

PROPOSED BUSINESS STRATEGY FORMULATION FOR CIMB NIAGA SYARIAH

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Abstract- Indonesia is a country that is highly developed. In the future, With a very large population, Indonesia will play a major role in the world economy,. Slowly, Indonesia becomes the world's investment objective. This makes banking industry play a major role in supporting these developments. CIMB Niaga Syariah, as part of CIMB Niaga and CIMB Group, will support the financial transactions of its customers, especially in the Islamic banking segment. Some Islamic banks in Indonesia have separated "spin off" from the parent company to form a new legal entity. Applicable laws actually give space to Islamic banking to run business efficiently, by using office channeling scheme. CIMB Niaga calls it Dual Banking Leverage Model (DBLM). This project will define the most appropriate strategy to adopt by CIMB Niaga, by evaluating internal and external factors. The internal and external analysis are based on Islamic banking business proces, then discuss them with the management of CIMB Niaga Syariah. The writer will present early analysis in the form of questionnaires which will be distributed at several Branch Managers, Marketing/Business Managers, Support Unit at Headquarters and Dual Banking PICs. Internal and External analysis results will be established in the SWOT analysis/matrix. And then formulate strategies by using the TOWS Matrix. The outcomes of the analysis are solution and implementation, i.e forming more integrated Product Development Group, proposed partial closure of a branch which can not produce profits, and maximizing Office channeling. Supervision will also be improved with more structured program. Access to information will also be simplified for the purpose of increasing employees ability.

1. Introduction

The idea of Islamic banking in Indonesia began in the 1980s. Beginning with the founding of *Baitul Maal Tamlik* (BMT) with Islamic principles. While large-scale developments, starting with the establishment of Bank Muamalat Indonesia (BMI) in 1992. These developments have been improving especially since the publication of UU No. 10,1998 which is the legal basis for the development of Islamic banking with the concept of dual banking. Since then, Conventional Bank could develop Islamic banking products, by establishing Sharia, though still having the same legal entity.

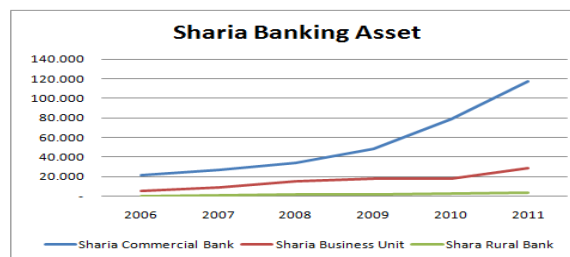


Figure 1. Sharia Banking asset (source Bank Indonesia)

The regulation could encourage the growth of Islamic banking faster. With the impressive progress of its development, which reached an average asset growth of over 40% per year in the last five years, it is expected that Islamic banking industry's role in supporting the national economy will increase significantly. CIMB Niaga is one of the national banks which develops Islamic banking. *Unit Usaha Syariah (UUS)* CIMB Niaga has a substantial role in the national Islamic banking industry.

A. Company Profile

CIMB Niaga was priorly known as Bank Niaga. Bank Niaga was established in 1955 as a national private bank. After its establishment, the bank focused on customers trust and professionalism of its employees. In 1969 when crisis hit the private sector in Indonesia, Bank Niaga was able to survive. Then in November 1974, Bank Niaga adjusted their business plans and became a full service bank to meet the demands of their customers. In 1998, Bank Niaga began providing services to the upper-middle class customers, expanding its customer base. In 1999 Bank Niaga was put under the supervision of the Indonesian Bank Restructuring Agency/ *Badan Penyehata Perbankan Nasional (BPPN)*. In 2002, Bumiputra-Commerce Holdings Berhad acquired Bank Niaga.

Since 2007, Khazanah as the ultimate shareholder of Bank Niaga (via CIMB Group) and LippoBank, had envisaged the merger as a mean to secure the majority shareholders' obligations toward Bank Indonesia's Single Presence Policy. This merger is the first merger to specifically fulfill this regulation. In May 2008, Bank Niaga changed its name to Bank CIMB Niaga. The merger makes Bank CIMB Niaga the 5th largest bank in terms of assets, deposits, lending and branch distribution network. Through its commitment to Integrity, perseverance to always place Customers first and passion for Excellence, Bank CIMB Niaga will continue to leverage its strengths to fully realize all of the synergies which the merger has to offer.

CIMB Niaga Expansion can be seen from its growing number of branches, which was 601 branches in 2009, to 615 branches at the end of 2010. And in 2011 had increased to 901 branches, consisting of 605 conventional branches, 24 Islamic branches, and 233 micro branches. The network is strengthened by 14 Cash Offices, and 24 Payment Points. CIMB Niaga also has overseas branch in the Caymen Island.

CIMB Niaga Syariah

CIMB Niaga Syariah is a CIMB Niaga Special Business Unit, established as response to the burgeoning Sharia banking business in Indonesia and growing customer demand for Sharia banking transactions.

CIMB NiagaVision

The vision of CIMB Niaga as a part of CIMB Group is "To be the most trusted Indonesian bank that is part of South East Asia's leading universal bank by understanding our customer's needs, providing the right comprehensive financial solution and building lifetime relationship".

Organization Structure

CIMB Niaga Syariah is still part of Bank CIMB Niaga, so its organizational structure still follows the structure of bank CIMB Niaga. CIMB Niaga Syariah remains in the directorate of Syariah and Commercial Banking, while the supporting functions for sharia are made by all directorates in CIMB Niaga. CIMB Niaga is a very large company, consisting of 13.612 employees, most of them deal with the conventional and Islamic banking business, the rest to be supporting transactions.

CIMB Niaga's organizational structure is as follows:

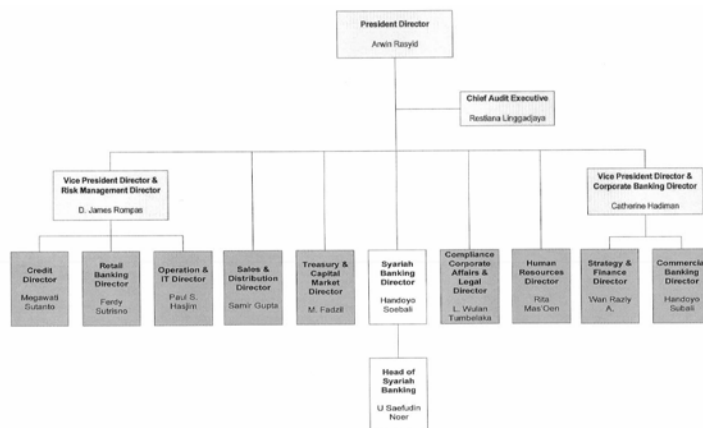


Figure 2. CIMB Niaga Org. Chart (Internal CIMB Niaga)

CIMB Niaga Syariah's Business Process and Products

In general, the banking function is an intermediary institution between the owner of the funds and the user of funds, as well as provides other financial services. This function is also a function of Islamic banking. However, the uniqueness of the concept of Islamic banking feature diversifies its product and business process. In general, the process in the Islamic banking business activities are as follows:

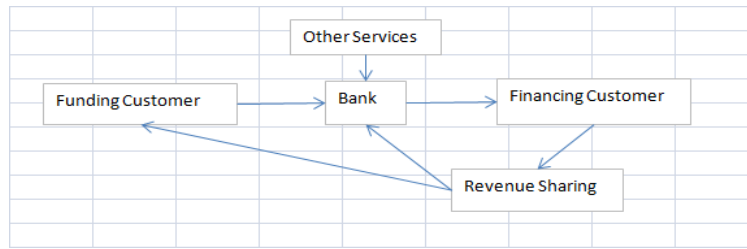


Figure 3. Islamic Banking Process

Financial Condition

CIMB Niaga Syariah is UUS of Bank CIMB Niaga, so that the financial statement is still consolidated with CIMB Niaga. However, in some publication of reports and accounting records of business transactions are made separately. CIMB Niaga Syariah is one of the positive contributor to the growth of sharia banking industry. CIMB Niaga Syariah assets increased by 66% from Rp 3,17 trillion in 2010 to Rp 5,26 trillion in 2011. Among the factors of this increase in assets is the growth of financing disbursement and collection of customer deposits. Financing increased by 74% from Rp 1,88 trillion in 2010 to Rp 3,28 trillion in 2011. Customer deposits increased by 68% from Rp 2,47 Trillion in 2010 to Rp 4,14 trillion in 2011. Increased financial performance, productive asset quality preservation, and greather efficiency ratio encouraged the improved revenue of CIMB Niaga Srariah. Profit before tax increased by 173% from 27 billion in 2010 to 73,04 billion in 2011.

