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Editorial

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Prof. Dileep Kumar, M., Ph. D.
Editor In Chief

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PAPERS

Information Management and Business Review (IMBR)
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Effective Management and Its Impact on Growth of Small and Medium Sized Pakistani Firms

Khalid Jamil, Muhammad Zeeshan, Hamad Raza
National University of Modern Languages (NUML) Islamabad, Pakistan
Faisalabad Serena Hotel, Pakistan
Universiti Teknologi Malaysia, Malaysia
khalidjamil29@yahoo.com, zeeshan.links@gmail.com, hamad_raza@hotmail.co.uk

Abstract: The study is held to observe the impact of Management including Management levels and decision making on the growth of small firms. Study area is Punjab (Pakistan). Small firms have no proper firm structure; they do not follow the formal rules to run the organization. In spite of this, these firms are growing rapidly. If these firms have effective management levels and rational decision making than the firms will grow rapidly. The results show a significant increase in growth by using rational decision making and having effective management levels. Statistical results show that if we spend 1% on independent variable, then it shows an 80% increase in dependent variable.

Keywords: *Small firm; Management; Growth; Decision making*

1. Introduction

Background of Management: In The Global World of Today the Crucial Importance of Management Cannot is ignored. Better Management is considered as a Magic to cope up with the worst situation. Better Management consultancy has the power to change the worst situation into desired. Simply Management is defined as the process of coordinating and overseeing work activities of others, so that they can accomplish their goals efficiently and effectively. Efficient and effective ways comprise the work should be done properly and on time. The definition of management focuses on two things:

Co-ordination; Over-seeing: The above two are the main functions performed by the management. Controlling the above two factors efficiently and effectively makes the magic possible to be done, to cope up the worst situation. If an organization have coordination between the employees and also the work activities, and also have the better supervision, than it can accomplish all types of goals easily (Robinson, Pearce, Voziks & Mescon, 1984). The importance of management functions cannot be ignored in management. All the four management functions are the life blood of the organization. They provide specific pathway to the organization to run properly i.e. Planning, Organizing, Leading and Controlling.

These functions are the Guidelines to properly run the organization toward achieving its goals. Talking about management is insufficient without a person; who coordinates and overseas the work activities of others; The Manager, who performs all the management activities. There are three levels of management to run an organization properly. All levels of management perform different management functions described earlier. These levels include Top Level, Middle Level and Lower Level management. Top management deals with the big picture issues of the organization such as making strategies, hiring middle level management, making budget, deal with the outer world etc. Board of directors includes this level. Middle level of management perform the functions like execution of plans for organization, making plans for different units, involve in tracking the junior managers and also play a role in the training of lower management. It includes branch managers etc. Lower management involves in assigning the work activities to workers and employees, and also responsible for quantity as well as quality production.

Growth: Number of Researchers answered the question. Edith Penrose defined the growth in two connotations; first the term growth shows the increase in amount e.g. when we speak increase in "output, export and sales" and secondly when the growth in size is observed, it can be the increase in quality of work processes, products etc. Davidsson & Hoing (2003) observed the heterogeneity of growth as sometimes they observed the change in size, amount, quality, processes etc. commonly we can define the growth "Development over time". The development can be observed in management activities, entrepreneurial activities, resources, market characteristics etc. (Davidsson & Hoing, 2003). Now let's have a glance at small organizations; another important factor of our study. Different researches show different views about small firms (Abor & Quartey, 2010). The focus of our research is small firms. We have observed the impact of management on the growth of small firms. For this we should be fully aware of small firms. Different researchers observed the characteristics of small firms. Small firms are more creative (Capellars, Mole, Greene & Storey, 2008). Small firms are more flexible than large (Chandler, Hoing & Wilkund, 2005). Due to small number of employees, decision making is quick (Chan & Foster, 2001). Small firms have limited Resources (Cohen & Musson, 2000) face uncertainty, do not plan, bad attitude toward detailed day to day procedures (Churchill, 1992). Small firms have simple management structure. Manage conceptual aspects less ably than larger firms (Capelleras & Rabitino, 2008).

In our research our focus is small firms with 10 to 99 employees. Now the question raised that why some firms grow more than others? A study of Muneer e al. (2014) raised the same question and presents the findings that from last twenty years, we still have not the clear answer of the phenomenon (Capelleras & Rabitino, 2008). However, in their study they tell one reason that the different studies did not choose the right variables for explanation. MacPherson and Holt (2006) support the argument and further explain the reason of low growth as lack of knowledge, managerial skills, resources etc. Management and growth both are interred related and the above studies reveal that a firm cannot grow until it has splendid management adjustments. Lot of research is done in this scenario and the theme of all the researches is same as small firms are the life blood of the economy (MacPherson & Holt, 2006). Small firms support the economy of a country more than larger firms. Research of Abor and Quartey (2010) in Ghana showed that 90% organizations are small organizations. All the above studies prove that small organizations play a crucial role to boost the economy of a country. We also observed from the previous studies that without proper managerial activities growth has no meaning in organizations. The concept of management is not limited toward management skills rather it has strong relations with Marketing, HRM, managing change and financial activities. Other activities that affect growth are entrepreneurial activities, environment and culture (Bowman & Swart, 2007). When we observe growth in Entrepreneurship, we come to know that it has a huge impact on growth or growth cannot be imagined without it. It enhances growth by bringing creativity and innovation. When we observe growth in marketing point of view than we come to know here we can grow by managing horizontal, vertical type growth over time (Deakins, 2001).

In HRM previous studies consider the more important capital to human capital. But in small firms, due to limited resources it is not well managed. When we observe the growth in terms of financial point of view, we observe that finance is the major factor, considered more important in small firms. Our focus of study is South Punjab, which is considered the backward area of the country, having low literacy rate, so here growth is mostly taken in sense of monetary terms and we also know that the ultimate objective of a business is profit so; in our proposed research. We took growth in terms of financial performance. But as we explained earlier that growth is development over time so other factors cannot be ignored. Development includes all the factors that are extended over time such as number of employees, number of customers, all assets of the firm etc. If all these factors are increasing over time than we can say that our organization is growing with the passage of time. More growth shows more demand, and more demand enhances the sale and ultimately more profit. Number of researches has done in these prospects, but there are several matters that can be discussed (Tufail et al., 2016). During this research survey, surveyed a large number of small firms and asked their history to their owners. Researchers cannot explain the detail of all the firms in this study but am eager to explain some of them. Researchers surveyed a firm of shoes in the rural area of Multan, earlier it was started as a non-serious business by a lady just to keep herself busy. The lady was a widow with her three married children. She has a lot of spare time, so she went to a common market and purchase ten shoes for further sale. Earlier profit decided was just to cover the expenses of her fair of transport and little refreshment. But as she started, the demand increases on daily basis. With the passage of time the shoes became famous to the near areas of her home. So, she upgraded her business by including the women's of near areas in her business. As the business flourished, profit and demand also increases. In short, now days her business has become like a small firm. It has proper customers, consumers, suppliers etc. But still this business is running on local rules, with no specific management but a proper increase in growth can be observed. All the decisions regarding extensions, supply, etc. are still taken by the owner lady. There is no specific name suggested for the business, but there are 55 employees working for the business now days.

Research problem: The study is conducted in backward areas of Punjab. The small firms of south Punjab are growing day by day and have a meaningful impact on growth of the economy, but the basic culture of these firms is not so well developed. The owners or employees of the firms are not well educated, so researchers a lot of problems in collecting data from them. Mostly they are not fully aware of the formal terminologies of management, researchers tried our level best to clear the terms and to get the pure data. So, it might be a chance of some impure data in the study. But it will be in a little quantity that can be ignored.

Purpose of Study: Small firms know little about financial management and decision making and also lack of planning and development. So we are trying to high light the role of management toward the financial performance of small firms of South Punjab. Our research differs from the previous researches in the sense that previous researches were done on the strong economies; and in Pakistan in big cities. Our focus of research is the backward areas of South Punjab. The study is limited toward small organizations and in some rare situations micro firms and family owned businesses.

2. Literature Review

Previous studies also support the findings that we are going to done. But we have observed the fact that the literature on our topic is limited, and there is still enough space to research. Qamar et al. (2013) said that businesses require both Entrepreneurship and Management. They defined the Entrepreneurship as focusing on “profitability and Growth seeker”, the person who takes the risk to promote the business. On the other hand, a manager is a person who saves the cash to use in future considerations. So, the small organizations, due to limited resources, have a manager. Mostly management in small businesses relates with ownership. Small firms mostly focuses on owner manager, so they know little about financial management, Decision making and entrepreneurship’s in this research the researcher mostly focus on financial management decision making. In small firm’s decisions are mostly taken on day to day and fire flight basis, so strategic planning toward has no meaning. Small firms have no cash management strategies, however they have owner manager and transactions are usually recorded on day to day basis, so expenditure and cost is fully known, therefore tight cash control is present that helps in their survival.

Grablowsky (1984) argued that stock control difference between large and small companies. Large companies use statistical methods while small companies use Judgment (6%), Anticipation (32%), past experience (15%), with no methods (27%). Wilson said that small firms face liquidity problem, short term funding and banks give them short term loans (Dutta & Crossan, 2005). Furthermore, he argued that small firms can grow either by organic or acquisition means. Tufail et al. (2016) told the role of small business managers, growth motivations, taking into account the important effects of previous motives and feedback from earlier performance we hypothesize that small firm’s managers growth has a unique influence on firm outcome, measured as growth in sales and in number of employees. Pout Ziouris argued that in growth process, behavioral issues are also very important e.g. the behavior of the management toward an unstructured problem. He also reflects the agency problem in small organizations “a situation in which management goals are proffered over organizational goals”, a big hurdle toward the attainment of growth (Honing, 2001).

Firm that has maximum tangible and intangible resources, financed by external resources exhibits higher employed growth. Presence of large and more specifics networks contribute positively subsequent venture growth. Facing high competitors, high growth exports activities and firm’s employed, a firm will attain high growth. Chio and Shepherd, Persn and Grant and Lefebvre et al. all argued that organizational technologies compliant and support but remained influenced by decision making and technical ability (Simon, McMillian & Woodruff, 2002). Gregory reflects a research from Romania and explained that in Romania it is accepted that small firms represent a key factor of economic growth. Development is the percentage of workforce hired (Mcpherson, 1996). The power of a company is reflected in the number of employees. Also focuses on high performance work system e.g. assessment, training, development and improvement of communication. High risk of failure limits the small firms to grow, as survival is their main concern. At least four parameters have to be supervised in order to obtain stable level of financial standing e.g. percentage of the work cost in added value, profitability, liquidity and solvency.

Management: In this research model we took management as independent variable. In management we observed two main factors e.g. management Levels e.g. top, middle and front line management. We observed the role of these management levels in small firms, and their impact is observed on the growth of small firms. Our next independent variable is Decision making. Decision making is a thought process of choosing the right option from different alternatives. We do forecasting between the cost and benefits of different alternatives, and choose the best one. In our research we observed the behavior of small firms toward decision making. There are two styles of decision making; Centralization and Decentralization (Mintzberg, 1994). In centralization the important decisions of the firms are taken by either top management or the owner of the firm. Weather Decentralization involves every employee of organization in decision making. Mostly the European and other countries follow decentralization, but in Pakistan most preferred style is centralization. Most previous researches focuses on small firms of developed areas, where every decision is taken on the basis of already defined rules, but our focus is small firms of south Punjab. So we observed some different behaviour (Schwenk & Sharader, 1993). Moreover, previous literature mostly takes decision making in sense of entrepreneurship, but we observed the behavior of small firms toward decision making toward Centralization and decentralization. We observed the behavior of small firms in our study, these firms have no specific management structure, and most firms have the owner as a top manager, so researcher observed Centralized and decentralization behavior alternatively. The businesses are small and most of the firm have less or no qualified employees, so automatically decision making is decentralized mostly but some firms have owner as top management, so in these firm's decisions are taken by the owner (Sexton & Van, 1982). But researchers observed a sharp growth in these firms. As we took the example of the shoe business of a lady, the business grows in a short period of time and also growing day by day. We observed the positive impact of management levels on growth. So our profit is increased by involving different management levels in our business, and also by positive decision making.

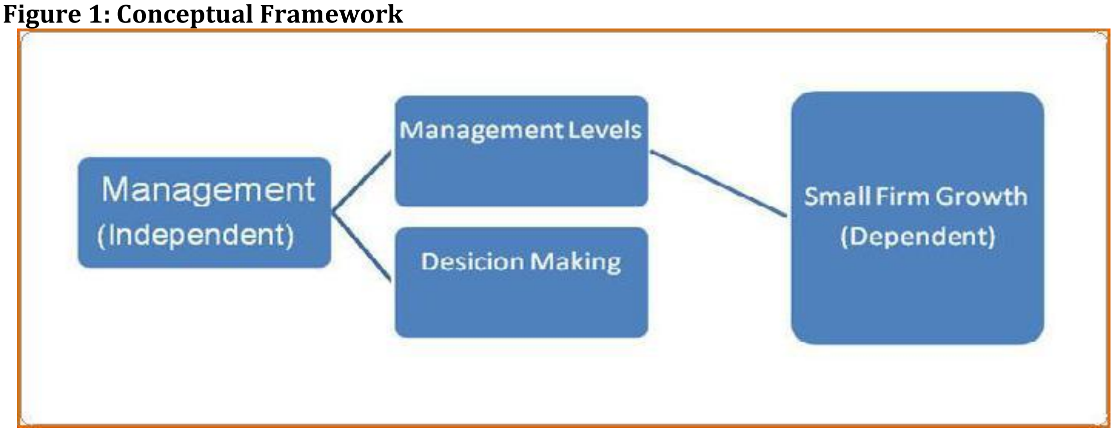
Growth: In our research we took Growth as Dependent variable. As our focus is backward areas of south Punjab, where small firms mostly see growth in terms of financial performance, that's why our focus is also profitability. But as we defined growth as Development over time, so by increase in profit the assets as well as all other factors will show development. There are number of researches in this scenario, but there are a lot of factors that must be defined. The literature on these variables not enough to cover all the prospects, the variables that we took are short in supply in previous studies, so we took these variables to take the next step, that is useful to highlight the behavior of small firms of south Punjab.

3. Methodology

Research technique: The study used both qualitative and quantitative measures. Due to presence of quantitative data, Financial and statistical tools are also used.

Study area: The study area is the areas of south Punjab, where small firms are present. The study focuses on the impact of management activities on financial activities of small firms.

Figure 1: Conceptual Framework



Population: Population is the employees and owners of the small firms.

Methods of data collection: Data is collected both by qualitative and quantitative means. It includes both primary and secondary data. Primary data is conducted through observation, surveys, interviews, Questionnaires etc. Secondary means are internet and previous researches. Secondary means are internet and previous researches (Tables 1 and Table 2).

4. Results

Data is analyzed by using the software of "SPSS" to get the better results (Table 3).

Table 1: Model summary analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.916[a]	0.79	0.77	0.31245

Table 2: ANOVA analysis

ANOVA* Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.753	1	11.753	140.293	.000**
	Residual	2.143	23	0.092		
	Total	13.896	22			

*Dependent Variable: firm. Growth
**Predictors: (Constant), effect. management and d.m.

Table 3: Coefficient data values.

Model		Coefficients[a] Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	0.955	0.363		2.176	0.014
	Effective management	0.823	0.059	0.917	11.432	0

[a]Dependent Variable: firm growth.

If a firm involve all the three levels of management (Top, Middle, Lower) in every decision of its firm than the projects of the firm will be successful, its profit will increase and ultimately the firm will develop on a daily basis. If a firm is started with a minimum investment, No or little assets, One or small employees than it is not necessary that it will remain in this condition whole its life. If the decisions regarding all the matters of the firm will took wisely by involving all its employees, than there are chances that the firm will grow rapidly. During the whole research, and surveys, and also the Questionnaires that are filled by the employees and owners of small firms, researchers observed positive behaviour between dependent and independent variables. It shows that the results are highly significant. It means if the Management layers of a firm are effective as well as Decisions is taken wisely than the firm will surely grow. Results of the study are showing positivity. A reasonable growth can be observed by rationally controlling the independent variable. The firms that were not showing a reasonable increase in growth were failed to control the independent variable. These firms have not an effective management layers and also lack rational decision making. So according to my study, the firm that is willing to grow should have effective management structure and rational decision making. The importance of human capital cannot be ignored in any organization weather it is small or large, If the potential persons will be present than automatically they will take the decisions that are favorable for the organization, so on the behalf of these persons the firm show positive and intensive growth. The statistical data possess significant influence among effective management levels and rational decision making for the growth and productivity of small firms. In accordance to finding, effective management levels and rational decision making and firm growth are statistically significant at .000 (>.005) and effective management and decision making coefficient is 0.82, it reveals that if we invest 1% on independent factor like management level and decision making, it will give return more than 80% which is greater than others. So firms must put more efforts for effectiveness in managerial levels by hiring potential and productive personnel and also by making rational decisions for firm growth.

5. Conclusion

As we are observing the behavior of small firm's growth toward their Management, we mostly focus the Management levels and Decision making, but the role of whole effective management cannot be ignored in this regard. If our management will be effective than we observe a huge growth in the small firms. So, if a firm has Effective management layers and also takes decisions that are effective and wise (according to the situation) than the firm will grow at a broad level and it is the possibility that it will change its status from small.

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The Readiness of Indonesia's Banks Facing ASEAN Economic Community (AEC)

Suparman Zen Kemu
Fiscal Policy Office, Ministry of Finance Republic of Indonesia
szkemu@fiskal.depkeu.go.id, tiarema2000@gmail.com

Abstract: The ASEAN Economic Community (AEC) declared in 2003 in Bali has begun in 2015. The main agenda of the AEC is a single market and production base that includes freight traffic, goods, services, investment, labor and capital. The financial sector is a sector whose implementation is allowed to be leased until 2020 before being fully implemented. In the banking sub-sector is agreed a scheme known as the ASEAN Banking Integration Framework (ABIF) in which ASEAN banks that meet the criteria as Qualified ASEAN BANK (QAB) can participate in the ABIF scheme. The QAB criteria are: (i) well managed (ii) have sufficient capital (iii) obtain recommendation from the authorities, (iv) pass the Basel provisions and (v) be considered important banks in the country of origin To see the readiness of Indonesia's banks to participate in the ABIF mechanism, the authors conducted a study to answer the question of whether Indonesia's banks are ready to participate in the ABIF mechanism. The methodologies used by the authors are to determine some criteria against the condition of Indonesia's banks such as financial ratios and bank health, which then the authors compare to the conditions of banks in other neighboring ASEAN countries. The result is that Indonesia's banks in particular the QAB category are ready to participate in the ABIF mechanism whose implementation will begin in full by 2020.

