

CHAPTER 19

Building Leadership

Introduction

The importance of effective leadership in guiding, managing and executing in an Islamic finance institution (IFI) cannot be underestimated. Successful leadership is a result of both nature and nurture. While the former is inherent, there has to be investment in the means by which individuals develop effective leadership skills. This chapter discusses the complex and rapidly changing local and global environments in which the industry has to operate in, and the need for the development of effective future leaders for the industry whose vision and practice are rooted in Islamic principles. To survive and grow, the industry requires leadership that has insight and foresight as well as a set of skills to operate effectively and ethically in the changing context of the Information Age. It argues that competitive advantage will come from ensuring that the industry develops, but remains distinct from conventional banking and finance even in the context of increasing competition and the rise of multinational banks and financial institutions enabled by powerful information and communications technologies (ICT).

The chapter will conclude with an interview with a current leader of Islamic banking and finance, Dato' Sri Zukri Samat, CEO of Bank Islam, Malaysia. In the interview, we gain an insight into the leadership of man who managed to change the fortunes of a bank that was at one point looking towards insolvency, and is now one of the leading Islamic banks in Malaysia.

Effective and Ethical Leadership

Islamic banking and finance (IBF) has attracted huge attention not only from Muslims but also from national and global conventional financial institutions. The recent 9th World Islamic Economic Forum, held in London in

September 2013, is a testimony to this fact. However, the industry is at its infancy and has a lot to learn and develop – particularly in nurturing its distinctive Shari'a compliant identity, its governance and management systems, operational efficiency, customer relationship management and strategies for sustainability. For the industry to grow and increase its impact and contribution there needs to be an ongoing effort in the development of new Shari'a compliant products that provide a viable alternative to conventional banking and finance while trying to achieve Islamic objectives in the wider economy. Efforts are required in developing effective marketing strategies, in developing effective institutional systems and standards that must be met by the industry – including the standardisation of law, accounting, governance, regulations, etc. All this indicates a need for effective leadership; a leadership that has, on the one hand, a deeper understanding of the contemporary global economy and how it operates, and on the other, a clear vision on where to steer this infant but growing industry in light of a deeper understanding of the Shari'a, and a motivation to drive positive change in order to have an irreversible impact on our economies.

Effective leadership is a crucial factor in driving development, growth, innovation and progress in any industry. Literature on leadership suggests that companies with above-average leadership-team strength enjoy above-average revenue growth, relative to their industries (Holden 2003). Moreover, successful organizational transformations are mostly attributable to leadership ability. Effective leadership is required to take any organization and industry forward, and lack of effective leadership generally results in imitation, inertia, lagging behind and even decline of industries.

Our Changing Context: Understanding the Key Drivers of Change

It is said that we are living through a period of unprecedented transformative change, and this requires leaders with a new vision, new approaches, new set of skills, new management tools to operate effectively and a greater ability to adapt to continuous change.

The literature highlights that the key drivers of change in the age of globalization are numerous but technology and economic factors appear to be the most important, and both are driven in turn by the neoliberal ideology and advanced capitalism. Neoliberal ideology is underpinned by a belief in markets as the best allocator of resources in a society; by a belief that government intervention in markets hinders economic growth in the long-term; and by a belief that reliance on market forces will bring prosperity, liberty, democracy and peace to whole of humankind. Neoliberalism has emerged through the works of intellectuals such as Herbert Spencer, Friedrich Hayek, and Milton Friedman, together with the late-twentieth century brand of Anglo-American conservatism ("neo-conservatism") promoted by political leaders like Keith Joseph, Margaret Thatcher, and Ronald Reagan. These intellectual and political leaders placed an emphasis on a number of policy prescriptions such as liberalization (i.e. the need for free markets – to enable free movement of goods, services, people, and money), deregulation of markets and business, removal of government controls on wages, prices, etc., privatization of state enterprises and functions, and elimination of tariff and other barriers to free trade. As a consequence of aggressively implementing policies to realize these ideas we are witnessing today the internationalization of economic activity (particularly in trade and finance), global liberalization (i.e. of domestic and international economies), technological developments and innovations to facilitate this process (ICT revolution to achieve speed and cost reductions) and globalized production structures.

Technological developments are changing our concept of time and space. According to Manuel Castells (2000) a new concept of time (timeless time) and space (virtual space) is emerging in this Information Age. From a cyclic concept of time through to a linear concept of time, we are now witnessing the emergence of "timeless time". Due to the powerful capabilities of information and communications technologies (ICT) of automating, networking and even transformation, organisations are able to operate in real time on a planetary scale. Time is dissolved by enabling the disordering of a sequence of events and making them simultaneous such as real-time parallel and concurrent processing and coordination of social and business activities.

