“HOW CAN COMMERCIAL BANKS IN LAOS PROMOTE AND SUSTAIN COMPETITIVE ADVANTAGE THROUGH PRACTICING STRATEGIC LEADERSHIP?”

BY

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ABSTRACT

Strategic leaders play an important role in promoting and sustaining competitive advantage for commercial banks in Laos over the long-term. They are key people who have capabilities to anticipate and foresee challenges and opportunities in both the present and future. Furthermore, they provide a pathway to employees to encourage them to move in the right direction. They inspire others to work effectively to achieve the goals of banks and to assist them achieve above-average profitability and financial performance. Thus, without effective strategic leaders, banks cannot promote sustainable competitive advantage over the long term.

This qualitative research study investigated the understandings and perspectives of strategic leaders in the Lao banking sector in relation to their roles, capabilities, and the real practices of their banks to determine key capabilities that they should have in order to help their banks gain above-average performance over the long term. A semi-structured interview was used as a research method with eleven participants from four leading banks in Laos to gather data and answer the research question of ‘How can commercial banks in Laos promote competitive advantage through practicing strategic leadership?’ The findings are crucial for all commercial banks in Laos because it enables their strategic leaders to use empirical research as a pathway to lead the banks to sustainable competitive advantage for the future.

The research findings reveal the important role of strategic leaders and nine key capabilities that effective strategic leaders should have in the 21st century. In essence, based on this research study, the researcher has developed the crucial models related to strategy and competitive advantage, including Key Capabilities of Effective Banking Strategic Leaders Model (Figure 7), Competitive Advantage Model (Figure 8), and Competitive Advantage Creating Process Model (Figure 9). These models demonstrate the relationship between competitive advantage, strategic management process, and strategic leaders.

Finally, the study concluded that strategic leadership is fundamental for promoting and sustaining competitive advantage for commercial banks in Laos over the long-term. This is because strategic leaders are key people who make strategic-decisions that lead banks to success. It is important for key leaders, especially the top management team, to have effective strategic leadership with at least nine key capabilities.
Acknowledgement

First and foremost, I would like to take this opportunity to extend a sincere thank you to my primary supervisor Dr Andries Du Plessis for his dedication, support and guidance as well as valuable comments during the research and this has been greatly appreciated. I also wish to thank my secondary supervisor, Jeff Marriott, for his contribution and comments.

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I am extremely grateful to, and thank NZAID for providing me with the opportunity to study in New Zealand, at Unitec - without the support, this research project may not have been completed.

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<table>
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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CAM</td>
<td>Competitive Advantage Model</td>
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<tr>
<td>KCBS</td>
<td>Key Capabilities of Effective Banking Strategic Leaders Model</td>
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<tr>
<td>KCS</td>
<td>Key Capabilities of Effective Strategic Leaders Model</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>RBS</td>
<td>The Royal Bank of Scotland</td>
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<tr>
<td>SL</td>
<td>Strategic Leader</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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Chapter One: Introduction

1.1 Background

Today banking leaders need to have the right leadership style, especially strategic leadership, to lead their organisation to sustainable competitive advantage and an above-average profitability and financial performance (Alabduljader, 2012; Cherian & Farouq, 2013). This is because leaders are faced with extraordinary new challenges, for instance, the emergence of global financial crisis (McConnell, 2013; Speculand, 2011; Stan & McIntyre, 2012). Modern leaders must learn to think strategically and differently about their roles, capabilities and how to improve them in order to lead their organisation to success over the long-term (Barton, Grant, & Horn, 2012; Thompson, Strickland, & Gamble, 2010). This brings the following questions to leaders:

- What is the current situation of an organisation?
- Where does the organisation want to go from here?
- How can the organisation get there?

To answer these questions, it requires leaders to have strategic leadership capabilities to create a strategy for their organisation. Strategy is about winning (Grant, 2010). The heart and soul of every strategy is to enhance its long-term competitive position and sustain competitive advantage over competitors. Strategic leadership is widely considered as the basic need for creating an effective strategy (Thompson et al., 2010).

It has been identified that the key driver leading an organisation to success is strategic leadership (Hitt, Ireland, & Hoskisson, 2013; Hitt & Ireland, 2002; Hughes & Beatty, 2005; Ireland & Hitt, 2005). Furthermore, strategic leadership is broadly recognised as one of the main drivers of effective strategy execution according to Bossidy and Charan (2002), Collins (2001), Freedman and Tregoe (2003), Hrebiniaik (2005), Kaplan and Norton (2004), Lynch (2006), Noble (1999), Pearce and Robinson (2007), and Ulrich, Zenger and Smallwood (1999). Strategic leaders have a huge role in promoting sustainable competitive advantage of an organisation over the long term (Hughes & Beatty, 2005). Zoogah (2011) and Ndongko (1999) affirm that one factor that can help an organisation deal with the global economy is strategic leadership.

The global and technological advancing business environment has brought challenging and complex tasks for leaders if they are to create wealth for an organization over the long term.
Strategic leadership is expected to be the key factor to enlarge that wealth-creation process for an organisation. As many notable researchers suggest, without effective strategic leadership the ability to create superior or satisfactory performance for an organisation is likely to be greatly reduced (Daft, 2011; Ireland & Hitt, 2005; Jooste & Fourie, 2009).

According to Daft (2011), success and competitive advantage of an organisation is mainly determined by selection of the top leader. Superior success is not a subject of luck (Davids, 1995; Grant, 2010; Hitt et al., 2013; Ireland & Hitt, 2005; Murphy & Riggio, 2003). The top leader and associated strategic leaders have responsibilities for understanding the environment of their organisation and to consider what may happen in the next five or ten years. This is because strategic leaders are key people who always look forward, set a direction for the future, and push employees to move in the same direction.

For the banking sector in Laos, leadership, especially strategic leadership, also plays a crucial part in providing a superior business performance. As Cherian and Farouq (2013) state, leadership style has an significant impact on the business and financial performance of a bank. This is supported in a study by Alabduljader (2012) who affirms that leadership acts as a process of influencing others’ behavior and directing them to achieve goals.

1.2 Problem description

The competition among commercial banks in Laos has recently increased significantly. This is because the government has created many incentives for supporting both domestic and foreign investors to run businesses in Laos in order to sustain the growth of Lao economy at around 8 percent and above. Those incentives have encouraged many new entities to be established in Laos, especially in the banking sector (Bank of Lao PDR, 2011; Ministry of Planning and Investment, 2011). This has inevitably increased the highly competitive environment among local and foreign commercial banks within the banking industry.

Although Laos is an under developed country with a small economy having a nominal GDP of US$8,914 million in 2011, projected to be 10,411 million in 2013 (Keomanivone, Somneuk, & Genevieve, 2012), the growth of the banking sector and competition between banks has significantly increased. This caused Laos to have 33 commercial banks in 2013 (More foreign banks opened their doors in Laos in 2013). In addition, the rapid growth caused banking loans to increase around 85% in 2008 and 82.3% in March 2009 (Ministry of Planning and Investment, 2011). This rapid growth has challenged banking strategic leaders in Laos to create effective strategies to manage risks inherent in the growth in order to avoid the mistakes and ineffective
strategies that leaders of six leading banks used to apply, such as some form of aggressive growth strategies. These banks include Bank of Scotland, Northern Rock, Royal Bank of Scotland, Lehman Brothers, Washington Mutual, and Anglo Irish Bank (McConnell, 2013).

The competition among commercial banks is estimated to continue increasing in the future. As a result, many existing banks have to speed up development, improvement and expansion of their services, especially with the leading international financial institutions both in the world and region have penetrated into Laos (More foreign banks open their doors in Laos, 2013). For instance, the Industrial and Commercial Bank of China Limited (ICBC), ANZ Bank, Bangkok Bank, Maybank Bank, Banque Franco Lao Ltd, ACLEDA Bank Lao Ltd, Sacom Bank, and Maruhan Japan Bank.

The high competition requires banks to have effective strategies that can increase their growth while managing their risks, leverage, and liquidity (McConnell, 2013). However, to have those effective strategies that can respond with challenges and capture opportunities both now and in the future, banks are required to have sufficient team members with effective strategic leadership that can foresee, anticipate and give the right pathway to a bank and encourage employees to change the status quo if necessary. To do that, it requires banks to have effective teams to create an effective strategic management process in order to promote and sustain competitive advantage to overtake their rivals.

According to Amphonephong (2013), the Bank of the Lao PDR recently urged all commercial banks in Laos to improve their quality of services and managements in order to meet the criteria of the Association of South East Asian Nations (ASEAN) certification when the ASEAN Economic Community (AEC) comes into effect in 2015. If this is not done, the commercial banks may not be able to compete with international banks in Laos or with local banks if Lao commercial banks open branches overseas. To gain benefits from AEC there are big challenges ahead for the commercial banks, especially the Lao local banks.

Regarding competition at the global level, the Lao commercial banks faced challenges worldwide when Laos became a full member of the World Trade Organisation (WTO) in February 2013 having for example to lower customs, tariffs and other trade barriers. Moreover, Laos must adopt international standards, improve policies and continue to open services and markets to the world (Amphonephong, 2013).

In global competition and globalization, many organisations inevitably face new and big competitors around the world that are more powerful in terms of capital, human resources, experience, reputation and technology. As Hitt, Haynes, and Serpa (2010) state, the 21st century is a
new competitive landscape that is increasing globalisation of business and economic activity. This has encouraged the development of cross-border relationships and a number of multinational companies and transnational companies to be established in emerging markets. With these challenges, it requires leaders to envision the future, and then create well-prepared companies. If these companies are not prepared for upcoming challenges, they could lose their competitive advantage. This is supported in a study by Emerald Group (2005) who states that the nightmare of every leader is lack of preparation.

At the moment, the biggest challenge likely to arrive soon for all Lao local financial institutions is when all members of the ASEAN integrate into a single region, also known as AEC, by 2015. This will make ASEAN countries become a single market and production base; a highly competitive economic region; a region of equitable economic development; and a region fully integrated into the global economy. The AEC arenas of cooperation include many aspects such as financial policies and trade financing measures.

The AEC is going to transform ASEAN countries into a region with free movement of services, goods, investments, skilled labour, and provide a free flow of capital (ASEAN Secretariat, 2012a). Based on ASEAN Finance Cooperation, ASEAN has run many projects to sustain the growth of the region such as the ASEAN Capital Market, East Asia Finance Cooperation, ASEAN Insurance Cooperation, and Cooperation with Asia Pacific Group on Anti-money Laundering (ASEAN Secretariat, 2012b). These are the trends that can become new challenges and ambiguous environments for Lao banking strategic leaders.

As Hitt et al. (2010) state, changes are expected to increase challenges to the top executives of large and small companies. Moreover, according to Emerald Group (2005), pathways to success are more and more complex and ambiguous. If business leaders want to gain significant value for their shareholders, they have to raise sustainable growth expectations of their investors. Leaders need to have sufficient key capabilities to drive sustainable growth and innovation over the long-term.

Schoemaker, Krupp, and Howland (2013) say that if leaders have the leadership skills to capitalise on an opportunity, the more unpredictable the environment, the greater the opportunity. This is confirmed in a study by Daft (2011) who found that as much as 44 percent of the variance in profitability can be attributed to strategic leadership. Strategic leaders are responsible for shaping direction through vision and strategy, and consciously ensuring activities of employees move an organization in the right direction to keep an organization competitive (Hitt et al., 2013; Hughes & Beatty, 2005; Ireland & Hitt, 2005).
To deal with the changes and high levels of competition, it requires commercial banks in Laos to have effective strategic leaders to promote and sustain competitive advantage for their banks, especially when Laos integrates into the regional and global markets. This becomes a business problem for the banks that raises the question:

“How can banking strategic leaders promote and sustain competitive advantage for their bank?”

1.3 Research aim and objectives

1.3.1 Research aim

The main aims of this study are:

- To investigate what key capabilities of strategic leadership that Lao commercial banking strategic leaders should have in order to promote and maximise competitive advantage for their banks over the long term.

- To examine the understanding of Lao commercial banking strategic leaders on the term ‘strategic leadership’;

- To investigate the awareness of Lao banking leaders on the important role of strategic leadership in helping banks promote and maximise competitive advantage;

- To develop a model of creating competitive advantage for an organisation associated with strategic leadership.

1.3.2 Research objectives

The following objectives are designed to achieve the aims:

- To explore the understanding by strategic leaders in Lao commercial banking of the term “strategic leadership”; 
  - To examine the understanding by banking leaders of the role of strategic leadership;
  - To investigate the real practices of strategic leadership in the Lao commercial banks;
  - To analyse the difference between the understanding of the banking leaders and the real practices of their banks that are related to the role of strategic leadership;
To critique key capabilities of effective strategic leadership that are currently applying around the world;

To analyse the difference between the perspectives of the leaders and the real practices of their banks associated with the key capabilities of effective strategic leaders;

To determine suitable key capabilities for Lao commercial banking strategic leaders to promote competitive advantage for their banks;

To investigate the process of creating competitive advantage in terms of strategic leadership.

1.4 Research questions

The research question to be investigated and answered in this research study is:

“How can commercial banks in Laos promote and sustain competitive advantage through practicing strategic leadership?”

To explore the research question further and offer a comprehensive conclusion to it, the following sub-questions have been developed to all collect relevant data:

a. What key capabilities should Lao commercial banking strategic leaders have in order to promote and maximise competitive advantage for their organisations?

b. What are the understandings of Lao commercial banking strategic leaders on ‘strategic leadership’ in terms of promoting competitive advantage for their banks?

c. What are the understandings of leaders on the role of strategic leadership in an organisation?

d. What are the perspectives of leaders on the role of strategic leadership in terms of the real practices of their banks?

e. How effective are key capabilities of strategic leaders in Lao banking in real practice?

1.5 Hypothesis

The study adopts the three hypotheses as below:

Ho1 The term and concept of ‘strategic leadership’ is not common for commercial banking strategic leaders in Laos;
Ho\textsubscript{2} Commercial banks in Laos do not have sufficient strategic leaders to promote and maximise competitive advantage for their banks in the future;

Ho\textsubscript{3} Banking strategic leaders in Laos do not have sufficient key capabilities for promoting and maximising competitive advantage for their banks.

1.6 Data collection

This research project employed only a semi-structured interview method, as a data collection method because the nature of leadership is complex and the term 'strategic leadership' is not common in Laos, particularly in the banking sector. This method gives the researcher the opportunity to provide further information to participants who do not understand the questions and terms. This approach assists the researcher to collect reliable information and increases the validity of the results of this study. Taking part in this study are 11 participants who are considered as strategic leaders and working in the commercial banks in Laos.

1.7 Outline of thesis

This thesis is presented in six chapters:

Chapter one provides the overview of this research study. This includes the background and problem description illustrating the reason why the researcher would like to investigate and study strategic leadership in terms of promoting competitive advantage within the Lao banking context. This chapter also outlines the aim, objectives, and research questions that frames the shape of the thesis.

Chapter two summaries and critically reviews the literature associated with the strategic leadership arena. It identifies and focuses on three main issues, or themes, related to strategic leadership and the creating of competitive advantage processes. These themes, when combined, shape the significant focus of this study. Part one reviews and critiques the concepts of strategic leadership. Part two reviews and discusses the role of strategic leadership. The final part critically reviews key capabilities of strategic leadership that effective strategic leaders in the 21st century should have in order to deal with challenges and capture opportunities for their organisations.

Chapter three outlines the approach taken to undertake the research. It includes research methodology, paradigm and is followed by the rationale and justification for selecting a qualitative methodology for data collection and analysis for this research project. An explanation is given of the sample selection, research method and the strategy for data analysis. A semi-structured
interview is only one method used for data collecting. The validity of results and ethical issues are carefully examined.

Chapter four provides the data results and findings of the semi-structured interviews conducted with banking strategic leaders ranging from manager to chief executive officer (CEO) and chairman. The many aspects of strategic leaders, as they relate to the questions, are considered. This chapter attempts to pick the key themes as they emerge from each participant. The data results and findings are then organized and categorised to the themes identified.

Chapter five discusses the findings of the research by using data from chapter four. The key research questions will be used to shape the discussion and will be followed by supporting literature reviewed in chapter two. This chapter also provides answers to the research questions.

Chapter six provides conclusions reached as a result of the research along with a study of the key research findings raised. It is anticipated that this chapter will provide seven useful recommendations to strategic leaders in banking in Laos. In addition, it also addresses strengths and limitations of the study process. Finally, the chapter provides a brief summary of this study along with suggestions for the undertaking of further research.

The following chapter provides the literature review associated with strategic leadership. The chapter will focus on three main issues, including the concept of strategic leadership, the role of strategic leadership and the key capabilities of effective strategic leaders. This will provide the conceptual framework to develop the research methodology for this study.
Chapter Two: Literature Review

2.1 Overview

The previous chapter contained the introduction and the overview of this study. It explained the challenges that Lao commercial banks are confronting, especially integrating into the region and global market. In essence, it indicated the leadership style that can help leaders to promote competitive advantage for their banks over long time.

