A QUALITATIVE ANALYSIS INTO THE STRATEGIC PRIORITIES OF THE INDONESIAN BANK INDUSTRY

Siti Ridloah✉

School of Management, University of South Australia, Australia

Abstract

This research paper investigates present day strategic priorities employed by large (foreign exchange) banks in Indonesian banking industry. The research used 'idea networking' of the mission statements of banks as the means to identifying a handful of priorities. The population comprised commercial banks in Indonesia. Foreign exchange banks in Indonesia were chosen as a sample of this study .The study was conducted in 2014. The research method utilized in this study is qualitative clustering through idea networking. In this method, the idea statements were extracted and linked to each other to produce diagrams resulting in clusters of statements that were generalized into priorities. The finding from this study is that Indonesian banks have six main priorities of "service excellence", "prudent corporate governance", "innovative", "customer segmentation focus", "professionalism" and "social responsibility". This, undoubtedly, provides some insight into the potential threats to the Indonesian bank industry as well as an agenda for change.

ANALISIS KUALITATIF DALAM PROSES PRIORITAS STRATEGIS INDUSTRI PERBANKAN INDONESIA

Abstrak

Penelitian ini mengkaji mengenai prioritas strategik pada bank-bank besar (valuta asing) dalam industri perbankan Indonesia. Penelitian ini menggunakan 'idea networking' dari pernyataan misi bank sebagai sarana untuk mengidentifikasi beberapa prioritas. Populasi terdiri atas bank komersial di Indonesia. Bank valuta asing di Indonesia dipilih sebagai sampel penelitian ini. Penelitian ini dilakukan pada tahun 2014. Metode penelitian yang digunakan dalam penelitian ini adalah qualitative clustering melalui 'ide networking'. Dalam metode ini, pernyataan ide diekstraksi dan dihubungkan satu sama lain untuk menghasilkan diagram yang menghasilkan kelompok pernyataan yang digeneralisasikan ke dalam prioritas. Temuan dari studi ini adalah bahwa perbankan Indonesia memiliki enam prioritas utama "pelayanan prima", "tata kelola perusahaan yang bijaksana", "inovatif", "focus segmentasi pelanggan", "profesionalisme" dan "tanggung jawab sosial". Hal ini, tidak diragukan lagi, memberikan beberapa wawasan ke dalam potensi tantangan terhadap industri perbankan Indonesia serta agenda perubahan.

JEL Classification:G3, G32

✉Correspondence Address
  4/194 South Road, Mile End SA 5031
  Email: ridsy004@mymail.unisa.edu.au

INTRODUCTION

Banks still hold the dominant role in the economy of Indonesia at about 78.24% of market share followed by other institutions (Supriyanto, 2013). They are business entities that raise funds from the public in the form of savings and distribute it to the public in the form of credit or other forms in order to improve the living standard of the people (Republik Indonesia, 1998). As a depository financial institution, the bank has a crucial role in the development of the economy of a country. A bank facilitates the interests of savers with borrowers through products and financial services it offers (Buchory, 2014). In addition, a bank also holds a principal role as an intermediary in the financial system by mobilizing funds and allocates it to the productive activities and investments (Mahran, 2012). Moreover, the bank facilitates traffic flow payments. Therefore, it supports economic growth of a country.

The banking sector worldwide is an industry that faces high competition. The competition in the Indonesian banking industry has been sharp since the government introduced its deregulation package in the banking sector in October 1988 (Alfansi & Sargeant, 2000). This financial regulation abolished the restriction on the formation of new private banks and allowed foreign banks to form joint ventures with local partners in Indonesia. Therefore, the growth of bank industry increased dramatically in terms of the numbers of banks and branch offices. Based on data from Bank Indonesia cited in Kameyama et al. (2006) the number of banks, both national and private banks rose remarkably from 124 in 1988 to 240 in 1996, while the number of branch offices increased significantly from 1,900 to more than 6,000. These conditions, undoubtedly, caused stiff competition among banks in the financial industry.

When the economic crisis hit Indonesia in July 1997 it affected almost all industries, including the bank industry. The unique feature of banks, especially on the nature of their business, makes them to be risky (Riani et al., 2014). Indonesia suffered the most economic damage during the economic crisis in Asia (Harada & Ito, 2005). Alfansi and Sargeant (2000) argued, the drastic outflow of capital and the sharp depreciation of the currency have led almost to the collapse of the banking system.

Nonetheless, the Indonesian government made some interventions to overcome the economic crisis by making the restructuring of the banking supervision a priority program. Finally, Indonesia managed to exit from the IMF program and the Indonesian Banking Restructuring Agency (IBRA) was dissolved after completing its task. In fact, the general macro-economic indicator of the banking sector in Indonesia has recovered its confidence quickly. As far as published data shows, macro data on recent bank performance, the financial data of individual banks, and individual bank's stock prices, suggest recovery of the management of banks (Harada & Ito, 2005). Although the banking industry has gained its stability, concerns still remain to improve its performance and competitiveness. A lesson learned from the economic crisis is that banks need to improve the effectiveness of their management. Poor management and corporate governance is one of the factors that contributed to the vulnerability of the banking industry.

