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Is the high performance organization framework applicable to Takaful insurance companies?

High performance organization framework

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Abstract

Purpose – Islamic finance is an interesting field of research, as it represents an alternative to conventional finance for Muslims. It is a way of conducting finance based on the principles of Islam and prohibition of interest. Islamic finance can be divided into two areas: Islamic banking and Islamic insurance (Takaful). This paper aims to describe a research study on the applicability of the high-performance organization (HPO) framework on Takaful insurance companies and whether it can improve their performance in a sustainable way.

Design/methodology/approach – The factors and characteristics of the HPO framework are theoretically matched with the characteristics of the Takaful industry for evaluating whether these reinforce or weaken each other. The outcome of this matching process gives an indication of whether it is easier or more difficult for Takaful insurance companies, compared with conventional companies, to apply the HPO framework and transform themselves into HPOs.

Findings – It can be theoretically expected that, out of 35 HPO characteristics, 10 will be easier to strengthen in Takaful organizations compared with conventional organizations and 9 will be more difficult, and for 16 characteristics, there will be no difference. These results suggest that, most likely, it does not make a difference whether UAE Takaful organizations or conventional organizations implement the HPO framework, they will probably need roughly the same amount of effort to make a successful transition.

Research limitations/implications – In a follow-up study, the HPO framework will be applied at several Takaful insurance companies to evaluate the operation of the framework in practice.

Originality value – To date, no studies of the HPO framework and HPOs have been conducted at Takaful insurance companies in the UAE. Thus, by theoretically matching the HPO framework with Takaful organizations, the study fills a gap in the management literature regarding high-performance improvement techniques for Takaful organizations.

Keywords United Arab Emirates, HPO, Takaful, High performance organizations, Insurance

Paper type Research paper

Introduction

The United Arab Emirates (UAE) is considered to be the largest and the most competitive insurance market in the Gulf Cooperation Council (GCC) region. The insurance sector is highly correlated with the gross domestic product of the country, and over 60 firms are currently offering conventional and Islamic insurance (Alpen Capital, 2013). Islamic insurance, otherwise known as Takaful insurance, is insurance provided on an Islamic



basis. It is based on the concept of helping one another, and it therefore constitutes a cooperative or mutual insurance. It is founded on mutual cooperation by a community that pools together resources so that members of the community can be assisted in times of need caused by casualty or loss. "Takaful", derived from a verb, means that people provide support to one another, and hence, it entails ideas of interdependence, love for one another and solidarity in society. Farooq *et al.* (2010, p. 68) defined Takaful, from an economic point of view, as:

A mutual guarantee or assurance based on the principles of al-Aqd (i.e. contract) provided by a group of people living in the same society against a defined-risk or catastrophe befalling one's life, property or any form of valuable thing.

Technically, the difference between Takaful and conventional insurance is that Takaful is based on *Shariah* law, whereas conventional insurance is not. To conform to *Shariah* law, Takaful insurance must be policyholder-oriented and not shareholder-oriented. The contract must provide certainty that the length of the policy period is finite, and the size of the premium and benefits from the policy are known beforehand. The past decade has seen an increasing demand for, and wide adoption of, *Shariah*-compliant products, including Takaful insurance, because of several factors (Central Bank of Bahrain, 2008). First, according to population projections, the world's Muslim population is expected to increase by approximately 35 per cent in the next 20 years, rising from 1.6 billion in 2010 to 2.2 billion by 2030. The expected growth is because of the relatively high birth rate among Muslims and an increase in life expectancy in Muslim-majority countries. To appeal to the growing Muslim population, insurance firms are increasingly offering services that adhere to these religious values. Second, the demographic makeup of the GCC indicates that 26 per cent of the population is under 18 years old. While older generations have traditionally viewed insurance of any kind as unnecessary, younger generations are far more open to taking out insurance contracts, particularly from Takaful insurance companies, as these firms comply with Muslim religious values. The third reason for increased demand for *Shariah*-compliant products is because of the high liquidity that exists in the GCC. Globally, *Shariah*-compliant assets grew at a compound annual growth rate of 30 per cent in 2007 and the GCC was responsible for almost 40 per cent of that total. This is connected to the massive construction projects in the region for which *Shariah*-compliant insurance is needed.

