

## The effect of internal elements of strategic management of organizational structure, management role and employee behavior on corporate mission

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### ABSTRACT

This study seeks to analyze the important role of strategic management arrangements in achieving organizational goals. Although the elaboration of basic strategic management in the internal context of an organization is a crucial factor in the formation and operation of an organization anywhere, investigations into its effects on organizational mission have not been widely investigated. The purpose of this study is to empirically analyze the influence of internal driving factors in the form of employee behavior, organizational structure and the role of management in achieving organizational mission. This study was conducted in the banking industry in Bandung, Indonesia, using a quantitative approach and analyzed using multiple regression techniques with a sample size of 1,859 respondents. The test results show that internal factors play an influential role in achieving the company's mission. This study confirms the theoretical importance of laying the foundation of strategic management as a basis for internal coordination and creating a supportive working climate in the workplace.

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## 1. Introduction

The banking industry is a capital-intensive industry, very different from other industries that are skill intensive, such as the information technology (IT) industry, or industries that are labor intensive, such as factories. The banking industry, which is capital intensive in nature, is logical because banks must manage public funds with all kinds of risks. Therefore, the bank must have sufficient capacity to bear losses arising from the risks that arise (Mehra, 1996; Shih et al., 2010). Therefore, it is imperative that a strategy is determined properly, and then the correct implementation will also have an impact on the achievement of overall bank effectiveness. The banking industry is an industry that is different from that of most other industries, and in the context of the success of managing a business, it is the success of the bank in generating added value for its productive assets. In the context of the allocation of productive assets for lending, for example, that is, in reality the objective of obtaining high returns from credit extension will rank at the top of bank credit patterns and policies. The second order of credit objectives is bank safety, namely security for depositors (surplus units), so that through credit cumulation, the bank will increase its own funds. Safe credit will have a positive impact on the bank so that it will foster a level of public trust in profitability and safety. It is argued that the environment both internal and external has huge effect on the performance and stakeholder's expectation on firms (Darnall et al., 2010; Harrington, 2004; Aragón-Correa et al., 2008). In some literatures, it is stated that the failure to achieve the strategic plan determined by management from the implementation of business strategy is because it has not fully paid attention to the influence of elements of the internal banking environment (Fernández-Olmos & Ramírez-Alesón, 2017; Droge et al., 2004). For this reason, this study offers specificity for comprehensive testing of the influence of environmental factors through a stakeholder approach. Specifically, this study seeks to analyze the influence of internal environmental elements through the implementation of business strategies on the business effectiveness achieved by a bank. This study seeks

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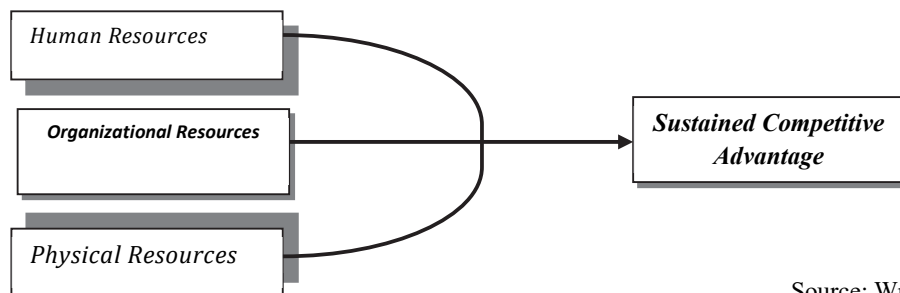
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to analyze the important role of strategic management arrangements in achieving organizational goals by examining the independent variables of organizational structure, management roles and employee behavior in the implementation of corporate missions. Although the basic elaboration of strategic management in the internal context of an organization is a crucial factor in the formation and operation of an organization anywhere (Heracleous, 2003; Mahoney & McGahan, 2007; Sminia, & Van Nistelrooij, 2006; Pearce et al., 2000), there has not been much investigation into its influence on the organization's mission. Empirically, the purpose of this study is to analyze the influence between the internal environment in the form of employee behavior, organizational structure and the role of management in achieving the organization's mission.