Keywords: *Readiness, Indonesia's banks, ASEAN, Return on Equity, Return on Assets*

1. Introduction

The ASEAN Economic Community (AEC) was first proclaimed in Bali on 17 October 2003 (Bali Concorde II). The goal is to create a single market and production base, with freer flow of goods, services, investments, skilled labor and capital movement. The AEC has begun to be implemented by the end of 2015. However, for banks, particularly ASEAN-5, liberalization or elimination of restrictions is targeted by 2020. At the ASEAN Economic Ministers Meeting (AEM) August 2006 in Kuala Lumpur, a blueprint was developed to follow up the formation of AEC. The blueprint identified AEC traits and elements by 2015, consistent with the Bali Concord II and the setting of clear targets and timelines and pre-agreed flexibility to accommodate the interests of ASEAN member countries. One of the AEC's agenda is the implementation of ASEAN Banking Integration Framework (ABIF) through Qualified ASEAN Banks (QABs)[1]. This means that by the end of 2015 bank liberalization has begun to be implemented by ASEAN countries already in place. As for the State that is not ready, the implementation can be done starting in 2020, when the liberalization of banking has been fully implemented. The question is, are Indonesia's banks ready to face competition with the banks from other ASEAN countries, such as banks from Singapore, Malaysia and Thailand, when the AEC is fully implemented? Research on the readiness of Indonesia's banks to face AEC is important because banks are at the heart of a country's economy. If the Indonesia's banks are not ready, then the joining of Indonesia's banks in the ABIF scheme will cause a disruption of the economy both from the demand side (customers) and from the supply side (domestic banks). Therefore, this study will focus on the readiness of Indonesia's banks to follow the ABIF scheme by comparing some relevant variables between Indonesia's banks and several other ASEAN member countries, especially Singapore, Malaysia, Thailand and the Philippines (ASEAN five). The results will be used as a tool to measure the readiness of Indonesia banks in facing ASEAN banking integration through the ABIF scheme as a follow-up to the AEC agreement on the financial sector.

Problem Statement: In line with the implementation of ABIF and the target of making some Indonesia's banks into QABs, the authors feel the need to analyze the readiness of Indonesia's banks to deal with the agenda. The author tries to analyze the readiness from various aspects related to the condition of Indonesia's

[1] Banks categorized as QAB receive special treatment in the form of ease of operation in other ASEAN countries within the framework of ABIF.

banks and several banks from ASEAN countries nowadays. 1). Is the readiness of Indonesia's banks adequate, viewed from various aspects such as: growth of equity and assets, financial ratios such as: return on assets (ROA), return on equity (ROE) and health parameters of a bank such as: capital adequacy ratio (CAR), net interest margin (NIM) and non-performing loans (NPL)? 2). What problems are still encountered by Indonesia's banks to compete with other ASEAN countries banks?

Objectives:

- Assessing the readiness of Indonesia's banks in dealing with ASEAN banking liberalization in 2020 by looking at various aspects, particularly several parameters such as asset value, financial ratios, bank's health parameters and matter related with banking condition
- Identifying the existing problems of Indonesia's banks that can disrupt banks readiness in dealing with ASEAN economic integration (AEC).

2. Literature Review

The ASEAN Economic Community (AEC) is the realization of the ultimate goal of economic integration as set in the vision of ASEAN 2020, namely to achieve a stable, prosperous, high-competence ASEAN (Declaration of ASEAN Concord II / Bali Concord II). AEC is one of the three pillars to be implemented by the end of 2015, including the ASEAN Security, Political Community and the ASEAN Socio-Cultural Community. Using the analogy of the threads that hold a piece of cloth together, building the ASEAN Economic Community in the framework of economic stability and ensuring sustainable economic growth will contribute to peace, security and social progress and thereby linking the region together (Plummer and Chia, 2009). The integration of banks in ASEAN has been agreed by the central bank governors of ASEAN through a mechanism called ASEAN Banking Integration Framework (ABIF) in April 2011. The objective is to achieve regional financial stability and liberalization of the banking sector (commercial banks) multilaterally by 2020 (Wihardja, 2013). ABIF is an ASEAN banking liberalization mechanism (including market access and national treatment) through Qualified ASEAN Banks (QABs). ABIF also keeps in mind the prudential host country requirements and the existence of QAB, so ABIF will not increase the number of QABs in a host country in a "large scale" (Bank Indonesia, 2015)[2]. ABIF Principles: (i) reciprocal: The flexibility given to QABs is based on the reciprocal principle between home and host country (ii) outcome driven: ABIF is intended to facilitate regional financial integration, maintain regional financial stability and promote growth and prosperity (iii) comprehensive: ABIF focuses on four important elements to support integration, namely, prudential principles, financial stability infrastructure, capacity building and QAB criteria (iv) progressive and country readiness: The implementation of ABIF adopts a flexible approach, based on country readiness by 2020 as a settlement target (v) inclusive and transparent: involves and benefits all ASEAN Member States and disclosures related to the integration process. Deal with the implementation of ABIF, the Indonesia's banking authorities considered it necessary to prepare Domestic banks face one of the banking liberalization agenda.

Qualified ASEAN Banks (QABs) are banks in ASEAN countries that are considered qualified by meeting five general criteria established: (i) well managed, (ii) having enough capital (iii) obtain the recommendations by authorities, (iv) pass the Basel provisions and (v) considered as important banks in their home country (Alamsyah, 2016) [3]. The Qualified ASEAN Bank (QABs) is part of an agreement between the ASEAN financial authorities in the ASEAN Banking Integration Framework (ABIF) which adopts the reciprocal principle whereby the QABs bank can enter the nine ASEAN countries and be treated as a domestic bank in the country. With this ABIF also, local Indonesia's banks who want to open branches abroad did not have difficulty in obtaining permits either increase the number of branch offices and access in the network of automated teller machines (ATM) in the country concerned (Siregar, 2013).[4] Since QAB is a prerequisite for a bank can participate in the ABIF, then Indonesia's banks should be ready to achieve bank targets with Qualified ASEAN Bank (QAB) qualification. However, bank readiness alone is not enough but government support is also needed to banks. Government support is needed both in terms of regulation making, negotiating in the making of agreements with other countries or agreeing on a rule that will be applied to ASEAN member

[2] Macro prudential Policy Department,

[3] Deputy Governor of BI (Seminar on Readiness of Human Resources and Banking in order to face AEC 2015).

[4] Deputy Commissioner of Banking Supervision I, Authority Financial Services / OJK).

countries, also concerning the addition of capital through state equity participation for state-owned banks (BUMN) . This is because; there are interconnections between one party and the other. Thus, in order to realize the expected results together, it cannot be denied if the Indonesia's banking industry cannot move alone, and need support from various parties (Rismawati, 2013). Reciprocal or equivalence is one of the conditions proposed by Indonesia in the agreement of establishing Qualified ASEAN Banks (QABs). With this reciprocal principle, the number of QABs from Indonesia that will expand to other countries has the same amount as QABs of other countries that have already operated in Indonesia. For example, QABs from one of the ASEAN countries already exist three in Indonesia, then the country should not increase QABs in Indonesia until the number of Indonesia's QABs in the country reached three as well (Siregar, 2013) [5].

Indonesia's Government can play an important role in increasing the equity of state-owned banks through Government Equity Participation (GEP) which is the process of separating state assets into capital in the company of either state-owned enterprises (SOE), local government own enterprise (LGOE), foreign companies, or companies owned by international institutions[6]. Government Equity Participation (GEP) can be in the form of cash or state rights assessed with money. In revise State budget 2015[7] the number of GEP is the largest number, or a significant increase compared to the previous year. Giving a significant amount of GEP to SOEs shows the government's commitment to budget efficiency while increasing production spending (DPR, 2016). The Government Equity Participation (GEP) mechanism is considered to be more effective in fiscal use compared to the spending mechanism. In addition, GEP is able to provide multiplier effect, without spending big cost. This happens because the process of giving GEP is a process of separation of state assets to be managed by SOEs, without removing the assets of the country. SOEs are expected to increase their role as agent of development which plays an active role in supporting the program of national priority.

In terms of bank's performance there are several things that need to be seen to measure whether a bank performs well or vice versa. Operating Cost to Operating Income is the operating efficiency measured by comparing total operating costs with total operating income (Rusdiana, 2012). Operating Cost to Operating Income ratio shows bank efficiency in running its main business, especially credit, where until now the income of banks in Indonesia is still dominated by loan interest income. The smaller Operating Cost to Operating Income shows the more efficient the bank in running its business activities. The higher the cost of income then the bank becomes inefficient so that the Return on Asset (ROA) is smaller. In other words, Operating Cost to Operating Income negatively related to the performance of the bank so predicted also negatively affect the ROA (Suyono, 2005), in his research examined the effect of Operating Cost to Operating Income on ROA in Indonesia commercial banks period 2001-2003 showed that Operating Cost to Operating Income has a negative effect on ROA of 0.1 percent at 5% significance level. Capital Adequacy Ratio (CAR) is showing the bank's ability to maintain sufficient capital and bank management capability in identifying, measuring, supervising and controlling risks that may arise due to the influence of a bank's performance when generating a profit and maintaining the amount of capital owned by banking companies (Wulandari and Sudjarni, 2014). Non-Performing Loans (NPLs) are credit in congestion due to deliberate or external factors (Wulandari and Sudjarni, 2014; Kaluge et al., 2016). Non-Performing Loans are defined as the percentage of the value of the loan not paid by the customer for three months or more (Ahmad, 2007). Return on Equity (ROE) is the ratio used to measure the profitability of a capital owner's investment and is calculated based on the division between net income (net profit after tax) and own capital (Rahmawati, 2010). Return on Assets (ROA) is the ratio used to measure the overall effectiveness of available assets in generating profits (Rahmawati, 2010). Net Interest Margin (NIM) is the difference between Interest Income and Interest Expenses. NIM demonstrates the bank's ability to generate interest income by looking at bank performance in lending. This is because bank operating income is highly dependent on the spread of the loan[8]. Net Interest Margin (NIM) is the annual quarterly net interest income (interest income minus interest expense) as the ratio of average income (Hanweck, 2005).

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[5] Assistant Governor of Bank Indonesia.

[6] Equity is the residual right of the company's assets after deduction of all liabilities (IAI / Financial Accounting Standard 2002, article 49).

[7] Revise state budget is issued by Ministry of Finance Republic of Indonesia.

[8] Syahru Syarif, Diponegoro University (Undip) Semarang, 2006.

The restrictions on foreign banking to enter Indonesia is too low, this is indicated by the lack of foreign banking restrictions to seek in Indonesia. According to a study conducted by the Economic Research Institute for ASEAN and East Asia (ERIA), on the level of banking restrictions in ASEAN countries, Indonesia has the lowest score of 1 (one), while the average score of ASEAN is 43. For regulation or regulation of foreign ownership, Indonesia score 33, while the average score of ASEAN is 36 (Prasetyantoko, 2015). Multiple license is the granting of bank operating license according to business activities and office network based on bank core capital (PBI number 14/26 / PBI / 2012)[9]. Multiple license is a tiered licensing policy as stipulated in Bank Indonesia Regulation Number 14/26 / PBI / 2012 concerning Operations and Office Networks Based on Core Bank Capital which are grouped into four Commercial Business Groups (Buchory, 2015). Multi-licensing Requirements: The granting of a bank license that wants to operate in Indonesia is made based on the category of the bank determined from the amount of core capital of a bank. The amount of bank capital is very important because the amount of bank capital expedite the operational of a bank. If the capital of bank is large, then the amount of credit that can be distributed is also large, otherwise if the capital of banks is small, then the amount of loans disbursed is small (Widiantini, 2010).

Merger is a amalgamate of two firms into one, in which the merging company takes on / buys all the merged assets and liabilities of the company so that the merging company has at least 50% of the shares and the merged company stops operating and its shareholders receive a certain amount cash or stock in the new company (Brealey, Myers, & Marcus, 1999). The definition of another merger is as the absorption of a company by another company. In this case the purchasing company will continue its name and identity. The buyer company will also take both the assets and the liabilities of the company purchased. After the merger, the purchased company will lose / stop operating (Harianto and Sudomo, 2001).

3. Methodology

This study is using descriptive approach, while the data are obtained from secondary sources through journals, books, freelance articles and websites. The analysis was performed using tables, graphics, images and SWOTS namely: Strength, Weakness, Opportunity and Thread. The readiness of Indonesia's banks to compete is measured using several parameters such as financial ratios and health parameters of a bank. Figure 1 shows the framework of this paper.

Figure 1: The readiness of Indonesia's banks

The readiness of Indonesia's banks to deal with the AEC is measured by comparing several factors of Indonesia's banks to the banks of ASEAN neighboring countries covering variables: liquidity, solvency, profitability, efficiency and quality of service as outlined in the figure 1. The result will determine whether Indonesia banks are ready to compete or vice versa to ASEAN neighboring countries banks within ABIF in the framework of ASEAN economic integration (AEC).

[9] Indonesia's Central Bank Regulation.

4. Results

The growth of Indonesia's Banks Asset, Equity and Liabilities: Indonesia's banks can increase their equity by selling shares in the Indonesia Stock Exchange (BEI) or go public as Indonesia's capital market is a potential source of funding for banks as long as they can convince the public that the shares of these banks are profitable shares to buy and trade in BEI.

Table 1: The growth of Assets, Equity and Liabilities of Indonesia's banks (2009-2015)[10]

Asset *)	2009	2010	2011	2012	2013	2014	2015	2015/2009
MANDIRI	394	450	552	636	733	855	910	231%
BRI	317	404	470	551	626	802	878	277%
BCA	282	324	382	443	496	553	594	211%
BNI	227	249	299	333	387	417	508	224%
Equity *)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2015/2009**
MANDIRI	35	42	63	76	89	105	119	340%
BRI	27	37	50	65	79	98	113	419%
BCA	28	34	42	52	64	78	90	321%
BNI	19	33	38	44	48	61	78	411%
Liabilities *)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2015/2009**
MANDIRI	359	408	489	560	644	751	792	221%
BRI	290	367	420	486	547	704	765	264%
BCA	254	290	340	391	432	477	505	199%
BNI	208	216	261	289	339	355	430	207%

Source: Annual Report Bank BCA, Bank BNI, Bank BRI and Bank Mandiri (2009-2014).
*) in trillion rupiah.

Table 1 shows the assets, equity and liabilities of four major banks in Indonesia from 2009 to 2015. Based on the order of assets from the largest to the smallest is Bank Mandiri in the first, Bank BRI is the second, Bank BCA is the third and Bank BNI is at fourth position. As for the highest growth of assets, equity and liabilities achieved by Bank BRI.

Return on Equity (ROE) of Indonesia's banks and ASEAN's banks: Of the 10 banks in ASEAN with the highest Return on Equity (ROE), six banks are from Indonesia. Even Bank BRI ranked first with ROE of 55.91 percent.

Table 2: Return on Equity of ASEAN banks (2013)

Rank	Rank in ASEAN	Bank's Name	Country	ROE (%)
1	12	Bank Rakyat Indonesia (BRI)	Indonesia	55.91
2	86	Malaysia Building Society	Malaysia	55.84
3	126	Acleda Bank	Cambodia	49.48
4	96	Standard Chartered Bank Indonesia	Indonesia	43.46
5	66	Bank BTPN	Indonesia	43.19
6	115	Deutsche Bank Indonesia	Indonesia	43.05
7	13	Bank Central Asia (BCA)	Indonesia	39.52
8	9	Bank Mandiri	Indonesia	39.38
9	34	HSBC Bank Malaysia	Malaysia	37.57
10	10	CIMB Group	Malaysia	36.16

Sources: Brian Caplen (The bankers)

[10] Bank Mandiri, Bank BRI, Bank BCA and Bank BNI is four Indonesia's big banks.

The position of Bank BRI was followed by two banks from Malaysia and Cambodia. Three and four to eight positions are held by Indonesia's banks, Standard Chartered Bank Indonesia, Bank BTPN, Deutsche Bank Indonesia, Bank Central Asia and Bank Mandiri. Of the top 10 banks with high ROE in ASEAN, there are three major banks from Indonesia, namely Bank BRI, Bank BCA and Bank Mandiri. There is only one non Indonesia major bank that is CIMB group from Malaysia. Looking at the ROE rate above, it can be said that the Indonesia's banks position is quite good and can be an asset in welcoming ASEAN banking Integration in 2020.

Return on Assets (ROAs) of Indonesia's banks and ASEAN's banks

Table 3: Return on Assets (ROAs) of Indonesia's and ASEAN's Banks (2013)

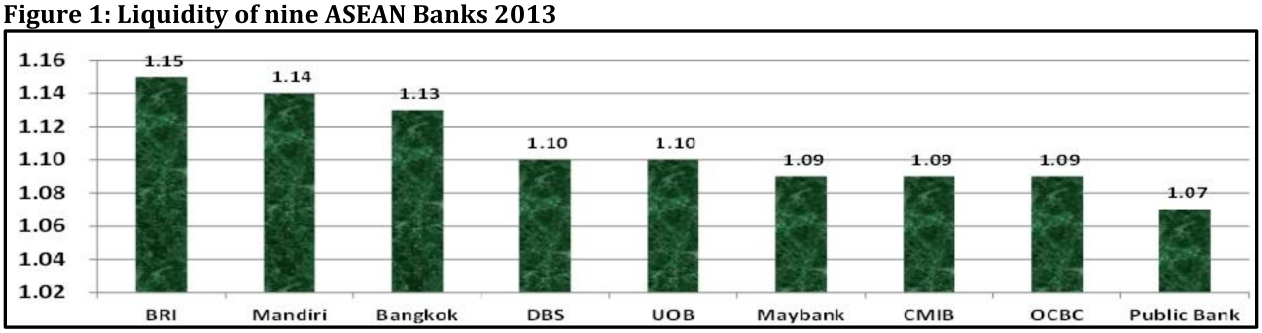
No	Rank in ASEAN	Bank's Name	Country	ROAs (%)
1	143	Baoviet	Vietnam	9.15
2	12	Bank Rakyat Indonesia (BRI)	Indonesia	4.33
3	66	Bank BTPN	Indonesia	4.21
4	126	Acleda Bank	Cambodia	4.13
5	89	ANZ Bank Indonesia	Indonesia	4.07
6	44	Citibank Indonesia	Indonesia	4.03
7	115	Deutsche Bank Indonesia	Indonesia	3.90
8	49	Rizal Commercial Banking Corp (RCBC)	Philippine	3.67
9	148	Korea Exchange Bank Indonesia	Indonesia	3.60
10	146	Bank Aceh	Indonesia	3.53

Source: Brian Caplen (The bankers)

Based on the return of Indonesia's banks to assets or Return on Assets (ROA), there are two major banks in Indonesia that occupy the top ten banks with the highest ROA, namely Bank BRI and Citibank Indonesia. Of the 10 banks with the highest ROA, seven of them are banks from Indonesia, although four of them are mixed banks such as ANZ Bank Indonesia, Citibank Indonesia, Deutsche Bank Indonesia and Korea Exchange Bank Indonesia. The emergence of Bank BRI as one of the major banks in ASEAN with the best ROA reflects that the current banking business in Indonesia is a profitable.

