IMPLEMENTING THE STRATEGIC PLAN: THE STRATEGY–CULTURE FIT

Schein defines culture as "the accumulated shared learning of a given group, covering behavioral, emotional, and cognitive elements of the group members' total psychological functioning."

A strong culture is a prerequisite for an effective organization. Strategic plans are decided upon and implemented within the context of an organization's culture. Under conditions of environmental uncertainty, an organizational culture acts as a security blanket. "Culture" can be defined as "the accumulated shared learning of a given group, covering behavioral, emotional, and cognitive elements of the group members' total psychological functioning,"[1] whereas an "organizational culture" is a social force that controls patterns of organizational behavior by shaping members' cognitions and perceptions of meanings, and by establishing who belongs and who does not. Thus, culture involves assumptions, adaptations, perceptions, and learning.[2]

Culture also refers to the formal and informal set of values and norms that determine how individuals and groups in an organization interact with each other and with those outside. Norms are rules of conduct that the group's members establish to maintain behavioral consistency. Norms differentiate work groups from one another and promote a sense of identity and stability. Since norms are behavioral blueprints, one can expect that Islamic organizations would derive their norms from Islam. For example, a norm like "a fair day's work for a fair day's pay" is clearly related to the Prophet's hadith. In *Sahih al-Bukhari,* Abu Hurayrah reports that on the Day of Judgment, the Prophet will testify against "one who employs a laborer and gets the full work done by him but does not pay him his wages."[3]

Ihsan, amana, birr, and `*adl* are critical values for any Islamic organization, and the bedrock of their culture.

Values are a society's or an organization's idea about what is right or wrong, such as the belief that stealing is immoral. Islamic organizations are likely to derive many of their values (e.g., *ihsan, amanah, birr*, and `*adl*) from the Qur'an and the Sunnah. These universal Islamic values apply to all walks of life, including the corporate arena. Organizational culture may also be reflected in such organizational artifacts as heroes, stories, symbols, rituals, and language.

Typically, an organization's culture is derived, in part, from its founder's beliefs, values, and norms. In an Islamic organization, part of the culture is based on the Qur'an and the Prophet's *sirah*. For example, the Edhi Foundation's values were carefully nurtured by Abdul Sattar Edhi, its founder and president. He focuses on self-help, stating that "self-help – that's the best way to get back on your feet."[4] This message is very much related to the hadith reported by Anas ibn Malik in *Sunan Abu Dawud* (hadith no. 1637).

> *A man of the Ansar came to the Prophet and begged. He (the Prophet) asked: "Have you nothing in your house?" He replied: "Yes, a piece of cloth, a part of which we wear and a part of which we spread (on the ground), and a wooden bowl from which we drink water."*
>
> *He said: "Bring them to me." He brought these articles to him, and he (the Prophet) took them in his hands and asked: "Who will buy these?" A man said: "I shall buy them for one dirham." He asked twice or thrice: "Who will offer more than one dirham?" A man said: "I shall buy them for two dirhams."*
>
> *He (the Prophet) gave these to him, took the two dirhams, and, giving them to the Ansari, said: "Buy food with one of them and hand it to your family, and buy an axe and bring it to me." He brought it to him. The Apostle of Allah fixed a handle on it with his own hands and said: "Go gather firewood and sell it, and do not let me see you for a fortnight." The man went away and gathered firewood and sold it. When he had earned ten dirhams, he came to him and bought a garment and some food.*
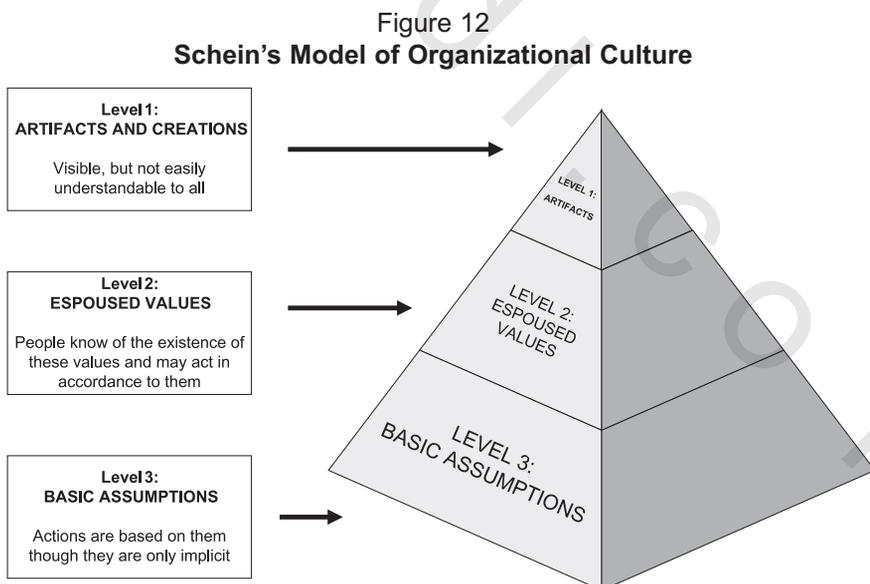>
> *The Apostle of Allah said: "This is better for you than that begging should come as a spot on your face on the Day of Judgment. Begging is right only for three people: one who is in grinding poverty, one who is seriously in debt, or one who is responsible for compensation and finds it difficult to pay."[5]*

