Strategic Management in East Asia SMEs:
The Case Study of SMEs in China and Indonesia

Master Thesis in Business Administration
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Abstract

Problem: Researchers argue that strategic management and its implementation has become the main focus in SMEs because of its role in generating economic wealth. Although, there are many advantages to use strategic management, there are still many SME organizations that resist using it, since some of them may think this process is only useful for larger organizations and they did not recognize that it’s also very helpful for SMEs as a whole. Therefore, the organization face challenges such as how to use this strategic management, and how to recognize the importance of strategic management and so on.

Purpose: Our purpose is to find out how strategic management determines / affects / influence SMEs performance in South East Asia and specifically in China and Indonesia. Moreover, its purpose is to identify the crucial factors that determine survival and growth in the two countries.

Theory: The theoretical framework is divided into several major parts. We start with looking at definition of strategy and different types of strategy in organization. The chapter continues with looking at SMEs strategic Management Model (Analoui & Karami, 2003), strategic choice, strategic fit and theory of firm performance i.e. dynamic capabilities (core capabilities). The last part of the chapter combine the previous theory, i.e. strategy and firm performance. More specific, we use our theoretical framework of the process, regarding the effect of strategic management on SMEs performance.

Method: We chose qualitative method as our research method. We use case study to do this research and conduct interview to collect data. Qualitative is the appropriate method for this thesis since we aim to understand the phenomenon of SMEs strategic management on different levels. In order to gain more information, we conducted interview with middle management and top management of the company. This method help us to explore into deeper stages of analyzing our subject and support our research.

Conclusion: We found there is no general answer on how strategic management determine / affects / influence SMEs performance in East Asia SMEs specifically in China and Indonesia. Further, the studied companies have more common characteristics than different characteristics. All of them are aware of the importance of using strategic management. Moreover, our research indicate that understanding the role of internal & external factors, and constantly combining the two factors into daily operation are the crucial factors for these companies survival and growth in the two countries.
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1 Introduction

In this chapter, we will present the background of the chosen subject for readers, followed by problem discussion and research questions. This section concludes with description of the purpose of this thesis, delimitations, definitions and disposition.

1.1 Background

In the globalization integration era, the business environment is becoming fierce than before; organizations of all types and sizes are facing continually changing situation externally and internally. Furthermore, how to cope with these ambiguities and how to achieve competitiveness and expected level of performance is a real challenge for every organization.

Companies have to take appropriate actions to deal with these challenges. Strategic management can be a crucial element in keeping business firing on all cylinders and driving forward. However, so far, researches mainly focus on strategic management on large organization. Few studies investigate the role of strategic management in Small and Medium-sized enterprise (SMEs). In Asia, SMEs are important for economic growth and business development due to their contribution to employment & job creation and to the innovativeness & high technology development. Also, Chinese Premier Wen Jiabao stressed the role of SMEs in boosting the job market (Xinhuanet, 2009). Thus, the existence, survival and growth of SMEs are indispensable for business as a whole. According to several strategic management literatures, strategies are essential for building competitive advantages for SMEs (Analoui & Karami, 2003; Coulter, 2008).

SMEs is becoming increasingly important in Asia countries. In china, they accounting for 95 percent of all Chinese enterprises and have played an indispensable role in invigorating the national economy and maintaining social stability by promoting market competition, increasing job opportunities and pushing forward technical innovation. They have offered three-quarters of urban job opportunities during the nation’s economic transformation process, providing jobs to more than 230 million labourers from rural areas between 1976 and last year (China.org.cn,2008). They are the mainstay of urban jobs and the entrepreneurial spirit of the society. Their role in sustaining jobs can never be replaced by State endeavours, including the job opportunities in infrastructure development (China.org.cn, 2008). SMEs are now responsible for about 60% of China’s industrial output (The American Embassy in China, 2008). Nowadays, however, they are facing many challenges in the constant changing environment. Compared with the well-capitalized large enterprises, SMEs are much more vulnerable to both domestic and global economic uncertainties. They have faced more difficulties than large enterprises in receiving funding, raising their technological levels, attracting qualified professional personnel and accessing information etc (China.org.cn, 2008).

To conclude, on the one hand, SMEs as job creator & important contributor to economy and play a very important role in the Chinese economy. On the other hand, they are facing many problems, it’s consequently very important to develop a solution to achieve expected performance, survive and grow for SMEs and for China as well, considering the SMEs vital role in China’s economy.

In Indonesia, they also play an important role: approximately 90% for economic growth, which mostly are SMEs from various background industries. It becomes the biggest source of employment. Majority of SMEs scattered throughout rural area as starting point for development of villager’s talent as entrepreneur, especially women. In general, SMEs have low level
of productivity, poor quality products, and serving small or localized markets and it is very
difficult for them to upgrade either their product or technology sectors. Moreover, several
constraints are faced such as lack of finance, low human resource & technological capabil-
ities; unclear business regulation & restriction for SMEs to grow (Tambunan, 2007).

Strategic management in SMEs have different processes which usually do in large organi-
sation. They need strategy since they will face more challenges in globalization era. The ben-
efits of using strategic management in SMEs will prepare the company to get ready to confront
any controlled and/or uncontrolled issues, evaluating the implementation of the strategy, pro-
viding information of the issue of ‘fit’ with the environment, and aids for understanding of
the nature of environmental change. However, there are still limitations of using strategic
management due to lack of knowledge of strategic management techniques, lack of time and
planning; feeling uncertainty about the future, lack of managerial skills and being heavily in-
volved in the daily and routine operations (Analoui & Karami, 2003).

Furthermore, with this fact in mind we thought it would be interesting to do research on how
strategic management is used in SMEs and how strategic management impact on their per-
formance, what are the important factors for strategic decisions.

1.2 Problem Discussion

Research into strategic management and its implementation has become the main focus in
SMEs because of its key role in generating economic wealth (Bantel & Jackson, 1989). How-
ever, there is a main argument about whether SMEs need to develop a strategic plan? Some
writers have argued that formal strategic management procedures are particularly inappropr-
iate for SMEs that have neither the management nor financial resources to indulge in elab-
orate, strategic management techniques (Cragg & King, 1988). Although, there is still debate
of the application of strategy in SMEs in many researches – positive impact of using strategic
management as a tool to achieve sustainable and competitive advantage cannot be ignored
(Analoui & Karami, 2003).

SMEs are generally more productive than large firms, but financial markets and other institu-
tional failures impede SMEs development (Sinha, 2003). Thus, pending financial and institu-
tional improvement, direct government financial support to SMEs can boost economic
growth and development (Sinha, 2003). However, nowadays, it’s difficult for SMEs to sur-
vive and grow due to the lack of experience in strategic management, limited resources and
the fierce environment in which they operate.

Furthermore, there are not much research has been done in East Asia (especially in China and
Indonesia) on the impact of strategic management on SME performance. When considering
the increasing importance of strategic management in SMEs and their contributions to China
and Indonesia economy, it is obvious that there is a growing need for researches giving un-
derstanding on the role of strategic management. One can argue that the need for such inform-
ation will become more important as the competition is becoming fiercer than before, due
to many new SMEs enter into market from both domestic and international.

Although, there are many advantages to use strategic management, there are still many SME
organizations that resist using it, since some of them may think this process is only useful for
larger organizations and due to this, they do not recognize that it’s also very helpful for SMEs
as a whole. Besides this, many small businesses do not believe in long term planning, so they
do not know what the future holds for them. Considering the contradictory views discussed
so far, this thesis will address the impact of strategic management in SMEs performance in
order to be able to determine whether strategic management is significant or not for their survival and success. We post the following research questions, which will be answered in this study:

1. What are the common/different characteristics of strategic management of SMEs in China and Indonesia?

2. What are the crucial strategic management factors (issues) for firm’s survival & growth in China and Indonesia?

1.3 Purpose

The purpose of this thesis is to find out how the strategic management determine / affects / influence SMEs performance in South East Asia and specifically in China and Indonesia. Moreover, its purpose is to identify the crucial factors that determine survival and growth in the two countries.

1.4 Delimitation

The scope of this thesis cannot capture all important areas in strategic management. Therefore, there are some areas of this thesis that delimits itself in order to maintain an understandability of this topic.

Firstly, the scope of this research does not cover the whole East Asian region. The empirical data will only be collected in two countries, which are Indonesia and China due to limited resources.

Secondly, the thesis does not give a list of advice for the companies. Instead, in this thesis, the aim is to study strategic management in China & Indonesia SMEs and to find out how the strategic management affects their performance – if the company that we investigated use strategic management.

1.5 Definitions

This section will define the relevant and central concepts that will be applied in this thesis.

**Strategy** - Organization's strategies as its goal-directed decisions and actions in which its capabilities and resources are aligned with (matched to) the opportunities and threats in its environment. The chosen strategy should help an organization achieve its goals, but deciding on (formulating) a goal-directed strategy is not enough. Strategy also involves goal-directed actions, that is, implementing the strategy. Organization’s strategy involves not only what it wants to do, but doing it. The organization’s strategy should take into account its key internal strengths (capabilities and resources) and external opportunities and threats (Coulter, 2008) (See chapter 4)

**Strategic Management** – Strategic management is a process of analyzing the current situation; developing appropriate strategies; putting those strategies into action; and evaluating, modifying, or changing those strategies as needed. These activities usually called situation analysis, strategy formulation, strategy implementation, and strategy evaluation (Mary Coulter 2008). Strategic management included four characteristics: interdisciplinary, external focus, internal focus, and future oriented (Coulter, 2008).
Performance - The results of activities of an organization or an investment over a given period of time (Investorwords.com, 2008). Accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed (BusinessDictionary.com, 2008). Organization performance include two types which are financial and non financial. In this thesis, we focus on financial performance and we will expand this issue in the analysis part.

SME (Small and Medium-sized Enterprise) – There are different standards about the definition of SMEs in China and Indonesia according to these two countries’ regulations.

I. Small and Medium-sized Enterprise in China

SMEs in China are identified by the total number of employees and annual turnover vary by industry sector (see table 1).

<table>
<thead>
<tr>
<th>Industry</th>
<th>Company size</th>
<th>Number of employees</th>
<th>Annual turnover (million CNY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>Medium size</td>
<td>300-2000</td>
<td>30-300</td>
</tr>
<tr>
<td></td>
<td>Small size</td>
<td>&lt;300</td>
<td>&lt;30</td>
</tr>
<tr>
<td>Construction</td>
<td>Medium size</td>
<td>600-3000</td>
<td>30-300</td>
</tr>
<tr>
<td></td>
<td>Small size</td>
<td>&lt;600</td>
<td>&lt;30</td>
</tr>
<tr>
<td>Wholesales</td>
<td>Medium size</td>
<td>100-200</td>
<td>30-300</td>
</tr>
<tr>
<td></td>
<td>Small size</td>
<td>&lt;100</td>
<td>&lt;30</td>
</tr>
<tr>
<td>Retail</td>
<td>Medium size</td>
<td>100-500</td>
<td>10-150</td>
</tr>
<tr>
<td></td>
<td>Small size</td>
<td>&lt;100</td>
<td>&lt;10</td>
</tr>
<tr>
<td>Accommodation / restaurant</td>
<td>Medium size</td>
<td>400-800</td>
<td>30-150</td>
</tr>
<tr>
<td></td>
<td>Small size</td>
<td>&lt;400</td>
<td>&lt;30</td>
</tr>
<tr>
<td>Transportation</td>
<td>Medium size</td>
<td>500-3000</td>
<td>30-300</td>
</tr>
<tr>
<td></td>
<td>Small size</td>
<td>&lt;500</td>
<td>&lt;30</td>
</tr>
</tbody>
</table>
### II. Small and Medium-sized Enterprise in Indonesia

In Indonesia, there are several definitions of SMEs. In this study, we use definition from the State Ministry of Cooperative and Small & Medium-sized Enterprises (Menegkop & UKM) and Central Statistic Agency (BPS), the details are as follows.

<table>
<thead>
<tr>
<th>Company size</th>
<th>Number of employees</th>
<th>Total Assets (Not including land and buildings for business) (currency: Rp)</th>
<th>Turnover (currency: Rp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small size</td>
<td>5-19</td>
<td>50 million - 500 million</td>
<td>300 million - 2.5 billion</td>
</tr>
<tr>
<td>Medium size</td>
<td>20-99</td>
<td>500 million - 10 billion</td>
<td>2.5 billion - 50 billion</td>
</tr>
</tbody>
</table>

Table 1. SMEs definition in China (Xinhuanet, 2009)

Note: Exchange rate: 1 EURO = 8.8257 CNY (Bank of China, 2009-3-13)

**1.6 Disposition**

**Chapter 2 – Frame of Reference**

This chapter discusses theories and model that provide readers with knowledge of strategy and strategic management which are related with SMEs as well as other theoretical information relevant to the purpose. The theories chosen will help us to explain how strategic management affect SMEs performance.

**Chapter 3 – Methodology**

In this chapter explain the method chosen and discuss methodological terms. A discussion is held about theoretical concepts that relevant to the present study, research philosophy, research method (qualitative method & case study approach), research strategy and the data collection process. This involves in determining the sample for the empirical study as well as choosing interviews as a data gathering method. The final sections of this chapter are dedicated to the discussion on trustworthiness and ethics issues.

**Chapter 4 – Empirical Findings**

In this chapter, we present the empirical findings for this study. The empirical findings consist of information collected from primary data, that is, from the interviews with top management and middle management of SMEs both in China and Indonesia.
Chapter 5 – Analysis

This chapter, we present the empirical findings from the interview. We will present the interpretative and analytical work base on the collected empirical data. Thus, this chapter will interpret and analyze the empirical findings from the interview by using theories and concepts from chapter 2.

Chapter 6 – Conclusion

In this chapter we present the conclusion of this thesis. We will begin by answering the purpose and continue answering research questions and presents some suggestion for further research within the field of strategic management in SMEs.
2 Frame of Reference

This chapter discusses theories and model that provide readers with knowledge of strategy and strategic management which are related with SMEs as well as other theoretical information relevant to the purpose. The theories chosen will help us to explain how strategic management affect SMEs performance.

2.1 The Field of Strategy

There are different definitions of strategy conducted by many researchers. According to some research, there are two types of formation strategy, which are deliberate “planned” and emergent “not planned” (Mintzberg, 1985). Emergent strategy usually comes through everyday routines, activities and processes in organization, in the other hand deliberate strategy formulated or planned by managers (Johnson, Scholes, & Whittington, 2005). Emergent strategy that emerges from within the organization; deliberate strategy developed through the strategic planning process.

Deliberate strategies provide the organization with a sense of purposeful direction. Emergent strategy implies that an organization is learning what works in practice. Mixing the deliberate and the emergent strategies in some way will help the organization to control its course while encouraging the learning process (Hax & Majluf, 1996). Emergent strategies and deliberate strategies both play an important role for SMEs. Karl-Heinz (2007) stated that emergent strategy formation in SME is strongly related to the personality of the owner, who, in turn, is able to quickly capture new opportunities in dynamic environments. Deliberate strategies are clearly formulated intentions that are articulated by the top managers and (Karl-Heinz, 2007) implemented by formal controls, regarded corporate growth and technological leadership which are more important than emergent strategies.

2.1.1 Levels of Strategy

There are three main types of strategies which are corporate strategies, business strategies and functional strategies. Choosing an appropriate strategy is important before formulating the strategy.

Corporate strategy usually imposed by top management. This first level of strategy determines what the business should be and how the activities should be structured and managed. The strategy is responsible for defining the firm’s overall mission and objectives, validating proposals emerging from business and functional levels and allocating resources with a sense of strategic priorities (Hax, 2001).

Business strategy is in the second level, which is concerned with maintaining competitive advantage in each strategies business unit. Business strategy or competitive strategies are concerned with how an organization is going to compete in a specific business or industry (Coulter, 2008).

Functional strategy or operational strategies are the short-term (less than a year) goal-directed decisions and actions of the organization’s various functional areas (Coulter, 2008). Functional areas are such as marketing, operation, production, finance, and human resources. The company needs to maintain its competitive strategy from each functional area in order to support business & corporate strategy.
2.2 SMEs Strategic Management Model

The model below describes the process of strategic management in SMEs. There are four stages which are environmental analysis, strategy formulation, strategy implementation and strategy control and development (Analoui & Karami, 2003; Coulter, 2008).

In this process, the company need to assess to external & internal analysis to get full understanding of the current situation before formulating the strategy. Once SMEs business owners decided on their visions, they need strategy for future plan. The next step is to implement the strategy by identifying factors that may influence the future direction of SMEs. Eventually, strategy need to be controlled, reviewed from past performance and learned for future development.

![Dynamic SMEs Strategic Management model](image)

Figure 1. Dynamic SMEs Strategic Management model (Analoui & Karami, 2003).

2.2.1 Environmental Competitive Analysis

There are different perspectives in analyzing competitive advantage. One of them is environmental factors. These factors, such as government regulation, competitors and socio-culture could be the opportunities that should be explored by SMEs. In general, the environment factors are classified into two main groups: external environment and internal environment.

Environment is divided into two perspectives: the environment as a source of information and the environment as a source of resources perspective (Coulter, 2008). We will focus on environment as sources of information to analyze how the external analysis (information) & internal analysis provide and influence the management in SMEs for planning and decision making.
A. External Analysis

*External analysis* is the process of scanning and evaluating an organization’s external environment (Coulter, 2008). There are several features of external analysis, but we only focus on macro environmental analysis. Macro environment is the set of factors influences that are not specific to an organization or the industry in which it operates, but that nonetheless affect them (Rieple & Haberberg, 2008).

Regardless of industry, the external environment is critical to a firm's survival and success (Ireland, Hoskisson, Hitt, 2007). Analyzing external environment is very important for both researchers and firms, since it can help researchers to understand the motivations of company's activities and also help company to take more appropriate actions.

Firm's external environment is divided into three major areas: the general, the industry, and competitor environments. **The general environment** is composed of dimensions in the broader society that influence an industry and the firms within it, it included several environmental segments, such as demographic, economic, political/legal, sociocultural, technological and global (Ireland, Hoskisson, Hitt, 2007).

![Figure 3. General Enviroment (Ireland,Hoskisson,Hitt 2007)](image)

Although, companies cannot directly control the general environments, companies can collect information to understand the present status and predict future trends.

**The industry environment:** The industry environment is the set of factors that directly influences a firm and its competitive actions and competitive responses: the threat of new entrants, the power of suppliers, the power of buyers, the threat of product substitutes, and the intensity of rivalry among competitors. In total, the interactions among these five factors determine an industry’s profit potential. The greater a firm’s capacity to favourably influence its industry environment, the greater the likelihood that the firm will earn expected returns (Ireland, Hoskisson, Hitt, 2007).

**Competitor’s environment:** Competitor Environment is the part of a company's external environment that consists of other firms trying to win customers in the same market. It is a segment of the industry that includes all immediate rivals. It’s very important for firm to understand the competitor’s environment through competitor analysis. Competitor analysis is
focused on predicting the dynamics of competitors’ actions, response, and intentions. In combination, the results of the three analyses the firm uses to understand its external environment influences its vision, mission, and strategic actions (Ireland, Hoskisson, Hitt 2007).

