
STRATEGIC SUCCESS AND MEMBER COMMITMENT

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Strategy formulation and implementation are more of a complex and inexact art than science. While data tends to support the importance of strategic planning ([28], [12], p.11) inexact, incorrect, or poorly-conceived plans can make its achievement difficult. However, firms often achieve success in spite of poorly-formulated strategies. In the clear light of hindsight, it is evident that these strategies should have resulted in failure and were very likely irrational. Success was nonetheless achieved as the commitment and effort of both management and operatives rose to the occasion.

The high level of commitment necessary to make a poorly formulated strategy work is important to the success of the firm and provides a clear competitive advantage. The role that commitment plays toward this end may be seen in the behavior of employees who are also owners of the firm [20] - those more likely to feel committed to the success of the firm ([29], p. 25). Committed individuals normally have a strong belief in, and acceptance of, the organization's goals, a willingness to exert considerable effort on behalf of the firm, and a definite desire to maintain membership within the firm [19]. All of these attributes are significant factors in successful formulation and implementation.

Thompson and Strickland state, "[o]bviously, it is important for organizational sub-units and individuals to be committed to implementing and accomplishing strategy" ([30] , p.231). The significance of the relationship between commitment and organizational success has also been suggested by Schein [23]. While significant, the data which supports the importance of commitment in implementing strategy and the achievement of strategic goals are limited. The intriguing, though largely unquantified, relationship between commitment and success is the subject of this exploratory study.

Strategy Implementation

Defining successful strategy implementation is complicated by the numerous definitions of a firm's success. Factors important in a firm's success range from the seventeen different perspectives discussed by Steers [26], to multiple financial ratios [32], to the more restricted domain of financial performance found in most strategy research [31]. Upon reviewing various available measures and definitions, this study conceptually defines strategic implementation as a process leading to the state the firm strives to attain [3, 7] based on its operative goals [1, 26], which is indicative of the firm's ability to use its resources in attaining specific ends [5].

Although a firm addresses multiple goals [9] (for example, adaptability, flexibility, productivity, and satisfaction [26]), it may be concluded that the various measures must be ordered into a hierarchy of importance. However, it may be further concluded that none of the multiple goals are ultimately more important than the achievement of the narrow strategic goal of financial performance - profit. Certainly profit emerges as the dominant variable in empirical strategy research [11].

For the purpose of this study, return on assets (ROA) was selected as the profit measure, being the best single indicator of the firm's performance in the selected industry - banking. The multidimensional nature of profits in the banking industry reflects many factors, such as loan quality, earnings, net interest margin, and operating efficiency. A high ROA is almost always associated with superior all-around performance of a business firm [4]. ROA "is a more reliable measure of profitability because it measures the true amount of capital which companies [or individuals] have invested in the business" [6]. In a study of 105 large banks in the United States, ROA was found to be the most common goal quantified in the long-range plan [13]. ROA meets the strategic implementation criteria discussed earlier: a state which the firm strives to attain, an operative goal, and an indicator of the firm's ability to use resources in obtaining a specific objective.

The working hypothesis of this study is that a positive correlation exists between employee commitment and financial performance, as measured by ROA. That is, banks employing a workforce which exhibits a high level of commitment will have a higher level of financial performance than banks with employees exhibiting a low level of commitment.

Method

The Organizational Commitment Questionnaire (OCQ) [14] was used to measure commitment. Mowday, Porter, and Steers [14] have provided reasonable evidence of the internal consistency for the OCQ with a median at .90. Based on administration to 2,563 employees, the reported alpha coefficient and test-retest reliability of the OCQ are well within ranges expected for an internally consistent instrument.

To create a sample for the purpose of assessing organizational performance, a list of banks in three performance categories was obtained from Sheshunoff Banks of Ohio [25]. Five Chief Executive Officers of banks within the required deposit amount and socio-economic categories agreed to participate. A sixth bank, having a slight difference in deposit size, was also selected for the study. No apparent material impact on the research results can be attributed to this difference.

