

Objective Clarity and the Winning Managerial Practices

The Indonesian Evidence

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ABSTRACT

This study seeks to examine how objective clarity contributes to the successful managerial practices (planning process). This study used a qualitative research method as the basis for this study to achieve an authentic explanation of the standpoints of interviewees. The data collection method adopted detailed semi-structured and unstructured cross-examines of both managers and non-managers in each recognized firm. The three firms were selected due to their dedication in strategic 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 three top performing firms for the query. This study has provided significant findings regarding the practices of objectives setting during the strategic planning process as the main part of the managerial practices. The significance of how the clarity of objectives facilitates the successful strategy has been identified, among other accompanying findings.

Keywords

Clear and Measurable Objectives, Managerial Practices, High Performance Banks, Indonesia.

INTRODUCTION

Strategic planning has been used widely both in the private and in the public sector to improve the performance of managerial practices in an organisation (Bryson, 2005; Ridwan, 2017). This study investigates the two very important constructs of the planning process as an essential part of the managerial practices: clarity objectives, communication and their role to facilitate the successful managerial practices. Objective-setting is a statement of what is to be achieved (Rue and Holland, 1986), thus, the clarity of objectives is essential. It is a must as well that the organisation pursues input, uses and gives out information as an essential basis for the successful managerial practices.

LITERATURE REVIEW

Writing in 1979, Steiner states that objectives must support the company's basic purposes and mission. Greenly (1989) states that determining organisational objectives is the second step in planning direction and the higher level objectives provide a base for lower levels. Richards (1986) connects stages of objectives to stages within the organisational structure, specific managerial job titles, and the strategies which are found at different stages in the structure. Greenly further posits that objectives are also found at other levels in a company, while the larger and the more complicated the structure, the greater the potential for a broad range of objectives in order to adapt the aims of the various business areas.

Urwick (1952), an early writer on objectives states that “unless purposes (objectives) are specified then individuals find difficulty in co-operating,” (as cited by Greenley,1989:168). Mintzberg (2000) criticised assumptions of strategic planning that objectives are determined by the top management for the whole organisation, which in turn brings to mind the process of formulating strategy, cascade down the structural hierarchy, as devices of motivation and control (that is, to give incentives and tools to assess performance).

METHODOLOGY

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 (Creswell; Murphy et al. in Baker; Yin) and deals with ‘how’ and ‘why’ queries rather than ‘how many’ and ‘how much’ (Yin), as well as to find themes and connection at the case level (Gall et al.,). In the occasion of strategic planning investigation, as depicted in Grant’s study on leading oil enterprises, most research embrace a quantitative approach, which then go wrong to take the abundance and complexity of a company’s strategic planning practice. For that purpose, the qualitative method was adopted in this study to take explanation of the theories and perspectives of members investigated (Yin) 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, (e.g. Yin; Merriam,; Eisenhardt), 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.20-21 24-25 The strategy development and execution activity is part of social constructions in an organisation, then, 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 every so often considered as more promising, and the whole study is as a result considered as being more strong (Yin); in addition to the engagement of single-case study design is at risk to errors (Patton). With these in conviction, this study, hence, used multiple-case study scheme as a research strategy to explore strategy and execution, and feedback and evaluation practices in the Indonesian enterprises.

RESULTS AND DISCUSSION

The data showed that the objectives were adjusted with the vision and mission of the organisation translated into the long term, middle term, and short term objectives and communicated to all levels around the bank. Based on vision and mission, the objectives

for the entire organisation then were set up. In the business plan, they were then translated into three years’ objectives. In short term planning, they were translated into one years’ objective. There was a hierarchy of objectives in all six banks in this study. These findings were consistent with Steiner’s view (1979) that objectives must support the company’s basic purposes and mission; and also matching with Rue and Holland’s observation (1986) that objectives are normally stated in terms of a desired level of attainment within a specific time frame.

At the top most of hierarchy is the widest aim for the entire firm embodied by mission. At the following stage are the detailed objectives relating to the entire firm. The subsequent stage is a set of whole objectives for each of the divisions. The operational objectives are exclusive to each of the business functions such as finance, marketing, and so forth. Subunit objectives relate to particular activities within each of the operations. At last, the lowest of the hierarchy embodies the individual objectives. However, the lowest hierarchy (personal objectives) didn’t appeared in the text during interviews in all six banks that participated in this study.

