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# Islamic Economics Themes in the Strategic Planning of Mergers and Acquisitions in the Malaysian Construction Industry

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SUHAIMI



PhD

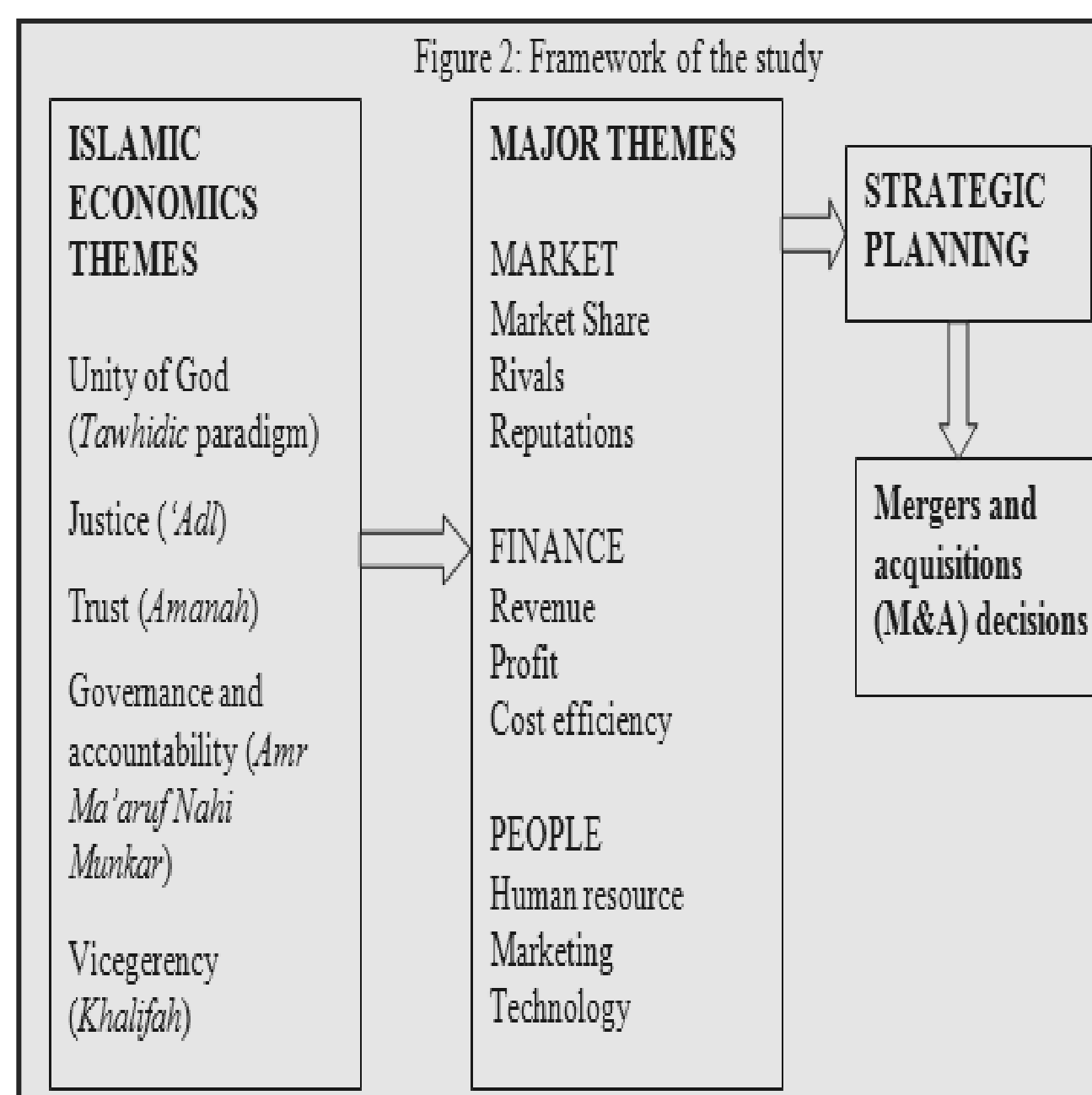


YUSOF



PhD

## B. FRAMEWORK OF THE RESEARCH



### Strategic planning

- provides road map/milestones for the company
- enables better performance effectively & efficiently
- brings the company closer to the reality in the future
- analyses of the current reality