Manuel Castells suggests that developments in technology and the new economic paradigm are leading to the emergence of new social structures (a network society), a new economy (a global informational economy) and a new culture of "real virtuality" (Castells, 2000). We are witnessing the erosion and weakening of national and cultural boundaries, greater reflexivity and a rapid

increase in the flows of people, technology, money, media/cultural products and ideas. "The old organizational pyramids of the nineteenth century are crumbling, being replaced by upside-down pyramids and circles and connections." (Greenleaf, 1997)

As an example, the way we conceptualize technology has changed gradually through time. First the internet was conceived simply as technology to exchange information. Later it became a social space for communication and interaction. Then it became a marketing tool, a business tool and now it is conceptualized as a global space through metaphors such as global village(s). The control over national economies is eroding as technological and economic drivers are disintegrating national borders and leading to a global information economy (with global networks; increasing pressure to compete), and global customers, products, operations, resources, and collaboration, and low labour cost in many developing countries.

The IBF industry has to operate and grow in this complex and rapidly changing context. There is an increasingly mobile (nomadic) population, changing lifestyles (due to postmodern ideas), increasing over-65 population, a breakdown of traditional family structure (e.g. nuclear and even single parent families requiring more child-care services, eating-out culture, etc.), and, more importantly for the Islamic finance industry, the increasing dynamic and importance of consumers' power and choice, as well as the rapid political changes taking place. Leadership that fails to grasp these changes and understand the key drivers underpinning them will not be able to develop effective strategies for innovation, growth and contribute to the progress of the industry.

Envisioning the Industry Through the Islamic Lens

Islamic finance is an effort to apply Islamic principles and values to commerce and financial transactions, with the aim to realise Islamic objectives. These objectives direct attention to reducing or even eliminating exploitation, unfair means of wealth creation, and the concentration of wealth in a few hands; at the same time encouraging enterprise, engaging financial partners in sharing risk and investing in the development of beneficial products and services. Thus, in addition to understanding the context, future leadership in the industry needs to have not only a deeper understanding of Islamic objectives (Maqasid) for financial transactions and the principles that should frame governance and financial products, but they also need to grasp the wider Islamic objectives for social life. It will not be enough for leaders to only have experience in management, planning and strategy. Hybrid leaders are required who will have both management competencies as well as deeper insight into the Shari'a and its application in a rapidly changing environment that is predominantly rooted in capitalist and neoliberal values.

Currently, IBF has not been able to win the confidence of large sections of the Muslim world community (Ummah). Simply because many do not have sufficient awareness or even confidence that it operates wholly according to Islamic principles. They are not able to

clearly differentiate between those institutions that employ Islamic concepts to maximise profits only and those that are truly Islamic, and are striving to realise the wider Islamic objectives that are beyond profit maximisation. There is indeed suspicion and even mistrust amongst a large section of the ummah. Is the industry simply imitating conventional banking and finance products and instruments and labelling them by Arabic terminology? Is the industry effectively regulated by Islamic experts in the field? Is the industry actually achieving Islamic objectives and having an influence on the conventional economic and financial systems?

Thus, for the industry to survive and grow it is essential that future leaders develop mechanisms and structures for the on-going examination of banking and finance products and instruments pervaded by a deeper understanding of wider Islamic objectives and principles for social life. This process will assist in ongoing innovation and development of the industry and enable it to lead rather than follow conventional systems and models. It will also ensure, through this closer alignment of products and instruments to Islamic principles, the development of customers' trust in the industry as Shari'a compliant. This in turn will ensure customer confidence and loyalty and hence provide impetus for growth.

In order to ensure greater compliance to the spirit of Shari'a, it is essential that the development of Islamic banking and finance is guided by an Islamic framework of thinking rather than conventional ways that are dominated by concerns for profit maximisation, market share and efficiency gains. Conventional thinking is on the whole compartmentalised rather than integrated. It is functional and encourages a reductionist view of life and issues. In contrast, Islamic thinking is integrated and holistic. It suggests that life cannot be understood through separating it into its component parts – i.e. into separate social, moral, legal, economic and political aspects. Each aspect of life impacts on other aspects. Social systems impact education, economy and political aspects, and vice versa. Life needs to be viewed in an integrated way.

