategies can greatly influence the organizational structure, the organizational environment can also make certain business unit strategies very unlikely or sometimes totally impractical for the managers. Establishing close links between a firm's human resource, organizational design and strategy is therefore very crucial for a strategy to become successful. Managers in Islamic societies especially those in South Asian region are more likely to adopt this highly integrative approach (Gupta et al., 2002). In such societies, a craft based apprenticeship model of organization with value based inspirational mentors like Muhammad Ali Jinnah and Abdul Sattar Edhi seems to be the most appropriate choice for deriving excellent results and making rapid expansion of the business operations possible..

Managers cannot create excellent coordination between a firm's strategy and its human resource unless they know the art of mobilizing each and every ounce of intelligence available to a firm and putting together all the intellectual resources of its employees for achievement of desired objectives. For an outstanding strategic success, employees at all levels must be motivated to a level where they can enthusiastically take the ownership of the tasks assigned and contribute the best they can. For this purpose, excellent training and development facilities are inevitable. In Bank Alfalah Ltd, one of the fastest growing banks in Pakistan, it has been made compulsory for every employee working for the bank to undergo at least one training program a year. They hire the best brains available and spend heavily on their training and development. The top managers in Bank Alfalah do realize that investments in physical assets are less important than the strategic thinking that guides these investment decisions and the strategic leadership that inspires people to work enthusiastically towards common goals (Hinterhuber, 2005). According to Collins (2001), leaders of companies that go from good to great start not with "where" but with "who." They start by getting the right people on the bus, the wrong people off the bus, and the right people in the right seats. They stick with the principle "first people, then direction" no matter how dire the circumstances are.

Apart from human resource, the organizational structure is the next important thing which needs to be made suitable for a firm's strategic intentions. Unfortunately in most Islamic firms, highly centralized organizational structure still prevails. Although, many of them are now replacing their old seniority based promotion systems with performance based appraisals systems and have started to switch gradually towards more decentralized organizational structures giving some degree of autonomy to the SBU managers or the departmental heads. Figure 1 presents a beautiful comparison between a centralized power structure and a trust based one which offers more autonomy and freedom to the managers. Keeping in view the requirements of a firm's overall strategy and intentions, a certain level of autonomy and freedom is to be given to the managers working at various levels in Islamic firms, using which they can strive harder for accomplishment of their targeted objectives. Powerful interdependent factors in an organization do influence and are influenced by the firm's strategy functions and processes. It is the responsibility of the top managers working for Islamic firms to introduce and promote such features/values in their organizations which can be helpful in creating or maintaining a corporate culture needed for successful execution of their strategies. This requires an in-depth knowledge of different dimensions of human nature, attitudes and preferences. How do people behave in Islamic societies and under what circumstances? What sort of environment is needed for managing people and shaping their behaviours effectively and how their behaviours or perceptions affect the strategic management decisions or organizational processes in the firm? What are some of the important questions which can be helpful in selecting, developing and promoting a suitable culture for Islamic firms. Managers need this knowledge and awareness level not only to identify a suitable cultural environment for the firm but also to develop appropriate policies and determine how to plan, organize, lead and control in a specific environment. Since, both culture and strategy are interdependent, where adaptation to an environment is deemed important for a strategic success, making the environment suitable to the requirements of the firm's overall strategies is also equally crucial for strategic management purposes.

In order to outperform a firm's competitors and create a difference both within and outside an Islamic firm, we will need a culture which can provide both the opportunities and encouragement to change the things incrementally. To make strategy a success, the Islamic firms must switch or immediately start planning to switch from a highly bureaucratic culture to a customer oriented mechanism. This will not be possible without paying enough attention to continuous quality improvement programs and value addition processes all over the firm. Islamic leaders need to know that all this cannot happen overnight; this type of switch can only be made through an evolutionary process. For this purpose, first they need to change both individual and collective behaviours of the people through a gradual process; only then they can think about creating value for their customers and as a result thereof obtaining a long term sustainable competitive advantage in the market. In the value addition also, only those features or benefits which customers perceive as valuable can be helpful; others will not contribute much towards firm's aim of obtaining and maintaining a solid competitive advantage position in the market.

> "We speak to our customers only in a language they can understand and about the benefits they perceive as valuable. We are willing to put ourselves in the shoes of our customers; No business in the world can flourish or has ever flourished without focusing on what maximum it can offer to the customers and how" (Manager- Bank Alfalah Ltd)".