However, despite these positive developments, the growth rate of Takaful insurance fell from the double-digits to a single-digit rate in 2010, and the total volume of Takaful insurance was US\$0.8bn, short of the US\$9.1bn forecast (Ernst and Young, 2011). There has been a general slowdown in the growth of Takaful insurance companies, and in the first quarter of 2013, Takaful insurance companies' fund deficits in the UAE rose by over 70 per cent, causing them to record zero growth in shareholder funds (Willis, 2013). There are several reasons for these rather disappointing results (Deloitte, 2012). There is currently a weakness in the governance and regulatory compliance for the Takaful insurance industry. More consistency in regulatory frameworks is needed, and national regulators and industry standard-setting bodies need to work together to take initiatives to improve Takaful practices and policy-making processes. Risk management and internal controls in Takaful insurance companies are not yet strong enough. With a confluence of regulatory changes occurring because of the international expansion of Takaful business, executive management and boards have to strategize risk management and governance. *Shariah*-compliance risk should be embedded in all phases of operations and management, to ensure that Takaful insurers will be better equipped for market turbulence and accompanying risks. In line with this, Takaful insurers should embrace technology in all operational, sales

and marketing strategies, to achieve cost-efficiency and improve productivity. There is also a clear need for new business models to accommodate new markets and the development of best practice customer service management systems and processes, to ensure that policyholders and customers are treated honestly, fairly and professionally. In addition, Takaful providers are required to invest in educating consumers about their products. Also, the role of leadership and talent management is becoming increasingly important as Takaful businesses seek to respond to uncertain economic conditions and stagnant growth opportunities, as well as to address the aforementioned regulatory and organizational structures. Thus, Takaful operators have to start paying more attention to offering competency-based training and leadership programs to their personnel. Finally, the GCC region is becoming a very attractive destination for international companies, with a significant increase in the number of new foreign insurers in recent years (Willis, 2013).

In summary, increased worldwide competition, operational issues and the lack of qualified staff are negatively affecting the performance of Takaful companies in the UAE. It is clear that the performance of Takaful insurance companies in the UAE needs to be improved, so that companies can demonstrate renewed and sustainable growth. Therefore, Takaful insurance companies are looking for models that help address these issues by making their internal organization stronger. One such model is that of the HPO, which is defined as:

An organization that achieves financial and non-financial results that are exceedingly better than those of its peer group over a period of time of five years or more, by focusing in a disciplined way on that what really matters to the organization (de Waal, 2012a, p. 5).

The literature confirms that once an organization reaches HPO status it enjoys increased and sustainable profitability, return on assets, return on equity, return on investment, return on sales and total shareholder return (Collins, 2001; McFarland, 2008; Hensmans *et al.*, 2013; Park *et al.*, 2013). Unfortunately, when looking at the research on HPOs carried out in Arab countries, no comprehensive studies on high performance can be identified (de Waal, 2006). Further, despite interest in analyzing the performance of Takaful insurance companies (Abdul Wahab *et al.*, 2007; El-Gamal, 2007; Kwon, 2007; Farooq *et al.*, 2010; Sharif and Bao, 2013), no studies on the application of HPO models at Takaful insurance companies in the UAE were found. The HPO framework (de Waal, 2012a), which has been used and validated in many contexts, including recently the UAE (de Waal and Frijns, 2014; de Waal *et al.*, 2014), could offer a way forward. This article describes the first stage of a research study on the applicability of de Waal's HPO framework to Takaful insurance companies, and whether it can improve their performance in a sustainable way. The research study has two parts. In the first part, the Takaful insurance industry and the characteristics of the HPO framework are theoretically matched, to evaluate whether the framework can be applied in this context. In the second part of the study, the HPO framework will be applied at several Takaful insurance companies to evaluate the operation of the framework in practice. This second part of the research study will be described in a later part of the article. The central research question of this article is:

RQ1. Which factors and accompanying characteristics from the HPO framework are applicable to Takaful insurance companies?