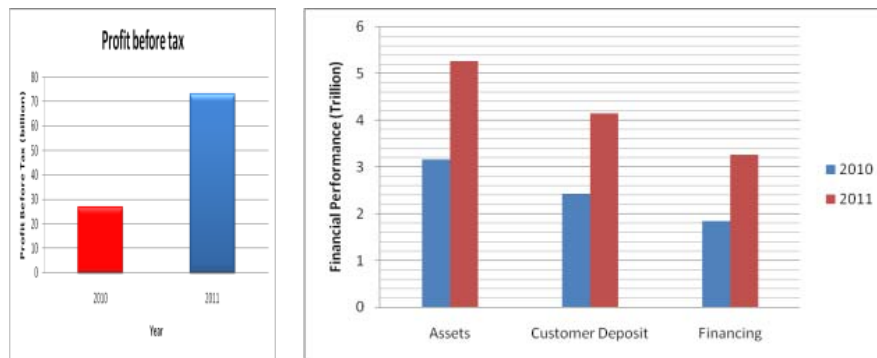


Figure 4. CIMB Niaga Financial Performance (Internal CIMB Niaga)

B. Business Issues

The development of Islamic banks and Syariah Rural Bank/ *Bank Perkreditan Rakyat* (BPRS) networks is a positive response from the demand of Islamic banking, which continues to grow. CIMB Niaga also captures this business opportunity with full support of CIMB Niaga and CIMB Group Malaysia. In its asset CIMB Niaga is a great UUS, however, funding products gives more contribution than financing. Based on discussions with the Bandung Branch Manager, Islamic banking should have a strong financing, when financing is good, it can generate a good income, resulting a better return for funding. With the rise of the high funding return, the more money comes to Islamic banks, so the industry continues to grow. In addition, Islamic banking sources of funds, especially CIMB Niaga Syariah, still concentrate in the Mudaraba deposits. So the profit margin earned by banks is very small. This makes the CIMB Niaga Syariah quite difficult to sell low-rate financing. As a result, it is not easy to develop financing.

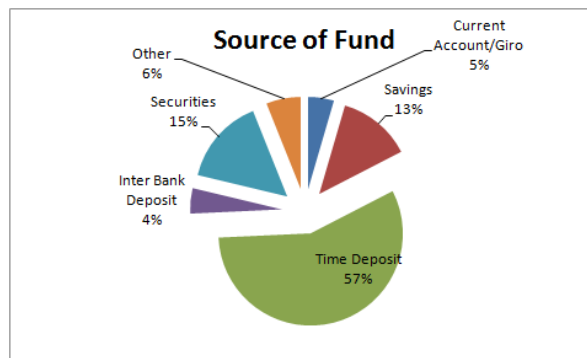


Figure 4. CIMB Niaga Syariah Source of Fund (Internal CIMB Niaga)

Competition between UUS and also *Bank Umum Syariah* (BUS) can not be separated, because they have same target market, so even if CIMB Niaga Syariah is a very large UUS, competition with BUS still occurs. Market does not see significant differences between the BUS and UUS, the only difference between them is the legality of the company, while the product and target market are not different. The issue is not just about competition, and source of fund, exploration related to how the company earns a profit is needed. So it can be known whether the profits generated is an advantage that can continue to grow, or if there is a potential decreasing in profits.

So there are some questions that will be answered namely,:

1. How is the condition of competition among Islamic Bank?
2. What are advantages and disadvantages of CIMB Niaga Syariah?
3. How is the form of strategy formulation to win Islamic banking market in Indonesia?
4. Which shape of the implementation should be done by CIMB Niaga Syariah?

2. Business Issue Exploration

A. Conceptual Framework

The Strategic management processes model proposed by wheelen and Hunger, that consists of : Environmental scanning, Strategy formulation, Strategy Implementation and Evaluation & Control,, is adopted as conceptual framework for this research, and shown as follows :

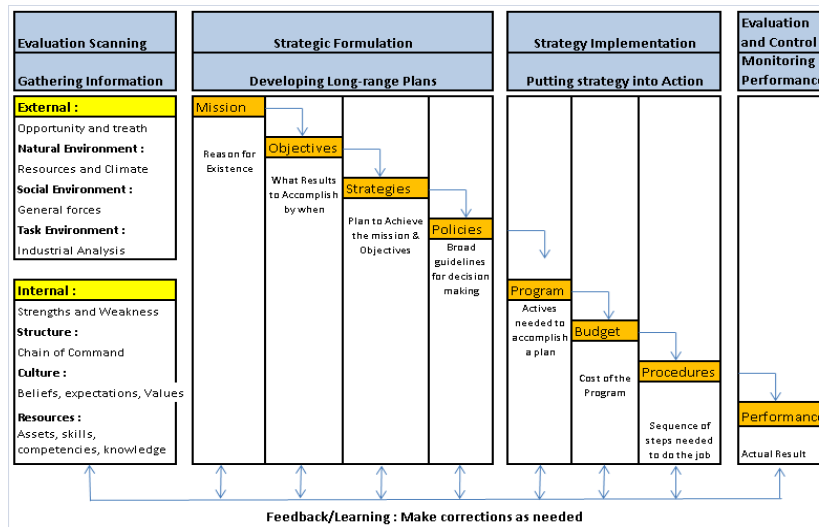


Figure 5. Conceptual Framework (Source : Wheelen & Hunger, 2010)

Environmental Scanning

Environmental scanning is the monitoring, evaluating and disseminating of information from the external and internal environments to key people within the correlation Its purpose is to identify strategic factor. The most simple way to conduct environmental scanning is through SWOT analysis. The external environment consists of variables (Opportunities and Threats) that are outside the organization and not typical within the short-run control of top management. The internal environment of a corporate consists of variables (Strengths and Weaknesses) that are within the organization itself and are not usually within the short-run control of top management.

Strategy Formulation

Strategy formulation is the development of long-range plans for the effective management of environmental opportunities an threats, in light of corporate strengths and weaknesses (SWOT). It includes defining the corporate mission, specifying achievable objectives, developing strategies, and setting policy guidelines.

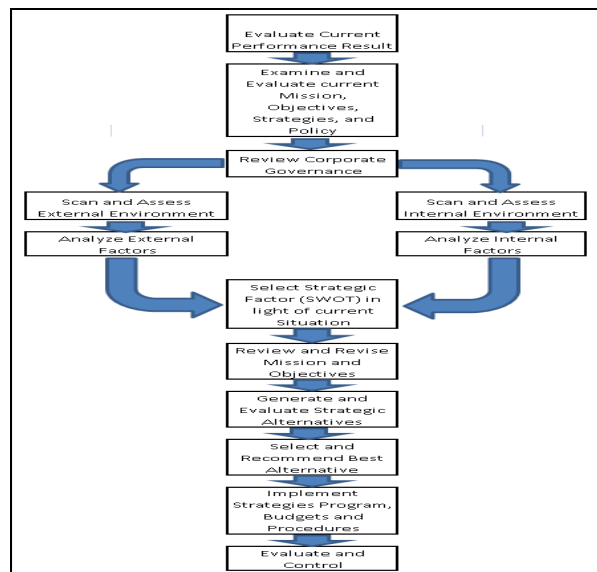


Figure 6 .Strategic Decision Making Process (Source : Wheelen; 2006)

Strategy Implementation

Strategy implementation is a process by which strategies and policies are put into action through the development of program, and procedures. This process might involve changes within the overall culture, structure, and/or management system of the entire organization.

Evaluation and Control

Evaluation and control is a process in which corporate activities and performance results are monitored, so that actual performance can be compared with desired performance. Management at all levels use the information to take corrective action and resolve problems. In relation with strategic control approach which has been developed by a professor at Harvard Business School, Kaplan and David Norton. They named this system the Balanced Scorecard.