This chapter critically reviews literature related to a concept of strategic leadership. It discusses the role of strategic leadership in promoting competitive advantage for an organisation, creating an effective strategic management process, and increasing the effectiveness of the top management team. Finally, it critically reviews essential capabilities of effective strategic leaders that modern leaders should have in order to respond to challenges and capture opportunities in the 21st century, especially for those operating in the banking sector. These key capabilities play an important role in promoting and sustaining competitive advantage for banks in both the short and long-term.

2.2 Concept of strategic leadership

The term "strategic leadership" means "the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary" (Hitt et al., 2013, p. 362). This definition complies with studies by Daft (2011), Hoskisson, Hitt, Ireland, and Harrison (2008) and Ireland and Hitt (2005) who refer to strategic leadership as the ability to predict and envisage the future, sustain flexibility, think strategically, and work with others to initiate changes that can create a competitive advantage for the future of an organization. Strategic leadership refers to individual behaviours, styles, and skills used to influence others to achieve a successful strategy for an organisation (Zoogah, 2011). Thus, strategic leaders are important leaders in organisations (Adair, 2010).

On the other hand, Rowe (2001) argues that strategic leadership is an ability to influence people to be voluntary in making day-to-day decisions that can support the long-term viability of companies, while at the same time maintaining their short-term financial stability. The main aspects, which differ from definitions of Daft (2011), Hitt et al (2013) and Ireland and Hitt (2005), are that they focus on the concept of voluntary decision-making that influences staff to make voluntary decisions that will support their companies. Additionally, this definition considers both present and future.
Moreover, based on the previous work of Hambrick (1989), Cohen and Levinthal (1990), Blace and Boal (1996), and Malan and Kriger (1998), Boal and Hooijberg (2000) conclude that strategic leadership is related to capacity to learn, change, and apply managerial wisdom. Boal and Hooijberg (2000) add that an essence of strategic leadership is “the creation and maintenance of absorptive capacity and adaptive capacity coupled with managerial wisdom” (p. 516). Absorptive capacity is a capacity to learn that includes recognising new information, assimilating it, and using it to create new ends. Adaptive capacity involves flexibility and acceptance of change. Managerial wisdom is a combination of the right or opportune time and discernment. It refers to a capacity to take the right action, discern variation in the environment and understand social actors, and relationships.

In another approach, Hughes and Beatty (2005) argue that strategic leadership is “individuals and teams enact strategic leadership when they think, act, and influence in ways that promote sustainable competitive advantage for the organisation” (p. 9). Based on Hughes and Beatty and on Kjelin (2009) and Du Plessis (2012), strategic leadership seems to act as a system that is focused on the future and is change-oriented. Strategic leaders emphasise the importance of fostering strategic clarity, making better connections between strategies and tactics. They extend their own and others’ perspectives, and then contribute to sustaining successes of their organisations. Tasks of strategic leaders are to drive and move organisations in the right direction, thus, the organisations will thrive in the long term.

Strategic leadership is about promoting the sustainable competitive advantage and influencing or turning a strategy of organisation into actions. Hughes and Beatty (2005) conclude that leading strategy is about discovery rather than determination. Strategic leaders need to foster strategic leadership in other people instead of only themselves. Strategic leaders have to blend the capabilities of thinking, acting, and influencing to drive strategies as a learning process in their companies.
<table>
<thead>
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<th>Table 1: Summary of strategic leadership definitions</th>
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<tr>
<td><strong>Grouping</strong></td>
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<tr>
<td>- Executive management, (CEOs and the top management team)</td>
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<tr>
<td>- Anticipating;</td>
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<td>- Envisaging;</td>
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<tr>
<td>- Thinking strategically;</td>
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<td>- Working with others;</td>
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<td>- Empowering.</td>
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<tr>
<td>Focus</td>
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<tr>
<td>Goals</td>
</tr>
<tr>
<td>- Strategic change</td>
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<tr>
<td>- Flexibility</td>
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<tr>
<td>- Strategic competitiveness above-average returns</td>
</tr>
<tr>
<td>Source: Adapted from Boal and Hooijberg (2000); Hughes and Beatty (2005); Kjelin (2009); Hitt, Ireland, and Hoskisson (2013); Rowe (2001).</td>
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</table>
Based on Table 1, above, the researcher observes that the studies of Hitt, Ireland and Hoskisson (2013) and Boal and Hooijberg (2000) have mostly focused on CEOs and the top management teams as a group and their goals of change, flexibility, effectiveness and competitiveness are quite similar. However, the processes of strategic leaders’ actions are quite different. However, for Hughes and Beatty (2005) and Rowe (2001), strategic leadership is not reserved for top management. Strategic leadership can include individual, teams, senior managers, managers and subordinates.

Based on the view of Hughes and Beatty, people enact strategic leadership when they think, influence, and act strategically. The goal is to sustain competitive advantage. Wagner (2006) defines competitive advantage as the result of companies’ successfully implementing strategy. This can be gained through creating superior value to clients by either unique benefits that offset higher or lower prices than rivals for equivalent benefits. Organisations have competitive advantage when they execute strategies that can generate superior value for clients that rivals are not able to duplicate or find difficult or costly to imitate (Sirmon, Hitt, Ireland, & Gilbert, 2011).

As summarised in Table 1, above, a typical characteristic in strategic leadership seems to focus on the future and boosting successes of organisations. Davies and Davies (as cited in Kjelin, 2009) state, strategic leaders are not likely to be satisfied or patient with the current performances. However, the research by Rowe focuses on both the present and future.

**Strategic leadership and transformational leadership**

According to characteristics and tasks of strategic leadership, Colbert, Kristof-Brown, Bradley, and Barrick (2008), Guimaraes, Brandon, and Guimaraes (2010) and Hitt et al. (2013) point out that the most suitable leadership style for effective strategic leadership is *transformational leadership*. This is because, firstly, transformational leadership encourages followers to perform beyond their expectations, keep extending their capabilities, and set the interests of companies above their own (Du Plessis & Frederick, 2010). Secondly, based on Hitt et al. (2013), transformational leaders evolve and communicate a vision for companies. They create a strategy to achieve vision, make employees aware of the need to reach excellent outcomes and motivate them to keep striving for higher levels of success. Thirdly, the existing literature on transformational leadership and strategic leadership is primarily based on studies with top management teams or high ranking executives (Lee, Cheng, Yeung, & Lai, 2011).

Transformational leaders have emotional intelligence that includes self-awareness, self-regulation, motivation, empathy, and social skills. They understand themselves and have the ability to control
their moods and think before acting. They are also good at motivating and empathising with others, and have strong international skills (Goleman, 2004; Hitt et al., 2013). Additionally, Daft (2011) and Du Plessis (2012) state that transformational leadership has a significant impact on subordinates and can potentially renovate an entire company. Transformational leadership relates to abilities to bring about necessary change to vision, strategies, and culture of a company and to enhance innovation in products and technologies. They have stated four principles for transformational leadership:

- Nurturing subordinates or followers to be leaders;
- Raising the concerns of subordinates from lower-level physical needs to higher-level psychological needs;
- Encouraging subordinates to keep the interests of a company above their own self-interest;
- Shaping a vision of the desired future, and then effectively communicating it in a way that inspires employees to believe in the value of working towards a vision.

In other research studies, Maghroori and Rolland (1997) and Daft (2011) point out that a domain of strategic leadership should contain the key elements as depicted in Figure 1 below. Their studies also comply with a study by Hitt et al (2013). They affirm that strategic leadership is responsible for the external environment to select about vision, mission, strategy and execution.

**Figure 1: The Domain of Strategic Leadership**

Source: Based on Daft (2011), Maghroori and Rolland (1997)
Therefore, strategic leadership and transformational leadership have similar characteristics and are modern leadership styles. Both leadership styles are important for modern leaders. The main purpose of these leadership styles is for promoting competitive advantage and creating the superior performance for an organisation. However, the foci between them are slightly different. For example, strategic leadership mainly addresses a strategy management process, whereas transformational leadership addresses emotional intelligence.

Based on the concept of strategic leadership discussed above, it refers to research sub-questions 1.4 (b) and supports the main research question.

2.3 The important role of strategic leadership

The important role of strategic leadership is emphasised by many researchers. This is because strategic leadership significantly influences necessary changes, learning, innovation, and superior performance of an organisation (Adair, 2010; Beer & Eisenstate, 2000; Daft, 2011; Daft & Pirola-Merlo, 2009; Hitt et al., 2013; Hoskisson et al., 2008; Hughes & Beatty, 2005; Jooste & Fourite, 2009; Rowe, 2001; Thompson et al., 2010; Zoogah, 2011). In this study, the researcher divides the role of strategic leadership into three elements.

2.3.1 The role of strategic leadership in promoting competitive advantage for an organisation

In this section, the role of strategic leaders in enhancing competitive advantage is first critically reviewed while the roles in creating the effective strategic management process and increasing the effectiveness of the top management team will then be reviewed and discussed.

Competitive advantage is the most important factor that influences the success or failure of organisations (Cristian-Liviu, 2013; Finkelstein, Hambrick, & Cannella, 2009; Hughes & Beatty, 2005) in which strategic leadership is widely considered as one of the key factors to promote and sustain competitive advantage for an organisation over the long term. This is because it enables organisations, especially banks, to respond to several challenges such as financial scandal, high competition, loss of clients’ trust and loyalty, and poor relationships with stakeholders (Wallace, Chernatony, & Buil, 2011). Strategic leaders establish a direction for an organisation via vision and strategy (Daft, 2011). Abilities of strategic leaders to effectively make significant changes in aspect such as business processes, products, and services are crucial because decisions and actions of leaders, particularly in the top level, have a major impact on performances and business successes of banks (Fung, 2008; Guimaraes, Brandon, & Guimaraes, 2010).
As Hinterhuber and Friedrich (2002) state, strategic leadership has a vital influence on competitive advantage and long-term performance. This is because strategic leaders have a role in sharing their power as necessary and are people who encourage employees to work effectively in ambiguous and turbulent environments by providing a vision and pathway that facilitates employees to evolve and innovate according to Kjelin (2009). Moreover, Hitt et al. (2013) state that effective strategic leaders are decisive and committed to nurturing other people and supporting organisational activities to create value for all stakeholders. Hence, strategic leadership is important for an organisation.

No competitive advantage is permanent according to Hitt et al. (2013). Organisations can be sure that their strategies are effective only after their rivals’ efforts to imitate their strategies have failed or ended. Competitive advantage of an organisation can end whenever leaders have poor strategic leadership and its rivals have skills to duplicate the benefits of the company’s value-creating strategy. Hitt et al. (2013) add that whenever strategic leaders unsuccessfully respond to changes in the complex global competitive environment, the abilities of an organisation to gain competitive advantage and achieve above-average returns is compromised. They strongly suggest that the inability to appropriately and quickly respond or to determine the need for a change in a highly competitive situation is one of the reasons CEOs’ fail.

Organisations with more strategic leadership seem to generate a greater performance such as higher competitive advantage and profitability. As Phapruke (2012) states, in dynamic, turbulent, volatile and complex markets and environments, organisations must employ strategic leadership to survive and sustain good performances in the future and long-term. Strategic leadership is the best type of leadership to protect profit from market forces in a manner that is valuable to shareholders (Rowe, 2001). This complies with studies by Marion and Uhl-Bien (2001) and Boal and Schultz (2007) who suggest that organisations should think about leadership, especially strategic leadership aligning with complex adaptive systems. They point out that strategic leadership can help organisations get out of chaos and stasis. Without strategic leadership, organisations cannot make an important change.

Based on the importance of strategic leadership discussed above, this refers to research sub-questions 1.4 (c) and 1.4 (d) and also sheds light on the main research question.
2.3.2 The role of strategic leadership in creating the effective strategic management process

It is difficult for leaders to promote and sustain competitive advantage or bring successful strategy to their organisation without an effective strategic management (Barney & Hesterly, 2012; Daft, 2011; Grant, 2010). “Strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then over time initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate” (Thompson & Strickland, 2001, p. 6). Taking another view, David (2013) defines strategic management as the art and science of formulating, executing and evaluating cross-functional decisions that help a company to succeed in its goals. Barney and Hesterly (2012) and David (2013) strongly stress that strategic management is all about achieving and sustaining competitive advantage.

Leadership is a basis and an essential element of effective management (Du Plessis, 2012). Strategic leadership is broadly recognised as one of the main drivers of effective strategy implementation (Collins, 2001; Freedman & Tregoe, 2003; Hrebinia, 2005; Kaplan & Norton, 2004; Lynch, 2006; Pearce & Robinson, 2007; Thompson & Strickland, 2003; Ulrich, Zenger, & Smallwood, 1999). Several researchers stress that without effective strategic leaders, organisations cannot successfully formulate and implement strategies, and therefore cannot achieve above-average returns. This complies with a study by Holcomb, Holmes, and Connelly (2009) who say that managerial abilities act as source of resource value creation.

This section outlines the strategic management process. It then shows the relationship between strategic management process and strategic leaders as depicted in Figure 2, below.
Figure 2A: The role of strategic leaders in the strategic management process

Source: Adapted from Barney and Hesterly (2012), David (2013) and Hitt, Ireland, and Hoskisson (2013).

Based on Figure 2A, above, strategic leaders play a vital role in creating the strategic management process. They are key people who shape the formation of both vision and mission. They then influence strategic actions. Every element in the strategic management process is key requirement for superior business performance, particularly in strategy formulation and implementation (Jooste & Fourie, 2009; Kaplan & Norton, 2000). Therefore, a degree of competitive advantage or strategic competitiveness of an organisation will depend on the effectiveness of its strategic leaders. This is one reason that supports the main research question being investigated in this study: ‘How can commercial banks in Laos promote competitive advantage through practicing strategic leadership’.
**Figure 2B**: Model of the Strategic Management Process

![Model of the Strategic Management Process](image)

Source: Adapted from David (2013), Hitt, Ireland, and Hoskisson (2013), Thompson, Strickland, and Gamble (2010)

Figure 2B, above, shows the full process of strategic management. It is the process that allows companies to adapt effectively to change over the long term. Strategic management is all about promoting and sustaining competitive advantage (David, 2013; Hitt et al., 2013; Thompson et al., 2010), in which effective strategic leaders act as main drivers who normally create and support an effective strategic management for their companies.

**2.3.3 The role of strategic leadership in increasing the effectiveness of top management teams**

Although senior managers have a role and lead responsibility for formulating and implementing a strategy of an organisation, the researcher still wants to emphasise the importance of the top management level, including the board of directors, because the quality of strategic decisions significantly depends on them. Their decisions can affect abilities of their organisation to manage risk, innovate and engage in effective strategic change (McConnell, 2013; Thompson et al., 2010).

In other words, strategic leadership is a representative of abilities of the top management team to provide leadership when an environment of an organisation requires change (Guimaraes et al., 2010). For the banking sector, leadership style is important in influencing and determining service quality, business performance and strategies (Lee et al., 2011; McConnell, 2013). Hence, if the top
management teams lack the right leadership, such as strategic leadership and management style, they may lead their organisations with compromised performance or fail to succeed according to Alexander (1985), Beer and Eisenstate (2000), Hrebiniai (2005), and Kaplan and Norton (2004) (as cited in Jooste & Fourie, 2009).

Additionally, Phipps (2012) says that most studies on strategic leadership is focused on the executive and the top management team because these people are responsible for the overall success of companies. Boal and Hooijberg (2000) state that strategic leadership focuses on CEOs and the top managements, or dominant teams that are responsible for an overall company. Strategic leaders are people who take positions at the strategic apex of the company, such as the CEOs. These leaders have ability to change or reinforce present action patterns within companies.

It is obvious that several studies mainly focus on CEOs and the top management teams. This could be because they are key people who have power in terms of their titles and positions to select strategic directions for organisations. As Hitt et al. (2013) point out, the top management team has responsibilities for selecting and implementing strategies of organisations. Thus, to have successful strategies, organisations need to have strategic leadership. On the other aspects, Hughes and Beatty (2005) argue that strategic leadership should not be reserved for only the top management level. Employees should have strategic leadership to effectively perform their work and move in the same direction. Therefore, strategic leadership is very significant for every position in an organisation.

In essence, it is important for leaders, especially the chief strategist and board of directors, to have strategic leadership with sufficient key capabilities to formulate and execute a strategy. This is because these strategic actions are likely to fall to them (Thompson & Strickland, 2001). This is supported by a study by Morrow, Sirmon, Hitt, and Holcomb (2007) and Hughes and Beatty (2005) who state that leaders must ensure that their capabilities are able to effectively formulate and implement strategies for their organisations.

Therefore, this study includes research sub-questions 1.4 (a) and 1.4 (e) to be informed on what key capabilities effective strategic leaders should have.