By exploring this question, we will know whether the HPO framework is theoretically valid for Takaful insurance companies and, if so, which factors and characteristics of the framework can be applied to help improve the performance of these companies within the UAE. These relevant factors and characteristics will then help the managers of these companies focus on what is really important when transforming their organization into an HPO.

The remainder of this article is structured as follows. In the next section, the HPO framework is introduced. Subsequently, the factors and characteristics of the HPO framework are matched with the characteristics of the Takaful industry, to evaluate whether there are any similarities between the two, which would indicate the possible usefulness of the HPO framework for Takaful insurance companies. The article concludes by addressing the limitations of the study and plans for future research.

The high-performance organization framework

The HPO framework was developed from a descriptive literature review (Phase 1) and empirical study in the form of a worldwide questionnaire (Phase 2) (de Waal, 2006, 2012a, 2012b). The first phase of the research consisted of collecting studies on high performance and excellence that were to be included in the empirical stage. Criteria for inclusion were based on whether the study: was aimed specifically at identifying HPO factors or best practices; consisted either of a survey with a sufficiently large number of respondents that the results could be deemed (fairly) representative or in-depth case studies of several companies where the results were at least valid for more than one organization; employed triangulation by using more than one research method; and included written documentation containing an account and justification of the research method, research approach and selection of the research population, a well-described analysis and retraceable results and conclusions which allowed the quality of the research method to be assessed. The literature search yielded 290 studies that satisfied all or some of these four criteria. The identification process of the HPO characteristics consisted of a succession of steps. First, elements that the authors themselves regarded as essential for high performance were drawn from each of the publications. These elements were then entered into a matrix, which listed all the factors included in the framework. Because different authors used different terminologies in their publications, similar elements were placed in groups and each group – later to be named “characteristic” – was given an appropriate description. Subsequently, a matrix was constructed for each factor listing a number of characteristics. In total, 189 characteristics were identified. After that, the “weighted importance”, i.e. the number of times a characteristic occurred in the individual study categories, was calculated for each. Finally, the characteristics with a weighted importance of at least 6 per cent, a total of 35, were chosen as the characteristics that potentially make up an HPO.

During Phase 2, the 35 potential HPO characteristics were included in a questionnaire, which was administered during lectures and workshops given by the author and his colleagues to managers all over the world. The respondents of the questionnaire were asked to indicate how well their organization performed on the various HPO characteristics on a scale of 1 (very poor) to 10 (excellent) and also how its organizational results compared with its peer group results. Two types of competitive performance were established (Matear *et al.*, 2004):

- (1) relative performance (RP) versus competitors: $RP = 1 - \frac{[RPT - RPW]}{[RPT]}$, in which RPT = total number of competitors and RPW = number of competitors with worse performance; and
- (2) historic performance (HP) of the past five years (possible answers: worse, the same or better).

These subjective measures of organizational performance are accepted indicators of real performance (Dawes, 1999; Heap and Bolton, 2004; Jing and Avery, 2008). The questionnaire yielded 2,015 responses from 1,470 organizations. Using a correlation analysis and a factor analysis, 35 characteristics, categorized in five factors, were extracted and identified that

had both a significant and strong correlation with organizational performance. The factor scales showed acceptable reliability (Hair *et al.*, 1998) with Cronbach's alpha values close to or above 0.70. These five factors and their accompanying 35 characteristics (Tables I-V) show a direct and positive relationship with the competitive performance of the organization. These are:

- (1) *HPO Factor 1 – Management quality*: HPO managers focus on encouraging belief and trust in each other. They value loyalty and live with integrity; they treat their people with respect and maintain individual relationships with employees. HPO managers are committed and have a strong set of principles and standards. They are supportive and help employees in achieving their results, and also hold them accountable for these results. HPO managers act as a role model for the rest of the organization.
- (2) *HPO Factor 2 – Openness and action orientation*: HPO managers value the opinions of employees and always involve them in important business and organizational processes. Making mistakes and taking risks is something that is

HPO characteristics of management quality	Influence of Takaful
1. Management is trusted by organizational members	Positive
2. Management has integrity	Positive
3. Management is a role model for organizational members	Neutral
4. Management applies fast decision-making	Positive
5. Management applies fast action-taking	Positive
6. Management coaches organizational members to achieve better results	Neutral
7. Management focuses on achieving results	Neutral
8. Management is very effective	Neutral
9. Management applies strong leadership	Neutral
10. Management is confident	Neutral
11. Management always holds organizational members responsible for their results	Negative
12. Management is decisive with regards to non-performers	Negative
<i>Theoretical prediction</i>	<i>This HPO factor will be easy to strengthen in Takaful insurance companies</i>

Table I.
Matching Takaful industry characteristics with the characteristics of HPO factor management quality

HPO characteristics of openness and action-orientation	Influence of Takaful
13. Management frequently engages in a dialogue with employees	Neutral
14. Organizational members spend much time on dialogue, knowledge exchange and learning	Neutral
15. Organizational members are always involved in important processes	Negative
16. Management allows mistakes to be made	Neutral
17. Management welcomes change	Negative
18. The organization is performance-driven	Negative
<i>Theoretical prediction</i>	<i>This HPO factor will be relatively easy to strengthen in Takaful insurance companies</i>

Table II.
Matching Takaful industry characteristics with the characteristics of HPO factor openness and action-orientation

always encouraged in an HPO, as this is considered to be an opportunity to learn, develop new ideas and exchange knowledge for improvement.

- (3) *HPO Factor 3 – Long-term orientation*: Long-term commitment is more important than short-term gain for an HPO. Stakeholders of the organization are benefiting from this long-term orientation, and they are sure that the organization is

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Table III.
Matching Takaful industry characteristics with the characteristics of HPO factor long-term orientation

HPO characteristics of long-term orientation	Influence of Takaful
19. The organization maintains good long-term relationships with all stakeholders	Positive
20. The organization is aimed at servicing the customers as best as possible	Positive
21. Management has been with the company for a long time	Neutral
22. New management is promoted from within the organization	Neutral
23. The organization is a secure workplace for organizational members	Neutral
<i>Theoretical prediction</i>	<i>This HPO factor will be easy to strengthen in Takaful insurance companies</i>

Table IV.
Matching Takaful industry characteristics with the characteristics of HPO factor continuous improvement and renewal

HPO characteristics of continuous improvement and renewal	Influence of Takaful
24. The organization has adopted a strategy that sets it clearly apart from other organizations	Neutral
25. In the organization processes are continuously improved	Neutral
26. In the organization processes are continuously simplified	Neutral
27. In the organization processes are continuously aligned	Neutral
28. In the organization everything that matters to performance is explicitly reported	Neutral
29. In the organization both financial and non-financial information is reported to organizational members	Neutral
30. The organization continuously innovates its core competencies	Neutral
31. The organization continuously innovates its products, processes and services	Neutral
<i>Theoretical prediction</i>	<i>This HPO factor will be difficult to strengthen in Takaful insurance companies</i>

Table V.
Matching Takaful industry characteristics with the characteristics of HPO factor employee quality

HPO characteristics of employee quality	Influence of Takaful
32. Management inspires organizational members to accomplish extraordinary results	Positive
33. The resilience and flexibility of organizational members is continuously strengthened	Neutral
34. The organization has a diverse and complementary workforce	Neutral
35. The organization grows through partnerships with suppliers and/or customers	Positive
<i>Theoretical prediction</i>	<i>This HPO factor will be difficult to strengthen in Takaful insurance companies</i>

maintaining mutually beneficial long-term relationships with them. HPO managers are committed to the organization and new positions are filled from within the organization. An HPO is a secure and safe workplace where people feel free to contribute the best they can.