Satisfaction of stakeholders

The long term performance of the Islamic firms depends upon balancing and satisfying the needs and expectations of all major stakeholders. The achievements made as a result of execution of an effective strategy should satisfy not only the internal stake-
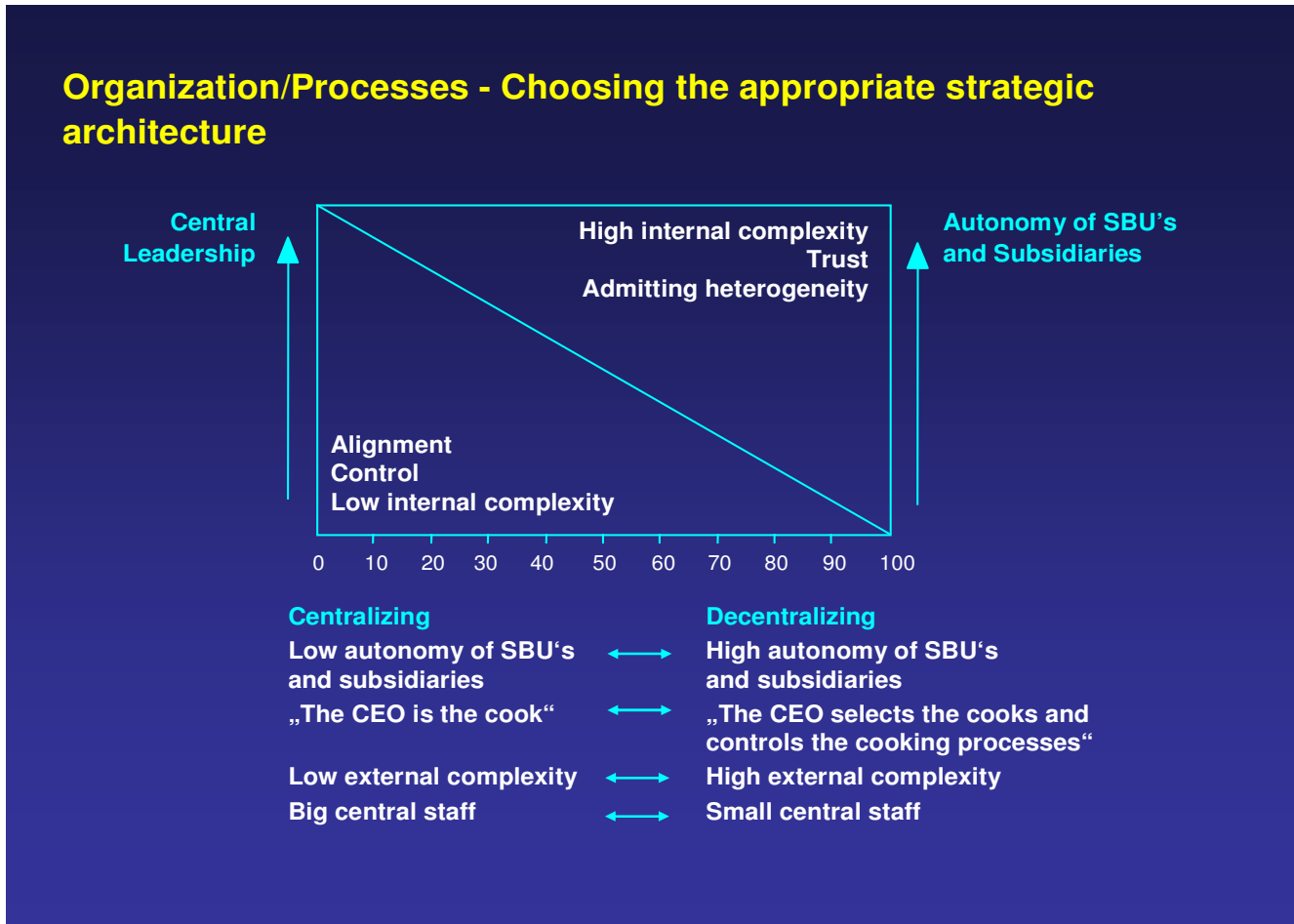
Figure 1. Organizational structure (from centralization to autonomy) (Source: Hinterhuber, 2005).

holders such as employees, share holders etc but also the external ones such as suppliers, customers, firm's partners in strategic networks, the financial community and the society at large. The managers in Islamic firms therefore can only take their firms to the heights of excellence if they know how to please their major partners and also how to keep a balance between all key stakeholders of the firm as it is not an easy task to meet the expectations of all those who have certain interests associated with the firm's business either directly or indirectly.

