

ISLAMIC BANKING STRATEGIC: CASE OF BANK SYARIAH MANDIRI

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Abstract

This research tries to explore the strategy to increase competitiveness of Bank Syariah Mandiri. The goals of this research are to: 1) to analyse Bank Syariah Mandiri roles and function in the present and the future, 2) to analyse internal factors of Bank Syariah Mandiri for increasing competitiveness; 3) to analyse policies needed for increasing competitiveness of Bank Syariah Mandiri and 4) to formulate Bank Syariah Mandiri strategy to increase competitiveness of Bank Syariah Mandiri. This research was conducted using Qualitative design. The data were taken from relevant literatures (Bank Syariah Mandiri annual reports, textbooks, magazines, and relevant internet information). The research has shown that business strategic suggested by strong commitment of the government. Value creation strategy is the best alternative strategy to increase Bank Syariah Mandiri competitiveness.

Keywords: Competitiveness, bank syariah mandiri, internal factor, and external factor.

Introduction

The establishment of Islamic banking in Indonesia was influenced by both external and internal factors. The external factor could be referred to the establishment of Islamic banks in Indonesia. Internal factors include the establishment of the strength and weakness Bank Syariah Mandiri as government bank. The application of Islamic law in banking received tremendous boost with the passing of the Islamic Banking Act 2008. Today, there are thirty four Islamic banking institutions in Indonesia, of which two are wholly foreign-owned and one International Islamic bank which are the Bank Syariah Mandiri, The main products and services are divided in 5 categories that comprise of funding, product services, financing, operational services and other services. The list of Islamic Banks is given in:

Table 1. The List of Islamic Bank in Indonesia

No	Name	Ownership
1	PT Bank Syariah Mandiri	Government
2	PT. Bank Syariah Muamalat Indonesia	Private
3	PT Bank Syariah BNI	Government
4	PT Bank Syariah BRI	Government
5	PT. Bank Syariah Mega Indonesia	Private
6	PT Bank Jabar dan Banten	Government
7	PT Bank Panin Syariah	Private
8	PT Bank Syariah Bukopin	Private
9	PT Bank Victoria Syariah	Private
10	PT BCA Syariah	Private
11	PT Maybank Indonesia Syariah	Foreigners
12	PT. Bank Danamon	Private
13	PT. Bank Permata	Private
14	PT. Bank Internasional Indonesia (BII)	Private
15	PT. CIMB Niaga	Private
16	HSBC, Ltd.	Foreigners
17	PT. Bank DKI	Government
18	BPD DIY	Government
19	BPD Jawa Tengah (Jateng)	Government
20	BPD Jawa Timur (Jatim)	Government
21	BPD Banda Aceh	Government
22	BPD Sumatera Utara (Sumut)	Government
23	BPD Sumatera Barat (Sumbar)	Government
24	BPD Riau	Government
25	BPD Sumatera Selatan (Sumsel)	Government
26	BPD Kalimantan Selatan (Kalsel)	Government
27	BPD Kalimantan Barat (Kalbar)	Government
28	BPD Kalimantan Timur (Kaltim)	Government
29	BPD Sulawesi Selatan (Sulsel)	Government
30	BPD Nusa Tenggara Barat (NTB)	Government
31	PT. BTN	Private
32	PT. Bank Tabungan Pensiunan Nasional	Private
33	PT. OCBC NISP	Foreigners
34	PT. Bank Sinarmas	Private

Sources: Prepared Data by Author

Although Islamic banking still has a very small market share, Indonesia's Islamic banking has a significant growth in recent years. The *Cumulative Annual Growth Rate* (CAGR) of TPF in the last 5 years (2005-2010) has increased by 37% with an estimated value of 76 trillion IDR in FY-2010. The highest growth has occurred from 2009 to 2010 with a 45% growth. (*Central Bank of Indonesia*).

