WHAT IS STRATEGIC MANAGEMENT?

كُنتُمْ خَيْرَ أُمَّةٍ أُخْرِجَتْ لِلنَّاسِ تَأْمُرُونَ بِٱلْمَعْرُوفِ وَتَنْهَوْنَ عَنِ ٱلْمُنكَرِ وَتُؤْمِنُونَ بِٱللَّهِ ۗ وَلَوْ ءَامَنَ أَهْلُ ٱلْكِتَٰبِ لَكَانَ خَيْرًا لَّهُم ۚ مِّنْهُمُ ٱلْمُؤْمِنُونَ وَأَكْثَرُهُمُ ٱلْفَٰسِقُونَ ﴿١١٠﴾

You are the best of peoples, evolved for mankind, enjoining what is right, forbidding what is wrong, and believing in Allah. If only the People of the Book had faith, it were best for them: among them are some who have faith, but most of them are perverted transgressors. (Qur'an, 3:110)

Is strategic planning Islamic, or is it *bidah* (an innovation)?

Y ou know your Islamic organization needs to develop a clear strategy. You know there is no clear direction in what your mosque or Islamic institution does. You have suggested that your organization rethink what it is doing. Others ask if strategic planning is Islamic at all, or if it is *bidah* (an innovation)? As you ponder over this question, you recall some facts.

Strategic Planning in the Bible, the Qur'an, and the *Sirah*

Even before the Qur'an was revealed,[1] we find Biblical support for strategic planning.[2] Moses (*as*),[3] a consummate strategist who led the nation of Israel out of Egypt, grappled with his role as leader. His father-in-law Jethro (Shu`ayb) understood his plight and taught him strategic human resource planning, namely, how to manage his work by delegating parts of it according to a well-established hierarchy. In the Bible, each of Israel's twelve tribes had separate areas in the camp, their own leaders, and specific responsibilities. Each tribe dealt with the day-to-day issues, while Moses focused on getting them to their overall goal.

Prophet David was a superb strategic thinker who understood strategy even while still a youth. For example, he did not attack Goliath's strengths but was inspired by Allah to attack his weakness. Prophet Joseph also used strategy very effectively. In *Surah Yusuf*, he planned a scenario that would shame his brothers into repentance. By placing a drinking cup in one of his brothers' saddlebag and accusing them of theft, he prompted them to admit their real crime and deal with their past misdeed. Finally, as pointed out by Altalib,[4] Prophet Noah reacted in a proactive strategic manner by building the ark before the flood, selecting pairs of animals, and working collaboratively with the believers.

This strategic awareness shown by the prophets is but a reflection of the planning of the Supreme Strategist, the One whose Message they were spreading. Repeatedly, the Qur'an reminds us that Allah is the best planner. For example, Allah talks about His planning (Qur'an, 86:15) or the signs of His Perfect Plan. For example, He refers to the careful crafting of the natural environment as one of His signs:

أَلَمْ تَرَ أَنَّ ٱللَّهَ أَنزَلَ مِنَ ٱلسَّمَآءِ مَآءً فَأَخْرَجْنَا بِهِۦ ثَمَرَٰتٍ مُّخْتَلِفًا أَلْوَٰنُهَا ۚ وَمِنَ ٱلْجِبَالِ جُدَدٌ بِيضٌ وَحُمْرٌ مُّخْتَلِفٌ أَلْوَٰنُهَا وَغَرَابِيبُ سُودٌ ﴿٢٧﴾ وَمِنَ ٱلنَّاسِ وَٱلدَّوَآبِّ وَٱلْأَنْعَٰمِ مُخْتَلِفٌ أَلْوَٰنُهُۥ ۗ كَذَٰلِكَ إِنَّمَا يَخْشَى ٱللَّهَ مِنْ عِبَادِهِ ٱلْعُلَمَٰٓؤُا۟ ۗ إِنَّ ٱللَّهَ عَزِيزٌ غَفُورٌ ﴿٢٨﴾

Do you not see that Allah sends down rain from the sky? With it, We then bring out produce of various colors. In addition, in the mountains are tracts white and red, of various shades of color and black, intense in hue. And so among men and crawling creatures and cattle are they of various colors. Those truly fear Allah among His Servants who have knowledge: For Allah is exalted in Might, Oft-Forgiving. (Qur'an, 35:27-28)

His Plan encompasses everything. No matter how perfectly one may plan, Allah is the Decider.