## 2. Literature Review and Hypotheses

### 2.1. Elements of the Corporate Internal Environment and Strategic Management

In the context of business strategy and policy, the environment is defined based on the proximity and distance of the environment from the organization or it can be said that the environment directly and indirectly affects the organization. The thing that underlies the concept of understanding the environment according to the context of business strategy and policy above is none other than the influence of environmental forces on the processes and results achieved by an organization. The influence of an environment, with its elements on the organization will create a change in strategy and the way in which organizational strategy is implemented (Menguc et al., 2010). This is based on the point of view of the supra environmental system as part of the organization. Hanafi (2003) states that the internal environment is an element that exists within a company. Daft (1998) states that elements of the internal environment are all sectors that interact directly with the company and have a direct influence on the company's ability to achieve its goals. Because of the importance of this competitive advantage for the company in its competition, in analyzing and evaluating these important variables, managers must ascertain whether these variables are internal strategic factors, such as: the weaknesses and strengths of the company that will determine the company's future. Several approaches to evaluating include comparing the measurement of these variables based on the company's past performance, the company's main competitors and the industry as a whole in a sustainable manner (Kuratko et al., 2014; Ketata et al., 2015). According to Wright et al. (1998), the company's internal environment is the firm's resources that will determine the company's strengths and weaknesses. These company resources include human resources such as experience, ability, knowledge, expertise, and other considerations of all company employees. The internal environment also includes organizational resources such as corporate processes and systems (Elbashir et al., 2008; Mahadeen et al., 2016), including corporate strategy, structure, culture, material purchasing management, production, operations, finance, research and development, marketing, information systems and control systems. Furthermore, it includes physical resources which consist of factories and equipment, geographic location, access to materials, distribution networks and technology. The higher the company can optimize the use of these resources, the higher the three types of resources above (human resources, company resources and physical resources) provide a sustained competitive advantage (Fig. 1).



Source: Wright et al. (1998)

**Fig. 1.** Route to Sustained Competitive Advantage

In the latest development of management theory, it is stated that a company can be viewed as an open system, because in its life the company always interacts with its environment. Especially the internal environment, changes in each variable will directly affect the process/life of the entire company (Tosi et al., 1995; Hugh & Feldman, 1986; Awat, 1999).

### 2.2. Relationship between Organizational Structure and Company Mission

In analyzing the resources that exist in the internal environment, not only financial, physical and human resources in every part of the company, but the capabilities of the people within the company are also formulated and implemented. These resources are considered as the forces that support strategic decisions. A number of studies conducted by previous researchers, especially Hugh & Feldman, (1986), stated that the elements of the internal environment include important factors, with organizational structure having a crucial role. The organizational structure determines how tasks will be divided, who reports to whom, and the formal coordination mechanisms and interaction patterns that will be followed (Hugh & Feldman, 1986). Ivancevich & Matteson (1999) defines it as the formal pattern of activities and interrelationship among the various subunits of the organization. The organizational structure includes dimensions of complexity, formality and centralization. Complexity describes the degree of differentiation that exists in the firm (level of specialization, division of labor and the extent to which

company units are spread (Beersma et al., 2003; Wheelan, 1994). Formality refers to the extent to which the company relies on the rules and procedures, while centralization is the company's effort to consider the location of the center for making decisions. Jauch and Glueck (1988) states that companies need to implement strategic management so that the goals set by the company can be achieved. Furthermore, this implies that with the increasingly complex operations of the company and the increasingly complex and turbulent business environment faced by the company, of course top management is no longer able to assume responsibility for the running of the company alone. Therefore, top management needs to involve lower level of management and employees to formulate and compile strategic plans (Mintzberg, 1987; Koontz, 2010; Smircich & Stubbart, 1985). This is supported by the opinion of Wheelan and Hunger (1987) which states that now many large companies have special staff to prepare strategic planning, because there have been many research results that show that companies implementing strategic plans will be able to improve company performance. In addition, the corporate needs to breastfeed strategically on targets, constraints and group plans (Hill & Jones, 2011). The long-term goals and objectives of the organization along with broad constraints and policies, which the leader determines himself, or accepts from his superior, limits the scope of activities of the organization concerned (Rothaermel, 2016). On the other hand, groups of plans and short-term goals that have been implemented with the expectation that they will contribute to achieving the goals of the organization.