Edhi himself is an example of self-help put in practice, for he has consistently refused large sums of money from governmental sources because "governments set conditions that I cannot accept." Another example of self-help is the large number of women trained in Edhi nursing homes in Karachi, all of whom initially had requested charity from the foundation. Edhi persuaded them to train as nurses and become independent. Those who participate in training programs receive a stipend.

Besides emphasizing self-help, Edhi also stresses parsimony and humility. In spite of handling the Edhi Foundation's $10-million budget, which comes primarily from individual Pakistanis, he lives a very simple life. "I myself am the owner of nothing, except a small 10-foot by 10-foot room that my mother left me in the alley where I first began my work, and the two sets of clothing that I wear."[6] His values, derived from Islam, are also the values of the foundation that he has run since 1951.

A Model of Organizational Culture

When developing an appropriate organizational culture, Islamic leaders may use Schein's model (figure 12) to understand their organization's culture.[7] This model is divided into three levels: artifacts and creations, espoused values, and basic assumptions.

Figure 12
Schein's Model of Organizational Culture

Level 1:
ARTIFACTS AND CREATIONS

Visible, but not easily understandable to all

Level 2:
ESPOUSED VALUES

People know of the existence of these values and may act in accordance to them

Level 3:
BASIC ASSUMPTIONS

Actions are based on them though they are only implicit

LEVEL 1: ARTIFACTS

LEVEL 2: ESPOUSED VALUES

LEVEL 3: BASIC ASSUMPTIONS

[From *Organization Culture and Leadership* 2nd edition by Edgar Schein. (c) 1997.
Adapted with permission from Jossey-Bass, a division of Pfeiffer.]

Schein's model suggests that culture in organizations is in three strata: artifacts and creations, espoused values, and basic assumptions.

As you and your followers progress from the organization's artifacts to its values and to the basic assumptions underlying its behavior, you progress from the visible tip of an iceberg (the artifacts) to the deepest level of the organization psyche. The first level represents the documents, letters, reports, how space is allocated according to seniority or rank, the types of office furniture, and so on. Though their meaning may not always be transparent to outsiders, artifacts are a tangible representation of the organization's values and beliefs. Is this an organization of equals, or do those who have seniority receive more respect and more perks? Does it have a Spartan culture or does it pamper those in power? Does it encourage and facilitate participation, or do the higher-ups keep to themselves and away from the lower-level employees?

A second layer represents the organization's espoused values, which often originate from its founders. For example, CAIR's central values are justice, equity, and freedom. Over time, organizational values are reinforced by stories and legends. One example is that of Herb Kelleher at Southwest Airlines, the only airline to have been profitable in America over the past ten years.