- (4) *HPO Factor 4 – Continuous improvement and renewal*: An HPO has a unique strategy that makes the organization stand out in the sector. The organization is responsive to market developments by continuously innovating its products and services, thus creating new sources of competitive advantage. An HPO ensures it keeps core competencies inside and outsources non-core competencies.
- (5) *HPO Factor 5 – Employee quality*: HPO employees are flexible and resilient, as they are trained (both formally and on-the-job) to achieve extraordinary results. As a team, they are diverse and therefore complementary, so they can deal with a variety of issues and propose ideas for improvement.

An organization can evaluate its HPO status by conducting an HPO diagnosis. The HPO diagnosis process starts with an HPO awareness workshop for management and other interested parties. During this workshop, the organization gets acquainted with the HPO framework, the HPO diagnosis and the possible HPO transformation process. During the actual HPO diagnosis, management and employees fill in the HPO questionnaire, consisting of questions based on the 35 HPO characteristics. The questionnaire has been validated and the statistics performed on data collected worldwide; therefore, it is important to mention that the main principles of the HPO framework remain unchanged, regardless of the type of company being diagnosed, the type of industry or whether *Shariah* law is involved. The individual scores are averaged to provide scores on the HPO factors for the complete organization. These average scores indicate which HPO factors and characteristics the company needs to improve to become an HPO.

Expected high-performance organization's performance in Islamic insurance institutions

Below is a brief comparison between the two main models of insurance (i.e. Takaful and conventional) that were gathered from the different studies on Islamic finance (Abdul Wahab *et al.*, 2007; Ali, 2005; Bakar, 2008; Billah, 2005; Farooq *et al.*, 2010; Kamali, 1999; Razali, 2012; Sharif and Bao, 2013; Usmani, 1998; Visser, 2013):

- Takaful insurance is based on mutual cooperation, whereas conventional insurance is based on commercial factors.
- Takaful insurance is free from *riba*, *gharar* and *maysir*. Conventional insurance includes elements of interest, uncertainty and gambling.
- With Takaful insurance all, or part, of the contribution paid by the participant is a donation to the Takaful fund, which helps other participants by providing protection against potential risks. With conventional insurance, the premium paid is owned by the companies in exchange for bearing all expected risks.
- With Takaful insurance, a full separation between the participants' fund account and the shareholders' fund accounts exists. With conventional insurance, the premium paid by the policyholder is considered as income for the company and belongs to the shareholders.
- Takaful insurance claims are paid from the participants' fund, whereas conventional insurance claims are paid from the company's fund.

- In case of deficit, a Takaful insurance operator (Wakeel) provides an interest-free loan (*qard hasan*) to the participants' fund. With conventional insurance, the company itself must bear any deficit.
- With Takaful insurance, any surplus in the Takaful fund is shared among participants. With conventional insurance, all surpluses and profits belong to the company and its shareholders.
- With Takaful insurance, the participants' and shareholders' fund is invested in *Shariah*-compliant funds and investment channels, while with conventional insurance, the capital of the premium is invested in funds and investment channels that are not necessarily *Shariah*-compliant.