Table 2. Economic Condition

Indikator	2009	2010
LDR of Conventional Bank	72.88%	75.21%
Interest rate of working capital loan	13.69%	12.83%
Interest rate of consumer loans	16.42%	14.53%
Credit Growth	9.96%	22.80%
NPL absolut	Rp47.54 T	Rp45.24 T
NPL Ratio	4.70%	2.56%
NPF BUS dan UUS	4.01%	3.02%

Sources: Management Report Bank Syariah Mandiri

The global economic recovery was getting stronger at the end of 2009. It has shown the optimism condition for the economic development of Indonesia in 2010. Although Greece faced an economic crisis in the second quarter of 2010, Indonesia, which witnessed an inflation rate reaching 6.96% in 2010 achieved a 6.1% GDP growth up from 4.58% in 2009. This is an indication that the global situation did not significantly influence the condition of Indonesia's Islamic banking.

Table 3. Macro Economic Condition

Indicators	2009	2010
Economic Growth (y-o-y)	4.5%	6.1%
Exchange Rates IDR/USD	9.400	8.991
Inflation	2.78%	6.96%
BI Rate	6.50%	6.50%

Sources: Management Report Bank Syariah Mandiri

The reason behind that was in large part due to Act no. 42 of 2009 governing the taxation which has been more conducive for Islamic banking since it has been enforced effectively on April 1, 2010. Another reason was the development of products and services that were more varied, without compromising Islamic principles (*Source: ib.eramuslim.com*).

This growth is expected to continue beyond 2011. Until Q2-2011, the value of TPF has reached 87 trillion IDR. From the consumer's perspective, the Islamic banking development in Indonesia was still influenced by the lack of education on Islamic economics and finance, although 85% of Indonesia's population is Muslim. From the total TPF (*conventional banking and Islamic banking*) which was estimated at 2,500 trillion IDR, Islamic banking contributed only 3.45%.

In terms of the "Number of Account Holders", it has been estimated that the account holder has reached 8 million account holders in Q2-2011, which has experienced 18% growth compared to FY-2010. In addition, this growth resulted from government support in refining the Positioning-Differentiation-Branding (PDB), which refers to the Grand Strategy of Islamic Banking Market Development 2009-2012. Therefore, it is a very big opportunity for the development of Islamic banking, since the number of Indonesia's population who are 18 years old or more is estimated at 70% of the total population.

The finding give answer to the research question underlying this study; (1) How are the strategy of Islamic Bank industry? (2) How are the contributing internal and external factors to Islamic Banking Success?

Theoretical Framework

Strategic management is that set of managerial decisions and actions that determines the long-run performance of a corporation (Wheelen & Hunger, 2008). Activity of strategic management includes scanning of environment (either external or internal), strategy formulation (strategic or long-range planning), strategy implementation, and evaluation and control. Therefore, the study of strategic management emphasizes the monitoring and evaluating of external opportunities and threats in terms of corporation's strengths and weaknesses.

There are many concept and techniques that deal with strategic management have been developed and used successfully by business corporations. Meanwhile, business practitioners and academic researchers have expanded and refined this concept.

Strategy

Nowday, no two firms are the same, even in the same industry. They vary in size, products, people, location, organization, and history. In almost all industries this underlying variability among companies leads to significant differences in their performance. An effective strategy have given a firm three benefits: (1) A source of economic gain, (2) Provide a framework for resource allocation and, (3) Guiding firm's decision regarding management and organization (Walker, 2003).

Wheelen & Hunger (2008), define strategy as a comprehensive plan that states how a corporation will achieve its mission and objectives. It maximizes competitive advantages and minimizes competitive disadvantages. To understand strategy, we need to define mission, objective, goal and policy, as follow.

Organization's mission is the purpose or reason for organization's existence, that tells what the company is providing to society either service or product. Objectives are the end results of planned activity, that should be stated as action verbs and tell what is to be accomplished by when and quantified if possible. Goal, we consider as an open-ended statement of what one wants to accomplish with no

quantification of what is to be achieved and no time criteria for completion. A policy is a broad guideline for decision making that links the formulation of a strategy with its implementation. Policies are used by companies to make sure that whole employees make decisions and take actions that support the corporation's mission, objective, and strategies.

