

CHAPTER 5:
DISCUSSION: TURNAROUND STRATEGIES
IN BANK ISLAM

5.1 Introduction

To answer Research Questions 4 and 5, the third finding of the study shows that Bank Islam's turnaround practises appear to be aligned with the turnaround strategies assessment method developed by Schoenberg et al. (2013), as stated in the introduction until the sub-chapter in Chapter 4.

Freiling & Meyer (2017) explain that after the development of a turnaround strategy, the operating reorganisation plan and planned financial commitments cash flow can be derived. These tasks necessitate a thorough understanding of the reversal situation and the willingness to make decisions and implement measures. Accordingly, in the previous chapter, this study provides the information on the causal declining performance of Bank Islam based on Yakola's model. After that, the study looked at the practices of Bank Islam that seem to be aligned with the assessment method of Schoenberg et al. (2013). The study found out about the driving force management of firms, of which they must be willing to accept change, accept external expertise, and promote the process. This study provides information on the causal declining performance of Bank Islam based on Yakola's model in accordance with the previous chapter. The method used in the study is consistent with the method of Schoenberg et al. (2013) practiced by Bank Islam. The study aimed to find out the firm's capability and practices to accept change, accept external expertise and advance the process in Bank Islam by using the turnaround strategies of Schoenberg et al (2013).

In the context of a structural conduct-performance paradigm as pioneered by Bain (1956) and Mason (1939), known to be Harvard economic experts, the study used the concept of organisational structure (this is explained in the theory of firm in the subchapter 2.1 of Chapter 2). Another point of view, expressed by Alfred Chandler, differs slightly from that of Bain in that the structure does not determine the strategy, but rather determines the structure. Chandler contributed significantly to the interpretation of bureaucratization of the firm. According to Galbraith (2012), Chandler's idea of "structure follows strategy" and structured complexity, addressed management and the contradiction resulting from the combination of simple strategies, is the most commonly known organisational concept of firm. Alfred Chandler was the first economist to discover that a decentralised structure comes from the plurality of strategies when structure follows strategy. Kavale (2012) also quoted Chandler as a forerunner in the concept of the strategic-structure, arguing that the position of Chandler in the strategy of diversification addressed not only the organisational issues but also provided a new cooperative strategy. Bank Islam as a firm has implemented a restructuring plan in order to achieve a balance between global well-being and prosperity.

The purpose of the turnaround strategy is for the implementation of some decisions of management during the recovery period. A turnaround strategy is a management strategy for guiding a firm's recovery and improving performance. It is also a way to turn around a firm's fortunes by trying new things and making strategic changes. Based on the first finding of comparative performance in Figures 1.1 to 1.3, it is confirmed that Bank Islam was in a crisis situation. The study examined and interpreted Yakol's model to determine the cause of declining bank performance, which

includes indicators, such as working capital/liquidity, financial, profitability and industry outlook, and employee. Table 4.15 summarises the findings. The deployment of the firm's resources on products or markets is defined by business strategies, which include market and product development, concentration, and integration. According to Faghfouri (2013), "crisis" is an action, while "turnaround management" is a reaction. The turnaround cycle is not complete until the firm achieves a long-term revenue and profit growth.

According to Wheelen et al. (2012), large firms from various industrial models always employ a professional manager to ensure the firm's survival in a competitive market in a stable economic environment. Bank Islam has also developed a business restructuring plan, which is discussed in the next chapter. Nyagiloh & Kilika (2020) state that corporate level strategies define the strategic position of the business organisation, lay out its general directions, and concentrate on the type of business that is developed to its full potential. The goal of turnaround management, according to Faghfouri, is to keep the company out of bankruptcy, reorganise it after bankruptcy, and liquidate it.

As stated by Yakola (2014), the turnaround period has been carried out by managers as opportunities for the firm to find new talents. On the other hand, Kiyanjui & Ngugi (2014) state that the turnaround process is a simultaneous analysis and action with complex procedures that require a strong management team. The selection of turnaround actions is carried out when there is a cause of decline in business. However, the present study intended to find the way Bank Islam carried out its recovery process through the model of turnaround strategies by Schoenberg et al. (2013). Schoenberg et al.'s model displays strategies through content-orientated strategies that evaluates the

firm's financial and business performance. The study could, meanwhile, identify changes in the firm's organisational structures and culture work in terms of process-orientated strategies that are also related to the firm's human resources.

Table 5.1: Turnaround Strategies by Schoenberg et al (2013)

No	Content-Orientated Strategies	Process-Orientated Strategies
1	Cost efficiencies	Reinvigoration of firm leadership (such as changing the CEO, top management team or TMT, and the cautionary note regarding CEO or TMT change) and Culture change.
2	Asset retrenchment	
3	Focus on core activities	
4	Build for the future	

Source: Schoenberg et al (2013)

5.2 Content-Orientated Strategy in Bank Islam

Content-orientated strategies are a set plan of actions from any identified program following a management decision that is the main priority in providing benefits for better performance of the company. The strategies that follow several strategies under the content-orientated strategy.

5.2.1 Cost Efficiencies

Becerra (2009) states that efficiency in firm activities is focussed to improve the performance by accepting the challenge in understanding firm boundaries. Mohd Zaini et al. (2010) state that implementing efficiency strategies in banking will have a competitive advantage. The present study provides the literature review on the action of cost efficiencies carried out by Schoenberg et al. (2013) to increase the cash flow by following some actions, such as reducing R&D, collecting and reducing receivable accounts, cutting inventory, stretching accounts payable, reducing marketing activity and eliminating pay increases, adjusting wage incentives, and having a tighter stock

control, financial and capacity controls, including an investment in the new plant. The study provides the action of cost efficiencies as shown in Table 5.2.

Table 5.2: Analysis of Cost Efficiencies in Bank Islam

Item	1984	1997 to 1998	2003	2005 to 2006
1 Information on R& D	√	x	√	√
2 Collecting and reducing accounts receivable	√	√	√	√
3 Cutting inventory	No Report	No Report	x	x
4 Stretching accounts payable	√	√	√	√
5 Reducing market activity	√	√	√	√
6 Adjusting wage incentives	No Report	x	x	x
7 Tighter stock control	No Report	No Report	x	x
8 Financial and capacity controls	√	√	√	√

Source: Annual Report Bank Islam 1984 to 2006

The descriptions on cost efficiency based on the changes in R&D items, account receivables, accounts payable, market activity, financial and capacity control are as follows:

- 1) In terms of R&D in banking activities, Bank Islam focuses on growth and expanded its services for Muslims and Malaysian society, especially on customer deposits, financing and investment with customers, and short-term investment since 1984. After the AFC, Bank Islam developed the activities by introducing the homepage website and implementing the MIS Upgrade Program. Bank Islam continued to develop the banking business, ranging from personal financing packages, wadi savings accounts, international savings accounts, Ar-Rahnu schemes, and a few other services to customers. In 2003, they did a major restructuring on banking performance, but still introduced innovations, which was the first payment of zakat through ATMs and credit cards. In 2005 and 2006, they developed a vision on the recapitalization of the annual and long-term business plans, as well as focused on Basel II analysis to control the risk in the same year. Also, they

did not reduce the R&D, because they always upgraded their performance to customers.

- 2) Another way to report cost efficiencies is by collecting and reducing accounts receivable. Bank Islam reported accounts receivable since 1984. During the AFC, between 2003 and 2005, they reduced the accounts receivable. However, from 2006 to 2016, Bank Islam provided no report for accounts receivable by them.
- 3) Another way to report cost efficiencies is by cutting inventory. This started in 1984 and then the AFC occurred, but Bank Islam did not provide any report on inventory. However, in 2003 and 2005 to 2006, they reported no cutting of inventory.
- 4) Another way to report cost efficiencies is based on accounts payable. This started in 1984, and then the AFC, Bank Islam provided a decreased report on account payable as the findings. However, in 2003, 2005 and 2006, they found an increased report on accounts payable.
- 5) Another way to report on cost efficiencies is by reducing market activity. The analysis attempted to detect the reduction market activities, such as returns on earnings, zakat and tax situations, state of investments, assets, liabilities, equity and profit and loss. The decreased performance of market activity was in 2005 and 2006.
- 6) The next report on cost efficiencies is adjusting wage incentives. The study shows evidence that there was no report on declining reports in the following year of observation.

- 7) Another report on cost efficiencies is a tighter stock control. The study also provides a report on declining reports in the following year of observation.
- 8) The last analysis of cost efficiencies is financial and capital control. There was a fall in the report of financial and capital control during the years of observation, which were 2005 and 2006. In 1984 and the AFC, Bank Islam did not report on credit rating. However, for another two years of observation, Bank Islam reported the following:
- Rating by External Rating Agency: Malaysian Rating Corporation Berhad
 - Rating Classification:
 - ❖ Short-Term: MARC-1 (Rating)
 - ❖ Financial Institution: A (Rating Received)

From the assessment on cost efficiencies, it seems that the practices of Bank Islam are in alignment with the assessment method of Schoenberg et al. (2013). An analysis, exploring, and interpretation of quantitative and qualitative information were carried out to examine the performance of cost efficiencies in Bank Islam such as information on R& D, accounts receivable, inventory, accounts payable, market activity, wage incentives, stock control, financial and capacity controls. The assessment on accounts receivable, inventory, account payable, market activity, tighter stock control, and financial and capital control were found to affect the performance of cost-efficiency strategy, as presented by Schoenberg et al. (2013), which in turn affected Bank Islam's performance.

5.2.2 Asset Retrenchment.

As stated by Ung et al. (2018), the strategy of retrenchment-performance has mostly been applied to firms that are in developed and emerging countries. They further state that there is a positive relationship between firm performance and asset retrenchment strategy which is capable of increasing the profitability and the firm's industry position. Table 5.3 provides findings on asset retrenchment of Bank Islam under 2008. The turnaround strategies after the GFC as shown in the next explanation after the implementation of Bank Islam's Turnaround Plan from 2006 to 2009.

Table 5.3: Analysis of Asset Retrenchment in Bank Islam

	1984	1997-1998	2003	2005-2006
1 Balance Sheet	√	x	√	√
2 Profit and loss statement	√	x	√	√
3 Cash flow statement	√	x	√	√

Source: Annual Report Bank Islam (from 1984 to 2006)

Asset retrenchment from balance sheet, profit and loss report, as well as cash flow statement in Bank Islam were also discovered to be the cause of the declining performance of Bank Islam, which is explained as follows:

1. From the balance sheet statement, there are some declined reports from 2005 and 2006 as well as statement of asset and shareholder share statement.
2. From the profit and loss statements, Bank Islam had losses in 1984, 2005, and 2006.
3. From the cash flow statement, Bank Islam has the declined report during the AFC (the declined report from operating activities and investing report), in 2003 (the declined report from investment activities and financing activities), 2005 and 2006 (the declined report from operating activities).