With this way of thinking, future Islamic leaders would be able to move away from functional thinking about banking and finance towards integrated thinking as Islam requires. This implies that financial products, instruments and services need to be developed not only in view of Shari'a objectives and principles related specifically to financial transactions, but in view of broader Islamic objectives and principles related to other aspects of life – such as to ensure human dignity, social justice, social responsibility, peace and rule of law. This is because financial transactions, decisions, products and services do impact social, cultural, economic, legal and political aspects of life. The Islamic approach advocates that deep consideration ought to be given to both the positive and negative impact of financial transactions, products or instruments on other aspects of life of all parties involved. For example, Islam would recommend that the industry considers whether providing loans based on Islamic principles to customers might, in addition to helping customers, have a negative impact on encouraging the growth of debt in the economy and a culture of dependency on banks as loans have become easily available. If so, then how can these negative aspects be minimised?

It is this type of thinking that will enable future leaders to be vision and mission driven; to innovate, compete, develop and enable the industry to make a significant impact on the economy and also on other aspects of life. It will enable the industry to be seen distinct from conventional banking and finance because it significantly distances itself from having material objectives only, such as profit maximisation, to having a broader vision that encompasses social, cultural, and economic objectives to improve and sustain social life.

Managing Through the Islamic Lens

Future leadership in the Islamic banking and finance industry, or any other industry for that matter, is required to have deeper understanding of management tools in order to develop mission driven efficient, effective and ethical organisations and systems of governance in the industry. In this aspect, future leaders can learn much from Prophet Muhammad as well as from modern management.

For example, the Prophet Muhammad built mission oriented institutions, which were not motivated by profit or other material interests only, nor worked for short-term objectives (e.g. for quick profits), nor had command and control and hierarchical structures, nor relied heavily on external control mechanisms and bureaucracy, or placed emphasis on status, roles, ceremonies, or other material values. Rather his Islamic oriented institutions were motivated by higher spiritual values and driven by vision and mission – of bringing social value/benefit or being useful to others and society. His organisation (Jamah) had flatter and networked structures; was team oriented and valued consultation (Shura) and empowerment of workers and managers. He placed emphasises on inner control and motivation mechanisms such as God-consciousness (Taqwa), taking ownership, self-discipline, love for excellence (Ihsan), effectiveness, efficacy, trust, moral values, social responsibility and benefit to society. When planning, organising or delegating, he gave attention to details. For example, when he made his historical journey to Medina, he planned all minor details, and we see this repeated in all of his actions. He worked to build alliances and coalitions to achieve his vision of a just world order. His system of governance, his participative leadership style based on shura, his attention and closeness to all his team members, etc., all demonstrate his superior management and leadership skills.

History bears testimony to the fact that Prophet Muhammad as a model leader did indeed develop an Islamic oriented organisation that developed a powerful team spirit, gelled its members into a force for positive change, nurtured a consultative culture, and which in turn enabled the warring Bedouin Arab tribes to emerge as a superpower of its time, and who changed the course of human history. Future leaders in the Islamic banking and finance industry need to draw out management and organising concepts from his life in order to shape a better future for the industry.

This sort of thinking will enable future leaders to design more effective institutions that are both efficient and

socially responsible; both profit maximising and ethical simultaneously. Effective institutions in turn produce innovation, growth and progress. Effective Islamic oriented institutions endeavour to deliver products/services for societal benefit ethically (for employees, customers, suppliers, etc.), legally (within the law), ecologically (not wastefully) and efficiently (achieve greater output for a given input). They design more effective internal, customer facing and business partner-facing processes. Processes and systems that have clear outputs, are streamlined, which cut out fat (i.e. reduce waste, inefficiencies, etc.), and are fit for purpose. They have systems to enable effective horizontal and vertical communication; have dignified control mechanisms that do not treat the workers as 'things' but uplifts them and nurture a consultative culture (shura-based, knowledge-sharing and team-based) and propels individual and collective growth. In other words, Islamic oriented institutions should enhance dynamic capabilities, that is, an institution's "ability to integrate, build and reconfigure internal and external resources to address rapidly changing environments" Teece et al (1997). Dynamic capabilities enable institutions to "alter their resource base—acquire and shed resources, integrate them together, and recombine them to generate new value-creating strategies" (Grant, 1996; Pisano, 1994).

Essential Leadership Competencies

Future leaders, in addition to having a deep understanding of rapidly changing contexts, understanding of Shari'a objectives and principles for financial transactions and social life in general, as well as understanding the application of management concepts within the Islamic framework, will also be required to develop numerous other competencies to provide effective and ethical leadership in the Islamic banking and finance industry. Future leaders will be expected to challenge ineffective institutional processes, inspire a shared vision, model the way, and communicate effectively through verbal, non-verbal and numerous electronic channels. They will need to lead oneself, others and the organisation effectively; each one of these areas requires a new set of skills and abilities.