Liquidity of ASEAN Banks

Figure 1: Liquidity of nine ASEAN Banks 2013



Source: 2013 annual data report of each bank (processed).
1 / Liquidity is current assets divided by current liabilities (current ratio)

The liquidity of Indonesia's banks such as Bank Mandiri and Bank BRI is the highest among ASEAN banks, followed by Bangkok Bank of Thailand, while the next are banks from Singapore and the latter are Malaysian banks. So in terms of liquidity, Indonesia's banks are the best performers in ASEAN, while the lowest are Malaysian banks. With liquidity above 100 percent (ratio above one), it means that Indonesia's banks have no difficulty in fulfilling their current liabilities because their assets are higher than their current liabilities.

Earnings Before Tax (EBT) of Indonesia and ASEAN Banks

Table 4: Earning before Tax (EBT) ASEAN banks (2013)

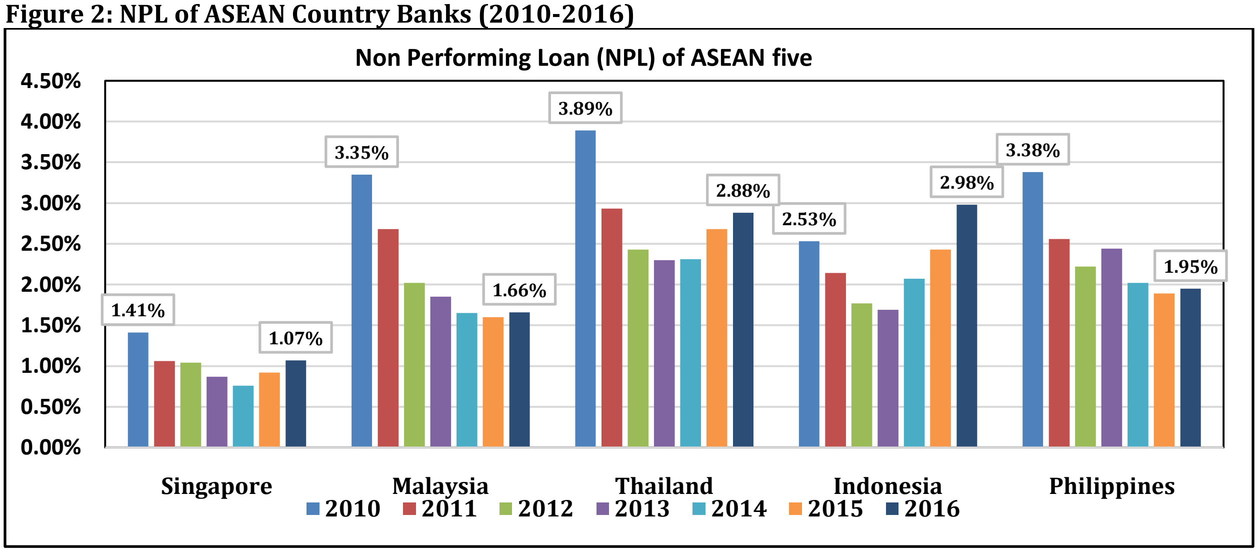
Rank	Bank's Name	Country	EBT (USD billion)
1	Overseas Chinese Banking Corporation (OCBC)	Singapore	4.05
2	Development Bank of Singapore (DBS)	Singapore	3.76
3	United Overseas Bank (UOB)	Singapore	2.74
4	Maybank	Malaysia	2.58
5	Bank Rakyat Indonesia (BRI)	Indonesia	2.47
6	Bank Mandiri	Indonesia	2.11
7	CIMB Group	Malaysia	1.84
8	Siam Commercial Bank	Thailand	1.67
9	Public Bank	Malaysia	1.67
10	Kasikorn Bank	Thailand	1.60

Source: Brian Caplen (The bankers).

Based on the value of profit before tax or earnings before tax (EBT), there are two major Indonesia's banks that enter into the ranks of 10 ASEAN banks with the largest EBT of Bank BRI and Bank Mandiri. Both banks beat Banks with higher capital than those of Public Bank (Malaysia), Siam Bank (Thailand) and Kasikorn Bank (Thailand). This shows that the performance of Indonesia's banks is quite good.

Non-Performing Loan (NPL)

Figure 2: NPL of ASEAN Country Banks (2010-2016)



Source: The Global Economy.com (processed) [11]

Non-performing loans are credits that are classified into non-current loans by the debtor or cannot be collected by the bank. According to Apriani (2011), Non-Performing Loan (NPL) is a condition in which the customer is unable to pay part or all of its obligations to the bank as it have been agreed. According to Rosmilia (2009), Non-Performing Loan (NPL) is a credit with its special mention, sub-standard, doubtful and non-performing loans. Meanwhile, according to Bank Indonesia, non-performing loans are loans classified as Sub-standard, Doubtful and Loss Collectibles[12]. The NPL of Indonesia's banks on average in the last seven years (2010-2016) is 2.23 percent lower than Thailand (2.77 percent) and Philippines (2.35 percent) but

[11] http://www.theglobaleconomy.com/Singapore/Nonperforming_loans/

[12] The package of deregulation policy of May 1993 (PAKMEI 1993).

higher than Singapore (1.02 percent) and Malaysia (2.12 percent)[13]. The position of Indonesia's NPLs is generally low and secure, or not to worry about.

Assets of ASEAN Banks

Table 5: Several Indicators of five major Banks in five ASEAN countries in trillion rupiah (2014)

No.	Country	Value of Asset	Equity	Third Party Fund	Loans
1	Singapore	162.2	15.83	104.36	82.78
2	Malaysia	75.08	6.03	55.55	46.36
3	Thailand	54.42	4.00	39.88	36.98
4	Indonesia	34.94	2.02	28.50	23.43
5	Philippine	16.66	1.31	12.83	7.21

Source: Macro prudential Policy Department, Bank Indonesia

Looking at some indicators in table 5, in general the position of Indonesia's banks asset is only superior to Philippines banks, but still below Singapore, Malaysia and Thailand. This happens because the number of banks in Indonesia is too much that cause the average figures shown in table 5 are low compared to the average assets of Thai banks. So in terms of assets, the performance of Indonesia's banks is quite good although still needs to be improved. The existence of Bank Mandiri, Bank BRI, Bank BCA, Bank BNI and several other large banks have reached a good economic scale and feasible to compete with other ASEAN countries banks.

Restriction: The requirement for foreign banks to operate in Indonesia is very loose; this can be seen from the government's policy of allowing foreigners to own a bank's shares up to 40 percent of its capital. While other ASEAN countries such as Singapore and Malaysia impose strict rules for foreign banks that want to operate in their country. In comparison, Malaysia only encodes itself in Malaysian commercial banks which reach 30 percent, while Singapore 20 percent. Rules from Bank Indonesia that facilitate foreign ownership of Indonesia's banks also resulted in increased foreign ownership in 6 of 10 major Indonesia's banks such as Mauritius ownership of Bank BCA, Malaysia at CIMB Bank Niaga, Singapore at Bank Danamon, Australia at Bank Panin, UK at Bank Permata and Malaysia at Bank BII. This development needs to be anticipated through several strategies and tactics to ensure the health of domestic banks as a whole will increase. First, Bank Indonesia's plan to merge several banks into one larger bank is worth supporting. Second, the application of the principle of reciprocity between the rules of a country is also applied in Indonesia. For example, Singapore's rules on foreign banks wishing to operate in Singapore should be applied by Indonesia to Singapore banks wishing to operate in Indonesia, such as restricted ATM opening rules in Singapore. Third, the application of multiple license to the opening of branches in various regions. Foreign banks that want to open their branches cannot simply open a branch in the region without the need for approval from Bank Indonesia as it has been in the past. According to Kiryanto (2014), foreign banks operating in Indonesia can directly open branches in areas within Indonesia without the need for permission from Bank Indonesia.

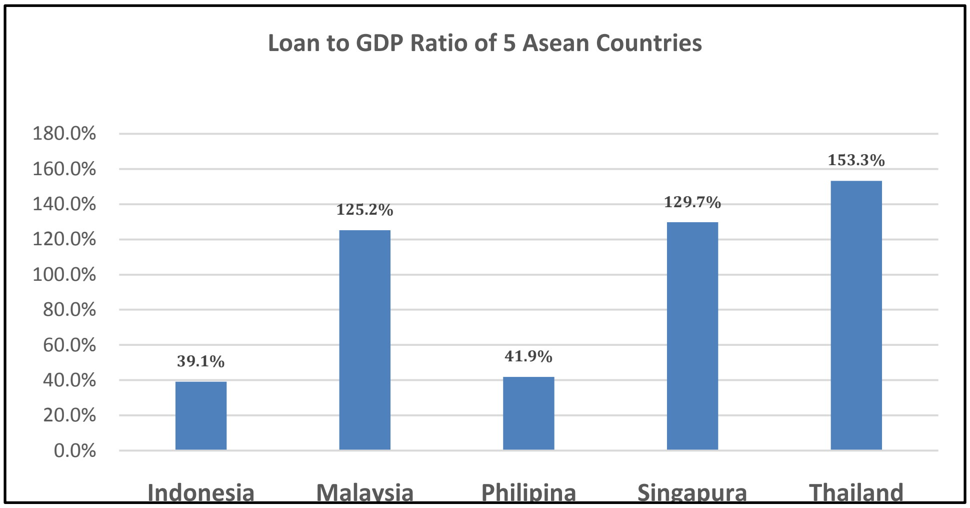
Ratio of Banking Credits to GDP: Of the five ASEAN countries, the ratio of credit to banking loans to GDP Indonesia is the lowest, while the highest is Thailand. This illustrates that in terms of supply the ability of Indonesia's banks to provide loans to customers is still low compared with 4 other ASEAN countries. From the demand side, it is seen that the ability of Indonesia's society to utilize bank funds is still low, which is in line with the low level of literacy of Indonesia's society towards the financial sector.

The low capacity of the community to utilize banking funds is also seen from the low account ownership in formal institutions, while access to finance in the saving sector is 15.3%, and credit access to banks is only

[13] Data is processed from figure 1.

8.5%. This figure is still far behind for example when compared with Malaysia where account ownership is 66.2%; savings have 35.4%, and credit 11.2% (Kiryanto, 2014)[14].

Figure 3: Loan to GDP Ratio of 5 ASEAN Countries (2015)



Source: World Bank. http://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS

Loan and Deposit Interest Rate

Table 6: Loan and deposit Interest Rate of ASEAN Countries (2015)

No.	Country	Loan interest rate	Deposit interest rate 1)
1	Singapore	5.3%	0.2%
2	Malaysia	4,6%	3.1%
3	Thailand	6,6%	1.4%
4	Philippine	5,6%	1.6%
5	Indonesia	12,7%	8.8%

Source: - Elisa Valenta Sari, 2016 (CNN)[15].
- Trading Economics1) [16]

In terms of loan interest rates, Indonesia's banks are still inferior to other ASEAN member countries. This is reflected in the still high interest rate of credit in Indonesia which is about 12 percent, while in other ASEAN countries already under 7 percent. Even for small business loans such as small business loans (*Kredit Usaha Rakyat)*, the interest rate of Indonesia's banks is quite high at around 22 percent - 24 percent. The high loan interest rate has the potential to reduce the competitiveness of Indonesia's banks and reflects the inefficiency of Indonesia's banks compared to the other four ASEAN countries. The high loan interest rate of Indonesia's banks is also caused by the level of inter-bank competition that has not been balanced. Several major banks such as Bank Mandiri, Bank BRI, Bank BCA and Bank BNI dominate the strength of national banking (Wahyudin, 2014)[17]. Another thing to note is that the cost of funds such as the interest rate on deposits of Indonesia's banks is still high due to the high inflation rate, especially with Net Interest Margin (NIM) of Indonesia's banks is still higher[18] compare to other ASEAN countries banks (Hadad, 2016).[19]

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[14] Chief economist of Bank Negara Indonesia (BNI).

[15] CNN Indonesia. http://www.cnnindonesia.com/ekonomi/ and World Bank. http://data.worldbank.org/indicator/FR.INR.LEND

[16] https://tradingeconomics.com/singapore/deposit-interest-rate

[17] To overcome this, Bank Indonesia has issued a regulation namely PBI No.14 on Bank Shares Ownership, both foreign and domestic. The objective is to improve the degree of bank Indonesia's openness so that high competitiveness between banks in Indonesia can be achieved. Openness is also expected to reduce the occurrence of cartel which is one of the causes of inefficiency of Indonesia's banks.

[18] Although there is a tendency of inflation rate in Indonesia to decrease at the moment lately.

[19] Net Interest Margin of Indonesia's banks are still 5.3 percent, while Thailand is 4 percent.

Qualified ASEAN Bank (QAB): Some big and qualified banks in Indonesia such as Bank Mandiri, Bank BRI, Bank BCA and Bank BNI can be proposed as Qualified ASEAN Bank (QAB). From the specified requirements, these banks are eligible for inclusion in QAB because it is well managed, the capital is also quite high, pass the Basel provisions, and is an important bank recommended by the government. With the reciprocal principle, these Indonesia's banks will benefit to be freer to operate in other ASEAN countries so as to compensate for the penetration of other ASEAN countries' banks operating in Indonesia. Indonesia's banks with QAB qualifications still lose in total assets and capital compared to other ASEAN country banks such as Singapore, Malaysia and Thailand. One way to increase the capital of these banks is by way of GEP, especially to QAB banks owned by SOEs such as Bank BRI, Bank BNI and Bank Mandiri.

ASEAN Banking Integration Framework ABIF): With regard to the implementation of ABIF, the authors see that there will be positive impacts for Indonesia's banks, especially those that have already held the Qualified ASEAN Bank (QAB), as Indonesia's banks can expand in other QAB partner countries in ASEAN. One of the requirements in this ABIF is that every entry of QAB of a country to another member country must be balanced with the entry of QAB bank from partner country. As an illustration if one QAB from Malaysia goes to Indonesia then one QAB from Indonesia automatically has the right to enter Malaysia vice versa. To enter Malaysia, QAB from Indonesia will improve its quality in order to compete with local QAB in Malaysia; this is the positive impact of the ABIF scheme. On the contrary, there could be negative impact to local QAB in Indonesia when QAB from Malaysia and other ASEAN countries better quality so that the market share that has been owned by local QAB can be taken by QAB from other ASEAN countries. Overall, however, the authors believe that the ABIF scheme will have a positive impact on QAB from Indonesia and Indonesia's banking as a whole.

Government Equity Participation (GEP): As mentioned earlier that Indonesia's Qualified ASEAN Bank (QAB) assets are still under QAB assets from Singapore, Malaysia even slightly below QAB from Thailand. Given the size of these assets are important to maintain market share and also to penetrate the market then QAB of Indonesia should seek to increase their assets. One of the ways is with Government Equity Participation (GEP) to QAB Indonesia, especially state owned banks such as Bank BRI, Bank BNI and Bank Mandiri outside private QAB namely Bank BCA. The government in this case the minister of SOEs, Mrs. Rini Suwandi in 2017 has proposed to the House of GEP additional funds amounting to 43.2 trillion rupiah or equal to USD 3.32 billion but approved by the House only 37.2 trillion rupiah or USD 2.86 billion. It seems difficult enough for the government to convince members of parliament MPs that the addition of QAB Indonesia's assets, especially SOEs, is very important in the face of the ABIF scheme within the framework of the AEC. In authors opinion this is unfavorable for the development of QAB Indonesia's assets in the near future, therefore it takes a tougher effort from the government to convince the House of Representatives regarding the importance of adding QAB assets in the face of the ABIF scheme. Actually this GEP is not something to worry about by the House because QAB is a banking institution that is very prudent in the management of third party funds, moreover the funds coming from the government.

Banking Merger: Corporate mergers including banks are commonplace by companies or banks in many countries. With this merger the company will become bigger in terms of capital and also increase its management expertise, besides each company advantage such as economic scale more global marketing chain. But in terms of banking merger, Indonesia's banking authorities apply different policies to that of neighboring countries such as Singapore, Malaysia and Thailand. The three countries are actively merging their banks into fewer, bigger and stronger banks in terms of capital and assets. While Indonesia still maintains a large number of bank policies, with a small majority of capital. Furthermore, the number of banks in Indonesia on the one hand, is not proportional to the size of the ratio of credit and savings to GDP in the range of 39.1 percent. While neighboring countries (Thailand, Singapore and Malaysia) are above 100 percent (graph 2). For merger, Indonesia's banks are only at number four in ASEAN after Singapore, Malaysia, Thailand) and only better than Philippines. This reflects the shallowness of the financial sector in Indonesia which is still below Singapore, Malaysia and Thailand. This is exacerbated by the number of banks fighting for the potential customers that are still limited, consequently there was a war of interest rates which in a whole not good for the economy because economy must bear higher borrowing costs so as to reduce the competitiveness of Indonesia's companies in the region and the world.