PEST analyses are known for analyzing macro environment and include four main factors which are Political, Economical, Socio cultural, and Technology. Political factors affect the stability of industry environment and uncertainty makes difficult for managers to develop strategy, thus stability in politics is needed for them. Economic factor such as economic growth, unemployment issue, interest rates impact the competition in industry. Socio cultural factor affect consumer purchasing power such as social trend (music, style, dressing etc). Technology factors such as new innovation, speed internet connection, net working and other technological change affect the ways organization run its business. In general, this analysis emphasis in general environment for particular industry sector includes customer, supplier and competitors which are linked each other (Coulter, 2008).

B. Internal Analysis

The environmental analysis enables SMEs to cope with the uncertainty and changes of their environment (Meyer & Heppard, 2000). Internal analysis is the process of evaluating an organization’s resources and capabilities (Coulter, 2008). Internal environment factors included organizational structure, owner structure, firm resources, management style and culture, etc. We will focus on these factors to analyze the internal environment. First, we will explain about the company resources since it’s important for building competitive advantage. Firm resources include all assets, capabilities, organizational process, firm attributes, information, knowledge, etc controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency (Daft, 1983). We will also look on SMEs owner structure since owner structure decided on governance structure, also has effect on company culture and management style.

Firm Resources & Internal Capabilities

Resource is inputs used by firms to create products and service, and capabilities are a firm’s skill at using its resources to create goods and service; combination of procedures and expertise on which a firm relies to produce goods and services (Coulter, 2008).

Resource-based approach is used by the companies to help them compete with other competitor more efficient and effectively. There are two different type of resources are tangible resources (plant, building, finance etc), intangible resources (information, culture, reputation, & knowledge), and organizational capability (human resource skill, management style) (Johnson, Scholes, & Whittington, 2005). Indeed, unique resources as source of distinctive competence that cannot easily imitate by its competitors.

Human resource is tangible and valuable assets in organization. Recruiting, motivating, and retaining employees with adequate skills and talents has significantly impact on strategic implementation. The involvement of human resources in the strategic implementation is related with the business owner perception since both of them involve in strategic activities. Thus, human resource as a factor for creating knowledge play an important role in increasing firm’s performance and its competitiveness in high performance SMEs (Analoui & Karami, 2003).
**Owner Structure**

**Culture**

One may argue organisational culture is the ‘basic assumption and beliefs’ that are shared by members of an organisation, that operate unconsciously and defined in a basic taken-for-granted fashion – an organisation’s view of itself and its environment (Johnson, Scholes, & Whittington, 2005). Business owner’s personal values and beliefs have great impact on SMEs culture. Culture is an intangible asset of a firm that is difficult to imitate; for instance, competitors may imitate the company’s human management strategy; however, it’s difficult for them to implement it in organization with different cultures. Indeed, organizational structure and management style can influence culture (Analoui & Karami, 2003).

**Organizational Structure**

In some SMEs, they do not have formal organizational structure. By using informal organizational structure, the business may respond quickly in markets and customer’s expectation. However, its disadvantage is becoming more obvious. The disadvantage of informal structure includes: may work against best interests of the entire organization; susceptibility to rumour; may carry inaccurate information; resistance to change; diversion of work efforts from important objectives and feeling of alienation by outsiders (Richard, 2008).

**Leadership**

Leadership is one of the important factors to business success. SMEs are often characterized by strong personal and leadership of the owner manager. Owner-managers use intuition more, whereas other managers favour a more structured and logical approach (Dyer, 1997). The personal objective, personal experience and educational background are reflected on management style.

Managers in large organizations are described as being risk averse and use a top-down approach to make decisions, whereas Owner-managers are more risk taking – they share their visions and use bottom up approach to make decision (Dyer, 1997).

**2.2.2 Strategy Formulation**

*Strategy formulation* is the process of deciding what to do (Carpenter & Sanders, 2009). SMEs business owners need to decide ‘what to do’ by implementing the strategy that they choose for long term achievement.

*Developing mission, vision statement* is part of strategic management before the company set up the business. Vision and mission is a foundation for management to determine what they want to achieve and it should clearly states in the organization by means of achieving long term objectives. SMEs business owners usually have strong entrepreneurial vision shared with the employees in the organization. They will be responsible for the growth of the business if they use formal strategy approach in organization activities. Developing mission and mission in SMEs is important, since a researcher found that the mission statement in SMEs tends to place more emphasis on concern for survival, product or services (O’Gorman & Doran, 1999). Vision and mission decide the objectives of their business, and it’s the guidance for company’s development.

*Goal or objectives* is general statement of aim or purpose (Johnson, Scholes, & Whittington, 2005). SMEs business owner usually try to find opportunities based on particular resources.
The choices of strategy that they used may limit for particular market, product or service. Moreover, the using of strategy is influenced by owner expectation.

Strategic issue identifies problems or issues happening in the current situation. SMEs business owners’ need to decide ‘what to do’ based on the analysis of internal resources, capabilities and the external environment (Analoui & Karami, 2003).

Defining strategic alternatives is another approach to formulate the strategy. Uncertainty market condition and competition affect SMEs business owners of choosing appropriate strategy. By using strategy, SMEs can identify the company’s weaknesses and strengths which help business owners to formulate alternative strategies simultaneously forecasting future decision for competing with their rivals. Thus, a strategic alternative is needed to decide the next step decision, ‘go or no go’, by means of pursuing business opportunity (Analoui & Karami, 2003).

2.2.3 Strategy Implementation

Strategy implementation is the process of performing all the activities necessary to do what has been planned (Carpenter & Sanders, 2009). Other researcher argue that strategic implementation consider as a process which might involve changes according to the overall culture, structure and/or management system of the entire organization (Wheelen and Hunger, 1998).

In the context of SMEs, the role of top management as strategic makers has greater impact for implementing the strategy and they have authority in decision making that influence the whole organization structure. The managerial skill is crucial for management to implement strategy correctly and appropriately. Indeed, successful strategies depend on effective implementation.

Strategic Planning

Strategic planning is part of strategy implementation. Management need to organize and plan activities for success in business venture. A plan describes as a blueprint for goal achievement and specifies action like necessary resource allocation and task (Daft R. L., 2000).

In SMEs or entrepreneurial firm, a written strategic plan has no explanatory power in respect of organizational behaviour since personal strategic vision of owner-manager determines actual strategy that people should follow (Woods & Joyce, 2003). On the other hand, using strategic planning gives advantages for SMEs such as helping a firm to focus and be flexible; improving performances, improving coordination between organizational division, improving control for measuring the achievement of the objectives and time management, which helps business owners to decide what is important and how to allocate time in their commitment (Chell, 2001).

There are two models of strategy in SMEs. They are rational model and intuitive learning model. The rational model tend to consider in strategy making as a formal activity in the firm, on the other hand, the intuitive learning model focus on the internal dimension of the organization (culture, leadership & human resource policy) (Hamel, 1996). Furthermore, SMEs business owners tend to rely on their personal experience and intuition involve in strategic planning rather than delegating authority to others.

The process of planning in SMEs related to business owners awareness of external and internal factors that affect business activities. SMEs that use formal strategic planning explicitly state mission, vision and long term objectives; on the other hand, SMEs with informal strate-
gic planning only focus on a specific project, monitoring long term financial objectives and the company’s performance (Analoui & Karami, 2003).

### 2.2.4 Strategy Control and Development

According to research, strategic control is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying premises, and making the necessary adjustments (Analoui & Karami, 2003). Strategy control and development is needed to evaluate the company performance. Prior decision will affect future direction; ergo, reviewing and learning from previous performance is important since current success does not guarantee future success.

Environmental analysis, strategy implementation & formulation are indicators for controlling processes, continuing with measuring performance and ending with critical assessments of achievements. Once the company controls its strategy, they also need to develop, which is known by using strategic planning. Strategic planning may take the form of systematized, step-by-step, chronological procedures to develop or coordinate an organization’s strategy (Johnson, Scholes, & Whittington, 2005).

### 2.3 Strategic Choices

Competition is the heart of the success or failure of the business (Porter, 1985). Thus, the competitive strategy of the firm is needed to survive and grow in the competitive market arena.

Porter (1985) stated that generic strategies of competitive advantage are cost leadership, differentiation and the focus. Firstly, **Cost Leadership** consists of two types, which are, “no frills strategy” and “low price strategy”. No frills strategy is combination of low price, low perceived product or service benefits and focus on a price-sensitive market; on the other hand, low price strategy seeks to achieve a lower price than competitors, whereas trying to maintain similar perceived product or service benefits to those offered by competitors. Secondly, **differentiation strategy** seeks to provide products or services benefits that are different from those of competitors and that are widely valued by buyers. Thirdly, **focus (niche) strategy** seeks to provide product or service usually to a selected market segment (Johnson, Scholes, & Whittington, 2005).

Furthermore, the cost leadership and differentiation strategies pursue competitive advantage in a broad range of industry segment. On the other hand, focus strategies (niche) tend to focus on narrower segment and develop its strategy to achieve competitive advantage in its targeted segment.

Strategic choices for SMEs often limited to focus strategy because of their small size and competitive scope. Indeed, it would be difficult to compete in the broad market with large organization even on the basis of low cost or differentiation. However, by using **narrow niche strategy**, SMEs can build competitive advantage by developing low cost or differentiation. A Niche strategy is often used by small and medium-sized enterprises (Lasher, 1999; Hoskinson, 2000). In addition, it would better of choosing one of the strategies in order to avoid underperformance result because of using several activities in the same time (Coulter, 2008).

### 2.4 Strategy and Firm’s Performance

We will explain the relationship between strategic fit, dynamic capabilities and organizational resources that affect the firm’s performance in a competitive environment.
2.4.1 Strategic Fit

The concept of strategic fit strongly relates two elements that are internal capacity of the firm and external environment, which affect the firm’s performance in the competitive environment (Rieple & Haberberg, 2008). Uncertainty market condition affect SMEs business owner for future planning. The more business owner can perceive the environment, they are more likely to prepare for competitive actions by using its past historical performance and internal capabilities (manager, employee, and etcetera) to react the changing market.

Some researchers mentioned two types of environments, which are Hostile and Benign environments. Hostile environment is characterized by precarious industry settings, intense competition, harsh and overwhelming business climates; on the other hand, Benign environment provide a safe setting for business operation (Covin & Slevin, 1989). In this case, organizational capabilities play an important role to respond to unpredictable environments.

The firm must be adapted to – must ‘fit’ – with its environment that they find by itself in a competitive dynamic environment (Rieple & Haberberg, 2008). It must also be internally consistent – that is the need for the organization to match its strategy with current environmental situation. A group of researchers studying dynamic fit (Siggelkow, 2002; Zajac et al., 2000) have noted that firm-level changes must concur with the rate of change in the business context (e.g. changes in market, regulation) for the firm to be able to survive.

Furthermore, it is important to concentrate on strategy issues to obtain competitive advantage in a dynamic business environment. If SMEs are consistent using the strategy during the implementation process, they can build competitive advantage from other business competitors. Indeed, strategic consistency can boost the firm’s performance since it can be a signal for the existence of a strong competitive strategy (Tikkanen, Nokelainen, Suur-Inkeroinen, & Lamberg, 2009).

2.4.2 Dynamic Capabilities / Core capabilities & Organizational Resources

Capabilities are considered core if they differentiate a company strategically (Leonard-Barton, 1992). To some extent, how differentiated skills, resources as effective ways for corporate survival depend on how they manage and retain their important capabilities.

Core capabilities define as unique, difficult to imitate or superior to competition and traditionally treated as distinct technical systems, skills and managerial system and this dimension are deeply rooted in values (Leonard-Barton, 1992). According to Leonard-Barton (1992), there are four dimensions of core capabilities. The first dimensions are knowledge and skills embodied in people which could be firm specific techniques and scientific understanding. The second, knowledge embedded in technical system represent such as information or computer system, data base of products. The third dimension, managerial system, represents formal and informal ways of creating knowledge (e.g. networks with partner) and controlling knowledge (e.g. incentive system and reporting structures). The last dimensions are value and norms assigned within the company to the content and structure of knowledge, means of collecting knowledge (e.g. formal degrees vs. experience) and controlling knowledge (e.g. individual empowerment vs. management hierarchies). Thus, all four dimension of core capability are interrelated, interdependent knowledge system.

Competitive environment and competition affect company’s survival. Indeed, the firms need to develop the “dynamic capabilities” to create, extend and modify their business ways. Prior to previous research, dynamic capability is the capacity of an organization to purposefully create, extend, or modify its resources base (Helfat, et al., 2007). The dynamic capabilities
concept related with organizational process to pursue business opportunities. The role of management is important since they have ability to identify problem & opportunity by using their experience and capability, which also known as dynamic managerial capabilities (Helfat, et al., 2007). The better the firm use its resource (tangible, intangible and human resource), the stronger the firm’s dynamic capability to adapt in business environment. Moreover, how well dynamics capabilities ‘fit’ with the internal and external environment of the firm will affects their usefulness as a means for adapting to, exploiting and creating change in the business environment (Helfat, o.a., 2007).

One may argue strategic process and content explained in different way. Strategic content emphasize on the “what” question of strategy or “what” defines dynamic capabilities, on the other hand, the focus of strategy process on “how” question related to dynamic capabilities affect firm performance (Helfat, et al., 2007).

As we know, one of the basic activities of strategy is formulation and implementation that depends on the firm’s internal activities (goal & objective). Both of them are part of strategy process. Indeed, there are relationships between dynamic capabilities and organizational performance. In the competitive environment, it would be better for firms to concern more on process of using their strategy rather than strategic outcomes. By doing so, they can understand how to manage the process and pursue opportunity in a competitive environment. Establishing relationship among process characteristics, process outcomes, and competitive outcomes has tremendous potential contribution to understand how competitive advantages develop (Helfat, et al., 2007).

### 2.4.3 Performance

The effect of strategic management in SMEs performance can be measured from financial and non financial aspects. Standard for such measurement are different for organizations that are dependent on objective & goal, which they want to achieve. This is the traditional approach, which emphasises on organizational effectiveness by using qualitative or intangible success factors for measuring it; for instance, a company’s image, culture, technological competence learning, employee morale and so on (Analoui & Karami, 2003.)

On the other hand, the other approach highlighted of quantitative analysis of organization’s financial and operational performance (Rieple & Haberberg, 2008; Venkatraman & Ramanujam, 1987). Financial performance such as sales growth, net income growth, and return on investment (ROI) and so on; in contrast to it, operational performance takes account on improving product quality, introduction to new product, market share and the like.

The different measurements have their own benefit and limitation when doing research. It’s important for strategic analysis on how well an organization is performing (Rieple & Haberberg, 2008). Firstly, it will give more precise on its competitive advantage; secondly, it will show if there is mismatch between what they do and what it really is doing. Furthermore, using performance measurement will help to find appropriate strategy that companies need to use.
2.5 Summary of Theory

This figure illustrates our research framework of the process, regarding the effect of strategic management in SMEs performance.

Figure 4. Summary of Theory
3 Methodology

In this chapter explain the method chosen and discuss methodological terms. A discussion is held about theoretical concepts that relevant to the present study, research philosophy, research method (qualitative method & case study approach), research strategy and the data collection process. This involves in determining the sample for the empirical study as well as choosing interviews as a data gathering method. The final sections of this chapter are dedicated to the discussion on trustworthiness and ethics issues.

3.1 Philosophy of Science

Choosing appropriate scientific research methods is an important part since it’s our guideline for the whole study. There are two types of research philosophy when approaching the scientific orientation, which are, positivism and hermeneutics (Saunders, Lewis, & Thornhill, 2003).

The principles of positivism prefer to work with an observable social reality and end up with research products that can be generalized similar to those produced by the physical and natural scientists (Saunders, Lewis, & Thornhill, 2003). Positivist researchers’ deal with experiments as observers, only, and their findings are not based on individual perspective and perceived as natural science.

Consequently, hermeneutic aim at understanding and building interpretation on objects that can be applied to every situation. According to Richard Kearney, this phrase “expresses the basic premise of hermeneutics: that the symbols of myth, religion, art and ideology all carry messages that may be uncovered by philosophical interpretation” (Quoted in Crotty, 1998, p. 88). The hermeneutic interpretation is influenced by individual researcher situation (person’s history, culture, and prejudice). In addition, different investigators and perspectives have results on different “truths” for the same phenomena (Ryan, 2003).

Thus, we believe hermeneutic view is in line with the purpose of this thesis, which means that everything presented in this thesis will be analyzed and interpreted using our knowledge about the phenomena of strategic management in SMEs.

3.2 Research Approach

There are three ways of doing research approach, which are, deductive, inductive and abductive (Alvesson & Sköldberg, 2003). The deductive approach that develops a theory and hypothesis (or hypotheses) and designs a research strategy to test the hypothesis, or the inductive approach, which collects data and develops theory as a result of data analysis (Saunders, Lewis & Thornhill, 2003, p.85). Furthermore, theoretical abduction is the process of inferring certain facts and/or laws and hypothesis that render some sentences plausible, that explain or discover some (eventually new) phenomenon or observation; it is the process of reasoning in which explanatory hypotheses are formed and evaluated (Magnani Lorenzo, 2002).

Thus, inductive is the most appropriate to our research since we are using existing theories and emphasis on empirical findings through data collection on several SMEs in China & Indonesia in order to generate new ideas and concepts for this research.

3.3 Research Method

The research method can be explained by two methods, which are, qualitative and quantitative (Ghauri & Gronhaug, 2005). Qualitative are associated with data collection that classify
into categories and analysis through the use of conceptualization (Saunders, Lewis & Thornhill, 2003, p.378); in the other hand, quantitative usually associates with numbers that are very useful for analytical purposes (Ghauri & Grönhaug, 2005).

Furthermore, qualitative is the appropriate method for this thesis since we aim to understand the phenomenon of SMEs strategic management on different levels. One of the important steps in this research is finding a respondent and doing semi-structured interview. In order to gain more information, we conducted interview with middle management and top management of the company through phone call. This method help us to explore into deeper stages of analyzing our subject and support our research.

**3.4 Case Study Approach**

This thesis undertakes case study research for obtaining the empirical data by interview. The case study is a research strategy that focuses on understanding the dynamics present within single settings (Eisenhardt, 1989). Case studies can involve either single or multiple cases, and numerous levels of analysis (Yin, 2003). Single cases are appropriate either when a particular case is critical, extreme, unique or revelatory proposed by Pervez (2004). Comparative or multiple case studies means ask or study the same questions in a number of organizations and compare with each other to draw conclusions (Pervez, 2004). Eisenhardt (1989) states that case studies are combination of data collection methods such as archives, interviews, questionnaires and observations.

Firstly, case study defines as a strategy for doing research which involves an empirical investigation of a particular phenomenon within its real life context by using multiple sources of evidence (Ghauri & Grönhaug, 2005). According to our research questions, we would like to explore questions concerning “what” and “how” as our objective which can later be studied.

Secondly, according to Ghauri & Grönhaug (2005), it is possible to study a number of organization which familiar with comparative case studies. As we can see, it is in line with the goal of this thesis because it’s not only looking for general explanation but also appropriate for particular research purpose. In this thesis, we hold interviews to collect data from four organizations, that means we used multiple cases for this research. We asked the same question to these four SMEs organizations in China & Indonesia and compare the similarities & differences of characteristics of strategic management in each country.

The use of multiple investigators has two key advantages. Firstly, it will enhance the creative potential of the study and secondly, the convergence of observation from multiple investigators enhances confidence in the findings (Eisendhart, 1989).