*H<sub>1</sub>: There is a positive and significant influence of the organizational structure on the corporate mission in the banking sector.*

### *2.3. The Relationship between the Role of Management and the Corporate Mission*

The management line in every activity of the organization must play a role and have organizational skills and knowledge. In other words, the role of leadership in management capacity is an effort to motivate subordinates, do other people's activities, choose the most effective information channels and resolve conflicts between members within the company (Hugh & Feldman, 1986). The role of management includes the factors to link the closeness between individuals and create a pathway to create a structured and systematic and supportive work pattern in the work environment (Mughal, 2019). Some of these roles can be divided into several parts. First, the interpersonal role in which a leader is required to carry out his ceremonial duties. Second, the informational role, that to some extent, all leaders receive and collect information from organizations outside their organization. Third, the role of decision refers to the efforts of the leader to have a very vital role, namely as a determinant of choice making and decision maker. Fourth, leadership style refers to a pattern of behavior performed by a leader when trying to influence the activities of others. Thus, from the elements of the internal environment, all of these elements interdependently have an adaptive and communicative relationship in determining the action agenda for analyzing any changes as issues that arise in the organization's own environment, namely the steps in determining the organizational plan holistic (Fauzi et al., 2020). Every manager, especially managers who handle assets, is faced with efforts to establish policies, for example, investment instruments that are a priority for companies and investment instruments that are not priorities for assets owned by bank institutions so that they are more productive with maximum returns. Therefore, for managers it is said that asset management and elements that are directly or indirectly related to bank business management certainly require the ability to analyze strategies and make choices in making accurate investment decisions. Nisjar and Winardi (1999) suggest that the strategy of an organization, or a sub-unit of a larger organization, is a conceptualization that is expressed or implied by the leader concerned (Wheelan & Hunger (1987). The main point of the above opinion is that strategy is related to the preparation of plans, both long and short term, which cannot be separated from consideration of broad constraints and management policies in order to achieve the stated goals. When it comes to organizational goals, one of them will also discuss the competitive advantages of Wheelan شدي Hunger (1987).

*H<sub>2</sub>: There is a positive and significant influence on the role of management on the corporate mission in the banking sector.*

### *2.4. Relationship between Employee Behavior and Corporate Mission*

According to some experts, employee behavior is a process of evaluating organizational effectiveness which includes three dimensions. The first dimension is the optimization of goals to be achieved; second is related to the interaction between the organization and its surroundings; and third is the emphasis on the role of employee behavior in the process of achieving goals and the effectiveness of an organization (Hugh & Feldman, 1986). Employee behavior includes goals, motivations, attitudes, values, and abilities. Purpose refers to the effort that every individual working in the company has a goal of being able to meet their needs. Motivation refers to the willingness of employees to exert a high level of effort towards organizational goals, which is conditioned by the ability of that effort which is reflected in work performance. Attitudes are statements or evaluative considerations that are favorable or not regarding objects, people or events. In the context of behavior, values are also very important. Values are basic beliefs that a mode of behavior or final state of existence must be more acceptable to individuals or socially than behavior or an end state of existence that is opposite or opposite. To support the achievement of this value, employees are encouraged to have the ability, which refers to the capacity each individual has to carry out various tasks in a job.

*H<sub>3</sub>: There is a positive and significant influence on employee behavior on the corporate mission in the banking sector.*

The theoretical conception of this study adopts the theoretical framework offered by Wright et al. (1998), with modifications to the independent variables in the form of organizational structure, management roles and employee behavior that indicate organizational resources, physical resources and human resources.