5.2.3 Focus on Core Activities.

The objective of asset retrenchment as an action by determining the markets, products, and customers to generate the greatest profits and refocus on the firms' activities. Coupled with this strategy (such as the focus on core activities and asset retrenchment), this analysis can provide the development of a competitive strategy by understanding the market and customer conditions through the effectiveness, rationalization, and investment involving operations, products, and assets in the firm. The firm also strengthens the position of the company in the market. Table 5.4 provides the focus on core activities of Bank Islam

Table 5.4: Analysis of Core Activities in Bank Islam

Year	Focus Business of Bank Islam
1984 to 1985	<ul style="list-style-type: none"> Bank Islam started to develop the business with an aim for growth and to expand the services for Muslims and Malaysian society following the trend of the Bank's operations during the first few months of the second financial year. Bank Islam started the business on customer deposit, financing and investment with customers, and short-term investment.
1997 to 1998	Bank Islam focused the business on deposits and assets, financing and investment.
2003 to 2004	<ul style="list-style-type: none"> Bank Islam did a major restructuring in 2003 with six strategic objectives by focusing on the Bank's expansion and growth in the future. Following the economic scenario, the Bank had a core business that focused on consumer banking business (including home financing, vehicle financing, and credit card business). The Bank also focused on strengthening the debt market capabilities. The Bank also established risk management.
2005	<ul style="list-style-type: none"> Bank Islam focused on franchise or business strategies, for the consumer and corporate as well as commercial banking, people/manpower, risk and controls, and financials. Bank Islam focused on two types of business banking activities, such as: <ol style="list-style-type: none"> In consumer banking activities, Bank Islam focused on credit card business, home and vehicle financing, and increasing market share. For commercial banking activities, Bank Islam focused on improving sales, distribution, treasury, cash management activities, selective top-tier listed companies, government-linked companies, and multinational companies.
2006	<ul style="list-style-type: none"> This year Bank Islam focused on the implementation of a turnaround plan which focuses on recapitalization and balance sheet restructuring, following several stages: <ol style="list-style-type: none"> IT Infrastructure Revamp, Transformation Program, Cost Rationalization Exercise, and Human Capital Development. Bank Islam focused on customer-centric strategy, then changed to the sales and marketing division. The core business of the bank was still the same, i.e., trade finance and cash management.

Source: Annual Report Bank Islam (from 1984 to 2006)

During financial crisis, indeed, there was a declining activity in Bank Islam. The firm stimulated the caused of the declining performance and analysed the core business that could re-generate profitability. Iivari (2012) opines that organizations must maintain core business activities during the crisis. Iivari (2012) revealed that the organization also needs a good leader to manage the firm from abnormal conditions. Pearce II (2007) inferred that the implementation of a strategy through entrepreneurial activities (selective product, market, and technology re-focusing) are significantly associated with successful turnaround. This method of focusing on core activities has a similar concept with the turnaround strategies model by Schoenberg et al. (2013) during the recovery process.

5.2.4 Build for the Future.

According to Schoenberg et al. (2013), the strategy from the build for the future is an important step that should taken by the firm during recovery (especially when the firm already has a stable financial state) with a cautious attitude and by focusing on the long-term growth strategy. This strategy is a continuation strategy after focusing on core activities by improving a variety of assets, developing business products and also geographical areas by utilizing the resources owned by the firm. Cooke (2019) states that the firm will continue to grow by being able to adapt to circumstances to develop new paths of growth business, knowledge, and technologies.

This stage begins immediately after the crisis has passed and the financial situation has stabilised (Filatotchev & Toms, 2006; Robbins & Pearce, 1992; Schoenberg et al, 2013). Build for the future is aligned with the turnaround process in a recovery phase. The recovery should naturally be conducted in a cautious and thoughtful manner and is often launched as a growth strategy from the firm's strong

core focus. The development of the future strategy is seen as “re-complicating the business” by adding some of the complexity eliminated during cost cutting and retrenchment (Schoenberg et al, 2013; Stopford & Baden-Fuller, 1990). It is argued that only when the firm in question has the capacity to renew itself, then it is a successful turnaround to react agilely against the changing circumstances in the future (Ghoshal & Bartlett, 1996; Stopford & Baden-Fuller, 1990; Schoenberg et al, 2013). It is the firm’s ability to recharge and renovate and is described as the most difficult phase to complete as it is difficult to keep the business agile to transform. This can be particularly challenging as the employee may feel that they need a break from the changes and upheavals that they have experienced. Ghoshal & Bartlett (1996) suggest that it is helpful to achieve this in order to ensure that all managers act as leaders regardless of the level, and understand the importance of the individual employee, his or her own personal conduct, and how their actions significantly affect the flexibility of a firm (Schoenberg et al., 2013).

Table 5.5: Analysis of Build for the Future in Bank Islam

Year	Focus Business Bank Islam
1 1984 1985	<ol style="list-style-type: none"> 1) The services of banking activities were: <ul style="list-style-type: none"> ○ Deposits (such as current account, savings account, and investment account). ○ Financing and investment: <ol style="list-style-type: none"> 1. Financing (such as <i>Al-Mudharabah</i>; <i>Al-Musyarakah</i>; <i>Al-Bai Bithaman Ajil</i>; <i>Al-Ijarah</i>) 2. Trade Financing (such as a letter of guarantee; letter of credit; <i>Al-Murabahah</i>; Bill of Exchange) 3. Investment (investment in shares; investment in equities) ○ Other services (such as remittances and transfers, transaction in foreign currencies, and sale of travelers’ cheques). 2) Furthermore, in 1985, Bank Islam developed the business activity that was more focused on financing and investment section, such as: <ol style="list-style-type: none"> a. Financing (with an addition such as sale and leaseback). b. Other services (with addition on investment or portfolio management; and trustee and nominee company services). 3) The development branches started with four branches (which were Kuala Lumpur, Kuala Trengganu, Kota Baharu, and Alor Setar) in 1984. In 1985, Bank Islam increased to 8 branches (by adding locations around Seberai Perai, Kelang, Jalan Perdana KL, and Seremban).

2	1997 1998	<ol style="list-style-type: none"> 1) Bank Islam broadened the Islamic Banking Product and Services under Islamic Commercial Bank such as Personal Financing Package, <i>Wadi</i> Savings Account, <i>Ijraa</i> Savings Account, <i>Ar-Rahnu</i> Scheme, and few others to customers. 2) The Bank also provided open access information through the homepage: http://www.bankislam.com.my/bankislam since June 1997. 3) Bank Islam keeps following the rapid developments especially the application information technology in banking services embarked on MIS Upgrade Programme launched in September 1997. Upgrading the MIS throughout all branches by the end of 1999. <p>Note: Significantly, during the AFC give the downturn performance in Malaysia, furthermore the government of Malaysia gives an order to directive financing growth and for banks to expedite disbursements, the environment is for the Bank to gear up its financing activities in the more emphasize sector of low and medium-cost housing and small and medium-sized industries.</p> <ol style="list-style-type: none"> 4) In 1999, Bank Islam developed a rigorous strategy by expanding the deposit base. Bank Islam developed branches from 1997 to 1999 by increasing number branches such as 51, 78, and 79 branches of Bank Islam
3	2003 2004	<ol style="list-style-type: none"> 1) Bank Islam launched internet banking. Its payment services were facilitated by capitalizing on its IT infrastructure to increase fee-based incomes. 2) Bank Islam offered in the first year of zakat (tithe) payment facilities via ATM and credit card. 3) The bank increased the branches to 84 branches in 2003 and increased to 91 branches in 2004. 4) The Bank focused on developing and reviewing the repackaging of existing deposit products. 5) Bank Islam focused on growth of commercial banking (such as trade finance and small and medium industries and enterprises), debt market capabilities (by focusing on profile instruments, risks, and rewards based on Islamic financial instruments), and asset quality (by focusing on risk exposure and established risk management profile)
4	2005 2006	<ol style="list-style-type: none"> 1) Bank Islam continued to review existing policies and procedures of risk and controls by BASEL II analysis. 2) The bank implemented the measurement of cost control measures, enhancement of fee-based activities, and controlling of NPF as well as to improve staff productivity to enhance its revenue/cost ratio. 3) Bank Islam introduced the Forward Rate Agreement, a Sharia-based financial hedging tool to facilitate in-house risk management. 4) The banking activities in 2005 were, such as 1. Consumer banking (by focusing on credit card business, home, and vehicle financing), 2. Manpower resources (by focusing on reorganization exercise), 3. Risk and controls (by focusing on Basel II, cost control measures, enhancement of fee-based activities, controlling of NPF as well as improving staff productivity to enhance its revenue/cost ratio). 5) In 2006, Bank Islam did the activities by internal efforts and upgrades, including, following the steps from the strategic plan, such as: (1) The restructuring of numerous divisions, (2) improving current systems and processes, (3) upgrading of the treasury system, (4) improvement in risk management practices, (5) introduction of a hedging program to enhance balance sheet management, and (6) identification of target customers and the implementation of a more focused sales strategy. 6) The development branches in Bank Islam increased from 90 to 95 branches from 2005 to 2006.

Source: Annual Report of Bank Islam (from 1984 to 2006)

The study provides different development activities in Bank Islam between 1986 and 2006 as shown in Table 5.5, which are:

- 1) Starting in 1984, Bank Islam focuses on three business activities.

- 2) When the AFC occurred, Bank Islam focused on the development services via the internet.
- 3) In 2003, Bank Islam restructured by following six objectives to develop core activities in banking.
- 4) In 2005 to 2006, Bank Islam focused on a strategic plan that involves consumers, corporate, and commercial banking, people/manpower, risk and controls and financials

Bank Islam developed branches starting from 4 branches in 1984 and it became 95 branches all over Malaysia in 2006. Becerra (2009) states that the future of business should create potential customers. Ayoubi et al. (2018) support that a firm's set up for the future requires an appropriate strategic management conceptual framework that will be evaluated by managers, which is an important role in the organization. Meanwhile, Yeo & Park (2018) state that the firm that is not able to manage resources and capacity will face limitations and ineffectiveness in the firm. However, if the firm is well established in the start-up stage, the firm can competitively follow the market momentum. The latter point shows the link between the "content-orientated" turnaround strategy indicators so far and the change processes that show Bank Islam's practises are in alignment with Schoenberg et al.'s assessment methods (2013). After the study provides the exploration on the content-orientated strategy, the study continues on the explanation of the process-orientated strategy in Bank Islam.

5.3 Process-Orientated Strategies in Bank Islam

Process-orientated strategies are a series of operational steps or actions designed for long-term goals to change certain conditions for certain purposes. The strategies that follow some strategies under process-orientated strategies.

5.3.1 Reinvigoration of firm leadership.

Reinvigoration means to restore the energy and vigor to make the situation healthier and more energetic. If the word reinvigorating is related to firm leadership, it means to bring a new leader/manpower with the brilliant, energetic, and powerful action for the refreshment working environment to lead the business organization to earn a profit and bring a better position for the firm.

Siti Zaleha et al. (2013) describes leadership and organizational culture as having a linkage, in which good leaders will affect employees' motivation for organizational growth productivity. The positive growth will impact the organization's commitment in the long run. Wan Norhayate (2014) explains that leadership plays an important role to maintain business performance. If the firm wants to have a good organizational performance, it needs the close relationship between leadership and subordinate. Hao & Rashad (2015) express that in the organizational structure, leadership and management have two different aspects. If leadership functions as a leader that guides employees to achieve organizational goals, on the other hand, management focuses on planning, budgeting and controlling the organization and also business. However, leadership changes sometimes do not follow trends and management, instead, they only focus on traditional rules (Graetz et al, 2010; Hao & Rashad, 2015). There are two important positions in the leadership of the firm, namely the CEO and TMT (Schoenberg et al. 2013). Table 5.6 provides the changes of CEO and TMT in Bank Islam.