In response to this situation, the author intended to do research into the present day strategies of the larger (foreign exchange) banks to investigate what priorities the Indonesian banking industry feels it still has. The research will use 'idea networking' of the mission statements of banks as the means of identifying a handful of priorities. The research targeted private owned banks that conduct banking business in foreign currencies (foreign exchange banks).

METHOD

Qualitative data was used in this research. The population was commercial banks in Indonesia. Based on data from the Central Bank (Bank Indonesia), there are 120 commercial banks in Indonesia, which consists of 4 state

owned banks and 116 privately owned banks (Bank Indonesia 2014). This research used purposive or judgmental sampling, which is a non-random sample technique, to focus on a specific group. The research targeted private owned banks that conduct banking business in foreign currencies (foreign exchange banks). According to regulation from the central bank (Bank Indonesia 2013), some criteria for bank to be foreign exchange banks are: CAR (Capital Adequacy Ratio) minimum of 8% in the last month, the level of health during the past 24 months in a row categorized as healthy, Rp.150 billion minimum paid-up capitals, banks preparedness to carry out foreign exchange transactions, human resources, and operational guidelines.

The chosen sample was based on the fact that they are well-established banks and that the service and products of the banks are more varied. Based on data from Bank Indonesia (2014), there are 35 foreign exchange banks in Indonesia, which used as a sample in this study. The advantage of this method is to select specific informative cases. In addition, it is more convenient than a random sample technique. On the other hand, this method may not be as accurate as random sampling. However, it is appropriate for highly targeted and narrowly defined population. Therefore, the sample represented the target population.

Research method utilised in this study is qualitative clustering through idea networking. Idea networking is a part of concept mapping (Metcalfe 2007) which is classifying, linking and grouping idea statements. Source of idea statements can be anything, which is relevant to a problem situation. Statements can be a community meeting, the transcript of an interview, comments from a conversation or statements in corporate documents (Metcalfe, 2007). In this method, the idea statements are extracted and linked to each other for producing diagrams and resulting in clusters of statements that can be generalized into priorities.

To conceptualize the strategic priority of Indonesian banks, the researcher networked the mission statements, which were available on the banks' website. This networking provides a qualitative means of inductively clustering the statements (Hassanli & Metcalfe, 2013). The mission statement was chosen because it is reveals the intended strategy actions, endorsed by the senior management and publicly available. An example of a mission statement is "We provide outstanding technology-enabled banking product and services supported by an international network that delivers enhanced stakeholders value to be a financial institution of choice". A further list of mission statements can be seen in Table 1.

The statements were collated and numbered. There were 91 statements from the strategies of 35 banks. These statements were then linked by use of keywords. The links were recorded in an interaction matrix using the social network analysis program, Nodexl. There are many similar social network analysis programs, such as UCINET and Gephi, each with very similar clustering algorithms. Nodexl was utilised in this research give the researcher familiarity with the software and its endorsement by Microsoft. The networking resulted in a network diagram and clusters of statements. Clusters represent group of similar mission statements. These clusters named based on what statements they contained. This act of synthesis does required judgement by the researcher based on their understanding of the industry. The names provide a convenient classification of the statements and can be interpreted as a summary of priorities.

RESULT AND DISCUSSION

The cluster in figure 1 was named as:
Cluster 1 – Service Excellence

Through analysis of concept mapping, six clusters of the statements were revealed (see Figure 1 and Table 2). The cluster is in dark blue colour. This group of statements focused on providing excellent service to the customers in order to achieve customer satisfaction. Banks need to offer a wide range of products and primary service to public. Service becomes an essential part of the bank industry because it is a competitive edge for companies that distinguish

Table 1. Sample Chosen and Mission Statements of Foreign Exchange Banks

No	Bank	Website	Mission Statement
1	Bank Rakyat Indonesia Agroniaga, Tbk	www.briagro.com	Doing the best banking activity in the segment of small and Medium Enterprises (SMEs), especially the agricultural sector to support the economic development of society with regard to environmental sustainability. Fulfilling basic needs, services and quality banking services, supported by a Human Resources professional and high integrity in implementing good corporate governance. Providing optimum benefits for stakeholders.
2	Bank Antar Daerah	www.bank-antardaerah.com	Optimizing bank's role as intermediary. Focusing as retail banking by providing the best service to customers. Maximizing the company's profits for the benefit of all employees and shareholders.
3	Bank Artha Graha Internasional, Tbk	www.arthagraha.com	Providing prime service to public is one of our success keys. To provide comprehensive and innovative financial solution following market requirement. To develop human capital. To create optimum benefit for the stakeholders. To become good corporate citizen that cares about public and the environment.
4	Bank BNI Syariah	www.bnisyariah.co.id	To make a meaningful contribution to society, while supporting environmental sustainability. To provide solutions for the benefit of the community, through the medium of sharia banking. To deliver optimum investment value to all investors. To create a 'place of pride' for working and achieving best performances for the staff, as the embodiment of worship. To serve as a standard of a trustworthy corporate governance.
5	Bank Bukopin,Tbk	www.bukopin.co.id	To provide excellent and comprehensive financial services solutions to fulfil customers needs in business, individual and family. To take an active role in developing competitive Small, Medium and Micro Enterprises. To build employee engagement in increasing employee productivity and welfare. To increase shareholders investment value through prudent business management