There are four perspectives in balance scorecard, namely:

- The learning and Growth Perspective
- The business Process perspective
- The customer Perspective
- The Financial Perspective

B. External Environment Analysis

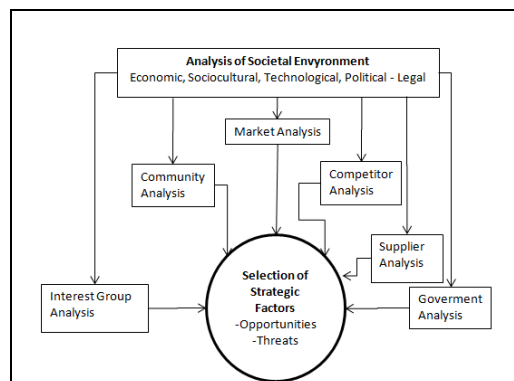


Figure 6 Scanning External Environment (Source : Wheelen & Hunger, 2010)

A corporate scanning of the environment includes analysis of all the relevant elements in the task of environment.

Indonesian Sharia Banking Industry Overview

In general banks are intermediary institutions between the owner of the funds and those who need funds. It has been accommodated by the conventional banking by using the difference in deposit interest and loan interest. Islamic banking comes with another method, namely the revenue sharing method. This concept is more fair to all stakeholders. In addition to a new concept in business, Islamic banking presence also give benefits for moslem, because the concept applied has been declared fit the Islamic rule. Based on data released by Bank Indonesia, the development of Islamic banking at the end of 2011 grew by 48.6%. from Rp100, 3 trillion in 2010 increased to Rp149 Trillion in 2011

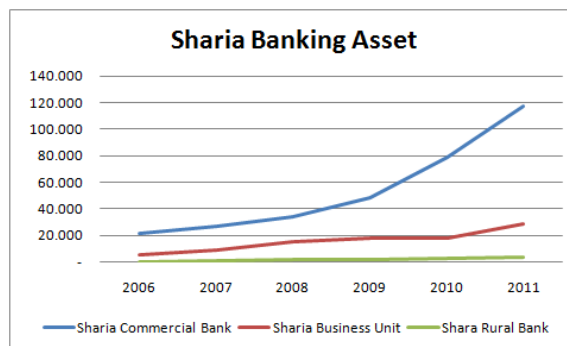


Figure 7. Indonesia Sharia Banking asset (source : Bank Indonesia)

Compared to the growth of banking industry in general, the share of Islamic banking still stands at 4%. it is shown in the financial statement of the Bank Indonesia where total banking assets amounted to USD 3708.6 national Trillion. Islamic banking in Malaysia has reached 20%, which indirectly gives positive contribution to support the country's economy. Bank Indonesia has set up a target market of Islamic banking which must penetrate 5%. although still a long way with the development of Islamic banking in Malaysia, this could be only the beginning of the economic power with alternative methods in Southeast Asia.

Based on the book of Islamic Banking and Finance in south-east asia (Anglo M Venardos,2006) the main problem why Islamic banking can not develop its full potential is, because lack of harmony in the Indonesian banking rules to support Islamic banking.

Venardos also said that, development of Islamic banking should be more careful, considering that in some Islamic contracts are used, there are three main risks:

- Moral Hazard and the risk of fraud
- The Problem of Delay Payment and insolvency
- Problem with Future Contracts

Legal Factors

There are two main rules that limit, as well as support, the development of Islamic banking, namely:

Law / Regulation of Banking

Banking laws, no 10 of 1998, which is perfected by UU No 21 of 2008 is an umbrella for the development of Islamic banking industry in Indonesia. Recent laws make the development of Indonesia more flexible.

In Article 68 of Law No. 21 of 2008 is mentioned, UUS conventional banks shall be changed into Islamic banks, if it fulfills the following conditions:

- Has more than 50% of the assets of the parent bank
- It has passed 15 years since the law applied

This means that these laws also encourage UUS to turn into BUS, in the long run.

Bank Indonesia Regulation (PBI) No. 3/8/2006 stated that sharia services can be done in all channeling office outlets in the Region area of Bank Indonesia, as long as there is a syariah branch office in the region. This rule restricts the movement of Islamic services, while keeping sharia services have a good control.

- Fatwa Indonesian Ulama Council/Fatwa Majelis Ulama Indonesia (Fatwa MUI)

Islamic banking should be free from transactions that do not fit the concept of Islamic economics.

To ensure that Islamic banking transactions, both run by Islamic Banks and UUS according to Islamic rules, the Indonesian Ulama Council made a Fatwa on each transaction rules of Islamic banking and other Islamic financial institutions.

This fatwa had been the rule, in every Islamic banking operations. Each Islamic Banking, shall have a Sharia Supervisory Board/ *Dewan Pengawas Syariah* (DPS). DPS plays role to oversee and ensure all transactions are conducted in accordance with Islamic rules. Unfortunately the Fatwa, Law, and also banking business nature,

are often not consistent. Rules relating to financing is often the opposite. Previous, sharia banking has double tax problems, but those problems have been solved through the new law. However, Islamic banking still experience constraints related to *Pengakuan Standar Akuntansi Keuangan* (PSAK) regulation and restructure solutions of financing.

Economic Factors

Indonesia's GDP from year to year has increased. slowdown only occurred in 2009 due to the impact of the world economic crisis of 2008. *Badan Pusat Statistik* (BPS) data shows Indonesia inflation from year to year is as the following table. Inflation in 2011 was maintained at 3.79% rate despite of high inflation in 2008 due to the economic crisis Indonesia has an excellent economic power. It is seen from quite high foreign exchange reserves of the country. Foreign exchange reserves of the country has reached 111.5 million dollars (source Bank Indonesia). This condition shows that Indonesia's economy is in good condition, so the industrial needs is also increasing, and gives the role to the development of the national banking needs.

Social Factors

It can not be denied, most people still consider that Islamic banking only belongs to one community (moslem community). This view still needs coorrecting and socializing, because in fact Islamic banking sells the concept of financial transactions that are considered fairer than conventional's. So that this concept can be applied to serve the needs of clients, and anyone from any religion. However, Muslims can become the main target market of this system, more over Indonesia is the largest Moslem people country in the world, so this system could theoretically be accepted easier by the people of Indonesia. Based on these conditions, the development of Islamic banking provides an alternative financial system for the community in developing the business and banking needs.

Competitors Analysis

The market share of Islamic banking at the end of 2011, is as shown below:

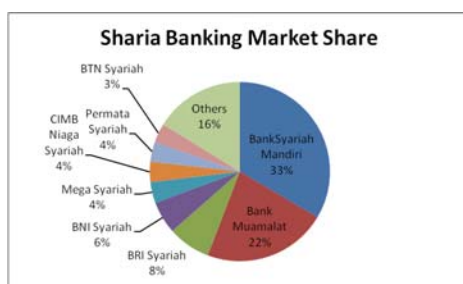


Figure 8. Indonesia Islamic Banking Market Share

Bank Syariah Mandiri is a Market Leader in the industry with a market share of 33%, over the first Islamic bank, Bank Muamalat are only able to control 22% of the market of Islamic Banking. While Bank CIMB Niaga is in the 6th National Islamic banking with 4% market master.

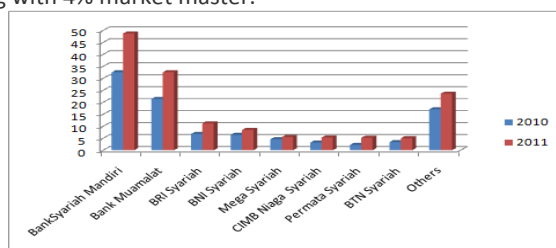


Figure 9. Islamic Bank's Asset 2010 and 2011

In general, Islamic banks grew at an average rate of 49% (excluding the Islamic rural banks), where the biggest growth is Bank Permata Syariah, which reached 136% in 2011. Competition in Islamic banking can not be completely separated from the Indonesian banking as a whole. Opportunist customers, could return to conventional banking, if certain conditions in the conventional banks is more profitable.

C. Internal Environmental Analysis

Analyst must also looks within the corporation itself to identify internal strategic factors, critical strengths and weaknesses that likely determine whether a firm will be able to take advantage of opportunities while avoiding threat.