A strategy is a unified, comprehensive, and integrated plan that the strategic advantage of the firm to the challenges of the environment. It is designed to ensure that the basic objective of the enterprise are achieved through proper execution by the organization. (Jauch, 1998). Strategy is the means used to achieve the ends (objectives). A strategy is not just any plan, however. Strategy is a plan that is unified, it ties all part of the enterprise together. A strategy is comprehensive, it covers all major aspects of the enterprise. A strategy is integrated, all the part of the plan are compatible with each other and fit together well. (Jauch, 1998).

Strategy is a specific pattern of decision and action that managers take to sue core competences to achieve a competitive advantage and outperform competitors (Jones, 2004). An organization develops a strategy to increase the value it can create for its stakeholders.

Strategies are the means by which long-term objective will be achieved. Strategies are potential actions that require top management decisions and large amounts of firm's resources (David, 2007). In addition, strategies, affect an organization's long term prosperity, typically at least for 5 years, and thus the future oriented. Strategies have functional and multidivisional consequences and require consideration of both the internal and external factor facing the firm.

The typical business firm usually considers three of strategy, those are corporate strategy, business strategy and functional strategy (Wheelen & Hunger, 2008).

Corporate strategy describe a company's overall direction in terms of its general attitude toward growth and the management of its various business and product lines. Corporate strategy typically fit within the three main categories of stability, growth, and retrenchment.

Business strategy usually occurs at the business unit or product level and it emphasizes improvement of the competitive position of a corporation's products or services in the specific industry or market segment served by that business unit. Business strategies are grouped into two overall categories: competitive and cooperative strategies. Cooperative strategy may thus be used to support a competitive strategy.

Functional strategy is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resources productivity. It is concern with developing and nurturing a distinctive competence to provide a company or business unit with a competitive advantage.

Jones (2004), adding one another level of strategy, that is global expansion strategy. Global expansion strategy refers to a plan which involves choosing the best strategy to expand into overseas markets to obtain scarce resources and develop core competences.

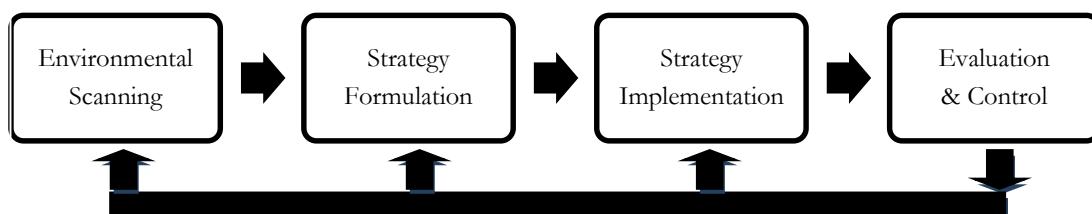
Business firms use all three types of strategy simultaneously. A hierarchy of strategy is a grouping of strategy types by level in the organization. Hierarchy of strategy is the nesting of one strategy within another so that they compliment and support one another. Functional strategies support business strategies, which in turn, support the corporate strategy (ies).

Basic Model of Strategic Management

According to Wheelen & Hunger (2008), strategic management consists of four basic elements, those are:

- Environmental scanning
- Strategy formulation
- Strategy implementation
- Evaluation and control

Figure 1 Basic Elements of the Strategic Management Process



Source : Wheelen & Hunger, 2008

Environmental scanning is monitoring, evaluating, and disseminating of information from external and internal environment to key people within the corporation. Its purpose is to identify strategic factors—external and internal element that will determine the future of the corporation. SWOT (an acronym of strengths, weaknesses, opportunities, and threats) Analysis is the simplest way to conduct environmental scanning.

Strategy formulation is the development of long-range plans for the effective management of environmental opportunities and threats, in light of corporate strengths and weaknesses. It includes defining the corporate mission, specifying achieving objective, developing strategies and setting policy guidelines. Definition of the mission, objectives, strategies and policies have describe in previous part.