Managers in Islamic firms need to be mentally prepared that there may be certain conflicts of interests among various stakeholders of the firm. As shown in the Figure 2, in today's highly competitive business world, the leaders in Islamic firms will always find themselves in a tension field surrounded by various stakeholders of the firm where every stakeholder tries to pull the firm towards its direction. Since as a responsible corporate citizen, an Islamic firm is liable to all its stakeholders, the leaders have to follow a justified and balanced approach and resolve any possible conflicts of interests in such a way that interests of none of the stakeholders are compromised or undermined in the process. For this purpose, managers will need to have a thorough understanding of their stakeholders expectations/needs as well as their possible contributions, only then they will be able to reach at some key patterns which are shared across many stakeholders of the firm.

Sometimes in Islamic firms, stakeholders simply nix all the efforts by withholding their approval or by working at cross purposes to the

management. We must not forget that in Islamic societies, the positive or negative energies of stakeholders play a major role in a firm's success or failure. Here, the job of Islamic leaders/managers is to take full benefit of their positive energy, and to eradicate or at least mitigate their negative energy. At all stages of strategic management process (right from formulation to evaluation), managers in Islamic firms must try to get most of the stakeholders (if not all) involved in the process as early and as productively as possible. Giving their comments a due weightage, using their inputs for strategic success, regularly discussing progress with major stakeholders, encouraging them to offer their ideas and making necessary changes/ alterations in the plan are absolutely necessary for a firm's success. The sooner and better a firm does that, the more successful its strategy will be.

FUTURE RESEARCH POSSIBILITIES

The jurisdiction of this piece of work is broader in nature and the model generated by this work is generally applicable to all Islamic countries. Since Islamic world can be divided into two main sections, Non Arab world and oil rich Arab world, there may be some independent studies for each of these sections. From societal point

The firm in a tension field of key stakeholders
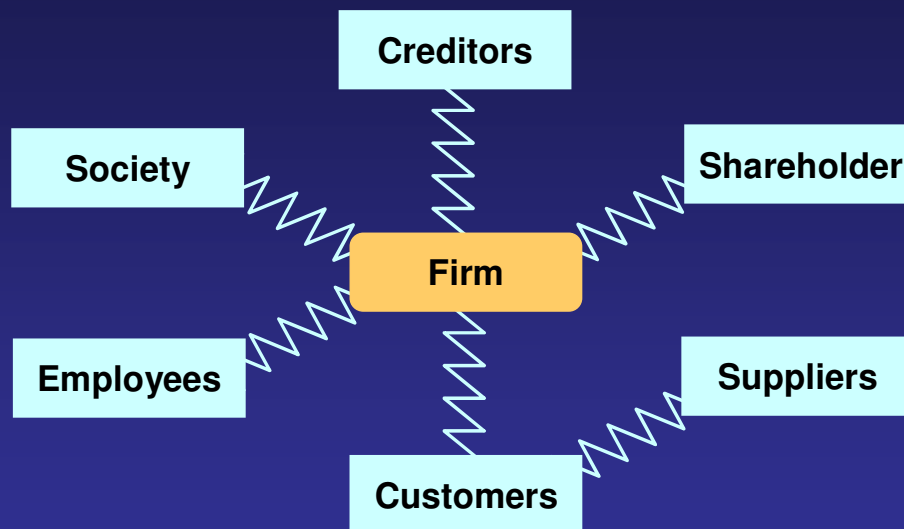
Figure 2. The Islamic firm surrounded by its major stakeholders (Source: Mirow, 2002).

of view, people living in Arab world have many other things in common such as language, dresses, oil rich economies economically and politically stable conditions etc in addition to those commonly shared by whole Islamic world. This makes it possible for future researchers to devise two independent models for Arab and Non Arab societies within the Islamic world and use this work as a guiding force.

Similarly, since model developed through this work is generally applicable to all Islamic countries and all types of organizations, this allows new researchers to differentiate between private and public sector organizations in their future research and try to explore, how government owned public sector organizations differ in the implementation of their strategic management approaches from private sector firms operating in Islamic lands.

Moreover, some years down the road, a further analysis of the performance of Islamic firms, which have

an effective implementation system in place will be very helpful in deciding whether or not these firms are able to outperform their rivals/competitors who lack such an excellent coordination mechanism.

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