Human Resource

Human resources at CIMB Niaga Syariah inseparable with the human resources available in CIMB Niaga. By Dual Banking Leverage Model (DBLM) concept, although there are sub-directorate in charge of developing sharia business, almost all parts of the business have a role in running the sharia. Most of the employees work for Sales and Distribution Directorate, the Directorate is responsible for services across Indonesia, including marketing, funding and retail lending. Beside, it is also responsible for obtaining cheap funding and financing with high profit margins. Most of the human resources are not expert in running Islamic transactions. For some employees, it may still lack of confidence to run / sell Islamic transactions. Thus, they require training immediately. In the sub-directorate of Islamic Banking, its organizational structure is as follows:

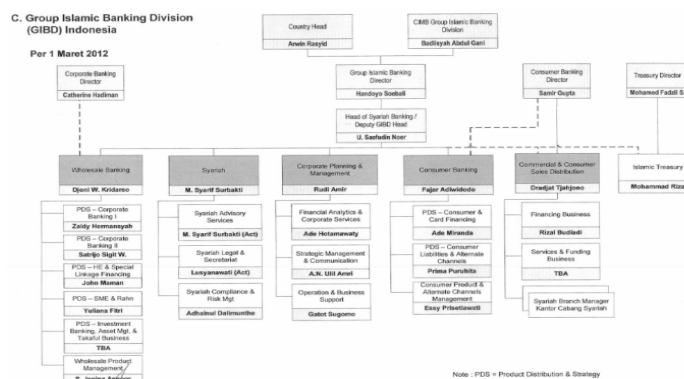


Figure 2.10. Syariah Banking Organization Chart

Based on discussions with several officials, obtained information, that some positions are still vacant, this condition was caused by the resignation of some workers. So there is a double positions for an employee. The condition occurs in wholesale banking, Shariah, and Consumer Banking. While Commercial And Consumer Sales and Distribution is large organization with 24 branches and two support divisions.

In more detail the function and condition of each group are as follows:

- **Wholesale Banking**
This group plays a major role in developing Islamic banking for various segments, including Corporate banking, High End banking (HEB), Indirect Automotive, SME and Commercial Linkages. This division does not actually have a direct portfolio. because the group mostly only focuses on the development and monitoring conventional BU. So it ideally should have enough human resources that contribute supervision and guide in all areas throughout Indonesia, in fact, it is still concentrated in Jakarta, and only the area of West Java, Central Java and East Java that has a PIC, and even then only for the SME segment. Ideally, each area has a Syariah Person In Charge (PIC) for SME, HEB and Commercial Linkages Groups.
- **Syariah**
This group plays a major role in ensuring Shariah banking at CIMB Niaga which should in line with Islamic rules. With the DBLM concept, the Group should be able to conduct monitoring throughout Indonesia, including preventive efforts by filtering all products developed. Unfortunately it still appears employees who handle several positions in this group. in addition, there are several vacant positions both at the head of the division and department.
- **Corporate Planning And Management**
This group is working to create long-term planning, as well as short-term planning in CIMB Niaga Syariah, including the monitoring of the implementation strategy. Financial reporting and recordkeeping functions in CIMB Niaga Syariah are also what this group should responsible for.
- **Consumer Banking**
The Group has a function which is not very much different from the Wholesale Banking, only segmentation that makes them a little different. Main function of this group is to develop mass products, which also includes the products of funding. This group is also experiencing shortages of human resources, however, because the products are mass and simple, monitoring function is not as detail as wholesale banking group. But the planning and preparation of the product must be made in great detail, the distribution of products for this segment runs very quickly.
- **Commercial and Consumer Sales And Distribution**
This group is the biggest group in the Islamic Banking Sub Directorate, oversees 24 branches throughout Indonesia, as well as two support divisions. The condition is increasing rapidly in comparison to the time of the merger in 2008 that only had 6 branches. Sharia Branch sells the same product with Islamic products that sold in conventional, under the supervision of Wholesale Banking and Consumer Banking. Slow growth,

low productivity of employees, and a number of Non-Performing Financing (NPF) are problems to be overcome by this Group. In addition, because the Group is very fat, monitoring functions become less effective.

Business Process

In accordance with the brief review in Chapter 1, Islamic banking business process is as follows:

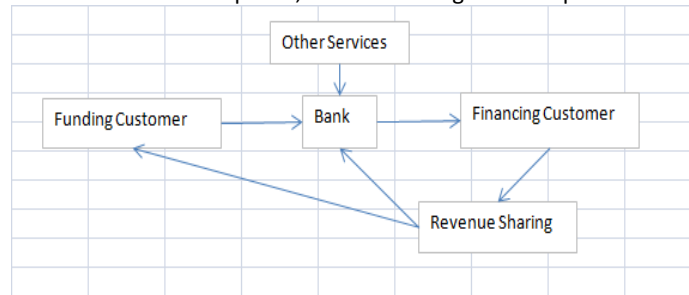


Figure 11. Islamic Banking Process

The main difference with the conventional banking is the process of revenue sharing. Because in conventional banking, this process does not exist, so the bank receives the funds through a system of interest. Conventional banking promises a certain interest for the funding customer. then determines the interest rate for financing customers. And there is no link between them. While in Islamic banking, revenue from financing customer affects the return given to funding customers, so, there is a risk for the funding customers, also provides opportunity to the customers to obtain greater profits. Operational, control and financing decisions are made by conventional administration team who have sufficient understanding of the relevant knowledge of Islamic banking. At a mass product, Shariah compliance risk is not too high. But for banking facilities specially package, such as corporate and commercial financing, the risk is very high.

Product

As per the previous discussion, the product is divided into 3 Bank Main Products, namely:

- Funding Products
- Financing Products
- Other Services

Funding Products

In general, the funding product consists of 3 types. specifically:

1. Current Account
2. Saving Account
3. Time Deposit

Financing Products

Financing Products consist of two main products, specifically :

1. Consumptive Financing Products.
2. Productive Product

Other Services

In addition to funding products and financing products, CIMB Niaga Syariah provides various financial services to support the activities of its customers. such as:

- Payroll
- Syariah Gold Card
- Syariah mutual fund
- CIMB Preferd Syariah
- BizzChanell dan Go mobile
- On line Tax Payment
- Syariah Prefered
- Transfer, RTGS dan other transactional banking services

In general, all products owned by CIMB Niaga Syariah, are products that exist in conventional banks, the only difference comes from the product's feature, which adjusts the Sharia rules. For some segments, it is very sensitive. But most customers are not sensitive, and tend to be opportunistic. Advantages of CIMB Niaga Syariah services in general are following the standards of Bank CIMB Niaga.

Marketing and Distribution Network

All CIMB Niaga Syariah products, can be sold through all CIMB Niaga directorate, which is not only limited to 24 Islamic branches. That is an advantage of DBLM concept.

Financial Condition and Profitability

Since 2007, CIMB Niaga Shariah assets continued to grow from 1 trillion, increasing more than 30% each year, up to more than 5 trillion in 2011. The concept of DBLM for financing, began to develop in 2011. Where a limited number of divisions in CIMB Niaga. The condition was seen from iB Receivables that increased from 1.4 trillion in 2010 to 2.6 trillion in 2011. In contrast to the ever-increasing corporate assets, in terms of profit, there is quite interesting turmoil, as the publication of the following income statement:

Income Statement						
No.	Accounts	31 Des 07	31 Des 08	31 Des 09	31 Des 10	31 Des 11
A.	Operating Income					
1	Margin	38.060	89.433	112.502	141.461	234.414
2	Revenue Sharing	27.227	33.861	30.982	38.411	58.058
3	Bonuses	1.827	2.290	7.196	23.484	23.553
4	Other operating income	40.961	54.569	53.314	84.943	94.921
B.	Total Operating Income	116.075	180.153	203.994	298.299	410.946
C.	Revenue Sharing distributed for investor of uncommitted investment fund					
a.	Bank	3.080	6.795	9.636	3.283	14.568
b.	Non Bank	35.300	46.674	60.643	95.404	147.638
c.	Bank Indonesia (PP/PS)					-
D.	Total Revenue Sharing Distributed	38.380	53.469	70.279	98.767	162.206
E.	Operating income after revenue sharing distributed for investor of uncommitted investment fund	77.695	126.684	133.715	199.532	248.740
F.	Operating Expense					
1	iB bonuses	1.395	4.136	5.606	8.371	15.744
2	Allowance for possible losses on earning asset	33.474	36.776	33.002	66.839	62.080
3	General and administrative expenses	5.872	7.861	8.578	15.949	22.034
4	Personal expenses	9.255	16.392	10.904	46.557	46.187
5	Other operating expenses	0.033	10.323	0.651	25.486	30.183
G.	Total Operating Expenses	58.029	75.488	67.541	163.202	176.236
H.	Operating Profit	19.666	51.196	66.174	26.330	72.504
I.	Non Operating Income	367	33	1.012	828	537
J.	Non Operating expenses	405	12.501	6.405	420	1
K.	Non Operating Income (Loss)	(122)	(12.468)	(5.393)	408	536
L.	Current Year Profit	19.544	38.728	60.781	26.738	73.040

Table 11. CIMB Niaga.Syr Income Statement

Although average of asset growth above 30%, ideally profit can grow larger. But it turns out that growth can not increase profit, although the operational revenue continues to increase. Until the year 2009, even though revenue grew, but since 2010 the profit actually declined. CIMB Niaga Syariah managed to produce a profit of 60.7 Billion in 2009, but in 2010 lost up to only 26.7 Billion. Conditions are improve in 2011 where CIMB Niaga was able to produce 73,04 Billion profit.

