STRATEGY DEVELOPMENT AND EXECUTION, AND FEEDBACK AND EVALUATION: THE INDONESIAN ENTERPRISES EVIDENCE

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Abstract

Purpose of Study: This study seeks to examine how the organizations develop and execute strategy, and performance feedback and evaluation during the strategic planning process in the Indonesian high-performance enterprises.

Methodology: This study embraced a qualitative research method as the basis for this study to gain an authentic elucidation of the standpoints of members. The data collection method utilized detailed semi-structured and unstructured cross-examines of both planning and non-planning fellows in each recognized firm. The six firms were chosen due to their dedication in planning and their high accomplishment posture. This study utilized research information from a board of professionals to first affirm a firm as high performing in the first occurrence, and then to choose the six top performing firms for the query.

Results: This study has provided worthwhile findings regarding the practices of strategy formulation and implementation during the planning process, how the organizations develop strategy have been shown. The significance of strategy execution to achieve high performance has been identified, among other accompanying findings.

Implications/Applications: The findings can be used to consider strategic planning in Indonesian enterprises to improve performance.

Keywords: Formulation, Implementation, Strategy, Enterprise, Feedback, and Evaluation

INTRODUCTION

How organizations develop strategy has been one of the most fiercely debated topics in strategic management (Grant 2013). The strategy is the result of top managers engaging in the deliberate, rational analysis (Chandler 1962; Steiner 1979; Weirich 1982). However, Quinn (1980), Mintzberg and Waters (1985), and Mintzberg (2000) contend that the most successful strategy emerge through adaptation to the environment and not to cultivate on the root of the main plan but this trend uses to appear in organizations over time. Nutt (2008) contends that decisions are rarely grounded on peak rationality unaccompanied, given the political processes that occur in all organizations. The other academics in the field, Johnson et al.; Hill and Jones assert that the two views are not mutually exclusive. Intended strategies (rational style) can regularly prosper, particularly in steady environments where there are little surprises, but it is sensible to be open as well to the likelihoods of emergence. Rigid plans can obstruct learning and prevent the grabbing of opportunities (Johnson, Whittington, and Scholes 2011; Hill, Schiling, and Jones 2016; Fathi & Dastoori, 2014).

The other study of testing and planning practices in 635 firms show that formal planning approaches and evolving strategies both make a fragment of an upright strategy formulation process, mainly in an unstable environment (Brew, and Hunt 1999). A multiple case study in the high performing enterprises in the Indonesian’s lively and stable environment reveals that a formal planning process contributes significantly to the high performance of the enterprises (Ridwan 2017). Furthermore, as presented by Chandler (1962), strategy making and hegemony are the main duty of the board directors, whereas strategy implementation is the responsibility of the operational managers. Recent research summarizing the responses of more than 200 company directors revealed that there has been a rising corporation broad focal point on and gratefulness for the value of strategic management processes (Pearce, and Robinson 2011). The findings from this study show that practicing managers have devoted increasing consideration to the need for numerous and extensive involvement in the formulation and execution phase of the course of strategic management. Some organizations succeed by undertaking a planning process that systematically discusses mission and goals, explores the competitive environment, analyses strategic alternatives, and coordinates actions of implementation to achieve the goals of the organization. Other organizations conducting strategic planning, conversely, come to nothing to acquire above average performance as to be intended for in the course of the planning activity. It is not sufficient as institutes need to recognize that the planned plan is an organic living document, have the correct planning strategic process, and employ a process to plan the right outcome (Steiner 1979; Mintzberg 2000; Kotler, and Murphy 1981; Watanabe, 2019). A fruitful planning activity centers on the conviction that an enterprise’s mission can be paramount attained from side to side an
organized and comprehensive evaluation of both its internal capabilities and its external circumstances, the choice of long-standing objectives and strategies, and operating objectives, which must be implemented, monitored, and controlled (Pearce, and Robinson 2011; Ridwan, and Marti 2012). O’Regan and Ghobadian (2002) said that planning often fails because of problems or barriers encountered at the implementation stage. Mintzberg (2000) stated that organizations should have the right planning process and realise that a strategic plan is an organic living document. The purpose of “process” is the formulation and implementation of strategies that work, thus gaining the company’s short term and long term missions (Pearce, and Robinson 2011). Based on the previous research from Ridwan (2015), the author then adopts a research model used in this study (figure 1).