Table 1. Continues

6	Bank Bumi Arta	www.bankbba.co.id	Developing optimal banking business with a variety of resources within the limits of acceptable risk. Carrying out bank operations with the principles of Good Corporate Governance and Risk Management. Functioning of the organization in a professional manner with the process of sustainable human resource development, so it provides consistent excellent service in the business activities of national and international standard.
7	Bank ICB Bumiputera Indonesia, Tbk	http://id.icbbumiputera.co.id/	To create value for all stakeholders. To provide reasonable returns to shareholders. To be trusted business partners and to provide optimal solutions. To uphold Good Corporate Governance. To develop a productive and efficient organization. To have positive contribution towards community development.
8	Bank Central Asia , Tbk	www.bca.co.id	To build centres of excellence in payment settlements and financial solutions for businesses and individuals. To understand diverse customer needs and provide the right financial services to optimize customer satisfaction. To enhance our corporate franchise and stakeholders value.
9	Bank CIMB Niaga, Tbk	www.cimbniaga.com	Customer focus. The basic ethics of integrity and accountability. Management and employees as the company's main assets. Working climate which encourages performance, creativity and motivation. Commitment to social responsibility.
10	Bank danamon Indonesia,Tbk	www.danamon.co.id	To become a customer centric organization that covers all customer segments, each with unique value proposition, centered on sales and service excellence supported by world class technology. We aspire to be the employer of choice, respected by our customers, employees, shareholder, regulators and the community.
11	Bank Ekononomi Raharja. Tbk	www.bankekonomi.co.id	Committed to striving for innovations and breakthrough to maintain its predicate as a strong and secure private national bank.

Table 1. Continues

| 12	Bank Ganesha	www.bankganesha.co.id	Providing satisfaction to all customers
13	Bank KEB Hana	https://myhana.co.id/gibPT/intn/main	Our ultimate aim is to become a business that continues to create value for its customers, shareholders, employees and society, while fulfilling our social responsibilities in the process, based on the economic strength we have built through honest and faithful corporate activities.
14	Bank Himpunan Saudara 1906, Tbk	www.banksaudara.com	Maintaining public trust. Providing personal services. Improving the quality of management and banking operations. Preserving the banking business with the values of Good Corporate Governance (GCG). Pioneer in developing innovative financial services
15	Bank ICBC Indonesia	www.icbcindo.com	To increase the value of employees, customers and shareholders. To be the economic, financial and cultural bridge between Indonesia and China
16	Bank Index Selindo	www.bankindex.co.id	Providing the best support for your business.
17	Bank SBI Indonesia	www.sbiindo.com	To provide complete range to banking facilities to our customers backed by latest technology and high services standards, to help increase their competitive edge and reach in domestic and international markets. To provide information, leads and banking facilities to Indian investor as well as our domestic customers to facilitate profitable exchanges in bilateral trade and investments.
18	Bank Internasional Indonesia, Tbk	www.bii.co.id	Humanizing financial services.
19	Bank QNB Kesawan, Tbk	www.qnbkesawan.co.id/lang/en/	We provide outstanding technology - enabled banking product and services supported by an international network that delivers enhanced stakeholders value to be a financial institution of choice.
20	Bank Maspion Indonesia	www.bankmaspion.co.id	To be the best through service improvement, enhancement and improvement of the financial aspects of compliance and risk management.
21	Bank Mayapada Internasional, Tbk	www.bankmayapada.com	Maintaining healthy bank operations. Providing maximum value to customers, employees, shareholders, government and all other stakeholders.