Southwest prides itself on its customer service. One story affirming the employee's belief in this value is as follows: A ticket counter agent saw, on the eve of a major American holiday, an old man walk up to the counter just after the last plane had left. The man was limping and holding some money in his hand. When the agent asked about his destination, he told her that his sister had just dropped him off at the curb, given him some money, and asked him to take a plane to his family's place. As the agent was about to mention that the last plane had just left, she noticed that blood was seeping down his pant leg. He told her that he had had surgery earlier in the day. After consulting her boss, the agent booked him on the first flight out to his destination the next day, booked him a hotel room, and booked herself a room next door in case he needed any help during the night. The next morning, she made sure that he was on the plane.[8]

Such superlative service is not uncommon at Southwest; however, it is the company's culture and values that the employees have imbibed so deeply that make these values come alive. Such organizations as IMRC and the Edhi Foundation have provided similar outstanding service over the years.

A third layer represents the organization's basic assumptions, the core values that have gradually become so ingrained that they are now implicit and taken for granted. Thus, if the company values competency, the assumption that "in the long run, one will be fairly rewarded for excellent performance" is unquestioned and employees will perform at above-average levels without being explicitly promised a reward. They know that sooner or later they will be rewarded appropriately, and this is enough to elicit their best effort.

Overall, Islam is very proactive in suggesting what the three levels of an organizational culture should be. First, with respect to artifacts, Islam encourages one to err on the side of frugality, since the money being invested in the organization belongs to the company's owners. In the case of an Islamic non-profit organization, any money raised is to be used for the purpose for which it was collected, not on deluxe furnishings or ostentatious buildings.

Umar's journey to Jerusalem illustrates Islam's emphasis on parsimony and humility. When he went to sign the city's treaty of submission, he could hardly be recognized from his small group of attendants. In fact, he went to Jerusalem only with his servant and one camel, which each of them took turns riding. When they were entering Jerusalem, the servant was riding the camel. Though the servant offered to give up his turn, Umar refused and remarked: "The honor of Islam (i.e., being a Muslim) is enough for all of us."[9] He entered Jerusalem holding the camel's rope. The Prophet and his Companions, especially Umar, were paragons of frugality. Umar's clothing was patched in many places, although he was the ruler of the Islamic state, and he used to walk Madinah's streets without a security detachment. In fact, he would often sleep alongside poor and destitute people.

Second, Islam's espoused values are straightforward. The Islamic concepts of trusteeship and work are paramount in any Islamic organization. According to the Qur'an, each person is considered Allah's *khalifah* (trustee) on Earth and human life is a test (Qur'an, 67:2). As Allah's trustee, each person's actions must be in accord with the conditions of that trust. To fulfill his/her role properly, he/she is to emulate the Prophet as the quintessential role model. As mentioned earlier, Allah uses *khuluq* to describe the Prophet's pattern of behavior (Qur'an, 68:4). This word is a derivative of *akhlaq*: ethics.[10] Hence, it can be said that the normative model of behavior for Muslims is based on ethics.

The Qur'an mentions `amal (work) in more than 50 verses in conjunction with *iman* (faith).

Third, a major cultural assumption in Islamic organizations relates to the concept of work. Whenever a Muslim is properly performing this work, he/she is performing an act of worship (Qur'an, 21:107, 9:34, 48:28, 61:9, and 34:28). Indeed, the Islamic concept of worship (`ibadah) is all-inclusive,[11] for any act is a potential act of worship if it is done with a pure intention and within the limits prescribed by Allah. This broader definition of worship excludes any compartmentalization of human life's various aspects. Accordingly, work (`amal) and business-related activities may be regarded as acts of worship, and therefore moral, if they meet the above two conditions. The Qur'an confirms this by mentioning `amal in more than 50 verses in conjunction with *iman* (faith).[12] Hence, the desire to please Allah through productive work can be a tremendous intrinsic motivator for Muslim workers, regardless of the levels at which they are working.

This emphasis upon the individual's role as Allah's trustee and upon work as worship conditions Islam's stakeholder approach to business and is itself anchored in a multidimensional ethical system. This system, which is discussed in Beekun[13] and in Beekun and Badawi,[14] will be briefly covered in chapter 16.

The Importance of Culture

Because it takes so long to evolve and is so idiosyncratic, culture can become the one organizational feature that your competitors cannot copy.