أَفَأَمِنُوا۟ مَكْرَ ٱللَّهِ ۚ فَلَا يَأْمَنُ مَكْرَ ٱللَّهِ إِلَّا ٱلْقَوْمُ ٱلْخَٰسِرُونَ ﴿٩٩﴾

Did they, then, feel secure against Allah's Plan? But no one can feel secure against the Plan of Allah except those (doomed) to ruin! (Qur'an, 7:99)

> "There is no intelligence greater than planning."
> – Prophet Muhammad

Pharaoh's relentless pursuit of Moses and the Israelites, the self-serving plan of Joseph's brothers to kill him, and Zulaykha's cunning entrapment of Joseph are examples of how Allah's Plan defeated those of various individuals. The stories of 'Ad (Qur'an, *surah* 11) and Thamud (Qur'an, *surah* 7) also remind us of the plight of nations that were destroyed when they became arrogant and transgressed the limits that He had set for humanity.

The fact of Allah's plan should not deter us from planning, as long as we acknowledge His supremacy. In many circumstances, planning is helpful and may provide an advantage. This is why Prophet Muhammad said: "There is no intelligence greater than planning."[5] Many incidents in his life reflected strategic planning: the migrants from Makkah to Madinah in September 622 CE followed a route that was exactly the opposite of what his pursuers had anticipated. Inspired by Allah, he concluded the treaty of Hudaybiyyah, which turned out to be a clear victory for the Muslims and provided a much-needed strategic, short-term respite. Immediately after agreeing to this treaty, he preempted the Companions' apparent lethargy by following the advice of one of his wives, Umm Salamah, to slaughter his sacrificial animal first. Positioning the Muslims' army, draining the well at Badr, positioning the Muslim archers on Badr's hills, and using

the trench as a defensive technique at Khandaq are vivid testimonies of the Prophet's appreciation of planning and stratagems.

Shar`i* and *Tabi` Principles of Strategic Planning

The Shari`ah clearly describes the efficient and effective conduct of Islamic for-profit and not-for-profit organizations as being encompassed within the concept of *ihsan* (excellence). When Islamic organizations seek to incorporate Islamic values in their *modus operandi*, they resort to the Shari`ah's guidelines. However, the Shari`ah does not enunciate operationally how an organization is to achieve sustainable competitive advantage in a highly turbulent, hypercompetitive environment. Rosly draws a distinction between *shar`i* and *tabi`* principles in business strategy.[6]

Tabi`* principles relate to the mundane where man applies reason and experience to run his daily business whereas *shar`i principles convey the Divine rules that man must observe simultaneously.

Overall, the strategic conduct of any Islamic business can be segmented into two areas: *shar`i* and *tabi`*. As Rosly indicates, "The Tabi` principles (i.e., the rational and empirical – an aspect of dunya [the world]) relate to the mundane where man applies reason and experience to run his daily business, while the *Shari`* principles (i.e., Allah's command) convey the Divine rules that man must observe [while] doing the same. Both shall remain inseparable. The rational and empirical are driven by the spiritual values of the Qur'an."[7]

Since the *shar`i* principles are derived from the Qur'an and the Sunnah, they are common in all aspects of business transactions: Islamic banking, treatment of employees, conduct of partnerships, and so on. These principles originating from Allah separate the *halal* (lawful) from the *haram* (forbidden) and are intended to foster justice (`*adalah*) in business transactions. When those engaged in business behave according to the Shari`ah's principles, they are fulfilling the *akhirah's* (Hereafter) requirements of the Islamic worldview.

While the Shari`ah's principles describe how Islamic transactions are to be conducted in a just and equitable manner, other dimensions of market activity need not depend on explicit divine guidance. This is the *tabi`* (natural) aspect of market activities that defines efficiency and, therefore, performance. It is nature's way. *Tabi`* values, which are universal, can be used by all people, irrespective of faith and belief. For example, a company can increase output by reducing per unit costs. In economics and in manufacturing, this process is known to achieve economies of scale. To increase sales, a business should first conduct market research. To manage a complex multi-billion dollar project, it

should use such project management techniques as PERT (Program Evaluation Review Technique). The *tabi`* aspect of a business cannot be ignored, even when it runs under an Islamic label, for both Muslims and non-Muslims are expected to obey it. Its use is not so much about faith (*iman*) as it is about efficiency and competence – although ethics (*akhlaq*) always apply to Muslims' conduct.