Table 1. Continues

22	Bank Mega, Tbk	www.bankmega.com	Creating sustainable relationships with customers through financial services and organizational performance to improve value for shareholders.
23	Bank Mestika Dharma	www.bankmestika.co.id	Developing synergies and added value to the stakeholders, especially in North Sumatra and Indonesia in general. Providing professional banking services with the principles of good risk management, prudent and appropriate principles of good corporate governance. Strengthening and developing the image of the Bank, Human Resources competent and high integrity, and service capacity to support business development efforts.
24	Bank Metro Ekspress	www.bankmetroexpress.co.id	Provide the best service to all customers. Enhance corporate image. Establish a good working culture. Participating in national economic development.
25	Bank Mualamat Indonesia	www.muamalatbank.com	To become a role model among the world's sharia financial institutions. Emphasizing in entrepreneurial spirit, managerial excellence, and innovative investment orientation to maximize value to stakeholders.
26	Bank Mutiara, Tbk	www.mutiarabank.co.id	Provide the best with priority of service, comfort and customer satisfaction for optimal results.
27	Bank Nusantara Parahyangan, Tbk	www.bankbnp.com	To take roles and support the economic growth and national development, especially in retail business. To apply good corporate governance to in line with companies continual growing and development. To become reliable business partner that provide added value to all stakeholders.
28	Bank OCBC NISP, Tbk	www.ocbcnisp.com	Providing and developing innovative and high quality financial services that exceed growing public expectations with best results. Nurturing mutually beneficial and cooperative networks based on mutual trust. Creating a work environment that ensures the growth of professionalism and organizational renewal with a familial spirit. Building public trust through ethical, caring and prudent behaviours
29	Pan Indonesia Bank, Tbk	www.panin.co.id	To transform Panin Bank into the one of Indonesia's leading consumer and business banks.

Table 1. Continues

30	Bank Permata Tbk	www.permatabank.com	We bring our brand promise to life every day by living the values in how we work with our customer, colleagues, communities, investor & regulators.
31	Bank Sinarmas, Tbk	www.banksinarmas.com	Expanding the branch network to penetrate the market and funding at the centers of the SME and corporate scale business sector. Expanding the customer base, ranging from small to corporate customers, through cooperation with financial institutions and other business partners. Improving the ability of Information Technology and Human Resources in order to provide the best service through complete payment system. Civilize risk management system in accordance with the principles of prudence and good corporate governance.
32	Bank Of India Indonesia, Tbk	www.boiindonesia.co.id	Performing retail banking business with optimum service to the community to increase stakeholders value with full compliance to Good Corporate Governance principles.
33	Bank Syariah Mandiri	www.syariahmandiri.co.id	To generate sustainable growth and profits. To put priority on consumer funding and micro, small and medium financing. To hire and develop professional employees in a healthy work environment. To develop sharia universal values. To run banking operations according to sound banking practices.
34	Bank Syariah Mega Indonesia	www.megasyariah.co.id	Committed to growing the sharia economy through synergy with all stakeholders. Spread the values of the Islamic kindness and mutual benefit as our commitment to work. Continuously improve skills and innovate to develop the best products and services that suit the needs of the community.
35	Bank UOB Indonesia	www.uob.co.id	UOB is committed to growing its business in the consumer and corporate banking, while maintaining excellence in SME segment.
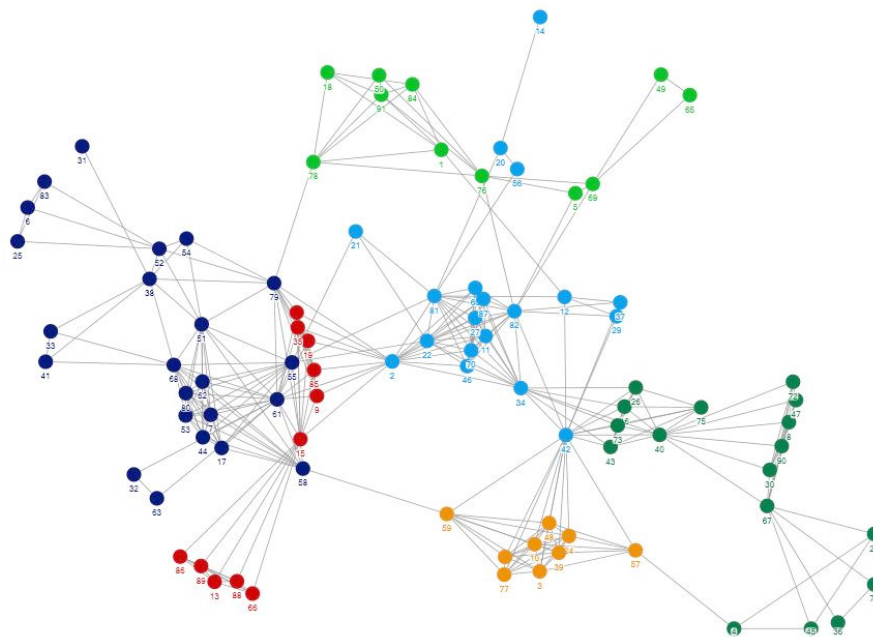
Figure 1. Network Diagram of Planning Statements

it to others. The example of the statement is "to provide a complete range of bank facilities to our customers backed by the latest technology and high services standards, to help increase their competitive edge and reach in domestic and international markets" (statement 51).

Cluster 2 – Prudent Corporate Governance

This set of statements in this cluster highlighted organisations to implement good corporate governance in the organisations (see light blue colour in the map). For example: "carrying out bank operations with the principles of Good Corporate Governance and Risk Management" (statement 22). There are five principles of Good Corporate Governance in Indonesia: transparency, accountability, responsibility, independency and fairness (KNKG, 2006).