### Mergers & acquisitions (M&A)

- is used by various types of companies from different sectors that involved capital, people & other resources
- a process of takeover
- is very challenging construction industry
- imposes cost to the companies
- provides shareholders' value

### CONSTRUCTION INDUSTRY

- key success factors for construction industry
- cost effectiveness, on-time project completion, and quality of completed projects
- skills, competencies, good network, good human resource practices, and good corporate culture are able to reduce cost of construction, complete projects on time and reduce the cost for liability defects

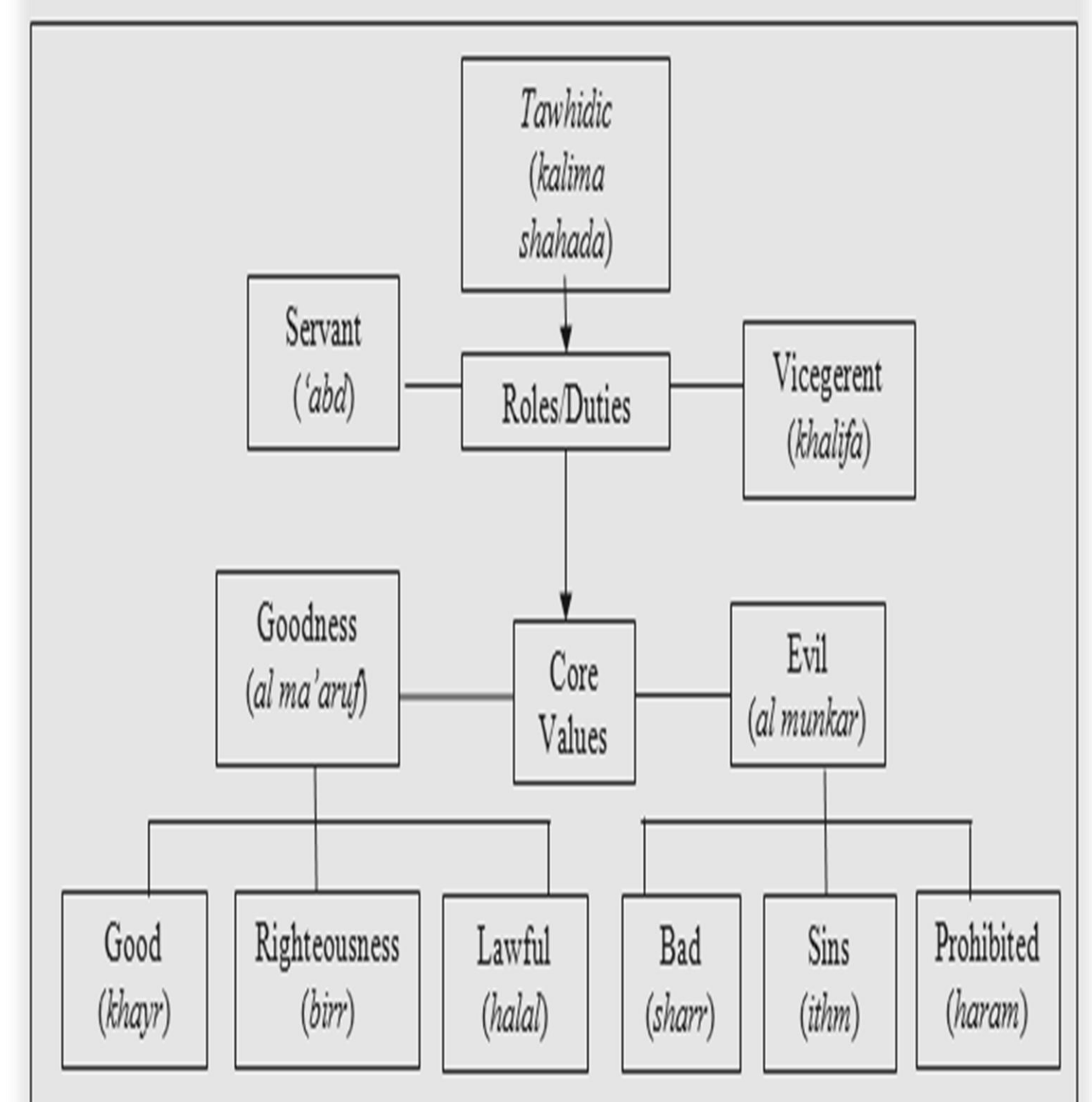
## ABSTRACT

This paper investigates Islamic economics themes in strategic planning for mergers and acquisitions in the Malaysian construction industry. It provides dedicated focus, direction and commitment to organizations to achieve their goals effectively and efficiently. In a competitive market, every firm tries to minimize cost by being efficient so that it can optimize potentials and competitive positions. The research questions are: (a) What are the Islamic economic factors that firms in the construction industry need to consider when adopting M&A strategy in the construction industry, and (b) What is the degree of the importance of each of the factors mentioned? The study conducted personal interview with the 11 construction managers. The results of personal interviews gave five Islamic themes, namely (1) Unity of God (*tawhidic*) paradigm, (2) justice (*'adh*), (3) trust (*amanah*), (4) promoting good governance-prevention evil (*amr bil ma'aruf nahi anil mungkar*), and (5) vicegerency (*khalifah*) that supported M&A strategy. In terms of practical implications, this study facilitates strategists or planners with common guidelines to plan strategically for M&A. The study suggests future research to use mixed method (questionnaire survey and personal interview) and include more informants, particularly industry key stakeholders.

**Keywords:** Islamic economics, strategic planning, mergers and acquisitions

## A. LITERATURE REVIEW

Figure 1: Fundamental Principles of Tawhidic paradigm



## C. RESEARCH QUESTIONS & METHODOLOGY

1. What are the Islamic economic factors that firms in the construction industry need to consider when adopting M&A strategy in the construction industry, and,
2. What is the degree of the importance of each of the factors mentioned?

The study conducted personal interview with the 11 construction managers.