Strategy implementation is a process by which strategies and policies are put into action through the development of program, budgets, and procedures. This process might involve changes within the overall culture, structure, and/or management system of the entire organization. Program is a statement of activities or steps needed to accomplish a single-use plan, that make a strategy action oriented. It may involve restructuring the corporation changing internal corporate culture, or beginning a new research effort. Budget is a statement of a corporation's program in terms of dollars. Budget lists the detailed cost of each program used in planning and control. Procedures are system of sequential steps or techniques that describe in detail how a particular task or job is to be done.

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. Managers at all levels use the resulting information to take corrective action and resolve problems. Performance is the end result of activities, that includes the actual outcome of the strategic management process. The evaluation and control of performance completes the strategic management model. Based on performance result, management may need to make adjustments in its strategy formulation, in implementation or in both.

Methodology

In this study a descriptive design will be used in which secondary data will be obtained using published and unpublished relevant documents from Bank Syariah Mandiri and other information will be obtained from electronic sources such as internet as well as documentations available from other available Islamic financial institution sources.

Discussion

History of Bank Syariah Mandiri

Established since 1999, BSM has in fact appeared as blessings and morale learnt from the 1997-1998 economic and monetary crises. As is known, the economic and monetary crisis, followed by multi-dimension crisis including in the national politics, has massively affected all aspects of public life, not an exception to business matters. Under such a condition, the conventional banks dominated banking industry suffered from the worst crisis. The government finally took action by restructuring and recapitalizing the banks in Indonesia.

One of the conventional banks, PT Bank Susila Bakti (BSB) owned jointly by Employee Welfare Foundation (YKP) of PT Bank Dagang Negara and PT Mahkota Prestasi also suffered from the crisis. BSB sought to survive the crisis by merger with other banks and inviting foreign investors.

At the same time, the government merged four banks (Bank Dagang Negara, Bank Bumi Daya, Bank Exim, and Bapindo) to become a new bank under the name

PT Bank Mandiri (Persero) on July 31, 1999. The merger policy also positioned and declared PT Bank Mandiri (Persero) as the new majority owner of BSB.

Further to the merger, Bank Mandiri embarked on consolidation and commissioned Sharia Banking Development Team. The team aims to develop sharia banking business services within the Bank Mandiri business group as a response to the law enforcement of UU No. 10 Year of 1998 that allows commercial banks for running sharia transaction services (dual banking system).

The Sharia Banking Development Team concluded that the law enforcement serves the right time for converting PT Bank Susila Bakti from conventional to sharia banking. Accordingly, the Sharia Banking Development Team prepared the system and infrastructure to change conventional banking activities of BSB to a bank running on the basis of sharia principles under the name PT Bank Syariah Mandiri just as legalized with the Notaries Act of Sutjipto, SH, No. 23 dated September 8, 1999.

The change in BSB business type into sharia commercial bank has been approved by the Bank Indonesia Governor through Decree No. 1/24/KEP.GBI/1999, October 25, 1999. Through the Decree of Senior Deputy Governor of Bank Indonesia No. 1/1/KEP.DGS/ 1999, the central bank approved the bank renaming into PT Bank Syariah Mandiri. Following the approval and legal registration, PT Bank Syariah Mandiri has officially been in operation since 25 Rajab 1420 H or November 1, 1999.

The Bank is now coming, performing and growing as a bank that combines business ideals and spiritual values as the basis of its operation. The harmony of business ideals and spiritual values creates a comparative advantage for Bank Syariah Mandiri to perform in the banking industry in Indonesia. BSM was born to build Indonesia better.

Market share

Public confidence in the Company can be seen from the increasing of market share of funding and financing. Market share of funding increased by 1.14% from 37.00% in 2009 to 38.14% in 2010. Financing market share increased by 0.75% from 34.26% in 2009 to 35.01% in 2010. Meanwhile, the market share of assets less depressed by the swift increase in capital in Sharia banking. Total capital in the sharia bank increased 206.53% from Rp1. 95 trillion in 2009 to IDR 5. 96 trillion in 2010. This is due to the addition of five new IB in 2010, from 6 IB in 2009 to 11 IB in 2010 or an increase of 83.00%. In terms of market share of earnings, the Company provides the largest contribution to total profits collected by sharia banking. The Company recorded a profit amounting to IDR 418. 52 billion, in example 39.87% of the total profits of sharia banking. It becomes its own advantages in the face of business competition in the future.