Cluster 3 – Innovative

The dark green colour in the diagram represents this cluster. This group of statements centred on organisations determination through innovation in products and services, yet innovation systems that efficient and encourages performance. For example: "to provide comprehensive and innovative financial solution following market requirement" (statement 8).

Cluster 4 – Customer Segmentation Focus

This group of statements encompassed the organisations to focus on the customer (see light green colour in the map). In this case, banks need to focus on their customer target, whether for retail (personal) client, small and medium business or corporate or provide service for wide range customer segments. The example statement is "UOB is committed to growing its business in the consumer and corporate banking, while maintaining excellence in SME segment" (statement 91).

Cluster 5 – Professionalism

The group statements were concerned with development of human capital to improve its competencies and professionalism (see red colour). For example: "functioning of the organization in a professional manner with the process of sustainable human resource development, so it provides consistent excellent service in the business activities of national and international standard" (statement 23). In addition, the cluster also emphasizes on the need to be professional in conducting their business. In this case, all statements are about core bank as sharia banking. For example: "to become a ROLE MODEL among the world's sharia financial institutions" (statement 66).

Cluster 6 – Social Responsibility

The group of statements is focused on the Corporate Social Responsibility activities (see orange colour). Corporate Social Responsibility (CSR) is a process with the aim to embrace responsibility for the company's actions and encourage benefits or values to all stakeholders through its activities. For example: "providing maximum value to customers, employees, shareholders, government and all other stakeholders" (statement 57).

Service Excellence

Due to high competition in the banking sector, customer service in this industry is crucial. Banks need to pay attention to this issue by providing excellent service to their costumers. From customer point of view, there are some factors they considered as service quality. Based on BSQ (Bank Service Quality) index research, there are three dimensions of service quality, namely: "systemization", "reliable communication" and "responsiveness" (Abdullah et al., 2011).

Systemization refers to aspects such as systematic and organized arrangement of banks' service delivery. Reliable communication means banks need to communicate and offer their services in a reliable and trustworthy, and excellent personal service when dealing with clients. In addition, banks' employees must be responsive and have the willingness to help their customers.

Another study done by Muyeed (2012), which examined customer perception on service quality in developing countries found that speed and accuracy in transactions is the most important factor, then followed by the safety of investments and keep confidentiality of account and transactions.

Excellent service may lead to customer satisfaction. Some previous studies examine the relationship of service quality to customer satisfaction and customer loyalty. Arasli et al. (2005) and Lundahl et al. (2009) found that technical and functional dimension of customer service correlate positively to customer satisfaction. Permana (2013) also found that service quality correlate positively to customer satisfaction.

Prudent Corporate Governance

Corporate governance is linked to the process and mechanism on how organisations are directed and controlled. Good Corporate Governance (GCG) is bank governance that applies the principles of transparency, accountability, responsibility, independency, and fairness (Bank Indonesia, 2006). The general guideline for the implementation of corporate governance in Indonesia is issued by the national committee governance policy of 2006 while the implementation of GCG for banks is regulated in detail by Bank Indonesia as the central bank.

Corporate governance of banks is relatively different from other firms because this sector is related to other sectors of the economy by allocating financial resources. For example, corporate governance in banks is not only about shareholders but also other

Table 2. Clustering Table

No.	Cluster Name	Statement Number
1	Service Excellence	54, 79, 52, 51, 38, 41, 68, 33, 61, 63, 32, 31, 55, 80, 62, 58, 53, 44, 17, 7, 83, 25, 6
2	Prudent Corporate Governance	21, 81, 22, 56, 20, 42, 34, 14, 37, 82, 29, 12, 87, 2, 70, 60, 46, 27, 11
3	Innovative	67, 74, 36, 73, 75, 43, 40, 26, 16, 72, 90, 47, 30, 8, 45, 28, 4
4	Customer Segmentation Focus	50, 91, 78, 76, 65, 69, 49, 1, 5, 84, 18
5	Professionalism	88, 89, 86, 66, 15, 13, 85, 35, 23, 19, 9
6	Social Responsibility	59, 57, 71, 77, 48, 39, 24, 10, 3

stakeholders. In addition, this sector may require a higher standard of corporate governance than other sectors (Kameyama et al., 2006). Good corporate governance practices in banking institutions are crucial. Poor corporate governance mechanism was a major factor that contributed to vulnerability to the financial crisis effect in Indonesia in 1997 (Kameyama et al, 2006). On the other hand, Nam & Lum (2006) found that prudent corporate governance is a success key of banks in post crisis Asia, including Indonesia.

Corporate governance is related to the issue of ownership. Wardoyo and Veronica (2013) stated that the separation of ownership and management is the main focus of corporate governance. This may lead to information asymmetry between owners, managers and creditors. In order to implement good corporate governance of the bank, the challenge is how to maintain the independence, competency, and professionalism of the members of the Board of Commissioners as the core body of monitoring and advising corporate governance.