## E. DISCUSSION

1. The most important themes for M&A are: "R2 financial resource" (n=11) & "C3 reputation" (n=3)
2. Respondents' voted for "R2 financial resource" as the main theme in M&A for construction industry. However, for "C3 reputation", all the respondents came from "accounting" background.
3. The Islamic economic themes result in trust (n=10), justice (n=6), vicegerency (n=5), governance (n=4) and Tawhidic view (n=1).

## F. CONCLUSION

1. Islamic economics themes in strategic planning for Malaysia's higher education comprise trust, justice, vicegerency and governance and accountability.
2. The results of personal interviews produced five Islamic themes, namely (1) Unity of God (*tawhidic*) paradigm, (2) justice (*'adh*), (3) trust (*amanah*), (4) promoting good governance-prevention evil (*amr bil ma'aruf nahi anil mungkar*), and (5) vicegerency (*khalifah*) that supported M&A strategy.
3. In terms of practical implications, this study facilitates strategists or planners with common guidelines to plan strategically for M&A. The study suggests future research to use mixed method (questionnaire survey and personal interview) and include more informants, particularly industry key stakeholders.

## D. FINDINGS

Factors	Quotes from the respondents	Islamic Economics Themes	Responded by
1	Gain better position (competitiveness)	Trust	PM 1
	Huge investment (financial)	Justice	PM 2
	Talk about M&A (reputation)	Governance	PM 4
	Reduce or minimize the cost (financial)	Governance	PM 6
	To be big enough to perform and complete the projects (financial)	Vicegerency	CM1
	Not long lasting (financial)	Justice	CM2
	Must go on with higher profit (financial)	Justice	CM3
	Bid construction projects (financial)	Trust	CM4
2	Reduce the cost of operations (financial)	Justice	PM 1
	Costs that will incur for M&A (financial)	Trust	PM 2
	Huge cost of investment (financial)	Justice	PM 4
	Cost cutting approach (cost efficiency)	Trust	PM 6
	Costs to be considered (cost efficiency)	Trust	PM 9
	Price of materials is very important (cost efficiency)	Justice	CM1
3	Reputation of the companies (reputations)	Vicegerency	PM 2
	Trust of the client (reputation)	Trust	PM 3
	Similarities (technology)	Trust	PM 7
4	Increase the profit quickly (profit)	Vicegerency	PM 1
	Opportunities and advantages (rivals)	Vicegerency	PM 2
	Expertise (human resource)	Tawhidic view	PM 4
5	Good option (revenue)	Governance	PM 5
	Strategy gain more profit (profit)	Trust	PM6
6	Excess capital (financial)	Vicegerency	PM 5
	Financial condition (financial)	Trust	PM 8
	Expertise (technology)	Trust	PM 10
	Future risk and opportunities (market share)	Governance	PM 11