Foremost in the list of competencies to enable leaders to function effectively in our complex and changing environment is to build and harness social capital in addition to financial capital – that is, the ability of leaders to build trust, link people and engage a network of people and institutions in the role of leadership. Social capital is an important factor in developing competitive advantage as it enables people to pull together, provide emotional, social and economic support to each other, provides access to intelligence and influence, which all assist to develop institutional synergy and momentum for development and progress. Leadership cannot be provided effectively by a single person – simply due to the rapidly changing and complex environment, which requires a range of leadership abilities, specialist knowledge and skills, and influence that are difficult to be incorporated in any one single person. The emerging leadership requires teams of people in organizations making sense together of the challenges facing them and where they participate in leadership at every level.

To nurture and build social capital will necessitate a training environment where networks and coalition building are developed along with team-based skills and effective management of networks. There is a need for leadership to draw on the expertise of Shari'a scholars and academics, finance and banking experts, strategic thinkers, management and ICT professionals as well as networks of other partner organisations in order to build viable and successful institutions. Thus, future leadership will incorporate a range of both hard and soft skills such as being able to manage effective teams and workgroups, building and maintaining relationships, developing others and communicating effectively. Effective teams and business networks facilitate strategic thinking (thinking globally), assist in building partnerships and alliances, and develop shared leadership.

Softer skills include the ability to understand oneself as well as others, and this aspect is also emphasised by Islamic teachings. Islam encourages ta'aruf (getting to know and understand each other), mutual cooperation, respect, forgiveness and mercy towards each other. All these arise from high emotional intelligence, which is seen crucial for leadership effectiveness. Emotional intelligence involves the "ability to perceive accurately, appraise, and express emotion; the ability to access and/or generate feelings when they facilitate thought; the ability to understand emotions and emotional knowledge; and the ability to regulate emotions to promote emotional and intellectual growth" (Mayer and Salovey, 1997). That is, in addition to the skilled use of reason, the ability to learn from experience, the ability to adapt to the surrounding environment, and to have the know-how involved in comprehending social situations and managing oneself successfully, emotional intelligence involves the ability to perceive, express, understand, and regulate emotions in human interactions. Effective leaders identify emotions, understand the causes of emotion to figure out what makes people "tick", and use and manage emotions to solve problems and make optimal decisions. This enables leaders to tackle inter-personal situations more effectively such as emotional upsets, handling egoism or handling inferiority complex. The importance of emotional intelligence has been made succinctly by Daniel Goleman (1995), who states: "If your emotional abilities aren't in hand, if you don't have self-awareness, if you are not able to manage your distressing emotions, if you can't have empathy and have effective relationships, then no matter how smart you are, you are not going to get very far." (Goleman, 1995)

Moreover, for sustainability and to ensure compliance to Islamic principles, leadership must be morally conscious and practice ethical behaviour. This is important because there is a prevalent belief that enterprises operates in a moral vacuum (McKenna 1996; Kline 2006). Because of this widespread belief that business and ethics do not go together: "Business ethics" is seen as an oxymoron (Donaldson and Werhane 1988; Velasquez 1992; Bird 1996). Unfortunately, both economic and mainstream management theories appear to have evolved over the last 70 years in a way that paid little attention to moral and social principles. Within these theories managers owe allegiance solely to the owners (shareholders), and drive businesses through the yardstick of profit. The argument is simple: profitability is, after all, a necessary condition

of staying in business. It is argued that this viewpoint emerges from a specific secular-materialistic worldview and its ensuing value system. This is why words such as trust, integrity, dignity, care and virtue still fail to hold significant practical meaning (Parvez, 2007)

In view of this, we witness trust between business organisations themselves and between consumers and businesses is declining. Milton-Smith (1995) retrospectively commenting on 1980's and 90's business environment suggests it to be a period of unparalleled greed: one has only to think of Imelda Marcos, Robert Maxwell, BCCI Directors, and Nick Leeson in the Barings Bank collapse. More recently, with corporate collapses such as Enron, Tycho and WorldCom, many questions have been raised about the integrity of business and government leaders. In order to build and sustain trust in the industry, future leadership must set high standards of personal and institutional integrity and ethical behaviour. Inculcating this suggests systems of self-introspection, stock-taking and evaluation are required. Such systems enable increasing self-awareness, managing oneself, increasing capacity to learn, developing adaptability, displaying drive and purpose, and developing moral consciousness, integrity, ethical and professional behaviour.