Currently, the productivity of each employee to make sharia profit, is Rp 5,365,855, - per year. While the overall productivity of each employee at CIMB Niaga is Rp 233,187,261, -. That number would be much greater if productivity is calculated from income. CIMB Niaga average assets grew by 51% each year. Profit also grew from 2007 to 2009, fall in 2010 but improve in 2011.

Operating income of the company consists of 4 major parts:

1. Margin, the income derived from *murabahah* financing.
2. Revenue Sharing, is income earned through financing using *musyarakah* and *mudharabah* contract.
3. Bonus, is income derived from CIMB Niaga Syariah placement to *Sertifikat Wadiah Bank Indonesia* (SWBI).
4. Other Operating income, is an attractive source of income, because operating income include all outside income above.

However, because the Islamic banking concept of revenue sharing, the condition is actually a problem, because with the increase in funding, revenues should increase, to maintain yield, but with a slow-moving financing, the portion to share to be a bit too, impact on yield decline. Growth funding, is still dominated by Time Deposit products it provides high yields for clients. Ideally, the majority of bank funding is through Current Account and Saving Account (CASA) that gives lower returns for customers, so the bank's revenue and profit can be increased. Under conditions of competition with conventional banks that can not be avoided, there is a risk of customer funding out, because the return on Islamic banks lower. So the Islamic Bank shall provide additional bonuses or increasing nisbah ratio for the customer to maintain the fund.

Increased costs incurred in 2010 and 2011 was dominated by the personal expenses and Allowance for possible losses on earning assets. The first condition reflects the large scale of recruitment to meet the human resource needs to new branches, have not been able to increase profits and assets. The second condition reflects the increased risk of NPF, so CIMB Niaga needs to reserve some funds to anticipate such risks. The condition is actually very reasonable, considering the new HR, do not necessarily have sufficient ability to create a good financing asset. More deeply, the author tries to evaluate the financial performance of CIMB Niaga Syariah

based on distribution channels, where there is a performance conducted by Islamic branches and conventional units that sell Islamic products (Leverage Busines Unit/LBU).

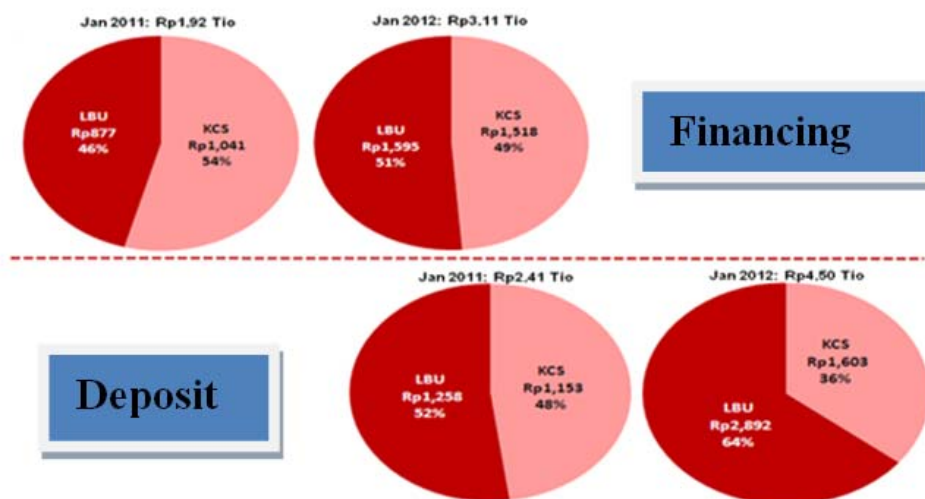


Figure 12. Comparison LBU and KCS

It appears that asset growth is dominated by LBU is very reasonable considering the condition of Conventional Branches are very experienced in raising assets. However, Islamic products have many unique and regulatory restrictions, it can not necessarily be met by conventional Human Resources.

Good Corporate Governance

Self assessment of the Bank’s Good Corporate Governance (GCG) implementation is held to measure the GCG implementation in a year. The program is executed by sending questionnaires, as Bank Indonesia points out, to member of Sharia Supervisory Board/ *Dewan Pengawas Syariah* (DPS), Directors and senior executive. Aspect measured are as follow :

Table 2. Good Corporate Governance Assessment Result

Aspect measured	Value	Ranking	Score
Sharia Director Task and Responsibilities	35%	1,6	0,56
Sharia Supervisory Board Task and Responsibilities	20%	1,1	0,22
Implementation of sharia principles in the activities of Deposit Taking, Financing and Services	10%	1,2	0,12
Financing to major debtors and deposit taking from major customer	10%	1,3	0,13
condition, GCG implementation and internal Reporting	25%	1,5	0,375
Composite Score	100%	6,8	1.4
Composite Score	Composite Ranking		
Composite Score < 1,5	Very Good		
1,5 ≤ Composite Score < 2,5	Good		
2,5 ≤ Composite Score < 3,5	Fair		
3,5 ≤ Composite Score < 4,5	Unfavourable		
4,5 ≤ Composite Score < 5	Poor		

D. Root Cause

The DBLM strategy adopted by CIMB Niaga Syariah is successful enough to boost the growth of assets. However, the increase in Islamic branch doesn’t seem optimal in improving profitability. Risk of friction between KCS and conventional occurs. Conventional human resources are able to obtain market faster than KCS, but due to lack of knowledge of this concept, there is a risk of such growth leaves compliance risks, which should be monitored better. Islamic branches should be leading when the strategy is “spin off”, but in this

condition CIMB Niaga has no urgency to spin off in the near future. But the addition of Islamic branches, and preparation was not optimal, even create new risks that will be faced by CIMB Niaga. The increased of personnel costs, and risks of NPF also continue to spread.

Significant Increase of Funding can not be offset by growth in financing, it is not easy to develop financing because it contains a lot of risks to face, while from the sharia compliance, risk management and human resources are still needed in order to create a better financial growth. This condition is very crucial considering financing in Islamic banking can directly influence in determining the return for funding customer. If the return of funding customer decreased, feared the fund would come out, and lower the bank liquidity.

3. BUSINESS SOLUTION

A. Strategy Formulation

After exploring business issues, we will provide alternative solutions or strategies to resolve problems occurred. Such strategy formulation process is as follows:

- Conducting internal analysis (IFAS) and external (EFAS) through the creation SWOT Analysis
- Conducting aligning between internal and external factors. The technique used is the TOWS Matrix
- Determining the condition of the company's best alternative based on the analysis of the previous stage.

B. SWOT for PT Bank CIMB Niaga Syariah

Inclusion previous discussion with CIMB Niaga Syariah Management such as Branch Manager, Operation Manager and Marketing Manager in Bandung, showing strengths, weaknesses, opportunities and threats. Inclusion can be formed in the SWOT table and matrix, as follows:

Tabel 3 CIMB Niaga Syariah's SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Wide distribution network (OC)	Lack of Syariah Compliance Control	The need of Financial alternative system	Competition in Islamic Banking industry
Experience in national banking	Low CASA Ratio	Bank Indonesia Support	Incomplete regulation (PBI, Tax dan PSAK)
Huge number of customer base	Limited Products and Imperfect product infrastructure	Indonesia as Biggest Islamic banking potential market	Economic Crisis (NPF Risk)
Reliable Electronic Chanell (ATM, E Banking)	Friction Between KCS and LBU	Indonesia has a High Economic growth	Competition with conventional banks
Support from CIMB Group/Islamic	Some area can not sell syariah product	Indonesia as an Investment Destination	People's lack of understanding towards syariah banking product and services

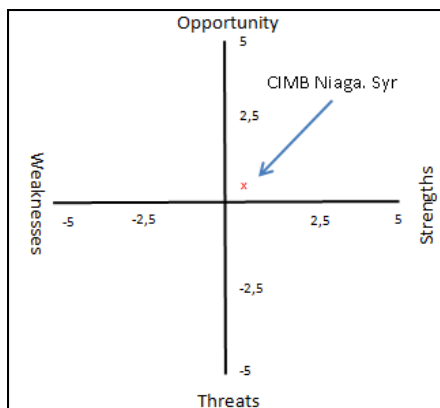


Figure 13.SWOT Matrix for CIMB Niaga

Figure 13 shows the position of CIMB Niaga has an advantage in strength and opportunity, although actually quite thin near the point 0. This condition makes it difficult to determine the general strategy. In this condition, almost all strategies can be applied to CIMB Niaga. So further discussion is needed to be in line with CIMB Niaga's vision.