SWOT Analysis (Strength, Weakness, Opportunity, and Thread)

Table-7: Indonesia's Banking Matrix on ASEAN Four Countries Banking

Internal / External	**Strength** • Return on Asset (high) • Return on Equity (high) • Liquidity (high) • Loyalty of Customer (high)	**Weakness.** • Loan to GDP ratio (low) • Interest rate (high) • Asset Value (lower) • Restriction (low)
Opportunity • Expansion abroad • Adopt GCG from Foreign Bank	**Strategy (strength-Opportunity)** • Maintain the strength • Utilize the Opportunity	**Strategy (weakness-Opportunity)** • Improve the weakness. • Utilize the Opportunity
Thread • Big Assets value of other Asean Banks • Other Asean Bank is more professionalism	**Strategy (strength – thread).** • Maintain the strength • Overcome the thread by: Increase bank asset through Government Equity Participation (PMN), IPO through capital market and Enhance The Professionalism.	**Strategy (weakness-thread)** • Improve the weakness • Overcome the thread by: Increase bank asset through Government Equity Participation (GEP), IPO through capital market and Enhance The Professionalism.

Based on table 7 which contains the SWOT analysis of Indonesia's banks towards banks in four other ASEAN countries (Singapore, Malaysia, Thailand and Philippines). Indonesia's banks have some strengths such as Return on Equity (ROE) and Return on Investment (ROI). The highest in ASEAN. In terms of liquidity or (current ratio) of Indonesia's banks is also higher seen from the value of the above 100 percent, meaning that the bank's liquid assets of Indonesia are higher than current liabilities. Indonesia's banking customers are also loyal to the banks in which they deposit their money and the banks where they used to borrow. On the other hand, some of the weaknesses in Indonesia's banks are the low ratio of the population loan to GDP compared to the four ASEAN countries. This means that the ability of banks to optimize loans to the public is still low, both due to limited banking capital and the condition of society that still cannot be said to be banking literate (banking minded). Another weakness of Indonesia's banks is the high loan interest rate, which certainly can make Indonesia's banks less competitive than other ASEAN countries whose loan interest rate is very low at below seven percent, while Indonesia is at 12 percent. This cannot be separated from the high interest on savings / deposits (cost of funds) that must be paid to the customers. Although not the lowest, the assets of Indonesia's banks are still under the assets of Singapore, Malaysia and Thailand banks, this may also reduce the ability of Indonesia's banks to compete with other ASEAN country banks that have greater assets.

Restrictions on the operation of foreign banks in Indonesia are also looser than Singapore's highly restrictive banks. This can be seen from the ease of foreign banks to open branches in Indonesia, but on the other hand, Indonesia's banks are difficult to open branches in Singapore and Malaysia, even just to make the ATM alone is very difficult permit (case of Singapore). From some of the strengths and weaknesses of Indonesia's banks there are also opportunities and threats (thread) faced by Indonesia's banks in the framework of AEC. There are opportunities to expand into neighboring countries, and there are opportunities to increase competitiveness. With integrated ASEAN banking it will create a working climate with a higher standard in Indonesia's banks in order to balance the performance of Singapore and Malaysia banks. While the threat faced by Indonesia's banks, especially from Singapore and Malaysia banks is the amount of assets of these foreign banks which can certainly make them freer to penetrate the Indonesia's money market. Another thing that could be considered a threat to Indonesia's banks is that Singaporean and Malaysian banks have a higher professionalism than Indonesia's banks especially small and medium one. But the threat is not something that

Indonesia's banking authorities and banks should fear or avoid, because with the harsh efforts of the banking authorities and Indonesia's banks, all the challenges will be overcome.

Indonesia's Banking Readiness based on Performance Indicators: After elaborating and examining extensively on matters relating to the readiness of Indonesia's banks to face AEC through the ABIF mechanism, the authors came up with findings on some parameters that could serve as a gauge of Indonesia's readiness to deal with the agreement. The result is as shown in table 8 below.

Table 8: Indonesia Banking Performance Indicators in ASEAN five[1)] (2013-2014)

No	Performance Indicators	Position (2013-2014)
1	Return On Equity (ROE)	Number 1
2	Return On Assets (ROA)	Number 1
3	Liquidity	Number 1
4	Earnings Before Tax (EBT)	Number 3
5	Non-Performing Loan (NPL)	Number 3
6	Asset	Number 4
7	Banks merger	Number 4
8	Loan to GDP ratio	Number 5
9	Loan and Deposit Interest Rate	Number 5
10	Restriction	Number 5

[1)] ASEAN five (Singapore, Malaysia, Philippines, Thailand and Indonesia)

Is Indonesia's banking ready for the 2015 AEC and especially the ASEAN Banking Integration Framework (ABIF) by 2020? The data in table 8 show several things that can be described as follows: There are seven points (1 to 7) which Indonesia's bank is in a superior and equal position to other ASEAN's banks. However, there are three points (8 to 10) in which Indonesia's bank is in a weaker position compare to other ASEAN's banks, namely loan to GDP ratio, loan and deposit interest rate and loose restriction. With this data, the authors believe that Indonesia's banks are able to compete with other ASEAN member countries when fully implementing ASEAN's financial sector within the framework of the AEC in 2020. With a note that the weakness in points 8 to 10 can be overcome and points 1 to 7 should be maintained even enhanced. There are still about three more years to improve the competitiveness of Indonesia's banks through: (i) increasing the number of assets of Indonesia's banks, e.g. through Government Equity Participation (GEP) and conducting Initial Public Offering (IPO) in the capital market (ii) merger of banks into large banks that can be pioneered by state-owned banks in order to improve efficiency and professionalism (iii) increase the ratio of bank loan to GDP, (iv) lower loan and deposit interest rate (v) apply restriction through reciprocal mechanism to other ASEAN country banks wishing to operate in Indonesia.

5. Conclusion and Recommendations

Based on the discussions conducted using tables, graphics, picture and SWOT analysis, the authors arrive at the following conclusion: First, Indonesia's banks are quite ready to face ASEAN economic integration of the financial sector, especially banking, which will be fully implemented by 2020. Several indicators show the strength of Indonesia's banks such as the high level of Return on Equity (ROE), Return on Assets (ROA), Liquidity and Loyalty of Indonesia's banking customers. ASEAN financial integration through AEC also provides opportunities to Indonesia's banks in the form of: outward expansion and improvement of competitiveness through adaptation with outside competitor's banks. Second, some problems still to be faced by Indonesia's banks compared to neighboring ASEAN countries are: lower loan to GDP ratio, higher loan and deposit interest rates, smaller asset values and lower banking professionalism especially small and medium size.

Recommendations:

- Indonesia's banking authority does not need to be too worried about banking integration and the establishment of ABIF within the framework of the AEC, as the various indicators of Indonesia's banks in both financial indicators and health indicators show that Indonesia's banks are ready to compete with neighboring ASEAN countries when banking integration is fully implemented by 2020.
- There are still some issues that must be overcome by the banking authorities and Indonesia's banks to be the winners in competition with other ASEAN country's tire banks namely: low loan to GDP ratio, higher loan and deposit interest rate, lower asset value, the number of banks that have not been in merge and still lack of professionalism of bank management especially small and medium banks.

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Information Audit at an Indonesian Public University

Yosefina Dhae, Kathleen Smeaton
Community, Science and Engineering Center, Gardens Point, Brisbane, Australia
yosefina.dhae@gmail.com, k.smeaton@qut.edu.au

Abstract: This research presents the results of an Information audit (IA) at the Planning department of an Indonesian public University. An information audit (IA) was undertaken to determine (1) the existing information resources available to the Planning department staff; (2) how information flows both internally and externally; (3) potential information problems in the Planning department. Case study methodology was used in this study with document analysis, questionnaires, and interviews as data collection tools. The participants were five staff of Planning department. Data was analysed manually to create a list of information resources and map information flows. Thematic analysis was then used to analyse interview data to find general information management themes in the Planning department. The research found that people, timeliness and technology were information problems faced by planning staff. Based on the data from this study a recommendation is that the University improves infrastructure, and conducts an IA across the entire University with the aim of creating an organisational information policy. This will allow the University to create better information management practices and assist the University achieve its strategic goals.

Keywords: *Information Audit; Information flow; Information Resources; Case study; Public university*

1. Introduction

Information is recognised as a valuable organisational asset (Henzcel, 2001; Orna, 1999). It is used by organisations to share knowledge and aid with decision making (Middleton, 2002) leading to improved business outcomes (Orna, 1999). Choo (2002) argues that the quality and value of information is a significant factor in the success of organisations. Therefore, successful information management (IM) is critical to organisational success. According to Detlor (2010, p.103), information management is "the management of the processes and systems that create, acquire, organise, store, distribute, and use information". IM helps organisations to access, process and use information efficiently and effectively. It helps employees in organisations accomplish their tasks because they are better informed. In order to investigate IM practices within an organisation, an information audit can be undertaken to evaluate the current IM practices (Henzcel, 2001).

An information audit (IA) is a systematic evaluation of information use, information resources, and information flow within an organisation (Henzcel, 2001). An IA allows organisations to analyse how their information flows contribute to, or hamper the organisation in reaching strategic goals. Many organisations have undertaken an IA in order to capitalise on business intelligence (Langley, Seabrooks, & Ryder, 2003; Vo-Tran, 2011), including government agencies (Dubois, 1995; Lamoral, 2001; Henzcel, 2001; Mnjama, 2004; Canada Border Services Agency, 2011; Jones, Mutch, & Valero-Silva, 2013), hospitals (Henzcel, 2001), and universities (Dhillon, 2001). These organisations have used the IA has to improve their information management practices. While organisations have undertaken IA's the literature reviewed is from the United Kingdom, Australia, USA, Canada, and South Africa. To do there are no published studies from Indonesia, specifically in the context of an Indonesian university. Therefore, this study aims to address the gap in the literature namely, information audit in the context of an Indonesian University. This research investigates the IM practices of an Indonesian public University (University Y) via an IA. Although University Y realises that information management is critical to running a successful organisation, it has never conducted an information audit. In order to fill the gap in the literature, this research as well as aims to assist University Y with its overall IM practices. As this reserach was an exploratory pilot study the Planning department at University Y was the focus for the IA. The Planning department has three main tasks:

- Managing the University's activities and budget planning to collate the information needed to present to the Ministry of Research, Technology, and Higher education and Ministry of Finance in order for the University budget to be determined.
- To ensure that all activities and budget planning are based on the University's strategic plan ensuring strategic goals of the University can be achieved.

- Collecting and managing data and information in the University to provide better information services.

2. Literature Review

Information audit-The definition of Information Audit (IA): There is no universally single accepted definition of an IA. Based on the existing literature this study defines IA as a way to examine the information use, information resources, information flow, and information needs of organisations in order to, improve organisations' services, information management and assist the organisation to achieve its strategic goals (St.Clair, 1995; Buchanan & Gibb, 1998; Orna, 1999).

Information resources: There are three different approaches for defining information resources. Burk & Horton (1988, p.14) define information resources as "a source of supply, support or aid, especially one held in reserve". They classify information resources into three different categories as sources, services, or systems. The second approach in defining information resources is provided by Orna (1999). She defines information resources as a 'thing' that people in organisations hold in order to use in their work and to achieve the organisation's objectives.

The third approach is from Buchanan & Gibb (2007). They argue that organisations must provide the value of information resources in order to assist organisations to identify which are the key information resources and which are information resources have no value.
The values of information resources are from 1 to 5 with the description of each value as below:
" 5: Critical to the task,
4: provides significant benefits or adds value to the task
3: Contributes directly to the task but not essential
2: Provides indirect or minor support to the task
1: Not used or has no perceived benefits for the task"
(Buchanan & Gibb, 2007, p. 170).
This study used the approach of Burk & Horton (1988) to define information resources and Buchanan & Gibb (2007) to give value to each resource.

Information Flow: Information is needed by every employee within organisations to interact, exchange knowledge, perform daily duties and aid in decision-making. Therefore assessing how it flows through the organisation is crucial (Durugbo et al., 2013). Information flow also reflects the cooperation within organisation (Westrum, 2014). In identifying how information flows, it is important to remember that information has the potential to bottleneck. This is due to two main factors; firstly, lack of information technology (IT) support and secondly, the way people share information (Orna, 1999; Thornton, 2001).

3. Methodology

This research uses a case study methodology, which aimed to uncover (1) the existing information resources available to the Planning department staff; (2) how information flows both internally and externally; (3) potential information problems in the Planning department. The data collection was conducted in May – June 2016 using three methods: document analysis, questionnaires, and interview. The first part of the data collection involved document analysis and documents such as the organisational structure were analysed to determine the culture of the University and how information may flow within the University. Job descriptions were utilised to generate tasks of each employee and record the information resources, which may support the tasks. A questionnaire was then designed to investigate the information resources and information flow within the Planning department. The questionnaire had seven questions which included Likert scale answers (scale 1 to 5), and multiple-choice questions. The questionnaire was sent to participants' via email. Finally, interviews were conducted to seek participants' persective of information gaps within the Planning department. For this study, telephone interviews were conducted using an application named 'Line' and the interviews were recorded by the lead author using MP3 recorder.

The responses related to information resources and information flow were then analysed manually to provide an inventory as well as recording the information resources that the Planning department staff both make available to internal and external staff and access internally and externally to carry out daily tasks. Interview data was transcribed then analysed manually using thematic analysis, to find the general themes in the data related to information gaps. The participants were all staff in the Planning department at University Y. They were invited via email to participate in this research. Out of eight staff, five staff volunteered to be a part of the study by filling the questionnaire and joined the interview. To ensure participant anonymity participants are referred to as P1, P2, P3, P4 and P5. Table 1 shows the participants' tasks.

Table 1: the participants' tasks

Participants	Tasks
P1	Task 01: Create a book of 'University in Number' Task 02: Create the senate members' profile Task 03: Create the Professors' profile
P2 & P3	Task 04: Collect, manage and analyse budget and activities planning documents of each unit in university
P4	Task 05: Create the university's profile and university's leaflet
P5	Task 06: Create the university's revenue target and the budget and activities planning

4. Results

The findings for each research question are explained in detail below.
Research question 1: What are the existing information resources available to the Planning staff to accomplish their tasks?

The findings of the study revealed that the information resources, which are needed by the Planning staff to accomplish their tasks (based on the content of the resources), were documents, reports, and decrees. Documents comprised of documents of: Lecturer, Administration staff, Students, Alumni, Scholarship recipients, Goods/services procurement planning, and University's Cooperation (MoU) also , The proposed activities and budget planning, the university's Strategic Plan. Reports included report of Self-Cost fee, New students admission, Financial report, Research and Community services report. Decrees consist of Decree of Rector of new student's admission, Decree of Minister of Research, Technology, and Higher Education of single tuition fee.

Table 2: Information resources for task 01

No of tasks	Tasks	Information Resources (IR)	Sources	The value of importance of IR	The ideal of 'IR' which is not provided	The value of importance of IR
Task 01	Create a book of 'University in Number'	Lecturers documents	Employee department	5	-	-
		Administration staff documents	Employee department	5		
		Student documents	Academic department	5		
		Community services report	Community Development Institution	5		
		Research report	Research	5		

			Institution			
		Financial report	Finance department	5		

In regards to the sources of information resources, the employees obtained information from internal University faculties, institutions and departments and a wide variety of people working in these areas from very senior staff such as Heads of Bureaus and Professors to administration staff. External to the University, information resources were obtained from Ministry of Research, Technology, and Higher Education and Ministry of Finance. The staff also access information resources from the internet especially from certain website such as Bhineka.com to find out information of price lists and brochures for procurement of capital expenditures. In regards the value of each information resources, the value of resources was mainly assigned a '5', which means the information resources are critical to the task. Details of information resources within the Planning department based on tasks can be seen in table 2 – table 7 below.

Table 3: Information resources for task 02

Number of tasks	Tasks	Information Resources (IR)	Sources	The value of importance of IR	The ideal of 'IR' which is not provided	The value of importance of IR
Task 02	Create the senate members' profile	Senate members documents	Senate members, Employee department, Academic department, Research institution, Community Development institution	5	-	-

Table 4: Information resources for task 03

Number of tasks	Tasks	Information Resources (IR)	Sources	The value of importance of IR	The ideal of 'IR' which is not provided	The value of importance of IR
Task 03	Create the Professors' profile	Professors' documents	Professors, Employee department, Academic department, Research institution, Community Development institution	5	-	-

Table 5: Information resources for task 04

Number of tasks	**Tasks**	**Information Resources (IR)**	**Sources**	**The value of importance of IR**	**The ideal of 'IR' which is not provided**	**The value of importance of IR**
Task 04	Collect, manage and analyse budget and activities planning documents of each unit in university	The proposed letter	Faculties, units, institutions, Postgraduate, Bureaus	5	-	-
		Terms of Reference documents	Faculties, units, institutions, Postgraduate, Bureaus	5		
		Budget details documents	Faculties, units, institutions, Postgraduate, Bureaus	5		
		Absolute responsibility statement	Faculties, units, institutions, Postgraduate, Bureaus	5		
		Supporting documents (such as Brochures for capital expenditures)	Faculties, units, institutions, Postgraduate, departments	5		
		General cost standard documents	Ministry of Finance, Internet (Ministry's website)	5		
		Owner's estimate price documents	Commitment Officer	5		
		University's strategic plans document	Planning department	5		
		Summary of university's budget and activities planning documents	Planning department	5		
		Total budget of *PNBP*	Ministry of Research, Technology, and Higher Education, Planning department	5		
		Total budget of *BOPTN*	Ministry of Research, Technology, and Higher Education,	5		

			Planning department			
		Price lists for capital expenditure	Internet (Bhineka website, Ministries Websites)	5		

Table 6: Information resources for task 05

Number of tasks	Tasks	Information Resources (IR)	Sources	The value of importance of IR	The ideal of 'IR' which is not provided	The value of importance of IR
Task 05	Create the university's profile and university's leaflet	Students document	Academic department	5		
		Alumni documents	Academic department	5		
		Students scholarship recipients documents	Student affairs department	5		
		Lecturers document	Employee department	5		
		Administration staff document	Employee department	5		
		Goods/services procurement planning document	Procurement service unit	5	General plan of university's procurement documents	5
		The existing goods/services procurement documents	Procurement service unit	5		
		University's cooperation documents (MoU)	Academics department, Vice Rector of Cooperation	5		
		Community services report	Community Development Institution	5		
		Research report	Research Institution	5		
		Financial report	Finance department	5		
		Infrastructures and facilities documents	Legal affairs, Procedures, and Facilities department	5		
		Accreditation (faculties and university) documents	Academic department	5		
		Performance quality documents	Faculties, Quality Assurance Institution	5		

Table 7: Information resources for task 06

Number of tasks	Tasks	Information Resources (IR)	Sources	The value of importance of IR	The ideal of 'IR' which is not provided	The value of importance of IR
Task 06	Create the university's revenue target and the budget and activities planning	Students documents	Academic department	5	-	-
		New students admissions report	Academic department	5		
		Decree of Rector of new students admission	Academic department	5		
		Self-cost fee report	Academic department	5		
		Decree of Minister of Research, Technology and Higher Education of Single tuition fee	Ministry of Research, Technology and Higher Education; Internet	5		
		The university's cooperation document (MoU)	Academic department; Legal affairs, Procedures, and Facilities department	3		
		Projection of university's revenue documents	Minutes of internal meeting (Head of Bureaus and Head of Planning department)	5		

Research question 2:
How does information flow in the Planning department both internally and externally?