Innovative

Being innovative is being creative and novel in the provision of new goods and services. Innovation is considered to be the successful development and application of new ideas (Tambunan, 2008). It is important not only in companies that create products but also in service sectors because it can create a competitive edge for companies. Researchers classified innovation into some different types. For example, Oke (2007) classified into product innovation and service innovation. In service industries, product innovations are 'new developments in the core offering of service companies that tend to create new revenue streams' and service innovations are 'new developments in activities undertaken to deliver core service products' (Oke, 2007).

In terms of its process, innovation can be divided into two types: radical and incremental (Zhao 2005). Radical innovation refers to 'path-breaking, discontinuous, revolutionary, original, pioneering, basic, or major innovations'. Incre-mental innovation is 'small improvements made to enhance and extend the established processes, products, and services'.

In order to enhance innovation, banks need to consider a range of factors, such as organizational structure (Berger & Udell, 2002), cost (Gurau, 2002), technology (Berger, 2003), legal environment (Jawahitha et al. 2003), organizational culture (Vermeulen, 2004), human resources (Glaveli & Kufidu, 2005) and market power (Bofondi & Lotti, 2006).

Customer Segmentation Focus

Market segmentation divides consumers into relatively homogeneous groups in order to determine marketing strategies for specific segment (Mo et al., 2010). It is clear that customer segmentation influence marketing strategies for banks. In addition, the market segmentation can help banks identify their opportunities and threats. Customer segments of banks can be determined by the demographic attributes, behavior of a particular group of customers, transactions, the use of Internet banking and etc.

Generally, identifying customer segments is used to obtain more details about unique customers in retail banking scope. However, market segmentation can also estimate customer future value as a part of Customer Lifetime Value (CLV) in retail banking scope (Khajvand & Tarokh, 2011). They conclude that customer lifetime value includes calculating past and present value of the customers and predicting of future value of the customers.

Professionalism

Professionalism is generally defined by the status, methods or standards within a career area (Basheka & Mugabira, 2008). In this case, developing professionalism related to development of human capital to improve its competencies. In the banking sector, professionalism correlates with customer satisfaction. Abdullah et al. (2011) found that professionalism in service to the customer is one factor that influences customer satisfaction. Therefore, banks' employees should be able to work professionally and banks

need to develop employee's professionalism and competency by training and education.

Social Responsibility

Corporate Social Responsibility (CSR) is a process with the aim to embrace responsibility for the company's actions and encourage benefits or values to all stakeholders through its activities (McWilliams et al., 2006).

There are some arguments why organizations act more responsible in the absence of legal requirements. According to Lindgreen and Swaen (2010), it can be categorized into four arguments: (1) reducing cost and risk (2) strengthening legitimacy and reputation (3) building competitive advantage, and (4) creating win–win situations through synergistic value creation. Primahendra (2011) explained CSR practices may vary depend on the policy environment, industry, business strategy, and the level of awareness of stakeholders, especially consumers and investors.

Lindgreen and Swaen (2010) suggested that developing appropriate CSR strategies is required to achieve effective CSR, which improving both stakeholder relations and social welfare. Widjaja and Pratama (2008) stated that the practice of CSR requires careful planning so the company cannot do it at any time. CSR practices must run continuously, while requiring clear plans and targets, and has clear evaluations and reporting mechanism.

There are some studies about the relationship between CSR with corporate performance. According to Fauzi and Idris (2009), Corporate Social Responsibility (CSR) has a positive relationship to corporate financial performance. Their study is based on manufacturing industries in Indonesia. Fernita et al. (2014) did research about CSR disclosure in banking industry. This study tried to associate CSR disclosure of the bank's performance in terms of financial performance and stock performance.

It could not be concluded that banks which had a high level of CSR disclosure would have a good financial performance as well, be-cause there were banks that had low levels of CSR disclosure but have a satisfactory financial performance. Moreover, in this study they also found that the higher the level of CSR disclosure by banks on average has a higher stock price than the bank that has a level of CSR disclosure below average. So, it can be seen that CSR has a positive relationship with financial performance in the long term by increasing of companies' value, which is reflected in the stock price.

Dialectic Analysis

Dialectic analysis is setting up a contradiction of the priorities identified above. It is thought useful to explore the tension between the priorities as a means of imagining creative strategies (Metcalfe 2014). It is thought there is no one best or most important priority but rather the generation of opposing concepts can encourage balance and yet creativity. The author analyzed the dialectic and tensions that potentially occur between the priorities.

Banks are profit organizations, so gaining profit is a priority. However, this priority may conflict with others that banks need to have, such as service excellence and social responsibility. Banks need to spend some money in order to actualize excellent services and good Corporate Social Responsibility (CSR). So, it may reduce companies' profit. It may be true if the organizations view it in the short-term, but in the long-term the organization can gain more profit from that. This is because service excellence can increase customer satisfaction and lead to customer loyalty. Whereas CSR can increase the value of the firms, which can be seen from increased price stock on the market.