In summary, the Islamic banking and finance industry has to operate in the economic context created by conventional financial practices, and products and services. Unfortunately, conventional banking and finance industry is predominantly driven by economic values and profit-maximising. This does make it difficult to operate within the Islamic value-set and to stand out distinctly in the industry as a viable alternative. Moreover, there is the challenge of understanding the key drivers of our age and how to steer the industry in the emergent turbulent environment. If the Islamic banking and finance industry is to survive, grow, stand out and become a viable alternative, it needs to develop effective responses to both of these challenges. The need to develop and nurture future institutional and industrial leaders who are trained to envision the industry through the Islamic lens, manage through the Islamic lens, have the requisite leadership competencies, management and strategic skills as well as softer skills such as emotional intelligence, must be rooted in Islamic objectives and principles for financial transactions and for the broader social life.

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Nurturing a New Breed of Islamic Bankers

The Global Islamic Finance Awards (GIFA) "Islamic Banker of the Year 2013" Dato' Sri Zukri Samat sheds light on how he took on the mammoth task of changing the mindset and culture of Bank Islam Malaysia Berhad (Bank Islam) to transform Malaysia's maiden Islamic bank from being at the brink of financial collapse to become one of the country's top players.

Bank Islam has played an integral role in the robust growth of Malaysia's Islamic financial services industry since its inception in 1983. However, it has not always been smooth sailing for the country's first Shari'a-based institution as it faced financial turmoil and the threat of a potential bank run in 2006. It was during that year that Zukri Samat accepted the request by the then Prime Minister, Tun Abdullah Ahmad Badawi, and the Central Bank of Malaysia to lead the transformation of the ailing bank.

Zukri aptly reprioritised the Bank's operations by restructuring and refocusing the business as well as re-inventing its brand perception. Under his stewardship, the Bank made remarkable progress. Utilising his experience of more than 20 years in banking, Zukri revived the Bank to become one of Malaysia's leading Islamic banks. Living up to its pioneering heritage, Bank Islam today offers a comprehensive list of more than 70 innovative and sophisticated Islamic banking products and services. It has expanded its network with 133 branches and more than 1,200 self-service terminals nationwide, and is ready to make further inroads in the region.

Numerous local and international accolades received by the Bank were further testaments to Zukri's achievements and these include the recent "Islamic Banker of the Year 2013" award by GIFA. In fact, in 2013, the Bank was named "5th Strongest Bank in Malaysia" by The Asian Banker and garnered several awards including "Most Innovative Islamic Bank (Malaysia) 2013" by International Finance Magazine, "Best Islamic Bank in Malaysia" by Islamic Finance News, "Islamic Bank of the Year (Malaysia) 2013" by The Banker, "Best Islamic Bank in Malaysia" by Focus Malaysia, "Trailblazer of the Year 2013" – Trailblazer Awards by Banking & Payments Asia, among others.

Under Zukri's helm, great stress has been laid on values too. A strong believer of ethics, his idea of values for Bank Islam includes making it a leader in the industry and turning it into an organisation which is trustworthy and caring. The award-winning banker is also actively involved in corporate social responsibility activities as he believes in elevating the livelihood and wellbeing of those in the Bank's workforce as well as communities in the areas in which the Bank operates.

Based on his vast experience, past performance and credibility, Zukri was appointed by Bank Negara Malaysia (BNM) and the government to hold posts in several committees under the central bank's purview. He is the chairman of Islamic Banking and Finance Institute of Malaysia (IBFIM), a director and an executive committee member of Asian Institute of Finance (AIF), a member of the Professional Development Panel of International Centre for Education in Islamic Finance (INCEIF) and a member of Federal Territory Islamic Religious Council (MAIWP).

Zukri was conferred the accolade of "Datukship", a Malaysian honorific title from the Sultan of the state of Pahang in 2003 and "Dato' Sri" in 2009 and later from the Sultan of Kelantan in 2012 for his significant contributions and achievements to the country and industry.

1. Congratulations on being named "Islamic Banker of the Year 2013" in the recent Global Islamic Finance Awards (GIFA). Tell us the significance of this award for you, Bank Islam and the Malaysian Islamic banking industry.

I am deeply honoured to be the recipient of this prestigious award. However, I wish to reiterate that the award is not for me alone but for the teamwork exhibited by all the staff of Bank Islam who has worked very hard to build the Bank into what it is today. I am also very grateful for the strong support given by the government, BNM and our shareholder, BIMB Holdings Berhad as well as our former shareholders Lembaga Tabung Haji and Dubai Financial Group.

This award marks another important milestone for the Bank and has boosted the momentum for growth for the Bank and the sector in which we operate in. I would like to thank GIFA for the recognition which certainly enhances the Bank Islam brand and reinforces the Bank's role as the leading light of the Islamic banking industry.