Culture can either contribute to or impede the implementation of organizational strategies. When a strategy agrees with the existing organizational values and beliefs, its implementation is facilitated. But when a strategy contradicts them, its implementation is far more difficult. Collins and Porras,[15] as well as Collins,[16] studied companies that have been consistently effective over a long period of time, and uncovered several key findings that draw attention to the importance of the culture-strategy fit.

First, they found out that the corporate cultures of these companies were built around a core set of values that functioned as their center of gravity and their compass on the way to success. Second, an organization's culture may challenge the very paradigm of strategic management because the self-examination and self-discipline implied by strategic management clashes with the organization's hitherto laissez-faire attitude.

Third, culture can become the one organizational feature that competitors cannot copy and can, therefore, become a source of sustainable competitive advantage. Southwest Airlines has been the most successful airline in North America for the past 15 years. Everything it does can be readily imitated: its price structure, airplane color, advertising strategy,

airplane type, and so on. However, competitors have been unable to duplicate its corporate culture: its employees' dedication and fun attitude. Other examples of companies with strong corporate cultures include GE, Johnson and Johnson, Merck, and Savola. Illustration capsule 9 depicts the corporate culture of Savola, a very successful food company doing business in the Middle East. It began in 1978 as an edible oil refinery with 50 employees. Today, by the grace of Allah, it is a global diversified company with 5,000 employees, sales worth $1 billion, and doing business in several areas.

Illustration Capsule 9

Savola's Balanced Way:
A Sure Ingredient for Sustained Growth [17]

Savola Group, a Saudi group of consumer food companies with US $1 billion plus in annual revenues, has a key ingredient that is common amongst the greatest 20th century global companies such as 3M, Citicorp, Motorola, Sony, General Electric, Hewlett-Packard, and IBM (…).

The importance of a strongly entrenched corporate ideology is an aspect that has repeatedly been supported by many other business leaders. For example, David Packard, one of the founders of the global powerhouse Hewlett-Packard, has attributed the company's management outlook called *The HP Way,* as being the single most important reason for its sustained success. In his similarly titled book, *The HP Way*, Mr. Packard outlines how this ideology, which champions openness, honesty, and flexibility throughout the organization, has guided the company through 50 plus years of drastically changing environments.

Savola Group, in its business strategy, has a well defined and seemingly well practiced "core value" structure that they refer to as the "Balanced Way." This article reviews this value structure which is one of the three key characteristics […] of enduring successful companies.

"Balanced Way" - A Relevant Corporate Culture

What's impressive about Savola's "Balanced Way" value structure is how it derives them from Islamic ethical and moral principles and makes it pertinent to the motivations and demographics of its immediate and regional environment. For many executives, identifying and nurturing a corporate culture falls into a futile exercise of generic corporate consulting jargon. However, Savola has managed to identify a strong vision which its workforce and leadership can identify with, laying the grounds for its long-term survival and prosperity.

Savola's "Balanced Way" emphasizes a balanced approach to its corporate culture through four core ethics principles, four internal success values and four external success values.

Four Core Ethics Principles

The four core ethics principles referenced in its strategy are: *Amanah* (Honesty/Trust) that drives its commitment to its shareholders; *Taqwa* (Conscientiousness) that drives its commitment to its community; *Birr* (Caring Justice) that drives its commitment to its employees; and finally *Mujahada* (Personal Control) that drives itself toward self-improvement and self-discipline. Each of the four core-ethics comprehensively addresses all of its key stakeholders and has its origin in the Islamic code of ethics that the stakeholders can best relate to.

For example, the organization effectively applies *Amanah*, promising its business shareholders honesty in all aspects of management and in recognizing its responsibility towards its shareholders as a trust.

Four Internal Success Values

The four internal success drivers help define the values for how the organization is guided internally. These are `*Azm* (Fierce Resolve), *Iqtida'* (Apprenticeship), *Itqan* (The relentless pursuit of perfection), and, *Tawado* (Confident humility.)

These value drivers help to create an internal environment of competitive cooperation in which individuals can attain their own personal goals in the organization while taking the

company forward as a whole. They create multiple dynamics to be used in various roles and relationships present in the corporate structure.