Table 5.6: Firm Leadership on in Bank Islam (Process-Orientated Strategies)

Reinvigoration of Firm Leadership (Process-Orientated Strategies)			
1984	1997 to 1998	2003	2005 to 2006
<p>Chairman</p> <p>YM Raja Tan Sri Mohar Raja Badiozaman, PMN, PSM, JMN (Retired 28.10.1993)</p> <p>Managing Director</p> <p>Dr. Abdul Halim Haji Ismail (Retired 01.05.1994)</p> <p>Director</p> <ul style="list-style-type: none"> • YM Tunku Dato Abdul MalekTunki Kassim, DSDK, JSM, KMN, AMK (Resigned on 30 June 1983) • YB Dato' Badruddi Abdul Samad DPMT, DPMJ, DPMK, JMN (Appointed on 01.07.1983-resigned 01.07.1986) • YB Dato' Haji Hanafiah Haji Ahmad DSDK, JMN, AMN (Resigned 22.03.1985) • Tuan Sheikh Mahmud Ali KMN, DSM (Resigned 31.01.1986) 	<p>1997 to 1998 Chairman</p> <p>Tan Sri Dato' Shamsudin Abdul Kadir (Appointed 29.10.1993-2000)</p> <p>Deputy Chairman</p> <p>Tuan Haji Mohamad Shafie (Appointed 11.06.1996 – Resigned 03.06.2002)</p> <p>Managing Director</p> <p>Dato' Ahmad Tajudin Abdul Rahman (Appointed 11.05.1994 – Retired 01.07.2004)</p> <p>Members</p> <ul style="list-style-type: none"> • Dato' Hj Ahmad Razali Mohamed Ali (Appointed 25.04.1997 – Deceased 16.05.2001) • Encik Ibrahim Mahaludin Puteh (Appointed on 29.06.1993 - Resigned 24.03.2003) • Dato' Dr. Ismail Saad (Appointed on 29.06.1993 – Resigned 04.12.2003) • Encik Mahmoud Jamil Hassoubah (Appointed on 04.02.1994 – Retired on 20.07.1995) • Dr. Jamal Muhammad Barzinji (Appointed 30.08.1991-Retired 04.02.1994) • Dr. Muhamad Muda (Appointed 23.06.1997- Resigned on 30.11.2005) 	<p>Chairman</p> <p>Dato' Mohd Yusoff Hj Nasir (Started 2001 - 2004)</p> <p>Deputy Chairman</p> <p>Datuk Mohd. Bakke Salleh (Appointed 03.06.2002-Resigned on 15.07.2010)</p> <p>Members</p> <ul style="list-style-type: none"> • Dato' Dr. Ismail Saad (Appointed on 29.06.1993-Resigned on 04.12.2003) • Prof. Dr. Muhamad Muda (Appointed 23.06.1997- Resigned on 30.11.2005) • Zahari @Mohd Zin Idris (Appointed on 20.09.2003-2015) • Khalid Mahmood Bhaimia (Appointed on 30.01.2003-Resigned on 12.11.2004) • Ibrahim Mahaludin Puteh (Appointed on 29.06.1993 - Resigned 24.03.2003) <p>Managing Director</p> <p>Dato' Ahmad Tajudin Abdul Rahman (Appointed 25.04.1997- Retired on 01.07.2004)</p> <p>Members</p> <ul style="list-style-type: none"> • Dr. Jamal Muhammad Al- Barzinji (Appointed 13.12.1994 -Resigned on 20.09.2003) • Mahmoud Jamil Hassoubah (Appointed on 04.02.1994-Resigned on 30.01.2003) 	<p>NOTE: In 2005, Bank Islam was led by the Deputy Chairman, not a Chairman:</p> <p>Deputy Chairman</p> <p>Datuk Mohd. Bakke Salleh (Appointed 03.06.2002-Resigned on 15.07.2010)</p> <p>Directors</p> <ul style="list-style-type: none"> • Dato' Noorazman A Aziz (Started in 2005 - Resigned on 01.11.2007) • Prof. Dr. Muhamad Muda (Appointed 23.06.1997- Resigned on 30.11.2005) • Zahari @Mohd Zin Idris (Appointed on 20.09.2003-2015) • Datuk Dr. Elias Md. Kadir Baba (Appointed on 16.02.2004-Resigned on 30.03.2006) • Datuk Siti Maslamah Osman (Appointed on 16.02.2004-Resigned on 30.03.2006) • Datuk Burhanuddin Ahmad Tajudin (Appointed on 26.04.2004-Resigned on 28.02.2007) • Salih Amaran Jamiaan (Appointed on 18.02.2005- Resigned on 28.02.2008) • Dato' Mohd Yusoff Hj Nasir (Started 2001 - Resigned on 01.12.2004) • Khalid Mahmood Bhaimia (Appointed on 30.01.2003- Resigned on 12112004) • Dato' Ahmad Tajudin Abdul Rahman (Appointed 25.04.1997- Retired on 01.07.2004) <p>In 2006, there are also some changes in organizational structure:</p> <p>Chairman</p> <p>Tan Sri Dato' Dr. Abdullah Bin Mohd. Tahir</p>

-
- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • Encik Nik Azman Nik Abdul Majid (Appointed on 13.02.1998 - Resigned on 24.03.2003). | <ul style="list-style-type: none"> • Nik Azman Nik Abdul Majid (Alternate to Ibrahim Mahaludin Puteh; Appointed on 13.02.1998 - Resigned on 24.03.2003) | <p>(Appointed on 01.08.2006-2008)</p> <p>Managing Director
Dato' Zukri bin Samat (Appointed on 09.06.2006-2017)</p> <p>Members</p> <ul style="list-style-type: none"> • Datuk Mohd. Bakke Salleh (Appointed 03.06. 2002- Resigned on 15.07.2010) • Dato' Noorazman A Aziz (Started in 2005- Resigned on 01.11.2007) • Zahari @Mohd Zin Idris (Appointed on 20.09.2003-2015) • Datuk Burhanuddin Ahmad Tajudin (Appointed on 26.04.2004- Resigned on 28.02.2007) • Salih Amaran Jamiaan (Appointed on 18.02.2005-Resigned on 28.02.2008) • Zaiton binti Mohd Hassan (Appointed on 02.02.2006-2017) • Ismee bin Ismail (Appointed on 09.10.2006-2016) • Prof. Dr. Muhamad Muda (Appointed 23.06.1997- Resigned on 30.11.2005) • Datuk Siti Maslamah Osman (Appointed on 16.02.2004-Resigned on 30.03.2006) • Datuk Dr. Elias Md. Kadir Baba (Appointed on 16.02.2004-Resigned on 30.03.2006) |
|---|--|--|
-

Source: Annual Report of Bank Islam (1984; 1997 to 1998; 2003; and 2005 to 2006)

The Chief Executive Officer is the highest position in the structural organization that has functioned as a communicator, decision-maker, leader, manager, and executor in determining the direction of the development of the firm. The selection of CEO turnovers mostly comes from outside the firm that must be done after the decision of

the Board Chairmen and investors because the CEO should be accountable for declining the performance of the firm. Another purpose of the CEO turnover is for the firm to provide a new encouragement spirit for committed employees and for investors to not lose their doubts about the change of CEO during recovery.

TMT is a specific form of team with a high position with the highest autonomy compared to other management teams of a business organization. It is formed by the board-of-directors and CEOs. TMT will carry out certain duties from the CEO such as ensuring that the strategies that have been decided can be carried out in the organization's business effectively and also responsible for looking at the overall performance of the business organization.

When the firm do the replacement of the CEO, it also changes the TMT. The new CEO will choose their own TMT that could collaborate under the CEO's work. Another goal of changing CEO and TMT may bring a new atmosphere to the business organization in which the CEO and TMT will bring a new strategy to guide managers for a better change. Hao & Rashad (2015) propound that a leader is a man who is responsible and control the operation of an organization with effective strategies following the objectives and objectives of the firm. Leader should have good leadership, intelligence with good skills and knowledge for guiding the business in the face of an uncertain future, and be able to decrease the feelings of insecurity in their employees. Corrado (2002) notifies that successful corporate turnarounds depend on the replacement of the current top management and actions to be taken simultaneously at three different levels, which are strategic, financial and organizational. The change in the top management settlement is often followed by the replacement of employees at the middle management level.

5.3.2 Culture change

Schoenberg et al. (2013) state that culture of change is part of Turnaround Strategies. Corporate culture is the personality of the firm that is related to beliefs, behavior and operational style of the firm to control the internal performance of the firm. Corporate culture is closely related to vision, values, and assumptions. Siti Zaleha et al. (2013) indicate that every organization needs a culture that emerges from the leadership style or organizational culture itself. Corrado (2002) opines that the renewal of the organization needed in the firm's culture. Corrado (2002) adds that the process of cultural renewal focuses on governing the firm's fragility. However, sometimes, cultural renewal appears to be crucial, complex, and uncertain. The culture of a firm is usually determined by the leader to be followed by employees.

Courtemanche et al. (2013) explain that directors play a role in providing advice such as strategy formulation, firm information, preferential access to valuable resources through personal connections, skills and expertise, and legitimacy to the firm (Pfeffer & Salancik, 1978). Hao & Rashad (2015) also add on the effectiveness of leadership roles when the leader can manage the business environment in the modern market. Effective leadership skills will bring good shaping in the organizational culture and it will also gain the trust of employees in leaders. The positive organizational culture will bring a lot of advantage to organizations because employees are encouraged and motivated to learn, communicate, and work with each other in the organization. Siti Zaleha (2013) states that a good performance in a firm improves employees' performance and commitment. Schoenberg et al. (2013) explain that culture changes are one solution that addresses the rejuvenation and re-adaptation of situations that can

provide strength and confidence. The study provides the information on the work culture in Bank Islam in Table 5.7.

Table 5.7: Analysis of Culture Change in Bank Islam (Process-Orientated Strategies)

1984	Core Activities		
	AFC	2003	2005 to 2006
The first mover to introduce Islamic banking in Malaysia	<ol style="list-style-type: none"> 1. Bank Islam continued in an aggressive marketing effort in building up its deposit base. The new deposit of the Negotiable Islamic Deposit Certificate had been introduced to support the Government's effort in promoting saving habits among dietary and meeting the customer requirements. (Source: Annual Report 1998, page 2). 2. Bank Islam did a rigorous strategy to expand its deposit base in the future. Moreover, it brings the successfulness by surpassing its RM 5 billion-deposit target for the financial year-end. (Annual Report 1999, page 4). 	In 2003, Bank Islam did a major restructuring of its organization. By completing the first phase transformation in July 2003 that involved the division at the head office. The management identified the changes in Bank Islam by following six strategies that led the Bank Islam to the expansion and growth shortly, such as aggressively growing consumer banking business, strengthening commercial banking, developing debt market capabilities, developing risk management capabilities, IT infrastructure and staff competencies.	<ol style="list-style-type: none"> 1. In 2005, Bank Islam focused on the cultural changes of reorganization that has been implemented to improve focus and increase staff productivity. A process of re-engineering the exercise will be carried out to enhance compliance within the Bank and inculcate risk appreciation. Bank Islam expected to chart commendable growth and uphold its position as Malaysia's premier Islamic bank despite the threat of new competitors and sooner than expected market liberalization. (Source: Annual Report 2005, pages 14 to 15). 2. In 2006, Bank Islam focused on the Business and Consumer Banking Group. Bank Islam did more aggressive sales and marketing strategies. Bank Islam did more on a customer-centric strategy and the sales and marketing division were re-established (source: Annual Report 2006; page 5)