RESEARCH METHOD

To explore the strategy development, strategy execution, and feedback and evaluation, the author used qualitative research as a framework for this study since it is considered as the most suitable method in the setting of this study in which to comprehend processes, experiences, actions, and values, and to focus on the explanation of the setting being studied by Creswell (2011); Murphy et al. in Baker (2003), and Yin (2009), and deals with “how” and “why” queries rather than “how many” and “how much” (Yin 2011), as well as to find themes and connection at the case level (Gall, Borg, and Gall 2003). In the occasion of strategic planning investigation, as depicted in Grant’s study on leading oil enterprises, most researchers embrace a quantitative approach, which then goes wrong to take the abundance and complexity of a company’s strategic planning practice (Grant 2003). For that purpose, the qualitative method was adopted in this study to take the explanation of the theories and perspectives of members investigated such as Yin (2009) with the intention of getting an authentic and valuable description in terms of structural change and managerial activity in particular strategic planning procedures.

Supporting type of academics in the field, from Yin (2011), Yin (2009), Merriam (1988), and Eisenhardt (1989), this study, then, utilized case study approach of six case studies as research strategy to examine the structural changes and managerial activities, particularly strategy formulation and execution practices. The strategy development and execution activity is part of social constructions in an organization. It is very difficult to divide the activity of strategy formulation and execution from the setting in which the activity occurs, for the reason that the borders between phenomenon and setting are not well-defined. In addition, the validation from various cases is so often considered as more promising, and the whole study is as a result considered as being stronger (Yin 2011; Yin 2009; Dutra & Campos, 2018; Dalir et al., 2014); in addition to the engagement of single-case study design is at risk to errors Patton (2012). With these in conviction, this study, hence, used a multiple-case study scheme as a research strategy to explore strategy and execution, and feedback and evaluation practices in the Indonesian enterprises.
A sample of six firms was chosen for this study including three government-owned banks, two regional government-owned banks, and one national private bank. Data gathering ensued at every single of the six firms classified in the selection process. The data compilation method utilized detailed semi-structured and unstructured questions of both main informers and non-planning fellows in each recognized firm. Records were scrutinized to authorize and enhance to the conversation data. There are two levels of the interview in this study where the identification and selection of the planning members and non-planning members for each bank participated in this study were determined by the executive or head of the planning division of each firm. The first, interview questions were asked to planning members (Head of planning division, Ass Vice President, head of the planning department, and staff of the planning department). Second, interview queries were asked to the workers of the firm, the personnel of the bank who were not engaged in the planning activity.

**DATA ANALYSIS**

The data analysis process ensues in “making sense out of the text and image data” (Creswell 2011; Muyambiri and Chabae, 2018) endorses six generic steps for data analysis which are “interrelated and not always visited in the order presented”. The author utilized six generic steps from Creswell (2011) for analysis of data of this study (figure 2) and a systematic approach by Braun, and Clarke (2013) for classifying, analyzing, and explaining patterns/themes within a dataset. This study combined to literature into the analysis in analyzing data by Braun, and Clarke (2013) to account for the data on strategy formulation and execution, and feedback and evaluation practices, links them to the research question and, clearly, connects the data and analysis to current academic literature.

The following are the two research questions the author uses in this study:

1. How do the organizations develop and put into practice strategy?
2. How do the organizations perform feedback and evaluation?