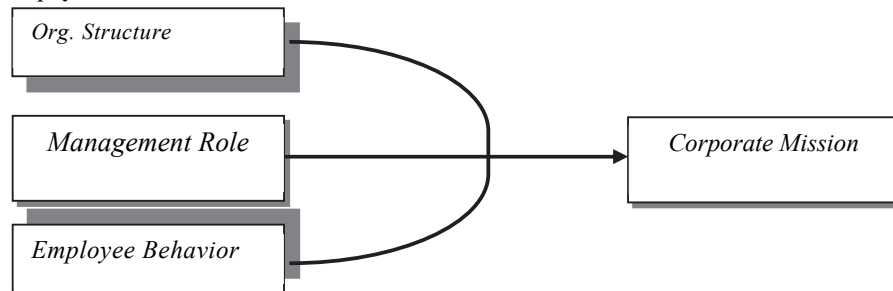


Fig. 2. Theoretical Framework

### 3. Research Methods

The type of research used by researchers in this study is research according to the level of explanation. According to Sugiyono (2001), the type of research based on the level of explanation is research which intends to explain the position of the variables studied and the relationship between one variable and another. By paying attention to the target elements (elementary units) in the banking sector (sampling unit), as well as the adequacy of data for processing using statistical methods, the data collection method is carried out in two ways. First, for the assessment of elements of the external environment, elements of the internal environment and implementation of business strategy, a number of samples from the internal environment of 23 (twenty-three) bank organizational units were used. The total sample size of each respondent was set at 1,859 people drawn from employees and management in a state-owned bank in Bandung, Indonesia.

In this study, there are 3 main independent variables studied and a number of sub-variables that accompany them, namely organizational structure, management roles and employee behavior. Conceptually, it is assumed that the variables of internal environmental elements can affect the effectiveness of the company and have relevance to the company in achieving its goals, either directly or indirectly. In other words, the internal environment consists of critical constituencies that positively or negatively affect the effectiveness of the company. The variables of internal environmental elements are both exogenous and endogenous variables which explain the indirect relationship of variable  $X_1$  with variable  $Y$ , which consists of: organizational structure sub variable ( $X_1$ ), employee behavior variable sub variable ( $X_2$ ) and management role variable sub variable ( $X_3$ ) towards the company's mission ( $Y$ ). In this study, the corporate mission is defined as the mission of the organization, which is the goal or reason why the organization lives. A well-crafted mission statement defines the fundamental and unique goals that differentiate a company from other companies, and identifies reach (Wheelen & Hunger, 1987). This data analysis was performed using multiple regression methods to test the effect of the independent variable on the dependent variable. In addition, this test partially tests the effects of one variable at a time on the dependent variable, while simultaneously analyzing the relationship through ANOVA, and through the  $R^2$  instrument to determine the influence of the independent variable on the dependent variable.

### 4. Result

#### 4.1. Instrument Validity and Reliability

Testing the validity of the organizational structure sub-variable was carried out on each item with its dimension score and also with the total score of the organizational structure sub-environment variable (Table 1).

**Table 1**  
Validity between Items with Variable Dimension Total Score

Dimensions	Sig./Valid	Dimensions	Sig./Valid
<b>Organizational structure</b>		<b>Role .. (cont.)</b>	
0.475**	Sig./Valid	0.491**	Sig./Valid
0.368**	Sig./Valid	<b>Employee Behavior</b>	
0.592**	Sig./Valid	0.154*	Sig./Valid
0.362**	Sig./Valid	0.316**	Sig./Valid
0.468**	Sig./Valid	0.514**	Sig./Valid
<b>Management Roles</b>		0.492**	Sig./Valid
0.398**	Sig./Valid	0.481**	Sig./Valid
0.462**	Sig./Valid	0.552**	Sig./Valid
0.520**	Sig./Valid	0.440**	Sig./Valid
0.435**	Sig./Valid	0.383**	Sig./Valid
0.454**	Sig./Valid	0.370**	Sig./Valid
0.398**	Sig./Valid		

The results of the validity test for the organizational structure sub-variable show that all instrument items tested against the dimension score and the total score of this sub-variable are valid. Therefore, all of the sub-variable items of organizational structure, management roles and employee behavior can be used for further analysis.

4.2. Hypothesis testing

The first hypothesis states that there is a positive and significant effect of organizational structure on the corporate mission in the banking sector. The test results show that the organizational structure has an insignificant effect on the corporate mission, which is indicated by the t-arith value of 0.697 and a sig-value of 0.487 (> 0.05). This means that the first hypothesis which states that there is a positive and significant influence of organizational structure on corporate mission is declared rejected. This shows that, even though it has a very important position, there is no significant influence from the most strategic management aspects of the organizational structure on the more technical aspects of achieving the corporate mission in the context of the banking sector work environment (Table 1).