**Selection of Cases**

Selecting cases is an important aspect of building theory from case study (Eisendhart, 1989). This section is in line with our research purpose. Since this thesis relies on theoretical not statistical, Eisendhart recommend to choose theoretical sampling in order to replicate or extend the emergent theory and provide examples of polar types. This polar types relates with company’s criteria (SMEs criteria definition) are industry of operations, turnover and the number of employees. We believe, by selecting SMEs in our research, it would be flexible and easier to get in-depth information since usually small firm has faster communication lines within organization (Ghauri & Grönhaug, 2005).

Although there are no standard format for how many cases we should include in study since there is no upper limit or lower limit to the number (Ghauri & Grönhaug, 2005), we selected
two SMEs from each country (Indonesia and China), and performed interviews with them. Since some researchers argue that a number between 4 and 10 cases usually works well, and more than 10 cases become difficult to cope with the complexity and volume of the data (Eisendhart, 1989).

3.5 Data Analysis

Since we chose qualitative method as our research method, we conducted interview in order to gather data. Case studies typically combine data collection methods such as archives, interviews, questionnaires, and observation (Eisendhart, 1989). Miles and Huberman (1994) focus the process analysis into three sub processes, which are data reduction, data display, and verifying conclusion. Data reduction includes simplifying the data collected and selectively focus on some parts. Then, organizing the selected data’s into diagrammatic (visual display) before verifying conclusions. Thus, this thesis followed this recommendation that described in the figure below:

![Interactive model](image)

We have followed this process for this thesis, for instance, we collected the data from several SMEs and after gathering the data, we reduced the data collected for the purpose of the research. Moreover, in order to analyze the data, we have put them in organized way (in chart and graph). In addition, we have made comparison of these data to develop our analytical thinking. Besides, we drew to conclusion, and discussed the different activities and potential pattern of our findings.

Data Collection

Firstly, as we mentioned above, we collected data through interview. According to Saunders, Lewis & Thornhill (2003), there are three categories of interview are structured interview, semi-structured interview and unstructured interview. This thesis focused on the semi-structured interview & in-depth interview. We addressed questions and at same time interviewee explored and developed their answers for particular issues related with strategic management in SMEs. The data were recorded by note-taking during the discussion.

We found four companies in China & Indonesia and performed interview with their middle management and top management by phone call. First of all, we informed them before conducting the interview since we know some of people in middle and top management level are busy (Saunders, Lewis, & Thornhill, 2003). It is important to interview those people since they have a better understanding of strategic issues more than others and they are basically the decision makers in the company. After we got permission from them about the interview, we followed up to set the time to do phone interview.
Furthermore, we prepared same format of interview in two separate languages (Chinese & Indonesian) and we used open question for in-depth interview and let the respondent answer questions in natural way. An open question is designed to encourage the interviewee to provide an extensive and development answer, and may be used to reveal attitudes of obtain facts (Grummit, 1980 & Saunders et al, 2003). Before the interview, we also sent interview questions to them by email to give them some time to preparing for those questions. We could not do the face to face interview due to long distances between us, that is, this interview was a long distance interview, so it’s necessary to send them questions by email to help them have a better understanding of this interview. The interview lasted about 40 minutes per interviewee. During the interview process, we tried to analyze the answers and after the interview we sent our write-ups of our notes and the borderline illegitimate data to companies. The companies had the right to modify data if they feel inappropriate or incorrect. After we got permission from them, we used these data to support our research.

**Data Reduction**

Data reduction has been conducted several times during the writing process. To set boundaries for this study, we concentrate on the role of strategic management and identifying patterns of strategic management, while we omitted focusing on many aspects beyond that. Eisendhart (1989) argues that the selecting categories in case study needs to look for similarities and differences among these cases and the comparison process leads the researchers to the decision process. Further data reduction is obtained by comparing the cases in China and Indonesia. Finally, this study does not investigate all the field of strategic management, but instead focus on strategic process. Essentially, this can be consider another data reduction.

**Data Display**

Obviously, one cannot display all the information obtained from interview, that means data reduction is necessary at the data display phase. Some researcher argue that the weakness of using case study may tempt to capture everything from empirical finding and the result can be theory which is very rich in detail, but lack of simplicity on overall perspective (Eisendhart, 1989). We also can see that Miles and Huberman (1994) claim that the most frequent form of display has been extended text in the past and this indicates undesirable overload of data, therefore alternative display method should be used. In this thesis the empirical data display and major findings are presented in the empirical findings part (Chapter 4, p.38-39).

**3.6 Trustworthiness**

**Reliability**

Reliability is concerned with the findings of the research and is one aspect of the credibility of the findings, the other is validity (Collis & Hussey, 2003). Brewerton and Millward (2001) argue that one of the major shortcomings of semi-structured interview is the potential reduction in reliability. This can be caused by performing non-standardised approaches to interview each respondent. However, to some extent, this disadvantage can be overcome by asking same question to every interviewees, and avoiding the situation where some questions are explained in greater details to some interviewees, and not to others (Arksey & Knight,1999). According to Arksey and Knight (1999), the issues of “interviewer & respondent bias” may exist during the interviewing process. We are aware of this phenomenon, in order to overcome these potential shortages, during the interview, we were asking the same question from all the interviewees, we did not put any pressure on them and influence their
answers. Moreover, we do not draw the conclusions that are not supported by data we collected from them.

Validity

Validity refers to the truthfulness of inferences drawn from research findings (Mc Hugo, Drake, Brunette, Xie, Essock, & Green, 2006). There are different ways to measure validity of a study such as internal validity & external validity (Ghauri & Gronhaug, 2005).

Internal validity pertains to the elimination of bias from the cause-effect relationship (Mc Hugo, Drake, Brunette, Xie, Essock, & Green, 2006). Internal validity refers to the validity of causal inference, where truth value is established through structural corroborations (Rudestam & Newton, 1992). Our thesis addresses some issues which can improve internal validity. Arksey and Knight (1999) state that the length of interview as well as giving the interviewees an opportunity to freely express their point of view are one way to address internal validity. During the interview, we gave the interviewees scope to express their opinion in their own way. We also encourage them to elaborate, clarify their initial answers if necessary. Moreover, we allowed additional time for interview to ensure that the respondents feel free to respond without time pressure.

In order to decrease the respondent bias, we ensured the anonymous issue of every respondent. Therefore, the name of the companies and interviewees does not reveal in this thesis - we use Arabic numerals and English letter instead of their name. This approach does not conflict with the purpose of this thesis, since the focus is on the effect of strategic management on SME performance.

External validity pertains to the generalizability of the findings across people, settings, and time (Mc Hugo, Drake, Brunette, Xie, Essock, & Green, 2006). External validity of a qualitative study is usually relatively low (Rudestam & Newton, 1992). Since this is a common problem for qualitative research, our thesis cannot be an exception. However, case study has its advantages in the theory building dimension. Eisenhardt (1989) claim that one strength of theory building from cases is that the resultant theory is likely to be empirically valid (that is, high empirical validity). The likelihood of valid theory is high, because the theory-building process is so intimately tied with evidence. It is very likely that resultant theory will be consistent with empirical observation. This intimate interaction with actual evidence often produces theory which closely mirrors reality (Eisenhardt, 1989). From this aspect, the external validity of case study can be considered a high level.

3.7 Ethics

Ethics issues in qualitative research are often more subtle than issues in survey or experimental research. These issues are related to the characteristics of qualitative or field methodology which usually include long-term and close personal involvement, interviewing and participant observation (Toit, 2006). According to Fontana and Frey (1994), there are three criteria for the ethics issue such as informed content right to privacy, and protection from harm. We are fully informed all the interviewees about the purpose and the content of the undertaken study, the aim of such approach was to decrease respondent bias, building trust with respondent, and obtaining more unbiased answer. We also ensure the privacy, anonymity and confidentiality of all the interviewees.

One may claim that strategy & management related issues are usually of confidential nature; however, we did not ask any emotionally harmful questions. Besides, the focus of the interview was on the process, not on the confidential facets. In addition, all the participants had
the right to modify the data which we collected from them. We got the permission to use these data to support our thesis.
4 Empirical Findings

In this chapter, we present the empirical findings for this study. The empirical findings consist of information collected from primary data, that is, from the interviews with top management and middle management of SMEs both in China and Indonesia.

4.1 Company and Interviewee Information

Chinese companies

We interviewed six persons from two companies located in China. The detail information about the companies and interviewees are as follows:

Company A

<table>
<thead>
<tr>
<th>Interviewees:</th>
<th>Manager 1- Female, HR and administration department Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manager 2-Male, Financial and accounting department Manager</td>
</tr>
<tr>
<td></td>
<td>Manager 3-Male, General Manager</td>
</tr>
<tr>
<td>Industry:</td>
<td>Transportation industry (Logistic service)</td>
</tr>
<tr>
<td>Turnover:</td>
<td>CNY 6-8 million (2008)</td>
</tr>
<tr>
<td>Employees:</td>
<td>100-110</td>
</tr>
<tr>
<td>Location:</td>
<td>Located in Shenzhen, China</td>
</tr>
</tbody>
</table>

Table 3. Company & Interview Information, Company A (China)

Company B

<table>
<thead>
<tr>
<th>Interviewees:</th>
<th>Manager 1- Female, Sales department Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manager 2-Male, Production department Manager</td>
</tr>
<tr>
<td></td>
<td>Manager 3-Male, General Manager</td>
</tr>
<tr>
<td>Industry:</td>
<td>Manufacturing industry (Electric heater manufacturer)</td>
</tr>
<tr>
<td>Turnover:</td>
<td>CNY 70-90 million (2008)</td>
</tr>
<tr>
<td>Employees:</td>
<td>700 to 1000 (300 formal employees + 400 to 700 temporary workers)</td>
</tr>
<tr>
<td>Location:</td>
<td>Located in Shenzhen, China (head office is located in Guangzhou, China)</td>
</tr>
</tbody>
</table>

Table 4. Company & Interview Information, Company B (China)

Indonesian Companies

We interviewed four persons from two companies located in Indonesia. The detail information about the companies and interviewees are as follows:

Company A

<table>
<thead>
<tr>
<th>Interviewees:</th>
<th>Manager 1 - Male, Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manager 2 – Male, Engineering Manager</td>
</tr>
<tr>
<td>Industry:</td>
<td>construction industry (Engineering and Management consultant)</td>
</tr>
<tr>
<td>Employees:</td>
<td>50-55</td>
</tr>
</tbody>
</table>

Table 5. Company & Interview Information, Company A (Indonesia)
4.2 External Environmental

PEST analysis of China environment:

**Political:** China is a socialist state lead by the Communist Party of China (CPC) and its mission focuses on developing a prosperous and competitive economy. Primary organs for government are the National People’s Congress (NPC), the President and the State Council. This central government must build consensus for new policies among party members. Local and regional leaders influence non-party members, and the population at large. In general, China has a stable political environment (Doing Business in Beijing, 2004). Stable political environment is fundamental to the economic growth (Chinese General Chamber of Commerce, 2007).

China is moving towards a fully established market economy. But the political system has remained the same (ICMR Centre for Management Research, 2008). The government is responsible for guiding the transition. There is a growing willingness by central government to devolve executive powers down the administrative chain, granting ever-greater powers to local authorities. The overall effect of this process is to increase the number of opportunities in the market (Chinese Marketing & Communication, 2008). There are more chances for enterprises to survive and develop as long as they can seize these opportunities and make best use of them.

**Economics:** With the favourable external environment, a steady pick up in private consumption, and the recent strong industrial production, the growth momentum in China has become stronger and more broad-based with insulation from the recent global stock market slump. Besides this, China’s economy will remain well supported by strong exports and the government’s expansionary fiscal and monetary policies (HKTDC Economic Forum, 2008). The open-door policy is an essential element of the economic reform process. It has introduced a modern managerial system, business practices, and a legal framework for conducting business transactions. In addition, it has provided competition in the domestic market, and competition has forced domestic enterprises to become more efficient (Chow, G. C., 2000). The access into WTO is a milestone in China’s process of reform and opening up. China’s economy, in particular, its foreign trade has greatly evolved. Since its entry into WTO, China strictly follows every regulation, provision and agreement. In the past years, China was growing at a high speed (Shang Lin’aiyi 2009); however, there are some problems accompanied by such fast speed. Since there are many foreign competitions entered into the Chinese mar-

---

Table 5. Company & Interview Information, Company A (Indonesia)  

<table>
<thead>
<tr>
<th>Location:</th>
<th>located in Bandung (West Java), Indonesia</th>
</tr>
</thead>
</table>

Table 6. Company & Interview Information, Company B (Indonesia)  

| Interviewees: | Manager 1- Male, Branch Manager  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manager 2- Female, Manager of Structural Engineer</td>
</tr>
<tr>
<td>Industry:</td>
<td>construction industry (Civil Construction)</td>
</tr>
<tr>
<td>Turnover:</td>
<td>Rp. 9-10 billion (2008)</td>
</tr>
<tr>
<td>Employees:</td>
<td>70-75</td>
</tr>
<tr>
<td>Location:</td>
<td>located in Bandung (West Java), Indonesia</td>
</tr>
</tbody>
</table>
ket, Chinese producers and enterprises are facing more challenges and economy environment in Chinese market is becoming fiercer than before. Moreover, Global financial crisis continues to spread and get worse. China is also greatly affected by the crisis. Chinese Premier, Wen Jiabao, admitted that the country is facing unprecedented difficulties and challenges, with continuous drops in economic growth rate due to the impact of the global financial crisis becoming a major problem, has resulted in excess production capacity in some industries, caused some enterprises to experience operating difficulties and exerted severe pressure on employment (Xinhuanet, 2009). In order to survive and develop, enterprises need to pay more efforts to compete with domestic and foreign competitors and improve their ability to handle ambiguity of market & situation – at the same time – it’s also very important for them to have a whole picture of the current situation and have an insight on their future.

Social: The development pattern of economy in China has been remarkably changed since the economic reform, and private enterprise has become an important part of impelling the development of the economic society. This is due to the more and more remarkable contributions to the development of social economy, the Chinese government begins to pay attention to the development of private enterprise and makes great efforts in improving the social environment of the development of private enterprise, which have made some obvious achievements. In order to promote a healthy development of SMEs, Chinese government pay great effort to expedite the construction of credit guarantee system, improve socialized service system, create an external environment for fair competition, and strengthen organization and guidance (Chen, 2006). As a whole, great changes have taken place in the social environment of the development of private enterprise. However, at present there are still some deficiencies in the social environment of the development of private enterprise, such as the enterprise internal institutional constructions which are related to social environment of the development of private enterprise are expected to have further improvement (Juhe8, 2007).

Technological: Technology plays an import role in economic growth and social development. China government pay great effort to help and encourage company to develop new technology. Chinese Premier Wen Jiabao has called on enterprises and officials to place priority on industrial upgrading and innovation (Xinhuanet, 2009). Wen emphasized that efforts should be especially stepped up to develop new products while the government must cut burdens for enterprises and provide an easy environment for their innovation. Chinese government encouraged both public and private actors to further stimulate technological innovation (Xinhuanet, 2008)

China has the world’s second largest R & D (research and development) budget (aging and work 2008) and Chinese government continues to create greater public awareness of innovation, reforming financial and tax system to promote growth in cutting-edge industries. Since January 2006, China has been making transition from a manufacturing-based economy to an innovation-based one. They develop new research in gene therapy – stem cell research that some of western world see as controversial. China is actively developing software, semiconductors, energy industries and nuclear reactors (Xinhuanet, 2008). On the one hand, since China is moving towards an innovation-based economy, for these hi-tech enterprises, they will get more support from the government, that is, these hi-tech companies are more likely to survive and thrive than other types of companies. On the other hand, especially for these low-tech companies, it’s becoming more difficult for them to develop due to less support from government as well as lack of technology to build competitive advantage.
PEST analysis of Indonesia environment:

Political: Indonesia was one of the countries that had a large, negative, impact caused by the Asian Financial Crisis in 1997 and 1998. There have been four governments after the crisis. After the financial crisis began, Indonesia achieved political reform, ending the authoritarianism into democracy, which replaced the highly centralized from the previous regime. In the start of the second millennia, there was emerging performance of export-oriented, SMEs and large corporatism. However, the political change created unpredictable investment environment for business in Indonesia. Recently, the positive trends in Indonesia, the governments have done some reformation in many sectors, such as decreasing fuel subsidies, initiated for anticorruption, launching infrastructure reform, service reform, and peaceful resolution of conflicts such as in Aceh. (Asian Development Bank, 2006).

Economic: Indonesia has the fourth most population in the world (238 million) after China, India and United States. A third of the population resides in Java Island, which is the centre of the country’s economic and political power (Overview of Indonesia, 2008). This economy recovery started since 1999, and there is positive development of a Small and Medium-sized Enterprise (SME) sector together with the large and well develop conglomerate businesses (Food Exporters Guide to Indonesia, 2004).

Overall, the economy development has performed well in recent times. Indonesia's estimated Gross Domestic Product (GDP) grew from 5.5% (2006) to 6.3% (2007) (Asian Development Bank, 2008). The importance of SMEs in terms of GDP contribution is always less than their role as a source of employment since the largest GDP contribution of SMEs was in agriculture, not in manufacturing industry such as other APEC countries (Japan, South Korea & Taiwan). As we know SMEs in Indonesia, particularly concentrate in agricultural sector and the majority in manufacturing industry are in processing agricultural commodities such as food, beverages and tobacco (Tambunan, 2006).

Today situation will face challenge for SMES in domestic economic activities, since there is still lack of market-oriented access to credit, protection agreement to credit, protection for state-owned enterprise & large firms that receive strong support & enjoyed privileges, concession and benefits through special agreements. The ministry of Cooperatives and SMEs was established in 1993 by means of supporting the development of SMEs, and the purpose is to strengthen the capacity and capability of SMEs in order to promote them as economic factors (Bali International Consulting Group, 2008). In this case, Indonesian government support the promotion of SMEs by adopting a clustering strategy since businesses are scattered throughout archipelago and SMEs tend to gather according to similarities in their input, output, technology, machinery and other factors.

Moreover, after being hit by financial crisis, the economic growth and the poverty rate has decreased from 17.7 % in 2006 to 15.4 % in March 2008 and this reduction occurred because the government was supporting SMEs and providing loans for small business. Thus, this improvement has affected the business climate recently according to President Susilo Bambang Yudhoyono (Peple’s daily online, 2008).

Social: Social factors include population growth rate. Population growth rate is 1.18% (2008) and the population is slowly becoming older, increased life expectancy and lower fertility (number of children is no longer increasing). The age of dependency ratio has decrease since there is shift age transition, which is shift in dependency from youth to old age in working age population. Thus, the government of Indonesia has employed various mechanisms to as-
sist with employment creation, education and health access, as well as community empowerment (worldbank.org)

**Technological:** As we know, in the 2004, the Indian Ocean tsunami caused massive devastation in Indonesia. The Aceh province (part of Sumatra) was worst hit, where more than 150,000 people were killing (The World Bank, 2004). Ergo, it became government consideration that the sea is dangerous even though it was an essential element in economic division of labour in Indonesia since it creates job creation for people who live in the sea shore. Indeed, the sea is a source of resources such as fish & minerals that benefit to the economy and society for long term. On the other hand, the sea can be source of pollution, storms, and retrospectively, tsunamis.