2. What do you consider to be your greatest achievements since taking over the helm of Bank

Islam seven years ago?

When I came on board, Bank Islam's losses amounted to approximately MYR1.8 billion (MYR500 million and MYR1.3 billion in 2005 and 2006, respectively) due to non-performing financing. This posed a threat not only to the Islamic banking system but the banking system in general. With the threat of a bank run looming, the challenge back then was to convince stakeholders that the situation was under control and relay the strategies we planned to put forth. We met and communicated our strategies to our shareholders, regulators, large depositors, and politicians and subsequently managed to rope in two new shareholders, Lembaga Tabung Haji (LTH) and Dubai Investment Group (DIG), to inject additional capital of approximately MYR1.04 billion into the Bank. I must admit that it was a difficult period as the shareholders kept a close watch on our progress.

Then there was also the challenge of overcoming resistance from the organisation. Changing the mindset and culture was perhaps the toughest task. Changing the sales culture and injecting new blood from other organisations received a lot of resistance at the beginning. We faced a greater challenge in attracting talent as nobody wanted to jump onto a "sinking ship" so to speak. The staff also needed assurance that the CEO and new management could drive the Bank back to profitability with the new strategy. It is true what people say, managing people is the hardest. Most of the time, we had to make decisions which were not necessarily popular but crucial for the survival of the Bank. For instance, the introduction of some non-Muslims in the management team to fill the void in expertise and promote cross culture for key positions such as Risk Management and IT. I was heavily criticised for hiring them but looking at where we are today, it turned out to be one of the best decisions I have ever made for the Bank.

It was during that time that communication played a vital role. I realised that there could not be a lack of transparency in conveying the strategy. My job was not just to communicate but communicate well too. It was important that everyone was on the same page in order to move forward. It took a lot of effort and perseverance but, Alhamdulillah, the organisation eventually embraced the new culture and the new management gained the confidence of the workforce and the shareholders. The Bank returned to health within a year and we have never looked back since.

Another challenge that I wish to highlight is the public perception of Bank Islam and Islamic banking in general. Despite being the pioneer of Islamic banking, Bank Islam was not seen to be on equal footing as its peers and conventional counterparts. The public's lack of understanding of Islamic banking and the fact that it was perceived to be exclusively for Muslims were issues we had to address. That is why among the first tasks I carried out was to reinvent the brand perception of Bank Islam by changing the logo and revamping the branches' outlook in terms of look and feel. We implemented re-branding initiatives to help articulate the image of inclusiveness of religion and race so that Bank Islam would be perceived as "the Bank for all". As I reflect on the journey we had gone through, I would like to extend a strong sense of gratitude to my team for their relentless support and hard work. I think we can all be proud of what we have accomplished for the Bank over the years, both individually and collectively. Of course a lot of things can still be improved but I believe we are moving in the right direction.

3. How would you describe your leadership style?

Prior to Bank Islam I was the Managing Director of Pengurusan Danaharta Nasional Berhad (Danaharta), the national asset management company established to manage the non-performing loans (NPL) during the 1997/1998 Asian financial crisis. Danaharta was a debt resolution agency set up as a pre-emptive measure by the government to avert a failure in the banking system. It was a critical component to the national agenda in managing the financial crisis to ensure Malaysia was out of the woods. At that point, the job put me under a lot of pressure, requiring endurance on my part and the confidence to make countless instinctive decisions, but I kept going. In 2005, we managed to close the book with 58% recovery rate. The World Bank acknowledged our efforts and documented our achievements in their periodical issue that year. Managing Danaharta had indeed provided me with an invaluable experience. Coupled with the experience gained from leading Bank Islam, both have definitely moulded my leadership style.

I believe in putting the right people in the right jobs, nurturing their talents, motivating them to want to perform rather than being encouraged by force, eventually leading to a situation of "leaders creating leaders". Of course, as a leader I need to come up with clear directions or strategies and communicate them at all levels in a clear and concise manner.

I also sincerely believe in "playing to your strengths". Strengths are a person's innate talent, things they do well naturally. Everyone has them and when identified, nurtured, and channelled appropriately, they can have a dramatic effect on performance and the bottom line. This is what I focus on, be it within myself or when managing my subordinates.

In my organisation, I like to have discussions with senior level management, typically management committees. When we need to make a decision, it is good to have a discussion around the table and take into account of opinions that emerge. In other words, many heads are better than one. Teams can be smarter and more effective than the individuals who make up the team, but of course only under the right circumstances. If it is a unanimous decision, it is even better. If there is no consensus or a split in the committee, I will have to make the final call. Once a decision has been made, everyone has to toe the line and carry it out. I think the whole process is important to advocate a decision making culture and provoke team spirit. I believe that making the wrong decision is better than to have made none at all.