Thus, when mapping out a strategy, one notices that the Shari`ah does not describe the strategic management process and its associated techniques, and that Shari`ah scholars are not trained to be strategy experts. They can only help business people keep the *halal* distinct from the *haram* based on Qur'anic injunctions. Consider the case of Islamic financial planning: After screening for *halal* and *haram* investment instruments and areas, the *tabi`* aspects become dominant process criteria in terms of the price-earnings ratio, return on investment, earnings per share, and other financial performance measures.

Similarly, as an Islamic organization seeks to develop and implement its strategy using *tabi`* principles, it must always make sure that it observes *shar`i* principles. As Rosly stresses,[8] knowledge derived from non-divine sources (i.e., human) cannot be downgraded as ungodly, for the `*aql* (reason) is also divine in nature. Humanity can discover Allah by thinking about and contemplating His Signs. The `*aql* is a powerful instrument to explain the nature and, therefore, the greatness of Allah. However, if it is deprived of divine guidance, it becomes short-sighted and unable to produce credible *tabi`* principles for humanity's enjoyment.

Key Concepts in Strategic Management

Strategic management deals with the organization's behavior within its external market, and its internal roles, processes, structure, and decisions in order to enable the organization to function at its peak within that external environment.[9] Strategic management asks three basic questions: Where are we going? Where could we be going? How do we get there?[10]

Strategic management involves both strategy formulation and strategy implementation. The two primary phases of strategy formulation are commonly referred to as strategic planning and tactical or operational planning. Formulating either a strategic or an operational plan is relatively easy, given that anyone can sit down and come up with a wonderful list of resolutions or goals. But implementing a plan is much

> Strategic management asks three basic quetions: Where are we going? Where could we be going? How do we get there?

more challenging, and this is where the most effective organizations – whether Muslim or not – engage in strategy-supportive action.

In contrast, a typical Islamic organization rarely transitions to implementation.[11] It often forgets that strategic thinking needs to be built into everything it does. In each of its actions and activities, you and your organization need to be strategically aware and ask how this action or activity relates to your overall strategy and how it brings you closer to our ultimate aim: serving the Creator.

Strategic planning can be defined as "the process by which the guiding members of an organization envision its future and develop the necessary procedures and operations to achieve that future."[12] Bryson regards it as "a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it."[13] When these definitions are taken together, we notice certain key elements. Strategic planning:

- Encompasses decisions and actions that have a long-term impact,
- Is a process that enables decision makers to be proactive,
- Involves identifying the organization's idealized potential and working toward it, and
- Provides a framework that allows for internal consistency among all of the decisions and activities of the organization's various sections.

An operational plan builds upon the strategic plan emerging from the strategic planning process and focuses on specific short-term actions and results. After developing a strategic and an operational plan, you implement your strategy by acting upon it. Remember that there is no such thing as a perfect strategic plan; an organization that spends too much time perfecting a plan is spending too little time implementing it. This endless fine-tuning instead of acting is referred to as "analysis-paralysis." How many communities have spent months or years planning the perfect mosque location or perfecting their Islamic school curriculum, only to find out that they have lost a whole generation of Muslim youths who could wait no longer? As General Patton once said, "A good plan executed today is better than a perfect plan implemented next week."[14]

> Strategic planning is the process by which organization decision-makers determine where the organization is heading, what its self-concept is, what its long-term priorities are and how it will achieve them.

Why Strategic Management?

Strategic management is important because, if properly planned, executed, and monitored, it facilitates the move toward excellence in the running of an organization. In particular, strategic management:

- Enhances the organization's ability to be proactive, anticipate problems, and stay focused on both the future and the present.
- Allows decisions to be based on the best alternatives, since they stem from the group's consensus (*shura*). Therefore, it encourages the best possible judgment based on what is frequently very little information.
- Improves the participants' understanding and motivations, since they are following a clear and consistent vision.
- Instills unity and internal consistency among all decisions and actions.
- Provides a cognitive frame of reference to guide decision makers, even if the situation on the ground makes the plan obsolete.
- Facilitates strategy implementation and decreases resistance to change. This advantage is similar to what is derived from the consultative dimension of Theory Z (Japanese management). Japanese managers discovered that when they involve personnel in the decisions that affect them and include their insights and suggestions, implementation is smoother and faster. Similarly, involving personnel during the strategy formulation stage facilitates strategy implementation.