Nowadays, governments pay more attention by preparing enough information before natural disasters happen. Throughout history, technological advances at sea such as ship-building technology, improvements in technology of locating and capturing fish or minerals under the sea, development in mapping and navigation, and refinement in the legal regime covering the seas are needed to understanding the complexity of physical and biological systems within the sea and their influence upon the land (Ross McLeod, 2008).

**4.3 Internal Environmental**

**Organization structure**

When respondents were asked about the organization structure and their main responsibilities, they stressed on specific task in relation to his specialisation and specific knowledge to solve the problem. They also explain the hierarchical structure with chart to make sure their organization structure are clearly presented (see interview part – appendix 1).

"I was responsible as commissioner that has duty to manage the company as optimal as possible, to manage & to develop current resources, to overcome all technical & non technical problems, to open network & to give maximal services for all client”

(Owner, Company A - Indonesia)

Another finding related to organizational structure is formal inform process between head office and subsidiary before implementing new strategy. They have weekly meeting to discuss the plan within the manager level before report to head office. General Manager directly report and give feedback to head office in formal way. When the decision has made, all parties will be informed formally before implement it.

"If head office made a decision to implement a strategy, they will inform me formally in written, and then I will convey head office’s decision to the relevant managers formally. Relevant department will implement the strategy and feedback information to me; I will feedback to head office. We also have weekly meeting for managers, if they have any plans, they can propose it during the meeting. I will make final decision based on my knowledge, experience and suggestion from our managers or even head office. Once final decision is done, I will inform relevant departments formally, and then they can implement it”

(General Manager in Company B - China)

**Leadership**

These quotations reveal that the respondents’ point of view towards decision making process tends to rely on the general manager of the company or rely on their head office for final decision. However, they do communicate with other managers before decision making. At
the same time, one of respondents also mentioned that he does not always have to make final decision instead he give his authority to his subordinate in some occasion.

“We do not have disagreement with head office. If head office makes a decision to implement a project or strategy, we just follow head office’s instruction to implement it. If I have plans to implement a strategy or project, I will communicate with relevant department’s managers or discuss with them during the weekly manager meeting. If department’s managers have plans, they also can propose it during the manager meeting; sometimes some department’s managers also communicate with me privately when they think their plans are confidential. I make final decision” (General Manager, Company B in China).

“But I do not need to make final decision for every strategy; department’s managers can make the final decision for some projects or implementation of strategies. I give my authority to departments managers in some cases. Disagreement is not a problem for us” (General Manager in Company B - China).

Moreover, one of respondents state that top management have to announce the purpose of the decision to all the employees. Their goals are win-win solution in order to minimize the risk for every problem that they faced.

“During this time, in my point of view, top management decision is good, they have to announce the purpose of the decision to all the employees in order to reduce internal conflict. On the other hand, if disagreement occurs in decision making, director / commissioners (top management) will conduct meeting with all party which related with its problem to get “win-win” solution and to minimize the risk fault” (Engineering Manager, Company A- Indonesia)

4.4 Strategic Management

Strategy process is part of strategic management that include how the company formulate, implement as well as control and development its strategy which also affect firm performance. The respondents were asked several question related to this issue.

Strategy formulation

From then interview, all of them mentioned that their companies put their vision and mission on the notice board or their own website, to make sure that every employee knows the company’s vision and mission. Thus, they have same perception of companies objectives even though some companies are located in different geographical areas.

“Vision: Become a logistics company specialized in value added logistics service. Mission: Cut cost, offer better service, serves for more international custom” (Company A - China).

“Vision: Top brand name of electric heaters in China or Asian markets. Mission: Produce new economic type of electric heaters; Cooperation with local governments for favourite electricity pricing policy; Target middle class or upper class customers; Good marketing strategy: good price + good quality products” (Company B - China).
“Vision: Becoming a reliable national private service consultant; independent for construction and non construction sector. Mission: to create better thing according to specific law & regulation” (Company A - Indonesia)

“Vision: National consulting service which main focus on development field for water infrastructure, transportation, regional development, construction industry in Indonesia, and also partner consultant at regional level.

'Mission:

- Exploit the growth of the company through acquisition sales in a specific market segment for the company, and the ability to create profit growth
- Improved welfare and increased employee benefit for all stakeholders
- Development of National Human Resources professionals, which in turn can participate in the dignity of the professionalism of national experts
- Able to participate as a Consulting Services company in the development of large-scale infrastructure in the country, and able to be trusted as other partner company Consulting International, in the framework of infrastructure development in Southeast Asia
- In its capacity as a consultant, we had role as a locomotive for the efficiency of government investment in the form of infrastructure development with specific expertise PTIK, so achieving productive climate for Construction Industry in the country
- Consecutive build and develop the company’s Consulting Services in order to participate in supporting the development, participated in improving employment opportunities, and provides Services Expertise.” (Company B - Indonesia)

Furthermore, one of Indonesian companies, its goal or objective is influenced by the owner expectation. From the interview we found that the management and the owner are concern collecting data material by using relevant technology for decision making. Besides, the owner has less using his personal objective and doing research. The evidence from the respondent suggests that the goal has to be adjusted in accordance with the up-dated information received before making a decision.

“Quick decision will be more effective if we can use the tool, such as quantitative and qualitative data. This data is quick, easy and cheap that we can get from the internet and others from integrated information system network, or statistical agencies. However, before determining which data can be used, first, we need determine our goal, after that we find the appropriate data to assist us in making a decision” (Owner, Company A - Indonesia)

Strategy implementation

The respondents were asked on how they implement the strategy as well as procedure for strategy making process.

Firstly, some companies we interviewed mentioned that once the final decision is done, they will inform relevant department formally before implementation of new strategy. If the strategy is top-down from head office, the head office also inform its subsidiary formally, then the subsidiary will implement it. Chinese companies have weekly manager meeting, if the strategy is proposed by departments managers or general managers, basically, they will discuss it during the meeting. The general manager sometimes give the department manager to make the final decision, however, mostly the final decision is made by General Manager.
Secondly, in Indonesian companies they usually have formal meeting for company project. They will evaluate working progress of project during the meeting.

“The strategy decisions are made by General Manager and teams leaders. When the decisions are done, the General Manager will announce it formally in written, and then the team leaders will supervise the execution. In weekly company manager routine meeting, the general manager proposed an idea to share common resources to serve two different customers that will increase the efficiency, also in better position to negotiate with suppliers for better prices. Then line managers will discuss various solutions. Once the general manager decides the final strategy, he will inform relevant functional departments in written formally, then line managers will implement the strategy also explain more details for employees“(HR and Administration Manager, Company A - China).

“If the strategies are made by head office, they will convey it to us, and then we just implement it. We have weekly meeting for managers, every manager can propose their ideas during the meeting. When General manager make the final decision to implement a strategy, he will announce it formally in written, and then the department managers will supervise the execution” (Sales Manager, Company B - China).

“On the one hand, formal process happened when we get some project, and we need formal meeting to strengthen implementation method according to that project and continuously do formal meeting with client & management team to evaluate working progress in order to preserve the service that we give to owner” (Owner, Company A – Indonesia).

At the same time, Indonesian companies also consider informal strategic planning which only focus on specific project such as tendering process and interactive meeting (i.e. face to face) within employees or people who are in charge of the project. Moreover, the respondent stated that he use intuition to solve some internal problem. The classical strategy ‘textbook models’ are not generally applied in the Chinese and Indonesian companies we interviewed. However they do apply the SWOT model (Strengths, Weaknesses, Opportunities, and Threats) in their operation. But they also make some changes of the model.

"We have procedure in strategy making process, for its application, usually we discuss in both formal and informal. In informal, we usually do face to face meeting with person who is responsible or in charge for specific case, for instance when we face tender or project.” (Owner, Company A – Indonesia)

“Essentially we do not have special methods to solve the problem, we use more intuition. SWOT analyses are bound to apply .We use SWOT, but not procedural like the original. In our operational, we still consider all opportunities, threats and other certainly, so indirectly we’ve already apply SWOT”. (Owner, Company A – Indonesia)

Another finding related to the application of strategic planning involve short and long term decision making which inevitably are process for pursuing effective management. For instance, one of the respondents claim that strategic decision making depends on the situation and condition .They monitor the financial objective which can give them benefit (profit) if the project success in the future. Financial budgets and forecast of project are analyzed.

“Strategic decision making depends on the situation and condition, for short and long-term strategy decisions based on the analysis of costs and benefits. Strategy that we do now reflected to the decision about resources, company priority, and other steps
for further. It also related with how much cost we should spend to do a project and how much benefit we will get. After that, the owner as a leader gives strategic decision related to what steps should be done with the involvement of other parties” (Owner, Company A – Indonesia).

There is also practice of rational planning since the company also have alternative plan for each project. They do some analysis related with budget plan to reduce the potential problems or risks. By using strategy alternative, they can anticipate problem and flexible to identify their strength and weakness for future decision.

“Instant food and beverage need process so that can be presented quickly, similar with the decision. Before making a decision, it need well prepared, such as preparation of action plans or budget. With this plan, and all alternative scenarios that might occur can be explored, so that problem that may occur can be anticipated and Plan B, Plan C and even can be prepared. Thus, when a condition that occurs less than expected, decision makers can quickly determine what to do (because of this condition, or similar to this have been anticipated earlier” (Owner, Company A – Indonesia).

“In making decision, we choose from several alternatives, do not choose which one is wrong or right. Thus, there is no decision which is wrong or right. But the decisions we took maybe not match with the expected result. So, we do not need to regret for decision which has been made, especially stuck and regret it” (Owner, Company A – Indonesia)

The empirical study revealed that these companies typically has combination formal written strategic plan and rational model of strategy, some of them also use informal way in doing business.

**Strategy Control & Development**

We asked the company about whether there are big troubles that they faced or have to faced in the near future and whether they have solution for those troubles. From the interview, the respondents claim that they face many problems in different area of operation. For some, they do not have solution for these problems, for some, they take action to try to solve these problems. However, the evidence shows that there are no special tools or system to evaluate the results of solution due to the limitation of company scale. Instead, they emphasis more on building relationship with customer through better service, improving strategy (i.e. marketing strategy) to solve the problem. Further, some of the respondents mentioned that if they want to implement new strategy, they will have trial period for test the new strategy. The process of controlling and monitoring new strategy are in accordance with goal of the company.

“The company is facing a problem that how to find more customers in Europe, then with more orders on massive consumption products, it may cut down costs on supply, warehousing, packaging, transportation etc. Due to the limitation of company scale, till now no special measures yet. But we are trying to build our reputation and enterprise image through marketing promotion, advertisement etc. We can provide good service for customer, but the problems is customers do not know our company at all. We really need to do something to let customers get to know us” (General Manager, Company A – China)

”.. The problem about decreasing market can be handled by changing strategy to be more aware of market needs” (Owner, Company A – Indonesia)
“...if we decide to implement a new strategy will announce it and inform relevant department formally. Basically, we will test the new strategy, trial period is about three to six months” (General Manager, Company A – China).

“After taking a decision, whatever the result, we must continue to monitor, and focus our efforts to make the best of what has been decided. We can also make various adjustments that result can be directed to achieve common goal” (Owner, Company A – Indonesia).

The role of internal and external factor

For the question of “how the internal and external factors affect the company’s strategic decision making?” Chinese companies pay attention to both external and internal factors since they think external factors can be future direction of strategic decision and internal factors can examine the feasibility of strategy. Both of them realized the importance of internal and external factor in strategy process.

“External factors stimulate the initiation of a strategic decision. Internal factors judge and check the feasibility of a strategic decision” (Sales manager, Company B – China).

“We look for both internal and external factor when we make a strategic decision. Internal factors highly decided the feasibility of a strategic decision. External factors is kind of guidance for a strategic decision, sometimes it is the indication of general future direction. Company should pay attention to both internal and external environment and respond to or take initiative to environment” (General Manager, Company A – China).

Firstly, There seems to be a common belief among the respondents that internal analysis can be done very rationally based on calculation and data collection.

“We have company’s internal financial analysis on budget, cost and margin, KPI (Key Performance Indicator) for function performance” (General Manager, Company A-China).

“We do our internal analysis based on our past performance and internal records etc. About the external analysis, I collect information through research, internet, newspaper or government etc. ” (General Manager, Company B – China)

“Internal analysis can be done by internal discussion and the sources are based on data collection and information” (Owner, Company A - Indonesia).

Secondly, most of respondents state that the resource of external analysis mostly based on government policy (valid regulation), newspaper, internet or research related to market which the company operate. Further, they have to be sure that all the process is legal and appropriate before taking action. One of respondents claims that before using the data, the company needs to determine the objective of using data. Moreover, fast adaptation of the market development is a way to overcome problem that might occur in doing business.

“For external analysis, we got information from government and other channels, for example, we do some research about customer requirement, customer satisfaction, market environment etc. We analyze these information collected, and make sure our transaction, operation is legal and appropriate. Moreover, we need external analysis to help us have a clear understanding about external environment and take actions
accordingly and also we need to know whether we have the capability to do it” (General Manager, Company A-China).

“External analysis can be done by understand the valid regulation as well as analyze the development of market that recently happen and fast adaptation” (Owner, Company A - Indonesia).

“This data is quick, easy and cheap that we can get from the internet and others from integrated information system network, or statistical agencies. However, before determining which data can be used, first, we need determine our goal, after that we find the appropriate data to assist us in making a decision” (Owner, Company A - Indonesia).

**Strategic choice**

The empirical findings reveal that implementing specific strategy in organization will improve company’s performance as long as it’s in the right way. It means that strategy as indicator for successful performance. The interviewee mentioned that appropriate strategy which indicates the strategy is necessary for problem solution.

“Strategic management and organization performance are related with each other. To some extent, I think organization performance is one kind of indicator of strategic management, I mean, for example, if we implemented a strategy, and then organization performance is improved, that indicate our strategy is appropriate, our strategic management is necessary and on the right way” (Owner, company A – China)

The selected company’s strategy has impacts on company survival. The evidence shows that one of the companies provides service for selected market segment. They are not just pursuing business profit, but also concentrate on its service that makes them growth until now. They have limited strategic choice and special strategy since they work based on qualification and procedural of consultancy business. One of respondents claims that the quality of service is more important. Indeed, focusing on one strategy better than several activities if they cannot manage it well at the same time.

“So far, the company is still focused in the field of consultancy. Our clients are government institution and there are some plans to do expansion and to give service for private institution and personal. But, the important thing is we do our best and to give better service for our clients” (Owner, Company A – Indonesia)

“Related with company’s strategy, there is no special strategy, we work according to our area and qualification for business consultant sector (civil engineering, environment & urban planning, architecture, geology survey, etc)” (Owner, Company A – Indonesia)

From the interview, in Chinese company, they choose differentiation as their strategic choice. Differentiation and unique product should be the combination of good design and functions of usefulness. One of respondents claim that they have to compete with several manufacture company within its region, since most of them can produce good product with right price. Further, they can expand the idea, creativity and innovation for new product. By focusing on new product development, they can develop new market as well.

“We are trying to develop new products in order to develop new market; I think this is very important for our company, since the electric heater market in china is dimin-
ishing. We also trying to change the design of our product, and make sure it will consume less energy” (Production manager, Company B – China)

“There are so many electric heater manufacturers in china. Many manufacturers can produce electric heater with good quality and right price. We are trying to find more customers outside of china. We are doing export to other Asian countries such as Mongolia, Korea etc, but we still need to develop more new markets” (Sales Manager, Company B- China)

4.5 Performance

Financial / non financial performance

Company performance includes two dimension which are financial and non financial, some of the non financial performance are intangible such as customer satisfaction, production performance, innovation, developing new product & new technology and others. From the interview, most of them are aware of the dimensions, they believe that the strategic management can affect company’s financial and non financial performance. Besides, some of respondents also mentioned that the non financial performance which will eventually reflect on financial performance.

“Strategic management decides organization’s performance. Organizational performance includes several aspects such as financial aspect, customer satisfaction aspects, innovation, etc” (General Manager, company A - China)

“I think if the strategy is right made, it will improve the company’s performance; on the contrary, it will weaken the organization’s performance. The performance is not limited to financial performance but also include other kinds of performance such as production performance, customer satisfaction etc. But I think almost all the other kinds of performance will reflect on financial performance eventually” (Manager, company B - China)

”In consulting services business, the main activity is to provide services, the company must provide the maximum service to all clients in order to survive and develop. In addition, it must be supported optimal with the existing resources” (Owner, Company A – Indonesia).

Another important issue is to understand the financial process. Firstly, one of the respondents claims that the measurement on financial performance mainly based on the benefit, bank interest from each project that they will take.

“In terms of strategic management in financial, we evaluate the amount of benefit from every project that we will get. The illustration: from such 1 project implementation (6 months), we estimated that we will have benefit as much as Rp. 200 million with the capital to be issued is Rp.900 million. Then, we compared it with the bank interest that we will get for 6 months project. If the benefits is greater that bank interest that we will get for 6 months, then we take the project, however, if it less than or equal to the interest rate banks, we find another project. Commissioners and directors are people who hold a full decision to take / reject the project” (Owner, company A – Indonesia).

Secondly, another respondent mentioned about financial accounting system providing top management with technical and financial reports. Basically, managerial accounting is influ-
enced by company policy and is mainly used for internal control and analysis and financial accounting is mainly used for government such as tax office, custom office and others. The company should pay attention to the latest accounting and financial regulation to make sure that their operation is legal. Further, the respondent claim that the managerial accounting and financial accounting are related to each other, sometimes if the government’s policy is changed, company also have to change its policy, that is, managerial accounting also need to be changed.

“Managerial accounting is primarily used within the company, report to our top management for future planning, directing, controlling such as sales forecasting reports, budget analysis and comparative analysis etc. If the issues is related managerial accounting we normally based on company’s policy to make decision” (Finance Manager, Company A – China).

“Financial accounting is primarily used outside of company, we have to report to government such as tax office, customs office etc. We have to follow government’s policy such as financial & accounting regulation, standards etc to make decision and process our work If government’s policy is changed, we also have to change our financial accounting as well. We always need to pay attention to accounting & financial regulations in order to make sure our operation and decision is legal and appropriate” (Finance Manager, Company A – China).

From the interview, it reveals that the final goal is to improve the financial performance by using strategy. Most of respondents realized that organizational performance not only limited in boosting profit but also included creating value, build reputation for organization.

“...But the final goal is financial performance, the other aspects of performance are also very important because it will affect and reflect on financial performance directly or indirectly” (General Manager, company A - China)

“Strategic management decides organization’s performance, of course the performance is not limited to financial performance, but also included other stuffs, such as customer satisfaction etc. But in my opinion, the other kinds of performance finally will reflect on financial performance, for example, if we implemented a strategy, which improved customer satisfaction of our service, then we can attract more customers and customers will use more our service, then finally, our financial performance will also be improved” (Manager, company A – China).

According to their reply, some companies try to develop new market by developing new product and technology, while some of them reluctant to pursue business opportunity due to the fierce external environment.