**Table 2**  
Hypothesis Testing

Model (Dependent: Mission)	Unstandardized Coeff. Beta	Std. Error	Std. Coeff. Beta	t	Sig.
Constant	.733	1.750		.419	.676
Organizational structure	.031	.044	.043	.697	.487
Management Roles	.184	.052	.235	3.529	.001
Employee Behavior	.258	.044	.396	.920	.000

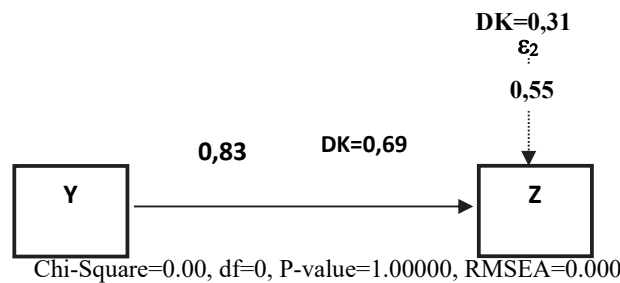
The result of the statistical test of the second hypothesis which states that there is a positive and significant influence of the role of management on corporate mission reveals a significant effect. This is indicated by a t-arith value of 3.529 and a sig-value of 0.001 (<0.05). This means that the second hypothesis which states that the positive and significant influence of management's role on corporate mission is accepted. This means that the higher the management involvement to direct and provide technical details on the achievement of the company's mission, the higher the achievement of the organization's mission. The third hypothesis states that there is a positive and significant influence of employee behavior on corporate mission. The statistical results reveal a significant effect, which is indicated by a t-arith value of 0.920 and a sig-value of 0.000 (<0.05). This means that the third hypothesis which states that the positive and significant influence of employee behavior on corporate mission is accepted. This means that the better the employee's behavior, the higher the achievement of the organization's mission. The next test is to analyze the simultaneous influence of the independent variables (Organizational Structure, Management Role, and Employee Behavior) on the dependent variable (corporate mission). Statistical tests were performed with anova Analysis of Variance (ANOVA), which confirmed the F-arith and significance values. The results show that the F-arith value is 28,392 with a p-value of 0.00. This shows that all independent variables have a simultaneous influence on the corporate mission as the dependent variable (Table 3).

**Table 3**  
ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	227,566	3	75,855	28,392	,000 <sup>b</sup>
Residual	520,986	195	2,672		
Total	748,553	198			

a. Dependent Variable: Mission b. Predictors: (Constant), Organizational Structure, Management Roles, Employee Behavior

Furthermore, the test using the LISREL program is also used to analyze the magnitude of the influence of the implementation of business strategy on the effectiveness of mission in organizational units. Simultaneously, the magnitude of the influence of the implementation of business strategy on mission effectiveness is  $R^2 = 0.69$ . Thus, the magnitude of the variation in mission effectiveness which can be explained by the effect of implementing business strategies as proxied by internal elements is 69%. This illustrates that the implementation of business strategy has a significant effect on mission effectiveness, so it is concluded that the magnitude of the influence of the implementation of business strategy on the effectiveness of the bank's mission in organizational units is determined by the strategy formulation and strategy implementation sub-variables at an error rate of 5%, according to the path diagram (Fig. 1).



**Fig. 3.** Effects of Internal Elements on Mission Effectiveness

From the overall discussion, it turns out that all of the proposed simultaneous testing hypotheses can be accepted based on the value of the coefficient of influence found, which are significant respectively. This confirms that the variables of internal environmental elements, namely the role of management and employee behavior directly have a strong relationship with the implementation of the corporate mission strategy. Meanwhile, the organizational structure variable directly has a weak relationship with mission effectiveness.

**Table 4**  
Coefficient of Determination

R	R Square	Adjusted R Square	Std. Error of the Estimate
.551 <sup>a</sup>	.304	.293	1.635

a. Predictors: (Constant), Organizational Structure, Management Roles, Employee Behavior

Furthermore, the analysis to analyze the influence of the independent variable on the dependent variable was carried out by determining the coefficient of determination test, through confirmation of the value of Adjusted R Square. Table 4 shows the amount of the Adjusted R Square value of 0.293. This shows that the coefficient of determination of the independent variables of organizational structure, management roles, and employee behavior on corporate missions is 29.3 percent (Table 4).