**2.4 Key capabilities of effective strategic leaders**

There are many forces in the banking sector, including new technologies, globalisation, deregulation, and growing competition, that lead to challenging for leaders. These cause banks to have to diversify their businesses into both interest and non-interest earning businesses to sustain competitive advantage, for instance, insurance, private banking and asset management (Lee et al.,
Thus, to succeed promoting competitive advantage for a bank, leaders need to have sufficient key capabilities to make necessary changes.

As Hughes and Beatty (2005) suggest, strategic leaders should have certain capabilities because the process of creating and sustaining competitive advantage in organisations is very complex for any one person to develop and carry out. In addition, there is too much information to digest and filter. Decisions are too complex to make, thus, successes are too dependent on a blending of capabilities across an organisation (Grant, 2010). To answer the research sub-question 1.4 (a), this section reviews and discusses literature related to key capabilities of modern leaders that effective strategic leaders should have in order to cope with challenges in the 21st century.

Rainsbury, Hodges, Burchell, and Lay (2002) point out that capability is related to an imagination of the future. It is a holistic concept. Capability integrates knowledge, skills and personal qualities to effectively and appropriately apply for decision making in unfamiliar as well as familiar situations. Based on capabilities, leaders can take actions where outcomes are ambiguous and require courage, initiative, intuition, creativity, and emotional stability. Rowley (2003) argues that essential characteristics of strategic leaders are capabilities in knowledge management, global thinking and social acumen. According to Hughes and Beatty (2005), capabilities of strategic leaders tend to include strategic thinking, strategic acting and strategic influencing and all three should not be separately and individually viewed because they are interdependent.

Capabilities significantly contribute to an effectiveness of strategic leadership. This requires leaders to have certain knowledge (at domestic and international level), skills and individual qualities to cope with both unambiguous and ambiguous situations. However, most of the literature has not yet identified capabilities detail, except in studies by Hitt (1998) and Ireland and Hitt (1999) (as cited in Hitt et al., 2010) who specifically determined the most important capabilities that effective strategic leaders should have in the 21st century.

The study by Hitt et al. (2010) summaries almost all needed capabilities that many authors have mentioned so far. In addition, this summary is consistent with a study by Boal and Hooijberg (2000) who had already researched studies of strategic leadership by Hickman (1998), House and Aditya (1997), Hunt (1991), Ireland & Hitt (1999), Selznick (1984) and Zaccarro (1996), and then concluded actions and capabilities that strategic leaders should have are as follows:

- Strategic decision-making;
- Building and communicating a vision;
- Evolving essential competencies and capabilities;
- Developing a structure of an organisation include processes and controls;
- Managing multiple constituencies;
- Making the selection and development of the next generation leaders;
- Maintaining an effective organisational culture; and
- Emphasising ethical practices in an organisation’s culture.

Based on Hitt et al (2010), the researcher summarises the essential capabilities that effective strategic leaders, especially in the banking sector, should have to deal with challenges in the 21st century.

**Figure 3: Key Capabilities of Effective Strategic Leaders Model (KCS)**

Source: Adapted from Hitt, Haynes, and Serpa (2010).
2.4.1 Capability to develop and communicate a vision

A clear vision statement is needed before formulating and implementing a strategy (Barney & Hesterly, 2012; David, 2013; Thompson et al., 2010). It is necessary for banking leaders to create an effective vision and communicate it to direct employees and make them feel their work are value and challenging (Alabduljader, 2012; Daft, 2011). In addition, Nafei, Khanfar, and Kaifi (2012) recommend that it is crucial for banking leaders to have capability to create an effective vision statement that is specific, measurable, attainable, results-driven, and time sensitive.

Vision is defined as an attractive, ideal future of what an organisation desires to become and, in general terms, it is what an organisation wants to ultimately accomplish (Collins & Porras, 1996). A vision statement provides an organisation the direction where it desires to be in the future. The vision statement is used to capture the heart and mind of each employee and, hopefully, of stakeholders, including the top management level, staff who work in different divisions of organisations, suppliers, and clients. Therefore, vision is a powerful motivation for stakeholders. It is an effective pathway for employees to deal with the internal and external environment and lead companies to succeed in both short and long-term. As Daft (2011) and Daft and Pirola-Merlo (2009) point out, vision is not just a dream. Vision is a desirable perspective of better future that people in an organisation can believe in. Vision must be something that can realistically be achieved. An effective vision can lead organisations out of chaos to success (Bell, 2007).

Vision should not belong to a leader alone, therefore leaders need to communicate across the organisation (Sashkin, 1988). Whereas, communication is a key to lead strategic management to success, poor vertical communication is one of the silent killers of strategy implementation (Beer & Eisenstat, 2000; David, 2013).
2.4.2 Capability to build core competencies

Core competencies of an organisation are something that an organisation does very well compared to its rivals (Daft, 2011). Hitt et al. (2010) point out that organisations nowadays need to be prepared to develop new competences to substitute existing competences when it is urgent to maintain competitive advantage. This could be one reason that two of the leading banks in ASEAN, Banque Pour Le Commerce Exterieur Lao Public (BCEL) - Laos-based bank and Krung Thai Bank Public Company Limited (KTB) – Thailand-based bank, made an agreement on cross border trade and investment to enhance their core competences in preparation for AEC (Zhi, 2012).

Based on research in the banking sector, Cherian and Farouq (2013) say that competitive advantage is determined by their internal activities, capabilities and potential resources. They stress that human resources are the main factor in creating and maintaining the excellent financial performance in the banking sector because they are responsible for implementing banks’ strategies. These factors could be core competencies of organisations depending on how good they are.

Core competencies arise out of resources and capabilities that act as sources of competitive advantage for companies to outperform their competitors (Cristian-Liviu, 2013; Grant, 2010; Hitt et al., 2013, Hoskisson et al., 2008). Resources are inputs that lie on a production process of an organisation, including skills of staff, patents, talented managers, finances and capital equipment.
Competitive resources could be the source of competitive advantage (Greve, 2009). Capabilities are the capacity of a resource set to carry out tasks in an integrative manner to produce and distribute services that companies supply to clients with the purpose of creating value. These capabilities are always evolving due to the fact that companies learn from their actions.

To promote a competitive advantage for a bank, strategic leaders must have the capability to understand and build the core competencies of their bank. To do that, they can use SWOT analysis as suggested by Thompson et al. (2010). SWOT analysis gives the basic for formulating a strategy that capitalises on the resources of an organisation with the aim of capturing the best opportunities for an organisation and to defend against threats.

2.4.3 Capability to develop and use human capital

Based on the nature of the banking business, the workforce is considered to be the most important input in a production process because labour costs are likely to be the largest component of total operating costs and an effective use of workforce has a direct influence on service quality and banks’ successes (Fung, 2008). According to the service-profit chain, staff play a significant role in determining a bank’s service quality and profitability (Mukherjee, Nath, & Pal, 2003). Cherian and Farouq (2013) state that successes of banks are the result of effective human resource systems that comply with their strategies. Banks need to have an efficient and skilled workforce to effectively manage risk. As a result, they termed the banking sector as “People business”.

Organisations’ human capital is a foundation for creating core competencies, capabilities, and competitive advantage, according to Coff (2010). Zhang and Gimeno (2010) define human capital as “a unit’s composition of employees’ knowledge, skills, and abilities” (p. 353). Based on the view of human capital, Zhang and Gimeno (2010) mention that staff is considered a capital resource that requires organisations to keep investing. One research study suggests that in a highly competitive environment, people may be the main sustainable source of competitive advantage (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006). Hence, knowledge and expertise are the scarce resource rather than capital (Bartlett, 2002).

One of the most crucial of skills of strategic leaders is an ability to attract, retain, and then manage human capital. If unable to do this, the lack of talented staff can constrain the growth of the organisation. Furthermore, to effectively develop and use human capital, organisations should have effective training and development programs and continuous learning processes.
2.4.3.1. Effective training and development programs

In the complex global economy, strategic leaders must learn how to successfully influence human behavior, employees’ thoughts, and feelings (Hitt et al., 2013). An organisation needs to have effective training and development programs to enhance the performance of individuals, lower labour turnover, and increase savings and profits for businesses (Du Plessis & Frederick, 2010). For example, in 2009, The Royal Bank of Scotland (RBS) announced a strategy that allowed the bank to recover from its crisis (loss) by sending 1,100 executives to participate in the Leadership Development Program. This training and development program is for making RBS safer, stronger, more efficient and profitable on a long-term basis (European Forum for Management Development, 2011).

Another reason why companies need to have the effective training and development programs is because research executed by Manpower Inc (2006) (as cited in Ployhart, 2006) shows that 40% of employers from 23 countries indicated it is difficult to hire and find the desired talent. It also shows that 90% of nearly 7,000 managers pointed out that the acquisition and retention of talented staff is becoming more difficult, according to Axelrod, Handfield-Jone, and Welsh (2001) (as cited in Ployhart, 2006).

Therefore, development programs and the success of an organisation are more and more linked together as knowledge becomes more vital to gain and maintain competitive advantage.

2.4.3.2. Learning

As human resources are the banks’ backbone (Cherian & Farouq, 2013), learning and development programs are necessary subjects that are a priority. As a result, after a loss of 24 billion pounds sterling to the stock exchange in 2009, RBS has a valuable experience on what is learned from the past. This has increased their employees’ knowledge and leadership through the learning process (European Forum for Management Development, 2011).

The result of successful human capital investments is a workforce capable of continuously learning. This improves companies’ knowledge base and is linked with strategic success (Holcomb, Ireland, Holmes, & Hitt, 2009). Learning can help strategic leaders to avoid making errors (Allio, 2008; Thomas, 2009). Greve (2009) points out that shaping knowledge and learning are necessary for building innovation in an organisation because innovation can lead to competitive advantage. This is supported by a study by Nel et al. (2011) who say that to achieve competitive advantage, human resource management policies and procedure should be consistent with the overall organisational strategy.
2.4.4 Capability to invest and use the development of new technologies

Guimaraes et al. (2010) state that in a highly competitive environment, banks are forced to adopt new technologies to improve business processes, redesign products and services, and to make other necessary changes to improve performance. As a result, abilities to adopt new technologies to improve performances of the banking and financial services industry is broadly recognised (Fung, 2008). Fung adds that the emergence of labour-saving technologies will enable commercial banks to save a lot of money. This means that technologies will enable banks to increase profits resulting from the reduction of operational costs. Greve (2009) adds that organisations entering into early adoption of new technologies often gain higher market shares and achieve higher returns.

Therefore, in the fast-changing environment, organisations need to adopt new technologies that align with the nature of their businesses to maximise value for their customers, staff, and other stakeholders. As Daft (2011) says, it is very challenging for team leaders when teams’ members are scattered through different locations. Thus, today’s leaders need to know how to use and invest in new technologies to enhance the effectiveness of their virtual and global teams. For example, leaders can work, have meetings, or communicate through video-conferencing, telephone, fax, email, instant messaging, virtual document sharing, and other media or internal software that can support the operation of their business.

Thus, if strategic leaders want to sustain competitive advantage for their organisations, they should research, prepare and anticipate which technologies or what kind of virtual teams they should have in order to deal with the future changes and challenges. For example, to prepare for AEC, BCEL upgraded its system to reach the global standard and received the Platinum Technology Award in 2013 (Amphonephong, 2013). This is supported in a study by Hitt et al. (2010) who mention that effective strategic leaders make a necessary decision to sustain the leading position of new technologies. They exploit existing and new technologies to make sure that their organisations run in the most efficient way possible.

2.4.5 Capability to engage in formulating and implementing strategy

A clear strategy acts as a map to promote competitive advantage (Beer & Eisenstat, 2000; Thompson et al., 2010). To achieve that, it also requires that leaders and managers need to know how to engage in their strategy and understand strategic management processes. In essence, leaders who create strategies and leaders who are expected to execute them need to support and cooperate with each other towards a shared aim because crafting and implementing strategy are equally important (Grant, 2010; Moore, 2008; Speculand, 2011). Hence, the quality of strategy formulating
and strategy implementing by leaders has a significant impact on the growth of an organisation. As a result, under today’s highly competitive environment, it is necessary for banking strategic leaders to frequently re-examine their strategies to ensure that those strategies provide the right direction, are effective choices, and can gain superior performance for banks in the future (Lee et al., 2011; McConnell, 2013; Sterling, 2003).

Strategy is associated with long-term planning. Any strategy that an organisation engages in will affect the long-term performance of an organisation (Thompson et al., 2010). This causes strategic leaders to carefully choose or engage the right pathway or strategy for their organisation. According to Greve (2009), strategy is about making options amid two or more alternatives. When selecting strategies, companies make decisions to follow one course of action as opposed to taking other actions. However, selected strategies are influenced by both challenges and opportunities in a company’s external environment (Delmas & Toffel, 2008) and the nature and quality of core competencies of the internal environment (Sirmon et al., 2011).

Based on Hitt et al. (2013) and Hoskisson et al. (2008), strategic leaders can choose a business strategy from among five types of business-level strategies to create and hold their desired strategic position against their rivals. They include cost leadership, differentiation, focused cost leadership, focused differentiation, and integrated cost leadership/differentiation. Business-level strategy is defined as “an integrated and coordinated set of commitments and actions that firms use to gain a competitive advantage by exploiting core competencies in specific product markets” (Hitt et al., 2013, p. 102).
If organisations choose only a business-level strategy, they can assess strategies on two perspectives of potential competitive advantage: “lower cost than rivals, or the ability to differentiate and command a premium price that exceeds the extra cost of doing so” (Porter, 1991, p. 101).

Regarding characteristics and quality of internal resources, capabilities, and core competencies of an organisation, it can seek to formulate either a differentiation competitive advantage or a cost competitive advantage as a foundation for performing their business-level strategy (Porter, 1996). Therefore, strategic leaders need to know advantages and disadvantages of each strategy to formulate the right one for their organisation.

Thus, to select the right strategy, strategic leaders should have sufficient key capability for choosing and creating the right strategy that matches the nature and quality of their organisation. This is because there is not a certain business-level strategy that is superior to any of the other strategies (González-Benito & Suárez-González, 2010; Hitt et al., 2013).

2.4.6 Capability on building and maintaining an effective organisational culture

The leadership style can significantly influence and encourage employees of a bank to effectively adopt a culture as well as the values of a bank (Lee et al., 2011; Wallace et al., 2011). Success of
banks is supported by their culture. Banks are faced with a lot of pressures that may cause banks to make many urgent changes and these changes would not be successful without a supportive culture (Nafei et al., 2012). The case of RBS is a good example of a cultural change. RBS transformed its old culture that was no longer effective to a new culture that supports the bank’s performance by enabling employees to make decisions more openly and thoughtfully. RBS promotes employees to work in a disciplined and effective manner to improve its business performance (European Forum for Management Development, 2011).

Culture is defined as a set of main values, assumptions, perceptions, and norms that are shared by employees in an organisation and communicated to new employees as correct (Brown & Starkey, 1994; Duncan, 1989; Smircich, 1983). This definition is supported in a study by Stevens (2008) who states that culture is one of the key elements to success of ethical practices. Culture is where people share similar beliefs, customs, norms and ‘mental programming’ (Kelley, MacNab, & Worthley, 2006).

Culture acts as a double-edged sword that can be a source of advantage or disadvantage (Duncan, 1989; Kippenberger, 2000). This is because the culture can affect the bottom line and the relationship between the work of strategic leaders and culture of an organisation influences each other. In essence, Ingram and Silverman (2002) (as cited in Delmas & Toffel, 2008) state that organisational culture significantly influences strategic decisions and executions. This is in line with studies by Cristian-Liviu (2013), Klein (2011) and Thompson et al. (2010) who say that organisational culture impacts on how organisations perform their business. It helps to regulate, manage, and control behaviours of staff. Thus, an organisation needs to intensively create an effective culture to be a strategic supporter of the one source of competitive advantage.

2.4.7 Capability on developing and implementing balanced controls

Control is required to help every organisation to ensure that it can gain desired outcomes within a certain time (Costa & Bijisma-Frankema, 2007; David, 2013). Control is defined as the “formal, information based…procedures used by managers to maintain or alter patterns in organisational activities” (Hitt et al., 2013, p. 378). In essence, when implementing strategies and adjustments are needed, controls can give a scope for implementing those strategies as well as the right actions. As a result, control enables strategic leaders to create credibility and illustrate value of strategies to stakeholders of organisations, and encourage and support strategic change (Shields, Deng, & Kato, 2000).
Based on Nafei et al. (2012) who studied on Saudi banks, they suggest that apart from leading followers, leaders have to provide effective tools to subordinates to achieve goals of banks. In essence, strategic leaders need to know how to develop and use certain tools to evaluate, monitor and control their plans and strategies as well. For instance, the ‘balanced scorecard’, this is supported in studies by Shutibhinyo (2013) and Shutibhinyo (2012) who say there are many organisations that perceive benefits from using the balance scorecard as a tool.