**STRATEGY FORMULATION**

Strategy formulation is intended to create a collection of strategies that will connect effectively the enterprise to its environment to reach excellent accomplishment. The data demonstrated that there were numerous stages in strategy formulation in all six banks in this inquiry. Once the data were collected at the previous stage, SWOT examination was conducted to find out the standing of the bank, but it is more qualitative. The executives and owners exhibited the outline
of the corporation’s direction. Based on mission, vision, and goals, SWOT analysis, and so forth, the banks then formulated a strategy. Planning division formulated and proposed strategic planning to the management. The representatives of the divisions were involved during this strategic planning process to discuss the substance of strategic planning including assumptions used in strategic planning. Once agreed by management, it would be presented to the division by memo, then several meetings were performed across divisions, departments, and employees. The bank translated it keen on the middle design and short span. In the initial year, strategic planning will be transformed keen on activities (current decisions) in which activities will be part of the strategic planning. In all six banks, strategies were created at four separate organizational hierarchies. The findings supported Henderson’s view that more valuable concepts of corporate strategy link the enterprise to its contestats in terms of a competitive system in equilibrium based on Lamb (1984), and Porter (1980)’s view, which suggested that competitive powers affect strategy; and the thoughts of Bowman, and Asch (1996), Frynas and Mellahi (2011), Lorange (1980), and Joice and Woods (1996) who point out that in cultivating strategies, the duty of the decision architect is grounded on what a corporation can act to grab benefit of chances and cope with pressures in the external enterprise environment. An effective strategy, then, is around harmonizing the resources and actions of a corporation to the external circumstances - both the macro environment and the industry circumstances in which corporation activates (strategic fit). In the other difference of opinion, organizations that do not own a minimum level of “strategic fit” are assured to fail. In the contrary, Hamel, and Prahalad (1994), however, have a different stance point and criticized the “fit model” of strategy building for the purpose that it can lead to an attitude in which managers concentrates excessively on the point of fit amongst the current resources of a firm and current environmental changes, and not adequately about developing latest resources and competencies to generate and develop forthcoming chances. As a result, Hamel, and Prahalad (1994) advise that strategies formulated with only the current in attention have a tendency to be more involved in nowadays’ complications rather than worried with tomorrow’s chances. Consequently, as argued by both authors, it is questionable whether firms that be dependent on entirely upon the fit approach to strategy formulation are able to make and sustain a competitive advantage. In this matter, the researcher would like to note that both schools of thoughts are complementary. Both of them are interdependent and produce an effective strategy only when performing together.

These findings were also consistent with Andrew’s thoughts that as a point of departure for the strategic development of strategic options, it is imperative to connect the enterprise’s mission and objectives with its strategic alternatives and succeeding actions (Lynch 2006).“The interdependence of purposes, policies, and organized activities are crucial to the particular of a separate strategy and its chance to recognize competitive advantage” (Andrew as cited by Lynch 2006). The findings are also consistent with Thompson, and Strickland (2010)’s view that strategy formulation is not simply a task for senior executives. In large companies, it engages senior executives, the person in charge of business units, the person in charge of main functional areas, product managers, district and regional managers, and subordinate- level supervisors (Thompson and Strickland 2010). There are a strategy for the firm and all of its business as a whole (corporate strategy), business strategy for each distinct business, functional strategy for each particular function within a business, and operating strategy for basic operating units. The findings also supported the Steiner (1979)’s observation that as soon as essential purposes, missions, and long-term planning objectives are founded, the intangible sequences in strategic planning is afterward to develop program strategies to reach them. The findings also parallel to Haines (1995)’s view depicted that once taking stock of current conditions and the position of your functioning today, main strategies are then formed to close the disparity between the vision and today, along with a set of priority actions for the following year. These main strategies turn into the organizing framework to guide the remainder of the planning process - from the strategic plan to the yearly operational plan to the specific level of action and accountability. The findings were also compatible with the Ansoff (1965)’s views that strategy formulation encompasses the steps including framing mission and objectives, SWOT analysis, gap analysis, framing alternative strategies, choice of strategy.