From an Islamic perspective, organizational performance relies on several criteria such as product and service outcomes or accomplishments, productivity of goods and services, effectiveness and efficiency and proficiency. The key point is that a Muslim must be hardworking and efficient. This is the concept of *itqan*, or professionalism, in Islam which means: Allah loves his servant who can do his work well and performs it in perfect manner (*itqan*). The Arabic word "itqan" is used to indicate the level of quality work, and it is highly correlated with the five factors of the HPO. Thus, the state of performance at the level of *itqan* is required by Islam, as all Muslim professionals should be sincere in their actions and strive to excel in their work at all times (Shuriye and Haji Adam, 2009). A survey conducted by Hamid *et al.* found that leadership behaviors have a significant relationship with Takaful performance. Majeed *et al.* (2011) found a significant positive relationship between Islamic leadership components (e.g. values, ethics and management) and organizational performance. Hakim (2012) also found that Islamic leadership had a positive influence on organizational performance. Another study by Hashim and Khairuddin (2012) found that leadership styles had a direct effect on Takaful firms and that managers and leaders in organizations had to apply specific leadership styles in specific contexts to increase organizational performance. In their research, the Islamic leadership style had the main impact. According to Deris (2012), the quality of Islamic leadership consists of four main attributes: truthfulness, trust, knowledge and communication. To achieve an HPO, Deris (2012) stressed that the following leadership qualities are important: the capability to understand proficiency, the ability to respond to questions sufficiently, the ability to acquire the love and warmth of employees, the tendency to make decisions after consultation, encouraging criticism, being dynamic and serious and having an eager perception. Based on the aforementioned studies, Islamic organizations can improve their performance when they have managers that are good role models who follow key Islamic attributes. We can therefore conclude that there should be a match between the HPO criteria of a Takaful organization and the characteristics of the HPO framework. This is investigated in more detail in the following sections.

Research methodology

The second phase of the research will be conducted through in-depth case studies, in which the feasibility of the HPO and high-performance partnership (HPP) frameworks, and how they help in the transformation of organizations, is tested. We will follow a longitudinal study method by repeating the research in the second year for detecting any performance improvement in Takaful organizations where the HPO and HPP frameworks were applied. After a year, we can confirm whether people in the organization have changed their behavior in such a way that the performance of the organization has improved. We can also see how they have transformed in the second year – the time that the longitudinal study

needs – and whether the HPO scores and financial results have increased. At that point, we need to be aware of the performance of the Takaful insurance industry and the conventional insurance industry. In the event of an improvement in results industry-wide, we will not be able to initially conclude that the performance improvement in the case companies was caused by applying the HPO and HPP frameworks. We also need to look at the percentage difference in improvement, for example, if the industry improved by 5 per cent and the case companies improved by 15 per cent, then we can conclude that the 10 per cent improvement is because they applied the HPO and HPP frameworks. If the industry has improved as much as the case companies, it does not necessarily mean that the HPO and HPP frameworks failed, but it will be much more difficult to discern their influence on the organization's performance.

Matching the high-performance organization framework with the Takaful industry

In this section, the factors and characteristics of the HPO framework are matched with the characteristics of the Takaful industry for evaluating whether there are any similarities between the two. These similarities can indicate the potential usefulness of the HPO framework for Takaful insurance companies when transforming themselves into high-performing insurance companies. For each of the characteristics of the HPO framework, it is examined whether Takaful organizations can theoretically address these HPO characteristics with ease or with difficulty. We predict three possible outcomes for each characteristic: positive, in that the nature of Takaful will make it easy to strengthen this HPO characteristic; negative, where the nature of Takaful is such that strengthening this HPO characteristic will be difficult or nearly impossible; and neutral, which means that there is no difference between Takaful and non-Takaful companies, so it will be equally easy or difficult for each type of company. In Tables I to V, the characteristics of each HPO factor are discussed, along with an evaluation of whether it is theoretically expected that the HPO factor will be easy or difficult to strengthen in Takaful insurance companies.

Management quality

Positive: Islamic finance is based on Islamic principles and instructions; therefore, trust, integrity, loyalty and ethics are expected to be at the core of Takaful organizations, both in terms of the relationships between company members themselves and their relationships with customers (Characteristics 1 and 2).

