

## CEO INVOLVEMENT, STRATEGY DEVELOPMENT, AND DECISION STYLES IN THE PLANNING PROCESS: A MULTIPLE CASE STUDY IN THE INDONESIAN HIGH-PERFORMING BANKS

Mohammad Sihab Ridwan<sup>1</sup>

Sigit Sarjono<sup>2</sup>

<sup>1</sup> *Mec Faculty of Economics, University of 17 Agustus 1945 Surabaya Email: mohammadsihabr@gmail.com*

<sup>2</sup> *Mec Faculty of Economics, University of 17 Agustus 1945 Surabaya Email: mohammadsihabr@gmail.com*

---

### Abstract

This study aims to investigate the role of CEO and strategy development, and decision styles as organizational context in the planning process in the Indonesian high-performing banks.

**Research methodology:** This study employed a multiple case study to investigate the CEO involvement, strategy development, and decision styles during planning process. The data gathering method used in-depth semi-structured and unstructured interviews of both key informants and non-planning members in each identified bank. The three banks were selected because of their commitment in strategic planning and their high performance position.

**Findings:** This study has provided useful findings about the strategic planning practices in the Indonesian high performing banks: key findings comprise the fact that all three banks in this study have carried out the usual and main strategic planning activities presented in this study: the vital role of the CEO in strategic planning has been proven, and strategy development in the strategic planning process has been identified, among other related findings.

**Originality/value:** This study provides an useful research model for investigating strategic planning practices both in the relatively stable and predictable business environment and turbulent and unpredictable business environment. This study, to the best of the researcher knowledge, is the first investigation that has investigated the issue in the case of Indonesian banks.

---

**Keywords:** Planning, CEO, Strategy, Decision, Banking.



## Introduction

How organisations develop strategy has been one of the most intensely debated topic in strategic management [1]. Strategy is the result of top managers engaging in deliberate, rational analysis [2];[3];[4]. However, Quinn [5]; Mintzberg and Waters, JA [6], and Mintzberg [7] contend that most successful strategy emerge through adaptation to environments (emergence) and does not develop on the basis of a major plan but have a tendency to emerge in organisations over time. Nutt [8] notes that decisions are seldom based on optimal rationality alone, given the political processes that take place in all organisations. The other scholars in the field, Johnson et al. [9]; Grant [1]; Hill and Jones [10] assert that the two views are not mutually exclusive. Intended strategies (rational approach) can often succeed, especially in stable markets where there are few shocks, but it is reasonable to be open as well to the possibilities of emergence. Inflexible plans can block learning and prevent the grabbing of opportunities.

The other study examining planning practices in 635 companies showed that formal planning methodologies and emergent strategies both form part of an upright strategy formulation process, mainly in an unstable environment [11]. A recent research summarising the responses of more than 200 company executives exposes that there has been a growing company wide focal point on and appreciation for the worth of strategic management processes [12]. Rowley and Sherman [13], however, said that a gap is evident between the strategic planning process and the extent to which the organisation's context encourages the planning process. For this it is essential to tailor the strategic thinking, long-range planning and tactical planning processes to best fit the desires of an organisation [14]. Hence, the objective of this study is to investigate the strategic planning practices in the Indonesian high performing banks in the stable and predictable environment.

The following are the two research questions the researcher employ in this study:

1. To what extent are strategic planning practices (CEO involvement, Strategy development) applied in the high-performing banking industry in the Indonesian context?
2. To what extent does organisational context (decision approaches) contribute to facilitating successful strategic planning practices?

In the following sections the researcher reviews the two essential elements of planning process literature: the involvement of CEO and strategy development literature. The organizational context that facilitates the successful strategic planning: decision making style is also described. Then, a research model will be proposed followed by a explanation of the research method before the results and discussion. Finally, conclusions are portrayed.