One of the things I picked up as a leader is the power to influence. And to do that, I need to “walk the talk”, supporting what I say, not just with words, but also through action or evidence. For instance, when I joined Bank Islam, it was going through a difficult period and we were very careful in managing costs. When we had to travel, I did not mind taking the low cost carrier as a mode of transportation. After all, it is important to practice what you preach if you want to be taken seriously.

4. When you took the helm of Bank Islam in 2006 the Bank was struggling with its huge losses and non-performing financing. Today, the Bank is one of the strongest Islamic banks around, as documented by both local and international authorities. What steps did you take to steer the Bank back to profitability?

When I took over the Bank, we immediately embarked on a three-year (from October 2006 to June 2009) turnaround strategy which we called the Turnaround Plan (TP). Its main focus was to strengthen the capital base, restructure the balance sheet and introduce strategic reforms at all levels of operation with two distinct goals: to return to profitability, and to position the Bank for sustainable growth. There were 5 pillars under the plan, namely:

- (1) Recapitalisation and Balance Sheet Restructuring;
- (2) IT Infrastructure Revamp;
- (3) Transformation Programme;
- (4) Cost Rationalisation; and
- (5) Human Capital Development.

The TP involved the entry of a new management team, a wide-scale reorganisation exercise, and an extensive revamp of the Bank's policies and processes. The first step taken was to ensure effective leadership at the Board level and to improve governance and transparency. We therefore, reorganised our Board composition to include professionals. This was especially important as highly effective boards should include a mix of directors with the expertise and experience to fulfil their essential oversight roles.

As I mentioned earlier, the entry of the new management team was not received favourably by the organisation. Another problem was to get in new people who can deliver what we want. It was not easy to convince people to join us given the situation the Bank was in at that time. We needed the buy-in from the new team and their conviction that the CEO is the right person to manage the Bank. And the challenge was to make everyone believe that the plan was doable.

Of course strategy will only succeed if it is supported by the appropriate cultural attributes. Studies have shown time and again that there is no more critical source of business success or failure than a company's culture. Although Bank Islam is a private sector-owned entity, the Bank used to run very much like a public sector organisation which was why we had to introduce new policies such as Key Performance Indicators (KPIs), Pay by Performance and Sales culture. Building the right culture required consistency, persistence, gentleness and behind-the-scenes encouragement in addition to top-down support.

Saying all that, one advantage that Bank Islam has is it is seen as a “true blue” Islamic bank and this attracts customers who are banking on convictions and do not compromise on Shari'a principles especially in relation to co-mingling of funds. That is why we are resolute on the matter; ensuring Shari'a principles are strictly adhered to where business conduct, corporate responsibility and product offerings are concerned. In addition, to promote globally accepted Islamic banking products and services, our objective is to gradually move away from Shari'a compliant products (adaptation of Islamic financial products from the conventional version) to Shari'a based products (formulation of products based on Shari'a principles at the onset until completion). One of the steps taken is the internalisation of Shari'a scholars, bringing experts from other parts of the world to be part of our Shari'a council in developing globally accepted products.

Alhamdulillah, we managed a remarkable turnaround and steered the Bank back to profitability in just 12 months. And it was during those crucial three years that the Bank has gone on to announce good financial results. As a matter of fact, the Bank continued to make profits from that point onwards, reaching new record

every year (except for 2009 when it had to make a provision).

5. Elaborate the performance culture that you cultivated at the beginning of your career with Bank Islam.

My definition of performance culture is based mainly on discipline. And I believe this promotes decisiveness, meeting standards of excellence and direct accountability. In my view, such discipline is the main reason why commitments and expectations are always clear which was why we introduced the concept of high performance culture with set targets such as Sales culture, KPIs, and rewards based on performance. Remuneration package was also introduced to incentivise employees to perform better.

One of the root causes of the problems at Bank Islam in 2005/2006 was largely the result of high non-performing financing. The initial assessment that we carried out revealed that the Bank did not have a robust credit evaluation process, had insufficient depth and breadth in processing financing applications, and the most glaring was the absence of a proper risk management framework. This led us to revamp the Risk Management Roadmap and equip the Bank with capable human resources, infrastructure and a support system. We also inculcated the risk awareness culture so everyone became aware of the different types of risks and their likely impact to the Bank. Our approach was "Risk management is everyone's business."