In supporting the success of BSM product marketing to optimize the customer service, BSM paid attention to the office network growth aspects in servicing the customers. The new office opening and office status change in 2010 as stated in the table below.

Table 4. Total Office Networks

Office Networks	2009	2010	New Office 2010	Up Status 2010
Branch Offices	61	115	28	26 KCP
Sub - Branch Offices	107	254	102	71 KK
Cash Offices				
a. Cash Offices	95	30	5	-
b. Sharia Services Offices	49	52	4	-
Cash Services Activities				
a. Payment Point	51	56	5	-
Total Office Networks	363	507	144	97

Sources: Management Report Bank Syariah Mandiri

Here is the strategy formulation/formulation and implementation of strategies that have been made by Bank Syariah Mandiri:

1. Formulation Strategy

Vision: To be the most trusted and preferred sharia bank for business partners.

Missions:

- To generate sustainable growth and profits.
- To put priority on consumer funding and micro, small and medium financing.
- To hire and develop professional employees in a healthy work environment
- To develop sharia universal values.
- To run banking operations according to sound banking practices.

2. Internal and External Environment

A. External Environment:

i. Economic Factor

Monetary and economic crisis has had a huge impact in the national economy since 1997. Conventional banks has dominated economic crisis which experiencing severe difficulties in Indonesia's banking system . These circumstances led to the Indonesian government was forced to take action to restructure and recapitalize the banks in most

of Indonesia. Thus opening up opportunities for the establishment of Islamic banks which have different principle from conventional banks.

ii. Demographic Factor

Indonesian society are predominantly Muslim (80% of 250 million) who is a potential market. However conventional banks is the main competitors of Islamic banks.

iii. Geographic Factor

Determination of Bank Syariah Mandiri office locations based on the administrative status as a branch office located in the capitals provincial, sub-branches located in the municipality/regency, and treasury offices in the district. It is intended to be accessible to all society levels.

iv. Technology Factor

The development of technologies is very rapidly growing even though it is a threat that must be taken into account and is a critical issue that must be addressed immediately.

v. Government Factor

Bank Syariah Mandiri got categories a good performance banking from Bank Indonesia. This is an opportunity that can increase public confidence in the Bank Syariah Mandiri. The new policy of Bank Indonesia is not yet trigger a conventional bank to divest a business unit of Islamic sharia banks to be syariah bank independently. There is a full guarantee from the government to ensure the return of client money if a bank is currently experiencing a problem or disaster. Act 10 of 1998, regarding Amendment Act 7 of 1992 concerning Banking. In November 1998 has provided an excellent opportunity for the growth of Islamic banking in Indonesia. The Act allows the bank to operate fully by sharia or by opening a special branch of sharia.

vi. Social Factor

Indonesian cultures are accustomed to live frugally and saving is an opportunity for Islamic Banking development. The needs for safety make people believe banks to secure their property. MUI Fatwa that bank interest haram which make possible conventional bank customers switch to Syariah Mandiri bank.

vii. Political Factor

The existence of national political crisis 1997 has brought great effect on national politics. With the government change provided flexibility for Islamic banks to growing.

Table 6. External Environment Analysis

EXTERNAL ENVIRONMENT ANALYSIS BANK SYARIAH MANDIRI Tbk										
Strength	Chance					Threat				
	Success Probability			Attractive Power		Occur Probability			Damaged Power	
	T	S	R	T	S	T	S	R	T	S
1. Social										
A. Sharia Banking Minded						✓			✓	
B. Public Confidence			✓		✓					
C. Recent BI Policy	✓			✓						
D. UMKM Sector	✓			✓						
E. Economic Growth		✓			✓					
2. Industry										
A. Office Channeling (UUS)						✓			✓	
B. Bank Umum Syariah (BUS)						✓			✓	
C. Conventional Bank							✓		✓	
D. Potential Market	✓			✓						
E. Substitution Product							✓		✓	
F. Market Share	✓			✓		✓			✓	
G. Technology Information	✓			✓						

Notes:

Aspects Opportunities-Threats:

1. Confidence Public:

Presence of Bank Indonesia categorization to Bank Syariah Mandiri as a healthy bank on 20 June 2006. This is an opportunity that can increase public confidence in the Bank Syariah Mandiri.