## CEO involvement

Writing in 1977, Lorange and Vancil asserted that the interest of the top executive will be the development and execution of a corporate strategy [15]. The significance of CEO participation in the strategic planning process is also presented by Steiner [3], Abell and Hammond [16], Lorange [17] and Bryson [18] who depicted that CEO involvement in the strategic planning process is a must. Successful strategy formulation and execution needs the commitment and

involvement of managers of the entire levels [19];[20] and strategic leaders [21] particularly CEO of the organisation. It would be very hard to find a company CEO who did not recognize the need for strategic planning when making foremost decisions about company policies or when considering major directional change [22].

Furthermore, for the CEO's involvement to have best result, he should go into the arena at an untimely stage, deciding objectives, arguing with assumptions, forcing alternatives, and usually 'orchestrating' the various human aspects of the planning process so as to guide it on a course between encouragement and consensus towards the best achievable strategy for the organisation as a whole [23]. Mintzberg [7], however takes a different view about the role of the top management in corporate planning. He argued that planning can weaken the very commitment it so immediately demands.

### **Strategy development (formulation)**

The role of strategy development is to generate a set of strategies that will effectively link the organisation to its environment to achieve excellent performance [24a,b,c]; [3]. Strategy is the result of top managers engaging in deliberate, rational analysis [2];[3]; [4](Weihrich.1982). However, Quinn [5](1980); Mintzberg and Waters, JA [6](1985), and Mintzberg [7] contend that most successful strategy emerge through adaptation to environments (emergence) and does not develop on the basis of a major plan but have a tendency to emerge in organisations over time. Nutt [8] notes that decisions are seldom based on optimal rationality alone, given the political processes that take place in all organisations. The other scholars in the field, Johnson et al. [9]; Grant [1]; Hill and Jones [11] assert that the two views are not mutually exclusive. Intended strategies (rational approach) can often succeed, especially in stable markets where there are few shocks, but it is reasonable to be open as well to the possibilities of emergence.

In addition, Hamel and Prahalad [25] have critiqued the 'fit model' of strategy making for the reason that it can direct to a mindset in which management focus too much on the level of fit between the recent resources of a company and recent environmental opportunities, and not sufficiently on building new resources and capabilities to create and exploit upcoming opportunities. For this, Hamel and Prahalad suggest that strategies developed with only the present in mind tend to be more concerned in today's problems than concerned with tomorrow's opportunities. Furthermore, W. Chan Kim and Renee Mauborgne in their monumental book [26a;26b] 'Blue Ocean Strategy' and their article in Harvard Business Review [26c] recommend that in developing strategy, it is very important that firms consider and concentrate too in the uncontested markets, besides in the current markets where firm has competitive advantage. Further, Rumelt [27] maintains that strategy can neither be developed nor adjusted to changing circumstances without a process of strategy assessment. There are numerous stages in developing strategies.



## Organisational context (decision-making types)

Another variable considered in this research is decision making. Two decision frameworks are scrutinized; the rational-collegial and the autocratic-political. Smart et al. [28] described these as:

*Rational-collegial*, a decision approach in which “resource allocation decisions are the result of group discussion and consensus, based on the use of a standard set of procedures, and criteria reflecting what objectively seems best for this institution overall.”

*Autocratic-political*, a decision approach in which “resource allocation decisions are customarily made by one individual at this institution, in a political manner based on the relative power of those involved and without any particular pattern characterizing the criteria used.”

## Research Method

This study adopted multiple case study research because it tried to investigate the CEO involvement, strategy development, and decision styles during the planning process. A sample of three banks was selected for this research. Data collection took place at each of the three banks identified in the sampling process. The data collection method utilized in-depth semi-structured and unstructured interviews of both key informants and non-planning members in each identified organisation. The researcher used six generic steps from Cresswell [29] for data analysis of this study and a systematic approach [30] for identifying, analysing, and describing patterns/themes across a dataset. This study also integrated literature into the analysis in analysing data to interpret the data on strategic planning practices and organisational context, connects them to the research question and, noticeably, links the data and analysis to existing scholarly literature [30];[31a,31b].