Another possibility is to consider a combination of two or more priorities. For instance, by thinking upon the combination of "customer segmentation focus" and "innovative". A bank may create innovative products and services based on customer segmentation. In this way, the bank can gain specific targeted market and consumers. Another example is by reflecting upon the combination of "social responsibility" and "innovative", a bank may implement innovative concept in corporate social responsibility activities,

such as: programs for encouraging creative entrepreneurs, empowering local village programs and etc.

CONCLUSION AND RECOMMENDATION

This study has investigated the strategic priorities of larger banks in Indonesia. The conclusion is that Indonesian banks have six main priorities of "service excellence", "prudent corporate governance", "innovative", "customer segmentation focus", "professionalism" and "social responsibility". This provides some insight into the potential threats to the industry as well as an agenda for change. Individual banks may want to reflect on their own priorities knowing what the collective concerns of the larger banks.

This study used a qualitative data analysis from the mission statements of relevant banks. Future research may also combine this with primary data such as a focus group or interview with stakeholders to get deep insights. Moreover, future research may also involve these stakeholders in the data analysis, as their knowledge of the industry will likely to add some more novel insight. However, using a qualitative linguistic clustering approach has revealed particular insights not possible from a statistical survey, where complex concerns are reduced to Likert scale responses and averaged. This sort of qualitative analysis is thought to add something to traditional methods. This paper is a revised version of a paper presented at the 29th International Business Research Conference, Sydney, 24-25 November 2014

REFERENCES

Abdullah, F., Suhaimi, R., Saban, G & Hamali, J. 2011. Bank Service Quality (BSQ) Index: An Indicator of Service Performance. *International Journal of Quality & Reliability Management.* 28 (5): 542-555.

Alfansi, L & Sargeant, A. 2000. Market Segmentation in the Indonesian Banking Sector: the Relationship between Demographics and Desired Customer Benefits. *International Journal of Bank Marketing.* 18 (2): 64-74.

Arasli, H., Mehtap-Smadi, S & Katircioglu, S.T. 2005. Customer Service Quality in the Greek Cypriot Banking Industry. *Managing Service Quality.* 15 (1): 41-56.

Bank Indonesia. 2006. *Peraturan Bank Indonesia No 8/4/PBI/2006,* 30 January 2006, Perihal Pelaksanaan Good Corporate Governance bagi Bank Umum. Jakarta: Indonesia.

Bank Indonesia. 2014. *Direktori Perbankan Indonesia.* Viewed 25 June 2014. Available at: <http://www.bi.go.id/id/publikasi/dpi>

Bank Indonesia. 2013. *Surat Edaran Eksternal Bank Indonesia Nomor : 15/27/DPNP tanggal 19 Juli 2013,* Perihal Persyaratan Bank Umum untuk Melakukan Kegiatan Usaha dalam Valuta Asing. Viewed 25 June 2014. Available at: <http://www.bi.go.id/id/peraturan/perbankan/Pages/Surat%20Edaran%20Eksternal%20Bank%20Indonesia%20Nomor%2015_27_DPNP%20tanggal%2019%20Juli%202013%20Perihal%20Persyaratan%20Bank.aspx>.

Basheka, B. C & Mugabira, M. I. 2008. Measuring Professionalism Variables and Their Implication to Procurement Outcomes in Uganda. *The 3rd International Public Procurement Conference Proceedings.*

Berger, A. N & Udell, G. F. 2002. Small Business Credit Availability and Relationship Lending: The Importance of Bank Organisational Structure. *The Economic Journal.* 112 (477): F32-F53.

Berger, A. N. 2003. The Economic Effects of Technological Progress: Evidence from the Banking Industry. *Journal of Money, Credit, and Banking.* 35 (2): 141-176.

Bofondi, M & Lotti, F. 2006. Innovation in the Retail Banking Industry: The Diffusion of Credit Scoring. *Review of Industrial Organization.* 28: 343–358.

Buchory, H. A. 2014. Analysis of the Effect Capital, Credit Risk and Profitability in the Implementation of Banking Intermediation Function: Study on Regional Development Bank All Over Indonesia in 2012. In *Proceeding Kuala Lumpur International Business, Economics and Law Conference.* 4: 311-327.

Fauzi, H & Idris, K. M. 2009. The Relationship of CSR and Financial Performance: New Evidence from Indonesian Companies. *Issues in Social and Environmental Accounting.* 3 (1): 66-87.

Fernita, C., Paramita, E. L., Restuti, M. D & Nugroho, P. I. 2014. Corporate Social Responsibility (CSR) Disclosure in Banking Industry in Indoneasia. in *The 2nd IBEA – International Conference on Business, Economics and Account-*

ing. Hong Kong, 26 – 28 March 2014.

Glaveli, N & Kufidu, S. 2005. The Old, the Young and the Restless: A Comparative Analysis of the Impact of Environmental Change on Training in Four Greek Banks. *European Business Review.* 17 (5): 441–459.

Gurau, C. 2002. Online Banking in Transition Economies: The Implementation and Development of Online Banking Systems in Romania. *International Journal of Bank Marketing.* 20 (6): 285–296.