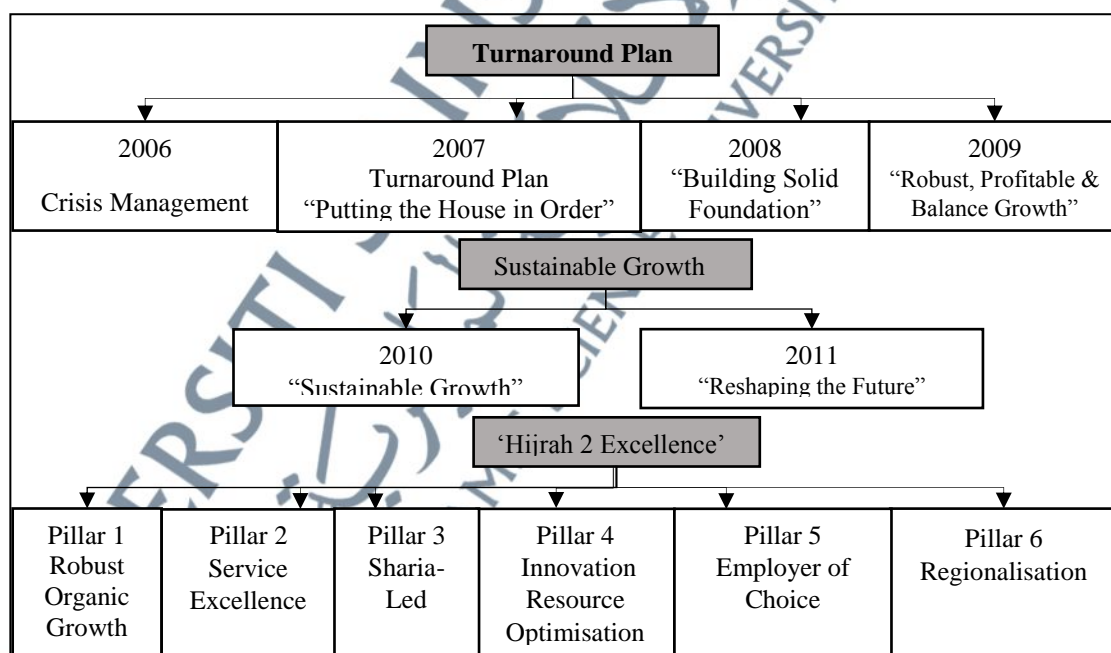
Source: Annual Report of Bank Islam (from 1984 to 2006)

In summary, the culture changes in Bank Islam, were (1) in 1984, Bank Islam was introduced as the first representatives of Islamic banks in Malaysia, (2) during the AFC, Bank Islam focused on marketing and expanding on deposit base, (3) in 2003, Bank Islam focused on restructuring the organization, and (4) in 2005 to 2006, Bank Islam focused on the customer-centric strategy. During the process-orientated strategy, Bank Islam did some actions, such as: (1) Bank Islam did the reinvigoration of firm leadership in the observation year, and (2) Bank Islam changed the culture in the year

of observation. The study found the practices of Bank Islam to be aligned with Schoenberg et al.'s assessment methods based on the exploration, analyses, and interpretation of qualitative data. The following explanation on the analyses of Bank Islam's three strategic management: TP (from 2006 to 2009), SGP (from 2010 to 2012), and H2E (from 2013 to 2015), which examined the banking practise with an evaluation of turnound strategies by Schoenberg et al. (2013).

5.4 Strategies in Bank Islam

Three strategies had been implemented to improve Bank Islam's performance, which were the Turnaround Plan or TP (that had been implemented from 2006 to 2009), Sustainable Growth Plan or SGP (that had been implemented from 2010 to 2012), and Hijrah to Excellnce or H2E (that had been implemented from 2013 to 2015) (the description on this strategy is in Figure 5.1).



Source: Corporate Book Bank Islam, 2010; page 127. Annual Report Bank Islam 2015, page 26)

Figure 5.1: Bank Islam's Strategic Management

The first Turnaround Strategy of Bank Islam was the Turnaround Plan (2006 to 2009) by following the turnaround model of Schoenberg et al. (2013).

5.4.1 Turnaround Plan from 2006 to 2009

The Turnaround Plan started in October 2006 until the end of June 2010. The study provides evidence that the Bank had made a notable return in profitability and built a solid foundation for a greater success after the implementation of the TP. The study provides the strategy of the TP into Table 5.8:

Table 5.8: Turnaround Plan from 2006 to 2009 in Bank Islam

No	CONTENT-ORIENTATED STRATEGIES	2006	2007	2008	2009
1	Cost Efficiencies				
a	Information on R&D	First bank in South East Asia to introduce an Islamic Platinum MasterCard	a. Entered into its first Islamic cross-currency swap agreement b. Launch of the new corporate identity of Bank Islam	a. Launched An Najah NID-i. b. Recorded highest profit of RM 308.27 million in 25 years	a. Launched Al-Awfar. b. First bank to join the effort with LTH in launching the Uniteller Service. c. First commercial bank as an adviser for equity-linked transactions for YSP Southeast Asia Holdings Berhad on Rights Issue. d. The validity decision on BBA contract as a sale transaction by judges of the Court of Appeal on 31 March 2009.
b	Collecting and Reducing	There is no report during the observation			

	Accounts Receivable:				
c	Cutting Inventory	↑	↑	↑	↑
d	Stretching Accounts Payable	↑	↑	↑	↓
e	Reducing Market Activity				
•	Return on Earnings	↓	↑	↓	↓
•	Zakat and Tax Expenses	↑	↑	↓	↓
•	State of Investments	↑	↑	↑	↑
•	Assets	↑	↑	↑	↑
•	Liabilities	↑	↑	↑	↑
•	Equity	↑	↑	↑	↑
	Profit and Loss	↓	↑	↑	↑
f	Adjusting Wage Incentives	↑	↑	↑	↑
g	Tighter Stock Control:	There is no report during the observation			
h	Financial and Capacity Controls				
•	Account Receivable	There is no report during the observation			
•	Account Payable	↑	↑	↑	↓
•	Salaries and Wages (Payroll)	↑	↑	↑	↑
•	Personnel Expenses (Payroll).	↑	↑	↑	↑
•	Fixed Assets.	There is no report during the observation			
•	Inventory	↑	↓	↑	↓
•	Capital Control.	There is no report during the observation			
2 Asset Retrenchment					
a.	Balance Sheet Report				
•	Total assets	↑	↑	↑	↑
•	Total liabilities	↑	↑	↑	↑
•	Total shareholder funds	↓	↑	↑	↑
b.	The statement of profit and loss	-	+	+	+
c.	The cash flow statement				
•	Cash flow from operating activities	↓	↑	↑	↓
•	Cash flow from investment activities	+	-	+	-
•	Cash flow from financing activities	↑	↑	no reports	no reports

Source: Annual Report of Bank Islam (from 2006 to 2009)

Table 5.8: Turnaround Plan from 2006 to 2009 in Bank Islam

No	CONTENT-ORIENTATED STRATEGIES	2006	2007	2008	2009
3	Focus on Core Activities	<ul style="list-style-type: none"> a. Focused on recapitalization and balance sheet restructuring, which involved several stages including: (1) IT Infrastructure Revamp, (2) Transformation Programme, (3) Cost Rationalisation Exercise, and (4) Human Capital Development. b. Focused on the customer-centric strategy by focusing on Sales and Marketing Division. c. Core businesses were trade finance and cash management. 	<ul style="list-style-type: none"> a. The revision on performance through the Turnaround Plan included five parts: (a) recapitalization and balance sheet restructuring, (b) infrastructure revamp, (c) transformation program, (d) cost rationalization exercise, and (e) human capital development. b. Focusing on consumer banking, business banking, Treasury division, Corporate Investment Banking (it was established in November 2006) and Special Asset Management (it was formed early 2007). 	<p>Focused on business focuses, such as</p> <ul style="list-style-type: none"> (a) consumer banking, (b) commercial banking, (c) corporate banking, (d) treasury, (e) corporate investment banking (established Corporate Finance in 2008), (f) Recovery Division focused on Pre-empting Delinquent Financing (for the purpose to manage NPFs and pursue intensive recovery programs in 2009). 	<ul style="list-style-type: none"> a. Core business, such as: Consumer Banking, Treasury, and Corporate Investment Banking divisions. b. Developed an innovation (such as wealth management, retail foreign currency, and package financing businesses, while building up a quality house financing portfolio) followed by robust risk management.
4	Build for the Future	<ol style="list-style-type: none"> 1. Introduced Wiqa' Forward Rate Agreement 2. DIG and LTH purchased 40 percent and 9 percent stake each in Bank Islam 	<ol style="list-style-type: none"> 1. Entered into its first Islamic cross-currency swap agreement. 2. Launch of the new corporate identity of Bank Islam, officiated by a Minister at the Prime 	<ol style="list-style-type: none"> 1. Launched a new product called "Commodity Undertaking-i". 2. Launched the first Islamic structured and capital protected funds, An Najah-i. 	<ol style="list-style-type: none"> 1. Strategic Collaboration between Bank Islam subsidiary Bank Islam Trust Company (Labuan) Ltd and Bank Muamalat Indonesia Group. 2. Launched Al-Awfar.

<p>Note: the Focus business of Bank Islam during 2008</p>	<p>Minister's Office, YB Dato' Dr. Abdullah Md Zin.</p>	<p>3. Expanded its foreign currency retail services with the opening of its first BDC outlet at the LCCT, Kuala Lumpur International Airport.</p>	<p>3. Launched "Sinar Letrik Home Campaign".</p> <p>4. Sole Islamic bank and the only non-investment bank that the Securities Commission approved under its list of Principal Advisers for specific corporate proposals in Malaysia.</p> <p>5. The First Commercial Bank as Adviser for equity-linked transactions for YSP Southeast Asia Holdings Berhad on Rights Issue</p> <p>6. Transacted the first asset swap transaction for Bank Islam.</p> <p>7. Transacted the first Islamic equity option transaction for Bank Islam.</p> <p>8. Launched a new line of business i.e. Bulk Payment Foreign Exchange transaction.</p> <p>9. Introduced a new customer service, i.e., daily market news update via SMS.</p> <p>10. First Bank to join the effort with LTH in launching the Uniteller Service.</p>
<p>1. Consumer banking focused on payment holiday scheme, no payment during construction, capital protected structured investment product, housing credit guarantee scheme, strategic partnership with Lembaga Tabung Haji, employees provident funds and restructured or rescheduled financing accounts such as (<i>Tawarruq, Bai' Murabahah</i> (cost plus margin), <i>Ijarah Muntahiah Bit Tamlik</i> (leasing ending with transfer of ownership) and BBA contract.</p> <p>2. Commercial Banking focused on innovative Financing solutions (for corporations and SMEs), PCF-i, and financing strategies (such as Specific Programme Financing; Customer-Centric Model, Product, Pricing and Distribution Strategy and Microfinancing).</p> <p>3. Corporate Banking focused on cash management (such as bulk cheque, online payment portal, online sweeping, and pooling arrangements) and trade services.</p> <p>4. Treasury focused on forex needs.</p>	<p>3. Embarked on Branch Remodeling exercise.</p> <p>4. The signing of a strategic collaboration deals with the European.</p> <p>5. EIIB, a gateway for Bank Islam to make inroads into the European market.</p>		

	5. Corporate Investment Banking focuses on the CF department that was established in FY2008 to undertake equity-linked fundraising exercises and advisory services.
	6. Recovery Division focused on Pre-empting Delinquent Financing that focuses on managing distressed assets.
PROCESS-ORIENTATED STRATEGIES:	
1	<p>Reinvigoration of firm leadership</p> <p>Chairman Datuk Mohd. Bakke Salleh (appointed 03.06.2002 - resigned on 15.07.2010)</p> <p>Managing Director Dato' Zukri bin Samat (Appointed on 09.06.2006- 2017)</p> <p>Members</p> <ul style="list-style-type: none"> • Johan Abdullah (2009-2016) • Dato' Ismee bin Ismail (Appointed on 09.10.2006-2016) • Zahari @Mohd Zin Idris (Appointed on 20.09.2003-2016) • Zaiton binti Mohd Hassan (Appointed on 02.02.2006-2016) • Salaam Said Salim Al-Shaksy (Appointed on 28.02.2007- Resigned on 26.05.2010) <p>Note: following the policy, the TP had been implemented from 2006 until 2009. So, for this part, the study only mentioned the last year of submitted structure organization in 2009.</p>
2	<p>Culture Change</p> <p>Recovery Mode: Moving out of crisis and return to the black</p> <p>Note: Bank Islam has focused to be a service- orientated organization, and as such the employees should professionally conduct themselves to handle with Bank's stakeholders.</p>

Source: Annual Report of Bank Islam (from 2006 to 2009)

The Turnaround Plan focuses on two things to develop Bank Islam's performance. The first was a recapitalization and balance sheet restructuring exercise to strengthen the capital base, and the second is to introduce strategic reforms at all levels of operations. Bank Islam wanted to show the main purpose of this strategy by returning the value to the Bank (Source: Chairman's Statement of Annual Report 2006, page 4).

