

CRAFTING STRATEGIES

Strategies should stem from *profound understanding* rather than *emotional bravado*.

A strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.

(James Brian Quinn¹)

When developing strategies, leaders of Islamic organizations need to revisit their SWOT analysis and focus on their organization's core competencies. Many strategic thinkers recommend that you base your strategies on *understanding* rather than *bravado*.² Thus, if an Islamic business has a group of well-trained, highly qualified software programmers, it would not make sense for them to go into the perfume or prayer-cap business.

In designing strategies, then, a basic principle is to challenge your opponents on your own terms, not theirs. As indicated by Khan, we can derive this principle from the events surrounding the treaty of Hdaybiyyah.³ Since the unbelievers found themselves in an advantageous position, they naturally wanted to fight the Muslims. Inspired by

Allah, the Prophet understood the strategic importance of restraint and accepted their conditions, even though it disturbed many of his Companions. However, the resulting ten-year peace treaty changed the field of activity from the battlefield to the field of ideology and ideas. Within two years, Islam emerged victorious because of its ideological clarity and superiority.

Important Strategy Dimensions

Other dimensions of strategy⁴ that Muslims need to pay attention to are:

- **Forward-looking:** Given that your strategy outlines a series of action sequences, it must be forward-looking and based on the SPC's understanding and forecasts about your organization's environment.
- **Proactive:** Since the external environment is dynamic and anticipatory, your strategy needs to consider your competitors' reaction to your organization's initiatives so that you can prepare an effective response.
- **Dynamic:** The external environment's dynamic nature and potential competitors' moves and countermoves mean that leaders of Islamic organizations must be quick on their feet and ready to act at any time.
- **Value-driven:** When choosing goals and strategies, managers should attempt to maximize the firm's total value and select value-driven goals by correlating organizational abilities with market opportunities to maximize the firm's value. Your organization may not necessarily pursue the most promising opportunity due to an inability to harness it. At the same time, however, the organization may not be using its top core competencies if nobody wants the products or services that these competencies produce. For example, your company may be the best in the world at producing typewriters, but clearly the world no longer uses them. Hence, it would be unwise for your company to produce obsolete products or provide unnecessary services
- **Adaptive:** Very often, an organization will list the strategies that it intends to adopt for different goals. These strategies may be similar to what worked in the past. However, because of the environment's dynamic nature, it is likely that what

worked in the past may now be obsolete or even inappropriate. As a result, companies may find out that the set of strategies that they actually use (realized strategies) are quite different from those that they initially intended to use. These realized strategies are adaptive, given that they emerged from a changing situational context. As long as the strategies are not unethical, the outcomes sought are what matter.

What Strategy Involves

In general, your organization's strategy answers the question "how?":

- How to satisfy your stakeholders (e.g., customers, regulators, donors, or investors).
- How to grow the organization to better serve your customers.

Worksheet #12 (Appendix A, p. 175) will help you draft your organization's strategies. In designing strategies for any Islamic organization (e.g., a mosque, a shopping mall, a computer store, or a religious foundation [*waqf*]), your answers to the above questions reveal what you need to do.

1. **Prioritize goals**

In general, goals should be implemented according to their priority. Note that priorities can change in a turbulent environment and that you must then reorder your organization's goals. Each goal must be tied to your organization's strategies. In addition, each goal may have several strategies. It is very rare for one strategy to bring about the implementation of one goal, for each goal may have several parts that need to be addressed by a strategy tailored just for one particular part.

2. **Develop a sustainable competitive advantage or position**

Islamic organizations must compete, all the while remaining within the bounds of Islamic ethics. Islam, in fact, encourages market competition. For instance, Saeed et al. cite the following incident⁵: Once Umar al-Khattab passed by Hatib ibn Abi Balta'ah and learned that he was selling raisins at a much lower price in order to ruin his competitors. Umar told him: "Either raise your rate or leave our market." From this and similar hadiths,⁶ we can tell that Islam abhors price manipulation and encourages a free-market system and fair competition (*munafasah*). Islamic organizations should develop strategies to enhance their competitiveness and not restrict free-market competition.

3. **Defend against threats to the organization**

In a changing environment, Islamic organizations may find that other organizations meet their customers' needs more effectively. Strategies may be developed to enhance the quality of one's product or service, including building strategic alliances with other stakeholders. If your organization consistently performs poorly, perhaps you should retrench. As an Islamic not-for-profit organization, the money donated to your programs is an *amanah* (trust). If you cannot use these donations to serve Islam and Muslims with your current product or service offering, find another niche where you can be more effective. One national Islamic organization decided to sell its bookstore business after decades of poor performance when it realized that other competitors repeatedly outperformed it and that subsidizing continuous financial losses was no longer an option. The same is true for a business. If you are continuously losing money, find a niche that is still *halal* but is more aligned with your competencies. For example, Japan was outperforming Intel in memory chips. This eventually caused Intel to abandon that niche and become a micro-processor designer and manufacturer. Today, a majority of the world's desktops and notebooks run on Intel microprocessors, such as the Pentium chip.