Neutral: Both managers in Takaful organizations and their counterparts in conventional insurance companies (Siddiq, 2013) have to do their best to achieve good results and compete with other companies. They must also inspire their organizational members to accomplish extraordinary results. So, in this case, there is no real difference between the two types of companies (Characteristics 6 and 7). Takaful senior managers have years of experience in the conventional insurance industry, where they have developed professional managerial skills (Ernst and Young, 2012). However, they are not familiar with *Shariah* guidelines, thus posing a critical challenge. Therefore, for them to provide vision and strategy, they need to work on their knowledge of Islamic principles and *Shariah* law (Rahim and Amin, 2011) (Characteristics 8 and 10). Takaful managers use their managerial and leadership skills and serve as good role models for their staff (Characteristics 3 and 9).

Negative: Takaful organizations are acutely aware that there is a shortage of trained personnel who can explain the difference between Takaful insurance products and conventional insurance products, as well as the importance of being *Shariah*-compliant, and therefore sell these types of products successfully (Ernst and Young 2012). Consequently,

managers cannot hold employees fully responsible for their results and be decisive with non-performers (Abdul Kader *et al.*, 2010) (Characteristics 11 and 12). Hence, they try to keep in regular contact with their employees, as decision-making and actions are to be taken on a case-by-case basis in *Shariah* law. Those who possess the right qualifications and expertise, which qualifies them to express *Shariah* decisions and opinions, must carry out the task (Mansor, 1995) (Characteristics 4 and 5).

Openness and action-orientation

Neutral: Because of the range of nationalities working in Takaful organizations, it might not be easy for managers to have conversations that allow them to share knowledge, as not all the employees may be willing to share their experiences openly (Characteristic 14). However, it would be possible if they develop a clear culture for the organization to which employees feel they belong. This would allow them more freedom to engage in dialogue, try out new things and propose new ideas. It would make the employees feel more comfortable and be aware that they can make mistakes without being fired immediately (Characteristic 16) (Rahim and Amin, 2011). In terms of gender issues, women feel chronically less powerful than men and Takaful organizations will be struggling to encourage females to speak up (Characteristic 13) (Hofstede, 1980). Takaful managers, again, should develop a culture where women are encouraged to share skills and knowledge.

Negative: It is not easy for Takaful employees to be involved in processes or propose change. While managers will listen to ideas, they cannot allow employees to put them into action, as Takaful processes are directly related to *Shariah* laws and must be approved by *Shariah* committees (Characteristics 15 and 17). Managers in Takaful organizations are always following up with *Shariah* committees for clarification on tasks, as managers need the correct information to help their employees deal with customers properly (Characteristic 18) (Maysami and Williams, 2006). This performance-driven culture is very important to help Takaful employees move continuously forward.

Long-term orientation

Positive: Managers in Takaful organizations are aware that they are facing a real challenge with competition from the conventional sector. Takaful organizations are trying to develop their services to conform to Islamic *Shariah* law, fulfill customer requirements and ensure customer satisfaction (Characteristic 20) (Maysami and Williams, 2006). In addition, they need to maintain a good long-term relationship with stakeholders, as these participants contribute to the funds (Characteristic 19) (Abdul Wahab *et al.*, 2007).

Neutral: Employees in Takaful organizations seek knowledge on the basics of Takaful insurance and *Shariah* laws, and they deal with clients based on their conventional knowledge (Ernst and Young, 2012). Managers of Takaful organizations have worked in the insurance industry for a long time; however, they are new to Takaful services (Characteristic 21). It is worth noting that the shortage of expertise in the Takaful field is forcing organizations to promote their managers from within the company and create a secure workplace to keep them on board (Characteristics 22 and 23) (Deloitte, 2012).

Continuous improvement and renewal

Neutral: Takaful organizations seek to innovate new services and devise better ways to present their existing services (Characteristic 30) (Deloitte, 2012). Managers are aware of competition in the market and try to figure out ways to strengthen their competitive advantage (Characteristic 31). They need to develop strategies that can set them apart from competitors and effectively communicate these with all organizational members, to help

staff deliver good service to the customers (Characteristic 24). Managers should also encourage employees to propose new ways to present the existing services, to simplify the process and concepts to the clients (Characteristics 25, 26 and 27) (Rahim and Amin, 2011). Takaful companies do not have a clear performance measurement system that is in line with *Shariah* regulations (Deloitte, 2012) and which are reflected in their reporting systems (Characteristic 28). All of the above would be achievable when managers and leaders in Takaful organizations become knowledgeable about *Shariah* regulations.