The balanced scorecard is a tool that organisations, including the banking sector, can employ to evaluate whether they attain a suitable balance amid strategic and financial controls to achieve desired outcomes (Hitt et al., 2013; Kaplan & Norton, 2009; Kaplan & Norton, 2005). Kaplan and Norton (1992) add that the balanced scorecard is the most appropriate tool for using in evaluating strategies because it is a set of measure that provides leaders fast but comprehensive views of their businesses.

Thus, it is very challenging for strategic leaders’ capabilities, particularly for CEOs and the top management teams, to achieve a suitable balance of financial and strategic controls without an effective tool.
Figure 6: A balanced scorecard framework—Translating vision and strategy

Source: Adapted from Kaplan and Norton (2007) and Kaplan and Norton (1992)

Strategic leaders, particularly in the top management team, hold a significant position in determining an appropriate strategy map and strategy card to create a suitable balance in order to increase the wealth of an organisation. This wealth will be created when strategic leaders invest appropriately for future viability (via strategic control), and sustain a proper level of financial stability in the current (via financial control) (Rowe, 2001). This is supported in a study by Hitt et al. (2010) who say that the right type of controls enable an organisation to manage financial capital and practices to ensure that potential courses of actions are evaluated via a positive moral filter.

Therefore, effective strategic leaders create control systems, or apply a tool that flexibly facilitates and develops an employee’s behaviour to help a company gain and sustain competitive advantage in the short- and long-term.
2.4.8 Capability on engaging in ethical practices

In the financial industry, especially the banking sector, ethical practices and leaders and corporate governance have become outstanding matter when, recently, there were many corporate scandals, banking frauds, financial mismanagement and high-profile institutional failures occurring around the world (Nwagbara, 2012). For example, the case of the Libor scandal, there were many financial institutions fined because of unethical practices. Rabobank, Barclays, Royal Bank of Scotland, ICAP (United Kingdom broker) were fined $1 billion, $454 million, £390 million, $87 million, respectively ("Rabobank fined $1bn over Libor," 2013).

These situations have forced many organisations to employ ethical leaders such as ethical strategic leaders who have the capability to consider honesty, trust, and integrity as important issues. According to Driscoll and McKee (2007), those leaders wishing to do the right thing will integrate ethical practices into the strategic direction of their organisations. This is because good ethics is good business. Bad ethics can fail even the best strategy or plan (David, 2013). A research study in the Nigerian banking sector recommended that a bank should have a good board composition and top management equity interest because they can significantly affect the improvement of a bank’s performance. These people can create, or influence or motivate a banks’ good corporate governance and top management transparency (Offiong & Ewa, 2013).

“Ethics is the code of moral principles and values that governs the behaviour of a person or group with respect to what is right or wrong” (Daft & Pirola-Merlo, 2009, p. 463). Daft and Pirola-Merlo state that in the era of financial scandal and moral lapse, ethical value is now very vital for organisations to help them sustain success and competitive advantage over the long term. However, to do that, it requires organisations to have leaders who consider or engage in ethics as an important part of formal policies and informal cultures of organisations. This concept complies with studies by Trevino (1986) and Nel, Nel, and Du Plessis (2009) who say that issues of ethical decision making has received a lot of attention from organisations. The reason why ethics is so significant is because it sets standards for what is good or bad in practices and decision making.
Based on Figure 2B, above, ethical practices enable organisations to increase the effectiveness of the strategy process. Additionally, ethics motivates and enable employees at all levels of companies to act ethically when actions are needed to implement strategies (Hitt et al., 2013; Thompson et al., 2010). In contrast, whenever unethical practices have evolved in companies, they may become acceptable to many top levels and subordinates (Fazey, 2012; Pinto, Leana, & Pil, 2008).

One study indicates that some managers seemed to engage in unethical actions to achieve their desired outcomes when their existing effort to meet those were insufficient (Schweitzer, Ordóñez, & Douma, 2004). In this manner, desired outcomes or goals are likely to be a motivator for unethical practices. Thus to avoid unethical practices, a value-based culture and leadership are very effective means of ensuring that staff comply with ethical requirement of an organisation (Daft & Pirola-Merlo, 2009; Kayes, Stirling, & Nielsen, 2007).

Effective strategic leaders often bring ethical values into their decision-makings, especially when organisations have a clear code of ethics (Stevens, Steensma, Harrison, & Cochran, 2005). Thus, strategic leadership plays an important role in building ethical practices through an organisation. Effective strategic leaders are people who strongly emphasise honesty, trust, and integrity in decision-making processes and in the implementation of those decisions. These actions and decisions can influence and cause managers and employees to clearly understand and work in an ethical manner (Hitt et al., 2010).
Poor ethical mechanism can cause unethical practices to become a common ground for everyone (Pinto et al., 2008). This may lead to some managers taking unethical actions to achieve their desired outcomes (Schweitzer et al., 2004). As a result, Nel and Du Plessis (2011) and Nel, Nel and Du Plessis (2009) suggest that organisations should have formal ethical mechanisms, including a code of ethics, ethical structures, training program, and disclosure mechanisms to maximise the effectiveness of ethical practices. Effective strategic leaders often include ethical values into their decision-makings (Stevens et al., 2005). Leadership is a very effective means of ensuring that staff comply with ethical requirement of an organisation (Daft & Pirola-Merlo, 2009; Kayes et al., 2007).

2.5 Summary

In this chapter, the researcher has reviewed three main literature themes associated with promoting and sustaining competitive advantage for an organisation, particularly in the banking sector. The first theme in the literature review related to the concept of strategic leadership. What strategic leadership and the domain of strategic leadership are; and why strategic leadership is important for promoting competitive advantage for an organisation. This literature review relates to the research sub-question 1.4 (b).

The second theme includes three key foci that strategic leadership influences. The role of strategic leadership in promoting sustainable competitive advantage for an organization was discussed. The leadership role in the strategic management process was demonstrated and the leadership role in the top management team is stressed. The literature review refers to the sub-question 1.4 (c) and 1.4 (d).

The final theme critically reviewed eight key capabilities of effective strategic leadership in the 21st century, especially in the banking sector, in order to deal with the fast-changing and competitive environment. This literature review addresses the research sub-question 1.4 (a) and 1.4 (e).

The next chapter will discuss and consider the research methodology that will be adopted in this study.
Chapter Three: Research Methodology

3.1 Introduction

Chapter two covered the literature review on the topic of strategic leadership. The concept and roles of strategic leadership was discussed. Eight key capabilities of effective strategic leadership were then considered. The literature supports the later findings and answers the research questions of this study.

This chapter begins with an overview of leadership research studies followed by a research methodology adopted in this project. It discusses qualitative and quantitative research approaches, and the rationale for selecting a qualitative research approach. There is only one data collection method in this study; semi-structured interviews. Major matters relating to appropriateness of choice and sampling are explained. The researcher then demonstrates how the data collection was conducted. This chapter also identifies and discusses the strategy for data analysis. Finally, it discusses issues relating to ethics to ensure that all relevant issues are addressed within the context of the research study.

3.2 Methodology

3.2.1 Overview of leadership and strategic leadership research studies

Leadership is considered as one of the most popular research topics in organisation and management literature (Inyang, 2013). As Hogan and Kaiser (2005) state, leadership is real and consequential phenomena and it may be the most significant matter in the human sciences. Most leadership studies seem to focus on issues, such as the effectiveness of leaders, identifying traits of successful leaders, leadership theories, and developing leaders. Additionally, according to Bryman and Stephens (1996), in research studies on leadership, the use of qualitative approach continuously increased.

Leadership has been fully and intensively studied over 50 years and the topic of leadership development has been of great interest to several corporates (Boal & Hooijberg, 2000; Fulmer & Conger, 2004). For example, Fulmer and Conger (2004) give the case of Ken Lewis, CEO at Bank of America - one of the world’s most admired growth companies. He was one of the CEOs who gave the importance to leadership development programs in 1999. Furthermore, based on the research study in 2004, Fulmer and Conger (2004) state that there were over 15,000 articles and
books published on the topic of leadership. In essence, organisations were investing an estimated $50 billion a year for developing their leaders. Recently, Furnham (2010) indicated that leadership studies have been published in over 50,000 books with ‘leadership’ in their title.

Since the late 1980s, many researchers have paid more attention to strategic leadership matters. For example, Cannella and Monore (1997), Day and Lord (1988), Finkelstein and Hambrick (1996), Hambrick (1989), and Tomas (1988) (as cited in Boal & Hooijberg, 2000). Strategic leadership was mentioned very early by Cyert and March (1963) and then it was developed further by Mintzberg (1979) and Hambrick (1989). Recently, several notable researchers have observed that studies of leadership theory have significantly focused on strategic leadership (Boal & Hooijberg, 2000; Flamholtz & Randle, 2008; Ireland & Hitt, 2005; Nkomo & Kriek, 2011; Storey, 2005).

Hence, strategic leadership is one of the important leadership styles that is widely recognised by a large number of researchers in terms of creating, promoting, and sustaining the competitive advantage, superior performance, long-term sustainability, and innovation of an organisation (Elenkov, Judge, & Wright, 2005; Hitt et al., 2013; Vera & Crossan, 2004; Yukl, 2010). As a result, the researcher strongly believes that this study on strategic leadership is of value and necessary to research further, particularly in the Lao banking sector.

3.2.2 Research methodology

Leedy (1997), Leedy and Ormrod (2005), and Saunders, Lewis, and Thornhill (2009) define research methodology as a systematic process of gathering, analysing, and interpreting data to develop insight about the phenomena. This is supported in a study by Coleman and Briggs (2002) who mention that research methodology could be referred to as a plan or process of actions that researchers employ to link methods to outcomes when they are studying theoretical aspects of research studies.

Briggs, Coleman, and Morrison (2012) say that methodology is based on critical thinking about the nature of reality and how researchers can know it. Creswell (2009) points out methodology plays an important role because it determines what approaches, methods, and strategies will be used by researchers. Based on Adams, Khan, and Raeside (2007), research methodology is both a science and philosophy that helps researchers to understand how they know, what they know and what knowledge really is. Hence, researchers need to consider the epistemology and ontology that underpin their methodological approaches and data collection methods.
### 3.2.3 Research paradigms

This study was based on interpretivism as a research paradigm. A research paradigm acts as a group of fundamental assumptions and beliefs that are about how the world phenomena are perceived. It then acts as a thinking pathway that guides researchers’ behaviour (Collis & Hussey, 2009; Jonker & Pennink, 2010). A paradigm is defined as “a basic orientation to theory and research” by Neuman (2003). He adds that a paradigm includes a set of ontological and epistemological assumptions related to what the globe is made of and how it works. Research paradigms are basic beliefs that affect the ways of conducting social research studies such as a selection of a particular research methodology (Wilson, 2010). It concerns the philosophical dimension of social sciences (Wahyuni, 2012).

There are two major philosophical dimensions to distinguish research paradigms: *epistemology* and *ontology* (Du Plessis & Frederick, 2010; Wahyuni, 2012). Based on epistemology, the subjectivist believes that the reality has dependence on social actors. They presume that each actor contributes to social phenomena. In contrast, in terms of social research study, based on ontology, the objectivist believes that the reality and its interpretation are not dependent and internal on social actors.

Epistemology is a center of research endeavour. Researchers try to ‘know’ the ‘reality’ by asking questions about knowledge and how they can investigate it, how they can recognise it when they explore it, how they can use it and distinguish it between truth and falsehood. On the other hand, ontology is referred to as the personal reality (our sense of being). It affects the way that researchers can ‘know’. Ontology and epistemology, together, influence the methodologies that underpin researchers’ work (Briggs et al., 2012). Therefore, “all research makes some kinds of assumption about issues such as what things there are in the world, how we can know certain things, and what counts as legitimate knowledge” (Davidson & Tolich, 2003, p. 25).

Moreover, there are four research paradigms: positivism (naïve realism), postpositivism (critical realism), interpretivism (constructivism), and pragmatism (Saunders et al., 2009; Wahyuni, 2012).

According to the ontological aspect, interpretivism is socially constructed, subjective, multiple, and may change. Based on epistemology, interpretivism is subjective meanings and social phenomena. It focuses on details of situation and the reality behind these details. Additionally, it is subjective in meanings and motivating actions. Hence, the research methodology of this study is a qualitative approach. This is supported in a study by Wilson (2010) who says that researchers can adopt the
role of the interpretivist researcher if they believe that social characteristics of business are too complicated in terms of measure at the same basis as the nature of sciences.

Therefore, to answer the research questions, this study was based on interpretivism as a research paradigm. This is because the researcher believed that social characteristics of business and actors, especially strategic leadership, are too complicated in terms of measure.

3.2.4 Quantitative and qualitative approach

3.2.4.1. Quantitative approach

According to Bryman (2012), quantitative approach is a research study that usually focuses on quantification in collecting and analyzing the data. Bryman (2012) and Saunders, Lewis, and Thornhill (2012) say that a quantitative research study is always related to a deductive approach that has the relationship between theory and research study. Theories are from the existing data and then set out to test or prove which are based on hypothesis and experimentation. The direction of research study is from general to specific. This study complies with a study by Jha (2008) who says that quantitative approach is usually referred to as hypothesis testing research studies. Its procedures are deductive in nature and contribute to a knowledge bank of science by theory testing.

Venkatesh, Brown, and Bala (2013) define quantitative approach as a survey data collection approach which enables researchers to study in breadth and collect data about various aspects of phenomena from a lot of participants or respondents. Quantitative approach addresses research objective via empirical assessments which entail numerical measurement and analysis approaches (Zikmund, Babin, Carr, & Griffin, 2010).

Quantitative approach has many advantages. Many marketers have employed this approach by using it to collect data from big targeted groups (Marshall, Moncrief, Rudd, & Lee, 2012). In addition, nowadays, the way to collect quantitative data is easier than in the past because researchers can gather data through the internet via e-mails, blogs, social networks, and other sharing websites (Christodoulides, Jevons, & Bonhomme, 2012). In contrast, quantitative approach also has some negative points. This is because it is more structured than most qualitative approaches. In addition, it relies on self-response questionnaires that contain structured response formats (Zikmund et al., 2010).
3.2.4.2. Qualitative approach

Bryman (2012) and Saunders et al. (2012) says that the qualitative approach is a research study that usually focuses on words rather than quantification in collecting and analysing the data. Qualitative approach uses methods for collecting and analysing data that are not quantitative. It aims to explore social relations and describes reality as experienced by participants (Adams et al., 2007). Qualitative study often focuses on the inductive approach that gathers data by taking extensive observation then draws conclusions. This approach helps researchers to understand better the nature of an issue and the result of findings analysis could formulate a theory (Saunders et al., 2012). Denzin and Lincoln (2005) point out that the qualitative approach is associated with interpretive and naturalistic approach to its subject matter. It means that researchers study matter in their natural setting, intending to interpret or make sense of phenomena in terms of the meanings people bring to them.

Belk, Devinney, and Eckhardt (2005) state that qualitative methods are considered to be the most useful to examine situations in attitudes and actual behavior that may be divergent. It allows us to expose theoretical boundaries and push theoretical insight. As Denzin and Lincoln (as cited in Jha, 2008) state, qualitative study is about different things to different people. According to Bryman (2012) and Saunders et al. (2012) qualitative research study is usually related to interpretive philosophy.

The qualitative approach has many advantages (Bansal & Corley, 2012). It is less structured than most quantitative approaches. It is always useful to get further understanding, develop insight of phenomena in much depth and more detail. It also crystallizes a research problem (Zikmund et al., 2010). This includes an interview data collection approach that enables researchers to gain depth in a research inquiry by helping them to get deep insights from rich narratives (Venkatesh et al., 2013). In contrast, qualitative approach also has some disadvantage points. This is because it needs to have more interpretation and does not often use any precise systems of measurement (Wilson, 2010). In addition, it rarely entails samples with a large number of respondents (Zikmund et al., 2010).

It seems that quantitative and qualitative approaches have both advantages and disadvantages. Hence, researchers need to choose any approach or mixed approaches that suit with their research study and help them to answer their research questions. This study uses only a single approach that is the qualitative approach to conduct the research project.
3.2.5 Rationale for a qualitative approach to research

The use of a qualitative approach in the study of strategic leadership for this research project is considered to be the most suitable, especially in terms of the Lao context, because:

- Qualitative approach focuses on subjective perspectives. As pointed by Bryman (2012), the qualitative approach helps researchers to understand actions associated with the subjective and values inherent realities. Moreover, based on the supporting of the interpretivist perspective, researchers may get into the social world of what is being investigated. Researchers seem to analyse social actors within their own cultural setting that might relate to observations that are qualitative and subjective in nature (Wilson, 2010).

- The nature of leadership is complex. Thus, by using the qualitative approach such as semi-structure interview, it can make participants feel comfortable when he or she is interviewed because the order of questions could be varied depending on the flow of the conversation. Moreover, by providing a list of themes to respondents, it could help to enhance the validity and reliability of data (Saunders et al., 2012). Thus, the researcher has the potential to collect the right information from interviews.