Four External Success Values

The final aspects to Savola's "Balanced Way" are the four values that drive its external success. These are *Ihsan al Dhan* (Trusting), *Iqbal* (Resonating), *Mu'azarah* (caring to help), and *Qabool* (enduring.) These values are embodied in the policies and initiatives the company has set for itself. For example – their plan to enhance corporate citizenship emanates from the value of *Iqbal*. By resonating with the needs of the external community, the Savola Group enhances its image and gives itself more opportunities to understand how to serve the needs of the community.

A Corporate Culture with the Right Motive

Savola's leadership has had the foresight to recognize the importance of being guided by its "Balanced Way" core values and to consider it as a means to raise employee morale, improve productivity, facilitate efficient decision making and ultimately ensure its long-term survival and prosperity. In doing so, it has also espoused moral standards in line with Islamic principles. The "Balanced Way" shows their willingness to admit their mistakes by drawing on the values of *Mujahada, Qabool,* and *Taqwa*. They have also incorporated the value of having the best of intentions and attribute their success to the blessings of Allah.

Of course, core values are of no value if not consistently instilled and followed. However, Savola's continued growth and profitability suggests that its leadership takes the "Balanced Way" to heart and continuously applies it to drive strategies. If the Savola Group of Companies continues to drive itself through its "Balanced Way," and continues to build upon its "core purpose," then there's no reason why in due time, it would not be placed amongst the global market leaders Nestle, Unilever, Kraft Foods, Cargill or General Mills.

Culture and strategy go hand-in-hand to provide competitive advantage. For this to happen, the organization's culture has to be deeply embedded in strategic thinking from the outset. This process starts, of course, with the company's vision and mission statement. For example, Savola's vision is "to build a leading publicly listed diversified investment group in the Middle East based on Savola's "Balanced Way" corporate culture."[18] Its mission statement also stresses a balanced expansion. Finally, its CEO and top executives have to promulgate the organization's values. For example, in Savola's 2002 annual report, Chairman Adel Fakeih stressed, in his letter to shareholders, "three values derived from our Islamic heritage" – *amanah, taqwa,* and *birr* – and adds "[we] aspire to practice the highest levels of these values in a balanced way."[19] In the 2003 annual report, his letter to shareholders constantly emphasized that the corporation's tremendous success was achieved "with the help of Allah."[20]

A Culture of Discipline

Savola's corporate culture also shows a commitment to disciplined action. All organizations have a culture, but only some organizations have discipline and few have a culture of discipline. When you have a culture of disciplined action, you are not as dependent on the chain of command. Indeed, the culture becomes the glue that provides coherence and unifies everybody's actions and thoughts.

As Collins discovered in his research, *a culture of discipline starts with disciplined people*.[21] People are critical to strategy implementation. The most perfectly laid-out strategic plan is useless unless you have the right people in place. This is why the Prophet initially spent so many years at Dar al-Arqam educating and training his earliest followers, including Abu Bakr, Umar, Uthman, and Imam Ali.

> A culture of discipline starts with disciplined people (Collins).

In a similar fashion, one of the twentieth century's most effective CEOs, Jack Welch of GE, built a management training center at Crotonville. As a result, GE went from a $15 billion company to a $120 billion company. Strategy implementation without disciplined people is a recipe for disaster. Discipline by itself, achieved through coercion and autocratic rule, will not yield leadership; rather, it will lead to manipulation and *misleadership*.[22] You only need to look at the non-democratic Islamic countries today to see the effects of coercive discipline. Develop a culture of discipline by hiring and developing people who are self-managed, and then manage the process instead of the people.

Another aspect of a culture of discipline is to stay close to your core competencies. Avoid anything that does not fit your vision, mission, or distinctive competencies. It takes discipline to say "no" to attractive, and yet inappropriate, opportunities that take you away from your strategic plan. Stay passionate about and focused on your vision. To preempt temptation, you may wish to start a "stop-doing" list. Be sure to list such mistakes as a fascination with your organization's size, megalomania, and nepotism.