In this study the researcher proposes a research model called designed emergence planning model as shown in figure 1. In this model, strategic planning practices may happen both in the turbulent less predictable and stable and predictable business environment. Indonesian bankings are the best example for industry that applies strategic planning practices in the stable and predictable environments. As showed in the model below, for such environment, then organisation should adopt design planning approach rather than emergent approach [32].

## Findings and discussion

### CEO involvement

In all three banks in this study, as presented by the interviewees, the position of CEO in strategic planning process was very strategic and vital. CEO was very involved in the planning process to provide input and approval in line with the level of power. As a central figure in the organisation, CEO would be source of motivation for the members of the strategic planning process in devising strategic planning. These findings were parallel to the observation of Lorange and Vancil [15]; Bryson [18]; Lorange [17]; Abell and Hammon [16] that the interest of the top executive are the development and implementation of a corporate strategy and planning in the end is designed for them to establish strategy and allocate resources.

The findings, however, are rather different with the view of the *planning* school as revealed by Mintzberg [7];[6] that although CEO is the architect of strategy, in practice, this architect was not meant to devise the strategic plans so much as to approve them. In all three banks in this study, the researcher could note that the vital role of the CEO in strategic planning was very obvious and has been for best effects both on ensuring that the strategic planning process was on the right track and getting better the organizational performance.

#### **Strategy development (formulation)**

A head of planning department said, “we seek to formulate the best strategies based on the environmental analysis.” He said further, “a strengths, weaknesses, opportunities, and threats (SWOT) analysis is a key base in devising strategy.” An interviewee reported, “we develop a set of strategies to achieve the goals and mission and vision of the firm, the other interviewee revealed that, “the bank transformed long-term plan into the middle-term plan and short-term plan. In the first year, strategic planning would be transformed into strategies and actions in which they are the piece of strategic planning. Further, other planning member said, “we proposed numerous alternatives to the board of directors..... then with complete data, management took a decision.” The other interviewee revealed, “once agreed, planning outline mainly strategy development would be presented to the division by memo, then we held numerous meetings across divisions and departments.” In the next step, the outline was then presented to the Ministry of Government-owned Corporates Affair, and then there was a meeting between the board of directors and the Ministry to talk about the planning draft. Then the final draft would be a conclusive document of strategic planning.

The findings supported the views of Porter [27a;27b], which evoked that competitive forces shape strategy and the task of the decision maker is based on what a company can do to take advantage of opportunities and deal with threats in the external business surroundings. Successful strategy, then, is about matching the resources and activities of a company to the external environment in which it operates (strategic fit). In the other words, a firm which does not possess a minimum level of ‘strategic fit’ are guaranteed to be unsuccessful.

The findings, however, are different with the observation of Hamel and Phahalad [25], who critiqued the ‘fit model’ of strategy making and suggest that strategies developed with merely the present in brain tend to be more concerned in today’s problems than concerned with tomorrow’s chances. Concluding this discussion on strategy development, the researcher would like to highlight the outlooks of Mintzberg [7]; that before a choice can be devised, the organisation’s strengths and weaknesses should be assessed, together with the existing resources. In other words, the strategy development is the outcome from harmonizing opportunity and organisation capability at an agreeable level of risk. Both school of thoughts are balancing, interdependent and generate effective strategy only while perform together.

#### **Decision-making approaches**

This study showed that rational collegial approach was apparent during the strategic planning process. Banks A, B, and C used the rational-collegial approach in which decision to allocate resources was the outcome of deep group discussion during planning process based on thorough analytic and strategic assessment process regarding the priority. As revealed by i



interviewees of 3 banks involved in this study that resource distribution decisions are the outcome of group argument and consensus. These findings were consistent with the work of Smart [28]; Smart et.al [33] arguing that rational-collegial presume that resource allocation decision are the result of group dialogue and consensus, based on the use of a standard set of procedures, and criteria reflecting what objectively seems best for this institution overall. This findings also support views of the proponents of rational planning approach such as Steiner [3]; Lorange [17]; Lorange and Vancil [15] that all strategic decisions to reach the objectives of organisation are decided by strategic planning steps. The rational decision approach will extend participation of the employees of the organisation during the planning process. One of the nature of this decision type is the higher number of membership participation in decision making [28]. Participation during the planning process, as argued by Mintzberg [7] and Jarzabkowsky and Balogun [34] will reinforce commitment. In turn, it will improve the effectiveness of the planning process and the achievements of the substantially performing bank.