The concept of *ihsan* demands that Muslims achieve excellence in every *halal* endeavor they engage in.

- Helps to channel resources to the critical areas, according to your strategic plan's long-term priorities, and to areas where you will see the most effective results.
- Incorporates strategic thinking into your organization's way of doing things, and provides a template for determining which aspects of the external environment matter the most.
- Integrates a proactive and disciplined stance into the organization, and
- Takes into account the long-term consequences of current decisions.

In our quest to serve Allah, one of strategic management's most important goals is to attain excellence. Shaddad ibn Aws relates, in *Sahih*

Muslim (hadith no. 4810), that Prophet Muhammad taught: "God has ordained excellence in everything […]."[15] In this regard, the Qur'an emphasizes that one's reward should be commensurate with one's effort (Qur'an 3:136, 99:7, and 48:19). This rule applies to the immediate reward in this life as well as the deferred reward in the Hereafter. One's work is rewarded not only by other people, but also by Allah (Qur'an, 50:30).

This idea of *ihsan* correlates with the concept of a sustainable competitive advantage (SCA). In the corporate world, achieving SCA means that a firm occupies an industry position that leads to superior performance over 10 or more years.[16] SCA is not easy to achieve. Many Islamic institutions have short bursts of excellent performance, but then dwindle to mediocrity and barely linger on before vanishing. SCA is achieved by outliers, those few that take time to be strategically aware and pursue excellence in a determined and relentless manner. Two excellent examples of such organizations are the Council of American Islamic Relations (CAIR: www.cair-net.org) and Indian Muslim Relief and Charities (IMRC: www.imrc.ws). When the performance of Islamic institutions is examined over several years, it tends to regress toward the mean. According to Hawawini, Subramanian, and Verdin,[17] only a small minority of firms achieves a sustainable competitive advantage. Amazingly, these excellent companies are rarely the ones seeking the public limelight, and their leaders try to avoid being put on a pedestal.[18] Similarly, although the Islamic Society of North America (ISNA: www.isna.net) and the Muslim Students' Association of the USA and Canada (MSA: www.msanational.org) have in the past achieved great success by the Grace of Allah, the organizations that have recently excelled in North America are relatively small and new: CAIR and IMRC.

Explanations for the inability of once-leading Islamic organizations and businesses to achieve excellence or SCA are many and obvious. These reasons include:

> One of the major drawbacks of Islamic organizations is an emphasis on the good old boy's network, or on *'asabiyyah.*

- A lack of attention to and understanding of strategic management,
- An overly narrow understanding and application of the Qur'an and the Prophet's *sirah* (e.g., should Muslims living in a non-Muslim country become involved in politics and other issues?)
- Structural and cultural inertia,
- Structure of the niche or domain (being more monopolistic or oligopolistic),

- Leadership succession with an emphasis on dynasty, a good old boys' network, or `asabiyyah` (parochial loyalty to one's group, clan, or tribe),
- Poor use of inadequate resources,
- Living in the past and focusing solely on past achievements,
- Inability to adapt to a changing environment, and to respond to, the changing needs of both Muslims and people from other faith-based communities,
- An apathetic and aging membership, and
- Obsolete competencies, including a distrust of modern technology.

Unfortunately, these reasons tend to apply to many Islamic and non-Islamic organizations throughout the world.