The high losses incurred also meant that every ringgit counts. For us back then, recovering non-performing financing was a priority. We then set up a focused recovery team dedicated in getting maximum recovery. The efforts certainly paid off and we saw a steady drop in net non-performing financing ratio in the following years.

Bank Islam's business model has always been one that focuses mainly on retail banking. However, the branches back then served only as service outlets. Turning the Bank into a profitable organisation required revamping the business model. To cultivate a sales culture, we had to change the branches into profit centres rather than service outlets. We set sales targets with commission payable as incentives based on risk profile and the asset quality of the customers. We also introduced special incentives for high performers including an overseas leadership programme. As a result, net financing more than doubled between 2007 and 2012 from MYR8.5 billion to MYR19.5 billion, driven by the new business model.

6. Can you share with us the strategy taken after the successful implementation of the Turnaround Plan especially where human talent is concerned?

Following the TP which ended in June 2009, we moved into executing the Sustainable Growth Plan ("SGP") from July 2009 to December 2012. This was formulated to centre around business innovation, robust risk management, strengthening enabling infrastructure, building capability and capacity, franchise development, and inorganic growth and corporate expansion. The target was organic growth in the retail banking business with focus on broad-based retail customers and secured or collateralised financings. For us, it is important that the growth we charted in the past few years is sustainable as the name SGP rightly suggests. And to sustain growth, we need to retain talent.

Attracting and retaining the best talent is one of the biggest challenges in the current market environment. Over the years, Bank Islam has also become the source of reference for Shari'a based banking and finance, and has been instrumental in the rapid development of the IBF industry inside and outside the country. In the past we received delegations from various central banks such as those from Nigeria and Oman and banking representatives from other countries such as Saudi Arabia and Indonesia, requesting us to share our experiences with them. To keep on doing so, we recognised the importance of having future generations sustain and promote the Islamic banking industry. That is why we have placed great emphasis on recruiting, retaining, and developing our talent pool.

At the same time, resources were also extended to further develop the Bank's "Growing Our Own Timber", an approach we adopt that identifies and grooms potential successors for the Bank's critical positions and management team to become our future leaders through rigorous leadership development programmes, on-the-job training as well as job rotations. This self-sustaining system of nurturing talent, which is expected to reach fruition in years to come, will provide the Bank with a larger resource of leaders in the IBF industry to drive more pioneering breakthroughs, in sha'Allah. Of equal importance is the need to attract new talent. To address this, the fast-tracked Young Leaders Programme (YLP) was introduced in early 2012 to attract high calibre graduates into our talent pool.

I am proud to say that our senior management team, who came on board as early as 2006, remains intact until today. I think we carried through what we promised. Alhamdulillah, with this plan, we managed to transform the Bank into one of Malaysia's leading Islamic banks today which is valued at almost MYR6 billion. The SGP also has resulted in the Bank making record profit every year as mentioned earlier.

Bank Islam is now on another three-year strategic plan, Hijrah to Excellence (H2E) covering the period 2013 to 2015. H2E hinges on six pillars namely robust organic growth, service excellence, Shari'a led innovation, resource optimisation, employer of choice, and regionalisation. For the financial year 2013, the Bank continued with its strong earnings trend, reporting PBZT of MYR683 million (US\$209 million) or 13.8% year-on-year growth. I hope that Bank Islam will continue to flourish and eventually achieve its aspiration to become the Employer of Choice (Bank Islam is currently among Malaysia's 100 leading Graduate Employers). I know it is still a long way to go but I am confident that we are on the right path.

7. What are the plans you envisioned for Islamic banking moving forward?

First of all, I think the lack of public understanding of Islamic banking must seriously be addressed to ensure further development of Islamic finance and its growing importance to the Malaysian and global economy. Five years after the eruption of the global financial crisis, the world is still grappling with securing financial stability, generating meagre growth and high unemployment. Global economic recovery is perhaps best described as mediocre. Hence, modern finance needs to be redefined, placing justice, fairness, sustainability and inclusion in the ecosystem. This is where I believe Islamic banking can play its role and leverage on the situation. It is only timely that Islamic finance is no longer seen as an alternative but a must to all Muslims as it is part of the teachings of the Quran and the Sunnah. The governments of all Muslim countries should now consider moving to Islamic banking. At the same time, Islamic finance should champion ethical and responsible banking too.

I also think that for Islamic finance to grow, it has to be part of the education system. There is a need to intensify the initiatives to promote awareness of Islamic finance, and to create this is through education for Muslims and non Muslims.

Only when Islamic finance is fully accepted and understood, can we then create an Islamic financial system that is integral to the financial system. With that, in sha'Allah, Malaysia will be able to achieve its Islamic finance hub status and eventually establish "the bank for all".