2. Islamic Banking Growth:

Rapid growth proven by the Islamic banks development in areas that are no longer predominantly Islamic religion, such as Manado and Bali.

3. Technology:

- The rapid technology growth in the IT are great opportunities for the new technologies application in the banking.
- Competitors have more advanced technology.
- Newcomer.

Bank Indonesia's policy is not yet triggered a conventional bank to release Islamic business units into Islamic banks.

4. Substitute Product:

- Substitute products in conventional banks tend to be more beneficial to the bank, but bank syariah mandiri thought the advantage of both parties.

- b. Many similar products that offer a lot of advantages, for example by offering a more attractive prize.

5. Customer

- a. Indonesian society predominantly Muslim (80% of 250 million) is enormous potential market.
- b. Clients no longer see the Islamic bank as the bank set aside for Islam.
- c. Many choices products from other banks rise to power of the customer to choose a competitor.
- d. Banks dealing with this syariah concept is still a little too tight competition yet.
- e. Competitors in the country consisting of conventional banks and Islamic banks. varied among others:
 - 1) Funding: Savings, Deposits, Giro, and Bonds.
 - 2) Financing: Pawn and Hajj bailouts.
 - 3) Services: Services Product, Service Operations.
- f. There is already collaboration services product (ATM).

6. Brand identity

When people hear the word standalone Islamic bank formed the perception is that the bank adheres to the principles of Islamic finance are as follows:

- 1) Mudharabah, financing based on the principle of profit sharing.
- 2) Musyarakah, financing based on the principle of joint ventures.
- 3) Murabahah, sale and purchase of goods with a profit.
- 4) Ijarah, financing of capital goods on the basis of lease.

Islamic Bank is a banking concept is still new and follow Islamic law that formed the initial image in the community is a bank just for the people of Islam.

B. Internal environment:

- 1) Customers no longer see Islamic banks as a bank devoted to the Islam.
- 2) A large selection of products from other banks rise to power of the customer to select products and services.
- 3) Banks are moving with this concept is still a little too tight competition yet.
- 4) Competitors standalone Islamic banks not only of Islamic banks but also from conventional banks.
- 5) Public.

Table 7. Internal Environment Analysis

Key Success Factors	Years 2009			Years 2010			Competitor		
	H	AV	L	H	AV	L	H	AV	L
1. Sharia									
A. BSM Growth	✓				✓		✓		
B. Promotion		✓			✓		✓		
C. Sharia Concept	✓			✓				✓	
D. Pricing		✓			✓		✓		
E. Variation Product	✓			✓				✓	
2. BSM Facilities									
A. Banking Hall		✓		✓			✓		
B. Brand Image		✓			✓		✓		
C. Privacy Room		✓			✓		✓		
3. BSM Management									
A. Bank Leadership	✓			✓				✓	
B. Service Quality		✓		✓			✓		
C. Research and Development	✓			✓				✓	
D. Information System		✓			✓		✓		
E. Finance Condition		✓			✓		✓		
F. Human Resources		✓		✓				✓	
G. Compliance With Regulations	✓			✓			✓		

Notes:

Analysis of Strengths and Weaknesses.

1. Human Resources

- a. In accordance with the mission of PT Bank Syariah Mandiri with hiring professional staff and fully understands Islamic banking operational.
- b. With establishment the BSM training center in order to planning various education and Islamic banking training programs appropriate needs and business priorities all the time.

2. Marketing Network

- a. BSM office consists of branches, sub-branches and cash offices that spread in 20 provinces. Considering majority population is Moslem.
- b. BSM offices not spread evenly across the province.