To reverse their organizational sclerosis, Islamic leaders must master strategic management so that they can enhance their ability to engage in "down-board," as opposed to immediate, thinking.[19] For example, world-class soccer players not only think about their immediate moves, but also look "down board" by anticipating their opponents' likely responses to their moves and thus think several moves ahead. Strategic planning is quite similar: Planners must look down-board, assess the implications of their plans, and then formulate additional plans based on those contingencies. An excellent example of this took place in 4 AH, when the Prophet sought the Banu Nadir tribe's help.[20] While among them, he found out that they were planning to kill him right then and there. Knowing that he had to take decisive action, the Prophet left their settlement on the outskirts of Madinah, returned to the city's center, summoned Muhammad ibn Maslamah, and told him to inform the Banu Nadir that they had to leave Madinah within ten days because of their treacherous behavior. This proactive strategic stance preempted major future problems.
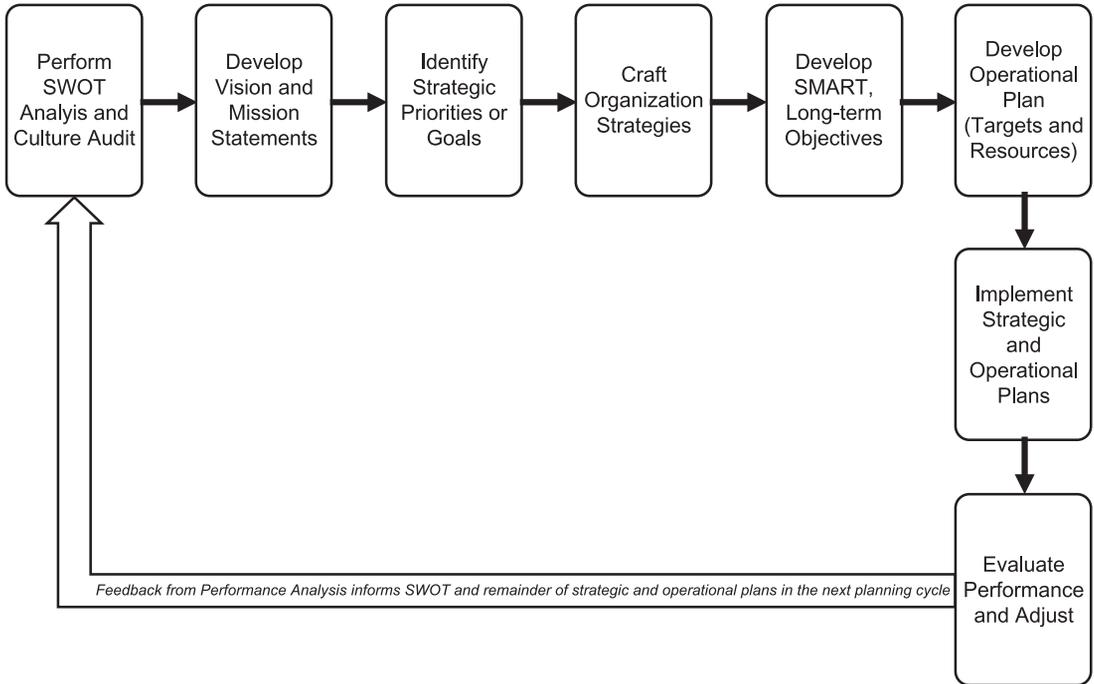
> The Prophet engaged in "down board" thinking.

The Strategic Management Model

Our model of strategic management integrates across a number of models currently available, but also stresses Islamic values and beliefs at its core. This model (figure 1) is oriented toward Islamic organizations, whether for-profit or nonprofit. Unlike other models, it covers both strategy formulation and implementation, as well as performance assessment, and emphasizes ethics monitoring and adjustment. For a non-profit Islamic organization or a Muslim business, this emphasis

Figure 1

The Strategic Management Process for an Islamic Organization

permeates the entire strategic management process, for work is considered part of a Muslim's `ibadah (worship).

The eight tasks of strategic management include the strategy formulation phase (viz., conducting a SWOT analysis, developing a vision and a mission, listing one's goals or strategic priorities, developing long-term objectives and strategies, formulating shorter-term objectives or targets, and assessing resource needs) and the strategy implementation phase (viz., matching the organization structure, culture, and leadership to the strategic and operational plans, and, finally, evaluation and adjustment).

Typically, these eight tasks are sequential. However, they can be revisited if they need to be re-calibrated. Hence, the strategic management process is an evolutionary, not a linear, process that never stops. The end product of the strategic planning phase is an integrative yet flexible plan. This, then, is where the strategy implementation phase starts.

> The strategic management process is an evolutionary and dynamic process that never stops once it is initiated.