“... We are trying to develop more new market outside of china. We are also trying to develop new products to develop new market. Moreover, we also pay great effort on new technology” (General Manager, Company A – China)

"Competitors are increasing; it is often occur conflict of interest within the user of consultant business, thus generate unhealthy competition among business consultant. The company handle by development of qualified human resource; maintain relationship with client and competitor.” (Owner, Company A – Indonesia)
Strategic fit and Dynamic Capabilities

From the interview, the respondent state that the company focus on core business and consistent with its strategy, thus it could be the best way for its survival in the fierce competition situation. To some extent, by using strategy which is fit with internal capabilities and in line with its core business will boost the performance.

“This company is already doing quite a lot expansion in many areas of both engineering and management, but essentially we will remain consistent in the consulting world” (Branch Manager, Company B – Indonesia)

Some of respondents realized that the importance of strategic management for company performance. One of them mentioned about hiring experts to improve their management level, then this improvement will indirectly reflect on company’s performance.

“I think strategic management is crucial for organization performance. ... As I know, some companies may think strategic management will hamper company’s flexibility, but in my opinion, strategic management also can be flexible” (General Manager, company B, china)

“Company’s performance is relatively stable because of using strategic management, however, the demands of this era where more competitors and rapid development of information systems and technology. Thus, it is necessary to do some adjustments such as the requirement of certification experts” (Owner, Company A – Indonesia)

According to the interview, it indicate that concentrate on its vision & mission and develop new technology & product can help company to build competitive advantage. Other factors such as company’s reputation, good service, bank loan, cost control, resources, and others are also crucial for company survival and growth.

“Consistent with company’s vision and mission and supporting from all employees. Other factor can also come from bank loan which will help us survive” (Branch Manager, Company B – Indonesia).

“Competitive advantage: corporate reputation, technology, product itself, innovation, service, market strategy on customers and pricing; Company survival: enterprise image, products itself, energy resource, cost control, service” (General Manager, Company B – China)

4.6 Summary of Major Findings

The common or different characteristic of strategic management of SMEs in China & Indonesia

Strategic management of SMEs in China and Indonesia have several common characteristics. We found most of the companies are aware of the importance of external factors. As stated in ‘frame of reference’, external and internal analysis are important factors in strategic decision process. They use internal and external analysis to cope with uncertainty market condition and adapt with changing environment. Some of the company that we interviewed do external analysis mainly based on four factors are politic, economy, social and technology, that means they are familiar with PEST analysis. In internal analysis, one of Indonesia company is familiar with SWOT analysis and do it more practical in their business. The evidence shows
that most of them believe that external factor will be a guideline for strategic decision and internal factor decide the feasibility of strategy.

Organizational structure tend to be centralized in these companies we interviewed. But these companies share their vision & mission with all the people in the organization. Indeed, all of the company have high performance standard (using formal and informal strategy) and focusing on short and long term planning for the growth of business.

Strategic fit is focus more on uncertainty condition of environment which may affect the business in the future. The major findings reveal that most of the companies in China and Indonesia we interviewed are concern about business vision and mission as well as aware of the effect of environment for pursuing business opportunity.

One the one hand, most of these companies final goal is to increase business profit, on the other hand, they also stressed the importance of non financial aspects such as innovation, and customer satisfaction, improving employee welfare, maintaining relationship etc. Most of them also mentioned that these non financial performance will eventually reflect on financial performance.

Regarding to strategic control and development, most of the companies we interviewed in China and Indonesia do not have special tools or systems for solving problems.

The empirical findings shows that there is different characteristic in strategic choice. The major findings reveal that Indonesian companies focus on niche strategy, while Chinese companies focus on differentiation strategy. Chinese companies always try to develop new market & technology or serve international customer and developing new market to pursue business opportunity. However, SMEs in Indonesia tend to focus on segmented market (government institution & private). Their focus strategy just concentrated on each construction project which will be taken or not. They are using the focus strategy since they believe it is vital for their survival and growth.

**The crucial strategic management factors (issues) for firm’s survival & growth performance in China and Indonesia**

This findings based on data collected from selected companies in China and Indonesia. All the Chinese companies and Indonesia companies we interviewed believe that the internal capabilities, especially core competence or capabilities play a vital role for company survival and growth since company can use their internal capabilities to build competitive advantages in their industries. For instance, their internal capabilities enable them to develop new product & new technology and develop new market, or enable them to build good relationship & networks with supplier or customer. These new technologies & new product can help company to differentiate with competitors, and also relationship & networks are basically hard to be copied by their competitors, that means, internal capabilities do help company to build competitive advantage. Moreover, external factors can stimulate the initiation of strategic decision, internal factors (especially internal capability) can judge and examine the feasibility of strategy. All in all, understanding the role of external & internal factors, and consistently combine these two factor into the business are crucial strategic management factors for firm’s survival & growth in China and Indonesia.
# Data display of Major Findings

<table>
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<th>Major Findings</th>
<th>China</th>
<th>Indonesia</th>
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<td></td>
<td>Company A</td>
<td>Company B</td>
</tr>
<tr>
<td><strong>Internal Analysis</strong></td>
<td></td>
<td></td>
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<tr>
<td>Organizational Structure</td>
<td>Functional</td>
<td>Geographic</td>
</tr>
</tbody>
</table>
| Leadership | ● Centralize decision making (General Manager)  
● Top down | ● Centralize decision making (Head office)  
● Top down & bottom up approach | ● Centralize decision making (Owner)  
● Top down | ● Centralize decision making (Branch Manager)  
● Top down |
| **Strategy Process** |          |           |          |           |
| Strategic Formulation | Clear vision, mission & goal | Clear vision, mission & goal | Clear vision, mission & goal | Clear vision, mission & goal |
| Strategic Implementation | Formal & Informal  
Short & long term strategy | Formal & Informal  
Short & long term strategy | Formal & Informal  
Short & long term strategy  
SWOT analysis | Formal & Informal  
Short & long term strategy |
| Strategic Control & Development | Due to limitation of company scale, no special measures for solving problems | Develop new product in existing & new market  
Develop new technology to improve existing product | No special tools / system  
Centralized decision for changing strategy | No special tools / system  
Centralized decision for changing strategy |
| **External Analysis** | Mainly based on government | Based on government policy | Government regulation, uncertainty market | Government regulation, uncertainty market |

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<th>The role of External &amp; Internal factor</th>
<th>Internal factor decide the feasibility of strategy</th>
<th>Internal factor decide the feasibility of strategy</th>
<th>Important &amp; Market adaptation</th>
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<td></td>
<td>External factor guide the strategic decision</td>
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<td>Strategic Choice</td>
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<td>Environmental awareness</td>
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<td>Dynamic Capabilities</td>
<td>Sensitive for new opportunity, developing marketing strategy (sales, service, advertising, company’s reputation etc)</td>
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<td>Strategy, efficiency &amp; innovation and motivation of the work developed in the system</td>
</tr>
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</table>
5 Analysis

This chapter, we present the empirical findings from the interview. We will present the interpretative and analytical work base on the collected empirical data. Thus, this chapter will interpret and analyze the empirical findings from the interview by using theories and concepts from chapter 2.

5.1 External Environmental Analysis

The following section will analyse how external factors affect the SMEs selected in China and Indonesia correspondingly. As discussed in section 4.2, the external factors include four aspects which are: Political, Economic, Social and Technological environment. We will analyse the impact from these four aspects in China and Indonesia.

Impact on Companies selected in China

Political - All the respondents from the two companies mentioned that the political issue does not affect their companies decisions that much, because they think nowadays political situation in China is quite stable. They also believe that if the political situation is not so stable, then it will affect their business. However, according to their answers, at present it does not have impact on their business, at least they did not feel they are affected by it.

Economic – All of them believe that the economic environment has great impact on their decision making and business. The government’s economic policy, to some extent, decide whether the company and industry can develop further. As we mentioned above, SME are more vulnerable to economic uncertainties, to survive and grow they highly need support from the government in many aspects. Since there are many foreign companies entered into the Chinese market, Many of them mentioned that they are facing more and more challenges. Moreover, they are also greatly affected by the global financial crisis.

Social – As we discussed in chapter 3.2, in order to promote a healthy development of SMEs, Chinese government pay great effort to improve socialized service system, create an external environment for fair competition, and strengthen organization and guidance. Some of the respondents mentioned that the government provide training for SME managers and also develop socialized service system for them in order to mobilize the society to offer services to them. These policies and measures have improved the regulatory environment and accelerated the legislation process for SMEs. Social environment directly or indirectly affect the development of SME.

Technological – As we mentioned before, hi-tech enterprises get more support from the Chinese government, that is, these hi-tech companies are more likely to survive and thrive than other types of companies. Some of these respondents mentioned that government lowered the enterprise income tax rate for hi-tech enterprises, that means, it reduce the tax burden for these enterprises. But the two companies selected are not hi-tech enterprises, they cannot have the same taxation policy with these hi-tech enterprises. However, as we discussed in chapter 4, since Chinese government encourage enterprises to further stimulate technological innovation and also cut burdens for enterprises and provide an easy environment for their innovation. All kinds of Chinese enterprise can benefit from this policy.
Impact on Companies selected in Indonesia

**Political** - All two respondents claim that politics affect policy that applies in the business consulting services. The political reform impact the new policy for business in Indonesia. New presidential election happened every 5 year. Usually after the election of new leader will create new policy or revision. Indeed, the political change create unpredictable investment environment for business in this country.

**Economic** - According to the interview, economic condition usually influence the market price. It means the company need to adjust the price according to market needs. When the market environment becoming more fiercer, the companies need more work to get more project with better and expected profits. One of the company get economic support from both bank and government. Indonesian government gives them support by giving access to credit in order to promote them as an economic factors.

**Social** - Socio cultural aspect related with where the project was located. They are aware of field condition and need to adapt with the condition. If the business run in big cities or local area ,they can easily deal with social and cultural aspect. However, if they have new project which have to operate in new location (different island, rural areas),they need lots of research about local condition (people, culture, value and norm) and the local government policy. In Indonesia, if the company run the business in different island , it will meet many people from different ethic, language, norm, and value of each region. However, by using national language (Bahasa Indonesia), they think there is no language barrier for doing business with them. The more important that every region has specific norm and values that needs to respect. Moreover, the company usually employed local people in the local area (e.g. villages people) or unemployed people which could be another mechanism for job creation. Then, this mechanism will bring mutual benefit for both company and local area.

**Technology** - According to empirical findings, technology that the company use must be in accordance with the current needs. High technology does not fully guarantee the work optimally. Competent Human resources is the key , especially in the field of consulting services. The output of the work is usually the form of advisory services “ideas and detail design”. They claim that broad knowledge and skill are the main capital. Indonesian government give support to the development of technology and information system for any aspect of industry. However, natural disaster often attack this country which force the government has to pay more attention to develop new technology to prevent the bad effect of natural disaster.

5.2 Internal Environmental Analysis

Organization structure

The empirical findings are from four Asian companies (China & Indonesia) that we interviewed, we found that most of them using functional organizational structure. It applied where the duties and responsibilities, because of their specialised and varied nature, have to be categorised into specific group (Analoui & Karami, 2003). From the interview, people within the company can concentrate on one aspect of work and develop their skills for providing service to all customers. Responsibility and duties are defined clearly.

We interviewed some companies which have geographical organizational structure and they have high performance of managing business as well as decide its strategic management. Formal structure and system applied in the daily operation. All the selected companies provide opportunities for their managers or project group leaders to express their own opinions and discuss company related issues, such as in these two Chinese companies, they both have
weekly meeting for managers, in Indonesian companies, they have project meeting for group members. These practices can enhance the communication among departments and managers, and share the information which might be very important for management and company. As we know that communication is important, it can help company in many aspects such as strengthening the connection between management and employees, having better understanding about current status and then predicting the future trends more precisely.

Leadership

Leadership in SMEs is also influenced by its geographic location. For instance, SMEs in Indonesia and China have different characteristic of leadership behaviours. According to researchers, in the Confucian Asia countries (China, Japan, etcetera), they describe a leader who is protective of his/her own leadership: team oriented and people oriented. Southern Asia (Malaysia, Indonesia, etcetera) described effective leadership as especially collaborative, inspirational, sensitive to people’s needs, and concerned with status and face saving (Northouse, 2007). Furthermore in Confucian Asian countries, people tend to believe that charisma is an important leader attribute; on the other hand, in Southern Asia, people believe leaders who tend to be autocratic are more effective than those who lead by inviting others into the decision making process (Northouse, 2007).

According to Nicholls-Nixon (2005), the leader (and the top management) can predict the direction of growth and control the complexity that is created as the organization grows. The leader’s role is to determine the desired future status (direction of growth), identify the kind of formal structure and systems needed to support that vision, and guide the implementation process. The primary task of the leader is to develop a knowledge creation process that will generate the innovation needed to enhance future performance. Some of these general managers and owners we interviewed displayed these characteristics of leadership. They trust their subordinates and give authority to their subordinates rather than decide everything needed.

5.3 Strategic Management

In this section, we analyze how the company formulate and implement their strategy in daily activities as well as the role of external and internal environment and how they influence the process.

Strategic Formulation

Analoui and Karami (2003) state that a vision statement comes from the “hearts” of top management, which means vision and mission often based on the value of the owner and top management, they try to share the same value with every employee in the organization, try to make sure that all employees have the same objectives with the company. The management which we interviewed outlined the importance of a clear vision and mission for the company. Mission concentrates on the present. Vision concentrates on the future and outlines what the organization wants to be. Vision and mission play an important role in inspiring or motivating employees in achieving the firm’s goals and objectives.

One may argue, personal objective and goals are highly subjective and may or may not be correct (Analoui & Karami, 2003). However, from the interview, many companies have the weekly meeting for all the managers. They often share their information and listen to each other during the meeting, which means they can get more information and better understanding about current issues and future trends, this will help them make decision more objectively and appropriately.
Strategy implementation

This section of strategy implementation will analyse strategy planning process and decision making process and implementing process. High performance SMEs have written formal and clearly defined objectives (Analoui & Karami, 2003). The empirical findings revealed that some Chinese companies have formal structure and process when implementing the strategy. The geographical structure also influence the organization to make decision. If the decision comes from head office, the subsidiary will be informed formally, then directly implement it. Formal inform process often can prevent some communication error and misunderstanding, because information can be interpreted differently by individuals, which will create problems. Thus, by using formal inform structure, to some extent, can affect the results of implementing strategy.

In these two construction Indonesian companies, they have formal process (formal meeting) during the tendering period before implementing projects. Although they do not have written formal procedure about implementation process, they do have formal written notes for the working progress of the project and evaluation of the project.

The evidence show that one of Indonesian owner mentioned that sometimes he use his intuition to make decision. According to Burns (2008), business leader often use this intuition to make strategic decision, even though it’s not too accurate but it has benefit for them to explore something new (innovation). From the ‘frame of reference’, we mentioned two model of strategy which are rational and intuitive learning model. It seems this model applied in these two Indonesian companies.

Further, the empirical findings revealed that some companies we interviewed are familiar with SWOT (Strengths, Weaknesses, Opportunity and Threats) model and they also apply it even though they do not have some procedural SWOT analysis like the textbook models. They still consider those four aspect in its operation to solve the problem even they modified it in accordance with current situation.

Strategic planning involve short and long term decision making. The empirical findings revealed that strategic plan consider for future direction which are not only based on personal strategic vision of the owner (top management). The company also consider financial aspect measurement as tools. Moreover, strategic alternative is part of planning process when they do some analysis related with financial perspective (budgeting plan) to anticipate problems which might occur.

Strategy Control & Development

Control helps Owner - managers to monitor the effectiveness of the firm (Analoui & Karami, 2003). The empirical findings shows that they face many problems in different area of operation such as technical and production problem. For some, they do not have solutions for these problems; for others, they tend to reduce these problems by emphasis on quantitative performance indicator. Volume, number of production become standard for evaluate their performance. From the empirical finding, the companies we interviewed did not consider qualitative indicators, according to Analoui and Karami (2003),this indicator include such as Total Quality Management (TQM) measurement etc.

On the other hand, the issue of building relationship with customers, supplier and clients become the company’s strategic alternative to compete with competitors. According to Nicholls – Nixon (2005), having a rich network of relationships between organization members connects the intelligence of the entire system and allows for faster and better responses to prob-
lems. Relationship between individuals, both within and outside organization, promote information exchange, generate new knowledge and understanding, and provide the basis for creative problem solving. Moreover, when the company is part of a network of relationships that involve the outside world (such as customers and suppliers), then the organization improves its ability to identify and to respond to changing opportunities. General Managers and Owners that we interviewed indicated that they consider external networks (relationship with customer, suppliers and competitors among others), resources and organizational learning (firm reputation and knowledge) when they try to solve problems.

The goals or objective is the basic assumption to define the performance standards. It is important to discover problem in the system, thus all the problem can be diagnosed and the whole system will be continuously improved (Analoui & Karami, 2003). Most of the problem that they faced because of the limit scale of their operation. SME has to try to build their own image by attract more and more customers in the future. One of managers that we interviewed from Chinese logistic company mentioned that the objective of the company is to build the company’s reputation. The company need to focus on strengthening marketing strategy by doing several promotion and advertising continuously, in order to make customers to recognize their service.

The owner from one of Indonesian company that we interviewed, he realized decreasing market can be handled by change internal strategy. Chinese company also have the similar solution for this problem. They all prefer to change strategy to capture market needs. From this perspective, external environment adaptation will help them to predict problem that might occur in the future. Moreover, the evidence shows that Chinese companies conduct trial before implementing new strategy. From this perspective, they can simultaneously control and develop new strategy and also can reduce the risks when implementing the new strategy.

The role of internal and external factor

Uncertainty market and company’s internal condition are important for stimulating strategic decision making and planning. Therefore, several aspects need to be analyzed in order to respond to the fast changing environment. From the empirical finding, most of the Owners and Managers that we interviewed understand the important role of both external and internal factors for stimulating strategic decision.

One of the managers mention about KPI (Key Performance Indicator), this indicator can be used for financial and non financial measure and it’s typically in terms of making progress toward long term goals. As stated in ‘frame of reference’, most of the resource are combination of tangible, intangible resources and organisation capability. Especially skill, knowledge and human resources are one of their main competitive advantage. The company’s internal factor stimulate for future direction of strategic planning.

Moreover, the resource of external analysis mostly based on government policy, newspaper, internet or research. Data and information collected from trusted sources help management to do analysis properly before making strategic decision. There are many independent sources that we can get from the internet for quick and free, but reliable sources are needed if we want gathering valid data. For instance in some companies that we interviewed, they want to strengthen its marketing strategy. In order to obtain accurate data and analysis, they may need to conduct marketing research by themselves or trusted research agencies rather than only gathering sources from internet. In consequence, accurate analysis will help them to take appropriate action to compete with their rival and respond to market.
Strategic choice

The evidence shows all of the companies that we interviewed using strategy not only for solving problem but also as an indicator for successful performance. Most of the companies that we interview in China and Indonesia are aware of the importance of using strategic management in their daily operation. However, using strategic management can be one of competitive advantage for sustainable growth within related industry.

Competitive markets force them to decide the type of strategy that they can use for surviving in unpredictable market condition. As stated in ‘frame of reference’, Porter (1985) describe three types of competitive strategies that the company can choose are cost leadership, differentiation, and the focus.