C. Generate Alternative Strategy

Head of CIMB Niaga Syariah banking said that CIMB Niaga Syariah should be able to compete with other Islamic banks by maximizing human resources productivity, and minimizing costs. CIMB Niaga Syariah can use the infrastructure of CIMB Niaga in the face of competition. CIMB Group in Malaysia use Islamic Window, a concept similar to the UUS in Indonesia. UUS CIMB Niaga not only supervised by the director of CIMB Niaga, but also CIMB Islamic in Malaysia. So the concept is to be used, with various adjustments to the Bank Indonesia regulations in Indonesia. CIMB Niaga will continue to build brand image and sharia banking business through an effective marketing strategy, including all promotional program, product bundling sale of financing n funding product throughout Indonesia.

Corporate Strategy

A corporate directional strategy is composed of three general orientations (some times called grand strategies)

- ❖ **Growth Strategy**, companies that run business in expanding industries must grow to survive. Continuing growth means increasing sales and chance to take advantage of the experience curve to reduce the per-unit cost.

The two basic growth strategies are:

- Concentration (Vertical Growth and Horizontal Growth).
- Diversification (Concentric and Conglomerate).

- ❖ **Stability**, a corporation may choose stability over growth by continuing its current activities without any significant change in direction. Some of the more popular of these strategies are the pause/proceed-with-caution, no-change, and profit strategies.

- ❖ **Retrenchment**, The company may pursue retrenchment strategies when it has a weak competitive position in some or all of lots product lines resulting in poor performance-sales are down and profits are becoming losses.

After we have observed the position of CIMB Niaga SWOT Matrix, CMIB Niaga is in the ideal quadrant to perform Growth Strategy, however, the growth strategy must be made carefully considering the position of CIMB Niaga close to the point 0. CIMB

Niaga also must be able to resolve the problems occurred. Including how to face challenges.

Generate Alternative Strategy via TOWS Matrix

Table 3.4 CIMB Niaga Syariah TOWS Matrix

IFAS EFAS	Strengths (S)	Weaknesses (W)
	S1 Wide distribution network (OC) S2 Experience in national banking S3 Huge number of customer base S4 Reliable Electronic Chanell (ATM, E Banking) S5 Support from CIMB Group/Islamic	W1 Lack of Syariah Compliance Control W2 Low CASA Ratio W3 Limited Products and imperfect product infrastructure W4 Friction Between KCS and LBU W5 Some area can not sell syariah product
Opportunity (O)	SO Strategies	WO Strategies
O1 The need of Financial alternative system O2 Bank Indonesia Support O3 Indonesia as Biggest Islamic banking potential market O4 Indonesia has a High Economic growth O5 Indonesia as an Investment Destination	- (S1,S3,S4,O3,O4,O5) Maximizing distribution network, Electronic channel and customer base to gain advanced Indonesian market	- (O4,O5,W2) Economic growth could increase business cycle which indirectly develops CASA ratio - (W1,W3,O1,O,2) Bank Indonesia will continuously support syaria compliance and product through its regulation and guidance.
Threats (T)	ST Strategies	WT Strategies
T1 Competition in Islamic Banking industry T2 Incomplete regulation (PBI, Tax dan PSAK) T3 Economic Crisis (NPF Risk) T4 Competition with conventional banks T5 People's lack of understanding towards syariah banking product and services	- (S1,S3,S4,T1,T4) Good distribution network and electronic channel could win competition among syariah bankings and conventional by developing existed customer base - (S2,S5,T3,T4) Experience of CIMB Niaga and support of its group could make niaga syariah stronger to face rapid crisis and competition	- (W2,W3,W4,W5,T3,T1,T4) low casa ratio, internal friction and limited number of products contribute negative influence in competition, on the other side it results bad performance of a company in facing - (W1,T2,T5) Inappropriate control results in risks towards external regulation, moreover it will cause poor performance in facing economic crisis.

In the TOWS matrix, there are 4 groups of strategies obtained by connecting the internal and external factors. With the following explanation:

SO Strategies

CIMB Niaga has hundreds of existing branches throughout Indonesia. Most of the branches sell Islamic products. Some Sharia Branch in the area of BI, is required to sell Islamic products in the region. Sharia Branches are currently concentrated in Jakarta, Sumatra, Java, East Kalimantan, and South Sulawesi. Considering that the biggest potential markets in Indonesia are still in the scope of CIMB Niaga Syariah, Islamic service is still reliable to penetrate most of them. The use of Islamic products is of + / - 4% Asset CIMB Niaga, so there is still a great number of opportunity to develop the existing customer base. If CIMB Niaga can develop 20% of its customers to use / convert into Islamic products, CIMB Niaga Syariah will enter the Big 3 of Islamic Banks in Indonesia. For medium term (3 Year), 10% asset is quite good for CIMB Niaga Syariah.

WO Strategies

CIMB Niaga Syariah CASA ratio is still low, but with very good economic growth in Indonesia, the fact that Indonesia is the largest Islamic banking potential, making the industry in Indonesia can develop. Industrial development requires reliable transactional banking. business circle and increasing incomes, is an opportunity for CIMB Niaga Syariah to improve CASA ratio. CIMB Niaga Syariah weaknesses in products and product support, are the most critical weakness in CIMB Niaga Syariah, nevertheless BI has issued rules and technical guidelines on Islamic banking products. CIMB Niaga Syariah can actually follow the policy that has been set, then maximize employee and investment, develop infrastructure for the product, so that they can be used to accommodate sharia market demands.

ST Strategies

With the support of the distribution network, as well as a reliable electronic channel owned by CIMB Niaga, CIMB Niaga Syariah has the power to penetrate larger markets compared to other Islamic banks, even with conventional banks. Existing customer base can be developed to use the facilities of sharia or convert old facility into Islamic facility, while meeting the needs of major clients in transactional banking. In this way, customers can try out Islamic banking gradually. In this way the Islamic banking system is more easily accepted by the public. Economic crisis is the biggest threat to the banking industry, because the core business of banking is a financial transaction that is very vulnerable to these risks. However, the position of CIMB Niaga as the 5th largest Bank in Indonesia with a very long experience in facing economic turmoil, plus the support of CIMB Group which is a world-class financial institutions, makes CIMB Niaga Syariah have a better ability to face the risk of economic crisis than competitors.

WT Strategies

The more extensive network of distribution, will increase compliance risks. So that the necessary qualified human resources, and a more detailed operational procedure so that the risk can be minimized, while providing proper education to the customer. CIMB Niaga Syariah products is still very limited, so it can inhibit growth. Furthermore, the limitations of the product, infrastructure, and rules relating to the product, will be able to weaken CIMB Niaga Syariah in the facing economic crisis. On financing product, to face the economic crisis requires rules and policies related to restructuring. Thus creating resistance for Islamic banks.

D. Functional Strategy Formulation

Strategies that have been presented, will be poured into functional strategies. Strategies will be scaled to each piece in CIMB Niaga Syariah. By considering some weaknesses in CIMB Niaga Syariah. Growth strategies to be implemented in the form of maximizing sales in conventional Business Units that not yet able to sell Islamic products. CIMB Niaga Syariah should also be able to upgrade its human resource to a greater need in the future.