- The target participants (managerial level) are very difficult to reach. Additionally, they are holding specific tasks related to strategies. Thus, by interviewing, the researcher can gain several benefits from interviews such as getting in depth information, developing insights about strategic leadership, gaining informants’ priorities, having flexibility, high response rate, validity, and therapeutic. According to Stentz, Plano Clark, and Matkin (2012), these benefits enable researchers to improve insight into the phenomenon of leadership and to have the opportunity to explore new discoveries in the leadership arena.

In addition, an interview is a purposeful dialogue between researchers and one’s participant or more than one participants (Kahn & Cannell, 1957). It enables researchers to collect valid and reliable data related to their research questions and objectives.

- There are several researchers and academics that have used the qualitative approach for their studies of leadership. As a result, qualitative research studies on the leadership arena have been increasingly growing (Bryman & Stephens, 1996).

For example, Webber, Goussak, and Ser (2013) used qualitative study to research senior leaders across the United States regarding the 21st century organisation; Hartman and Conklin (2012) used a thematic analysis to identify common themes among leadership speakers. Seyranian and
Bligh (2008) and Tan and Wee (2002) employed a content analysis to compare speeches regarding charismatic leadership theory; In essence, Bryman and Stephens (1996) used a semi-structured interview to research transformational leadership in the British service.

- Semi-structured interviews will enable the researcher to have the validity and reliable data for answering the research questions. The list of questions will be sent to all participants before conducting interviews, thus, participants will have enough time to prepare themselves and data for the researcher. Additionally, the researcher has a chance to explain difficult terms to some participants during the interviews to ensure all participants understand terms or interview questions. These can increase the validity and reliable of the information for this study.

Therefore, by using a qualitative approach, it enables the researcher to gain validity and reliable data, get further insight of phenomenon in depth and detail, and practice value. Thus, the researcher can investigate and examine both perceptions of commercial banking strategic leaders in Laos and the real practices of their banks. As Piotrowski (2012) mentions, a qualitative approach has both investigatory and practical value.

### 3.3 Sample selection

According to the purpose and methodology of this study, purposive and non-probability sampling were considered as the most suitable sampling for this research study. This is because the aim of this study is to investigate in depth specific aspects of strategic leadership. The study focuses on the research topic rather than draws a representative sample from large cases to study the sampled cases. According to Saunders et al. (2012), by focusing on a small case for a particular purpose, non-probability sampling can answer the questions of researchers and meet their objectives. It can provide rich information to researchers and help them to gain theoretical insights.

Purposive or judgmental sampling is a strategy that helps researchers to be able to use their judgment to choose cases that will be best suitable for them to answer their research questions and to meet their objectives (Saunders et al., 2012; Wilson, 2010). Based on Neuman (2003), purposive sampling is used for selecting cases with a specific situation or specific purpose in mind. It is normally employed for exploratory or field research studies. Purposive sampling is suitable for researchers who want to select unique cases that are in particular informative, or select members that are difficult to reach, e.g. specialised population (Neuman, 2005). Moreover, the use of nonprobability or nonrandom samples seems to be increasing because of qualitative researchers. These researchers seldom determine the sample size in advance.
3.3.1 Semi-structured interview sample

Participants are from various positions, including the CEO and chairman, deputy general directors, head of divisions, deputy head of division, head of strategic units, and managers. The criteria for selecting these participants are that participants must be holding strategic tasks and managerial positions in the banks. Based on their roles and positions, all participants could be considered as strategic leaders (Boal & Hooijberg, 2000; Finkelstein & Hambrick, 1996; Hitt et al., 2013).

According to Finkelstein et al. (2009), the CEO and chairman, division general managers, top management teams, or other governance bodies can be considered as a unit of analysis for a strategic leadership study. Thus, the selected participants are targeted people that are suitable for the purpose of this study.

At the beginning, 15 potential participants were selected from six banks for the semi-structured interviews but during the recruitment process, four participants and two banks withdrew from the project because of tight schedules and personal reasons. As a result, 11 participants took part in the project.

Although this research study interviewed 11 participants from four banks, all participants met the criteria of this study because they hold strategic roles and work at managerial levels. Based on the sampling of the study, this is a unique case that is informative and participants are very difficult to reach. Therefore 11 participants are sufficient to meet the criteria of the research study because they are unique available participants within the Lao banking context that can answer all the research questions and objectives of the researcher.

As pointed out by Saunders et al. (2009), there are no fixed rules for sample size of non-probability sampling. They assert that the important things depend on the purpose, research questions, objectives and focus of the study of the researchers. This complies with a study by Patton (2002) who affirms that important things are what researchers need to find out, what could be useful, have validity, and what can be done within available resources of researchers.

3.3.2 Selection of participants

The personnel departments of the four banks, on behalf of the researcher, invited and communicated to potential managers to participate in the project. The criteria for inviting and selecting potential participants was based on the purpose of the study and participants’ tasks and positions. The personnel departments informed all potential participants that the research project was completely
voluntary and there were no adverse consequences for individuals who did not want participate in the project.

The personnel departments then sent all relevant information such as the information sheet, consent form and interview questions to all potential participants. If they agreed to participate in the study, they had to sign the consent forms, providing contact information and return them to a sealed box in the staffroom. The box was collected by the researcher. After collecting the sealed box, the researcher informed all participants by email or telephone to confirm and to make the interview schedule with them. The researcher was then able to interview the participants at a time convenient to them.

Therefore, the adoption of purposive and non-probability and semi-structured interview sampling in this study is reasonable and sufficient to investigate in depth specific aspects of strategic leadership. Moreover, this project is an exploratory research study. This enabled the researcher to answer the research questions within the Lao context.

3.4 Scope of the research project

This study focused on the commercial banking sector in Laos where not many people speak English, and the interviews were presented in two languages: Lao and English. The reason the researcher focused on the Lao commercial banking industry was because:

- The role of strategic leadership in boosting economic and industrial performance in developed economies has been widely recognised by many studies (Grindle, 1997; Hughes & Beatty, 2005; Taylor, 1995; Thompson & Strickland, 2003; Zoogah, 2011). In contrast, research studies in Laos do not seem to mention strategic leaders, or research having been undertaken about the role of this leadership style.

- In particular, the banking sector is one of the highly competitive industries in Laos at the moment. Furthermore, in the near future, Laos is facing more challenges from regional and global competitors because of integrating into WTO in 2013 and AEC in 2015. These challenges require the Lao commercial banking leaders to have the right leadership, especially strategic leadership, to create necessary changes in services and management in order to promote or sustain competitive advantage for their banks over the long term.

- In essence, the researcher has work experience and knowledge in the financial and banking area. As a result, the researcher is very interested in researching the financial and banking arena, including the leadership aspect. Moreover, the researcher notes that the right, and modern,
leadership style such as strategic leadership can help the commercial banks in Laos compete with regional and global banks.

- Therefore, this research study is likely to support the researcher’s career growth in the future. Additionally, the researcher can share this new knowledge and experience from the study with other Lao leaders and researchers to develop further within the Lao context. Taking this approach the researcher can make a contribution to Lao economic growth.

3.5 Research Method

The research method plays a crucial role in enabling a researcher to make quality and informed decision. Thus, the researcher needs to have clear understanding and appreciation of research methods (Weathington, Cunningham, & Pittenger, 2012). A research method is the way that a researcher uses to conduct and implement a study (Saunders et al., 2012). One research project could use one or more research methods to study a project. Research methods are tools, instruments, techniques, procedures or approaches that are adopted by researchers to gather data for interpreting, explaining, and predicting in their interested studies (Cohen, Manion, & Morrision, 2011).

3.5.1 Research method: Semi-structured interview

A semi-structured interview was the only research method that the researcher selected for data collection. This is because a semi-structured interview is one of the popular research methods that is used for data collection in the leadership arena. For example, this method was used by Bryman and Stephens (1996) to study on transformational leadership. In addition, Finkelstein and Hambrick (1996) assert that data sources for researching strategic leadership can come from an interview.

The semi-interview is a method for gathering data in which interviewees are asked to respond to a list of questions to find out what their work is and their opinions, perceptions (Collis & Hussey, 2009). Denscombe (2007) and Saunders et al. (2012) state that with semi-structured interviews researchers have a clear list of issues, or questions, that need to be addressed and answered. Saunders et al. (2012) add that researchers may skip or vary some interview questions in order that they may be varied but that depends on the flow of conversation. Although, a semi-structured interview is a non-standardised set of questions, it allows interviewees to develop ideas and speak more widely on issues raised by a researcher. Answers are open-ended, and they focus on interviewees’ elaborating points of interest. Moreover, the findings seem to be used not only to understand and disclose the ‘what’ and the ‘how’ but also to stress more on investigating the ‘why’.
3.5.2 Data collection

To answer the research question, the data collection must be conducted with appropriate methods. The selection of data collection is judged on which type of information is wanted for a specific research problem (Ghuari & Gronhaug, 2005). As pointed out by Collis and Hussey (2009), “qualitative data is normally transient, understood only within context and are associated with an interpretive methodology that usually results in findings with a high degree of validity”. They add that methods associated with interpretive paradigms always allow researchers to gather and analyse the data in one process.

Jha (2008) defines qualitative data as detailed explanations of circumstance, events, people, interactions, observed habit, direct quotations from participants based on their work experiences, perspective, attitudes, and excerpts or all passages from documents, records, mails, and historic cases. Saunders et al. (2012) conclude that qualitative data is based on meanings expressed through words. An analysis is conducted via the use of conceptualization.

3.5.2.1. Research participants

The researcher collected the data from four leading commercial banks that are currently operating in Laos. These banks are believed to be an excellent sample for conducting data in Laos because they all have different backgrounds and experience in the banking business such as the type of banks (group, public bank, joint venture bank, limited), experience (at least 10 years in the banking sector in either local or overseas markets), the size of banks (based on market capitalisation or registered capital) and top management teams (sole local executives, mixed teams between local and foreigner executives).

The first are two of the top three largest banks in Laos based on their registered capital. They are banks that are partially owned by foreign and local shareholders and have run business in Laos over long time. The third and fourth banks are sole investments of leading foreign banks, one of which is one of the top global leading banks and the other is one of the leading banks in the ASEAN region. Both have ratings by Standard & Poor’s. The names of these banks were anonymous in this study to minimise harm to these banks and ensure that the information and privacy of the banks and participants are not identified by any way.

In this study, all research participants were free from any perceived coercion or gift or any inducement. After finishing the interviews, the researcher sent transcripts to the participants who
were interviewed to have them checked for accuracy. The participants were informed that they have the right to amend the transcript or to withdraw from the project within two weeks of reviewing it.

The interviews were conducted in July and August 2013. The interviews were face-to-face interviews that were undertaken bank by bank and person by person in order to make sure that banks’ and participants’ name were confidential and could not be identified. The interview questions were sent to participants in both Lao and English version in order to enable them to become familiar with the questions. The duration for interviews were around thirty minutes to one hour. The interviews were conducted based on three main topics that were guided by questions.

An information sheet, participant consent form, and interview questions were sent to potential participants before the data collection was conducted. This allowed those participants to have opportunities to read those documents and know their rights relating to the research project. All interviews were audio recorded, noted and transcribed by the researcher. As Cohen et al. (2011) suggest, researchers should record and transcribe interviews. Audio-recording and note taking can help researchers to ensure that data will not be lost (Saunders, Lewis, & Thornhill, 2007).

3.5.2.2. Pilot study

A pilot study acts as a small-scale study that researchers carry out before the main survey (Wilson, 2010). Before the official interviews with the participants at the banks, this study also conducted a pilot study to enable the researcher to have the opportunity to examine grammar, wording, translating of interview questions and the understanding of participants regarding the interview questions. Five Lao managers who work for commercial banks and had not seen the interview questions before were invited to participate in the pilot study. These managers were asked to provide constructive feedback on the interview questions in terms of amount of time taken to complete, understanding of terms or concept, and general ideas on how the interview questions could develop further. After finishing the pilot and based on constructive feedback, some points were created, changed and reordered to minimise problems such as biased answers, ambiguities, and misunderstand questions.

Thus, a semi-structured interview was the research method in this study for data collection. The data collection was conducted with four banks in Laos. The interviews were face-to-face interviews that were undertaken bank by bank and person by person. Before the official interviews, the researcher had conducted a pilot study to help the researcher had a chance to improve the interview questions. This was to ensure that the researcher could collect enough data for answering the research questions.
3.6 Data analysis

This study used an inductive approach as data analysis rather than a deductive approach. Data analysis is a transformative process that turns raw data into results or findings (Lofland, Snow, Anderson, & Lofland, 2006). As Lofland, Snow, Anderson, and Lofland (2006) state that there are four characteristics of qualitative data analysis. As a process they are time consuming, mainly inductive rather than deductive, greatly interactive between a research study and information, and a researcher is the central key element.

Based on Neuman (2003), data analysis is about “examining, sorting, categorizing, evaluating, comparing, synthesizing, and contemplating the coded data as well as reviewing the raw and recorded data” (p. 448). Bryman (2012) argues that data analysis happens in tandem with information gathering, thus, a process is recursive and dynamic. Miles and Humberman (1994) further point out that data analysis includes three interrelated processes associated with reducing data, displaying data, and drawing conclusion or verification.

There are many ways for researchers to conduct qualitative data analysis. This is because researchers are central agents in analysis processes that should be practiced in a persistent and methodical fashion (Lee & Lings, 2008; Lofland et al., 2006). However, this study has applied four analytical steps by adapting from the suggestions of Wilson (2010) such as transcribing the data; reading and generating categories, themes and patterns; interpreting the findings; and writing the report, and Saunders et al. (2007), including categorization; unitising data; recognizing relationships and developing the categories; developing and testing theories to reach a conclusion.

- The first stage – due to using semi-structured interviews, all the interview data was recorded and transcribed by the researcher. This can help the researcher to be familiar with the data and organise it into a manageable form (Wilson, 2010). Memos and notes are conceptual in intent, they are helpful for considering the need for clarifying and improving upon any aspect of a study (Miles & Humberman, 1994; Saunders et al., 2012).

- The second stage – the researcher has to read, summarise, identify all key points, themes, and patterns that emerged from undertaking the interviews and then begin coding. Coding is based on the purpose of the research study by selecting the elements that the researcher thought were interesting and relevant to this research project. A code could be a key word, theme or category (Wilson, 2010; Zikmund, Babin, Carr, & Griffin, 2013). Hence, thematic coding was employed as a central strategy to analyse and identify common themes from the data (Denscombe, 2007; Lofland et al., 2006; Neuman, 2005). Moreover, coding helps a researcher...
identify similar information, and search for the data or items that are the same code (Cohen et al., 2011).

Researchers can use thematic coding with many types of data that focus on particular acts, discussions, reports, behaviours, interactions, activities, contexts, settings, conditions, actions, strategies, or practices (Cohen et al., 2011). As Bryman (2012) and Lofland et al. (2006) point out that qualitative analysis should have a series of codes because it helps researchers to sort the information into a variety of categories. The data in this research study was formatted and coded for analysing the key themes that can address the research questions and objectives.

SL1-SL11 were used as letter and number coding of the participants in the interviews while G1-G2 were employed as coding of leaders’ groups who work for the banks that are partly owned and whole foreign investment, respectively. This helped the researcher to easily administer, analyse and organise the raw data into conceptual categories and the creating of themes or concepts. The researcher then used them for analysing the data from the individual interviews. The coding related to decision-making about how specific data is classified or categorised. As a result, the creating of coding reliability was a significant part of the process of the study. Thus, the researcher has consulted with supervisors to ensure that decisions on coding are increasing the reliability of the analysis of the data.

➢ The third stage – after reducing, coding the data and developing the patterns and categories in the previous stage, the researcher evolved a more meaningful understanding of the findings by interpreting (Wilson, 2010). The main task of the researcher was to find connections among categories that the researcher had identified within each transcript. Based on Saunders et al. (2012) approach, this is about recognising relationships and developing categories, thus it might make researchers revise their categories and keep rearranging their data due to the fact that they find meaning in their data set. In this stage, researchers may divide or integrate categories to focus their analysis (Dey, 1993).

➢ The last stage – the researcher had to develop, test hypotheses and then draw conclusion (Lee & Lings, 2008; Saunders et al., 2012). This is because relationships or connections between categories should be tested to show whether they are actual relationships. By rigorously testing hypotheses against researchers’ data, researchers can find alternative explanations and seek to explain why negative cases occur. This will enable the researchers to move forward creating valid conclusions and an explanatory theory (Miles & Humberman, 1994). Finally, a researcher writes up the report of the research project (Wilson, 2010).
Hence, this study used an inductive approach as data analysis rather than a deductive approach. The data analysis process included four analytical steps that adapted from the suggestions of Wilson (2010) and Saunders et al. (2007). Thematic coding was employed as a central strategy to analyse and identify common themes from the data. The researcher used SL1-SL11 and G1-G2 as letter and number coding of the participants and groups. Testing hypotheses was also addressed in this study.