In contrast, the adoption of the autocratic political approach along with it would ignore the strategic planning process; it also would reduce the effectiveness of strategic planning, and as a result, reduce the achievement of the highly performing bank. Even though the role of CEO in the strategic planning process was very strategic and vital and CEO was deeply involved during strategic planning process, the entire strategic decisions, however, such as strategy development and resources allocation were decided by the strategic planning process. Although, of course, the last strategic decision was at the hand of CEO as the uppermost authority in an organisation, once decision has been decided, however, as alleged by an interviewee, even director can not change.

## Conclusion

Based on the research findings, a numeral of conclusions have been identified.

1. The analysis reveals that the three banks in this study have clearly been involved in carrying on strategic planning main activities: CEO involvement and strategy development and the rational collegial approach was manifest during the strategic planning process.
2. This study shows that the vital role of the CEO in each of the banks in this study in strategic planning was very apparent and achieved best results, both in assuring that the strategic planning process was on the correct track and getting better the organisational performance.

## References

- [1] Grant, R. M. (2013). **Contemporary Strategy Analysis**. John Wiley and Son Ltd.
- [2] Chandler, A.D. (1962). **Strategy and structure: Chapters in the History of the American Industrial Enterprise**. Massachusetts Institute of Technology.
- [3] Steiner, G. A. (1979) **Strategic planning. What every manager must know**. London: The Free Press: A Division of Macmillan Publishing Co., Inc and Collier Macmillan Publishers.

- [4] Wehrich, H. (1982). The Tows Matrix: A tool for situational analysis. **Long Range Planning**, 15(2), pp. 54-66.
- [5] Quinn, J. B. (1980) **Strategies for change: Logical Incrementalism**. UK: Richard D. Irwin, Inc.
- [6] Mintzberg, H and Waters, JA (1985). Of strategies: Deliberate and Emergent. **Strategic Management Journal**, 6, pp.257-272.
- [7] Mintzberg, H. (2000). **The Rise and Fall of Strategic Planning**. Pearson Education Limited.
- [8] Nutt, P. C. (2008). Investigating the Success of Decision Making Processes. **The Journal of Management Studies**, vol. 45, no. 2, pp. 425.
- [9] Johnson, G., Whittington, R. and Scholes, K. (2012). **Fundamentals of Strategy**. Pearson Education Limited.
- [10] Hill, CWL and Jones, GR (2007). **Strategic Management Theory. An Integrated Approach**. USA: Houghton Milfin Company.
- [11] Brew, P.J. and Hunt, M.R (1999). Learning to plan and planning to learn: Resolving the planning school/learning school debate. **Strategic management Journal**, 20:889-913 (1999).
- [12] Pearce, JA and Robinson RB (2011).**Strategic management, formulation, implementation, and control**. McGraw-Hill/Irwin, New York.
- [13] Rowley, D. J. and Sherman, H. (2002). Implementing the Strategic Plan. **Planning for the Strategic Plan**, 30(4), pp. 5-14.
- [14] Clements, WADC (1999). Leadership characteristics and strategic planning. **Management Research News**, Vol 22, pp. 11-22. <http://dx.doi.org/10.1108/01409179910781599>. Downloaded on: 12 May 2016, At: 03:34 (PT)
- [15] Lorange, P. and Vancil, R. F. (1977) **Strategic Planning Systems**. Englewood Cliffs: Prentice Hall, Inc.
- [16] Abell, D. F. and Hammond, J. S. (1979). **Strategic market planning. Problems and analytical Approaches**. London: Prentice-Hall International.
- [17] Lorange, P. (1980). **A Conceptual Approach to Corporate Planning**. Southampton University: Hartley Reserve Collection.
- [18] Bryson, J.M. (2004). **Strategic planning for public and non profit organizations**. 3<sup>rd</sup> edition. USA: Jossey Buss.
- [19] Oswal, S.L. and Mossholder, K.W. and Harris, S.G. (1994). Vision salience and strategic involvement: Implications for psychological attachment to organisation and job. **Strategic Management Journal**, Vol 15, pp 477-489.
- [20] Norris, D. M. and Poulton, N. (1991). **A Guide for New Planners**. USA: The Society for College and University Planning.
- [21] Elenkov, D.S and Judge, W and Wright, P. (2005). Strategic leadership and executive innovation influence: An international multi-cluster comparative study. **Strategic Management Journal**, 26:665-682 (2005).