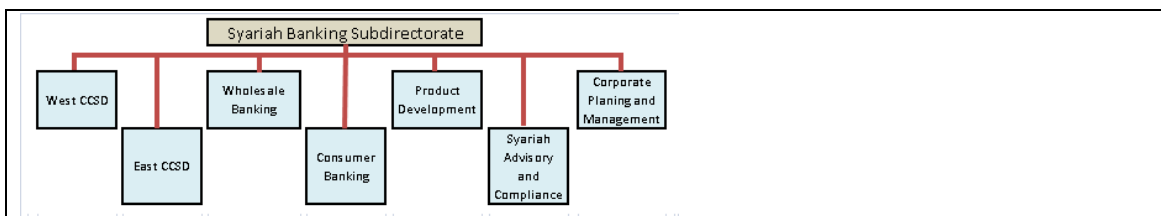


Figure 14 .Proposed Organization Chart

In Figure, there are some changes, CCSD classifies groups into two areas, the area west and east. This division is necessary to improve the control of Islamic branches, since branches are more numerous and spread throughout Indonesia. There are additional groups, the Product Development Group. Originally its functions spread across more than one Group. Previous consumer products is handled by Consumer Banking, Business product is handled by Whole sale banking, while infrastructure is handled by Corporate planning and management. Old structures make communication less effective, while product development must be able to meet the overall needs of CIMB Niaga for Islamic products.

4. IMPLEMENTATION

KPI Change is needed. for Islamic banking or for conventional Business Unit. CIMB Niaga Syariah in 2014 should have been able to achieve 10% of the assets of CIMB Niaga. CIMB Niaga Syariah is part of CIMB Niaga, so the condition is not detrimental to the conventional BU. Achieving marketing Islamic products, is also an

achievement of BU. For CIMB Niaga, the achievement of Islamic products is also CIMB Niaga achievement, because it is part of CIMB Niaga assets.

A. CIMB Niaga Syariah Strategic Objectives and Measures

To achieve the expected target, required the establishment of appropriate KPIs. KPI is determined, through a clear target and consistent with the time table.

Learning and Growth Perspective

To form a perfect dual banking, more training is needed in the following years. Vision makes Islamic banking as "the culture at CIMB Niaga" can be form by intensive trainings. With the number of 13.612 employees, each employee must attend sharia training / socialization each year. Increased human resource capabability, can provide a greater potential to increase corporate profits. So the calculation of employee productivity can be increased as well. Productivity per employee who is currently Rp 5.3 million should be increased to Rp 7.7 million. CIMB Niaga Syariah should also prepare a Sharia advisory portal website. So that all matters related to Islamic transactions can be explained through the portal. The portal serves as access to information and problem solving. This portal will connect with the sharia advisory, and if the problem can not be resolved, it will directly be forwarded to the DPS and the relevant divisions.

Business Process (Internal) Perspective

Internally Product development should be done, by refining existing products, both Funding Products, Financing Products and also Bank Services. With the operation of DBLM concept, generic products in the conventional banking products should also be applied using sharia schemes, in particular: improvement of working capital financing and multy purpose financing. Another internal stuff is very crucial, perfecting sharia Information Technology (IT) and System, in order to decrease manual transactions. Refinements can be done by creating a interface software to connect to the host system.

SOP should be made more detailed, current policy is still at the level of regulations, technical guidance is needed to clarify the rules for any transaction primarily related products and authority. Improvement of organizational structure, improving the distribution of branches, is an internal restructuring that must be resolved. No later than mid-2013, all conventional branches must be able to serve Islamic transactions.

Customer Perspective

In this case, CIMB Niaga should be able to get the 3 best Islamic banks on infobank version in the next 3 years. But this can only be compared between Islamic banking, Islamic banking on the fact will always be compared to the conventional banking as well. In order to create satisfaction for customers that commonly use conventional banking services, must be implanted that Islamic banking products can facilitate the needs of all customers. So the customers who used to transact using conventional schemes can experience the same benefits by Islamic banking. And the dual banking becomes easier for conventional Business Units. Corporate governance in CIMB Niaga Syariah has been very good. However, the corporate governance score of 1.4, is still not as good as CIMB Niaga score that is equal to 1.11. Going forward, CIMB Niaga Syariah should be able to achieve a minimum score of 1.2 in order to increase customer confidence.

Financial Perspective

Financial perspective is more on asset growth, and also create profit. Advantages determined by the amount of assets and the quality of the asset. Currently, CIMB Niaga Shariah asset is less than 5% of the assets of CIMB Niaga. This number should continue to increase, so that in 3 years ie 2014, CIMB Niaga's assets will reach 10% of the assets of CIMB Niaga. With record assets CIMB Niaga, CIMB Niaga estimated assets is projected to grow 30% each year. Projected 30% was obtained from records CIMB Niaga and actual assets to current thesis is made. So it is expected to reach 360 trillion. Per December 2011, CIMB Niaga Syariah assets was 3.2% of the assets of CIMB Niaga, with the development of the dual banking it would accelerate the growth. Based on Bank Indonesia target, per end of 2012 syariah market will reach up to 5%, while CIMB Niaga Syariah estimatedly will reach 7.5% in the ear 2013, and 10% by 2014. Until that year, CIMB Niaga's asset is expected to be 36 Trillion As of the year 2011, CIMB Niaga profit was Rp 3.17 trillion. that nearly 1.9% of assets. In the previous year, ie the year 2010 where profit CIMB Niaga was 2,55 trillion, amounting to 1.8%. CIMB Niaga Syariah is part of CIMB Niaga, so operating costs should be lower, however, due to the need of new investment, the authors projected minimum profit has nearly the same ratio, which is 2% of the assets. With these estimation, it is targeted that CIMB Niaga Syariah will be able to contribute profit as much as 720 billion in 2014. This number is much larger in comparison to competitors in the Islamic banking industry at this time, but due to CIMB Niaga Syariah is a Sharia Business Unit, it is a comparative advantage in the competition, giving the efficiencies that can be done by CIMB Niaga Syariah.

Table 4.3. CIMB Niaga Syariah Strategic Objectives and Measures

Perpective	Strategic Objectives	Strategic Measures
Financial	Asset Growth	36 Trillion in 2014
	Profitability	720 Billion in 2014
Customer	Bank Ratings	Big 3 Banks (Infobank)
	Good Corporate Governance	Composite Score 1,2
	Product and services excellence	Complete banking products
Internal	Product Innovation	Can provide a complete products
	Ensure product relliability	Automation in transaction
	Network And Sales Distribution	Full service nationwide
	Internal Regulation	Detailed Internal Policy
Learning	Employee Development	Sharia trainings for 13000 Employee every year
	Productivity	Profit per employee more then Rp 7.7 Million
	Access to Information	Syariah advisory portal web site (internal)

B. Implementation Plan

KPIs are delivered in the form of balance scorecard, and will be implemented by every section in the sub-directorate of Islamic banking and other directorates. This chapter will explain more detail about the implementation of each group, along with time table to achieve the vision of CIMB Niaga Syariah.

West CCSD Group Implementation Plan

This group is currently in charge of 17 branches. Some branches have assets under 50 billion. Based on interviews with the branch Managers, assets of 50 billion generally is the Break even Point (BEP) of a branch. so the branch can creating profit. However, the presence of KCS is very important to be able to support the conventional branches in implementing Islamic transactions.

In the West CCSD, there are 5 working areas of Bank Indonesia, namely:

- Central (Jakarta)
- Region 6 (Jawa Barat dan Banten)
- Region 7 (Bangka Belitung, Bengkulu dan Lampung)
- Region 8 (Sumatra Barat, Riau, Kepulauan Riau dan Jambi)
- Region 9 (Sumatra Utara dan Aceh)

If CIMB Niaga Syariah has had 5 KCS in the region, conventional BU will be able to market Syariah products. CIMB Niaga can do some branch closures, or lower levels of KCS into cash office with limited services. With the closure / reduction status, the cash office will have its main office in 1 BI Area, so that efficiency can be done. The advantages of human resources can be absorbed by another Group that requires Human Resources. Some branches that have a good performance, will not be closed. because it could pose a risk of improper handling to existing clients. Determination of the performance is good or not, will be based on the annual report as at December 31, 2012.

Based on data as of December 2011, The Central Area has many branches but has a good performance, it is very reasonable considering the movement of the national economy is still concentrated in jakarta. So the branch will still be maintained unless KCS Bogor when it was not able to improve its performance in 2012. In Region 6, Only Bandung Gatot Subroto Branch which has assets more than 50 billion, Sukajadi Branch will be closed/lower its status, because the location is fairly close to Gatot Subroto branch. Similarly to cirebon branch, if not able to improve its performance at the end of 2012.

