



**TOP MANAGEMENT TEAM (TMT) CHARACTERISTICS AND COMPANIES
STRATEGY
(CASE STUDY: SAMPLE COMPANIES IN WEST SUMATERA)**

Undergraduate Thesis

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Submitted By:

MERZA ZUL ARMI

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**MANAGEMENT DEPARTMENT
ECONOMICS FACULTY OF ANDALAS UNIVERSITY
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TOP MANAGEMENT TEAM (TMT) CHARACTERISTICS AND COMPANIES STRATEGY

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Bachelor Thesis by: Merza Zul Armi

Supervisor : Prof. Dr. Herri, SE. MBA

ABSTRACT

This research views that Characteristics of TMT are one of element in company to support the company in implementing their strategy. The characteristics describe the profile of TMT and TMT itself will determine the future of the company. So because of that we have to discuss about the characteristics of TMT. The approach taken for this research was qualitative analyses of 5 top management teams of company in west Sumatra. The characteristics consist of size, age, gender, functional background, educational level, tenure, heterogeneity and homogeneity of TMT in companies. Because of the time and cost obstacle, this research only examines five companies in West Sumatera. The Sample representatives are the Top Management Teams of companies in West Sumatera. Result indicates that, the size, Educational Background, Tenure, and Average Age of Top Management Team tends to contribute in the implementation of the strategy. Then the Top Management Team heterogeneity and homogeneity also contributes to the implementation of the strategy. To describe the phenomena, this research used qualitative research method. This approach is used to find out the characteristics of top management team (TMT) on sample companies in West Sumatera.

CHAPTER I

INTRODUCTION

1.1 Background of Research

One of important factor in sustainability and the achievement of organizational goals is strategic leadership. Strategic leadership emphasizes the importance of organizational leaders to have vision that can be realized in a practical level by all members of the organization so that all resources within the organization can be used optimally to the achievement of objectives (Hitt & Ireland, 2005). In this case the leader is expected to bring the organization achieve the expected goals. Leaders are not only obliged to perform managerial functions but are also expected to create a culture that adaptive to environmental organizations.

In addition, leaders are expected to transform its leadership which is defined as the ability to stimulate interest among colleagues and followers to see their work from new perspectives, generate awareness of the vision and mission of the team and organization, colleagues and followers develop to the level of ability and potential higher, and motivate colleagues and followers to look beyond their own interests against those who would benefit the group (Johan, 2010).

In this case, the division of roles and legitimacy in organizational leadership given to top management team. Where is the leadership of organization emphasized not only to one person (CEO), but in the form of top management team (Top Management Team) and there is no consensus of researchers who define the limits of raw top management team (Finkeilstein, Hambrick and Cannella, 2009). This could be due to differences in organizational characteristics, environment, and regulations. In general top management team is defined as a group of top executives who take full

responsibility for the overall organization (mintzbert, 1979) cited by Olie and Iterson (2004).

Leadership as a team looking at aspects of leadership as a collective process between individuals and between tissues (LeMay, 2009). Therefore, top management team are expected to act as strategic leaders because they are the holder of the key aim to determine the direction and sustainability of the organization.

In Indonesia, TMT has a bigger role because it is still attached at the organization's paternalistic culture in Indonesia (Danadjaja, 1986) cited by Herri (2002). Highly respected leader and a very dominant role in the organization, although on the other hand the changes that come from outside including lifestyle and management practices in developed countries have started to be adopted by leaders and managers of local firms (Heuer et al., 1999; Herri, et al, 2001). In this connection, can also be assumed that the vision, policies and characteristics of a leader could be a picture of the organizations they lead (Herri, 2002).

This research is seen that the importance of strategies that can be done and implemented by top management team in improving performance and achieving companies goals. The implementation of the strategy to be one of very important aspect to the achievement of company's goals. The company is expected to meet the challenges of competition by making adjustments to the existing environment.

For that, the ability of top management team in implementing strategies in company in West Sumatera which they lead are needed to redress the challenges in the market and in order to keep the existing of companies in the market.

In addition, the characteristics and patterns of companies management in West Sumatra is likely to have diversity. When it is viewed from the forms of company such

as service companies, trading, and others, it is very possible there are differences in the characteristics and management among them. Characteristics of the company also will be different when viewed from the existing culture within the company.

Not many studies that attempt to describe and explain the strategic decision made by TMT and its tendency to the effort to survive in competition in West Sumatra. Besides also limited writing that tries to link the strategy that was done with the characteristics of Top Management Team (TMT) itself.