Products and services are offered in four categories:

- a. Financing, e.g. Umrah Financing, Consumer Financing Syariah Mandiri, BSM Education Financing, BSM Griya Financing, Motor Vehicle Financing.
- b. Funding, e.g. BSM Saving, Giro BSM and BSM Deposit.

- c. Service Product, e.g. BSM Card, BSM Payment Center, BSM Cash Transfer.
- d. Operational Service, e.g. BSM Clearance, BSM collection, BSM Intercity Clearing, BSM Bank Reference and Investment, e.g. mutual funds, Retail State Sukuk.

3. Financial Condition. Assets: 8.37 Trillion with Financial Ratios.

ROE and ROA

Performance Trend on BSM Return on Equity (ROE) in 2010 indicated the increment. BSM ROE in 2010 amounted of 63.58% above the average ROE of 5 (five) National Banking Sharia General Banks amounted of 17.62%. The increment mostly resulted from the significant net profit achievement compared with the succeeding year. Meanwhile BSM Return on Assets (ROA) slightly decreased from 2.23% in 2009 to 2.21% in 2010. However, BSM ROA was higher than the average ROA of 5 (five) other Sharia General Bank reaching of 1.67%. The decrease was caused by the significant growth of BSM in 2010.

- a. ROE of 15.10% indicates that net income measured from capital owners is quite good.
- b. ROA shows asset measured by sales volume, the assets can be faster get a profit if ROA increasing. Obtained ROA of $2.15\% > 0$.
- c. ROI of 0.98%, showed that net income measured by total assets.

From the financial ratio analysis can be concluded in general that the Bank Syariah Mandiri financial performance has been good enough.

4. Strategy.

The conducive national economic condition is expected to give positive influence to national banking industry performance. BI projects the banking performance in 2011: assets, credit and third party fund, will be higher compared with performance of the succeeding year. Optimism of the positive trend which is projected at national economic and banking industry according to BI will also give impact to Sharia banking industry. The Sharia banking industry is expected to be able to maintain the high level growth in 2011. BI projects that Sharia banking growth in 2011 can reach 35% (pessimistic scenario) – 55% (optimistic). The optimistic Sharia banking growth is expected to be supported by various sectors among others covering:

1. The new players

The existence of the new players will stimulate a higher competition in Sharia banking industry. This condition will accelerate the old players to maintain their market share with higher efforts.

2. The more conducive macroeconomic condition

The macroeconomic condition in 2011 which is more conducive, it is predicted to be a stimulating factor of Sharia banking industry growth.

3. The more structured market development program

The better Sharia banking industry socialization program will stimulate the level people acceptance to Sharia banking service will increase with wider demographic scale.

4. HR quality improvement

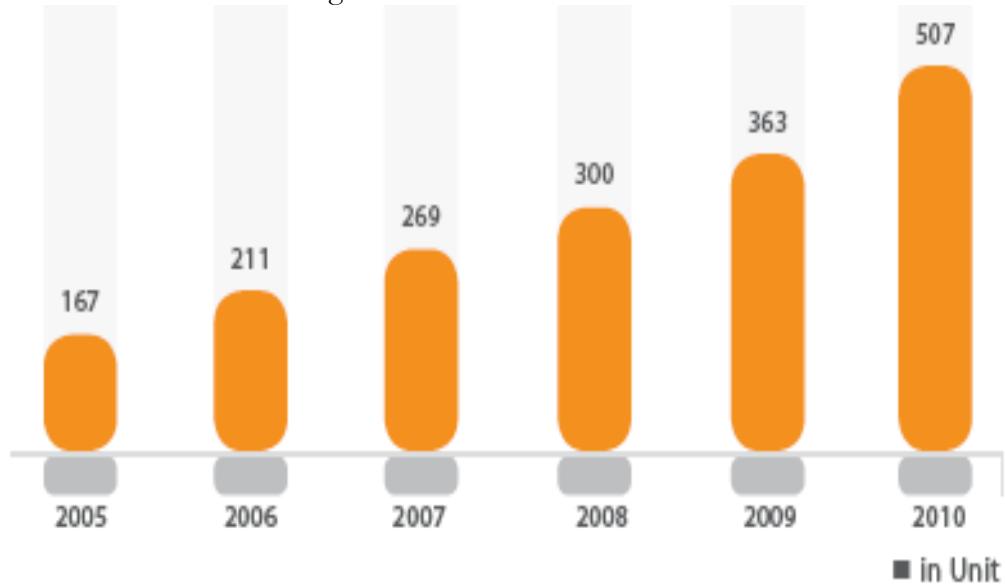
The fulfillment of the well quality human resource and with enough quantity will significantly influence the Sharia banking asset growth in 2011.