There is 1 branch in Region 7, the Lampung branch. This branch does not have a good performance. However, this branch is needed, in order to sell sharia products by conventional BU. Intensive efforts are needed to improve the performance of this branch. In Region 8, all branches (3 branches) do not have a good performance, the branches in this area are recently opened, so it is reasonable performance. It needs a review for those three branch, and will be just one branch in 2013. In Region 9, Aceh and North Sumatra Branch have good performance, considering a wide working area as well, then the two branches will be maintained.

East CCSD Group Implementation Plan

East CCSD currently leads 7 KCS. In the East CCSD region, there are 5 working areas of Bank Indonesia, namely:

- Region 1 (Sulawesi, Maluku dan Papua)
- Region 2 (Kalimantan)
- Region 3 (Bali dan Nusa Tenggara)
- Region 4 (Jawa Timur)
- Region 5 (Jawa Tengah dan Yogyakarta)

At least CIMB Niaga Syariah must put 5 KCS in the region. Currently, Region 3 does not have Sharia Branch. KCS should be immediately established in the region. Alternative place is Bali or Lombok, in order to run the Islamic

transactions in all around Indonesia. Makasar branch located in Region 1 already has a good achievement, so it will be preserved. Due to a supervised area is very spacious, it is possible to open multiple desk in the region. However, the existence of this branch is enough to be qualified to sell Islamic products.

Samarinda branches located in Region 2 has a poor performance. However, Samarinda is a new branch. This branch is still needed so that Sharia products can be sold on the island of Borneo. Intensive effort is needed, so that branches can create profits. There are two branches in Region 4, namely Surabaya and Malang. Malang Branch is not making a positive contribution yet, so it can be reduced to sub branch when the branch performance does not improve in 2012. Similarly, the branch in the region 5. From 3 existing branches, only Semarang which has assets of more than 50 billion. East CCSD should concentrate in this branch, and lower the Yogya and Solo branch status to Sub Branch/Cash Office.

Wholesale Banking Group Implementation Plan

By closing a number of KCS, there are human resources can be allocated to meet the needs of the Group. Appropriate review in the previous chapter, each region will have 3 DBLM PIC. This group will be very active in socializing and helping Conventional BU achieve the target of 10% sharia portfolio in 2014. With the assistance given, the friction between Islamic and conventional BU can be reduced, and can create an image that Islamic banking would help BU in achieving the targets set by the management of CIMB Niaga

Consumer Banking Group Implementation Plan

This group will provide a lot of support at the Conventional BU for financing and funding consumer segments. This group will create a partnership with the House Developers and Car Dealers in Indonesia, so that marketing consumer products more easily absorbed. This group will also be assisted by CCSD in socializing products and rules. Consumer Sharia Helpdesk will be established, so that the solution of technical problems can be resolved quickly and accurately.

Syariah Product Development Group Implementation Plan

CIMB Niaga Syariah biggest problem, is related to products and infrastructure products that will be handled by this Group.

Related Products and Product rule, the Group will prepare the following products:

- Multipurpose Financing (Consumptive)
- Refinancing Financing (Consumptive and Productive)
- *Musarakah Mutabaqisah* Contract (Consumptive and Productive)
- Current Account Financing (Productive)
- Islamic Trade Finance (Productive)
- Foreign Currency Financing (Productive)
- Gold Investment Financing (Consumptive)
- Fixed Deposit (High End Funding)
- Haj Savings (Retail Funding)
- Foreign Currency Account (Retail and High End Funding)

Related System, in addition to support the new and existing products, interface software should be resolved in the short term to minimize operator error. Bank Indonesia is actually also preparing Islamic banking products guidance, the Group is to be proactive to communicate with Bank Indonesia at least every 3 months to discuss the product. Internally should be done monthly meetings with business units to address the needs of the product, as well as a discussion for a long-term solution to the case that often happens.

Syariah Advisory and Compliance Group Implementation Plan

With a wide distribution network, requires a better control. Controlling function actually already run by Internal Audit / *Satuan Pengawas Internal* (SPI), but monitoring functions related to syariah compliance has not been perfectly run.

DPS has a function to ensure operational in Islamic banks do not violate the National Council of Sharia Fatwa/ *Fatwa Majelis Ulama Indonesia* (Fatwa MUI). This group will support the DPS task in monitoring. So that the Group will make Sharia Audit task force that would oversee all over Indonesia. The establishment must be made in early 2013, training for the auditors, controls the entire BU will begin in mid-2013. Technically supervision will be carried out together with the CIMB Niaga Internal Audit/SPI.

Related to preventive measures, the Group will make regular meetings with the Product Development and DPS, to ensure the product and the rules issued in accordance with the rules of Shariah in Indonesia. Another thing that should be done by this group is to create a portal / Sharia helpdesk, as web based Islamic learning function. The media must also be made interactive and has a fast response in order to resolved quickly. This portal will also publish the results of the meeting with the DPS.

Corporate Planing and Management Group Implementation Plan

This group will be responsible for socializing Sharia KPI for all BU, where the new KPI each BU should have a 10% Sharia portfolio. However, the KPI weight will increase gradually. For the initial stage, the portfolio weights applied in level at CIMB Niaga Groups, then in 2013 at the branches, then in 2014 reaching the goal of "Islamic culture" where every officer at CIMB Niaga has a role to develop the sharia banking.

Technical preparations for the opening and closing of branches, including the licensing process, will be the activity of one of the divisions in this group. The closest job is to do the KCS closing and KCS set up throughout Indonesia. This process should be completed in mid 2013. For long-term planning, considering the use of funds in Shariah concentrated on *murabahah* contract, fix funding sources also needed to increase power against the economic crisis. For the short term, because the Islamic portfolio is still not too large, there is no urgency to create long-term funding. However, in 2014 is expected CIMB Niaga Syariah can issue *Sukuk* to support its business.

Socialization-related reporting in each area should be improved by making the technical manual. Existing technical guidelines should be made more detail. Currently, conventional operating divisions is heavily involved in making the report. Socialization can also by using the portal created by the Shariah Advisory and Compliance Group. This group will also work with the CIMB Niaga Human Resource Directorate (HR Directorate), to plan sharia trainings to all CIMB Niaga employees. Sharia is expected not to be a burden, but rather drive Conventional BU targets. The implementation, set out in the following implementation timetable:

Table 4.4. Implementation TimeTable

Implementasi	2012		2013				2014				GIC	Help Needed
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Branch performance evaluation	X										WCCSD,ECCSD,CP&M	
Closed/Lower some branches status		X	X								WCCSD,ECCSD,CP&M	
Set Up New Branch (Bali/Lombok)		X	X								WCCSD,ECCSD,CP&M	IT
Intensive effort to improve branches performance	X	X	X	X	X						WCCSD,ECCSD	
DBLM PIC recruitments		X	X								Wholesale	HR
DBLM PIC dan Syariah Audit trainings			X	X							Wholesale,SA&C,CP&M	HR
Regular trainings	X	X	X	X	X	X	X	X	X		CP&M	HR
Creating Syariah Portal		X	X								SA&C	IT
Create a partnership with the Developers an Dealers	X	X	X	X	X	X	X	X	X		Consumer,WCCSD,ECCSD	Conventional BD
Product preparation	X	X	X	X							PD,SA&C	
Creating the product guidelines		X	X	X	X						PD,SA&C	
Creating Product IT Infrastructure			X	X	X	X					PD,SA&C,CP&M	IT
Product development consultancy with BI	X	X	X	X	X	X	X	X	X		PD	
Product development consultancy with BU	X	X	X	X	X	X	X	X	X		PD	All BU (Syradn Conv)
Meeting with the Sharia Supervisory Board (DPS)	X	X	X	X	X	X	X	X	X		PD,SA & C	DPS
Syariah Audit Recruitment		X									SA&C	HR
Regular Audit by the Syariah Audit Team				X	X	X	X	X	X		SA&C	IA
Creating detailed KPI	X										CP&M	HR
KPI socialization		X	X								CP&M	All BU (Syradn Conv)
Creating CIMB Niaga Syariah Sukuk (Sharia Bond)				X	X						CP&M,PD,SA&C	Treasury, Director
Completing operational guidelines	X	X									CP&M,SA&C	All Operation Div
Operational guidelines socialization			X	X							CP&M	All Operation Div

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