- [22] General Review (2013). Better strategic planning. Managing schange and planning for the future require both vision and strategy. *Strategic Direction*. Volume 29, No. 1. Pp 30-32 <http://dx.doi.org/10.1108/02580541311285410>. Downloaded on: 12 May 2016, At: 03:34 (PT)
- [23] Hunsicker, J.Q (1980). Can top managers be strategists? **Strategic Management Journal, Vol. 1, pp77-83.**
- [24a] Porter, M. E. (1987). From Competitive Advantage to Corporate Strategy. **Harvard Business Review, May-June, pp. 2-21.**
- [24b] Porter, M. E. (1996). What is Strategy? **Harvard Business Review, November-December, pp. 61-78.**
- [24c] [Porter, Michael E. (1980). **Competitive strategy: techniques for analysing industries and firms.** New York, Free Press.
- [25] Hamel, G. and Prahalad, C. K. (1994). **Competing for the Future.** Boston, MA: Harvard Business School Press.
- [26a] Chankim, W and Mauborgne, R (2005, 2015). **Blue Ocean Strategy.** Harvard Business School Publishing Corporation.
- [26b] Chankim, W and Mauborgne, R (2014). Blue Ocean Leadership. **Harvard Business Review, May 2014 Issue.**
- [27] Rumelt, R. P. (1991). How much does industry matter? **Strategic Management Journal, 12, pp. 167-185.**
- [28] Smart, J. C. (2003). Organizational Effectiveness of Two-Year Colleges: The Centrality of Cultural and Leadership Complexity. **Research in Higher Education, 44(6), pp. 673-703.**
- [29] Creswell, J. W. (2009). **Research design, qualitative, quantitative, and mixed methods approaches.** Sage publication, Ltd, London.
- [30] Braun, V. and Clarke, V. (2013). **Successful Qualitative Research.** London: Sage, Publications, Ltd.
- [31a] Yin, R. K. (2003). **Applications of Case Study Research.** 2<sup>nd</sup> Edition. UK: Sage Publications, Inc.
- [31b] Yin, R. K. (2009). **Case Study Research. Design and Methods.** 4<sup>th</sup> Edition. Sage Publications, Inc.
- [32] Ridwan, M.S (2015). **Strategic planning Practices in Indonesia: An empirical study in the Indonesian highly performing banks.** Ph.D dissertation, Departement of Management, Southampton Business School, Faculty Business and Law, University of Southampton, United Kingdom.
- [33] Smart, J. C., Kuh, G. D. and Tierney, W. G. (1997). The Roles of Institutional Cultures and Decision Approaches in Promoting Organizational Effectiveness in Two-Year Colleges. **The Journal of Higher Edu cation, 68(3), pp. 256-281.**
- [34] Jarzabkowski, P. and Balogun, J. (2009). The practice and process of delivering integration through strategic planning. **Journal of Management Studies, 46(8),pp.1467-6486.**