Based on bank performance data obtained from Dun and Bradstreet [4], the banks selected for the study were ranked as either "low-performance" (ROA of .7 and below), "medium-performance" (ROA between .8 and 1.2), or "high-performance" (ROA of 1.4 and above). A gap between the low-, medium-, and high-performance categories was established to clearly differentiate the categories. From the total of six banks, each category could equally be represented: two high-, two medium-, and two low-performance firms.

Each bank, which had between 1 and 4 branches, was located in a small to mid-sized

Ohio town having similar socio-economic characteristics. The survey group banks had deposits in the range of \$37-72 million. The number of employees per bank, which ranged between 40 and 60, permitted all employees to be surveyed. Characteristics of banks included in the study are found in Table 1.

Table 1
Bank Characteristics^a

Banks ^b	Performance Group ^c	Total Domestic		Employees	Branches
		Deposits \$(000)	Total Assets \$(000)		
A	High	36,361	40,026	40	1
B	High	73,416	69,867	55	2
C	Medium	50,139	48,391	50	3
D	Medium	55,120	63,022	50	4
E	Low	55,862	N/A	60	1
F	Low	52,517	55,286	50	2

a. Source: Sheshunoff Banks of Ohio, 1985.

b. Bank A is in Sheshunoff Deposit Size Group E. Banks B-F are in Deposit Size Group D.

c. Performance is based upon a 5-year average return on average assets.

An individual was designated within each bank to receive and distribute the materials of the survey: cover letters, questionnaires, and return envelopes. Employees completed, sealed, and returned envelopes to this individual. Confidentiality was stressed in all discussions with management, the designated individuals, and participants.

The number of usable returned questionnaires which were included in the sample totaled 210. Respondents were representative of the survey population and included bank presidents, loan officers, branch managers, tellers, and clerks. Respondents ranged from post-high school to pre-retirement. The majority of respondents were female, with a larger number of males clustered at the management level. Of the 210 questionnaires, 66 were from high-performance banks, 74 were from medium-performance banks, and 70 were from low-performance banks.

Findings

Commitment and Bank Performance Groups

To test the hypothesis that ROA and commitment are positively correlated, the *F*-test was used initially, followed by supplementary *t*-tests. The level of commitment measured by the OCQ was different across groups of high-, medium-, and low-performance banks. As reported in Table 2, low-performance banks possessed the highest level of employee commitment, medium-performance banks had the lowest level of commitment, and high-performance banks demonstrated the middle commitment score. While employee commitment did differ across the performance spectrum, the relationship was not anticipated. Results of the analysis of variance within and between groups are presented in Table 3.

Table 2
Commitment Within Bank Performance Categories
 Means and Standard Deviations

Bank Performance Group	Commitment Group Means	Standard Deviation
High	5.06	1.31
Medium	4.72	1.30
Low	5.35	0.84

Table 3
Analysis of Variance
 Commitment and Bank Performance

	Between Groups		Within Groups		F Ratio	F Prob
	Sum of Squares	Mean Squares	Sum of Squares	Mean Squares		
Commitment	14.15	7.05	281.70	1.37	5.17	.0064

Commitment Within Hierarchical Levels and Across Performance Groups

The mean value of commitment for each hierarchical level within each performance group is reported in Table 4. One attribute of the means reported in Table 4 is the rank-ordering

Table 4
Commitment and Bank Performance
 (Mean Commitment by Organizational Level)

	<u>High</u>	<u>Medium</u>	<u>Low</u>
Top Management	6.56	5.73	5.71
Middle & Lower Management	5.29	4.65	5.18
Non-Managerial Operatives	4.82	4.62	5.32

of mean commitment by organizational level of the respondent. In high and medium performance banks, there is a consistent rank ordering of the commitment value, with top management possessing the highest value, followed by middle and lower management, followed by non-managerial operatives. In low-performance banks, middle and lower management possess the lowest degree of commitment among the three organizational levels in that performance level. While not a statistically significant finding, it is interesting to note and may be a source for future study.