Both of Chinese companies that we interviewed chose differentiation as their strategic choice. They are not just focus on core business, but also focus on new product development, developing new market. By doing so, they are able to differentiate its products and services along with adding customer value orientation. Analoui and Karami (2003) mentioned that customers are their main concern, and the differentiation occurs when the products of service of a firm satisfy the need of the customer better than the other firms’ product and service. One of the production manager that we interviewed claim that the market of their product is diminishing, so they try to change the design according to market needs. However, to pursue differentiation strategy the company need to define the target market properly and make sure customers are willing to pay for differentiation. One of sales manager state that many competitors can produce and offer good quality product with the right price. The competition made companies difficult to control the price. Further, the company try to develop new market such as Mongolia, Korea to capture more market share.

At the same time, we found that both of Indonesia companies that we interviewed chose focus (niche) strategy. As discussed in ‘frame of reference’, the company focus on narrower segment of a market and develop its strategy to serve them in order to achieve a competitive advantage in its target market. The evidence shows that the company focus on its core business in the field of consultancy and they provide service only for specific private institution, government or personal.

Indonesian companies we interviewed prefer to use focus strategy which limited to specific target market in accordance to their objectives and serving their client (customer oriented) as their competitive advantage. On the other hand, competition in Chinese market force both Chinese companies to use differentiation strategy which help them to expand new market and find more new customers for future growth.

5.4 Performance

Financial / non financial performance

The evidence shows that companies has clear understanding about how important the strategic management for company’s performance. Most of the companies are aware of importance of strategic management and apply it in their business. Moreover, one of the important indicator for company’s performance stated in the ‘frame of reference’ are financial and non financial. The empirical findings revealed that these companies we interviewed understand the dimensions of performance are financial and non financial, they focus on not just financial performance, but also non financial aspects since they believe that the non financial performance will eventually reflect on financial performance. They understand that once they can create value on non financial performance, it will directly affect financial performance.
The financial accounting standard based on each country’s regulation which affect on company’s policy. The evidence shows, financial performance is the goal for most of company since it will directly increase company’s image externally as well as employees & shareholder (owner) wealth internally. Moreover, the Chinese company also try to improve the operational performance, by launching new product with better design and technology, doing innovation according to market needs.

Evaluation of the performance also strongly related with the strategic process of the company. As stated in ‘frame of reference’, strategic process consist of formulation, implementation, control and development process. From this perspective, the relationship among those process as the key success factors for long term growth for companies which we interviewed.

Moreover, most of the firm seek for profitable growth. According to Helfat, o.a., (2007), firm can improve their performance by reducing cost or raising price if they did not consider for growth. However, competition and market forces as well as technological constraints force them to increase sales of product and services, to improve product or new product in existing or new markets. To understand competition in market economy, analysis of growth is as important as analysis of profits. We found that the one of Chinese companies manage the sustainable growth, for instance they strive to develop new product in order to develop new market. In Indonesian companies, the competition and economic condition made them reluctant to pursue business opportunities, since they think unhealthy competition may occur during the pursuing process. They try to maintain the relationship and build network with other competitors in order to create mutual relationship for their survival.

**Strategic fit & dynamic capabilities**

Strategic fit and dynamic capabilities are two important factors in business survivals. Combination of external environment analysis and internal capabilities will help to predict uncertainty condition of pursuing business opportunity. The empirical findings shows that some of the companies have their own strategic choice to compete in the market. One of them mentioned to focus on its core business. However, it will not enough without develop their internal capabilities. If the internal capabilities are unique and difficult to imitate, it often called ‘core capabilities’. According to Leonard-Barton, core capabilities include four dimensions are: employee knowledge and skills, technical systems, managerial systems and the values and norms. We analyze the core capabilities from these four dimensions. First, employee knowledge and skills, some companies outline the importance of employee skills and knowledge, for some special work, they only hire employee with required certification. The second, technical systems, knowledge embedded in technical and technological system, such as financial accounting system embodied in both Chinese companies to control the financial process. The third dimension is managerial system, represent formal and informal ways of creating knowledge and controlling knowledge, some of companies we interviewed mentioned some ways such as weekly meeting for managers to share information and knowledge. The last dimension are value and norms, all the companies we interviewed share their value to all the employees within the organization since they put their vision and mission on notice board or their websites.

The definition of dynamic capabilities are discussed in Chapter 2. The evidence shows that main components of dynamic capabilities in both companies in Indonesia and China are human resource and technology development. Some SMEs lack managerial capabilities to improve their performance. To solve this problem, the company should try to renew their re-
sources by finding the ‘right people’ and expertises. Some companies that we interviewed are aware of this solution and try to improve their performance by hiring expertise. Therefore, dynamic managerial capabilities has effect on identifying the opportunity and solving problem.

Environmental awareness combine with dynamic capabilities are another concept of ‘fit’ that we discussed in ‘frame of reference’. Exploiting and creating change in the business environment can be achieved by continuously develop innovation. According to our empirical findings, Chinese government give lots of support for business creation and innovation. Chinese Premier Wen Jiabao has called on enterprises and officials to place priority on industrial upgrading and innovation (Xinhuanet, 2009). One of Chinese companies maintain their business growth through innovation to improve their core business. On the other hand, the Indonesian companies using bank support and strongly focus on their vision and mission as way to build competitive advantage.
6 Conclusion

In this chapter we present the conclusion of this thesis. We will begin with answering the purpose, continue with answering research questions and presents some suggestion for further research within the field of strategic management in SMEs.

Purpose

Our purpose is to find out how strategic management determines / affects / influence SMEs performance in South East Asia and specifically in China and Indonesia. Moreover, its purpose is to identify the crucial factors that determine survival and growth in the two countries.

There is no general answer on how strategic management affect SMEs performance in China and Indonesia. Our conclusion is that all the companies we interviewed are aware of the importance of using strategic management in its daily operation. Moreover, they all believe that the strategic management can affect company’s performance from financial and non financial aspects.

In Chinese and Indonesian SMEs, they all focus on their internal capabilities to build competitive advantages and also realized that internal factors can judge the feasibility of strategic decision. Moreover, they also pay attention to external factors since they believe external factors stimulate the initiation of a strategic decision. Our research indicate that understanding the role of internal & external factors, and constantly combining the two factors into daily operation are the crucial factors for these companies survival and growth in the two countries.

Research Question

What are the common or different characteristics of strategic management of SMEs in China and Indonesia?

According the empirical findings, we found some common characteristics of strategic management of SMEs in China and Indonesia. Firstly, all the companies we interviewed, their decision making system seems centralized, in most occasion, the general managers or own make the final decisions. Secondly, all the companies have a clear vision and mission for the company, also they make sure all the employees within the organization know the company’s objective. Thirdly, all of the them use combination of formal and informal structure during the strategic implementation process. Fourthly, they pay great attention to government’s policy and change their strategies according to government’s policy. The last but not the least, they all believed that strategic management can affect company performance from financial and non financial aspects.

The evidences show that there are also some different characteristics of strategic management of SMEs in the two countries. Firstly, the Chinese companies we interviewed focus on differentiation strategy, while the Indonesian companies focus on niche strategy. Secondly, Chinese companies not just focus on their core business, but also implementing new strategy to seek for new opportunity, but Indonesian companies, they only concentrate on their core business due to the companies scale and external environment.

All in all, there are more common characteristics than different characteristic of strategic management between Chinese companies and Indonesian companies.
What are the crucial strategic management factors (issues) for firm’s survival & growth in China and Indonesia?

Since this research question is consistent with one aspect of our thesis purposes, as we mentioned in our purpose chapter (Chapter 6.1), the crucial strategic management factors for firm’s survival and growth in China and Indonesia are: understand the role of internal and external factors, and change their strategies according to external factors, examine the feasibility of strategy and build their competitive advantages through internal factors.

The thesis has presented its conceptualized view on strategic management in the research on Chinese and Indonesian SMEs (see Figure 4, p. 16). Most of the consideration above are reflected in the presented model.

6.1 Recommendations for Further Research

The analysis of the empirical study has indicated a number of relevant issues that the thesis did not investigate, but which might be important for further research of strategic management in East Asia’s SME.

Firstly, one should undertake a greater depth and broader range of research in order to uncover more detailed and comprehensive conclusions regarding the role of strategic management on SMEs performance. The study should involve more East Asian countries and explore the characteristics of strategic management in order to obtain more holistic information about the awareness of strategic management in East Asia SME.

Secondly, the study should be able to reveal and prove in detail how external and internal environment affect strategic making process. Further research should also pay more attention to the management style to obtain a deeper understanding regarding why similar companies took different action in the same or similar situation.

Finally, the thesis only investigated three different industries in those two countries. The further study should involve all the industries of SME in East Asia. Moreover, one should undertake research in parallel industry in different countries in order to obtain more comparative conclusions.
7 References


Appendix

Appendix 1. Interview with company in China & Indonesia

Interview with Logistic Service Company A (China)

The company’s name and participant’s name will stay anonymous in our research.

Participant information
Manager 1
Gender: Female
Department: HR and Administration
Position: HR and administration Manager
Others (if any):

Company information
Type of Industry (for example retail industry, service industry etc): Logistics service (transportation industry)
Number of employees: 100-110
Annual sales: CNY 6-8 million (2008)
Others (if any): Located in Shenzhen, China

Questions:

What's your main responsibility? How many departments in your company and what are they?
What's the company structure? (Please give an organization chart for sample if it is possible)

HR and Administration manager is in charge of company public and internal affairs, like HR recruitment, staff motivation, company expenses & budget control, real estate lease, department communications etc.

Besides administration department, we have several functional departments: warehouse, supply chain, shipping, financial & accounting.

The organization structure is:

Who are the strategic decision makers?
General Manager and team leaders of every functional department
In your opinion, how the internal and external factors affect the company’s strategic decision making?

Team leaders pay more attentions on the short-term results, whether the strategic decisions will take them long time to get used to or more time on training, or affect their daily operations, practical efficiency.

General Manager thinks more on the long-term benefits, costs, enterprise image etc.

Can you please specify how the external factors affect your business from four aspects : Politic, Economy, Social and Technologic?

I don’t think politic issues effect our company, the politic party in China is quite stable, we do not have to worry about political policies.

Social environment affect company in some cases. For instance, when we want to find more customer in Europe, we often encounter the culture clash and other social problems. In China, Chinese government pay a great effort to improve social environment by issuing some regulations to guarantee fair competition.

Economic environment always strongly influence company’s policy, development and even survival. We have to understand the economic environment to make right decision and take appropriate action to respond to the environment.

We are logistic service company, our service does not involve so many technology. Technology environment does not affect our company that much.

How to implement strategy in your company? Do you have any procedures for strategy-making process? If yes, please give us an example (informal and formal)

The strategy decisions are made by General Manager and teams leaders. When the decisions are done, the General Manager will announce it formally in written, then the team leaders will supervise the execution.

In weekly company manager routine meeting, the general manager proposed an idea to share common resources to serve two different customers that will increase the efficiency, also in better position to negotiate with suppliers for better prices. Then line managers will discuss various solutions. Once the general manager decides the final strategy, he will inform relevant functional departments in written formally, then line managers will implement the strategy also explain more details for employees.

How do you think the relationship between strategic management and organization’s performance? That is, how the strategy management affects company’s performance?

Strategic management decides organization’s performance; and on the contrary, organization’s performance is proving the rightness of the strategic management.

What are the crucial factors for achieving competitive advantage? What are the crucial factors for company survival?

Competitive advantage:
Sales channels, advertisement & enterprise image, marketing promotions, service

Company survival:
Cost control, quality supervision, marketing strategy

Currently, are there any big troubles the company are facing or have to face in the near future; are there any solutions for these troubles? Do you have any special measures for these problems?

For example, utilize new accounting system to help to manage financial data.

The company is facing a problem that how to find more customers in Europe, then with more orders on massive consumption products, it may cut down costs on supply, warehousing, packaging, transportation etc.

But limited by the scale of the company, until now, there are not any special measures yet.
How your companies do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?

We have company internal financial analysis on budget, cost and margin; then KPI (key performance indicator) for function performance. For external analysis, we normally pay attention to government’s policy, we also do some research about customer requirement, customer satisfaction etc.

How the company handle the disagreement between management about implementing a new strategy or terminating the implementation of strategy. (for example, when management came up with many strategies, but there is only one can be utilized, will you take a vote to decide it or do you have any other methods to do it?) please explain

First we decide to implement an optimum solution for trial. During the 3-6 months testing period, we will analyze the results from financial and practical operation views. If the feedback index of solution is negative, we terminate it.

What’s your company’s vision and mission?

Vision:
Become a logistics company specialized in value added logistics service.

Mission:
Cut cost, offer better service, and serve for more international custom

Thank you very much for your participation!

The company’s name and participant’s name will stay anonymous in our research.

Participant information

Manager 2
Gender: Male
Department: Financial and accounting department
Position: Manager
Others(if any):

Company information

Type of Industry (for example retail industry, service industry etc): Logistics service (transportation industry)
Number of employees: 100-110
Annual sales: CNY 6-8 million (2008)
Others (if any): Located in Shenzhen, China

Questions:

What’s your main responsibility? How many departments in your company and what are they? What’s the company structure? (Please give an organization chart for sample if it is possible)

I am responsible for accounting operations and financial operation such as various taxes, long-term contracts, the overall cost control, accounts payable & receivable internal financial management systems, preparation of financial statements etc.

We have several departments which include: administration department, warehouse, supply chain, shipping, financial & accounting department.

Who are the strategic decision makers?

General Manager and team leaders (Manager) of every department.

In your opinion, how the internal and external factors affect the company’s strategic decision making?

That’s depends on the department, also depends the issues. For example, in our financial and accounting department, we have two dimensions are managerial accounting and financial accounting.
Managerial accounting is primarily used within the company, report to our top management for future planning, directing, controlling such as sales forecasting reports, budget analysis and comparative analysis etc. If the issues is related managerial accounting we normally based on company’s policy to make decision.

Financial accounting is primarily used outside of company, we have to report to government such as tax office, customs office etc. we have to follow government’s policy such as financial & accounting regulation, standards etc to make decision and process our work. If government’s policy is changed, we also have to change our financial accounting as well. We always need to pay attention to accounting & financial regulations in order to make sure our operation and decision is legal and appropriate.

But managerial accounting and financial accounting are related to each other, sometimes if the government’s policy is changed, company also have to change its policy, that is, managerial accounting also need to be changed.

Can you please specify how the external factors affect your business from four aspects : Politic, Economy, Social and Technologic ?

I think the current political situation in china is quite stable, so it does not affect our company that much.

Economic environment always affect our business. Economic environment always keep changing so fast, we have to keep our pace with the market environment, otherwise, we cannot survive in the market.

I think social environment also has impact on company, since social environment include many dimensions. Sometimes the social environment can affect business greatly. For instance if the company is from foreign company, it may face many social problems such as culture clash or language barrier etc.

Technologic policy and environment is also important for company, especially for hi-tech enterprise, because government policy is technology-oriented, hi-tech company often get many support from government.

How to implement strategy in your company? Do you have any procedures for strategy-making process? If yes, please give us an example (informal and formal)

When General Manager or teams leaders made decision to implement a strategy, the General Manager will announce it formally in written, then the team leaders will supervise the execution.

We have a routine meeting for manger every week, we can share our ideas and discuss with each other during the meeting. For example, if I have some ideas about how to cut down the cost of transportation, I will discuss with other department’s managers and also general manager in the meeting. Once the general manager decides the final strategy, he will inform relevant functional departments in written formally, then line managers will implement the strategy also explain more details for employees.

How do you think the relationship between strategic management and organization’s performance? That is, how the strategy management affects company’s performance?

Strategic management decides organization’s performance, of course the performance is not limited to financial performance, but also included other stuffs, such as customer satisfaction etc. But in my opinion, the other kinds of performance finally will reflect on financial performance, for example, if we implemented a strategy, which improved customer satisfaction of our service, then we can attract more customers and customers will use more our service, then finally, our financial performance will also be improved. Strategic management and organization performance are related with each other. To some extent, I think organization performance is one kind of indicator of strategic management, I mean, for example, if we implemented a strategy, and then organization performance is improved, that indicate our strategy is appropriate, our strategic management is necessary and on the right way.

What are the crucial factors for achieving competitive advantage? What are the crucial factors for company survival?
Competitive advantage:
Enterprise image, marketing promotions, service.

Company survival:
Cost control, quality of service, marketing strategy, risk awareness and risk control.

Currently, are there any big troubles the company are facing or have to face in the near future; are there any solutions for these troubles? Do you have any special measures for these problems?

For example, utilize new accounting system to help to manage financial data.

Our company is facing a problem that how to find more customers in Europe, then with more orders on massive consumption products, it may cut down costs on supply, warehousing, packaging, transportation etc.

We do not have any special measures yet. But we are trying to find some ways to enhance our marketing promotion. Our company is not so big, I think it takes time to build enterprise image and reputation.

How your companies do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?

We focus on more internal analysis rather than external analysis. We have internal analysis on cost, budget, profit etc. For external analysis, basically, we pay attention to government’s policy, we also do some research about customer requirement, market environment etc.

How the company handle the disagreement between management about implementing a new strategy or terminating the implementation of strategy. (for example, when management came up with many strategies, but there is only one can be utilized, will you take a vote to decide it or do you have any other methods to do it.) please explain it.

If management came up with many strategies about one issue at the same time, general manager will decide to implement one optimum strategy for trial. Trial period are normally three to six months, we will analyze the results from financial and practical aspects such as financial performance, customer satisfaction etc. If the results is positive, we will implement it, otherwise terminate it.

What’s your company’s vision and mission?
Vision:
Become a logistics company specialized in value added logistics service.
Mission:
Cut cost, offer better service, and serve for more international customers.
Thank you very much for your participation

The company’s name and participant’s name will stay anonymous in our research.

Participant information
Manager 3
Gender: Male
Department:
Position: General Manager
Others (if any):

Company information
Type of Industry (for example retail industry, service industry etc): Logistics service (transportation industry)
Number of employees: 100-110
Annual sales: CNY 6-8 million (2008)
Others (if any): Located in Shenzhen, China

Questions:
What’s your main responsibility? How many departments in your company and what are they?
What’s the company structure? (Please give an organization chart for sample if it is possible)
I am in charge of the whole company’s operation such as supervise all the managers, execution of company’s policy, make company’s future develop plan etc.

We have several departments which include: administration department, warehouse, supply chain, shipping, financial & accounting department.

The organizational structure:

Who are the strategic decision makers?
Me and other functional department managers.

In your opinion, how the internal and external factors affect the company’s strategic decision making?
We look both internal and external factor when we make a strategic decision. Internal factors highly decided the feasibility of a strategic decision. External factors is kind of guidance for a strategic decision, sometimes it is the indication of general future direction. Company should pay attention to both internal and external environment and respond to or take initiative to environment.

How to implement strategy in your company? Do you have any procedures for strategy-making process? If yes, please give us an example (informal and formal)
We have weekly manager meeting, every manager can propose their suggestion during the meeting, if we decide to implement a new strategy will announce it and inform relevant department formally. Basically, we will test the new strategy, trial period is about three to six months.

How do you think the relationship between strategic management and organization's performance? That is, how the strategy management affects company’s performance?
Strategic management decides organization’s performance. Organizational performance includes several aspects such as financial aspect, customer satisfaction aspects, innovation etc. But the final goal is financial performance, the other aspects of performance are also very important because it will affect and reflect on financial performance directly or indirectly.