Concluding this discussion, the author intends to emphasize the views of Mintzberg et al (2014) that ahead of an option can be made, the corporation’s strengths and weaknesses should be evaluated, simultaneously with the available resources. In other expressions, the strategic alternative is the result of matching chance and corporate capability at a pleasant point of risk. As Steiner (1979) asserts, strategy formulation is concerned with the task of selecting strategies where strategies can be formulated once the organization has determined its mission.

**STRATEGY IMPLEMENTATION**

It was essential that the organization had a commitment to take action. Without a commitment to take action, intended strategies remain dreams rather than becoming reality (Bryson 2011). Data demonstrated that to reach numerous goals (objectives) and implement several strategies, all six banks in this study made action plans. Several programs and
budgets, and projects were designed involving across divisions and departments in which coordination across business unit and the department were essential. These findings were consistent with Bryson (2011)’s views that “creating a strategic plan can produce significant value” (p:238). Further, Bryson(2011) said that building valuable programs, projects, action plans, and budgets, and so forth will bring life to the strategies and generate more real value for the institution. The findings also matched with the other Bryson (2011)’s opinion that programs, projects, action plans, and budgets are needed in order to synchronize the activities of the various executives, managers, professionals, technicians likely to be engaged. Arguing in a similar way, Steiner (1979) suggests that the coordination of functional plans in the strategic planning process will indicate how resources are to be organized if strategies are to be implemented. When functional plans are interconnected, they also provide a strong base for developing short span tactical plans to guarantee their implementation. The findings were also parallel to Wheelen and Hunger (1998)’s view, which states that strategies and policies are put into action through the development of programs, budgets, and procedures; and the view of Morgan, Levitt, and Malek (2007), which also suggests that strategy execution involves a system-wide approach that consistently directs the organization to do the right things and to do those things right as also revealed in the previous chapter that all six banks in this study developed the measures of performance and devices of monitoring development. These findings matched with Owen’s observation as quoted by Thompson and Martin (2010) (p:635) that “measures of performance” and “milestones, or progress measurement points” should be established to guarantee successful implementation. However, these findings contradicted Kaplan and Norton (1996)’s observation that strategic plans were often not translated into measures that managers and staff could comprehend and utilize in their day-to-day work. Although many researchers on strategy have to some extent supported implementation as a separate stage after formulating strategy, others have presented alternative outlooks of the implementation process. Hrebiniak and Joyce in investigating how managers develop their implementation plans, has appeared in the book by Wit and Meyer (1998), say that the execution process is directed by two values: bounded rationality and minimum intervention. In the former, managers will perform in a rational way but will cut down the whole task to a series of small stages in order to make it more manageable. As a result, the strategic goals and implementation are possible to divide into a series of smaller tasks that can be more easily managed but may not be optimum. The latter, as summarised by the authors, “In implementing strategy, managers should change only what is necessary and sufficient to produce an enduring solution to the strategic problem being addressed If it isn’t broke, don’t fix it.” Lynch (2006) quoted the work of Quin, Senge, and others concluded that “Implementation needs to be considered not just as a single event with fixed and rigid plans but rather a series of implementation activities whose outcome will shape and guide the strategy. The full strategy will not be known in advance but will emerge out of the implementation” (p.765-766). The last, the author would like to note that implementation and formulation are interconnected. The researcher agrees with three emergent viewpoints on the implementation process as summarised by Lynch (2006).