The source of information resources in the Table 2 to Table 7 above was used to map information flow in the Planning department by creating the information flow diagram. Visually, the diagram presents information in-flow, which information flows from internal and external university to the Planning department, and out-flow which information flows from the Planning department to internal and external university. Internally, information flows vertically and horizontally according to the organisational structure of the university. For in-flow, information flows from Faculties, Units, Bureaus, Institutions, and Departments in the University. The information also flows from individuals to the Planning department. For out-flow, information flows from the Planning department to Faculties, Units, Bureaus, Institutions, and Departments, and to individuals (the University's management: Rector, Vice rectors, and Head of Bureaus). Externally, for in-flow, information flows from the Ministry of Research, Technology, and Higher Education, and Ministry of Finance. For out-flow, the Planning department share information with the Ministry of Research, Technology, and Higher Education, the Ministry of Finance, the Regional Office of Directorate General of Treasury, The Evaluation and Monitoring Team of State Budget and Local Government Budget (*TEPRA*), and the Bureau of Statistics. Figure 1 – Figure 4 show the information flow at the Planning department internally and externally.

Figure 1: Information flow internally (in-flow)

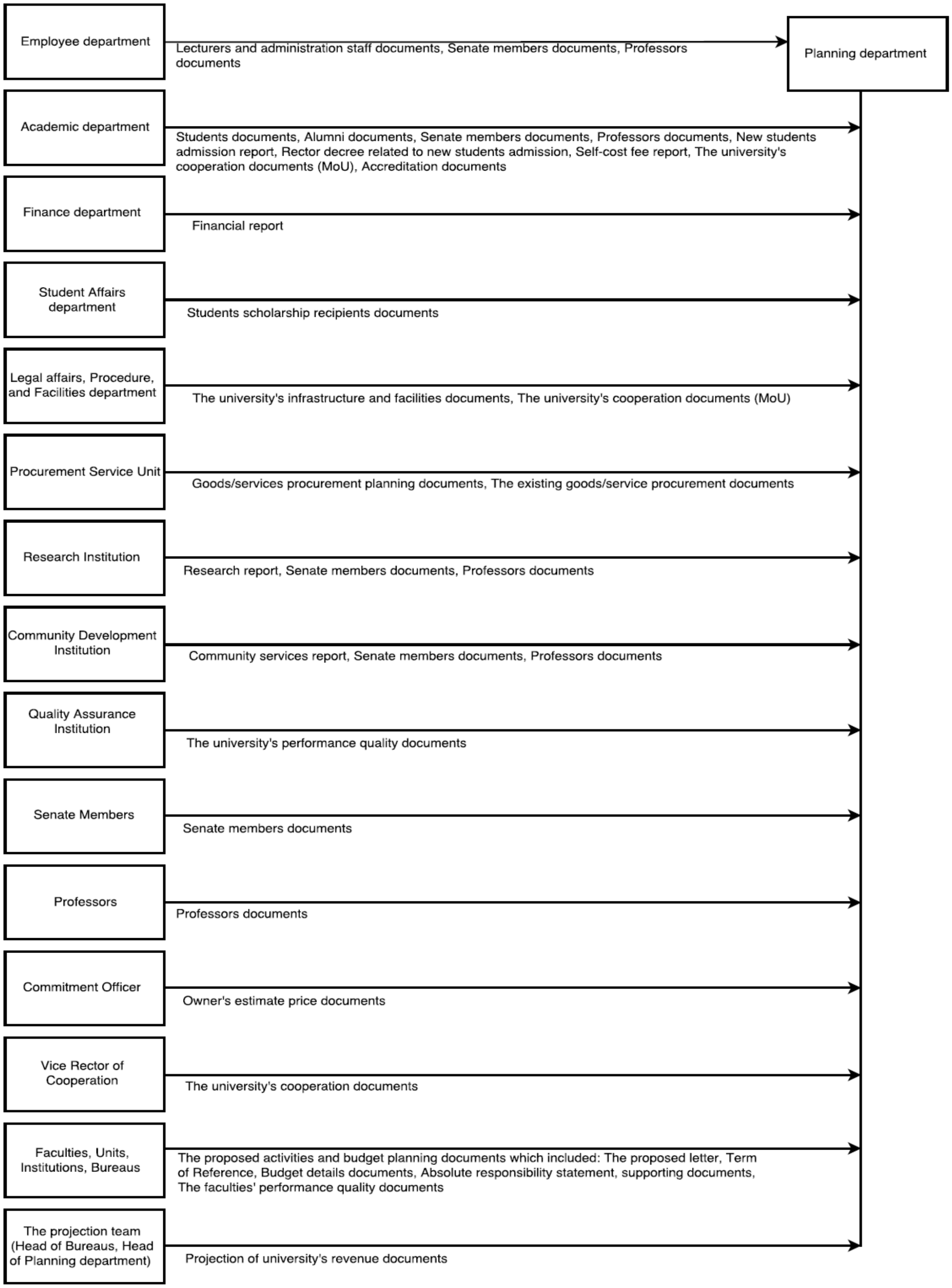


Figure 2: Information flow internally (out-flow)

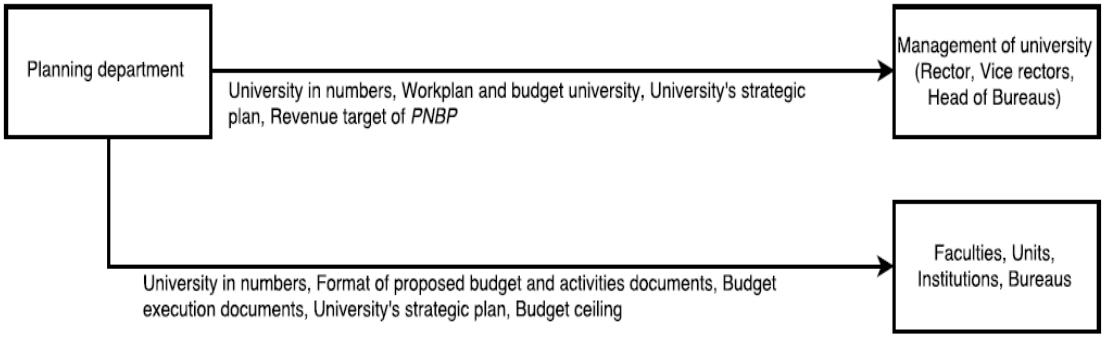


Figure 3: Information flow externally (in-flow)

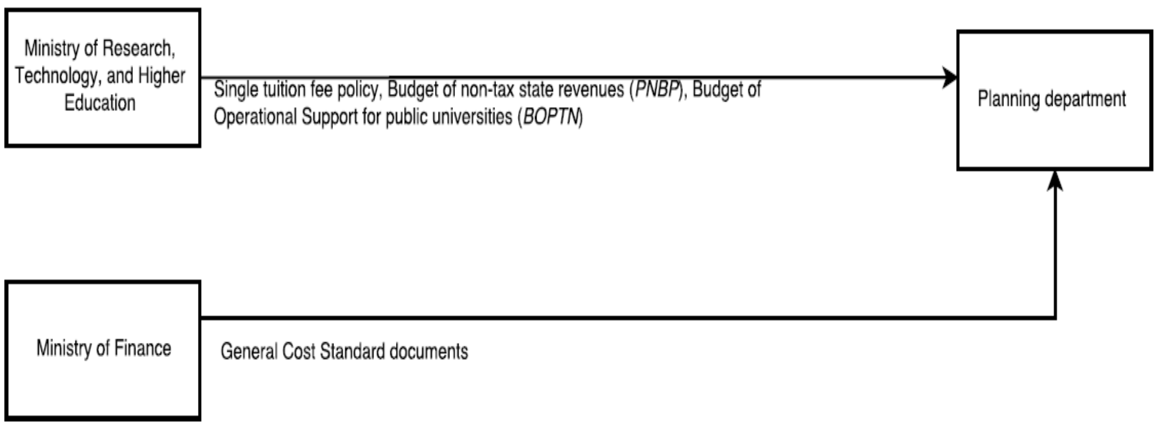
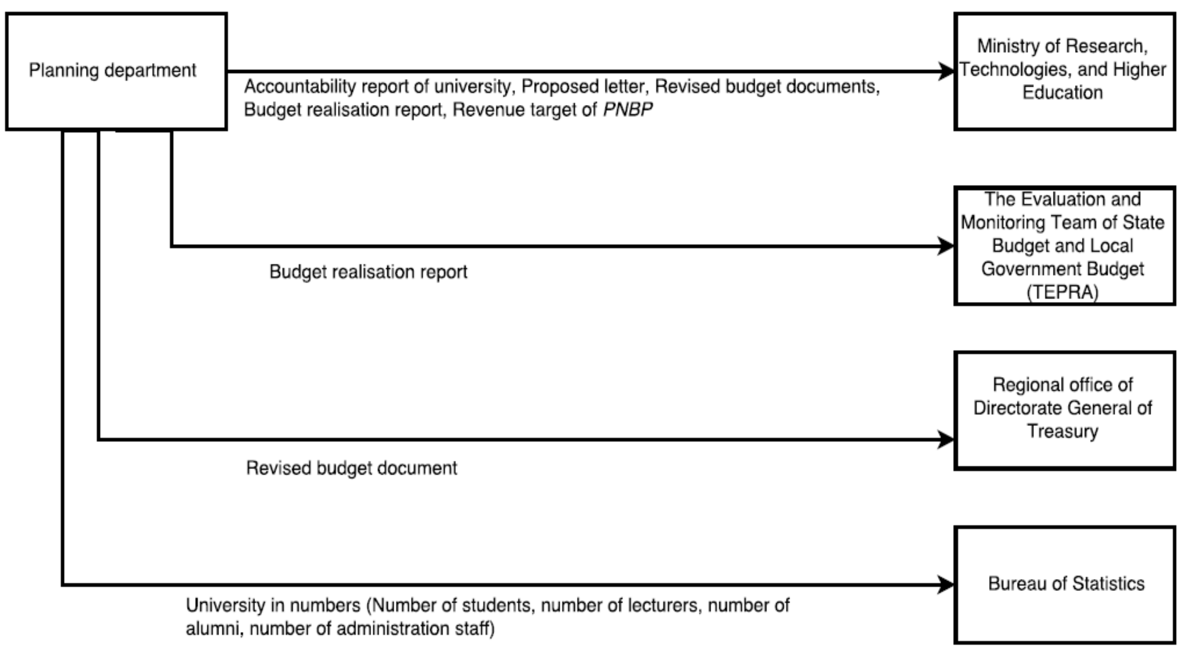


Figure 4: Information flow externally (out-flow)



Research question 3:
What are the information gaps or problems in the Planning department?
Three main themes were identified as a result of data analysis: people; timeliness; technology.
Theme 1: People
This theme is divided into two sub themes which relate to the people. Firstly, the ownership of information and secondly the responsibility to create and use information.
Sub theme 1: the ownership of information
The study found that one of the information problems faced by Planning staff is a difficulty in accessing information due to the information being owned by certain people or a single person.
P1:
"When we go to the units, the staff is not there, or the people we are going to meet is not there...... when we request data they said that the information we needed is kept by Mr.B. And we go there he is not there or he is not coming to office".
P4:
"It is a human resource problem. When we go there and the people who hold the information is there then we can get the information. Otherwise, we cannot get the information. It is inappropriate, if institutions' information is owned and mastered only by one person".
P5:
"I request all data at Mr. X because he keep all data completely".

Sub theme 2: the responsibility to create and use information
The participants emphasised the stewardship of the information and behaviour when receiving and using information.
The quotations that relate to this sub theme are:
P2:
"There is asynchronous information from planning department and them (units). Sometimes they create documents according to their desire".
P3:
"*All units has been told to use similar information but there are one or two units who are neglect the information. ... yes, the information is verbally not written".*
P4:
"I've asked procurement services unit, they said the information I needed is created by planning department. But, when I asked planning department, they said that procurement services unit is the unit who have a responsibility to create the information".

Theme 2: Timeliness
In this theme, participants described how the information they access is not up-to-date or timely. This theme also revealed that units or certain people need more time to finalise their documents before sharing it with the planning department.
P1:
Sometimes units (internal and external) request information from planning department. However, because planning department not yet has the information from units in internal university, consequently, planning department need more time to request and/or sharing information.

P3:
"Timely and accuracy of information".
P4:
"The difficulty is an updated information".

Theme 3: Technology
The third theme arising from participants was technology which included power failure, which affects completion of tasks and causes information bottlenecks.
P1:
"Sometimes when we go there (units), one of their reasons is power-failure".
P3:

"Their reason is internet down".
P5:
"The problem is when we would like to send a file through email, the internet down".

Discussion: According to Orna (1999), information resources are essential sources that people need in organisations to do their jobs. This study found that the Planning staff need a variety of information resources to accomplish their tasks. To determine the importance of information resources Planning staff gave 'a value' to each of the information resources (Buchanan & Gibb, 2007). This study found that in the Planning department, all information resources except one were critical to the tasks (value=5). It is essential that staff not only have access to these sources, but also value the information within them. This knowledge of the value of information allows Planning staff can treat the information resources accordingly, to both complete their tasks, and affect upon the University's strategic goals. In terms of sources, Planning staff access information resources from a variety of sources internally and externally. Burk & Horton (1988) define sources as "a place, store, or person from which information can be obtained" (p.47). In this study, information resources are found in faculties, units, departments, bureaus from which Planning staff access the required information. They also access information from people such as Vice rectors, Commitment Officer, Senate members, and Professors. Additionally, Planning staff acquire information from documents and internet. As proposed by Middleton (2002), that documents, database and internet are categorised as the information sources.

In regards to information flow, the Planning department not only receive information but they also share or spread information. The diagrams show that information can flow from individuals, departments (internal), or organisations (external) (Henzcel, 2001). The information mostly flows in the form of written information (Yazici, 2002). From Figure 2 and 4, it can be seen that 'who sends, what information' to the Planning department or from the Planning department to its internal and external environment, in Figure 3 and 5. The diagrams also found that there were some issues. Firstly, there was a duplication of the information flow. This is a condition where different people receive similar information from different sources which can lead to mismatching and inconsistencies of information (Henzcel, 2001). Secondly, there was a gap in information provision (Henzcel, 2001). This is where the information required is not provided. As can be seen in Table 7, in task 05 'Create the university's profile and university's leaflet', there is one important information resources that is needed, but has not yet been provided. Both of these issues can affect the University on a daily operational level, and on a long-term strategic level.

This study found that people, technology and timeliness are the information problems faced by the Planning staff. These problems are also the causes of information bottlenecks. People are a critical factor in information flow as they create the information culture. Information flow is a series of interactions between individuals with individuals and individuals with groups of people. Therefore, people in organisations need to cooperate in sharing information to ensure the smooth flow of information (Westrum, 2014). This study found that people tend to keep information individually (the ownership of information). Only a single person authorises the information, which leads to obstructions in obtaining information. Whereas, corporate data or information must be owned by the organisations, not by any single person, section or department (Hanson, 2011). Staff within the University require training around sharing of information, and also access to infrastructure to support this, such as shared network folders.

Related to people, this study also found that there is lack of responsibility in creating and/or using information. There is no clear working domain on 'which unit create what information', and as a result, important information is not created or stored. This can lead to the use of irrelevant resources in completing their tasks (Henzcel, 2001). This result may be seen as incongruous with the first result, with people taking too much ownership of information they wish to control. However, what the results show is that individuals are creating and keeping what they believe is important information, rather than focusing on the information needs of the organisation. Again, training and information infrastructure would allow staff to collect, and share pertinent information. The second problem is timeliness. Staff could not get timely updated information, which affects the flow of information and impacts on decision-making process and University performance. Westrum (2014) argues that information must be updated and timely otherwise, the organisation will have a make poor decisions due to low quality information. Once staff awareness of the importance of information was raised this issue may be resolved, however it would also be wise for the University to create standard procedures for staff around information sharing, such as response times for requests.

Technology was the third problem faced by Planning staff. The technology here is related to the availability of electrical power and access to internet. The University acknowledges that electrical supply is one of main problems they face, an issue faced by Governments and organisations throughout developing countries. However, the University must consider providing appropriate technology to overcome the power supply problems. If the power failure means staff cannot access critical information resources such as the internet, this will affect their performance. Technology as a whole acts to enable information management; to manage the flow of information; and therefore increase the quality of decision-making (Webb, 2008; Detlor, 2010; Dewett & Jones, 2001; Westrum, 2014). The use of technology directly relates to the other categories. Without adequate technology to both find, store and share information, staff cannot complete tasks on time. This in turn affects the quality of decision-making and the performance of the University.

5. Conclusion and Recommendations

This study has investigated the information practice at Planning department at a public university in Indonesia through an Information Audit (IA). This study found that most of the information resources the Planning staff needed were documents, reports, and decree. Most of the information resources were value '5', which means they were critical to the task. In regards to information flow, the study found that there are information duplications, and information bottlenecks. Based on thematic analysis, people, timeliness and technology were three general themes of information problem faced by the Planning staff. Based on the findings and data analysis, the recommendations for the university are as follow:

- Create an information policy for the Planning department

  This study found that lack of information policy in the Planning department impacts negatively on staff. An information policy would provide guidance to staff regarding ways to manage information. The information policy should cover:
  - Information management practice. The staff must be able to create, acquire, organise, store, distribute and use information. They must also be aware of how to access information management resources in different areas and ways to circumvent information bottlenecks.
  - Information sharing practices so that staff are reminded that that information resources are the property of University not of individual or groups.
- Improve infrastructure

  The University must find a solution on how to address continuing incidences of power failure. All activities in the University are highly dependent on power supply and staff cannot complete tasks in a timely manner with continual power outages. .
- Conduct further information audits for the entire University.