Harada, K & Takatoshi, I. 2005. Rebuilding the Indonesian Banking Sector-Economic Analysis of Bank Consolidation and Efficiency. *JBICI REVIEW.* 12: 32-59.

Hassanli, N & Metcalfe, M. 2013. Idea Networking: Constructing a Pragmatic Conceptual Frame for Action Research Interventions. *Systemic Practice and Action Research.* 27(6), 537-549.

Jawahitha, S., Ab Hamid, N. R & Ishak, M. M. 2003. Internet Banking: A Comparative Analysis of Legal and Regulatory Framework in Malaysia. *Arab Law Quarterly.* 18 (3): 291-308.

Kameyama, T., Satiadhi, V. D., Alijoyo, A & Bouma, E. 2006. Corporate Governance of Banks in Indonesia. *Corporate Governance of Banks in Asia. 1.*

Khajvand, M & Tarokh, M. J. 2011. Estimating Customer Future Value of Different Customer Segments Based on Adapted RFM Model in Retail Banking Context. *Procedia Computer Science. 3*: 1327–1332.

KNKG. 2006. *Pedoman Umum Good Corporate Governance Indonesia.* Jakarta: KNKG

Lindgreen, A & Swaen, V. 2010. Corporate Social Responsibility. *International Journal of Management Reviews.* 12 (1): 1-7.

Lundahl, N., Vegholm, F & Silver, L. 2009. Technical and Functional Determinants of Customer Satisfaction in the Bank-SME Relationship. *Managing Service Quality.* 19 (5): 581-594.

Mahran, H. A. 2012. Financial Intermediation and Economic Growth in Saudi Arabia: An Empirical Analysis, 1968-2010. *Journal Modern Economy.* 3 (5): 626-640.

McWilliams, A., Siegel, D. S & Wright, P. M. 2006. Corporate Social Responsibility: International Perspectives. *Available at SSRN 900834.*

Metcalfe, M. 2007. Problem Conceptualisation Using Idea Networks. *Systemic Practice and Action Research.* 20 (2): 141-150.

Metcalfe, M. 2014. *Strategic Concepts Book of Readings,* Adelaide: University of South Australia.

Mo, J., Kiang, M.Y., Zou, P & Li, Y. 2010. A Two-Stage Clustering Approach for Multi-Region Segmentation. *Expert Systems with Applications.* 37 (10): 7120-7131.

Muyeed, M. A. 2012. Customer Perception on Service Quality in Retail Banking in Developing Countries: A Case Study. *International Journal of Marketing Studies.* 4 (1): 116-122.

Nam, S. W & Lum, C. S. 2006. Survey of Banks' Corporate Governance in Indonesia, Republic of Korea, Malaysia and Thailand. *Corporate Governance of Banks in Asia.* 11.

Oke, A. 2007. Innovation Types and Innovation Management Practices in Service Companies. *International Journal of Operations & Production Management.* 27 (6): 564-87.

Permana, M. V. 2013. Peningkatan Kepuasan Pelanggan melalui Kualitas Produk dan Kualitas Layanan. *Jurnal Dinamika Manajemen.* 4 (2): 115-131.

Primahendra, R. 2011. Tanggung Jawab Sosial Perusahaan dan Masa Depan Komunikasi Perusahaan**.** *Public Relations & Corporate Social Responsibility.* Yogyakarta: Mata Padi Pressindo (Asosiasi Pendidikan Tinggi Ilmu Komunikasi/ASPIKOM).

Republik Indonesia. 1998. *Undang-undang Negara Republik Indonesia Nomor 10 Tahun 1998 Tanggal 10 November 1998.*

Riani, A. L., Arifin, T & Abi, P. 2014. Executive Compensation, Bank Performance and Risk Taking: Some Indonesian Evidence. *International Business Management.* 8 (6): 394-400.

Supriyanto, E. B. 2013. Indonesian Banking Challenges in 2013. *Bureau of Research Infobank.* Jakarta.

Tambunan, T. 2008. SME Development in Indonesia with Reference to Networking, Innovativeness, Market Expansion and Government Policy. in Lim, H. (ed.). *SME in Asia and Globalization. ERIA Research Project Report.* 2007 (5): 99-131.

Vermeulen, P. 2004. Managing Product Innovation in Financial Services Firms. *European Management Journal.* 22 (1): 43–50.

Wardoyo & Veronica, T. M. 2013. Pengaruh Good Corporate Governance, Corporate Social Responsibility dan Kinerja Keuangan terhadap Nilai Perusahaan. *Jurnal Dinamika Manajemen.* 4(2): 132-149.

Widjaja, G & Pratama, Y. A. 2008. *Risiko Hukum & Bisnis Perusahaan Tanpa CSR***.** Jakarta: Penebar Swadaya.

Zhao, F. 2005. Exploring the Synergy between Entrepreneurship and Innovation. *International Journal of Entrepreneurial Behaviour & Research.* 1 (11): 25–41.