

Strategic Commitment of Middle Manager in Strategy Implementation from the lens of Islamic Banking in Indonesia

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Research Article

Strategic Commitment of Middle Manager in Strategy Implementation from the lens of Islamic Banking in Indonesia

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Abstract

The paper aims at identifying the strategic commitment in the relationship between strategic role and the effectiveness of strategy implementation from middle manager's view of Islamic Banking in Indonesia. Although numerous deliberations highlight the strategic commitment of middle managers in the strategy implementation, it seems that this issue has escaped academic attention. This study provides a critical review on the elements of strategic roles among the middle managers that become the primary determinants of strategic commitment which eventually may lead to the effectiveness of strategic implementation. Therefore, this study proposes a model on the linkages between strategic commitment, the strategic roles and the effectiveness of strategic implementation from middle manager's view in Indonesia's Islamic Banking.

Keywords: Strategic role, strategic commitment, middle manager, strategy implementation, Islamic banking.

Introduction

The Islamic Banking in Indonesia has shown remarkable development and serious research work has been conducted to indicate that Islamic banking is a viable and efficient way of financial intermediation since the establishment of its first Islamic Banking namely Bank Muamalat in 1992. Furthermore, in order to boost the market share of Islamic banking in Indonesia, Bank Indonesia generated a grand strategy of the development of Islamic banking industry known as a market development strategic program or simply MDSP (Bank Indonesia, 2008). Particularly, there are six market development strategic programs to be

implemented namely; i) to position the industry as the most attractive one and the leader among the ASEAN countries in 2009 and 2010 respectively; ii) to create the new image of Islamic banks which are inclusive and universal; iii) to accurately map the Islamic banking potential market; iv) to develop the Islamic banking products; v) to improve the banking services and vi) to newly communicate the position of Islamic banking beyond banking. The grand strategy becomes guidance for banks, banking regulators, government and all stakeholders.

Even though the grand strategies of Islamic Banking in Indonesia are well formulated, the achievements of the implementation strategy

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have been ineffective. Ismal (2011) states that there are three main obstacles in implementing the grand strategy: Firstly, the small market shares of Islamic banks that recorded 3% at the end of 2010. Secondly, the persistent growth of the industry has not been so far followed up by adequate supply of human resources. In addition, Taufik (2010) posits that limited resources and competency have hindered Islamic banking industry players to explore the market and develop new product. Finally, the lack of product development to facilitate various Islamic finance transactions contributes to the ineffectiveness of strategy implementation. In short, it is easier to formulate a strategic plan than implement it and the implementation strategies regularly fail (Allio, 2005).

Despite the perceived significance of strategy implementation, inadequate research has been through to this strategic management process component. Joostie and Fourie (2012) point out that those deep and cohesive bodies of strategy implementation research still do not exist. This is because, strategy implementation is viewed as the most difficult component of strategic management process (Alio, 2005; Hrebiniak, 2006; Thompson and Strickland, 2003) and the bulk of good strategic planning fails to be implemented (Mankins and Steele, 2005; Hrebiniak, 2006; Beer and Eisenstat, 2000).

Apparently, the strategic roles of middle manager in strategy implementation are becoming very prevalent (Alamsjah, 2011). In this case, the middle manager is an actor who has the responsibility in implementing strategy and his activities and behaviors produce crucial consequences on how strategy are formed within an organization (Floyd and Wooldridge, 2000). In similar vein, Floyd and Wooldridge (1992) posit that the middle manager's involvement in implementing strategy will influence strategy implementation effectiveness.

Moreover, Guth and MacMillan (1986) state that the commitment of middle managers and those at the operational level to the top management team's strategic goals is a critical importance to effective implementation. Additionally, Wooldridge and Floyd (1989) explain that shared understanding without

commitment may result in "counter effort" and negatively affect performance. This indicates that the strategic commitment is a critical factor in order to achieve effectiveness in strategy implementation.

In the light of the identified problem, the purpose of this study is to address these issues by developing a conceptual framework on the factors that would influence the effectiveness of strategy implementation. As such, this study provides reviews of the different strategic roles of middle managers and strategic commitment of middle manager that might influence the strategic implementation effectiveness of Islamic Banking sector in Indonesia. In particular, this study will examine strategic commitment of middle manager in relationship between the strategic roles of middle managers namely synthesizing information, facilitating, championing, implementing and the effectiveness of strategy implementation.