  This study has provided preliminary findings of an IA within one department and it is hoped that from this an IA will be conducted for all parts of University, leading to the creation of an information policy for the University. By having an information strategies, all staff in the University can become more aware of the information they use and place more value on information. Through this knowledge, they can effectively use information in their daily tasks and assist the University in achieving its strategic goals.

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The Effect of Competence, Professionalism and Experience on Auditor Professional Judgment in Evaluation of Audit Evidence

Muhammad Ishak Amsari, Nurmalasari Rasibo
Faculty of Economic and Business, Hasanuddin University, Indonesia
a31111307@gmail.com

Abstract: This study aims to determine whether competence, professionalism and experience affect auditor's professional judgment of Supreme Audit Board of Republic of Indonesia in South Sulawesi province in evaluation of audit evidence, either partially or simultaneously. This study used a correlational study design with a questionnaire instrument as a tool for measuring the competence, professionalism and experience variables. The method of analysis was used to test the hypothesis is multiple linear regression, where analysis is based on data from 40 respondents who have completed all the statements and questionnaires. The results of this study indicate that the competence, professionalism and experience simultaneously and partially affect positively the auditor's professional judgment of Supreme Audit Board of Republic of Indonesia in South Sulawesi province in evaluation of audit evidence.

Keywords: *Competence, professionalism, experience, professional judgment*

1. Introduction & Literature Review

Report of the Committee on Basic Auditing Concept of the American Accounting Association define audit as. "A systematic process objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users". Audit is a function of inspection and supervision to obtain sufficient assurance that the information activities/reports submitted by the agent (manager /government) regarding financial management and assets of the State to the principal (owner /community) has been through a series of evaluation so that can be tested reliability and feasibility. According to UUNo.15 of 2004 on Management and Financial Responsibility State, Article 1 (1) states that the examination is the process of identifying a problem, analysis, and evaluation were conducted in an independent, objective, and professional standards-based inspection, to assess the correctness, accuracy, credibility and reliability of information on the management and financial responsibility of the state. A series of these processes require a judgment to select the information to be processed more effectively and efficiently. Accuracy in auditor judgment will determine the quality of the audit results.

One of the largest state financial audit institutions in Indonesia, namely the Audit Board of the Republic of Indonesia (BPK) in charge of carrying out checks on the financial state and local finance through the audit function. The audit function is expected to be an extension of the hands and eyes of the public to assess the specific competencies of each action and the report submitted by the manager (government /management). More specifically in governmental auditing the audit function could be very instrumental in the realization of good governance, transparency, and responsibility or commonly called a good and clean governance, in accordance with its vision of "Becoming audit institution financial free, independent, and professional as well as play an active role in realizing the country's financial governance accountable and transparent". UU No. 15 2006, Article 6 paragraph (1) of the BPK stated that the BPK in charge of examining the management and accountability of state finances conducted by the Central Government, Local Government, State Institutions other, Bank Indonesia (BI), Enterprise State Owned Enterprises (BUMN), the Public Service Agency (BLU), Regional-Owned Enterprises (enterprises), as well as institutions or other entities that manage state finances. In Article 7 paragraph (1) and (2), explained that the results of the investigation will be used by the users of financial information state / local House of Representatives (DPR), the Regional Representatives Council (DPD), and the Regional Representatives Council (DPRD) to follow up in accordance with the disciplinary rules of each institution representative. Audit covers all elements of the state finance as stipulated in UU No. 17 of 2003 Article 2 on State Finance include Budget (APBN), Budget (APBD), State-Owned Enterprises (SOEs), Regional-Owned Enterprises (enterprises) and a wealth of other parties that obtained using government facilities. This thing shows the large number of users of reliable audit information for Indonesia's government development.

Dr. Rizal Djalil as chairman of the BPK in his book “qualitative considerations: New Approach to Auditing” (2014) explains that the opinion given by the BPK on the financial statements of the central government/area becomes a topic much discussed in recent years. Critics of the unqualified opinion (WTP) given by the BPK does not reflect the real condition of a government entity that is involved in corruption cases. An example is the provision of WTP opinion of the Ministry of Religious Affairs when there are cases of corruption in the procurement of the Koran, Hambalang case, and SKKMigas. According to Rizal such cases are a gap between public expectations by giving opinions by the BPK. Decisions about the amount and type of evidence collected anything that requires professional judgment of an auditor. During the assignment of the audit an auditor must use professional judgment in evaluating audit evidence, determine the estimated size of the sample and decide among the options available (Arens et al., 2009: 173) Therefore, the examination of audit evidence required a judgment appropriate to the things that material. When examining evidence of an auditor should assess the circumstances surrounding the occurrence intensity a transaction account, span of control and how many stakeholders involved. An auditor in carrying out its duties should choose whatever evidence you need more in-depth examination in an audit of financial statements. This was caused by considerations of time, the auditor does not examine all parts of the population object to be examined but take samples. This suggests that the judgment of auditors to audit evidence becomes very important, transactions or accounts that have a higher risk will have a higher level of materiality. Judgment auditor in gathering evidence and objective evaluation of the adequacy, competence and relevance of evidence will certainly determine the quality of opinions will be issued. Hutabarat (2012) found the quality of his judgment related auditors strongly influenced opinions. It is based on the perspectives, knowledge, and experience in certain situations and conditions.

Boynton et al. (2001: 206) that the good condition of the audit evidence is the evidence must be sufficient and competent so that it can be an adequate basis in the formulation of the audit findings. Evidence is said to be enough when the quantity has been qualified to support confidence in the validity and reliability of audit findings. Evidence is said to become patent when the evidence is relevant, timely, objective, and is derived from a competent source. Arens et al. (2009: 174) argues that in determining how an audit evidence is said to be quite competent, yet there is a standard that can be used as a reference and guidelines so that the necessary professional judgment (professional judgment) auditors in its determination. Law No.15 in 2016 on the Audit Board of the Republic of Indonesia Article 1 explains that the Inspection Standards are the benchmark for examination management and financial responsibility of the state which includes general standards, standard implementation of the inspection and reporting standards that must be guided by the CPC and/or examiner. Boynton et al. (2001: 60) explains that common standard audit standards related to audit or qualifications and quality of work of auditors, field work standard is a standard relating to the audit client place. Meanwhile, the reporting standard is the standard that must be meting reporting the results of the audit/report the results of the audit.

Therefore, auditors in performing their duties especially in making judgment must have expertise and specific training especially as auditors working in the public sector are responsible for providing information to the public. Competencies/skills of an auditor greatly affect his judgment, because it is a subjective thing of an auditor and will certainly affect the quality of the audit reports produced. According Maulidah (2014) professionalism is a key issue today for auditors, external auditors in particular, because there are many cases due to irregularities in terms of professionalism. High professionalism may indicate that an auditor can be trusted because freedom is assured from various external parties so that the auditor can give their opinions in accordance with the actual condition. The level of professionalism of auditors can be seen through how an auditor upholding the basic values of the profession. Agusti and Earth (2013) describes in his research that professionalism has five important factor inside the dedication, social obligations, self-reliance, confidence in the regulatory profession and relationships with colleagues.

In addition to the competence and professionalism, an auditor must also have sufficient experience so as to make the decision (judgment) in audit reports. As has been explained previously that the auditor's consideration on matters which are material professional judgment and influenced the perception of the auditor. "Auditors who have different experiences will be different in looking at and responding to information obtained during the examination and also in providing audit conclusions of the object being examined for the provision of opinions"(Friska, 2012). With a wealth of experience in auditing financial statements the auditor's consideration of materiality levels will be more accurate. Mulyadi (2012: 89) states that" in carrying out its audit work, the auditors often encounter situations that involve risks irregularities so that the auditor must always be vigilant when faced with a situation containing a high risk audits that contains the presentation particularly wrong material misstatement". Irregular situation like this cannot be interpreted easily just by reading a book or certain theories and therefore with much experience will be easy to train auditors skeptical capabilities. The experience will certainly add a lot of knowledge in considering the materiality level so that a more accurate evidence audit annyapun report will be qualified and able to provide reasonable assurance for the users of the report.

Basically this study is a replication of the study by Amaliana (2014), which examines the influence of experience and competence of the auditor's professional judgment in the evaluation of evidence in the BPK. Amaliana (2014) found empirical evidence that the experience and competence of auditor's factors affect the auditor's professional judgment in evaluating the evidence. Differences in this study with research of Amaliana (2014) are that in this study there is a new variable that is professionalism. It is based on the opinions Irawan (2011) that the auditor's judgment is a subjective thing so high professionalism of an auditor is required to produce a quality audit results and neutral. In addition, respondent's research is the government's external auditor BPKRI Representative of South Sulawesi province. Based on the above explanation the researchers intend to conduct research with the title "The Effect of Competence, professionalism, and experience the Auditor Professional Judgment in Evaluating Audit Evidence (Empirical Study on the Office of Audit Board RI Representatives of South Sulawesi province)"

2. Methodology

Research Objectives: The design of this study was correlational studies (correlational study) that studies used to be able to see whether or not the relationship between the variables studied and can find which are the most dominant variable related to the problems examined (Sekaran, 2009: 165). The purpose of this study is to test the hypothesis (hypotheses testing), which is expressed in the form of statements and explain the relationship that can be predicted logically between two or more variables so that a solution can be found to overcome the problems encountered (Sekaran, 2009: 135). This study uses data obtained from the primary data source that questionnaires filled out by the respondents that the auditor BPK RI Representative of South Sulawesi province.

Problem Statements

- Is the competence factor affect auditor professional judgment in BPK RI Representative of South Sulawesi province in Evaluating Audit Evidence?
- Is the professionalism factor affect auditor professional judgment in BPK RI Representative of South Sulawesi province in Evaluating Audit Evidence?
- Is the experience factor affect auditor professional judgment in BPK RI Representative of South Sulawesi province in Evaluating Audit Evidence?
- Are the competence, professionalism, and experience factors simultaneously affecting auditor professional judgment in BPK RI Representative of South Sulawesi province in Evaluating Audit Evidence?

Hypothesis

H1: Competence partially affect positive to Auditor Professional Judgment BPK RI Representative of South Sulawesi province in Evaluating Audit Evidence.

H2: Professionalism partially affect positive to Auditor Professional Judgment BPK RI Representative of South Sulawesi province in Evaluating Audit Evidence.

H3: Experience partially affect positive to Auditor Professional Judgment BPK RI Representative of South Sulawesi province in Evaluating Audit Evidence.

H4: Competence, professionalism, and experience simultaneously affect the Professional Judgment Auditor BPK RI Representative of South Sulawesi province in Evaluating Audit Evidence.

Data Collection: Data collected through the questionnaire method is by giving a list of questions (questionnaire), which have been compiled in a structured and refers to the study variables, it is intended to gather information or data that will be used to analyze the problem. Questionnaires were sent directly to the institution that became the object of research. Number of questionnaires provided investigators corresponds to the number of samples that is at least thirty copies. The object of this study is the auditor of BPK RI Representative of South Sulawesi province. The data used in the primary data by distributing questionnaires to Auditor of BPK RI Representative of South Sulawesi as many as 55 copies. Questionnaires are distributed directly to the office of BPK RI Representative of South Sulawesi Province through a sub-section of Human Resources. Questionnaires were returned by 40 auditors, while 15 were not returned.

Table 1: Summary of Response Rate

Total Questionnaires	55
Returned Questionnaires	40
Non-Returned Questionnaires	15
Response Rate	73%

Sample Data Analysis: In this study, respondents were asked to answer the questionnaire consisted of three part. The first part, consisting of a questionnaire data contains general data and the identity of respondents. The second part, relating to the variables included in the component auditor's professional judgment BPK RI Representative of South Sulawesi province in evaluating audit evidence. In this section consists of questions representing each independent variable competence, professionalism, and experience. The third part of the questionnaire contains questions-pertnyaan related to the professional judgment of auditors of BPK RI Representative of South Sulawesi province in evaluating audit evidence. Descriptive statistics were used to describe each group which consist of either or combination of frequency, percentage, mean and standard deviation of related answers for forensic accounting. Methods of data analysis used in this study are multiple linear regression analysis. This analysis is intended to reveal the influence of several independent variables with the dependent variable. Methods of data analysis used in this study are the method of statistical analysis using SPSS 20.0.

3. Results and Discussion

Descriptive statistics in this study use to describe the state of the demographic characteristics of respondents. Demographics of respondents classified by age, sex, education last, long work and the division of the entity (Sub-Auditorate).

Table 2: Demographic Profile and Respondents

Descriptions	**Total Respondents (person)**	**Percentage (%)**
Age		
a. Unknown	7	17
b. 20-30 years	15	37
c. 31-40 years	12	30
d. >40 years	6	15
Sex		
a. Unknown	0	0
b. Man	20	50
c. Female	20	50
Last Education		
a. Unknown	8	20
b. S1	20	50
c. S2		
c. S2	12	30

d. S3	0	0
Length of Work		
a. Unknown	6	15
b. 0-5 years	7	17
c. 5-10 years	20	50
d. >10 years	7	17
Division of Regional Entities (Sub-Auditorat)		
a. Unknown	13	32
b. Sulawesi Selatan I	8	20
c. Sulawesi Selatan II	7	17
d. Sulawesi Selatan III	12	30

Descriptive Statistics: To give an idea of the study variables (competence, professionalism, experience, and professional judgment); researchers used a descriptive statistical tables. From the table, based on answers from 40 respondents, the results of measurements of professional judgment variable (Y) obtained answer score average (mean) 37.73 with a standard deviation of 4,368. The results of the measurement of competence variable (X1) obtained a score of respondents had an average of 30.50 with a standard deviation of 2,207. The measurement results professionalism variables (X2) obtained an average score of answers 33.30 with a standard deviation of 3,488. The measurement results of experience variable (X3) obtained an average score of answers 33.92 with a standard deviation of 3.277.

Table 3: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Competence	40	24	35	30,50	2,207
Professionalism	40	25	40	33,30	3,488
Experience	40	26	40	33,92	3,277
Professional Judgment	40	26	45	37,73	4,368
Valid N (listwise)	40				

Multiple Linear Regression Analysis: Based on the model output display summary in the table below the amount of R Square (coefficient as adjusted) was 0.925, this value indicates that 92.5% of variation judgment external auditors of the government in this case the auditor of BPK RI Representative of South Sulawesi province can be explained by a third independent variables are competence (X1), professionalism (X2) and experience (X3), while the remaining 7.5% is explained by other factors outside the model.

Table 4: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,962[a]	,925	,918	1,249

a. Predictors: (Constant), Pengalaman, Kompetensi, Profesionalisme

Partial Testing (t Test): *t* tests were used to examine individually the relationship between the independent variable (variable X) and the dependent variable (variable Y) (Sugiyono, 2013: 235). The *t*test is done by paying attention to the significance of the t value on the output calculation with alpha level of 5%. If the value of the *t* test of significance is less than 5% (<0.05), then there is the influence of the independent variables on the dependent variable individually (partial). In this study, the *t* test was used to test whether the hypothesis proposed in this study received or not to determine whether the individual independent variables affect the dependent variable. The method in the determination of t table using the provisions of the 5% significance level with df = n-k-1 (in this study df = 40-3-1 = 36), in order to get the value *t* table of 1.688. The test results t test on this study can be seen in the table below:

Table 5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-10,407	2,891		-3,600	,001
	Competence	,477	,196	,241	2,429	,020
	Professionalism	,601	,113	,480	5,323	,000
	Experience	,400	,116	,300	3,435	,002

Simultaneous Significance Testing (F Test): Testing the hypothesis to seek simultaneous effect of independent variables on the dependent variable was analyzed using the F test, namely by paying attention to the significance of the F value at the output calculations with an alpha level of 5%. F-test was conducted to prove the fourth hypothesis (H4) the competence; professionalism and experience simultaneously affect the auditor's professional judgment BPK RI Representative of South Sulawesi province. If the value of F tests of significance less than 5%, then there is the influence of all independent variables on the dependent variable. The test results of F test in this study can be seen in the table below:

Table 5: ANOVA[a]

Model		Sum Squares	ofdf	Mean Square	*F*	Sig.
1	Regression	687,849	3	229,283	147,065	,000[b]
	Residual	56,126	36	1,559		
	Total	743,975	39			

4. Conclusion

Based on the analysis of data and discussion can be concluded as follows:

- Competence positively effect on the auditor's professional judgment BPK RI Representative of South Sulawesi province in evaluating audit evidence.
- Professionalism positively effect on the auditor's professional judgment BPK RI Representative of South Sulawesi province in evaluating audit evidence.
- Experience positively affects the auditor's professional judgment BPK RI Representative of South Sulawesi province in evaluating audit evidence.
- Competence, professionalism, and experience auditor simultaneously affect the auditor's professional judgment BPK RI Representative of South Sulawesi province in evaluating audit evidence.

Limitations and Suggestions: Researchers realized that there are still many limitations during the course of the research. The limitation of the possibility of providing interference in the results. This study uses a questionnaire instrument. The use of the questionnaire can cause response bias of the respondents as a result of dishonesty or respondent is not serious in answering the questions. In addition, the use of a questionnaire instrument is certainly not able to describe what happens to objects of research as a whole. Less number of respondents who obtained it certainly reduces the degree of representation for another auditor who is not a respondent. Thus, this research has not represented the perception of auditor BPK RI Representative of South Sulawesi Province evenly in every region of the entities, but only represents the perception of auditor generalization as a unified work. The results of this study cannot be digenaralisasi to all auditors in BPK RI in Indonesia because the scope of this study focuses only on the auditor BPK RI Representative of South Sulawesi province. Several limitations of the study above needs some repair items so the researchers next had a relationship with the object of this study can provide better research results. Some suggestions that, in association with observations directly to the object of research to avoid response bias due to the use of questionnaires. The addition of the sample as well as the study population will be able to maximize the representation of the overall perception of the auditor. The addition of some other variables used in measuring the factors that affect the auditor's professional judgment is also recommended.

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Peraturan Badan Pemeriksa Keuangan Republik Indonesia, Nomor 01 Tahun 2007 tentang Standar Pemeriksaan Keuangan Negara.