Each task listed in the strategic management model will be analyzed in its own chapter. Now, I present a glossary[21] of key strategic management terms:

Glossary of Key Strategy Terms	
Vision Statement	An idealized expression of what the organization seeks to become in the future; a view of an organization's future direction.
Mission Statement	A statement reflecting what the organization seeks to do for a specific group of customers, and how distinctive its contribution will be.
Goals	The strategic issues/priority areas where the organization intends to focus its attention and resources. Goals need to be clearly linked to the mission statement.
Strategies	Strategies explain how we are going to get from where we are now to where we envision ourselves to be in the future. Strategies are crafted at different managerial levels: organizational or corporate level strategies, divisional (strategic business units) strategies, functional strategies, and operating strategies. Each level of strategy has different concerns.
Objectives	Objectives are tied to specific goals and represent a managerial commitment to producing specified results in a specified time frame. They spell out how much of what kind of performance by when. There may be multiple objectives for each goal.
Performance Measure	A measurement of efficiency, economy, or effectiveness linked to a specific objective.
Input	Labor hours, resources, equipment, or supplies – in short, whatever it takes to produce of a product or service.
Output	Units of products (including services) of an activity.
Outcome	The resulting effect (impact) of an output's use/application.

Efficiency	Maximum output for a fixed input, or minimum input for a fixed output. Efficiency is always a ratio indicator.
Economy	Quantity of outputs or inputs of a certain quality level obtained at the minimum cost. Economy is a subset of efficiency.
Effectiveness	The delivery of a quality product or service that meets the needs of its intended customers or stakeholders.
Stakeholder	Organizations, groups, or individuals (both internal and external) with an interest in the operation and/or success of the organization (or division or functional area) delivering a product or service.
Customer	Organizations, groups, or individuals using the products or services of an organization (division or functional area).Customers can be either internal or external.

Pitfalls of Strategic Management

Strategic management, like any other management technique, does not guarantee success and thus needs to be implemented wisely. The SPC (strategic planning committee) or the organization's leadership can easily fall victim to the following pitfalls if they are not cautious:

- Splitting planning from other management tasks (the fallacy of detachment). Many Muslim organizations involved in strategic planning think that planners are separate or sometimes even "better" than implementers. When this takes place, planners can easily dream up unachievable plans that others will have to implement. Another example is when planners feel that they know "best" about everything because they have been there the "longest" or have contributed the most financially since the organization was established.

- Overemphasizing a myopic, number-crunching approach (the fallacy of formalization). As Grant points out, the systematization arising from formal procedures hampers flexibility and organizational learning.[22] Islamic organizations often use an overly complex, quantitative approach to strategic planning. Numbers can serve as a guide, but they cannot be the sole basis of deciding an organization's long-term direction.

- Demanding unattainable results from subordinates or followers. When decision-makers set up goals that are too optimistic or that require resources that implementers lack or have no control over, it is likely that these results are simply unrealistic. Demanding that results be achieved no matter what can lead to discouragement, rebellion, or even learned helplessness. An Islamic Sunday school is unlikely to succeed if it has only one teacher, 75 students (of varying ages and levels of preparation), and no support staff.

- Being unable to adapt to rapidly changing environments. Leaders of Islamic organizations often assume that their strategic plan is immutable, and so are reluctant to adjust it. This absolutist approach to strategic management is a serious miscalculation, because external stakeholders will often counter the organization's strategic plan. Unless some flexibility is built into the plan, very little will be accomplished. Internal stakeholders may also resist change and engage in delaying tactics, such as stonewalling changes until the overly vocal or active leader or board member can be voted out of office. Several decades ago, the U.S. State Department fell victim to this problem when career diplomats simply waited out the political appointee who was their temporary boss and did not implement any of his changes.

> Strategic planning is simply 'tying our camel', and putting our trust in Allah (*tawakkul*).

- Drowning in data. One can get so enamored with data gathering that he or she may forget that the emphasis is on getting work done in an organized framework as outlined by a strategic plan. As a result, one Islamic organization that I know of gathered so much data that it rarely had enough time to distill it into any usable information. Moreover, its leaders did not have the statistical expertise to analyze the data adequately.

- The fallacy of prediction. The external environment cannot be predicted. In Islam, only Allah knows the future with certainty, and "prediction" is, at best, an inexact art. Quite a few organizations believe that they have more insight into the course of future events than they actually have. As a result, they are often surprised when only very little of what they "predicted" actually happens. As Muslims, we do what the Prophet suggested: Tie our camel and trust in Allah. Strategic planning is simply tying our camel, and the rest is *tawakkul* (putting our trust in Allah).[23] I will discuss this concept of *tawakkul* in a later chapter.