FEEDBACK AND EVALUATION

There is no doubt that strategic controls (feedback and evaluation) are a very valuable and vital part of the strategic management process. Without them, things could simply get out of control (Rue, and Holland 1989). Data showed that the six banks in this study that are stretching for high performance need planning processes to verify that their trajectory remains on course to a profitable future. The data also showed that there was an internal mechanism both formal and informal including meeting, via phone, and notes to perform strategic control to get feedback and evaluation. There were the formal meetings to discuss what is going on and there was personal in charge from each division. The result of the meeting will be reported to the board of directors. Strategic planning (long term) was reviewed/evaluated every year. There is a unit displaying the performance of the organization every month and presented to the directors including the attainments, constraints, and so forth. The constraints would be assessed including those in technology, networking, and human resources. The feedback process in all six banks was run by monitoring the firm and business unit’s performance based on the report of the performance realization. It contained the constraints and input as well as strategic efforts in solving the problem to achieve the planned target. Management also gave input in terms of evaluating the performance and the feedback from the business unit/departments. The three months’ evaluation of the performance presented input to management on one side, and on the other side, management gave the strategic direction relating to how to achieve the intentional target. The next step, the business unit made adjustment relating to the management direction and implemented it at the business unit level. These findings supported the Greenley (1989)’s view that the control process (feedback and evaluation) is concerned with endeavoring to guarantee that, “things don’t go wrong” throughout implementation. Control process provides information for understanding the process, and it is the initiator of further managerial action. The findings are also consistent with Rue and Holland (1989)’s view that strategic control is
concerned with hunting down the strategy once it has been executed, identifying any problem or potential zones, and making needed adjustments; the Steiner (1979)’s observation that the whole organization of the enterprise must be suitable to the tasks, size, and direction of the company.

In other words, control here, as stated by Greenley (1989) allows for decisions to amend future plans as a result of present performance, as well as permitting for corrective action to be taken in present operational strategies. For the most part, by feedback and evaluation, as stated by Anthony (1965) that managers guarantee that resources are gained and used effectively and efficiently in the achievement of the organization’s objectives.

CONCLUSION

Grounded on the research findings, a number of conclusions have been classified.

1. The examination of how six firms in this study developed and implemented strategic planning shows that they have applied all the common strategic planning activities presented in this study. The common strategic planning activities are derived from the literature of strategic management and planning. The analysis shows that the six firms in this study have obviously been involved in performing strategic planning activities.

2. Strategy formulation and implementation practices in the six firms in this study show that strategy formulation and implementation activities are not something separate and independent from the process of management, such as integrating goals, strategic plans, business plans, and budget, as well as coordination and control. The firms in this study utilize strategic plans to allocate human and financial resources among others to achieve key results within their organization. They have also established measures of performance both at the organisational and individual level that will best enable the firm to attain its long-term objectives successfully. As Steiner (1979) states, planning provides a basis for measuring the performance of the whole firm and its major parts.

3. The study findings also support the assumptions of strategy development criticized by Mintzberg (2000) that objectives are determined by the top management for the whole organization. Mintzberg (2000) contended that “If the objectives really exist to motivate, then it is essential that people have to be involved in the setting of their own ones”(p.71). It is important to note that whichever system the organization adopts, managerial participation is critical; it is fundamental to involve various levels of managers in addition to top management in the objective-setting process.

4. The study findings confirm that the aim of strategy formulation is to create a collection of strategies that will for practical purposes connect a firm to its surrounding to attain outstanding accomplishment. As a point of departure for the strategic options development, it is imperative to connect the enterprise’s mission and objectives with its strategic options and succeeding actions (Andrew as quoted by Lynch (2006)). As soon as essential purposes, missions, and long-term planning objectives are found, the conceptual sequences in strategic planning are afterward to build up program strategies to attain them (Steiner 1979).

5. The study findings also confirm the view that strategy formulation is not simply a task for senior executives (Thompson, and Martin 2010). In large companies, it engages senior executives, the person in charge of business units, the person in charge of main functional areas, product managers, district and regional managers, and subordinate-level supervisors.

6. The study findings verify the views that by feedback and evaluation, managers guarantee that resources are acquired and used effectively and efficiently in the accomplishment of the organization’s objectives (Anthony 1965), and control is to allow for decisions to amend future plans as a result of present performance, as well as permitting for corrective action to be taken in present operational strategies (Greenley 1989). The study findings also confirmed the Steiner (1979)’s outlook, that whole organization of the enterprise must be suited to the tasks, size, and direction of the company.

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REFERENCES