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Strategic Management Practices: An Investigation of Public Sector Organizations in the Kingdom of Bahrain

Wajdi Abushabab, Reza Abdi
Career Development Institute, Kingdom of Bahrain
University of Bradford School of Management, UK
wajdi@career-me.com, R.Abdi@bradford.ac.uk

Abstract: Several authors argued that strategic planning is limited and not producing the needed outcomes. In today's increasingly challenging environment, it is argued that public sector organizations are expected to shift from traditional strategic planning to the strategic management approach in order to achieve their desired outcomes. Previous research has focused almost upon developed, and not on developing countries, for instance, the Kingdom of Bahrain. This study will be the first of its kind to focus on strategic management practices based on the new strategy of Bahrain for 2030. Using quantitative survey method, this paper aims to explore the progress of the transition from strategic planning to the strategic management approach in the public sector of Bahrain, and then the paper explores the elements that are related to successful strategic management approach in these organizations. The findings reveal that the progress in the transition from strategic planning to a strategic management approach in most of the organizations surveyed was limited. However, some of the organizations were found to be at the start of such a transition and this may be a good sign. Additionally, the findings reported many leading edge elements that are closely related to this transition.

Keywords: *Strategic Planning, Strategic management, Leadership, Public Sector, Bahrain*

1. Introduction

Over than three decades, there has been a sustained interest from both academics and professionals in strategic planning in the public sector (Auka and Chepngeno, 2016; Stockwell and Casey, 2016). Strategic planning can be seen in the public sector in the form of noteworthy management innovations which benefit from a highly structured, future-oriented management technique imported from the best practices of the private sector (Aldehayyat and Al Khattab, 2013; Hendrick, 2003). However, the value of strategic planning and its use by the public sector in particular has been questioned by several authors (Borrozine and Rodrigues, 2016; Joyce, 2015; Lynch, 2015). Other critical authors argue that the strategic planning process is limited, too costly, time consuming and not necessarily capable of producing strategies that create the needed outcomes (Mintzberg, 2007; Mintzberg et al., 1998; Ofori and Atiogbe, 2012; Poister, 2010, 2013). In today's increasingly challenging environment, it is argued that public sector organizations are expected to shift from traditional strategic planning to the strategic management approach (Bianchi and Salvatore, 2015; Chaola et al., 2015; Poister, 2010). Strategic management is considered the most critical and fundamental process by which organizations may achieve their desired outcomes; however, very few governmental organizations have developed a fully-fledged and comprehensive strategic management process that seriously integrates all the management processes and major functions for advancing the strategic agenda (Plant, 2009; Poister, 2010; Stockwell and Casey, 2016).

Study Objectives and Questions: It is clear from the literature (Aldehayyat and Al Khattab, 2013; Dougherty, 2016; Elbanna, 2013) that that previous strategic management research has focused almost exclusively upon developed countries such as the USA and the UK, as well as some emerging economies such as China, and not on developing countries in the Arab world, for instance, the Kingdom of Bahrain. This gap in the knowledge provides the justification for the present study. This study will be the first of its kind as it is one of the first studies to focus on the public sector strategic management practices based on the new strategy of Bahrain for 2030. It is also important to note that the main objectives of the study proposed here is to explore the progress of the transition from strategic planning to the strategic management approach in the public sector of Bahrain, and then the paper explores the elements that are related to successful strategic management approach in these organizations. Moreover, the present research primary intended contribution is to help address the sparseness of empirical evidence on strategic management, so as to increase the ability of strategic planners to formulate, implement and evaluate better strategic plans in the future. Drawing upon the general literature of strategic management, this paper seeks to answer the following questions:

Question 1: *To what extent were public sector organizations broadening their strategic planning efforts into a strategic management approach?*
Question 2: *What elements are related to the transition from strategic planning to strategic management?*

With respect to the generalizability issue, Brouthers et al. (2000) said that several scholars have suggested that managerial attitudes, values, behaviors, and efficacy differ across national cultures, thus organizational information need to be gathered and interpreted differently. And since the sample populations in the present research are mostly middle managers coming from the same national culture and country, hence, the produced findings of researched governmental organizations might be generalized to other governmental organizations in Bahrain.

2. Literature Review

Planning and Strategic Management: the Theoretical Debate: It is worth noting that many studies (Hendrick, 2003; Janaki et al., 2012; Kabir, 2007) report that strategic planning started in the private sector with descriptive analyses of strategies and the formulation of strategies and their environment. It is also worth noting that for more than 30 years, strategic planning was introduced in the public sector with more emphasis on local government organizations (Elbanna, 2013; Nurmandi and Purnomo, 2011). Additionally, according to Nurmandi and Purnomo (2011), the strategic planning process in the public sector has evolved over the past few years on the basis of approaches developed by such authors as Bryson (1995), Nutt and Backoff (1992), and Koteen (1989). These approaches chiefly assess internal strengths and weaknesses, analyze external opportunities and challenges, clarify missions and values, vision development, the development of strategic goals and objectives, the development and evaluation of alternative strategies and the creation of action plans. Public sector organizations aim to help nations to meet their objectives, solve their problems and improve the quality of people's lives. The obligation of public sector organizations, which serves as a general guide for their actions, is to promote citizens' interests and values. It is worth noting that public value is created through producing policies, projects and programs, services and infrastructures at a reasonable cost. However, there is little consensus on ways for public sector organizations to produce these things or how they might succeed (Shahin, 2011; Kerlinová and Tomášková, 2014).

Joyce (2015) claimed that the public sector needs to adopt effective strategies to achieve its strategic and operational objectives. He added that decision makers are expected to put more effort into the preparation of plans and strategies that would enable public sector organizations to choose strategic alternatives for coping with today' dynamic changes in the environment. Moreover, Joyce claimed that top management is also expected to collect and update data on a regular basis and to work to formulate effective strategies. Joyce also argued that public sector organizations play an important role in the development process in the community, thus attention and work are called for to improve their organizational performance by using modern management methods, including strategic management, to achieve their goals and to properly adapt to change. Strategic management, according to Joyce, is considered a tool for determining the direction of an organization and its long-term objectives through the formulation of strategies that help its goals and objectives to be attained. With this in mind, the theoretical debate in terms of strategic planning and strategic management may be set out as follows. Strategic planning helps organizations to think carefully and systemically in achieving objectives; to develop effective strategies, proper decision-making processes, better performance, clear goals, increase satisfaction among employees; to effectively anticipate future problems and opportunities, and how to link vision to reality (Borrozine and Rodrigues, 2016; Dougherty, 2016; Porter, 2008). Strategic planning defined in Bouhali (2015: 74) as;
"A road map to lead an organization from where it is now to where it would like to be in five or ten years".

In terms of strategic management, several authors (Agwu and Awele, 2015; Meyer, 2016; Yongjin, 2013) considered strategic management as the most critical and fundamental process for public sector organizations in achieving their desired outcomes. *Strategic management* defined by David (2011: 6) as;
"The art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives".

There is a vigorous theoretical debate in the literature about the relationship between strategic planning and strategic management, since it seems that the two terms have at times been used interchangeably (Jelenc, 2009; Kabir, 2007). Strategic planning, to distinguish it, is concerned with formulating strategy and with the future direction of the organization (Hacker et al., 2001; Poister, 2010). The purpose of strategic planning in the long term is to regularly enhance and promote strategic thinking, acting and learning (Poister, 2010). Strategic planning encourages people to think of the consequences, analyze objectives, objectively assess values and priorities and identify needed actions, by such means ensuring organizational effectiveness and vitality which add value in the public mind (Bryson, 2014). Strategic management, however, is considered an earlier stage of determining the organization's mission and goals within its own external and internal context (Bryson, 2014). Strategic management contains the process of creating strategic plans and the activities needed to achieve defined goals and objectives (Hacker et al., 2001). The main aim of strategic management is to further the goals of an organization in three stages, namely, strategy formulation, strategy implementation and strategy evaluation (Agwu and Awele, 2015; Qamar et al., 2013; Ofori and Atiogbe, 2012). Kabir (2007) argued that strategic planning and strategic management are not the same, as strategic planning is considered one of the important elements of strategic management, beside strategic formulation and strategic implementation. Strategic formulation precedes strategic planning and strategic planning precedes strategic implementation; however, strategic planning and strategic implementation may overlap and this may lead to debate and confusion. Moreover, strategic planning is considered a key aspect of strategic management that ensures the integration of the organizational goals, policies and actions, thus developing a range of strategies that help organizations to re-align their future direction (Bryson et al., 2014; Poister, 2010). The next decade according to several authors (Plant, 2009; Poister, 2010) requires governments to shift from traditional strategic planning to the strategic management approach. Moreover, strategic management according to those others requires skilled and powerful leadership to ensure a proper fit between the organization and its internal and external environment. Strategic management needs an intensive, collective, and continuous involvement of public leaders, thus, public sector organizations will be more citizen focused, decentralized, collaborative and results-oriented (Plant, 2009; Poister, 2010).

Overview of the Kingdom of Bahrain and its Public Sector: Bahrain, a name which means "Two Seas", is a Muslim country, and has been ruled as a constitutional monarchy by the Sunni ruler, Sheikh Hamad Bin Isa Al Khalifa, since 2002. The total population of Bahrain is 1.4 million. Arabic is the primary language, and the Bahraini Dinar is the major currency. Bahrain is 717 sq km in area and its capital is Manama. Bahrain was one of the first states to discover oil in the Gulf. As Shown in Figure 1, Bahrain pioneered oil production in the Middle East in 1932 and established the initial framework for the petroleum industry mainly in the Gulf region (Oxford Business Group, 2016). Even so, Bahrain has never reached the oil production level enjoyed by Kuwait or Saudi Arabia (United Nations 2016). According to the Arab World Competitiveness Report 2013 published by the World Economic Forum and the European Bank for Reconstruction and Development (EBRD), the Kingdom of Bahrain over the last decade has conducted economic and social reforms. Because of the highly competitive environment regionally and globally and the declining oil reserves, however, the government of Bahrain is about to face many challenges (Azmi, 2013; Oxford Business Group, 2016). Nowadays, the Government of Bahrain is aiming to gradually shift its focus to generating sound and forward-looking policies in critical areas, such as the economy and finance, health care, education, the environment, security and social justice. It aims also to enlarge its international experience by reducing costs, increasing the quality of public service by outsourcing certain non-core government tasks, building strong strategic operations and implementation-focused capabilities, actively seeking partnerships with the private sector, establishing effective and efficient regulations, reducing the dependence on oil revenues, and forging world-class infrastructure links to the global. The country Bahrain now finds itself at a defining moment when its future prosperity depends on whether it can change significantly on many levels in order to keep pace with the world (Azmi, 2013; BBC News, 2015; Oxford Business Group, 2016).

Figure (1): Bahrain Map – Source: World Atlas

3. Methodology

This study is based on a descriptive design adopting the survey method in a form of cross-sectional research as more appropriate strategy comparison with other research strategies because it would help the researcher to examine the relationships between the variables and to suggest and produce a model of these relationships (Saunders et al., 2009; Yin, 2008). In this study, **270** questionnaires were collected from **32** governmental organizations in the Kingdom of Bahrain. The sample population in this research came from low and high-ranking officials in governmental organizations in Bahrain. The range of officials included top management, departmental managers, lower level employees, and internal experts. Probability sampling was used in the quantitative data collection with a questionnaire as the survey instrument. In this research, the quantitative data from the questionnaire were analyzed using SPSS software. The researcher followed all the necessary ethical procedures and processes to protect respondents' private information and responses.

4. Findings and Discussion

It should be noted that descriptive statistics were adopted to analyze the data by calculating the mean and standard deviation for each survey item; correlation analysis was used to explore the strategic management elements that were likely to be related to the transition from strategic planning to strategic management approach. The finding and discussion section is divided into two parts: part one exploring the transition from strategic planning to strategic management approach, and part two is exploring the related elements to the transition. The two parts are discussed below.

Part one: Transition to Strategic Management Approach
This part one seeks to discuss and answer the first study question:
Question 1: *To what extent were public sector organizations broadening their strategic planning efforts into a strategic management approach?*

In order to answer the above study question one, the findings of the three stages of strategic management will be discussed as follows.

Strategic Plan formulation stage: Based on the findings of the strategic plan formulation stage in the current study, it should be reported that the achievement level of proper strategic plan formulation within the organizations under scrutiny is 36.71%, as shown in below Table 1.

Table 1: Proper Strategic Planning Development

No	Factor	Achievement (%)	Level
1	Developing Clear Organizational Vision	54.44%	
2	Developing Clear Organizational Mission	59.26%	
3	Developing Clear Organizational Values	50%	
4	Lower-ranking staff Involvement	28.14%	
5	Internal Consultants' Involvement	23.33%	
6	External Consultants' Involvement	38.50%	
7	External Stakeholder Involvement	16.29%	
8	Private Sector Involvement	50%	
9	Developing Clear Strategic Objectives	44%	
10	Developing Clear Operational Objectives	45%	
11	Developing Clear Performance Indicators	42.22%	
12	Prioritizing Performance Indicators	28.14%	
13	Structured Process Formulation	28.51%	
14	Developing Units' Operational Plans	41.12%	
15	Aligning Fixed Budget to Operational Objectives	34.08%	
16	Developing New Income Generation Plans	20%	
17	Securing Financial Resources	27.74%	
18	Allocating needed Resources	29.62%	
19	Providing Adequate Technology	37.04%	
	Average	**36.71%**	

It is clear from these above findings about the strategic plan development stage that the participants in the present research did not fully agree that the strategic plan formulation process benefited their organization. It is also clear that part of these organizations lacked a clear vision, mission statement and values. Moreover, the internal and external stakeholders were not or partially involved in developing the strategic vision of the organizations under research. Within those organizations, there was also a weak prioritization planning to be linked with the vision. Additionally, the researched organizations have developed a weak alignment between departmental operational plans and the strategic plan and have not properly secured the needed financial and technological resources for its strategic planning process. It is worth noting that having a clear organizational vision means having a clear picture of the organization in the future that would help employees to see where the organization is heading (Joyce, 2015). Clear vision serves as a focal point to all employees that include the activities to be pursued and the capabilities to be developed. Sharing clear vision throughout all units of the organization would create enthusiasm, emotions and excitement among employees and inspire them to be engaged effectively in the strategic planning process. Moreover, a clear mission statement would identify the organizational purpose in order to satisfy the current and potential needs in the organization's core competencies and capabilities (Poister, 2013). If the researched organizations do not have a clear mission, the employees do not properly focus on the nature and purpose of the organization. Top management also finds it difficult to guide day-to-day operations. Additionally, the values and the beliefs that guide the organization are considered the foundation for attaining its goals and objectives. As an essential part as strategic development, clear organizational values help top management to influence the behavior and the attitude of the staff and enhance the organization's reputation.

It is worth saying that successful strategic management approaches require all the components in the process as an integrated system to be reviewed in a comprehensive and holistic strategic management framework based on developing a strategic vision involving internal and external audiences (Plant, 2009). It is also important to reflect that little trouble is generally taken in governmental organizations in Bahrain to ensure the participation of lower ranking employees at the level of overall strategic management, least of all at the plan formulation stage. This omission lowers the employees' understanding of business and does little to ensure their commitment, ownership or willingness to attain the organization's goals and objectives, thus, failing to improve the working environment and to secure good implementation in practice. It is also important to say that having unclear strategic and operational objectives and unclear performance indicators with unclear prioritized performance indicators, will lead employees to work on all objectives and initiatives without understanding which ones are the most important to senior management (Poister, 2010). With the above findings in mind, this will result in all objectives being covered in part, but in the completion of none.

It is also worth noting that budgeting is central to organizational operations since each department and unit in the organization must submit its operational plan for approval, including its annual financial budget (Kabir, 2007). Moreover, it seems from the findings that top management has no clear plan to reflect changing strategic priorities. This creates a gap between the strategic management process and the allocation of financial resources through the budgeting process. It may be said that a proper join between the strategic management process and budgeting would improve the organization's effectiveness and move the organization closer to fulfilling its strategic and operational objectives. Additionally, the findings show that top management was not securing enough technological resources to enhance its internal and external communications. As a result, top management would have difficulty in measuring and assessing individuals and organizational performance. It would also face some challenges in evaluating the feasibility of proposed strategies. It is important to keep in mind that tracking the progress of the implementation of strategic and operational objectives over time through adequate technology and reporting would ensure that the needed resources were in place to achieve these objectives.

Strategic Plan Implementation Stage: Based on the findings of the strategic plan implementation stage, it should be noted that the average achievement level of proper strategic planning implementation within the organizations under scrutiny is 28.38 %, as shown in below Table 2.

Table 2: Proper Strategic planning Implementation

No	Factor	Achievement Level (%)	No	Factor	Achievement Level (%)
1	Internal Communication	28.50%	**16**	Middle Management Support	27.74%
2	Cooperation between Groups	20.74%	**17**	Rewards Systems	33.34%
3	Cooperation between Departments	36.67%	**18**	Organizational Structure	21.11%
4	Internally Cascading Strategic Plan	23.34%	**19**	Strategic Objectives Implementation	20%
5	Cooperation with Key Stakeholders	50.37%	**20**	Operational Objectives Implementation	26.29%
6	External Communication with Public	38.52%	**21**	Enough Staff for Implementation	25.55%
7	Adequate Strategic Planning Training	18.89%	**22**	Competition between Activities	24.44%
8	Middle Management Skills	26.66%	**23**	Time given for Implementation	23.70%
9	Lower-ranking staff Knowledge	15.92%	**24**	Control over Implementation	18.52%
10	Lower-ranking staff's Duties	21.48%	**25**	Lower-ranking staff's Commitment to Objectives	29.63%
11	Understanding Strategic Planning	24.41%	**26**	Lower-ranking staff Commitment to Vision	28.89%
12	Integration	34.08%	**27**	Middle Management Commitment to Vision	37.78%
13	Vision Alignment	30.40%	**28**	Top Management Commitment to Vision	41.11%

14	Decision Making Linkage	29.63%	**29**	Results Oriented Top Management	40.37%
15	Top Management Support	24.82%			
	Average				**28.38%**

Based on the above findings of the strategic implementation stage in the researched organizations, it is worth noting that successful strategic plan implementation involves designing an appropriate organizational structure, ensuring that the right divisional and functional managers are supported by the right backgrounds and skills (Poister, 2010). To ensure a proper strategy implementation process, organizations are recommended to analyze their organizational structure, organizational culture, power and conflicts. Moreover, successful implementation requires managers to have the right policies, allocate the needed resources and receive up-to-date information that facilitates learning. In addition, effective communication is one of the most important items in that examined which items are responsible for the successful implementation of strategic plans. These are the items that should properly explain the duties, tasks and new responsibilities devolving on employees (Plant, 2006). Communication and understanding shared by all employees is a crucial aspect of the process of strategy implementation; hence, top management expected to ensure that all the information concerning strategic plans is at the disposal of all the employees (Plant, 2009). Moreover, governmental organizations need to focus on ways of improving their ability and on the methods they have to adopt to successfully implement new initiatives, services and strategies at both the business unit and corporate level (Ofori and Atiogbe, 2012).