What are the crucial factors for achieving competitiveness? What are the crucial factors for company survival?

Competitive advantage:
Enterprise image, reputation, sensitive for new opportunity, marketing promotions, sales channels, service, and advertising etc.

Company survival:
Enterprise image, advertisement, cost control, quality of service, marketing strategy, risk awareness and risk control, quality supervision etc.

Currently, are there any big troubles the company are facing or have to face in the near future; are there any solutions for these troubles? Do you have any special measures for these problems?
For example, utilize new accounting system to help to manage financial data.
The company is facing a problem that how to find more customers in Europe, then with more orders on massive consumption products, it may cut down costs on supply, warehousing, packaging, transportation etc. Due to the limitation of company scale, till now no special measures yet. But we are trying to build our reputation and enterprise image through marketing promotion, advertisement etc. We
can provide good service for customer, but the problems is customers do not know our company at all.
We really need to do something to let customers get to know us.

How your companies do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?

We have company internal financial analysis on budget, cost and margin; then KPI (key performance indicator) for function performance. For external analysis, we got information from government and other channels, for example, we do some research about customer requirement, customer satisfaction, market environment etc. We analyze these information collected, and make sure our transaction, operation is legal and appropriate. Moreover, we need external analysis to help us have a clear understanding about external environment and take actions accordingly and also we need to know whether we have the capability to do it.

Can you please specify how the external factors affect your business from four aspects : Politic, Economy, Social and Technologic?

The changes of government political policy will affect the society as a whole, then will also has impact on enterprise. At present, government politic issues does not affect our company since now government doesn’t have big changes. The politic situation in china is quite stable, so at least now we did not feel any politic policy influence our company’s policies.

Economy environment always has great impact on our business. To some extent, economic policy decide whether the business can develop or not. Our business also influenced by global financial crisis.

Social environment include many aspects such as culture, roles and norms etc. I think the social environment influence company indirectly. The effect is not so obvious for our company, because our company is a local company, we do not have culture clash or language barrier etc.

Technologic environment is also important for company. Government reduce the enterprise income tax rate for hi-tech company. Our company is not hi-tech company, we have to pay tax with higher tax rate than hi-tech company. But sometime government provide some training for company to help company develop necessary technology and know the latest information from the government. For instance, the tax office always provide the training for all the company when there is something new about tax law or accounting regulation etc. I think this training is very helpful for company since it can make company also has the latest information about government ‘s policy.

How the company handle the disagreement between management about implementing a new strategy or terminating the implementation of strategy.(for example, when management came up with many strategies ,but there is only one can be utilized , will you take a vote to decide it or do you have any other methods to do it.) please explain

In weekly manager meeting, managers can propose their suggestions; I will make the final decision and decide to implement one optimum strategy for trial.

Trial period are normally three to six months, we will analyze the results from financial and practical aspects such as financial performance, customer satisfaction etc. If the results is positive, we will implement it, otherwise terminate it.

How do you make the judgments about whether the strategy is optimum?
Based on my knowledge, experience and of course I will listen to other managers suggestions, and consultant if needed.

What’s your company’s vision and mission?
Vision:
Become a logistics company specialized in value added logistics service.
Mission:
Cut cost, offer better service, and serve for more international customers.
Thank you very much for your participation!
The company’s name and participant’s name will stay anonymous in our research.

Participant information
Manager 1
Gender: Female
Department: sales department
Position: Manager

Company information
Type of Industry (for example retail industry, service industry etc):
Electric heater manufacture company (manufacturing industry)
Number of employees: about 700 to 1000 (300 formal employees + about 400 to 700 temporary workers)
Annual sales: CNY 70-90 million (2008)

Questions:
What’s your main responsibility? How many departments in your company and what are they?
What’s the company structure? (Please give an organization chart for sample if it is possible)

I am responsible for training of sales staff and all the sales operation such as:
interface with merchandising at all levels, interact with customers, providing advice in the selection of products, contract negotiation, organize promotional demonstration activities, conduct purchasing procedures etc.
Departments: Financial & accounting department, Human resource & administration department, supply chain department, R&D, IT support department, production department, sales department.

Who are the strategic decision makers?
Head office (Guangzhou), our General manager, vice General manager and functional departments managers.

In your opinion, how the internal and external factor affect the company’s strategic decision making?
External factors stimulate the initiation of a strategic decision; Internal factors judge and check the feasibility of a strategic decision.

Can you please specify how the external factors affect your business from four aspects: Politic, Economy, Social and Technologic?
China is not a politic-oriented country, besides the political situation in China is stable, so the politic issues does not affect our company’s daily operation. At least, so far, we have not influenced by politic stuffs.
Economic environment has great impact on our company. The competition in our industry is becoming so fierce, we always have to pay great attention on economic policy and situation. Customer demand and market need are always our great concern.
Social environment also play an important roles for the development of company. Government also pay a lot of effort to improve the social environment for company.
Although our company is not hi-tech enterprise, but producing the product still involved many technologies. Technology environment and policy are also important for our company. Government also
encourage the company to develop new technology and sometimes even provide technology support for company.

How to implement strategy in your company? Do you have any procedures for strategy-making process? If yes, please give us an example (informal and formal)

If the strategies are made by head office, they will convey it to us, then we just implement it. We have weekly meeting for managers, general manager, vice manager or department managers can propose their suggestions during the meeting. When General manager make the final decision to implement a strategy, the General Manager will announce it formally in written, then the department managers will supervise the execution.

How do you think the relationship between strategic management and organization’s performance? That is, how the strategy management affects company’s performance?

I think if the strategy is right made, it will improve the company’s performance; on the contrary, it will weaken the organization’s performance. The performance is not limited on financial performance but also include other kinds of performance such as production performance, customer satisfaction etc. But I think almost all the other kinds of performance will reflect on financial performance eventually.

What are the crucial factors for achieving competitive advantage? What are the crucial factors for company survival?

Competitive advantage: Team spirit & moral, Service, Market strategy on customers and pricing
Company survival: Margin, Products reputation, Energy resource

Currently, are there any big troubles the company are facing or have to face in the near future; are there any solutions for these troubles? Do you have any special measures for these problems?

For example, utilize new accounting system to help to manage financial data.

The problems the company is facing are:

1. energy & climate, consumption trend
   the global climate is becoming warmer due to the “greenhouse effect”, The energy-supply shorting is a problem many developing countries are facing. Moreover, as we know that in northern part of China, every house has heating inside, they do not need electric heater. In other part of China, more and more people possess air-conditioner; they can use air-conditioner instead of electric heater. The consumption volume of electric heater in china is declining.

2. competitive pricing policy
   There are so many electric heater manufacturers in china. Many manufacturers can produce electric heater with good quality and right price. It is difficult to build competitive advantage on price. We select some heating sites for test, to make a new simple electric heater with same power but cheaper cost, more economic. But as a pity, we have no special measures for the tests.
   We are trying to find more customers outside of china. We are doing export to other Asian countries such as Mongolia, Korea etc, but we still need to develop more new markets.

How your companies do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?

Financial & accounting department, Human resource & administration, supply chain department to do the internal analysis, mostly from the finance view. And the R&D department is responsible for the external analysis for the tests. We also get some data or information from the local government on the electricity supply conditions. The head office is doing the sales and marketing analysis.

How the company handle the disagreemnt between management about implementing a new strategy or terminating the implementation of strategy. For example, when management came up with many strategies, but there is only one can be utilized, will you take a vote to decide it or do you have any other methods to do it.) Please explain

If the strategies are made by the board in head office, our subsidiary just implement the strategies and feedback information.
We have a weekly meeting for managers, if we have some ideas, we can propose it during the meeting, and general manager will make the final decision. Once the decision is done, he will formally inform (in written) relevant departments to implement it. Basically, we have three to six months trial period for new strategies, we will test the results from several aspects such as cost, quality, effectiveness etc. If the results is positive, we will continue to implement it, otherwise, we will terminate it. If the strategies may have effect on head office, then general manager need to report to head office. Only after we got approval from head office, then we can implement it.

What’s your company’s vision and mission?
Vision: Top brand name of electric heaters in China or Asian markets.
Mission: Produce new economic type of electric heaters Cooperation with local governments for favourite electricity pricing policy Target middle class or upper class customers Good marketing strategy: good price + good quality products

Thank you very much for your participation!

What’s your company’s vision and mission?
Vision: Top brand name of electric heaters in China or Asian markets.
Mission: Produce new economic type of electric heaters Cooperation with local governments for favourite electricity pricing policy Target middle class or upper class customers Good marketing strategy: good price + good quality products

Thank you very much for your participation!

The company’s name and participant’s name will stay anonymous in our research.

Participant information
Manager 2
Gender: Male
Department: production
Position: production manager
Others(if any):

Company information
Type of Industry (for example retail industry, service industry etc): Electric heater manufacture company (manufacturing industry)
Number of employees: about 700 to 1000(300 formal employees + about 400 to 700 temporary workers)
Annual sales: CNY 70-90 million (2008)
Others (if any): located in Shenzhen china, our head office is located in Guangzhou

Questions:
What’s your main responsibility? How many departments in your company and what are they? What’s the company structure? (Please give an organization chart for sample if it is possible)
My responsibilities include: supervise production processes to ensure implementation of company standards.; prepare annual production plans; communicate with sales manager; plan production capacities according to yearly sales projections; monitor production vs. sales to review production schedule accordingly; supervise machines maintenance programs and recommend machines modifications if needed; Prepares employees safety procedures and makes sure that these procedures are enforced etc.
Departments: Financial & accounting department, Human resource & administration department ,supply chain department, R&D, IT support department ,production department, sales department.

Who are the strategic decision makers?
Head office (Guangzhou), our General Manager, vice General manager and functional department’s managers.

In your opinion, how the internal and external factors affect the company’s strategic decision making?
When company makes strategic decision, always pay attention to both internal factors and external factors. Internal and external factors are both crucial for strategic decision making. For example, ac-
cording to external environment, when may should implement a new strategy to seize the opportunity, but we also need to see our internal environment, whether we have the capability to implement it. Internal and external factors decide whether should implement the strategy or whether the implementation of strategy can be successful.

Can you please specify how the external factors affect your business from four aspects: Politic, Economy, Social and Technologic?

Currently, China does not have many big changes on political policy, at least now I did not see the politic issues affect our company.

Economic environment are always changing so fast, we need to have clear understandings about the current status and predict the future trends. The government’s economic policy always affect our company’s policy.

Since we also export our products to other country, sometimes we encounter some social problems such as cultural clash, language barrier etc. Pay attention to social environment is important for our company.

We are not hi-tech company, but we need technology to produce our products. Technology environment has great impact on our company. Government also give us technological support, such as provide training for accounting system or logistic system etc.

How to implement strategy in your company? Do you have any procedures for strategy-making process? If yes, please give us an example (informal and formal)

If the strategies are made by head office, they will convey it to us, and then we just implement it.

We have weekly meeting for managers, every manager can propose their ideas during the meeting.

When General manager make the final decision to implement a strategy, he will announce it formally in written, and then the department managers will supervise the execution.

How do you think the relationship between strategic management and organization’s performance? That is, how the strategic management affect company’s performance?

I think strategic management is very important for company. Appropriate strategy can increase the possibility for success. The strategic management has great impact on company’s performance. For example, in our production department, if we implement a wrong strategy which related to our production line, we are unlikely to produce product with high standards or achieve the production volume.

The implementation of strategy will definitely affect our department’s performance, and eventually will affect financial performance of company as a whole.

What are the crucial factors for achieving competitive advantage? What are the crucial factors for company survival?

Competitive advantage: Technology, Design of the product, Quality of the product, Products reputation, Market strategy on customers and pricing

Company survival: Margin, Products reputation, Energy resource, Cost control

Currently, are there any big troubles the company are facing or have to face in the near future; are there any solutions for these troubles? Do you have any special measures for these problems?

For example, utilize new accounting system to help to manage financial data.

The problems the company is facing are:

Consumption volume for electric heater is declining due to some reasons such as the global climate is becoming warmer, many families in china, they have air-conditioner.

There are too many competitors in china. Many manufacturers can produce electric heater with good quality and right price. It is difficult to build competitive advantage on price.

We select some heating sites for test, to make a new simple electric heater with same power but cheaper cost, more economic. But as a pity, we have no special measures for the tests.
We are trying to develop new products in order to develop new market. I think this is very important for our company, since the electric heater market in China is diminishing. We also trying to change the design of our product, and make sure it will consume less energy.

How your companies do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?

For our production department we did not do external analysis, because R & D department is responsible for the external analysis, they will share their information with us. But we will do some internal analysis, for example, if our product has some problem with quality, we will analyze the reasons for inferior goods, and then we will revise and improve it. Financial department will do internal and external analysis from the finance view. Human resource & administration department also do the external analysis from different view, for example, they have to change the company’s HR regulation according to government’s labour law etc. Every department has internal analysis.

How the company handle the disagreement between management about implementing a new strategy or terminating the implementation of strategy. (for example, when management came up with many strategies, but there is only one can be utilized, will you take a vote to decide it or do you have any other methods to do it.) Please explain

If the strategies are from head office, we just implement the strategies and feedback information. If we have some ideas, we can propose it in the weekly manager meeting, final decision are made general manager. Once the decision is done, he will inform relevant departments formally in written and relevant department will implement it. During the three to six trial periods, we will test results from financial and practical aspects. If the results is positive, we will continue to implement it, otherwise, we will terminate it.

For some strategies, our general manager need to report to head office. We need to get approval from head office, and then we can implement it.

What’s your company’s vision and mission?

Vision:
Top brand name of electric heaters in China or Asian markets.

Mission:
Produce new economic type of electric heaters
Cooperation with local governments for favourite electricity pricing policy
Target middle class or upper class customers
Good marketing strategy: good price + good quality products

Thank you very much for your participation!

The company’s name and participant’s name will stay anonymous in our research.

Participant information
Manager 3
Gender: Male
Department:
Position: General Manager
Others (if any):

Company information (B)
Type of Industry (for example retail industry, service industry etc):
Electric heater manufacture company (manufacturing industry)
Number of employees: about 700 to 1000 (300 formal employees + about 400 to 700 temporary workers)
Annual sales: CNY 70-90 million (2008)
Others (if any): located in Shenzhen China, our head office is located in Guangzhou

Questions:
What's your main responsibility? How many departments in your company and what are they?

Responsibilities: Manage and direct all the departments; Fully responsible for local operation and performance; Supervise the implementation of company’s policies and strategies; Evaluate every manager’s performance quarterly; Conduct management review periodically and make action plans to secure more effective operations.; Drive the continuous improvement of production efficiency and cost reduction projects; Frequently Communicate with head office and report to them, convey head office’s policies and strategies to all the managers or every employees etc.

Departments: Financial & accounting department, Human resource & administration department, supply chain department, R&D, IT support department, production department, sales department.

Who are the strategic decision makers?

Head office (Guangzhou), me, vice General manager and functional departments managers.

In your opinion, how the internal and external factors affect the company’s strategic decision making?

I think the internal factor decide the feasibility of strategy, external factor stimulate company to respond to the threat and opportunity.

Can you please specify how the external factors affect your business from four aspects: Politic, Economy, Social and Technologic?

Politic environment has impact on company if the government make some big changes in political policy. But now the political situation is stable in China, so far political issues did not affect our company.

Economic environment affect all types of company regardless of profit or non profit organization. In our industry, the market competition is becoming more fiercer, we are facing more challenges than before. Government economic policy has great impact on our business. Sometimes, we need to change our company’s policy according government’s policy.

Social environment indirectly affect company’s development. Government pay a lot of efforts to improve the social environment to avoid vicious competition. This can provide company with more healthy social environment, that is, company can have more fair competition which can greatly help company grow.

Chinese government encourage companies to develop technological innovation. This will stimulate companies to pay more efforts to improve their technology. For our company, we also try to develop new technology & new product to develop new market. Government sometimes provide technologic support for companies such as providing some training about the latest technology about our industry, this kind of support often help us to obtain more valuable knowledge to develop our own product and technology.

How to implement strategy in your company? Do you have any procedures for strategy-making process? if yes, please give us an example (informal and formal)

If head office made a decision to implement a strategy, they will inform me formally in written, then I will convey head office’s decision to the relevant managers formally. Relevant department will implement the strategy and feedback information to me, I will feed back to head office.

We also have weekly meeting for managers, if they have any plans, they can propose it during the meeting. I will make final decision based on my knowledge, experience and suggestion from our managers or even head office.

Once final decision is done, I will inform relevant departments formally, then they can implement it.

How do you think the relationship between strategic management and organization’s performance? That is, how the strategy management affect company’s performance?
I think strategic management is crucial for organization performance. The competition is becoming more and more fierce, we need to have the strategic management to make sure we can have appropriate measures to respond to the fast-changing environment. As I know, some companies may think strategic management will hamper company’s flexibility, but in my opinion, strategic management also can be flexible.

What are the crucial factors for achieving competitive advantage? What are the crucial factors for company survival?

Competitive advantage: Corporate reputation, Technology, Product itself, Innovation, Service, Market strategy on customers and pricing

Company survival: Enterprise image, Products itself, Energy resource, Cost control, Service

Currently, are there any big troubles the company are facing or have to face in the near future; are there any solutions for these troubles? Do you have any special measures for these problems?

For example, utilize new accounting system to help to manage financial data.

The consumption volume of electric heater is declining due to many reasons, such as many families in China have air-conditioner, they do not need electric heater or they already have it, they do not have to buy every year. We are trying to develop more new market outside of China. We are also trying to develop new products to develop new market. Moreover, we also pay great effort on new technology.

How your companies do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?

We do our internal analysis based our history performance and internal records etc. About the external analysis, I will collect information through research, internet, newspaper or government etc.

We have formal procedures for internal analysis, but I cannot talk more about that, because it is related our business secrets. We will base on the procedure to the internal analysis, but it is more than that, it is also related to management’s knowledge & experience. About the external analysis, we do not have formal procedures, because every department has its own methods.

How the company handle the disagreement between management about implementing a new strategy or terminating the implementation of strategy. (for example, when management came up with many strategies, but there is only one can be utilized, will you take a vote to decide it or do you have any other methods to do it.) please explain

we do not have disagreement with head office. If head office makes a decision to implement a project or strategy, we just follow head office’s instruction to implement it.

If I have plans to implement a strategy or project, I will communicate with relevant department’s managers or discuss with them during the weekly manager meeting. If department’s managers have plans, they also can propose it during the manager meeting; sometimes some department’s managers also communicate with me privately when they think their plans are confidential. I will make final decision.

But I do not need to make final decision for every strategy; department’s managers can make the final decision for some projects or implementation of strategies. I give my authority to departments managers in some cases. Disagreement is not a problem for us.

What's your company’s vision and mission?

Vision:
Top brand name of electric heaters in China or Asian markets.

Mission:
Produce new economic type of electric heaters
Cooperation with local governments for favourite electricity pricing policy
Target middle class or upper class customers
Good marketing strategy: good price + good quality products

Thank you very much for your participation!
Interview with Engineering & Management Consultant

Company A (Indonesia)

Participant information

Gender: Male
Department: -
Position: Owner
Others (if any):

Company information

Type of Industry (for example retail industry, service industry etc):
Engineering and Management consultant (construction industry)
Number of employees: 50-55 employees
Others (if any): located in Bandung (West Java), Indonesia

How long have you been working in this company? What's your main responsibility? What’s your company structure?