5.4.2 Sustainable Growth Plan from 2010 to 2012

Bank Islam acknowledges the successful of the TP and continued to the next strategy, namely, Sustainable Growth Plans. This strategy was marked as the new beginning for the Bank Islam in particular the financial years between July 2010 and June 2012. After the TP, Bank Islam already had the right resources, the market positioning and all the elements for better performance. Then, Bank Islam was ready for a competitive market with the next three-year of SGP (Chairman's statement, page 54 in Annual Report Bank Islam 2009).

With the implementation of the SGP in July 2009, Bank Islam focused on improving the performance into the market competition (Chairman's Statement 2012, page 78). The SGP was focused on a great leap forward which was made to optimize customer service and service support for the Bank's business divisions. The strategy was guided with greater convenience, faster turnaround time, and a more conducive and supportive environment were some of the advancements that had been focused by Bank Islam (Annual Report Bank Islam 2012, page 182.) The study provides the strategy of the SGP in Table 5.9.

Table 5.9: Sustainable Growth Plan from 2010 to 2012 in Bank Islam

CONTENT-ORIENTATED STRATEGIES	2010	2011	2012
1. Cost Efficiencies			
a Information on R&D	<ol style="list-style-type: none"> 1. Bank Islam launched another offering of Malaysia's first truly mobile banking service with Transact at Palm or TAP Mobile Banking-i. 2. Bank Islam expanded its presence with 19 more branches and more than 200 self-service terminals all over Malaysia, in the period under review. 3. Entered into a strategic collaboration with Tune Talk, to increase the subscriber base of BIC. 4. Launched Waheed-i. 5. Launched the Islamic pawn-broking (<i>Ar-Rahnu</i>). 6. Bank Islam and Barclays Capital Markets Malaysia Sdn Bhd signed a Memorandum of Agreement for Collaboration on Customisation of Islamic Investment Products and Hedging Solutions. 	<ol style="list-style-type: none"> 1. Entered into its first Islamic cross-currency swap agreement 2. DYMM Seri Paduka Baginda Yang di-Pertuan Agong Al-Wathiqu Billah Tuanku Mizan Zainal Abidin launched Menara Bank Islam that stands tall on a <i>waqf</i> land at Jalan Perak. 3. Announced the completion of a share subscription exercise which gave Bank Islam a strategic 20 % stake in Amana Bank Limited ("Amana Bank") in Sri Lanka. Amana Bank is poised to become Sri Lanka's first Islamic commercial bank. 4. Chaired Malaysian corporate history by being the first Islamic bank to advise on a listing exercise. APFT Berhad, Malaysia's leading flight education and training service provider, had appointed Bank Islam as the Principal Adviser, Managing Underwriter, Underwriter and Placement Agent for its IPO in conjunction with its listing on the Main Market of Bursa Malaysia Securities Berhad. 5. Launched Al-Awfar Junior for customers below 18 years of age. 6. Introduced RM250 million BIMB i Dividend Fund. 7. Launched the "Bank Islam Visa Debit Card-i". 	<ol style="list-style-type: none"> 1. Launched the BIMB Dana Al-Fakhim, a money market fund. 2. Launched the UniDebit, an exclusive multipurpose, all-in-one card designed for students and staff of UMK only. 3. Assigned improved Financial Strength rating of BBB and Foreign Currency long-term rating of BBB+ by CI, an international credit rating agency. 4. Launched of Islamic DCI-i, a fixed deposit product linked to the performance of a pair of foreign currencies based on the concept of Wakalah-lil-Istithmar (an agency contract for investment). 5. Launched its first full-fledged branch that provides seven-day banking services at AEON Seberang Prai Shopping Centre. 6. Punched through the one million barriers with the issuance of a total of 1.21 million Bank Islam Visa Debit Card-i users.

Source: Annual Report of Bank Islam (from 2010 to 2012)

Table 5.9: Sustainable Growth Plan from 2010 to 2012 in Bank Islam

CONTENT-ORIENTATED STRATEGIES	2010	2011	2012
1 Cost Efficiencies			
b Collecting and Reducing Accounts Receivable:	There is no report during the observation		
c Cutting Inventory	↑/+	↑/+	↑/+
d Stretching Accounts Payable	↑/+	↓/+	↑/+
e Reducing Market Activity			
	2010	2011	2012
● Return on Earnings	↓/-	↑/-	↑/+
● Zakat and Tax Expenses	↑/+	↓/+	↑/+
	↑/+	↑/+	↑/+
● State of Investments	↑/+	↑/+	↑/+
● Assets	↑/+	↑/+	↑/+
● Liabilities	↑/+	↑/+	↑/+
● Equity	↑/+	↑/+	↑/+
● Profit and Loss	↑/+	↓/+	↑/+
f Adjusting Wage Incentives	↑/+	↓/+	↑/+
g Tighter Stock Control	There is no report during the observation		
h Financial and Capacity Controls			
● Account Receivable	There is no report during the observation		
● Account Payable	↑/+	↓/+	↑/+
● Salaries and Wages (Payroll)	↑/+	↓/+	↑/+
● Personnel Expenses (Payroll)	↑/+	↓/+	↑/+
● Fixed Assets	There is no report during the observation		
● Inventory	↑/+	↑/+	↑/+
● Capital Control	Rating Services Berhad by the information, such as long-term rating A1; the short-term rating of P1 and outlook is stable.		
2 Asset Retrenchment			
a. Balance Sheet Report			
● Total assets	↑/+	↑/+	↑/+
● Total liabilities	↑/+	↑/+	↑/+
● Total shareholder funds	↑/+	↑/+	↑/+
b. The statement of profit and loss	↑/+	↓/+	↑/+
c. The cash flow statement			
● Cash flow from operating activities	↑/+	↓/-	↑/-
● Cash flow from investment activities	↓/-	↑/+	↓/-
● Cash flow from financing activities	↑/+	↓/-	↓/-

Source: Annual Report of Bank Islam (from 2010 to 2012)

Table 5.9: Sustainable Growth Plan from 2010 to 2012 in Bank Islam

CONTENT-ORIENTATED STRATEGIES	2010	2011	2012
3 Focus on Core Activities			
<ul style="list-style-type: none"> Sustainable Growth Plan. First Pillar: Business innovation, Second Pillar: Robust risk management, Third Pillar: Strengthening enabling infrastructure, Forth Pillar: Building capability & capacity, Fifth Pillar: Franchise development, and Sixth Pillar: Inorganic growth and corporate expansion. 	<p>Reshaping the Future Bank Islam. The first key, Bank Islam focused on high revenue generation potential and sustainability. The second key, Bank Islam focused on reducing costs. The third key, Bank Islam focused on prospecting and account planning.</p>	<p>2011 was also the year of harvesting the fruits of their labor in achieving targets set under the SGP for the purpose or as part of (1) robust risk management infrastructure, (2) talent development to build their capability and capacity, (3) far-reaching delivery channels for greater proximity with customers, (4) upgrading to cutting-edge technology to support their business expansion, (5) marketing and promotional initiatives to rejuvenate Bank Islam's franchise, and (6) business process re-engineering to deliver cost-effective, prompt and consistent service to meet customer needs.</p>	
	<ol style="list-style-type: none"> Consumer banking had focused on innovating new product, balancing between secured and unsecured assets, floating rates for product offerings and intensifying non-fund based income with the slogan Reshaping Our Consumer Portfolio. Commercial banking focused on secured financings such as Guaranteed Scheme for SMEs and Contract Financing with the slogan (Balancing our Asset Mix). Corporate Investment Banking focused on adopting a strategy that focused its marketing efforts on the more viable Government related and blue-chip deals as well as selective transactions with strong fundamentals with a slogan 'Sustaining Growth'. Treasury focused on using forex and securities with the slogan 'Reinforcing Our Competitive Edge'. Business Support Division focused on assisting Bank Islam's business units in building relationships with customers and narrowing gaps between routine banking processes through a continuous process improvement with the slogan 'Re-engineering Business Processes'. Operation Division focused on providing convenient customer services with the slogan 'Strengthening Customer Convenience'. 		

Source: Annual Report of Bank Islam (from 2010 to 2012)

Table 5.9: Sustainable Growth Plan from 2010 to 2012 in Bank Islam

CONTENT-ORIENTATED STRATEGIES	2010	2011	2012
4 Build for the Future	<ol style="list-style-type: none"> 1. Bank Islam launched another first, offering Malaysia’s first truly mobile banking service. With TAP Mobile Banking-i, account owners can perform banking transactions anywhere and anytime, without internet access. 2. Bank Islam was the associate sponsor for the GIFF 201) held at the Mandarin Oriental Hotel, Kuala Lumpur. 3. Bank Islam expanded its presence with 19 more branches and more than 200 self-service terminals all over Malaysia, in the period under review. 4. Entered into a strategic collaboration with Tune Talk, to increase the subscriber base of BIC. 5. Launched Waheed-i. 6. Launched the Islamic pawn-broking (Ar-Rahnu), which was officiated by the Prime Minister Y.A.B. Dato’ Sri Mohd Najib Tun Hj Abdul Razak. 7. Bank Islam and Barclays Capital Markets Malaysia Sdn Bhd signed a Memorandum of Agreement for Collaboration on Customisation of Islamic Investment Products and Hedging Solutions. 8. Launched another first, offering consumers Malaysia’s first truly mobile banking service. With TAP Mobile Banking-i, account owners can perform banking transactions anywhere and anytime, without Internet access. 	<ol style="list-style-type: none"> 1. Announced the completion of a share subscription exercise which gave Bank Islam a strategic 20 % stake in Amana Bank Limited (“Amana Bank”) in Sri Lanka. Amana Bank is poised to become Sri Lanka’s first Islamic commercial bank. 2. Announced a record PBZT of RM 503.4 million for the 18 months ended 31 December 2010. This translates into a 44 % jump on an annualized basis over RM 233.1 million as at end-June 2009. 3. Charted Malaysian corporate history by being the first Islamic bank to advise on a listing exercise. APFT Berhad, Malaysia’s leading flight education and training service provider, had appointed Bank Islam as Principal Adviser, Managing Underwriter, Underwriter and Placement Agent for its IPO in conjunction with its listing on the Main Market of Bursa Malaysia Securities Berhad. 4. Launched Al-Awfar Junior for customers below 18 years of age. 5. Introduced RM 250 million BIMB-i Dividend Fund 6. Launched the “Bank Islam Visa Debit Card-i”. 	<ol style="list-style-type: none"> 1. Launched the BIMB Dana Al-Fakhim, a money market fund. 2. Launched the University Debit Card-i (“UniDebit”). 3. Assigned improved Financial Strength rating of BBB and Foreign Currency long-term rating of BBB+ by CI, an international credit rating agency. 4. Launched of Islamic i DCI-i. 5. Launched its first full-fledged branch that provides seven-day banking services at AEON, Seberang Prai Shopping Centre. 6. Signed the Malaysian CIP.