Thus, this paper will fill in and try to answer the above matter by revealing the form of strategy that was carried out by TMT of company in West Sumatera to survive in the industry that they faced and how to describe the tendency of strategy that was implemented by the sample companies with the characteristics of TMT of company. The title of this research is:

“Top Management Team Characteristics and Companies Strategy” (Case Study: Sample Companies in West Sumatera)

1.2 Research Questions

Based on background issues that have been pointed out above, the formulation of the problem in this research are:

1. What kind of strategies that have been implemented by the sample companies in West Sumatera?
2. How to describe the tendency of the strategies that has been implemented with the characteristics of top management team (TMT) by the sample companies in West Sumatera?

1.3 Objectives of Research

The following are goals to be achieved in this study:

1. To investigate the type of strategies that has been implemented by the sample companies in West Sumatera.
2. To analyze the tendency of type of strategy with the characteristics of top management team (TMT) by the sample companies in West Sumatera.

1.4 Contributions of Research

Company's strategy is concerned with envisioning a future business, creating value in the eyes of customers, building and sustaining a strong position in the marketplace. That's why this study becomes very important especially in strategic development for companies in West Sumatera in the future because this research is to discuss type of strategy that possible to implement and the tendency with characteristics of top management team (TMT). Here are the details of the benefits that can be provided by this study:

1. Provide input to the leaders of company about the best strategy that can be implemented in West Sumatera and the tendency of its strategy to the characteristics of top management team (TMT).
2. It could be a model for company outside West Sumatera to choose their strategy and its tendency to the characteristics of top management team (TMT).
3. Providing a new perspective to the study of characteristics of top management team (TMT) and its tendency with strategy of company in the context of West Sumatera.

4. Give the knowledge about the implementation of strategy that made by top management team (TMT) which can be used as a base to conduct further research in the same or different perspective.

1.5 Scope of Research

This research is aimed to analyze the tendency of characteristics of Top Management Team in companies in implementing the strategy undertaken by the sample companies in West Sumatera. The characteristics consist of size of TMT, age, educational level, tenure, heterogeneity and homogeneity of TMT in the company. Because of the time and cost obstacle, this research only examines five companies in West Sumatera. The sample representatives are the Top Management Team in Companies in West Sumatera.

CHAPTER V

CONCLUSION AND SUGGESTIONS

5.1 Conclusion of Research

Based on the analysis and discussion in the previous chapter, it takes the conclusions that will be explained below:

1. Generally, the company in West Sumatera implemented the generic strategy that was mentioned by Michael Porters.
2. The size, Educational Background, Tenure, and Average Age of Top Management Team tends to contribute in the implementation of the strategy.
3. The Top Management Team heterogeneity and homogeneity contributes to the implementation of the strategy. The companies which have high heterogeneity in their TMT characteristics tend to have cost leadership, differentiation, and focus strategy. While the company which has high homogeneity in their TMT characteristics tend to have only focus strategy.
4. The linkage in implementation of the strategy at the company cannot be separated from the characteristics of leadership and companies characteristics. It should be a combination that determines the strategy conducted in the company.

4.2 Implications of Research

The companies are required to continue to perform set the company's strategy in facing the challenges, constraints and environmental change. This is certainly due to the importance of establishing a good strategy in achieving the company's targets and objectives.

The company's Top Management Team is expected to understand about the characteristics of the company to be able to produce strategies that are relevant to the needs and challenges of the company. Because the characteristics of the organization and characteristics of top management team cannot be separated from how the strategies can be implemented at the company in West Sumatra.

4.3 Limitation of Research

In doing this research, there are several limitations that the researchers face that might influence the findings. Some limitation appears in this research such as:

1. The object of the study only took five companies in West Sumatra. The five companies also have different characteristics, so it is difficult to compare how the effectiveness of Top Management Team in implementing the strategy at the company.
2. Limited access to critical data that actually supports the results of this research. For example, the financial data and some other important documents of the company that makes this research tend to analyze in one way direction.
3. Limited measurement of strategy where can make the analysis of this research more deeply.

4.4 Recommendation for Further Research

Limitations that exist in this study should be a reference for subsequent research to get the perfection in giving a figure and a wider contribution from the same study. Some suggestions and recommendations to be developed in further research:

1. For further research is expected to take a larger sample in order to make the results of study more comprehensive and profound.
2. Suggested to further researcher to combine the use of qualitative and quantitative analysis. Quantitative analysis was not done in this study can be used to measure the degree of influence given by the Top Management Team heterogeneity toward the strategies undertaken in order to make it in depth explanation and accurately result. While the qualitative analysis conducted in this research will be able to give a figure of a deeper understanding of how strategies are implemented in West Sumatera
3. Combining the studies of Top Management Team characteristics and company's characteristics to produce the reports more accurate and thorough assessment of strategies undertaken in companies in West Sumatera.

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