## 5. Discussion

The results of this study confirm previous findings regarding how management strategies are formulated in a more technical scope in the scope of work that involves various parties in the work environment. Harrison & John (1994) describe strategy formulation as a strategic planning process that ultimately produces an output in the form of a strategic plan. There are at least several levels of strategy formulation in the corporate sphere. First, the corporate strategy formulation, which describes the overall direction of the company regarding the company's general attitude towards growth direction and management of various businesses and product lines to achieve a balanced product and service portfolio (Wright & Ferris, 1997). Second, the formulation of a business strategy, also known as a competitive strategy, is usually developed at the division level and emphasizes on improving the competitive position of the company's goods or services in a particular industry or market segment served by the division. Third, the formulation of a functional strategy, which emphasizes maximizing productivity resources. Within the boundaries of the company and the business strategies around them, functional departments develop strategies to bring together their various activities and competencies to improve performance. The three strategies will interact closely and be sustainable and must be properly integrated for the company's success.

Furthermore, Wheelen & Hunger (1987) stated that the corporate mission of the organization's mission is related to the formulation of strategy and policy. If the mission statement defines the fundamental and unique goals that differentiate a company from other companies, and identifies the company's operating range in the products it offers and the markets it serves, strategies are a comprehensive planning formulation of how the company will achieve its mission and objectives. Strategy will maximize competitive advantage and minimize competitive limitations. On the other hand, policies are a flow of strategy that provides broad guidelines for organizational decision making as a whole. Policy is also a broad guideline linking strategy formulation and implementation. In the variables of internal environmental elements, things that need to be considered more from the sub-variable of organizational structure are the dimensions of formality, namely compliance with rules and procedures, and the relationship between superiors and subordinates. From the sub-variables of employee behavior, it is about differences in the goals, capabilities and willingness of employee achievement. Furthermore, from the sub-variable the role of management is about the implementation of ceremonial tasks and management attitudes towards alternative decisions. In the mission implementation variable, things that need to be considered more from the strategic formulation sub-variables are the mission dimensions which include a written and formal corporate mission, containing unique and specific goals, which reflect the company's business and accommodate various interests. The results of this study indicate that the elements of the internal environment of management roles and employee behavior directly and partially show a significant and positive influence on the implementation of corporate missions and on the effectiveness of the bank's business. This may indicate that in BUMN bank units in general, it is still necessary to observe internal factors, but it is adjusted to the opportunities and threats originating from the external environment, as well as the strategic choices to be made. In other words, banks are more required to be flexible, proactive and reactive to changes that occur outside their environment.

## 6. Conclusion

The results of this test generally state that there is a significant influence between planning and implementation on the company's strategic performance as well as a recursive relationship between the two types of variables. To confirm this relationship, this study analyzes internal elements as the basis for strategic management in the corporate environment for mission implementation with a large sample base in the banking sector in Bandung, Indonesia. Internal elements are proxied by three main variables, namely organizational structure, management roles and employee behavior. The test results show that the role of management and employee behavior has a positive and significant effect on mission implementation. However, the organizational structure has not been empirically proven to have an influence on mission execution. Theoretically, these findings confirm how the management strategy is formulated in a more technical scope in the scope of work involving various parties in the work environment. These findings suggest that technical aspects related to business and functional formulations have

more influence on mission achievement, compared to strategic formulations. In practical terms, these findings highlight that efforts to create a healthy banking structure require the application of good corporate governance as a commitment to build a banking system that can create financial system stability in a well-capitalized and well managed manner. This is because GCG contains five principles that are considered positive for the management of a company. First, the principle of openness or transparency of information in a timely, adequate, clear, accurate, and comparable manner. Second, the principle of accountability, where the bank must define clear responsibilities for each organizational component in line with the company's vision, mission, business objectives and strategy. Third, the principle of responsibility, where banks must adhere to the principle of prudential banking practices. Fourth, the principle of independence, where banks must be able to avoid unfair domination by stakeholders, and Fifth, the principle of fairness, that banks must pay attention to the interests of all stakeholders based on the principle of equality and fairness (equal treatment). Banks also need to provide opportunities for stakeholders to provide input for the bank's own interests and have access to information in accordance with the principle of openness.

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