Source: Annual Report of Bank Islam (from 2010 to 2012)

Table 5.9: Sustainable Growth Plan from 2010 to 2012 in Bank Islam

PROCESS-ORIENTATED STRATEGIES:	
1	<p>Reinvigoration of firm leadership</p> <p>Reinvigoration of firm leadership. Note: Following the policy, the SGP has been implemented from 2010 until 2012. So this part, the study just mentioned the last year of submitted structure organization in 2012.</p> <p>2012 Chairman: Dato' Zamani Abdul Ghani (Appointed on 01.03.2011-2016) Managing Director: Dato' Sri Zukri bin Samat (Appointed on 09.06.2006-2016)</p> <p>Members</p> <ul style="list-style-type: none"> • Dato' Paduka Ismee bin Ismail (Appointed on 09.10.2006-2016) • Johan Abdullah (2009-2016) • Abdullah Abdulrahman Abdullah Sharafi (Appointed on 01.08.2011- Resigned on 19.12.2013) • Mohammed Abdul Ghaffar Hussain (2011- Resigned on 19.12.2014) • Zahari @Mohd Zin Idris (Appointed on 20.09.2003-2016) • Dato' Zaiton binti Mohd Hassan (Appointed on 02.02.2006-2016) • Mohamed Ridza Mohamed Abdulla (Appointed on 01.12.2010-2016)
2	<p>Culture Change</p> <p>Stable Mode: Building solid foundation for a sustainable growth. Note: Bank Islam restructured its branch model to be more focused and customer-centric (Source: Corporate Book 2010, page 167).</p>

Source: Annual Report of Bank Islam (from 2010 to 2012)

5.4.3 'Hijrah 2 Excellence' (H2E) from 2013 to 2015

The third strategy that was implemented in Bank Islam was the H2E in early 2013. In the H2E, Bank Islam had focused on the continuity to improve the performance for further leading the growth of the industry through innovative products and services (Annual Report 2013 page 12). After Bank Islam acknowledged the implementation of the TP (starting from 2006 to 2009) and SGP (starting from 2010 to 2012), Bank Islam had strengthened the foundation as a capable and dedicated team. Bank Islam also began to transform the banking journey by promoting excellence through strategic initiatives under the H2E Plan, already underway to the end of 2015 (Annual Report 2013, page 31; Managing Director's Operational Review). The H2E has the corporate blueprint that Bank Islam has to fulfill the achievement on the most KPIs set under the six pillars of robust organic growth, service excellence, Sharia-led Innovation, resource optimization, employer of choice and regionalization. Bank Islam was able to provide

a demanding operating environment by adhering to the H2E and its set targets, which include among others, asset and financing growth, and non-fund-based income ratio. Bank Islam was also determined in guarding its asset quality, introducing several internal measures and minimum requirements in line with the responsible financing guidelines laid down by the BNM. Bank Islam also had strategies for profitability, improved asset quality, healthy capitalization, and robust financing growth, as well as leveraging on changes in the Islamic banking regulations to its advantage by being one of the first banks to pioneer new IA products (Annual Report 2015, page 26; Managing Director's Operational Review. The study provides the analysis strategy on the H2E in Table 5.10.

Table 5.10: H2E in Bank Islam from 2013 to 2015

N o	CONTENT- ORIENTATED STRATEGIES	2013	2014	2015
1	Cost Efficiencies			
a	Information on R&D	<ol style="list-style-type: none"> 1. Introduced mPOS electronic payment facility for traders at Pasar Siti Khadijah in Kota Bharu, the first such implementation in Malaysia 2. Launched Bank Islam Team Harimau VISA Debit Card-I in collaboration with the Football Association of Malaysia. 3. Named 'Most Innovative Islamic Bank in Malaysia' in International Finance Magazine Awards 2013. 4. The Bank developed advanced 	<ol style="list-style-type: none"> 1. Completion of Syndicated Business Financing-i Facility of RM 365.0 million granted to Projek Lintasan Shah Alam Sdn Bhd. 2. Focused on the enhancement of the Bank's Internet banking platform, which resulted in a 49.8 % growth in average user registration. 3. The Bank focused on structured financing and project financing in transportation. 4. The Bank transformed the following innovative and proactive optimization of current resources, 	<ol style="list-style-type: none"> 1. The Bank's Internet banking customer base grew by almost 100 % in 2015, complemented by a 48 % growth in the number of transactions, and 43% growth in total non-fund based income. 2. Bank Islam involved and supported the green technology.

	information technology architecture for more efficient financial and accounting management.		developed a high-performance culture by cultivating efficient operating environments, and capitalizing on technology as a key business driver.
b	Collecting and Reducing Accounts Receivable.	There is no report during the observation	
c	Cutting Inventory	↑/+	↓/+
d	Stretching Accounts Payable	↑/+	↓/+
e	Reducing Market Activity		
•	Return on Earnings	↑/+	↓/+
•	Zakat and Tax Expenses	↑/+	↓/+
•	State of Investments	↓/+	↓/+
•	Assets	↑/+	↑/+
•	Liabilities	↑/+	↑/+
•	Equity	↑/+	↑/+
•	Profit and Loss	↑/+	↑/+
f	Adjusting Wage Incentives	↑/+	↑/+
g	Tighter Stock Control:	There is no report during the observation	
h	Financial and Capacity Controls		
•	Account Receivable	There is no report during the observation	
•	Account Payable	↑/+	↓/+
•	Salaries and Wages (Payroll)	↑/+	↑/+
•	Personnel Expenses (Payroll).	↑/+	↑/+
•	Fixed Assets.	There is no report during the observation	
•	Inventory	↑/+	↓/+
•	Capital Control	Bank Islam reported on capital control analysis by observations that provide findings from the information of RAM Rating Services Berhad, such as long-term AA3 rating; the short-term rating of P1 and outlook is stable.	
2	Asset Retrenchment		
a.	Balance Sheet Report		
•	Total assets	↑/+	↑/+
•	Total liabilities	↑/+	↑/+

• Total shareholder funds	↑/+	↑/+	↑/+
b. The statement of profit and loss	↑/+	↑/+	↑/+
c. The cash flow statement			
• Cash flow from operating activities	↑/+	↓/ -	-
• Cash flow from investment activities	↑/+	↑/+	↓/+
• Cash flow from financing activities	↓/ -	↑/-	↑/+

Source: Annual Report of Bank Islam (from 2013 to 2015)

Table 5.10: H2E (Hijrah to Excellence) in Bank Islam from 2013 to 2015

No	CONTENT-ORIENTATED STRATEGIES	2013	2014	2015
3	Focus on Core Activities			
	<ul style="list-style-type: none"> Hijrah to Excellence (H2E) has several strategies, such as: (1) Robust organic growth, (2) Excellence in service delivery, (3) Innovation in products and services, (4) Optimisation of available resources, (5) Being a preferred employer; and (6) Venturing beyond Malaysia's borders. 	<ol style="list-style-type: none"> Bank Islam uses the H2E plan to manage leverage on the business model and retail banking from prevalent global financial instability. Used CSI by the MPC to assess customer satisfaction. Introduced the MPO contract and Commodity Murabahah contract. Bank Islam fully adopted the Basel III Accord. Focused on consumer banking, commercial banking, treasury, and corporate investment banking. 	<ol style="list-style-type: none"> Also focused with on IFSA 2013 and Sharia-based IAP. Bank Islam had practiced banking activities, such as consumer banking, commercial banking, corporate banking, treasury, and cash management. 	<p>Core activities in Bank Islam were, such as:</p> <ol style="list-style-type: none"> Consumer banking focuses on intense competition following Responsible Financing Guidelines. Commercial banking that focused on protecting asset quality. Corporate banking focused on project financing and supports the Government's effort in green technology. Treasury focused on non-treasury assets rather than treasury assets
4	Build for the Future	<ol style="list-style-type: none"> Implementation of the H2E strategic plan in early 2013 to improve the bank's performance by developing innovatie products and services through the service innovations fulfill the customers need. Improvement of the worker performance to attract the top talents in the market that lead to the bank's further growth. Upgraded the award-winning TAP-i functionality with the addition of mIBFT (mobile Internet Banking Funds Transfer) feature which enables money transfer or payment in real-time. Introduced the electronic payment facility 'mPOS' for the traders at Pasar Siti Khadijah in Kota Bharu, Kelantan, the first such implementation in the country. 	<ol style="list-style-type: none"> Secured approvals from BNM and the Securities Commission for Bank Islam Malaysia Berhad's RM 1 billion Subordinated Sukuk Murabahah Programme. Bank Islam was appointed as Kronologi Asia Berhad's principal adviser, sponsor, sole underwriter and placement agent for its IPO in conjunction with its listing on the ACE Market of Bursa 	<ol style="list-style-type: none"> Entered a Syndicated term financing with Malaysia Debt Ventures and Credit Guarantee Corporation. Introduced a new product/service called VE for the Bank's corporate customers in April 2015. BIMB Investment launched BIMB-Arabesque-i Global Dividend Fund 1, the first BIMB Invest Unit Trust fund that has 100 % overseas exposure and Malaysia's first ESG compliant fund. Unit Trust sales hit RM 19 million during the 45 days Initial Offering Period. Pioneered the development of IA products in accordance to the IFSA

	<p>5. Introduced Labbaik Account-i, 2-in-1 savings account with Takaful.</p> <p>6. Introduced Property Financing-i (Tawarruq).</p> <p>7. Expanded Bank Islam’s family of card offerings with the launch of VISA Platinum Credit Card-i.</p> <p>8. TruRewards, the Bank’s card loyalty program, provides incentives for card users which is comparable to other card loyalty programs available in the market.</p>	<p>Malaysia Securities Berhad.</p> <p>3. Signing an MOU with Kolej Universiti Insaniah on the “cash waqf” initiative to develop a mosque in the main campus of the university.</p>	<p>2013. Three IA products were launched on 1 June 2015:</p> <ul style="list-style-type: none"> • Special Investment Account – Mudharabah, • Waheed Investment Account – Wakalah and • Al-Awfar Investment Account <p>5. Received approval for the first RIA under IFSA of RM 200 million under Al-Ansar SME Financing. This was launched by the Prime Minister of Malaysia under collaboration with Lembaga Tabung Haji. The fund aims to strengthen and lift the economy of Muslim SMEs in Malaysia through financing facilities up to RM 1 million.</p>
--	---	--	---

PROCESS-ORIENTATED STRATEGIES:

<p>1 Reinivigation of firm leadership</p>	<p>Note: Following the policy, the H2E had been implemented from 2013 until 2015. So, for this part, the study only mentions the last year of the structure organization in 2015.</p> <p>2015</p> <p>Chairman: Dato’ Zamani Abdul Ghani (Appointed on 01.03.2011-2016)</p> <p>Managing Director: Dato' Sri Zukri bin Samat (Appointed on 09.06.2006- 2016)</p> <p>Members</p> <ul style="list-style-type: none"> • Tan Sri Ismee bin Ismail (Appointed on 09.10.2006-2016) • Professor Emeritus Tan Sri Dato' Dr. Abdul Shukor Husin (Appointed 02.05.2015/2014-2016) • Dato’ Johan Abdullah (2009-2016) • Zahari @Mohd Zin Idris (Appointed on 20.09.2003-2016) • Dato’ Zaiton binti Mohd Hassan (Appointed on 02.02.2006-2016) • Mohamed Ridza Mohamed Abdulla (Appointed on 01.12.2010-2016)
<p>2 Culture Change</p>	<p>High Growth Mode: Operational excellence and market leader</p> <p>Note: Bank Islam focused on driving innovation to deliver excellence (Annual Report 2013, page 1).</p>

Source: Annual Report of Bank Islam (from 2013 to 2015)

5.4.4 Analysis of Bank Islam Strategies

The three findings in this study answer Research Question 4 and 5, focusing on the management strategy of Bank Islam, which had focused on the business strategy, financial structure and ownership during and after the financial crisis. Bank Islam published three strategic management, such as the TP, SGP, and H2E. However, using the turnaround strategies by Schoenberg et al. (2013), the study aimed to find out the comparative practices among banks in terms of the TP, SGP, and H2E.