3.7 Validity of result

The validity of result is an important matter that the researcher seriously took into account. “Validity is concerned with the findings are really about what they appear to be about” (Saunders et al., 2009, p. 157). Davidson and Tolich (2003) define validity as “the extent to which a question or variable accurately reflects the concept the research is actually looking for” (p. 31). Validity is considered as a complex matter that requires researchers to concern about whether questions that they employ can actually measure the research concept (Bryman, 2012; Leedy, 1997). Hence, researchers, who conduct semi-interviews as well as in-depth interviews, need to be concerned about reliability, forms of bias, validity and generalizability. Thus, to maximise validity of result, the researcher has taken the following issues into account:

Based on Saunders et al. (2012), the researcher has been rigorous throughout the research process to overcome the matters above. The interviews were careful prepared and the researcher also considered the five Ps: prior planning prevents poor performance. Moreover, based on the level of the researcher’s knowledge and experience in the banking and management arena in Laos, this enabled the researcher to demonstrate credibility, assess accuracy of responses and motivate participants to provide more details related to discussion questions.

Furthermore, the researcher sent all relevant information including an information sheet, a list of interview questions or themes and consent forms to all participants before the interviews. According to Saunders et al. (2009), this information can enhance validity and reliability because it enables participants to consider the information that is requested by researchers. Thus, they can prepare themselves before engaging in the interviews.

Based on suggestions by Robson (2002) and Ghauri and Gronhaug (2005), all the interviews were taken in the appropriate place such as participants’ individual or meeting rooms in their banks. This helped the researcher ensure that the quality of audio-recording and taking notes of the interview remain confidential. Participants were confident to provide their opinion and information. This can reduce resulting bias that could affect the reliability of the data. Moreover, by using audio-recording for the interviews and securely keeping the original data, this can provide accurate and unbiased
recordings (Easterby-Smith, Thorpe, & Jackson, 2008). Hence, the validity has been addressed in terms of authenticity and credibility (Cohen et al., 2011).

To ensure the interviews can demonstrate credibility and friendliness, the researcher wore suitable and acceptable clothing to every interview and behaved in good manner to show the respect to all participants. The researcher also started conversations by using common and appropriate words and asking the interviewees about their roles within their organisations to make them feel comfortable and confident. In addition, the researcher explained about the research project to interviewees and provided them with a chance to check and amend transcripts for accuracy. These can ensure the consistency of interpretation and voice inflection, and then increase credibility and participants’ confidence. Taking this approach makes participants feel relaxed and more willing to discuss issues, and they will easily open more about the information (Ghauri & Gronhaug, 2005; Saunders et al., 2009). Therefore, validity was considered as crucial evidence in creating and assessing the quality of the qualitative research study.

The validity of the result is a very significant issue that every researcher needs to sincerely address, including the researcher. As a result, the researcher intensively paid attention to the validity of result by considering relevant actions and issues in the project. For example, keeping rigour through the research process, sending all relevant information to participants before the interviews, and appropriately dressing for the interviews.

3.8 Ethical considerations

Ethics is considered a crucial part of all research projects because interacting between humans exists (Wilkinson, 2001; Zikmund et al., 2013). This research study carefully considered all relevant ethical issues to minimise harm that may occur during the study by following the ‘2009 ethics policy and guidelines’ and the suggestions of the Unitec Research Ethics’ Committee (UREC) (Unitec Research Ethics Committee, 2009). This is to ensure that the project met all ethical principles to obtain ethical approval for this project from the UREC. Therefore, based on UREC guidelines, formal written request letters were sent to all targeted banks in Laos to gain permission and access. Moreover, all participants had the opportunity to read the information sheet and consent forms prior to signing the consent form. The participant consent forms were also obtained before conducting the interviews.

Research ethics refer to questions associated with how researchers formulate and declare their research topics, design research studies, assessments, gather information and keep their data, analysis of information and writing research projects processes associated with morality and
responsibility (Saunders et al., 2012). As pointed out by Zikmund et al. (2010), researchers need to make sure that their research design can minimise harm to all parties that are involved. This complies with a study by Bryman (2008) who asserts that researchers cannot ignore ethical issues because they are associated with the integrity of the research study and involve discipline.

Ethics is behaviours, norms or standards that direct moral choices about researchers’ behaviour and relationship with others’ (Cooper & Schindler, 2008). It is about researchers behaving appropriately and respectfully to participants, or respondents, and organisations. As Davidson and Tolich (1999) suggest, there are five main principles that researchers need to take into account these are namely, do no harm, voluntary participation, informed consent, avoid deceit, and make sure of confidentiality and anonymity. Participants must not in any way be affected as a result of taking part in the research project.

Based on Bryman (2008) and Davidson and Tolich (1999), the researcher informed all participants about the aims of this study and participants’ role relating to the research project. In addition, as suggested by Cohen et al. (2011), all participants in this study were informed that participation is voluntary and they had the right to withdraw within two weeks of reviewing the transcript. All data relating to their identities and banks were kept confidential. Moreover, to ensure privacy still remains, all data is kept in a secure place where only the researcher and supervisors can access (Cohen et al., 2011).

It is unlikely that any harm will be caused by the researcher’s actions or events that occurred in the research process. However, to minimise harm, the researcher avoided asking questions that could relate to commercially sensitive information. The names of the banks and participants could not be identified. The research process is unlikely to elicit any social or cultural sensitivity. In essence, this project will not apply any deceptive practices. The purpose of this research project was disclosed to all participants at the initial contact and they were reminded again prior to the interviews. This project was done with respect for intellectual and cultural property of the banks that had agreed to take part in the research project.

All relevant data will be kept secure from unauthorised access for at least 5 years following the conclusion and/or publication of the study. Hard-copies of the relevant data have been stored or retained in a safe place. There is no conflict of interest in this study as the researcher is not working in the banking industry. This study has strictly complied with UREC guidelines and the researcher did not conduct the data collection until the UREC authorised the researcher to conduct the research study (Unitec Research Ethics Committee, 2009). Ethics application number of this study is 2013-1042. The duration is from June 28, 2013 to June 28, 2014.
This study considered ethics as an important issue. As a result, the researcher carefully addressed all relevant ethical matters, including sensitive information associated with business secrets and identifications of the banks and participants; cultural sensitivity; deceptive practices. Necessary information was provided to participants; intellectual and property of the banks was protected in order to minimise harm that may occur during the study. In essence, this research study has strictly complied with UREC guidelines.

3.9 Summary

The chapter discusses the methodology adopted in this study. An overview of leadership and strategic leadership studies was discussed. This supported that strategic leadership is one of the important leadership styles that is widely recognised by several notable researchers and of value to research. Additionally, it discussed the research methodology and research paradigms. To answer the research questions, this study was based on an interpretivist paradigm and qualitative approach. The study only used semi-structured interviews as the data collection method with 11 strategic leaders in the Lao leading commercial banks. The project is an exploratory research study.

The researcher also explained the research principles, sample selections, recruitment process, pilot study and its strengths. In addition, the four stages of data analysis process associated with this method were discussed. At the end, this chapter demonstrated reliability of results and ethical issues that the researcher addressed and how each related to this research project.

The next chapter discusses the results of the semi-structured interviews with the 11 participants. These will provide an insight into the views of the research participants regarding their understanding, perspectives and the real practices of their banks associated with strategic leadership.
Chapter Four: Findings

4.1 Introduction

The previous chapter discussed and justified the qualitative research methodology of the exploratory research study. The criteria for selecting the participants was outlined. The research method used for data collection, validity of results, ethical issues along with the approach that was used for analysing data were discussed.

This chapter summarises all the data results and findings that the researcher collected from the 11 participants from four leading commercial banks in Laos by using the semi-structured interview method. This research design focused on investigating the key capabilities that effective strategic leaders should have in order to deal with challenges in the 21st century. To do that, this study also investigated the understanding of banking strategic leaders in Laos of strategic leadership. Finally, it investigated perspectives of strategic leaders on the role of strategic leaders in promoting competitive advantage for organisations, creating an effective strategic management process and increasing the effectiveness of the top management teams.

By conducting the semi-structured interviews, the findings have identified and contributed new knowledge to the concept of strategic leadership to commercial banking leaders in Laos. In essence, it helped them to clearly understand about the role of strategic leadership in successes of banks. Furthermore, this chapter points out the key capabilities that commercial banking leaders in Laos need to take account to improve their capabilities.

4.2 Interview results and findings

The chapter provides a summary of the study findings regarding the individual interviews with 11 strategic leaders in Laos. All participants were simply coded by letters and numbers, including SL1, SL2, SL3, SL4, SL5, SL6, SL7, SL8, SL9, SL10, and SL11. The names of their banks are anonymous in the research study in order to avoid identification and ensure that there is no harm to all participants and their banks.

This study divided the participants into two groups based on the type of shareholders of their banks, such as partly foreign shareholders and fully foreign shareholders. G1 represented the group of leaders who are working for the banks owned by partially foreign and local shareholders; G2 represented the group of leaders who are working for the banks that are sole investments by leading
foreign banks. All interviews were related the experience, role, understanding, and perceptions of strategic leaders associated with strategic leadership matters.

The interview questions (see Appendix 1, p. 137) were designed for participants who are holding strategic task and managerial positions in the commercial banks in Laos. These questions not only helped the researcher to answer the research questions but also to understand perspectives of strategic leaders within the Lao context.

To answer all the research questions, the interview questions were designed from general or easy questions to specific questions. In addition, if it is necessary, the researcher also explained terms associated with strategy, strategic leadership, and competitive advantage to all leaders who were not familiar with them. This was to ensure that all participants clearly understood the interview questions and could provide the right information to the researcher through the data collecting process in order to answer the research questions. Finally, the data findings were rearranged or structured based on the categorised themes under the heading of the research sub-questions.

4.2.1 Research question one

What key capabilities of strategic leadership should Lao commercial banking strategic leaders have in order to promote competitive advantage for their organisations?

The issue of key capabilities of strategic leadership was considered as the first research question. This is because key capabilities are the fundamentals of effective strategic leaders in leading their organisations to sustainable competitive advantage over the long term. Hence, without certain capabilities, leaders are ineffective.

Based on Hitt et al. (2010) (as depicted in Figure 3), this section discussed the perspectives or views of banking strategic leaders on eight key capabilities effective strategic leaders should have within the Lao banking context. In addition, this study investigated further suggestions by research participants associated with other key capabilities that they strongly believe that effective strategic leaders should have in order to deal with challenges. This section answers research sub-question 1.4 (a).

All participants agreed that the eight key capabilities are needed for banking strategic leaders in Laos. As they explained below:

*I agree that strategic leaders need to have capabilities to develop and communicate vision of their banks; build core competencies; use human capital; invest and use new technologies; work with*
ethics; understand tools that use to monitor and evaluate strategies; maintain and develop an effective culture of their banks; and formulate and implement a strategy (G1; G2).

Furthermore, the researcher interviewed participants related to each key capability as below:

4.2.1.1. Capability to develop and communicate a vision

There were five participants who could see the significance of vision. They say that leaders need to have ability to determine, develop, and communicate vision to employees to help them move in the same direction. However, that vision should be suitable or achievable and give a clear pathway to employees. With a strategy, vision can help an organisation succeed. Communicating vision is very significant because it can motivate and help employees understand the right direction and work actively in the same trend.

Strategic leaders should have an ability to determine, develop, and communicate their banks’ visions to their employees and make them move forward in the same direction where banks will pursue (G1-SL1, SL4; G2-SL10).

However, those visions should be suitable and able to deal with the external environment and internal organisations. Vision should give a clear pathway to staff (G1-SL4).

Communicating vision is important because it can motivate and help employees understand the direction and work effectively (G1-SL1, SL8; G2-SL10).

Leaders should create vision based on analysing and valuating the strengths, weaknesses, opportunities, and challenges of their organisations. This enables them to determine development directions and lead organisations to success (G1-SL8).

If our staff have little or no understanding of our vision, it is hard for the bank to succeed strategies (G2-SL10).

Absolutely, this capability is crucial and it is important for all levels. This is because to work effectively, employees must know and understand vision (G2-SL11).

4.2.1.2. Capability to build dynamic core competencies

This capability was considered as the second key capability of effective strategic leaders. To compete with rivals, strategic leaders need to have this capability in order to help their banks determine what core competencies should develop further or what new competencies should be created to make their banks to be the leader in targeted markets. It is important for leaders to know
what resources and core competencies of their banks are, what strengths, weaknesses, and competitive advantage of their banks have, and how to build those elements to sustain competitive advantage.

*Strategic leaders should have a capability to create core competencies related to their tasks (G1-SL1).*

Leaders need to know what core competencies or competitive advantage of their banks are, and how to build those competencies to create and sustain competitive advantage (G1-SL4, SL9).

Leaders need to share and communicate information to their staff and motivate them to improve their knowledge and abilities. This is because the better competencies also come from the contribution of subordinates (G1-SL4).

*Strategic leaders need to know what strengths and weaknesses of their banks are, including core competencies, they should know how to improve weaknesses and keep enhancing strengths. Furthermore, strategic leaders need to know competitors’ strengths and weaknesses (G1-SL8).*

To create core competencies, strategic leaders must know and understand resources and the external environment of their banks that could affect competencies of the banks (G2-SL10).

Each bank has different resources and opportunities. Hence, to compete with rivals, strategic leaders need to have this capability in order to clearly determine what core competencies should develop further or what new competencies should be created to make their bank be the leader in the targeted market (G2-SL11).

On the other views, some participants added that strategic leaders do not need to create competencies by themselves as two participant said:

*Strategic leaders do not need to create core competencies by themselves but they need to understand the importance of core competencies and then direct and communicate their concepts to their subordinates to build those competencies in order to reach vision of their bank (G1-SL1, SL9).*

### 4.2.1.3. Capability to develop and effectively use human capital

This capability seems to be one of the most important and basic abilities that every leader needs to have. It is very significant to put the right person in the right job to maximise benefits to banks. This capability enables leaders to retain talented staff with them. Strategic leaders need to know how to manage the knowledge and abilities of their subordinates. In addition, banks should have a human
resource management strategy to make sure that they can exploit benefits from their human resources.

*Using human resources in effective manner is the key task for every leader. For instance, putting right person in the right job (G1-SL1, SL4, SL6, SL8, SL9; G2-SL10, SL11).*

*This capability plays an important role in retaining talented staff (G1-SL2, SL4).*

*If leaders do not know how to manage employees, employees may leave for other jobs (G1-SL2).*

Absolutely, it is important for strategic leaders to have this capability. They need to know knowledge and abilities of their subordinates. If not, they cannot use them properly (G1-SL4).

Strategic leaders should formulate a human management strategy for their bank to deal with challenges in the future. In this manner, they can know what kind of staff that their bank wants to recruit more and what aspects the bank should develop further (G1-SL6).

*If leaders are able to utilise human resources, they will maximise benefits to their banks (G1-SL7).*

To make strategies successful, strategist must know how to develop and evaluate human resources. For instance, does the bank have enough staff to lead a bank to success? Where can the bank recruit talented staff (local or oversea labour markets)? (G2-SL10).

4.2.1.4. Capability to invest in the development of new technologies

It was very clear that many strategic leaders in the Lao banking sector address the importance of new technologies. New technologies enable banks to minimise their operating costs and time in providing services to customers. New technologies could be one of resources for competitive advantage. As many leaders said that: new technologies help their banks decrease expenses and time consuming. Hence, leaders cannot underestimate it (G1-SL1, SL7, SL8, SL9; G2-SL11).

*Technology is a core competency of our bank. It creates competitive advantage for our bank so far. Thus, strategic leaders need to have this capability to invest and use the new technology. This could create more value to customers and the bank, such as reducing labour-cost in the future (G1-SL4, SL9).*

Technology can reduce cost of operations and make services of the banks quicker (G1-SL4, SL5, SL8, SL9; G2-SL10, 11).
4.2.1.5. Capability to engage in a strategy

The capability to engage in strategies is important for leaders in all levels. Strategic leaders are people who should know strategies, strengths, weaknesses, environment, and direction of their banks. If not, they cannot effectively work and find opportunities for their banks. Without knowledge on strategy, leaders will fail to create effective strategies. In addition, strategic leaders need to know how to formulate and implement strategies in order to lead their banks to success over the long term. They should also know both the short and long-term plan as well. If not, their short- and long-term plan may not be consistent.

I think leaders at branch and division level should have ability to engage in strategies. This is because they know well about their environment and work. They also are people who will implement strategies (G1-SL1, SL9).

Strategic leaders must know that where their bank is, what direction and strategy their bank is pursuing. If leaders do not know a strategy of their bank, they will find difficult to lead their bank to success (G1-SL4).

Strategic leaders must know how to engage and formulate strategies for three or five years. They need to know what strengths and weaknesses of the bank are (G1-SL6).