Literature Review

Significance of the Effectiveness of Strategy Implementation

As stated, most of the researches have been focused on strategic formulation than implementation perspective and it would be easier to create a good strategy than implement it (Wooldridge and Floyd (1990). Moreover, Beer and Eisenstat (2000) focus on understanding the root causes of implementing strategy's barrier. From the investigation, they identify six barriers in implementing strategy that they name as "the six silent killers". The six silent killers are; 1) a top-down on laissez-faire approach to management; 2) unclear strategy and conflicting priorities; 3) an ineffective senior management team; 4) poor vertical communication; 5) poor coordination across functions, business or borders and 6) inadequate down-the-line leadership skills and development. Furthermore, Beer and Eisenstat (2000) posit that obstacles in strategy implementation can be confronted by developing strategic role of middle managers in facilitating vertical communication (upward) and coordination across functional (downward), give more autonomy for middle managers, commitment of middle managers

as, clarity of strategic planning and support from senior management. The involvement of middle manager could counter act the six silent killer of implementing strategy. Indeed, Floyd and Wooldridge (1997) argue that middle managers perform a coordinating role where they mediate, negotiate, and interpret connections between the organizations institutional (strategic) and technical (operational) levels.

Moreover Hrebiniak (2005) clusters into eight areas to ensure the effectiveness of strategy implementation by developing a model to guide the execution of decisions or actions, creating clear strategy, enhance the strategic role of middle manager in managing change, understanding autonomy of implementer strategy, enhance information sharing, coordination and clear accountability, developing effective control, upper management support and enhancing commitment of the implementer of strategy. Reveal pattern of commitment, Maxwell, Rothenberg, Briscoe and Marcus (1997) posit that successful implementation of corporate strategies required visible commitment of the executor of strategy

Strategic Role and Strategic Commitment of Middle Manager

The contribution of middle managers in the strategy implementation phase has been gradually recognised (Floyd and Wooldridge, 1992, 1994, 1997). In their model, middle managers view as linking pins between the top and the functional of the organisation, they connect the overall direction provided by top management with their subordinate's day-to-day activities. Floyd and Wooldridge (1992) propose four roles of middle manager to achieve strategy implementation effectiveness, namely, synthesizing information, championing alternatives, facilitating adaptability and implementing deliberate strategy. Moreover, Noble and Mokwa (1999) propose that the extent to which managers are involved in the determination of their implementation roles appears to have significant influence on commitment to those roles. Based above argument, it is proposed that:

P1: There will be a positive relationship between strategic roles and the strategic commitment among middle managers with strategy implementation responsibilities

When appointed the role of synthesising information, Mantere (2008) posits that the commitment to synthesising information be realised by creating a sense of continuity and progress. Additionally, when the middle managers provide senior management's information as basis of strategic decision making, the responsiveness of senior managements to the synthesised information that they receive is likely influence the commitment of middle managers in implementing strategy. Therefore, this proposes the following

P1.1: There will be a positive relationship between synthesising role and the strategic commitment among middle managers with strategy implementation responsibilities

The role of commitment to championing ideas involves a middle manager activity to promoting bottom-up ideas that have the potential to renew current of strategy (Floyd and Lane, 2000). In addition, Mantere (2008) states that the commitment to champion new ideas, often achieved through participatory practice in strategic planning, has potential fulfil involvement for middle managers. Based on the argument it is proposed that:

P1.2: There will be a positive relationship between the championing and the strategic commitment among middle managers with strategy implementation responsibilities

The role of commitment to facilitate adaptability may allow the middle managers a sense of involvement in strategy in term of having something to contribute (Mantere, 2008), within its scope, middle managers are committed to promote experimentation and autonomous development of work within their area of responsibility. Additionally, the commitment of middle manager to the facilitative adaptability has the potential to enable strategic involvement, as it can help to create a sense of creative freedom in implementing strategy (Mantere, 2005). Therefore, in line with discussion above, it is that proposed:

P1.3: There will be a positive relationship between the facilitating role the strategic commitment among middle managers with strategy implementation responsibilities

The commitment to implement strategy may impact positively on strategic involvement when the downward objective builds continuity in work (Mantere, 2008). Furthermore, well-defined set of downward objective give focus to strategic involvement of middle managers, commit to support contextual strategic decision, provides a backbone for strategic involvement activities and supporting strategy implementation (Mantere, 2005; Chia and Holt, 2006). Based on above discussion, it is proposed that:

P1.4: There will be a positive relationship between the implementing role and the strategic commitment among middle managers with strategy implementation responsibilities

Strategic Commitment of Middle Manager and the Effectiveness of Strategy Implementation

Guth and MacMillan (1986) posit that in the lack of such commitment of middle managers can occur, taking the form giving low priority to implementation actions, resulting in unnecessary delays and in general "foot dragging", all of which can seriously compromise the quality implementation. Thus, it is crucial for middle managers' strategic commitment to enhance strategy implementation effectiveness (Floyd and Wooldridge, 1992, 1997). Based on the argument, it is proposed that:

P2: There will be a positive relationship between the strategic commitment of middle managers and the effectiveness of strategy implementation

Strategic Commitment as the Mediator between Strategic Role and the Effectiveness of Strategy implementation

The strategic role of middle managers (i.e. synthesising, championing, facilitating and implementing) have the potential to affect the organisation's alignment with its external environment by introducing contrary thinking and change oriented behavior into the strategy-making process (Floyd and Wooldridge, 1997). Furthermore, Carney (2007) proposes that the strategic commitment is likely influence the relationship between the strategic involvement of the middle managers and the successful of strategy implementation. Thus based on argument above, it is proposed that:

P3: The strategic commitment of middle managers mediates the relationship between the strategic role of middle managers and the effectiveness of strategy implementation

P3.1: The strategic commitment of middle managers mediates the relationship between the synthesising role of middle manager and the effectiveness of strategy implementation

P3.2: The strategic commitment of middle managers mediates the relationship between the championing role of middle manager and the effectiveness of strategy implementation

P3.3: The strategic commitment of middle managers mediates the relationship between the facilitating role of middle manager and the effectiveness of strategy implementation

P3.4: The strategic commitment of middle managers mediates the relationship between the implementing role of middle manager and the effectiveness of strategy implementation

To address the above issues, the conceptual framework that will be used in this study is illustrated in Figure 1. The strategic commitment of middle manager mediates the relationship between strategic roles of middle managers and strategy implementation is identified as shown below.



Fig 1. Strategic Commitment as Mediator the Relationship between Strategic Role of Middle Manager and Effectiveness of Strategy Implementation

Research Methodology

This empirical research is quantitative in nature and data will be collected by means of self-administered questionnaires which will be distributed to middle managers from Islamic Banking operating in Indonesia. This study is a cross-sectional type of enquiry in which data will be collected at one point of time in an uncontrolled setting. The measuring instrument is a structured questionnaire. Questionnaires will be designed in two languages-English and Indonesian. The participants will be invited to respond to the questionnaire in the language that they are most comfortable with and that they commonly used in their daily work life. Prior to conducting a pilot study and a quantitative data collection, preliminary interviews will be carried out among ten respondents to obtain a "fresh" view of their strategic role and strategic commitment in strategy implementation.

Discussion

The aim of this study is to examine conceptually the strategic commitment in relationship between strategic roles of middle manager and the effectiveness of strategy implementation. The intention is to provide a critical explanation of the specific model on the roles of middle managers to achieve the effectiveness of strategy implementation. Existing literature on implementing strategy from middle management view appears to be rather limited in general. In fact, the research on the strategic role of middle managers in the Islamic Banking in Indonesia is almost next to none. Therefore, the present study hopes to identify different type of roles performed by the middle managers in ensuring the effectiveness of strategy.

It is visible that the strategic role of middle managers is critical in ensuring the

effectiveness of strategy implementation. In this respect, middle managers can influence the strategy in a variety of ways, for instance, they can promote issues to top management, modify information on the issue, frame issues in a particular way, or mobilize others to shift top managers' attention towards certain issues (Dutton and Ashford, 1993).

Moreover, the effectiveness of strategy implementation of corporate strategy requires visible commitment from the executor of strategy (Riehl, 1988). Even so, Guth and MacMillan (1986) explain that in the lack of such commitment of middle managers can occur, taking the form giving low priority to implementation actions, resulting in unnecessary delays and in general "foot dragging", all of which can seriously compromise the quality implementation.

In consequences, strategy implementation from middle manager perspective is an issue that would benefit considerably from academic-led empirical research, and it is imperative that a comprehensive model needs to be developed on the effectiveness of implementation strategy among middle managers in Islamic banking.

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