5. The stronger authority support

The government accepts the development of finance and Sharia banking as part of the integrated government program to face the competition and use any opportunity optimally in 2011, BSM has enhanced its business capability by expanding business network, recruit new employees, add capital and upgrade IT infrastructure by changing the Core Banking System. With the quality development, it is expected BSM to maintain even increase its market segment in Sharia banking.

In order to increase the customer number augmentation by providing the best service, supported by innovation development of Sharia banking products. BSM also implements the product marketing strategy and corporate to extend BSM market, so that it will strengthen its position in Sharia banking system. BSM office network up to the end of 2010 reached 507 outlets spreading in 33 provinces of Indonesia.

Figure 1. Office Networks Growth



Sources: Management Report Bank Syariah Mandiri

In supporting the success of BSM product marketing to optimize the customer service, BSM paid attention to the office network growth aspects in servicing the customers. The new office opening and office status change in 2010 as stated in the table below.

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■ inUnit

Sources: Management Report Bank Syariah Mandiri

BSM has implemented the corporate communication policy in socializing and promoting the products to the people through some media, among others:

- a. BSM Website.
- b. Printed and electronic advertisements.
- c. Events.
- d. Facebook, twitter and other social networks.
- e. Sponsorship.
5. Policy:
 - a. Applying the value chain alignment concept, then Bank Syariah Mandiri's cooperation pattern to a new operational channels level that are transactional partnership. Because this cooperation pattern is based on cooperation marketing mix, and selling.
 - b. Downsizing 16 divisions into five divisions.
 - c. Improving organizational culture to better organizational culture.

6. Implementation Strategy.

a. Programs.

- 1) To improve the performance, competitive advantage possessed the high brand awareness and customer satisfaction is optimized. Implementation makes a community-based marketing program.
- 2) Utilization of customer loyalty results from emotional benefits to build an identity in the community (existing customers) in a way to strengthen the priests relationship between the community and Bank Syariah Mandiri brand.

7. Budget.

Approach in determining budgetary management made new changes. Each division did not immediately set a target, but taken together define national targets, for example, to formulate management themes established in 2006 as the year of the alliance network services. The second phase launched national targets, how the network and the point of the service would be opened. New third stage determined financial targets based on existing financial reporting.

8. Procedure.

- 1) The strategic alliance with government company (BUMN) in making sales to these areas and strategic alliances with other government Banks in cash withdrawals through joint ATM. This is good strategy Bank Syariah Mandiri without spending substantial investment to open a lot of branches and ATM machines hold.
- 2) Sharpening systems and risk management procedures.
- 3) Sharpening Service systems and procedures Ahlakul Karimah.
- 4) Adjust Accounting procedures with the provisions of Accounting Standards Indonesia.

Conclusion

Based on the analyzing the result. It can be concluded as follows:

1. Improving the quality of Islamic financial products should be done in-depth studies and academic engagement. It is a necessity in building Islamic financial institutions to be more reasonable and acceptable to the Indonesian people.
2. The position of the organization in which entered into the industry is reflected in the strengths, weaknesses, opportunities, and threats which facing them.

Recommendation

Effort to create organizational competitiveness in the long term, with all the resources to manage internal and external environmental organization, it becomes a

strategic formula for adapting and creating an innovation in the marketplace. The ultimate goal is to increase profits for the organization and develop the existing organizations in the market.

By creating long-term competitiveness, identifying internal and external environmental conditions, adaptation and innovation creation, increased profit and the existence of the organization.

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