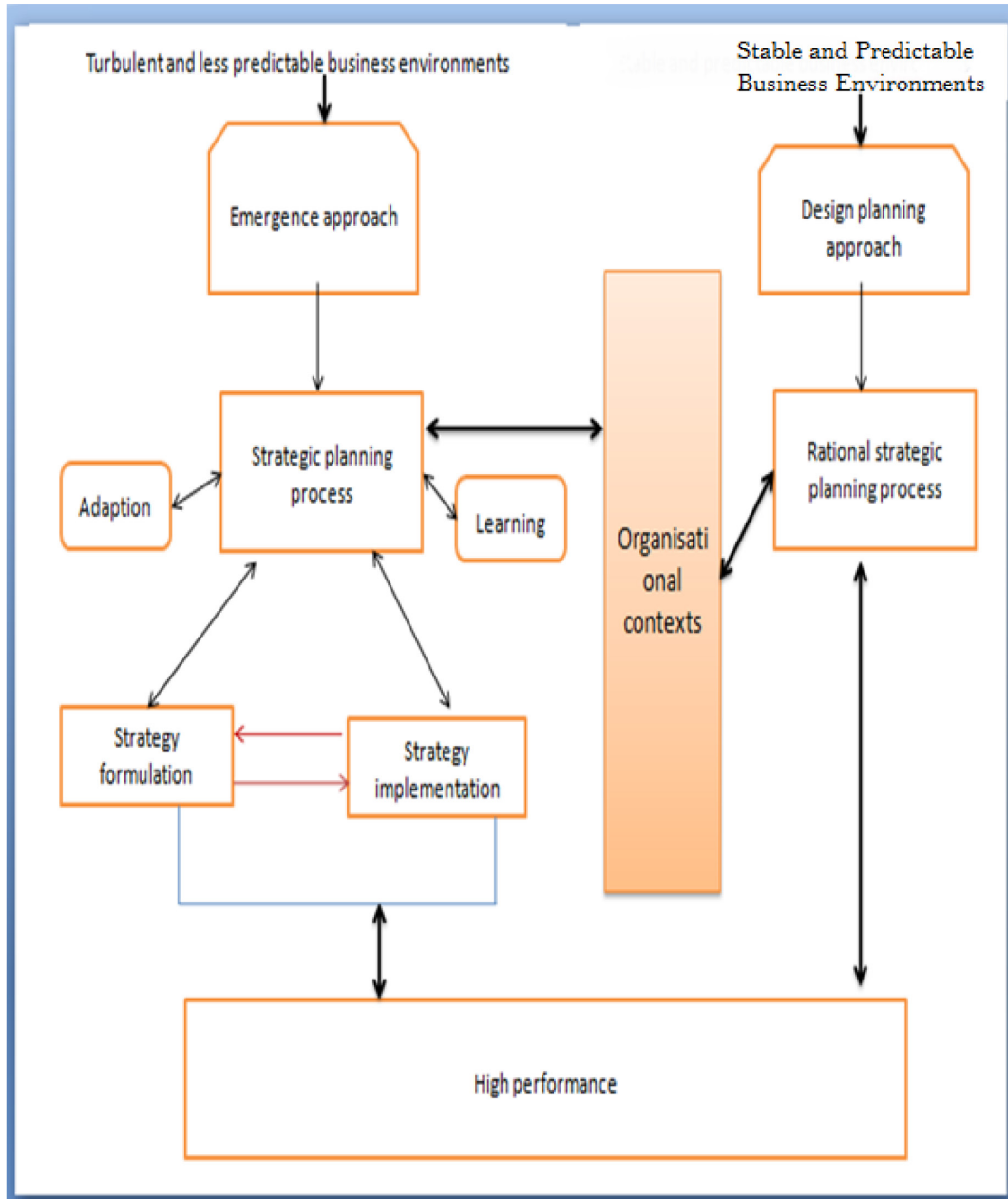


Figure 1. Designed emergence planning model [32]