This capability enables leaders to know what the bank is doing, going and how the bank initiates a strategy. Thus, they can see an overview and anticipate what will happen next with the bank (G1-SL7).

Strategic leaders should understand how to formulate and implement the bank’s strategy in order to correctly and effectively implement it. They should know both the short- and long-term plan as well (G1-SL8, SL9).

Sure, each strategy level of our bank must consist and support other strategy levels of the bank (G2-SL10, SL11).

To create an effective strategy, strategic leaders must analyse competitors, update news and other external environment (G2-SL10).

Strategic leaders cannot create an effective strategy if they are not good at finding opportunities. Strategy is about opportunities. Hence, strategic leaders need to consider relevant factors and answer questions: how can they exploit opportunities? How can they implement that strategy effectively? (G2-SL11).
4.2.1.6. Capability to build and maintain an effective organisational culture

Strategic leaders need to have a capability to build and retain an effective culture for their banks. Culture is one of the key factors that enable a bank to succeed with its strategy. A bank should set a unique culture through a bank. An effective culture can support in terms of sharing vision or value across a bank. Strategic leaders need to be a good model in developing and maintaining an effective culture. This is because culture can influence the competitiveness and reputation of banks and impact behaviour of employees. It acts as a background for supporting strategies.

*Effective culture can support vision or value of the bank in terms of sharing. It can help employees to share the bank’s value (G1-SL1; G2-SL10).*

*Strategic leaders should be a good idol for their subordinates in terms of maintaining an effective culture, working, cooperating and raising the interest of the bank over their own interests (G1-SL1, SL3; G2-SL10).*

*Strategic leaders should create the unique or standard culture across the bank. Culture is one of the main factors that support the bank to succeed its strategy (G1-SL2, SL4, SL7, SL8, SL9; G2-SL10).*

*Leaders need to communicate the culture of the bank to their subordinates to encourage their loyalty to the bank (G1-SL4).*

*The good culture should be flexible in serving customers. I think working flexibility can support the bank to be successful (G1-SL7).*

*Culture reflects what the bank is. It can influence competitive advantage, reputation and management style of the bank. If the bank has a poor culture, this may cause many problems within the internal process, in addition, it may cause the bad affect to service quality (G1-SL9).*

*Culture can impact on employees’ behaviour and the way that they work. Culture acts as the background for supporting strategies (G2-SL11).*

4.2.1.7. Capability to develop and implement balanced controls

Both G1 and G2 demonstrated that balanced controls play an important role in monitoring and evaluating their strategies.

*Balanced controls are important (G1; G2).*
Our bank has not used the balanced scorecard or Key Performance Indicator (KPI) to help us to monitor or evaluate performance yet. Our bank does formulate the strategy and point out several targeted figures for achieving each year but the way that we monitor or evaluate may not be rigorous as the international standard (G1).

Balanced controls and KPI (Key Performance Indicator) are important tools because they help us to know the progress of strategy implementation (G2-SL10, SL11).

4.2.1.8. Capability to engage in ethical practices

Ethics is an important issue, in particular in the banking industry. This is because risk can happen in any position. Thus, strategic leaders should not only run the business for profit as the main purpose but also based on ethical practices to promote sustainable competitive advantage. Strategic leaders should consider an interest of a bank over their interests.

Strategic leaders need to consider an interest of the bank over their interests (G1-SL1, SL3).

If strategic leaders want to sustain competitive advantage for a bank over the long-term, they need to run business with ethical practices (G1-SL2, SL3, SL9; G2-SL11).

Ethics is an important matter, especially in the banking sector (G1-SL7, SL8, SL9; G2-SL11).

Risk can occur in any position, thus, not only leaders but also employees need to have work ethics. Work ethics can motivate employee to be honest with customers (G1-SL6, SL7, SL8; G2-SL11).

Strategic leaders need to work with ethical manner and motivate their employees to be loyal to the bank. They should increase the transparency of the bank and make customers trust the bank. This can help customers stay with the bank longer (G1-SL9).

I think that if a bank would like to survive for the long term, they should not only run business for profitability but also concern about law and moral issues (G2-SL10).

4.2.1.9. Capability to create an effective team (new capability)

Apart from the eight key capabilities, above, participants were asked to provide other possible key capabilities that effective strategic leaders should have in the Lao banking sector. As a result, eight strategic leaders (G1-SL1, SL2, SL4, SL6, SL7, SL9; G2-SL10, SL11) strongly recommended that effective strategic leaders should have a capability to ‘create an effective team’. Based on those recommendations, this study considered the new capability as one of the most important capabilities of effective strategic leaders, particular in the Lao context.
The eight participants strongly suggested that effective strategic leaders also need to have a capability to ‘create an effective team’, particularly in the top management level. Without an effective team, especially in a team of the top management, it is hard for a bank to promote competitive advantage. This is because ineffective members of the team may find it difficult to work with other leaders. Additionally, they may make decisions against a necessary change because of misunderstanding. This can cause a bank to move slowly in comparison with their rivals.

*G1-SL1 expressed that if leaders can create a strong team, results will be great as well.*

Strategic leaders should have ability to create an effective team, because a success of a bank is not from one single person (G1-SL2, SL4, SL6).

*Our bank should pay more attention to this issue (G1-SL2, SL6, SL9).*

*If the top management team is not effective, it is difficult to promote competitive advantage for the bank. In addition, we cannot move fast because some of them do not understand and may make decisions against what other leaders try to change as necessary (G1-SL4).*

*I think that teamwork is important. For instance, our vision was not created by single person or CEO but it was created from the brainstorm of our top management team. Hence, without effective team, a bank cannot maximise value to stakeholders (G2-SL10).*

*Without an effective team, it is hard to create competitive advantage. It is important for strategic leaders to have capability to manage human resources and create an effective team. (G2-SL11).*

Furthermore, two of those participants had provided the example about the success of Steve Jobs who used to create a strong team and lead Apple Inc., to success worldwide.

*To be successful in leading the bank, strategic leaders need to have a capability to create an effective team. For example, Steve Job, who was a CEO of Apple Inc., used to create teams. I think he could not work alone. The success of Apple came from effective teams (G1-SL1, SL9).*

### 4.2.2 Research question two

**What is the understanding of Lao commercial banking strategic leaders on ‘strategic leadership’ in terms of promoting competitive advantage for their banks?**

The issue of understanding on the term ‘strategic leadership’ was seen as the second research sub-question 1.4 (b). This question surveyed whether leaders were familiar with this term in terms of
promoting competitive advantage or not. This research question enabled the researcher to know who understood or did not understand about the term ‘promoting competitive advantage’.

The interviews indicated that six out of 11 strategic leaders expressed their views that they were familiar with the term ‘strategic leadership’ in relation to competitive advantage. Five participants said that the term was a new one for them. These five leaders added that they used to separately hear either ‘leadership’ or ‘strategy’, but not ‘strategic leadership’ expressed together.

Based on the interviews, it is clear that many Lao strategic leaders in the banking sector in Laos unfamiliar with the term ‘strategic leadership’ in terms of promoting competitive advantage (G1-SL1, SL3, SL6, SL8; G2-SL11).

Strategic leadership is a new term for me. It is not common term in Laos. I used to hear ‘leadership’ or ‘strategy’ but not ‘strategic leadership’ (G1-SL1, SL3, SL6, SL8; G2-SL11)

I have not heard the term ‘strategic leadership’ before. However, I think that strategic leader is a person who thinks strategically about the long-term rather than short-term. Objectives may be set to reach in the next five or ten years. They can maintain flexibility for their banks (G1-SL8).

However, the term is not totally new for all participants because some leaders from both G1 and G2 used to hear about the term associated with competitive advantage. They said that strategic leadership is an ability to anticipate challenges and opportunities that will occur in the future and then determine the direction for their organisations. Strategic leaders are people who have a clear vision and know how to formulate an appropriate strategy for an organisation to promote competitive advantage over the long-term. They then communicate that vision and strategy to others in order to influence them to reach the goals of organisations.

When we talk about strategy, the first thing that we should consider is vision. Strategic leaders should have vision and anticipate about future. For example, Laos will integrate into AEC by 2015. Strategic leaders should be able to anticipate what challenges and opportunities that may happen in the Lao banking industry (G1-SL2).

Strategic leaders are people who have knowledge and capabilities to formulate a strategy and anticipate what will occur in the future, then, they create a strategy to deal with challenges and capture opportunities for their banks (G1-SL4).

Strategic leadership is abilities to foresee future such challenges. They are people who know that where a bank is and where a bank will reach (G1-SL5).
Strategic leader is a person who has a clear vision and ability to communicate that vision to subordinate and then influence them to reach goals (G1-SL7).

I think that if leaders have strategic leadership, they will have capabilities to formulate a strategy that is suitable with the environment. They are people who know how to use human resources and technologies, and innovate the bank (G1-SL9).

Strategic leadership is ability to understand how to formulate and implement strategy in order to promote competitive advantage for their banks. Strategy is the long-term plan. Thus, to succeed a strategy, strategic leaders must have ability to determine the direction and objectives for their banks. After that, they have to communicate to their subordinates to make them understand vision or goals of their bank (G2-SL10).

4.2.3 Research question three

What are the understandings of leaders on the role of strategic leadership in an organisation?

There are three main issues related to the role of strategic leadership in organisations discussed in this section, including promoting competitive advantage for an organisation, creating the effective strategic management process and increasing the effectiveness of the top management team.

4.2.3.1. Role in promoting competitive advantage for an organisation

Without strategic leaders, a bank cannot promote competitive advantage or even survive. Especially in the highly competitive environment, strategic leaders are people who have capabilities to capture opportunities and create competitive advantage for a bank by anticipating the future situations and then providing the long-term direction to their bank. Additionally, strategic leaders play a vital role in motivating and inspiring employees to sustain the competitive advantage of their bank. Strategic leaders are also key interpreters who put or interpret a strategy into practice. Therefore, strategic leadership plays a significant role in promoting competitive advantage for a bank (G1, G2).

Leaders with strategic leadership can determine the direction and direct their staff (G1-SL7).

Strategic leaders are crucial for the performance of the bank. They are people who formulate the long-term plan or have capability to anticipate in the future and then direct employees to promote competitive advantage for their bank. They also have a role in developing human resources, motivating, and inspiring their subordinates to work effectively (G1-SL8).
Absolutely, leaders at the top management team, division, and branch level should have strategic leadership style. This is because leaders at the top management have to formulate a strategy while leaders at division or branch level have to implement that strategy. These people have a crucial role in putting or interpreting a strategy into practices (G2-SL10).

Without strategic leaders, the bank cannot survive. Particularly in the highly competitive environment, capabilities to capture opportunities and create competitive advantage are very significant and needed for the bank. These can help the bank determine which goal or pathway the bank should select or pursue (G2-SL11).

### 4.2.3.2. Role in creating the effective strategic management process

Without effective strategic leaders, banks will find it difficult to create an effective strategic management process because leaders without strategic leadership cannot understand strategic actions and may make decisions against a necessary change. In essence, without sufficient strategic leaders, an effectiveness of a strategic management may be highly compromised. Additionally, banks will not be confident that they can achieve their goals in a certain period of time. As a result, the effectiveness of the strategic management process depends on how effective strategic leaders in each position are and a sufficiency of effective strategic leaders in teams.

Therefore, after analysing the external environment and internal organisation, strategic leaders play an important role in formulating and implementing a strategy for banks. They help their banks to anticipate the future and determine the direction and formulate a strategy to deal with both challenges and opportunities.

Leaders from heads of units to the top management team should have this kind of leadership. Because we are the big bank, we cannot rely on only one person or CEO. Hence, leaders in divisional level must have this leadership because these leaders are key mediators between directors and their subordinates, key people to interpret and implement a strategy (G1-SL1).

If leaders in the low level do not have strategic leadership, they cannot support or provide the useful information to the top management team to make strategic-decisions (G1-SL1, SL4, SL7, SL8, SL9; G2-SL10, SL11)

Strategic leaders play an important role in leading banks to success and anticipating the future for their banks (G1-SL3).
Strategic leaders have a role in analysing the external environment and internal process of their bank to determine the directions that can generate profit or benefits for their bank in the long term (G1-SL2).

Strategic leaders are the main factors that contribute to leading the bank to success because they are fast moving people who can determine and formulate strategies to cope with challenges and capture opportunities that will happen in the future (G1-SL4).

Without a strategy or strategic management process, the bank will fail for sure (G1-SL5; GL2-10).

Strategic leaders mainly are directors because they provide the pathway or strategy for the future while leaders at division levels are implementers (G1-SL5, SL8).

Without strategic leadership, it is hard for the bank to create an effective strategic management process because leaders who lack that leadership cannot work with others. In essence, they may against a necessary change (G1-SL8).

Strategic leaders are very significant for the bank because the success of the bank comes from planning, and formulating strategy. These leaders can help the bank to anticipate the future and know when the bank will achieve its goals (G2-SL10).

Leaders in division and unit levels need to have strategic leadership because they need to adapt their functional or divisional-level strategies to be consistent with the corporate or business-level strategy. Thus, these consistencies will help the bank to generate the real competitive advantage. In contrast, without consistence between strategies, it is difficult for the bank to succeed its strategies. Additionally, if implementers do not understand what the top management team of the bank wants them to do, the results may be worse (G2-SL11).

4.2.3.3. Role in increasing the effectiveness of the top management team

To maximise competitive advantage for a bank, leaders at the top management team need to have strategic leadership. High-ranking executives who lack strategic leadership will find difficult to develop their performance and work with other people. This could make strategies fail to generate competitive advantage for a bank.

Furthermore, strategic leadership is not only needed for the top management level but also other lower levels or in various positions to help them work effectively and formulate divisional or functional strategies that can support strategies of their bank. This is because strategic leadership enables leaders to know the direction, and what their bank should do or initiate. They then can see
the overview and the results after they implement a strategy. Hence, strategic leadership plays an important role in increasing the effective of the top-level management team.

*High-ranking leaders who do not have strategic leadership will find difficulty in managing and working with others. (G1-SL4, SL6).*

*Strategic leadership helps the top management team effectively solve their work and formulate functional strategies to support the business-level strategy or corporate-level strategy (G1-SL4).*

*Strategic leaders should locate in all positions in the bank because every employee can support and help the bank succeed (G1-SL4, SL6, SL7).*

*Strategic leadership is very significant for the top leaders because it can help them know the direction, what their bank should do and what their bank should initiate. Thus, they can see the overview and the results after they implement a strategy. Hence, strategic leadership plays an important role in the top level (G1-SL7).*

Absolutely, strategic leadership plays a vital role in effectiveness of the top leaders. Without strategic leaders who think and formulate the right strategy, banks may not be able to reach their goal at the reasonable time. This may cause those banks stand behind other banks. *Strategic leadership acts as the heart of the top management team because it enables them effectively create plans and formulate a strategy to make their bank achieve goals (G1-SL9; G2-SL10).*

*Strategic leadership is important for the top management team and CEO. Without strategic leadership, the top management team or mangers cannot change or formulate a new strategy that is competitiveness (G2-11).*

### 4.2.4 Research question four

**What are the perspectives of leaders on the role of strategic leadership in terms of the real practices of their banks?**

Apart from the understanding of participants on the role of strategic leaders in general terms, the researcher interviewed further issues related to the real practices of commercial banks in Laos to answer the research sub-question 1.4 (d).

#### 4.2.4.1. Role in promoting competitive advantage for an organisation

Several leaders observed that many strategic leaders in their banks did not play their role well. This was because they had focused on the short-term plan rather than the long-term plan. In addition,
they failed to provide pathways to employees to sustain competitive advantage of their banks. Another possible causes might be because strategic leadership was a new sense for many banking leaders in Laos, especially long-standing leaders who have worked for banks over the long-term. In essence, these people could not maintain flexibility, formulate the long-term plan and create the pathway to promote competitive advantage of banks (G1-SL1, SL2, SL5, SL6, SL7, SL9).

Our top leaders are not concerned much about a necessary change (G1-SL1, SL2)

The top management team fails to lead subordinates in terms of implementing a strategy (G1-SL5)

I do not think that our bank has strategic leaders because I observe that most of our plans or strategies focus on the short-term rather than long-term outcomes (G1-SL6).

Strategic leadership is new sense for long-standing leaders here, especially some senior leaders who have worked for the bank over a long time. These people cannot maintain flexibility, formulate the long-term plan and create the pathway to promote the competitive advantage of the banks (G1-SL6, SL7, SL9).

Absolutely, our bank has strategic leaders but these people have not done their roles or tasks well. Some of them just have capabilities to complete tasks but not leadership. Thus, their performances are not accepted or recognised by colleagues. On the other hand, some people are only good at leadership or manage subordinates but lack needed capabilities (G1-SL9).