5.4.4.1 Content-Orientated Strategies:

5.4.4.1.1 Cost Efficiencies

a. Information on R&D

From the indicator of R&D, the implementation strategy of the TP, SGP, and H2E in Bank Islam shows changes in each of the research and development to improve the banking performance. In the TP, the R&D analysis was aimed to be used to show the corporate re-branding and build a solid foundation for a greater success and healthy profits in Bank Islam after the bank conducted recapitalization and balance sheet restructuring in 2006 to 2009.

TP was implemented in October 2006, which focused on building a solid foundation for a greater success and healthy profits. During the period, Bank Islam received two capital injections during the implementation of the TP strategy (2006 to 2009), such as (i) RM 1.0 billion in October 2006 to stop the bleeding, and Bank Islam did profitability track and rebuild infrastructure, and (ii) RM 540.0 million by October 2009 to strengthen the Bank's capital and support future growth, investment in capacity

and capability building, and more aggressive expansion plans (Annual Report 2009 Bank Islam, page 96).

The SGP as the second strategy used by Bank Islam focused on the performance by strengthening KPIs, developing sustainable competitive to gain further market share and strengthening its customer base. The purpose of the SGP was “Reshaping the Future” with a new three-year blueprint in Bank Islam (2010 to 2012).

The H2E as the third strategy, focused on e-Bank’s continuing ability to lead the industry through innovative products and services as well as excelling in meeting the needs of its customers through service innovations. The H2E was implemented in 2013 to 2015 after the Bank Islam had strengthened the rests of the strong foundation built by its capable and dedicated team through meticulously planned strategies and initiatives presented in two previous corporate blueprints spanning from 2006 to 2009 (it was the TP) and 2010 to 2012 (it was SGP), respectively.

b. Collecting and Reducing Accounts Receivable

There is no report on accounts receivable during the observation of the implementation of the strategies of the TP, SGP, and H2E.

c. Cutting Inventory

The implementation of the TP and SGP provided an increased reports on inventories. On the contrary, Bank Islam provided different reports after the implementation of the H2E from 2013 to 2015. An increased report on inventory only happened in 2013 to 2014. Meanwhile, in 2015, there is a decreased report on inventory.

d. Stretching Accounts Payable

During the TP, SGP, and H2E, Bank Islam provided a stretching accounts payable report.

e. Reducing Market Activity

The indicators from the reducing market activity are return on earnings, zakat and tax expenses, the state of investments, assets, liabilities, equity, and profit and loss. In the implementation of the TP and SGP, the value of reducing market activity is influenced by return on earnings, zakat and tax expenses, profit and loss. During the H2E implementation, which affected the value of reducing market activity was influenced by return on earnings, zakat and tax expenses, and investments.

f. Adjusting Wage Incentives

To analyze the wage, the present study measured the salaries and wages, as well as personnel expenses reports. From the SGP, Bank Islam shows the dropped report on wage, meanwhile, there was an increased report on the TP and H2E.

g. Tighter Stock Control

There is no report of stock control during the implementation of the strategies of the TP, SGP, and H2E.

h. Financial and Capacity Controls

To analyze financial and capacity controls, the study provides the analysis from accounts receivable, account payable, salaries, and wages (payroll), expenses (payroll) personnel, fixed assets, inventory, as well as capital control. During the TP and H2E, it shows the changes in financial and capacity controls due to the indicators, account payable and inventory. However, in the SGP, the changes came from account payable, salaries and wages, and personnel expenses brought the changes in financial and capacity controls.

Schoenberg et al. (2013) explains about many studies reminding to be cautious in order to avoid damaging assets or resources needed to maintain the firm's core focus and, to stop cost efficiency after a suitable length of time. In so far, certain studies have shown that firm that have failed in their turnaround have over-pursued the cost-effectiveness, as this decline has actually been exacerbated (Table 2.24).

By measuring cost efficiencies, the study explored and interpreted the information based on the information on R&D, accounts receivable, cutting inventory, accounts payable, market activity, wage incentives, stock, financial, and capacity controls. The study shows that Bank Islam's practices during the TP, SGP, and H2E are interpreted differently under cost efficiencies. The Turnaround Plan for stopping the bleeding in October 2006 and restoring the bank to track was due to be completed by 2010. Bank Islam had made a remarkable return on profitability since its inception of the Turnaround Plan, building a solid foundation on which to expand and even growing from strength to strength in various key areas (Financial Statement Bank Islam, 2008, page 68). The assessment of cost efficiencies during the TP rather than SGP and H2E has led to a conclusion that Bank Islam's practices appear to align with the cost efficiencies evaluation during the implementation of the TP between 2006 and 2009.

5.4.4.1.2 Asset Retrenchment

An asset retrenchment strategy is used to determine whether efficiencies can be achieved in areas of the firm that lack performance or if the asset is best diverted fully instead of allowing it to continue operating at a weaker level than the rest of the firm (Hofer 1980; Morrow et al., 2007; Schoenberg et al, 2013).

For an asset retrenchment, this study provides the source information from balance sheet (an information that comes from to total assets, total liabilities, and

shareholder funds), profit and loss report (the report comes from profit and loss account of the year after zakat and tax), and cash flow statements (the information comes from operating activities, investment activities, and financing activities). The usefulness of asset retrenchment as part of a turnaround strategy depends on whether the firm can generate cash flow from any disposal (Filatotchev & Toms, 2006; Schoenberg et al, 2013). This is often assumed to be the case, but the easy disposal and cash generation due to asset specificity, second-class liquidity, and exit barriers can still face a significant difficulty.

During the TP, the indicator of asset retrenchment shows the fluctuated changes in report of balance sheet and cash flow statement. In the SGP, the changes in asset retrenchment was recorded from the statement of profit and loss and the cash flow statement, and the H2E shows the changes in asset retrenchment from the report of cash flow statement.

The assessment of asset retrenchment during the TP, SGP and H2E has concluded that Bank Islam's practices appear to align with the asset retrenchment that is aligned with the assessment method of Schoenberg et al. (2013).

5.4.4.1.3 Focus on Core Activities

This strategy involves determining the markets, products and customers that can generate the highest profits and reorienting business activities into these areas. The firm can also return to activities it has been famous for in the past (Hambrick & Schecter, 1983; Hofer, 1980; Schoenberg et al. 2013). Every strategy has different sets of focus on core activities such as:

- a) During the TP, there are five pillars to improve banking performance, which are (1) recapitalization and balance sheet restructuring, (2) IT infrastructure

revamp, (3) transformation program, (4) cost rationalization, and (5) human capital development.

- b) During the SGP, there are six pillars to improve banking performance such as (1) business innovation; (2) robust risk management; (3) strengthening enabling infrastructure; (4) building capability & capacity; (5) franchise development and (6) inorganic growth and corporate expansion.
- c) H2E also has pillars to improve banking performance, such as: (1) Robust organic growth, (2) excellence in service delivery, (3) innovation in products and services, (4) optimization of available resources, (5) being a preferred employer, and (7) venturing beyond Malaysia's borders.

In addition, some studies warn following a "no distinguishing characteristics, hence qualifying as a piecemeal approach", that a successful recovery is unlikely to lead to further reinforcement of the importance of the focus on the core. The firm focused on selected core activities to develop a clear competitive strategy. (Hambrick & Schechter, 1983; Schoenberg et al. 2013). The assessment of focus on core activities during the TP, SGP and H2E has concluded that Bank Islam's practices appear to align with the focus on core activities that is aligned with the assessment method of Schoenberg et al. (2013).

5.4.4.1.4 Build the Future

This is the stage in which the immediate crisis is over and the financial position has stabilised (Filatotchev & Toms, 2006; Robbins & Pearce, 1992; Schoenberg et al, 2013). Build for the future is aligned with the turnaround process recovery stage. This recovery should of course be undertaken with precaution and consideration, and is often launched as a growth strategy based on the firm's strong core focus. In this phase, firms

tended to re-deploy existing asset systems to broaden the product line or to enter new geographical territories (Pearce & Robbins, 1993; Schoenberg et al, 2013; Sudarsanam & Lai, 2001).

During the TP, Bank Islam focused on improving their performance after declining performance. During the SGP, Bank Islam was focused on preparing to be competent for entering the competitive market. During the H2E, Bank Islam started to develop wings for a better performance to maintain market position. It was argued that the turnaround is only completed successfully when the firm concerned has been left with the ability to renovate itself to react agilely to changes in the future (Ghoshal & Bartlett, 1996; Stopford & Baden-Fuller, 1990; Schoenberg et al. 2013). With the success of Bank Islam in the TP, Bank Islam developed the SGP and H2E to grow. The assessment of the build the future that Bank Islam's practised seems to conform to Schoenberg et al.'s (2013) evaluation method for turnaround strategies.

5.4.4.2 Process-Orientated Strategies

5.4.4.2.1 Reinvigoration on Firm Leadership

The firm's CEO is often replaced early in the turnaround, and in some instances it is even clear that the firm faces grave difficulties and actions are urgently necessary (Schoenberg et al. 2013; Stopford & Baden-Fuller, 1990). The bank's recapitalisation, completed since 2006, provided strategic bank stakes for the Dubai Investment Group and Lembaga Tabung Haji. On the other hand, operational reforms have increased the robustness of risk infrastructure, operating processes, and the provision of client services as well as product innovation. In compiling the annual report, the management had been working towards a "total solution" to address the Bank's failure to provide financing since the financial year ended on 30 June 2005 (Chairman Statement; Annual

Report Bank Islam 2006, page 3). On June 9, 2006, Bank Islam appointed Dato' Sri Zukri Samat as its Managing Director (Annual Report Bank Islam 2009, page 23) to bring extensive financial services industry experience and was committed to assisting the Bank in becoming a dominant player in the global Islamic banking industry (Chairman Statement; Annual Report Bank Islam 2006, page 3). As the new Managing Director of Bank Islam, Dato' Sri Zukri Samat directed the implementation of the bank's turnaround plan and the achievement of the bank's strategic goals and objectives (Annual Report Bank Islam 2006; page 6). During the TP, Bank Islam established a Special Asset Management Division to eliminate distractions between the management of distressed assets from business units to enable Bank Islam to focus on its core business in 2007 to 2008. Bank Islam also consolidated efforts in 2008 to restore poor corporate and consumer financing to a single roof. The division has made a significant contribution to Bank Islam through its adoption of a dynamic and intensive recovery programme. The Bank Islam's net NPF decreased substantially as a result of this recovery programme (Managing Director Operational Review, 2008, page 30).

The Managing Director of Bank Islam, Dato' Zukri bin Samat (appointed on June 9th, 2006 to 2017), had been involved in the three phenomenal strategies, such as TP, SGP, and H2E. He first joined Bank Islam and released a TP (2006 to 2009) but during the implementation of these strategies, Managing Directors had been assisted by a different chairman.

In the TP, the Chairman was Datuk Mohd. Bakke Salleh (appointed June 3rd, 2002 and resigned on July 15th, 2010), meanwhile the SGP and H2E were carried out by the same Chairman by Dato' Zamani Abdul Ghani (appointed on March 1st, 2011 to 2016). The change has a symbolic power. It is an indication of the current situation

being unsustainable. The firm's will to change was serious and the process of revolution started (Arogyaswamy et al., 1995; Boyne & Meier, 2009; O'Neill, 1986; Schoenberg et al., 2013). Managers can take for granted the assumptions and beliefs they have made in the firm, so that they cannot identify or agree to any actions that do not fit the usual way of doing business. In such situations, the substitution of the CEO may give the replaced members new perspectives, assumptions, and experiences, and above all new ideas as to the turnaround strategies that the firm can implement (Schoenberg et al., 2013). As a result, new TMTs are required to allow the firm to focus on new strategies. Finally, different managers have different skills, and those who brought the firm to its current position may not be well-suited to lead the turnaround (Schoenberg et al., 2013).