4. **Execute complementary and consistent strategies**

As indicated earlier, strategy is both a single-action sequence and the unifying pattern underlying all of the different strategies. *Complementariness* means that the strategy used in one part of the organization should not hamper the strategy used in another part. *Consistency* means that although the organization may be using a defensive and then an offensive strategy, both strategies can help it succeed and achieve a sustainable competitive advantage. For example, a firm may be retrenching with respect to one market, but simultaneously expanding in another. The hijrah could be considered the Prophet's retrenchment strategy; yet he was simultaneously expanding into Yathrib (pre-Islamic Madinah), where his message was more welcome. These two strategies differ, but when they are looked at within the context of his overall mission, they worked.

Similarly, when Emperor Constantine stymied Sultan Fateh's navy by ordering a heavy chain laid across the Bosphorus and

making it impossible to block the Venetian ships resupplying enemy forces, the sultan ordered his boats to be withdrawn and towed, overnight, over a mountain and then relaunched from a place where they could go on the offensive. These dual strategies of retreat and offense were mutually complementary and consistent and, by Allah’s Grace, led to the ultimate liberation of Constantinople. Internal consistency among the various strategies being employed to meet the organization’s different goals is critical.

Figure 4 illustrates the interplay among multiple strategic moves for an Islamic organization. This hypothetical organization simultaneously uses defensive as well as offensive strategies. In response to the competitors’ efforts to duplicate its products, the organization may drop its prices or narrow its product mix. At the same time, new customer needs may be surfacing. Hence, the organization may be developing new products or expanding its geographical domain. While each of these strategic moves is a strategy unto itself, the overall pattern of any strategic move also represents an organizational or a corporate strategy. An Islamic for-profit or not-for-profit organization can do both simultaneously, as long as one set of strategies does not stand in the way of a different set of strategies.

Figure 4
Organization Strategy as a Pattern of Actions



Repeating the same strategy handed down by previous leaders or mindlessly copied from competitors may lead the organization into a rut.

When a previously effective strategy no longer works, a strategy inflection point may have been reached.

5. ***Be creative and do not repeat past mistakes***

Organizations often get into a rut and need to re-assess what strategy is the most effective for achieving their mission and goals. Repeating the same strategy handed down by previous leaders or copied *ad nauseam* from competitors may lead nowhere. Just as Prophet Muhammad was willing to listen to Salman al-Farsi's innovative suggestion at Khandaq, contemporary Muslim leaders need to develop creative strategies within Islam's parameters. One such example comes from Pakistan's Edhi Foundation, an organization dedicated to helping the poor and the destitute to help themselves. This foundation has provided some unconventional welfare services, despite severe social and cultural opposition. For example, *jhoolas* (cradles) represent a creative solution to a very sad problem: Baby cradles are installed near most emergency Edhi centers, where unwanted children can be abandoned anonymously. Although some external stakeholders assert that this service encourages illegitimate childbirth, the foundation believes that these cradles prevent the even greater crime of abandoning unwanted babies to die in garbage dumps.

6. ***Monitor strategy inflection points and respond to changing environmental conditions***

An important skill that your Islamic organization may wish to develop is the ability to track strategy inflection points. As indicated by Intel's former CEO Andrew Grove, organizations should monitor the effectiveness of the strategies being used: "A key warning sign ... [of] ... a strategic inflection point is when all of a sudden, the company you worry about has shifted. You dealt with one competitor all your life, and all of a sudden you do not care about them, you care about somebody else. A mental silver bullet test ... [is] ... if you had one bullet, whom would you shoot with it? If you change the direction of the gun, that ... signals you may be dealing with more than an ordinary shift in the competitive landscape." When the strategies begin to – and continue to – lose their effectiveness, as indicated by former peak performance levels never being reached and even declining despite your best efforts, a strategy inflection point has been reached. You should act immediately, and the organization should immediately try to adjust its strategy to fit the new circumstances.

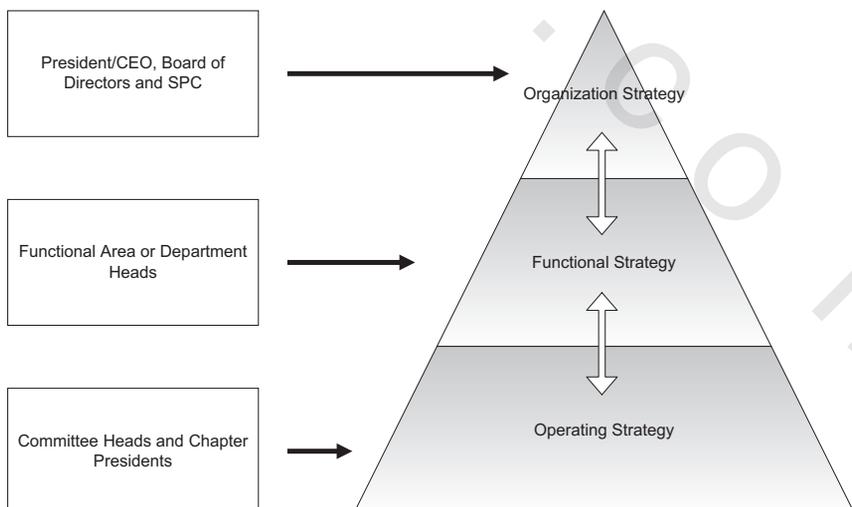
Levels of Strategy

Strategy occurs at multiple levels. In a large Islamic corporation or organization, strategy occurs at five levels:

- **Enterprise.** Generally, the strategy here focuses on the general societal need being met.
- **Corporate.** Strategies here encompass the whole organization and its divisions or strategic business units (e.g., a charitable foundation, bookstore, or *da`wah*).
- **Business.** This type of strategy is a function of the company's degree of diversification. If this company has multiple divisions, then each business (division) should have its own strategy.
- **Functional.** Within each business unit (division), functional areas exist (e.g., accounting, marketing, sales, production, and research and development). Each functional area must tackle the issue of strategy within each function.
- **Operating.** Key activities within each functional area need to have their own strategy (e.g., managing the fleet of cars or maintaining and/or upgrading the website).

For most small Islamic organizations, only the bottom three levels apply: organizational (corporate), functional (departments, committees, or task forces) and operating strategies. Figure 5 depicts this relationship:

Figure 5
Levels of Strategy for an Islamic Organization



Each level of strategy should be consistent with the higher and lower levels, for each level builds upon the one above it.

Illustration capsule 5 gives some examples of organization strategy.

Illustration Capsule 5

Examples of organization strategies

IMRC

- Educate people about health and healthcare.
- Emphasize preventive medicine.

McDonalds

- Add new restaurants annually or market expansion.
- Use new menu items and low-price specials to promote frequent customer visits.
- Choose sites convenient to customers.
- Focus on limited product line and consistent quality.

National Highway Traffic Safety Administration Strategies

- Set and enforce safety performance standards for motor vehicles.
- Promote safe driving behavior.

Four Tests of a Strategy's Effectiveness

An Islamic organization should aim for *adaptability* rather than *adaptation*.

How do you know whether your strategy is a winner? Thompson, Gamble, and Strickland propose three tests for determining this.⁸ I have added a fourth one: ethics (*akhlaq*).

1. *The Goodness-of-Fit Test*

How well does your Islamic organization's strategy fit its situation? Although you would want a tighter fit between your strategy and its external environment, it may be problematic. A tighter fit is not always better because of the distinction between *adaptation* and *adaptability*, for both are ways to adjust to the external envi-

ronment's changing demands. However, they have distinctly different results. When an Islamic company engages in adaptation, it fits its customers' needs better than any other competitor in the short-term. However, any future change in the customers' needs will drive it out of business because it has so customized itself to fit the customers' current needs that it has become over-specialized and cannot adjust. In contrast, an Islamic company that engages in adaptability may meet its customers' current needs in a general manner, but also retain enough organizational slack (extra cushion of resources) to meet their future needs, should these change.

2. **The Competitive Advantage Test**

Does strategy lead to competitive advantage? An Islamic business must not only develop a competitive advantage, but must also be able to maintain it (viz., achieve a sustainable competitive advantage). In this regard, systems theory talks of *dynamic equilibrium*, by which it means that an organization that is number one at one point in time may not continue its supremacy forever and may actually lose ground over time if it does not strive to maintain its competitive advantage. An excellent example is Turkey's Ottoman Bank. Once it was the central bank. However, its status declined because its leaders did not keep up with the changing times. Now, many competitors are thriving where it used to.

3. **The Performance Test**

Does strategy boost organization performance? If the organization's strategy is not improving its performance (e.g., membership decreases, fundraising targets are missed, market share is being encroached upon, geographical coverage is shrinking), then decision makers need to rethink their organization's strategy. An excellent example is how Khalid ibn Walid adjusted the Muslims' army during the battle of Yarmuk after the first three days of battle: the numerically superior Byzantines almost managed to break through on a couple of fronts. So confident were they of success that some of them chained themselves to each other. Khalid realized early on that an offensive, frontal attack would surely be defeated, and so he combined defensive and offensive strategies, depending on what the Byzantines were doing.

A Muslim organization that fails the *akhlaq* test has failed everything.

4. **The Ethics (*Akhlaq*) Test**

Your organization's strategy may have a proper fit with the external environment, may lead to sustainable competitive advantage, and may improve overall performance, but may still be wrong if it is unethical. Let us assume that you are a Muslim doing business in a country where unethical practices are the norm, where cheating allows you to run your competitors out of business and obtain high profits by gouging your customers. If you engage in these practices, have you behaved Islamically and ethically? As someone once said, if you win the rat race, you are still a rat! In chapter 16, the link between strategy and ethics will be covered in much greater detail.