I was responsible as commissioner that has duty to manage the company as optimal as possible, to manage & to develop current resources, to overcome all technical & non technical problems, to open network & to give maximal services for all client.

Company structures are shown in this graph.

How can you define” strategy”? How to implement strategy in your company? Do you have any procedures for strategy making process? If yes, please give us an example (informal and formal)

Usually strategy made based on market condition, so we can not too idealistic and we need to follow it by means of surviving in current condition. The implementation according to employee’s ability, thus sometimes it’s not too maximal.

We have procedure in strategy making process, for its application, usually we discuss in both formal and informal. In informal, we usually do face to face meeting with person who is responsible or in charge for specific case, for instance when we face tender or project. On the one hand, formal process happened when we get some project, and we need formal meeting to strengthen implementation method according to that project and continuously do formal meeting with client & management team to evaluate working progress in order to preserve the service that we give to owner.
Related with company’s strategy, there is no special strategy, we work according to our area and qualification for business consultant sector (civil engineering, environment & urban planning, architecture, geology survey, etc). Our clients are government institution and there are some plans to do expansion and to give service for private institution and personal. But, the important thing is we do our best & maximal to give better service for our clients, for instance:

- Complete the job according to schedule, with attention to cost factors, quality, and quantity.
- Provide warranty to the client on all services that we provide, such as planning the bridge, we provide age appropriate warranty plan expected by project owner, if the bridge collapsed and not in accordance with the plan we will responsible.
- Creating project mailing list for the east of project information

Our qualification is Grade 3, meaning that we can participate in auction with a value of project Rp. 400 million – Rp. 1 billion. Then, this is certificate of businesses that we have:

A. Field / Service Business in Civil Engineering (civil engineering): Advice Services / Pre-Design and Design Engineering for building, irrigation, transportation.
B. Field / Service Business in Services Inspection & Technical: Phase-Engineering Services
C. Field / Service Business in urban planning: Environmental Consultancy Services, Urban Planning Services
D. Field / Service Business in Services Surveys (geology survey): Services Geology, geophysical and Other Prospects
E. Field / Services Business in Architecture: consultancy services / Pre-Design, Design and Contract Administration architectural

What’s your company’s vision and mission?

Our vision is to become a reliable national private service consultant, independent for construction or non construction sector.

Our mission is to create better thing according to specific law & regulation.

The important thing to run this business should be with full heart, willing to learn surrounding environment in order to fit with our business, don’t act for self interest because all of us are team that can be success if we work together.

Moreover, the important thing from this business is useful for many people, to give optimal service for all clients and especially for management to support their life & family

How your company do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?

External analysis can be done by understand the valid regulation as well as analyze the development of market that recently happen and fast adaptation.

Internal analysis can be done by internal discussion and the sources are based on data collection and information.

Which analyzing factor those influence to strategic decision making in this company (e.g. government regulation, market competition, top management decision, etc)? In your opinion, how the internal and external factors affect the company’s strategic decision making?

Top management decision. There is enough response for internal factor especially from coordination meeting between commissioner, director, manager and employee. In this situation, strategic decision making usually influence by human factor (like/dislike) and egoism that sometime occur in its process.
Market condition and tight competition also influence the external factor. The impact of financial crisis affects top management policy / decision making that should be changed referring to current condition.

**Can you please specify how the external factors affect your business from four aspects: Political, Economy, Social and Technologic?**

**Political**: political situation affect in current policy in the business consulting service (usually if there is presidential election, it need adjustment from previous policy to new policy). Several policy will become consideration in making decision.

**Economic**: economic conditions affect the value of the current market price, proportionate straight, if the market price is high, it means the cost needed to complete the work of the company is also high. This means companies must be extra work to get a lot of projects with expected benefits.

**Social**: socio-cultural relation with the project owner’s desire and we have to adjust them. In addition, we also need to know the condition of the field and we must adapt.

**Technology**; technology that we use must be in accordance with the needs. High technology does not fully guarantee the work optimally. Human resources is become the key work, especially in the field of consulting services, because the output of the work is usually the form of consultancy services "of ideas, detail design,". A broad knowledge and skill is the main capital.

In your opinion, currently, what are the important troubles faced by the company, and how the company can handle it? Are they using some special method? (E.g. software)? Explain

Competitors are increasing, it is often occur conflict of interest within the user of consultant business, thus generate unhealthy competition among business consultant. The company handle by development of qualified human resource; maintain relationship with client and competitor. The problem about decreasing market can be handled by changing strategy to be more aware in market needs.

Essentially we do not have special methods to solve the problem, we use more intuition. SWOT analyses are bound to apply. We use SWOT, but not procedural like the original. In our operational, we still consider all opportunities, threats and other certainly, so indirectly we’ve already apply SWOT.

Who are the strategic decision makers?

Top Management (Director and commissioner)

How do you handle the disagreement between management about strategy decision making?

**Strategy decision making**

Strategic decision making depends on the situation and condition, for short and long-term strategy decisions based on the analysis of costs and benefits. Strategy that we do now reflected to the decision about resources, company priority, and other steps for further. It also related with how much cost we should spend to do a project and how much benefit we will get. After that, the owner as a leader gives strategic decision related to what steps should be done with the involvement of other parties.

In making decision, we consider the cost must be paid and the benefit that we get as our guideline. Of course, this analysis remains to be done with the goal that has been set. Alternatives that support goal achievement with the greatest benefit simultaneously with risk can be the most and that we choose.

Some things to keep in mind for better quality of decision making:

**Preparation**: Instant food and beverage need process so that can be presented quickly, similar with the decision. Before making a decision, it need well prepared, such as preparation of action plans or budget. With this plan, and all alternative scenarios that might occur can be explored, so that problem that may occur can be anticipated and Plan B, Plan C and even can be prepared. Thus, when a condition that occurs less than expected, decision makers can quickly determine quickly what to do (because of this condition, or similar to this have been anticipated earlier).
**Not right or wrong:** In making decision, we choose from several alternatives, do not choose which one is wrong or right. Thus, there is no decision which is wrong or right. But the decisions we took maybe not match the results that we expected. So, we need not regret for decision which has been taken, especially stuck and regret the decision was taken if we take could not provide result that we expected.

**Focus to the future:** After taking a decision, whatever the result, we must continue to monitor, and focus our efforts to make the best of what has been decided. We can also make various adjustments that result can be directed to achieve common goal.

**Involve related parties:** In making quick decision, it’s possible involves people associated with the decision has been made. We also can get valuable feedback with their involvement. Besides, we can invite their commitment to support the decision that has been made. Then, what we can do is asking other opinions and their proposals. This information can be made on the basis for decision making.

**Tools for finding information:** quick decision will be more effective if we can use the tool, such as quantitative and qualitative data. This data is quick, easy and cheap that we can get from the internet and others from integrated information system network, or statistical agencies. However, before determining which data can be used, first, we need determine our goal, after that we find the appropriate data to assist us in making a decision.

Often we must make decisions quickly without waiting for all the necessary information is collected. In conditions like this, we can try strategies that have been discussed here: a reference to the principles that have been set, choose to take a decision on the most important issues and select the alternative that provides the biggest benefit and have the risk can be controlled.

**How do they think the relationship between strategic management and organization's performance? That is, how the strategy management affect company’s performance?**

In terms of strategic management in financial, we evaluate the amount of benefit from every project that we will get. The illustration: From such 1 project implementation (6 months), we estimated that we will have benefit as much as Rp. 200 million with the capital to be issued is Rp.900 million. Then, we compared it with the bank interest that we will get for 6 months project. If the benefits is greater that bank interest that we will get for 6 months, then we take the project, however, if it less than or equal to the interest rate banks, we find another project. Commissioners and directors are people who hold a full decision to take / reject the project.

Changes in company’s performance: company’s performance is relatively stable because of using strategic management, however, the demands of this era where more and more competitors and the rapid development of information systems and technology, it is necessary to do some adjustments such as the requirement of certification experts. So we need to certify our experts which we have under institutions that recognized by the government. Moreover, technology changing rapidly and now most of the auction process is using online systems application, etc.

We certainly have change in service product. It was because the impact of changing period from 1990s - 2000s and it will automatically change of market demand. The illustration, we get project for road project planning / technical suggestions in 1990s. At that time, we only give service accordance to that period because the growth rate of the user different from now, so that the resulting product does not as complex as now days.

**Do you have expanded to other industry or business which is different with your current one?**

So far, the company is still focus in the field of consultancy

**What are the crucial factors for company survival?**

Consistent with company’s vision and mission and supporting from all employees, because top management responsible for the life of employees and they are open with the existing condition without covering anything. Things like this that might be rare in other company. Then, we need to see the
market demand in order for development strategy. Other factor can also come from bank loan which will help us survive.

In consulting services business, the main activity is to provide services, the company must provide the maximum service to all clients in order to survive and develop. In addition, it must be supported optimal with the existing resources.

**Interview with Engineering & Management Consultant**

**Company A (Indonesia)**

**Participant information**

- **Gender**: Male
- **Department**: 
- **Position**: Engineering Manager
- **Others (if any)**:

**Company information**

- **Type of Industry (for example retail industry, service industry etc)**: Engineering and Management consultant (construction industry)
- **Number of employees**: 50-55 employees
- **Annual sales**: Rp.190-200 million (2008)
- **Others (if any)**: located in Bandung (West Java), Indonesia

**How long have you been working in this company? What’s your main responsibility? What’s your company structure?**

I have worked for 12 years and responsible as Engineering Manager

**How can you define” strategy”? How to implement strategy in your company? Do you have any procedures for strategy making process? If yes, please give us an example (informal and formal)**

Strategy is a way to pursue company’s objective in order to exist and develop. Then, it submitted to people who are responsible for monitoring & implementing the development. It’s simple procedure, the strategy will discuss in top management (owner)

**What’s your company’s vision and mission?**

Our vision is to become a reliable national private service consultant, independent for construction or non construction sector.

Our mission is to create better thing according to specific law & regulation.

**How your company do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?**

I do not see this.

**Which analyzing factor those influence to strategic decision making in this company (e.g. government regulation, market competition, top management decision, etc)? In your opinion, how the internal and external factors affect the company’s strategic decision making?**

Top Management decision.

Input from internal are response enough here, especially in the coordination meetings, external factors also affect market conditions and particularly strict competition.

**Can you please specify how the external factors affect your business from four aspects : Politic, Economy, Social and Technologic ?**

Political : political situation affect in current policy in the business consulting service. If its stable, the company can adjust the decision making and getting more project.
Economic: We’re not only focus on our profit but also the employee welfare. Global economic crisis made us control our budget and not easily laid off the workers.

Social: Our company have value and norm of this company affect the organizational behavior. Technology: We were not aware of high technology in this consulting business. We’re just using computer software which is related with design (architecture or civil construction).

In your opinion, currently, what are the important troubles faced by the company, and how the company can handle it? Are they using some special method? (E.g. software)? Explain

Competitor are increasing & decreasing market for the business.

Who are the strategic decision makers?

Top Management

How do you handle the disagreement between management about strategy decision making?

During this time, in my point of view top management decision is good, so we have to announce to our subordinate the purpose of its decision by means of reducing internal conflict. On the other hand, if disagreement occurs in decision making, director / commissioners (top management) will conduct meeting with all party which related with its problem to get “win-win” solution and to minimize the risk fault.

How do they think the relationship between strategic management and organization’s performance? That is, how the strategy management affect company’s performance?

In this company, management strategy is come from Top Management, even though it changed, the performance of the organization made is still remaining the same. A good management will also produce better output. I have not seen significant change in this company that may have been change the management strategy.

Do you have expanded to other industry or business which is different with your current one?

No, So far, the company is still focus in construction.

What are the crucial factors for company survival?

Consequent on vision and mission of the company and support from all employees, because the openness of company condition and responsible feeling from Top management about employees life. Things like this that may not be found in other companies.

Interview with Civil Construction Company B (Indonesia)

Participant information

Gender: Male
Department: -
Position: Branch Manager
Others (if any):

Company information

Type of Industry (for example retail industry, service industry etc): Civil Construction (construction industry)
Number of employees: 70 - 75 employees
Annual sales: Rp. 9 - 10 billion (2008)
Others (if any): located in Bandung (West Java), Indonesia

How long have you been working in this company? What’s your main responsibility? What’s your company structure?
I have been working for ±12 year and responsible for developing business services in manufacturing engineering/construction industry equipment, structural & functional.

The organizational structure:

How can you define “strategy”? How to implement strategy in your company? Do you have any procedures for strategy making process? If yes, please give us an example (informal and formal)

Strategy is a strategy to obtain optimal results and its implementation should aware of existing development by analysing external & internal factors

What’s your company’s vision and mission?

Vision:

- National consulting service which main focus on development field for water infrastructure, transportation, regional development, construction industry in Indonesia, and also partner consultant at regional level.

Mission:

- Exploit the growth of the company through acquisition sales in a specific market segment for the company, and the ability to create profit growth
- Improved welfare and increased employee benefit for all stakeholders
- Development of National Human Resources professionals, which in turn can participate in the dignity of the professionalism of national experts
- Able to participate as a Consulting Services company in the development of large-scale infrastructure in the country, and able to be trusted as other partner company Consulting International, in the framework of infrastructure development in Southeast Asia
- In its capacity as a consultant, we had role as a locomotive for the efficiency of government investment in the form of infrastructure development with specific expertise PTIK, so achieving productive climate for Construction Industry in the country
- Consecutive build and develop the company’s Consulting Services in order to participate in supporting the development, participated in improving employment opportunities, and provides Services Expertise

How your company do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?

We use data and government information.

Internal Analysis: discussions with shareholders associated with the issue of its employees

External Analysis: we have to know the government regulation that apply for each project
Which analyzing factor those influence to strategic decision making in this company (e.g. government regulation, market competition, top management decision, etc)? In your opinion, how the internal and external factors affect the company’s strategic decision making?

We also consider external & internal factors for operational company.

Internal factors: financial, government regulation and internal community development are dominant factors in strategic decision making.

External factor depend on the decision context

Can you please specify how the external factors affect your business from four aspects: Politic, Economy, Social and Technologic?

Political: Politic situation will affect how we do analysis every project that we will take. If the political condition is not stable, we will not take project with high risk.

Economic: Economic condition affect the company’s policy when making decision. Unstable market price make us need to adjust the price according to their needs, even we have to control the budget.

Social: In our industry, social factor related with building relationship with our competitor. We try to find lots of network and information related with our field.

Technology: Technology development is important for the growth of this business. However, since we are not high tech company, we just use computer system to support daily operation, and we use more civil tools for construction project.

In your opinion, currently, what are the important troubles faced by the company, and how the company can handle it? Are they using some special method? (E.g. software)?

No, we do not use special method. The decision relies on company’s leader in every branch in Indonesia.

Who are the strategic decision makers?

At every level, there are structural responsibilities of decision makers in accordance with the proportion. The highest responsibility is in director.

There are tiered distribution meeting:

Distribution of B → Board of Directors until Management

Distribution of D → Board of Directors until Section Head

How do you handle the disagreement between management about strategy decision making?

There is always a problem but so far can be overcome with a sensible approach that is deeply against the root of the problems that we have. We also do intensive approach to the conduct of the individuals / groups involved and try to find the way out.

Business consulting services will continue to grow because the government / non government cannot stand on its own without external assistance.

How do they think the relationship between strategic management and organization’s performance? That is, how the strategy management affect company’s performance?

The performance of the company will be helped by the business strategy / management that is defined. Clearly, companies with good management operations will be better also.

Do you have expanded to other industry or business which is different with your current one?

This company is already doing quite a lot expansion in many areas of both engineering and management, but essentially we will remain consistent in the consulting world.

What are the crucial factors for company survival?
Interview with Civil Construction Company B (Indonesia)

Participant information

Gender: Female

Department: -

Position: Manager of Structural Engineer

Others (if any):

Company information

Type of Industry (for example retail industry, service industry etc): Civil Construction (construction industry)

Number of employees: 70 - 75 employees

Annual sales: Rp. 9 - 10 billion (2008)

Others (if any): located in Bandung (West Java), Indonesia

How long have you been working in this company? What’s your main responsibility? What’s your company structure?

Working almost 14 years, as Manager of Structural Engineer

How can you define” strategy”? How to implement strategy in your company? Do you have any procedures for strategy making process? If yes, please give us an example (informal and formal)

Usually strategy made based on market condition, so we can not too idealistic and we need to follow it by means of surviving in current condition. The implementation according to employee’s ability, thus sometimes it’s not too maximal.

What’s your company’s vision and mission?

Vision:

National consulting service which main focus on development field for water infrastructure, transportation, regional development, construction industry in Indonesia, and also partner consultant at regional level.

Mission:

- Exploit the growth of the company through acquisition sales in a specific market segment for the company, and the ability to create profit growth
- Improved welfare and increased employee benefit for all stakeholders
- Development of National Human Resources professionals, which in turn can participate in the dignity of the professionalism of national experts
- Able to participate as a Consulting Services company in the development of large-scale infrastructure in the country, and able to be trusted as other partner company Consulting International, in the framework of infrastructure development in Southeast Asia
- In its capacity as a consultant, we had role as a locomotive for the efficiency of government investment in the form of infrastructure development with specific expertise PTIK, so achieving productive climate for Construction Industry in the country
- Consecutive build and develop the company’s Consulting Services in order to participate in supporting the development, participated in improving employment opportunities, and provides Services Expertise.

How your company do the external analysis and internal analysis? How do you collect data for analysis, for example, through survey, data base or information from government?
Analysis based on the collection of data and information only.

Which analyzing factor those influence to strategic decision making in this company (e.g. government regulation, market competition, top management decision, etc)? In your opinion, how the internal and external factors affect the company’s strategic decision making?

Market condition and tight competition also influence the external factor. The impact of financial crisis affects top management policy / decision making that should be changed referring to current condition.

Can you please specify how the external factors affect your business from four aspects: Politic, Economy, Social and Technologic?

Political: Politic situation will affect on top management decision.

Economic: Economic condition will affect on budgeting plan, if there is unstable economic condition, it will impact on the material price that we will use for some project. Thus, we impact on the successful of the project as well as its quality.

Social: Social and building relationship with our partners, project owner and other actor within this construction industry play important role for growth of business. It also support by strong relationship and teamwork within employee in our company.

Technology: new technology related with new application of technical process in construction industry is important. Thus, we can renew our techniques to make our job faster. We also send our employee for training.

In your opinion, currently, what are the important troubles faced by the company, and how the company can handle it? Are they using some special method? (E.g. software)? Explain

Declining market and the problem solved with the change strategy that is more sensitive to the needs of the market only

Who are the strategic decision makers?

Top Management (Director)

How do you handle the disagreement between management about strategy decision making?

We will handle it, if we can solve it. If not, we can take further step to minimize the error. The company can cope this situation by asking help other division to minimize the risk of error together.

How do they think the relationship between strategic management and organization’s performance? That is, how the strategy management affect company’s performance?

More or less, strategy management affect company’s performance, so certain changes also occurred slightly, although not globally.

Do you have expanded to other industry or business which is different with your current one?

No, so far, the company is still focus in construction.

What are the crucial factors for company survival?

We must read the market needs, and not ashamed to change strategy in order to survive in the long run. Other factors do not have a loan from the Bank will make us survive.