Analysis of variance was used to determine whether any differences existed in commitment levels between performance groups within each hierarchical level. The *F* test showed a significant difference at the .05 level between means for the non-managerial operative group. A subsequent *t* test of means showed significant differences at the .05 level in commitment levels between the high and low performance firms, and between the medium and low performance firms as shown in Table 5.

Table 5
Comparisons of Average Commitment within Hierarchical Levels and Across Performance Groups

Performance Groups	High to Medium	High to Low	Medium to Low
Non-managerial Operatives	t=0.854 p=0.601	t=2.074 p=0.038	t=2.984 p=.004

p values are for a 2-tailed test.

In summary then, commitment levels did not vary significantly within top or middle/lower management groups across performance levels. But among non-managerial operatives, the low performance banks showed significantly higher levels of commitment than their top and middle/lower management counterparts.

Commitment Within Performance Groups and Across Hierarchical Levels

Table 6 shows that top management was the most committed group in all performance categories. Analysis of variance was used to test whether significant differences occurred between commitment means for each of the hierarchical levels. The *F* test showed significant differences at .05 level for the high performance group only. Subsequent *t* tests showed significant differences between the top management and non-managerial operative group only ($\alpha=.05$), and top management and middle management ($\alpha=.10$).

Table 6
Comparisons of Average Commitment Within Performance Groups Across Hierarchical Levels

Hierarchical Levels	Top to Middle Management	Top Management to Operative	Middle Management to Operative
High Performance	t=1.882 p=.075	t=2.885 p=.006	t=1.169 p=.245

p values are for a 2-tailed test

Discussion

This exploratory study has examined the relationship between strategic success, defined as return on assets (ROA) and the level of commitment to the firm. It has been suggested that commitment is important in implementing and accomplishing strategy ([30], p. 213) and results in greater effort to achieve success ([29], p. 25, [20], [14]).

Within top performing banks, top management was found to be significantly more committed to the firm than their subordinates and somewhat more committed than top management in other banks. The high commitment and associated work behavior of top managers are compatible with top management behavior displayed in other high-performance firms—these individuals work harder and show a greater indication of “marry”

their jobs than their counter-parts in lower-performing organizations [15], behaviors which would increase the probability of strategic success—high ROA.

The low commitment (relative to that of top management) of middle and lower management and operative employees in high-performing banks may constrain general management's decision making ([2], [1], [18]) and potentially result in middle and lower managers giving low priority to strategy implementation [22]. Although subordinate commitment in high-performing banks was not significantly higher than that of their peers from lower-performing banks, a highly committed top management's probable demands for high performance, well-established control systems, and tight performance reviews has greater potential for directing subordinate behavior to desired performance outcomes—an important factor in strategic implementation [21]. And while important within the work group [27], high commitment may not be vital to strategic success when the above-mentioned control systems are in place. Even though support from a segment of a firm's members may be required to implement those strategic activities that accomplish a firm's objectives, "it is not the case that such support be given because of commitment to the firm" [22] or that commitment exist throughout the organization. Highly committed top management may require achievement regardless of the level of commitment of their employees.

Conversely, highly committed operatives with less highly committed managers were not significantly related to high bank performance. Their top managers did not appear willing or able to capitalize upon the commitment of their operatives in achieving a high ROA. One may tentatively conclude that regardless of the level of commitment of an organization's employees, commitment of top management is critical to the success of the enterprise.

Strategy, the balancing of focused commitment on the one hand and flexible resource allocation on the other, requires both commitment and mental flexibility from management in considering options in strategy formulation [10]. Without the stability of high commitment, top managers may be disinclined to explore all available options or be unwilling to carry or force a chosen strategy to completion. Even when high commitment is evident within the operative ranks, it does not appear to overcome the limitations imposed by less-committed top managers who are responsible for strategic formulation and implementation.

Conclusion

This study has provided some suggestions for theory and tentative support for the relationship between top management's commitment and strategic success, defined as a firm's return on assets. It also presents and demonstrates the importance of the issue of commitment for strategic management while providing suggested avenues for extension of and potential benefits of future research in this area.

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