Employee quality

Positive: Takaful organizations maintain good relationships with their partners, whether *Shariah* scholars or other conventional distribution channels, to promote the acceptability and awareness of Takaful services (Characteristic 35) (Ernst and Young, 2012). Management should also develop personal education plans and ask employees for serious commitment to turn the organization into a better performer (Characteristic 32).

Neutral: Takaful organizations are not good at sharing information, and not all Takaful employees understand the services. They need to set up a proper system for knowledge sharing across units in Takaful organizations to achieve better results (Characteristics 33 and 34) (Farooq et al., 2010).

The above sections provide a theoretical comparison between HPO factors and Takaful organizations. The theories will be tested on Takaful organizations in the UAE (Abu Dhabi and Dubai), where the results will be evaluated to show where Takaful organizations can address the HPO factors easily or with difficulty, and practical implications will be provided at the end of the research. These applicable factors and characteristics will help managers to focus on what is really needed to increase the success of their organizations and sustain it. When management begin paying attention to these factors, the Takaful organizations can start to gain and maintain competitive advantage by observing the existing opportunities and threats in the market, developing the necessary strategies and using them in an effective way. Moreover, managers will be able to improve the quality of their employees and assist decision-makers in monitoring and evaluating the financial and non-financial performance of their organization.

Muslims are the second largest population in the world and aim to establish a peaceful society, including through Takaful insurance that helps to diversify risk among its members (Billah, 2005). Takaful, for Muslims, is an attempt to fulfill the precept of the *Shariah* and can be seen as a joint guarantee for participants against loss and damage that may be inflicted upon them. *Shariah* characteristics will be incorporated into the HPO factors, with *Shariah* committees providing recommendations on customer relations and the terms of partnerships with suppliers.

Conclusion, limitations and future research

The aim of the research is to apply the High Performance Organization (HPO) theory to the Takaful insurance industry in the UAE and evaluate whether the framework can assist in improving their performance. Selecting an industry that plays a significant role in the Islamic finance economy in the UAE means that there will be much interest in the research findings, notably from Takaful organizations but potentially also from conventional insurance companies. The announcement that Dubai is to become the capital of the Islamic economy implies that Takaful companies in the UAE have to meet the highest international performance standards and sustain their high levels of performance. Further to the application of the HPO framework, Takaful organizations should develop a successful track

record of achieving higher levels of performance by accelerating their decision-making, aligning their skills in better ways, developing better services and increasing their revenues. Takaful organizations, following the outcome of this research, should start setting clear objectives for behavioral transformation such as revenue improvement, strategy adaptation, employee improvement, operation improvement, enhanced customer relationships, risk reduction and cost reduction. This transformation is not complete until the company works efficiently on its continuous improvement to sustain its higher levels of performance.

To fill a gap in the literature and suggest practical recommendations, as mentioned before, a longitudinal study will be conducted at several Takaful insurance companies in the UAE to evaluate whether the HPO framework can help companies improve their performance and increase market penetration. The longitudinal study will be conducted over a period of two years, in which the HPO diagnosis will be repeated after 1 year to 18 months. The results of the study will be potentially useful for managers to concentrate on aspects that improve and shift their organization toward higher levels of performance. The longitudinal study will demonstrate which HPO factors may help in transforming Takaful organizations in the UAE into high performers. As previously noted, no longitudinal studies of high-performance transformation at Takaful insurance companies in the UAE have so far been conducted. The research will therefore constitute the first longitudinal study conducted in the UAE and, as such, will fill a gap in the management literature regarding performance improvement techniques for Takaful organizations.

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