To attain the targeted strategic objectives, the entire staffs of an organization are expected to be involved. Therefore, for the successful implementation of strategies, the lower level managers and non-management employees need to be adequately informed of the facts and issues regarding the implementation of strategies. Otherwise, a lack of consensus on the information affects several management levels and this creates barriers to the successful implementing of the strategic plan. Moreover, while strategy formulation is relatively easy, strategy implementation throughout an organization is more difficult (Poister, 2010). Although organizations may have formulated the best strategic plans, they may fail to achieve the desired outcomes because of improper strategy implementation. Thus, poor strategy implementation might be blamed for a number of strategic problems and failures, a fact which is confirmed in the findings of the quantitative analysis of most of the investigated governmental organizations in Bahrain currently under study.

Strategic Plan Evaluation Stage: The findings of the strategic planning evaluation stage as shown in below Table 3 reported that the average achievement level of proper strategic planning evaluation within the organizations under scrutiny is 26.83%.

Table 3: Proper Strategic Planning Evaluation

No	Factor	Achievement Level (%)
1	Linking Strategic Planning with Performance Management	20%
2	Reviewing Performance Data	25.19%
3	Monitoring Organizational Performance	25.07%
4	Monitoring External and Internal Trends	24.47%
5	Linking Implementation with Individuals' Performance	24.08%
6	Sharing Organizational Performance with the Public	15.55%
7	Frequent Strategic Planning Evaluation	18.15%
8	Lower Level Staff Evaluation	28.51%
9	Middle Management Evaluation	28.52%
10	Solid Reporting System	27.78%
11	Current Services Important	57.78%
	Average	**26.83%**

Regarding to the strategic plan evaluation stage, it seems from the findings that top managers in these organizations were not properly helping employees to provide a definition of service excellence and not adequately setting suitable indicators that would quantify whether their organizations have fulfilled this strategic objective. The findings also suggest that top management was not properly encouraging feedback mechanisms that would capture information from the front-line employees of the service divisions closest to the client in order to measure progress and improvement. The increasing pressure on governments to deliver high quality services with limited resources requires these organizations to establish an adequate performance measurement system, so as to ensure a solid link between the higher-level decision making and the operational service providers (Poister, 2010). Moreover, front-line employees have to play a critical role in this performance measurement system by being properly involved in developing performance measures for their service delivery process.

To anticipate future challenges and to work effectively in uncertain situations in the coming decade, public sector organizations need to shift their performance measurement process to something more comprehensive (Plant, 2006; Poister, 2010). To ensure this, public sector organizations are required to link strategic planning more closely with performance management processes, to improve decision making and performance as a most important purpose of measurement and to report on their performance. Moreover, for performance management to be effective and to improve performance, public organizations need to use the information produced by the measurement system and link it to the centralized performance systems at the levels of both managers and employees. Additionally, the top management of public organizations needs to set and negotiate the desired targets and results for employees in their performance appraisal systems. More generally, top managers are expected to review the performance data on a regular basis and develop plans as needed for corrective actions. At the same time, public sector organizations need to develop their strategic plans on the basis of the generated performance information that helps to measure and report progress toward the strategic goals and objectives and to consistently communicate performance information to a wide range of external stakeholders. Thus, if their performance management is to be meaningful, public sector organizations are recommended to consider the performance management process at all the levels of an organization’s level as the rule and not the exception and to ensure ongoing improvement in the performance of public programs (Poister, 2010). This is not found in most of Bahrain’s public sector organizations surveyed in the present research.

It is important to note that, based on the above findings of the present study, the transition process from traditional strategic planning to strategic management approach within the organizations under scrutiny is limited in all strategic management stages; strategic development, strategic implementation and strategic evaluation. While strategic management is considered the most critical and fundamental process by which public sector organizations may achieve their desired outcomes, most of the public sector organizations in Bahrain in the present research are not considered among the governmental organizations that have developed a fully-fledged strategic management process that properly integrates all the management processes and major functions for advancing the strategic agenda. Most of these governmental organizations are in addition not fully concerned to develop an effective capacity for the strategic management approach.

However, the limited transition that has been observed may be a good sign that some of the governmental organizations under review are beginning to shift from traditional strategic planning practices to the strategic management approach. It is important that public sector organizations need to address the critical task of shifting from strategic planning to a view of strategic management. This task consists of clarifying strategy and translating a broad vision into more operational terms; elaborating strategies in greater detail; assessing the implications of strategic mandates; revising budgets; and developing a control system with standard operating procedures. The transition from strategic planning to the concept of strategic management is essential if governmental organizations are to focus on the most appropriate objectives and to manage effectively to attain their objectives. Moreover, shifting to strategic management requires strong leadership to surmount bureaucratic and cultural barriers and guide public sector organizations in a purposeful direction to the future. Such strong leadership involves personal commitment from managers, to act as organizational entrepreneurs, make a dynamic fit between the organization and its environment, manage performance effectively, welcome opportunities to manage for change and more importantly contribute to strategic development and implementation as the normal way of doing business in their sector. With this in mind, one of the findings of the present research was that most of the participants did not consider the top managers of their organizations to be role models of strong and inspired leadership. Most participants believed that the members of their top management team were not using strategic planning to drive their decision-making process and they did not welcome the chance to report their own performance. In addition, most participants believed that their top management was not modifying organizational structure, organizational culture, or human resources regulations to support the implementation of the current strategic planning. In other words, most participants believed that their top management was not playing an important role to ensure that strategy was translated into action.

Strategic management approach enables top management to identify and monitor suitable performance measures to ensure the proper implementation of strategic initiatives and proper achievement of strategic goals and objectives. Then they recommended assessing the performance data frequently to make modifications and to keep implementation on the desired track. They asked also to align budgets with strategic priorities and allocate resources to fund new strategic initiatives. However, most of the top managers in governmental organizations in Bahrain in the present research did none of these things. Additionally, those top managers were not linking the implementation of organizational goals and objectives with performance appraisal of individuals and did not reward them in proportion to their contributions to advancing the strategy as far as possible. These top managers were not promoting the vision of their organizations or cascading the strategic plan internally to ensure proper commitment throughout the organization. Furthermore, most of the top managers were not committed to managing for results in order to shift their organizations from strategic planning to strategic management. The top managers of their organization, according to most participants, were not ensuring that each unit within the organization had its own strategic plan within the framework of the organization's overall strategic agenda. Neither was top managers insisting that action plans for implementing strategic initiatives should be developed to ensure that they were fulfilled to the end. Top management needs a separate strategy to drive decisions and actions in order to advance the strategic planning process more effectively. Top management need to monitor the internal and external environment and gather information from a range of sources, sensing how values might be changed to ensure effective strategic management.

Additionally, top management is believed to continuously monitor external trends as well as internal performance and then revise strategy if needed. Shifting from strategic planning to strategic management requires more collaboration with key external stakeholders to gather their valuable input. External stakeholders need to be invited to join the strategic planning development process so as to gain their support when moving strategic plans forward and to ensure that the results of strategic planning reflect its own substantive objectives as far as possible. Thus, top management need to buy in external stakeholders to ensure that the results of strategic planning reflect their organization's own substantive objectives as well as they can. Moreover, top management advised to assess and accommodate their organizational opponents to minimize their threats to the strategic planning implementation. Additionally, top managers in public sector organizations need to update strategic plans and advance present priorities more effectively in order to survive in a changing and accelerating situation that might lead the organization to refocus its entire mission, move in new directions and substantially modify priorities. But in most of the governmental organizations investigated in Bahrain they do not do this. This is to the first study question; that, in the present study, the progress of the transition by most public sector organizations in Bahrain, from traditional strategic planning to strategic management approach level is limited.

Part two: Elements Related to Strategic Management Approach

This part two considers the second study question:
Question 2: *What elements are related to the transition from strategic planning to strategic management?*
Strategic management aims to ensure that strategy is effectively implemented and continually encourages strategic thinking, learning and action. Based on that, management levers such as operational budgets and other management and administrative mechanisms, need to work hard to implement strategic initiatives, to advance the strategic agenda of the organization and to move it deliberately to the future (Plant, 2009; Poister, 2010). In this case, since a transition from strategic planning to the approach of strategic management is essential for governmental organizations if they are to focus on the most appropriate objectives and to manage effectively to achieve these objectives (Poister, 2010), this part two discusses in some detail the strength of the relationship between the proper implementation of strategic and operational objectives and the other important strategic planning variables that help to achieve those objectives properly.

It is hoped thus to discuss those variables that are closely related to the transition from strategic planning to strategic management. Such leading edge variables might help governmental organizations to strive for the more comprehensive strategic management approach. It should be noted that these variables need not necessarily be interpreted as the most fundamental requirements of an effective transition from strategic planning to strategic management, they should rather be viewed as leading edge elements that help the successful path to attaining the strategic and operational objectives of the government's strategic plan, leading governmental organizations to successfully shift from traditional strategic planning to this preferable approach.

Generally speaking, based on the findings of the present research, most of the participants put the following variables at the top of their list for the successful transition from traditional strategic planning to the strategic management approach, although they appreciate other related variables. As shown in below Table 4, the variables that are closely related to this transition are inspired and strong leadership, commitment to vision among the top management, links between the top management decisions and vision, top management commitment to managing for results, top management support, middle management commitment to vision, proper middle management skills, integration between processes, structures, resources and people, cooperation between formulation and implementation groups, adequate training for strategic planning, understanding the planning process and proper implementation and linking strategic planning with performance management. It is particularly worth noting that these variables are expected to increase the satisfaction level in the governmental organizations under scrutiny. This is because linking top management decisions to strategic planning and providing the needed support from inspired and strong leaders to governmental staffs will secure producing positive outcomes and long-term growth; and sustain competitive advantage. Moreover, strategic implementation to be effective and to increase the satisfaction level, leaders need to ensure that governmental staffs are using planning manuals and have the needed strategic planning knowledge and skills before and during the implementations stage.

Additionally, to implement organizational objectives, especially operational ones and also to enhance the satisfaction level, leaders are expected to ensure having adequate cooperation and coordination between formulation and implementation groups as an effective tool to strategic management. The satisfaction level would be also enhanced factors when leaders review the organizational performance continuously to ensure providing the needed resources and making the right corrections to achieve the agreed outcomes of the plan. Moreover, linking implementation with performance management will provide employees clear idea regarding their duties and responsibilities, hence, having clear idea about their role in the implementation of the organizational objectives. This will lead to fare rewards and compensation that will enhance staffs' motivation and commitment. However, and as shown in Table 4, the findings indicated that there is a very weak negative relation between gender and both strategic and operational objectives. This reflects the fact that the organizations in question provide equal opportunities and roles in achieving organizational objectives for their male and female employees. The findings also make it clear that there is a very weak negative relation between organizational size and the strategic and operational objectives. This reflects the fact that the implementation of organizational objectives is independent of the size of the organization. This finding on the one hand contradicts the literature; many authors have argued that larger organizations plan more than smaller ones do because they have more resources and more capacity to recognize environmental change; thus, they are more likely to achieve their organizational objectives. On the other hand, this finding is supported in the literature, since smaller organizations with smaller staff tend to have a more effective process of internal communication and greater opportunity to involve their employees in the development of their strategic and operational objectives, thus increasing their commitment to achieving these objectives.

The findings moreover show that there is a very weak negative relation between managerial level and working experience of both strategic and operational objectives. This is true only if the researched organizations make greater efforts to develop and train the staff to engage in strategic planning development, implementation and evaluation. This is also true if these organizations enhance the communication and cooperation between staff, teams and department. It might be assumed from this finding that the participants in the present research would provide the needed efforts to achieve the strategic and operational objectives if they were equipped with sufficient strategic planning knowledge and skills, despite their lack of experience and whatever their positions in the organizational hierarchy. Moreover, the findings interestingly reported that there is a weak positive relation between both strategic and operational objectives and the importance of strategic planning by middle management and lower-ranking staff. This finding contradicts the argument that the more the employees appreciate the strategic planning, the more their loyalty and buy-in to implementing the plan. However, it seems from the findings that the participants in the present research would effectively participate in attaining the strategic and operational objectives despite their own low importance in strategic planning. This result may be due to personal factors such as self appraisal, or cultural factors such as patriotism. Whatever the source, this result may open a window to future researchers interested in studying this surprising phenomenon.

Table 4: Related Variables to Strategic Management

No	Variable	Proper Strategic Objectives Implementation		Proper Operational Objectives Implementation	
		Pearson Correlation	p-value Sig. (2-tailed)	Pearson Correlation	p-value Sig. (2-tailed)
1	Inspired and Strong Leadership	.545**	.000	.513**	.000
2	Top management commitment to vision	.555**	.000	.537**	.000
3	Top management decisions linked with Vision	.595**	.000	.570**	.000
4	Top management is committed for managing for results	.592**	.000	.571**	.000
5	Top Management Support	.569**	.000	.562**	.000
6	Middle management commitment to vision	.577**	.000	.612**	.000
7	Proper Middle Management Skills	.576**	.000	.551**	.000
8	integration between processes, structures, resources and people	.555**	.000	.517**	.000
9	Effective Cooperation between Groups	.557**	.000	.518**	.000
10	Adequate Strategic Planning Training	.583**	.000	.509**	.000
11	Understanding Strategic Planning Process	.597**	.000	.556**	.000
12	Linking Strategic Planning with Performance Management	.566**	.000	.537**	.000
13	Gender	-.065**	.000	-.102**	.000
14	Organization Size	-.080**	.198	-.078**	.200
15	Managerial Level	-.083**	.000	-.084**	.000
16	Working Experience	-.071**	.000	-.020**	.000
17	Importance of Strategic Planning by middle management	.284**	.000	.287**	.000
18	Importance of Strategic Planning by lower-ranking staff	.236**	.000	.243**	.000
19	Internal consultants involvement	.405**	.000	.344**	.000
20	External consultants involvement	.350**	.000	.372**	.000
21	Private sector involvement	.334**	.000	.311**	.000
22	External public involvement	.243**	.000	.263**	.000
23	Enough Staff for Implementation	.289**	.000	.241**	.000
24	Lower-ranking staff Commitment to vision	.279**	.000	.264**	.000
25	Adequate financial resources	.283**	.000	.252**	.000
26	Adequate reward systems	.162**	.000	.174**	.000

The findings also reported that there is a weak positive relation between both strategic and operational objectives and variables such as the involvement of internal and external consultants, the private sector and the external public in effective external communication. Although these variables were appreciated in the literature as successful variables for implementing organizational objectives, it could be argued that the participants in the present research feel that these variables are not as important as other variables, such as top and middle management support, adequate training and adequate performance management systems. It could also be argued that participants prefer not to have highly involved external stakeholders, so as to reduce their influence and control over the implementation. This view is also supported by several authors in the literature, who recommend not involving the external public, or partially involving it in the processes of strategic planning and implementation. The findings moreover suggest that there is a weak positive relation between both strategic and operational objectives and variables such as enough staff for implementation and lower-ranking staff' being committed to vision. Although these variables were addressed in the literature as important drivers for the successful implementation of objectives, it can be assumed that participants were not addressing them as top requirements; other variables such as lower-ranking staff' involvement in formulating objectives and lower-ranking staff' commitment to achieving those objectives seemed more important. If this is the case, top management would meet with resistance from lower-ranking staff to the achievement of organizational objectives, if they were not fully aware of the vision or not involved in developing it. Moreover, it seems from the findings that participants would effectively try to fulfill the organizational objectives even there were not enough of them to do so adequately. This result might reflect the fact that participants have no problem working under intense pressure. It is worth saying that top management need to consider this as one of the key success factors in implementing strategic management decisions.

Interestingly, the findings additionally reported that there is a weak positive relation between both strategic and operational objectives and the availability of adequate financial resources. Securing fixed budget for each activity and imitative would help organizations to properly fulfill their strategic and operational objectives. This is found in the literature, for budgeting is considered a cornerstone of the successful implementation of strategic management. However, it can be assumed from the findings that participants were not considering the availability of financial resources as a serious challenge and they are committed to achieving objectives even with limited financial resources. More interestingly, the findings also reported that there is a very weak positive relation between both strategic and operational objectives and the availability of adequate reward systems. It is worth noting that, as confirmed in the literature, developing an adequate reward system would enhance the motivation and loyalty of employees to successfully achieve both the strategic and the operational objectives of their organization. Nonetheless, it seems from the findings that most participants in the current research would provide the requisite efforts to achieve their objectives even under weak reward systems. Such a result might be due to cultural or personal motives and also suggests a worthwhile avenue for future research.

5. Conclusion

If public sector organizations want success in the coming decade, they will have to anticipate new challenges and problems, effectively respond to them, think strategically and manage for results. The next decade requires public sector organizations to shift from traditional strategic planning to more strategic management approach. The present study revealed that the average amount of progress in the transition from strategic planning to strategic management approach in most of the organizations surveyed was limited, in that most of the top managers were not committed to managing for results, and they played no critical role in shifting their organizations from strategic planning to strategic management. However, some of the organizations were found to be at the start of such a transition and this may be a good sign. The present study reported that many strategic planning variables are closely related to this transition. Such variables should be viewed as leading edge elements that help to successfully implement the strategic and operational objectives of governmental strategic planning, thus helping these organizations to successfully apply the strategic management approach. To complete this move, it would be interesting in future research to study the transition from performance measurement to performance management, and to study the integration of strategy and performance management in public sector organizations. This paper claims to be innovative because in the literature so far, no study has been conducted in the field of strategic management public sector in Bahrain based on the new strategy of Bahrain for 2030. Moreover, the present paper primary intended contribution is to help address the sparseness of empirical evidence on strategic planning and management, so as to increase the ability of strategic planners to formulate and implement better strategic plans in the future.

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