The findings were also parallel to Quinn’s view (1980), which suggested that objectives should be clear and decisive whereby all efforts are aimed toward clearly understood, decisive, and achievable overall goals. The findings also supported Greenly’s views (1989) that determining organisational objectives is the second step in planning direction and the higher level objectives provide a base for lower levels. There was a logical sequence from mission to objectives. Objectives were also set up at other levels in the various perspectives in each bank researched, such as: objectives from financial perspective, customer perspective, and so forth. At the end, talking about objectives was to achieve sustainable value to shareholders. These findings were compatible with the Richards’s observation (1986) that connects stages of objectives to stages within the organisational structure, specific managerial job titles, and the strategies which are founded at different stages in the structure; and also parallel with the Greenly’s opinion (1989) that objectives are also founded at other levels in a company, while the larger and the more complicated the structure the greater the potential for a broad range of objectives, in order to adapt the aims of the various business areas.

As already revealed in the previous chapter, data also showed that there were clear measurements both long and middle strategic planning as well as short strategic planning. Objectives were set as detailed as possible to allow bank measuring them precisely. Each task had key performance indicators connected to the attainment of the objectives of organisation. All six banks in this study developed metrics for each objectives to make sure the achievement. Banks in this study realised the importance of having clear and measureable objectives as devices of monitoring the attainment of the business target and strategic objectives. These findings were consistent with Urwick’s view (1952), an early writer on objectives, as quoted by Greenley (1989:168) that “unless purposes (objectives) are specified then individuals find difficulty in co-operating”; and supported the Steiner’s view (1979:165) that “only when objectives are expressed in concrete terms for specified periods of time can

their achievement be measured reasonably objectively”; as well as Greenley’s views that the objectives give a basis for measuring and assessing company performance, by contrasting actual results with the standards set up in the objectives (1989). It was clear, then, that monitoring the attainment of the business target and strategic objectives, and measuring company performance could be performed well if the objectives in the various levels were clear and measurable.

Furthermore, data in all three banks in this study also showed that the formulation of organization objectives was the authority of top management. However, the objectives for lower levels involved the managers of related business unit and departments. This findings supported the assumptions of strategic planning criticized by Mintzberg (2000) that objectives are determined by the top management for the whole organization, which in turn bring to mind the process of formulating strategy, and themselves, cascade down the structural hierarchy, as devices of motivation and control—that is to give incentives and tools to assess performance. The findings also matched with Steiner’s observation (1979) that best results are reached when those who are responsible for reaching objectives have some role in setting them; and they are more possible to be motivated to reaching them than are people who have little contribution in this field.

However, Mintzberg criticised that if the objectives really exist to motivate, then according to behavioural scientists, “people have to be involved in the setting of their own ones” (Mintzberg,2000:71). So instead of cascading down, objectives have to be made in diverse places and then accumulated. But if so, how can they connect to strategies easily? With one accumulating and the other cascading down, how do they get together? To quote Eigerman (1988), “In a purely bottom up system, the integration of strategy across units is achieved with a stapler”! (Mintzberg,2000:72). Thus, the connection between the setting of objectives and the formation of strategies remains unspecified. “It is one thing to describe strategy as being driven by values in a general sense, as does the design school model, quite another to establish a link with formal, quantitative targets” (Mintzberg, 2000:72). The researcher thinks that it was an interesting and challenging debate between the proponents of design school of thought with the bottom up school of thought that needs clarification further by other research. In this matter, the researcher would like to note that whichever the system organisation would adopt, managerial participation is critical; it was fundamental to involve various levels of managers in addition to top management in the objectives setting process.

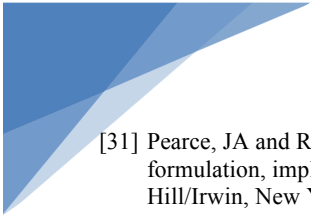
CONCLUSION

The study findings support the previous research that objectives must support the company’s basic purposes and mission; and the higher-level objectives provide a foundation for lower levels. There is a logical sequence from mission to objectives. It is clear, then, that monitoring the attainment of the business target and strategic objectives, and measuring company performance, can be performed well if the objectives in the various levels are clear and measurable.

This study makes contributions by filling the gap through exploring and documenting the roles of the clarity of objectives to enabling the winning managerial practices in the Indonesian high-performing banks.

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