The staff of Bank Islam also had the assurance that with the new strategy, they could bring the CEO and the new management back to profitability. Management had to make most of the time decisions that were not necessarily popular, but essential for the bank's survival. The introduction in the management team of some non-Muslims to fulfil the vacuum and to promote cross-culture for important positions, such as risk management and IT. Dato' Sri Zukri Samat, was strongly criticised for hiring them, but looking at our position today, it turned out to be one of the bank's best decisions ever. (Dato' Sri Zukri Samat, 2014). Zukri Samat had called upon senior managers to develop turnaround strategies to stop the bleeding and restore the bank's path for growth by creating a new management team (some from Danaharta) to restructure the bank and restore its financial well-being (Wan Nursufiza & Madden, 2014). Dato' Sri Zukri Samat, Managing Director of Pengurusan Danaharta Nasional Berhad, which was a national asset management company established during a 1997/98 Asian financial crisis to manage non-performing loans. Danaharta was a debt settlement agency created by

the government as a precautionary measure to prevent bank failures. In managing the financial crisis, Malaysia placed a critical element in the national agenda for ensuring that it was out of the woods. (Dato' Sri Zukri Samat, 2014). Hizamuddin Jamalluddin, that time before joining Bank Islam had role Bank Simpanan Nasional, and was very strongly approached and that he accepted Dato' Sri Zukri Samat's proposal to rebuild Bank Islam as the Head of Strategic Planning because he thought this new experience was a unique opportunity once in a lifetime. A special asset management unit was set up, and was led by a team of previously with Dana Harta, to address the failure of the bank to perform financially. They then focused on large ticket items and quick victories. The bank's balance sheet was further strengthened with aggressive recovery efforts and the liquidation of non-yielding assets. Dato' Sri Zukri Samat had also proposed that people who view Bank Islam as only muslims should change the thinking and mindset, and had brought non-Muslims into the management team to fill unfounded key positions, as well as promote cross-cultural learning in banks. Risk management, which had taken a back seat, played a significant role in the massive losses. Jeroen Thijs, Chief Risk Officer, joined Bank Islam in January 2009 and was given carte blanche by the Board and Zukri to build the risk management infrastructure from the ground up to meet international standard. He is Dutch, and being the only non-Malaysian on the management team was initially challenging due to cultural differences. Hizamuddin explained that by visiting branches, the management team, including the Managing Board Manager, Zukri, was involved to provide first-hand information from the tellerts to the tea lady on corporate plans. The management team of the headquarters also engaged in the bank's strategy with the offices for the very first time in the history of the bank and were transparent about the corporate plan (Wan Nursofiza & Madden,

2014). For Dato' Sri Zukri Samat (2014), it has been concluded that the right people should be put in the right job and their talents nurtured, motivated them to perform instead of forced encouragement that will eventually lead to "leaders creating leaders." The assessment of the reinvigoration on firm leadership that Bank Islam's practices seem to conform to Schoenberg et al's (2013) evaluation method for turnaround strategies.

5.4.4.2.2 Culture Change

When the firm has a change of leadership, the literature highlights the role of culture in helping to rejuvenate and readapt the fighting firm. A change of culture may be needed to challenge previous beliefs and assumptions that can no longer be relevant to the firm's changed environment and can only then be discarded by historic operating routines and new employee behaviours (Schoenberg et al., 2013). The study show the practices of Bank Islam on culture change, which are:

- a) During the TP, Bank Islam focus on the recovery mode that was developed on the vision to move out of the crisis and return to the black.
- b) The SGP made Bank Islam focus on the stable mode that was developed on the vision of building a solid foundation for a sustainable growth.
- c) The H2E brought the focus on a high growth mode that was developed on the vision of operational excellence and market leader.

The strategy of culture changes, indicates a change from the old way to the new way for the company to move on. From the TP, SGP, and H2E, Bank Islam shows a design to achieve different cultures, but still had the same goal to develop Bank Islam's performance. The assessment of the culture change shows that Bank Islam's practices

seem to be aligned to Schoenberg et al's (2013) evaluation method for turnaround strategies.

The study summarised the evaluation of Bank Islam's post-financial crisis recovery process by comparing Bank Islam's strategy management of the TP, SGP and H2E and knowing the different Bank Islam's practises among the TP, SGP and H2E as shown in Table 5.11.

Table 5.11: Summaries Three Strategies in Bank Islam

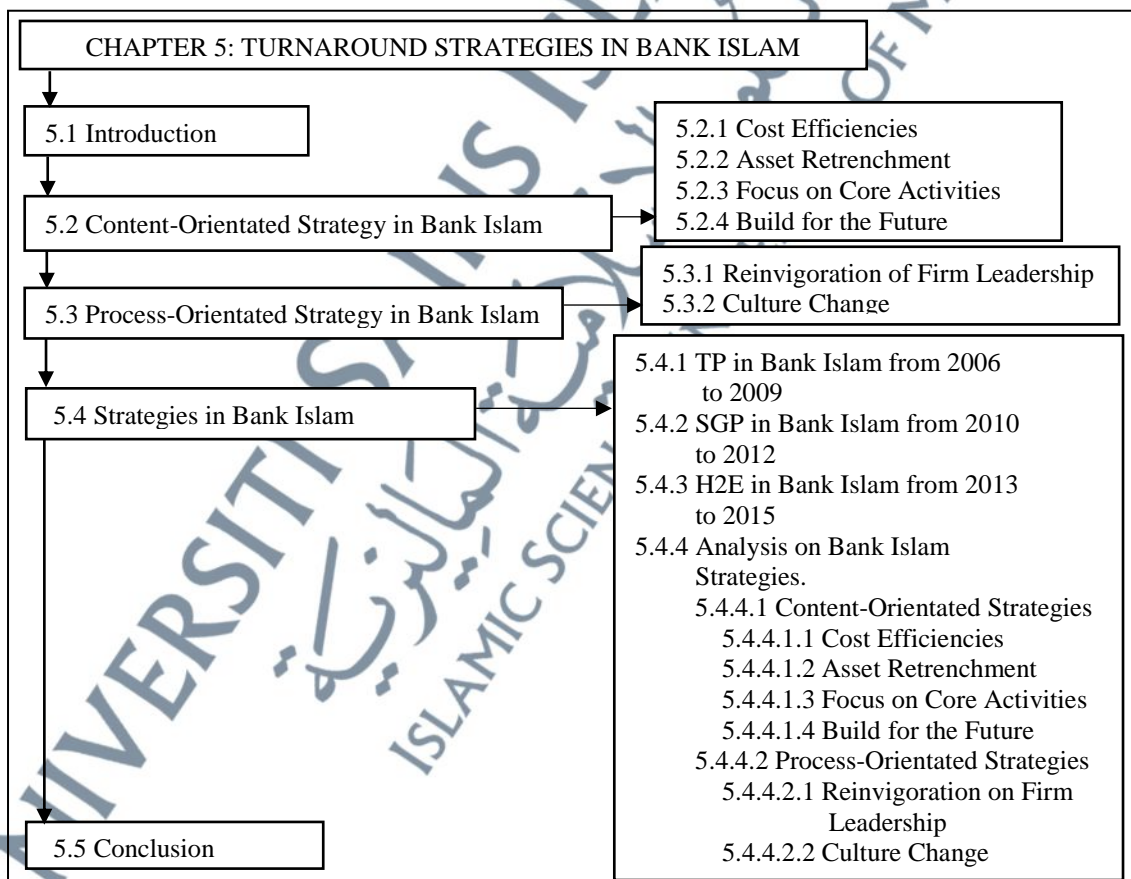
ITEM	Turnaround Strategies by Schoenberg et al		
	TP (2006 to 2009)	SGP (2010 to 2012)	H2E (2013 to 2015)
Content-Orientated Strategy			
COST EFFICIENCIES			
1. Information on R&D	X	X	X
2. Collecting and Reducing Accounts Receivable	No report	No report	No report
3. Cutting Inventory	X	X	√
4. Stretching Accounts Payable	√	√	√
5. Reducing Market Activity			
a) Return on Earnings	√	X	X
b) Zakat and Tax Expenses	√	√ & X	√
c) State of Investments	X	X	√
d) Assets	X	X	X
e) Liabilities	√	√	√
f) Equity	X	X	X
g) Profit and Loss	√	X	X
6. Adjusting Wage Incentives	X	√	X
7. Tighter Stock Control	No report	No report	No report
8. Financial and Capacity Controls			
a) Account Receivable	No report	No report	No report
b) Account Payable	√	√	√
c) Salaries and Wages (Payroll)	X	√	X
d) Personnel Expenses (Payroll)	X	√	X
e) Fixed Assets	No report	No report	No report
f) Inventory	√	X	√
g) Capital Control	√	√	√
ASSET RETRENCHMENT			
1. Balance Sheet			
a) Total Asset	X	X	X
b) Total Liabilities	√	√	√
c) Shareholder Funds	X	X	X
2. Profit and Loss Report			
Profit and Loss Account of The Year (after zakat and Tax)	√	√	√
3. Cash Flow Statement			
a) From cash flow from operating activities	√	√	√

b) From cash flow from investment activities	√	√	√
c) From cash flow from financing activities	√	√	√
FOCUS ON CORE ACTIVITIES	√	√	√
BUILD FOR THE FUTURE	√	√	√
<i>Process-Orientated Strategy</i>			
REINVIGORATION ON FIRM LEADERSHIP	√	√	√
CULTURE CHANGE	√	√	√
TOTAL	17	17	17

Source: Annual Report of Bank Islam (from 2006 to 2015)

5.5 Conclusion

The study intended to find out the practices that Bank Islam carried out during its recovery process through the model of turnaround strategies from Schoenberg et al. (2013). The study also provides an outline of Chapter Five to show the changes as depicted in Figure 5.2.



Source: Developed for this Study

Figure 5.2: A Diagram Outline of Chapter 5

In terms of the recovery process, the study provides the three phenomenal strategies of Bank Islam, which are the TP (from 2006 to 2009), SGP (from 2010 to 2012), and H2E (from 2013 to 2015) during recovery, and development and growth performance of Bank Islam. In general, the study provides the summary of the turnaround strategies of Bank Islam as presented in Table 5.11. Bank Islam appointed Dato' Sri Zukri Samat as its Managing Director on June 9, 2006 (Annual Report Bank Islam 2009, page 23), who directed the implementation of the bank's turnaround plan and the achievement of the bank's strategic goals and objectives (Annual Report Bank Islam 2006, page 6). Dato' Zukri Samat, has the experience as the Managing Director of Pengurusan Danaharta Nasional Berhad (Danaharta) and he created a team to develop turnaround strategies to stop the bleeding, restore the bank's path for growth, restructure the bank, and restore its financial well-being. Bank Islam released three strategies, which were the TP (was implemented from 2006 to 2009), SGP (was implemented from 2010 to 2012), and H2E (was implemented from 2013 to 2015). The focus of the TP was on strengthening the capital base, restructuring the balance sheet, and implementing strategic reforms at all levels of business with two distinct aims; returning to profitability and positioning the bank towards sustainable growth. The study had already explored and interpreted the TP and assessed the practices of Bank Islam on the recovery process. However, in order to answer Research questions 4 and 5, the study could not only focus on the TP. This is because Bank Islam had also released other strategies, such as SGP and H2E. SGP and H2E served entirely different purposes in the performance of Bank Islam. These three strategies were announced by Dato' Zukri Samat, the managing director of Bank Islam. At the same time, the study aimed to find out the changes of Bank Islam during and after the recovery, by comparing the

assessments on Bank Islam's practices among the TP, SGP, and H2E based on the Schoenberg et al.'s model.

The assesment of the content and process-orientated strategies reveals that Bank Islam's practices appear to be consistent with Schoenberg et al.'s (2013) model for turnaround strategies.