On the other views, some participants believe that there are effective strategic leaders in their banks. As a result, their banks can enhance competitive advantages as they expressed as below:

I think that strategic leadership enables our banks to promote competitive advantage. This is because our leaders obviously know what our core competences and competitive advantage, targeted markets, and competitors are (G1-SL4, SL8; G2-SL10, SL11)

4.2.4.2. Role in creating the effective strategic management process

Many participants said that strategic leaders in their banks play a poor role in the strategic management process. This was because some high-ranking executives lack strategic leadership. As a result, their banks had poor vision statement and communication, and focused on the short-term outcomes rather than on both the short and long-term outcomes. There are several leaders who complained that their banks did not pay much attention to analysing strengths and weaknesses of their competitors. As one participant suggested, boards of directors should develop their strategic leadership.
Our vision and strategies are not clear (G1-SL3, SL5)

Our bank needs to have more strategic leaders on the boards of directors or our leaders need to develop their strategic leadership further (G1-SL7).

Our top management team needs to consider more about the long-term performance rather than focus on only short-term outcomes (G1-SL6).

I think the strategic management process in our bank is poor (G1-SL6, SL7, SL9).

Our bank has not seriously studied our rivals, such as strengths and weaknesses of our competitors. The bank just has analysed or discussed about competitors based on previous experience of leaders and the information from word of mouth (G1-SL1, SL2, SL3, SL5, SL6, SL7, SL9)

On the other hand, some banks are likely to have the effective strategic management process because they have research teams who gather data of their competitors and then analyse them before creating their strategy.

We have research teams who collect the data of our rivals and then analyse that information to formulate our strategy (G1-SL8; G2-SL10, SL11)

Strategic leadership is crucial factor because an effective strategic management process comes from leaders who think strategically and have vision (G2-SL10, SL11).

4.2.4.3. Role in increasing the effectiveness of the top management team

In the real practices, the findings showed that several key leaders still lacked strategic leadership. Some of them have only management skills but not strategic leadership. These leaders cause management teams to be less effective.

Our top management team is less effective compared to the previous team (G1-SL1)

I observe that there are many leaders have only management abilities, but not strategic leadership. Hence, those of them need to develop strategic leadership further (G1-SL4).

Some leaders who are members of the top management team still have poor strategic leadership (G1-SL8, SL9).

In contrast, leaders in G2 pointed out that
Sure, leaders in our bank play well their roles. That is why several managers obviously know what our core competencies and targeted markets are. Without strategic leadership, leaders are poor on formulating a strategy (G2-SL10, SL11).

4.2.5 Research question five

How effective are key capabilities of strategic leaders in Lao banking in real practice?

Although several participants understood that the key capabilities discussed in the research sub-question 1.4 (a) are important to promote competitive advantage for their banks, in terms of the real practices, other strategic leaders of their banks did not have those key capabilities. In this section, the real practices related to key capabilities of banking strategic leaders in Laos are discussed to answer research sub-question 1.4 (e).

4.2.5.1. Capability to develop and communicate a vision

Ten of eleven research participants stated that their banks have vision statements; while one participant said that his bank may not have a vision statement. Five participants believed that their banks could achieve vision in a certain period of time because their visions were created based on analysing both the external and internal environment. Their banks have clear plans, strategies and review those plans each year to improve and make better performances.

Our bank has vision (G1-SL1, SL2, SL3, SL4, SL6, SL7, SL8, SL9; G2-SL10, SL11).

I believe that we can achieve vision in a certain period of time (G1-SL2, SL8, SL10, SL11).

We formulated a strategy, we have clear plans and review those plan each year to improve and make better performance (G1-SL8)

Our vision was created based on analysing both the external and internal bank. Vision makes us know the direction where we are going and why we have to pursue it (G2-SL10).

Our bank has a clear vision and it can be changed depending on the bank’s strategy in each period. However, that change must base on analysing both external and internal. Our staff are working for reaching our vision (G2-SL11).

However, I noted that a few managers still did not understand clearly about the vision of the banks (G2-SL11)
On the other hand, there were six participants who were not sure that their banks have an effective vision or a vision statement. For example, three participants (G1-SL1, SL6, SL9) said that their banks did not have a vision in the recent past, but one of the participants (G1-SL1) misunderstood in thinking that vision is similar to a slogan. In addition, four leaders (G1-SL3, SL6, SL7, SL9) said that they were not sure that their banks could achieve their visions because their visions are not clear for them in terms of directions. In essence, another participant (G1-SL5) stated that his bank might not have a vision statement.

*In the recent past, our bank did not have a vision statement. We just set it up recently (G1-SL1, SL6, SL9).*

*Our vision is not a clear vision. Additionally, I have not seen what is the main purpose of strategy or direction of the bank (G1-SL6, SL9).*

*I think vision is similar to slogan. Although our slogan is not a long statement, it can give a pathway to our staff (G1-SL1).*

*It is still a question that “how can we achieve that vision?” because we develop vision based on profit and what we want to be as the main purpose. In addition, the direction of the bank is not clear (G1-SL7).*

*I am not sure that we can achieve our vision or not. It is still challenging for us at the moment (G1-SL3).*

*I do not think that we do have a vision statement (G1-SL5)*

### 4.2.5.2. Capability to build dynamic core competencies

Whereas two participants (from G2) strongly stated that their banks have clear competencies, five other participants (from G1) explained that the capability to build core competencies of their banks is poor. These five leaders added that their colleagues did not ever know about this capability. They pointed out that their banks should provide more training on developing their leaders associated with this capability.

Additionally, one participant (G1-SL7) said that her bank is quite weak on creating core competencies. Furthermore, another leader (G1-SL9) said that her bank should pay more attention to creating other possible competencies rather than focus on only one competency.
It is very challenging for many leaders here to have this capability. Some leaders are ineffective because they lack research studies and improve themselves (G1-SL1).

Our bank needs to have more training programs for staff or send leaders to workshops for generating new idea or knowing how to sustain the core competencies of the bank (G1-SL2, SL4)

Actually, our strategic leaders are weak in this capability (G1-SL7).

I think that it does not make sense to focus on only the modern technology as one core competency. The bank should consider other core competencies related to human resources (G1-SL9).

The competencies of our bank are clear for all of our strategic leaders (G2-SL10, SL11)

4.2.5.3. Capability to develop and effectively use human capital

There were seven participants who were not satisfied with the human capital of their banks. For instance, five of eleven leaders said that their banks did not have enough development programs. Moreover, one of those five participants (G1-SL5) said that his bank did not ever have an official learning process. As a result, all experiences were shared through word of mouth. Two other participants expressed that learning processes of their banks are poor.

I noted that even though we keep training our staff, it has not been sufficient for our demand yet. We need to have more development programs (G1-SL3, SL4, SL5, SL8, SL9).

Sometimes, we put right people in the right jobs, but sometimes it is still not (G1-SL4).

The learning process in our bank is quite poor (G1-SL6, SL7).

We do not have an official learning process, all experience is shared through word of mouth (G1-SL5).

Unfortunately, the bank has paid less attention in formulating a human management strategy (G1-SL6).

I think that the bank needs to pay more attention on the quality and the right development in terms of being specialist in specific tasks. They should focus on the necessary of developments that are needed for the growth of the bank over the long-term (G1-SL9).
In contrast, five participants stated that their banks had plans to develop their human resource each year. Moreover, their bank had development programs and learning processes. However, only three out of those five participants stressed that their banks had sufficient development programs.

*Our bank has a plan to systematically develop the human resource each year. We have a learning process to avoid previous mistakes and training program for staff (G1-SL3, SL4, SL8; G2-SL10, SL11).*

*Now I believe that we have sufficient development program for our people (G1-SL7; G2-SL10, SL11).*

*Yes, We do also have effective learning processes. This is because our bank has a long experience in this aspect (G2-SL10, SL11).*

*For this capability, I think that our bank may be the leader on the human capital development in the Lao banking industry. We do have sufficient development programs and learning processes that are effective and qualified (G2-SL11).*

4.2.5.4. Capability to invest in the development of new technologies

Some leaders stated that their new technologies have not helped their banks to reduce much in labour-costs (G1). In addition, some other leaders did not have skills in using new technologies (G1-SL9). However, all participants are confident that their banks are currently using the modern technologies (G1; G2).

*At the moment, I observe that the new technology cannot significantly reduce expenses for the bank, especially in labour-cost aspects (G1-SL6). This is because we focus on security and improving the speed of service quality as the main purposes (G1-SL2, SL7, SL8).*

*Some leaders have poor skills in using new technologies (G1-SL9).*

*Our bank often addresses about technology issue, I believe that our bank are using the most modern technology in Laos (G1; G2).*

In addition, some participants said that new technologies are not a new thing for their banks because their banks often use the modern global technologies.
I think that modern technologies are not new things for us. I believe that the technologies that we are currently using are not out of trend, especially in the Lao banking sector (G2-SL10, SL11).

Strategic leaders in our bank often review whether the current technology is suitable with the bank’s needs or not (G2-SL10).

I think that we have the modern technology that can help us to work, communicate, and organise meetings easily. Place of meetings is not the big deal for us (G2-SL11).

4.2.5.5. Capability to engage in a strategy

It is likely that banks (G1) had only one strategy that they used for whole banks. In addition, the banks have a specific team to formulate a strategy. In this manner, there were many disadvantages because the top management team did not provide a clear pathway to implementers or subordinates. As a result, employees could not implement a strategy properly. In addition, after formulating a strategy, those high ranking executives have paid less attention to implementation of strategy. These can be difficult for banks to succeed with their strategies in a certain period of time.

A bank has a specific division or team, including CEOs and directors, to formulate only one strategy for a bank. They will determine and make decisions for a strategy of a bank (G1).

The boards of directors formulated a strategy for the bank. They formulated it for us without directing or providing a clear pathway to us. It is very hard for us to implement a strategy (G1-SL5).

So far, our bank has strategic leaders, but these people have not paid much attention to how employees implement a strategy. In other words, they poorly direct how to formulate and implement a strategy. They set a strategy without implementation plans to reach each goal. Thus, how the strategy of our bank will be successful on time (G1-SL7).

Our bank has strategies for five and ten years but those strategies lack clear directions and an implementation of a strategy (G1-SL9).

Furthermore, several participants suggested that their banks should have other levels of strategies to motivate leaders in all levels to deeply understand their banks direction and implement it effectively.
I think that in the future our bank should formulate other level strategies such as functional strategy in order to make leaders in divisional level deeply understand or know directions of the bank. For example, where is the bank going? What should employees implement to make their actions consist with the strategy of the bank? (G1-SL1, SL8).

I observed that many leaders just wait for approving projects or signing documents. Some of them have not known how to implement a strategy. Additionally, strategic leaders poorly do studies about the external environment and rivals (G1-SL6, SL9).

On the other hand, G2 have more than one strategy to cope with challenges in the Lao banking industry (G2-SL10, SL11).

Our banks have more than one strategy. Apart from the business-level strategy, division levels also formulate their strategies to effectively implement (G2-SL10, SL11).

4.2.5.6. Capability to build and maintain an effective organisational culture

The interviews showed that all participated banks could build and maintain an effective culture. They keep improving the culture of their banks to be more effective. Furthermore, some banks stressed that their cultures are effective and international culture.

Now, our bank is continuously improving and maintaining the good service culture (G1).

We want to have unique service quality through the bank (G1-SL5).

Although, we operate business in Laos, our organisational culture still remains effective as other branches in overseas. For example, the way that our people work and our service quality (G2-SL10, SL11)

4.2.5.7. Capability to develop and implement balanced controls

Participants from G1 stated that it is challenging for them to have their strategies succeed. This is because their banks are lacking strategic leaders who have the capability to develop and implement balanced control. It is likely that the banks of G1 are new in using the balanced scorecard and KPI set for monitoring and evaluating their plans and strategies because many strategic leaders have paid less attention to the tools related to balanced controls. As a result, in the past, banks only set goals and figures to achieve loose measurement.
We have a strategy and goals to reach each year, but it is still challenging to reach those goals (G1-SL1, SL3).

Our bank needs leaders who have the capability to develop and implement balanced controls (G1-SL6).

Now, we are studying on how to apply KPI and the balanced scorecard into practices. We are planning to use them in our bank soon. For in the past, we only set goals and figures to achieve each year (G1-SL4, SL5).

We set goals for overall the organisation. Then, we have review them quarterly and yearly to find out what reasons that make us achieve or cannot reach our goals. After that, we find solutions to improve (G1-SL4, SL5, SL6, SL8).

I note that many leaders here ignore about the balanced scorecard and KPI while international bank all consider them as the important tools (G1-SL9).

In contrast, strategic leaders in G2 believed that they had effective control systems that were better than what was in textbooks. This is because their banks control every aspect of business to ensure that their strategies will be achieved in a certain period of time. They thought that their banks had effective and strong tools to monitor and evaluate strategies (G2-SL10, SL11).

After finishing formulating strategies, strategic leaders communicate strategies to employees in order to help them monitor and report (KPI) to the top management team. Monitoring and evaluating are considered to be the important factors to lead our bank to success. I believe that our balanced control system is better than what is in textbooks because we control all aspects of business to ensure that our strategies will be achieved (G2-SL10).

Our bank has used the balanced scorecard and KPI as a tool for many years. I believe that our bank has effective tools to monitor and evaluate our strategies (G2-SL11).

4.2.5.8. Capability to engage in ethical practices

There are five participants (G1-SL2, SL3, SL5, SL6, SL9) expressed that their banks did not have code of conducts while another leader (G1-SL7) said that her bank had a code of conduct but the bank lacked an official and ineffective training.
However, so far our bank does not have the code of conduct, we just have regulations (G1-SL2, SL3, SL5, SL6, SL9).

We have a code of conduct but we do not have an official training for staff in each period. We just inform to relevant parties, if there is an unethical issues occur (G1-SL7).

In contrast, three of eleven participants strongly explained that their banks consider ethics as the important issue. They do have code of conducts, training programs, and channels for whistle-blowers. Furthermore, the banks of G2 have good mechanisms to manage issues related to ethics.

Ethics is considered as the important factor. We have a code of conduct and training for all employees. In addition, we have a channel for our staff and customers to give us feedback on our service (G1-SL4).

Up to now, I believe that our bank does a good job on ethical issue. We review our code of conduct and provide training to our employees frequently. Moreover, we have channels for whistle-blowers. We also have the committee and good mechanism to manage issues related to ethics (G2-SL10, SL11).

4.2.5.9. Capability to create an effective team (new capability)

Several research participants strongly recommended that their strategic leaders should have a capability to ‘create an effective team’ or improve this capability further. This is because ineffective teams caused their banks to face many problems so far, particular in strategic-decisions. Ineffective teams make banks difficultly promote competitive advantage.

G1-SL1 expressed that the top management team of his bank is currently less effective compared to the previous team.

I think our top leaders should have ability to create an effective team, because a success of a bank is not from one single person (G1-SL2, SL4, SL6).

I found that it is difficult to promote competitive advantage for the bank. In addition, we cannot move fast because some of our team members do not understand and make decisions against what other team members try to change as necessary (G1-SL4).

Our banks should pay more attention to this capability (G1-SL2, SL6, SL9)
4.3 Summary

Chapter four revealed the outcomes of semi-structured interviews that demonstrated in five key issues related to strategic leadership within Lao context, including:

- The perspectives of research participants on key capabilities of effective strategic leaders.
- The understandings of participants on ‘strategic leadership’ in terms of promoting competitive advantage for their banks;
- The understandings of participants on role of strategic leadership;
- The perspectives of participants on role of strategic leaders in terms of real practices of their banks;
- The views of participants on the effectiveness of the key capabilities of effective strategic leaders in terms of real practices of their banks.

With respect to key capabilities of effective strategic leaders, all participants ranging from managers to CEO and chairman mainly saw the key issues as: developing and communicating an effective vision, building core competencies, using human capital, investing in and using the development of new technologies, engaging in strategies, building and maintaining an effective organisational culture, developing and implementing balanced controls, engaging in ethical practices, and creating an effective team in their banks. In addition, the results showed that the effectiveness of the key capability of strategic leaders in the real practices between strategic leaders in G1 and G2 are obviously different.

Regarding the understandings of strategic leaders on the term ‘strategic leadership’ in terms of promoting competitive advantage, it was likely to be clear that this leadership is not common for many banking strategic leaders in Laos even though they are strategic leaders by their titles or tasks. Whereas some participants could understand the role of strategic leaders and play well their roles in promoting competitive advantage for their banks, other leaders are still innocent about this issue. As a result, several participants explained that their banks did not have adequate effective strategic leaders, especially in the top management team.

Synthesising across the research finding, the common themes that have been surfaced by all strategic leaders in the commercial banking sector in Laos were: the key capabilities of effective strategic leaders; the understanding of ‘strategic leadership’; and the role of strategic leaders.
These important findings will be discussed further in the later chapter with the support of the literature reviewed in chapter two.
Chapter Five: Discussion of the Findings

5.1 Introduction

While chapter four provided the detailed findings from the semi-structured interviews with eleven research participants from four leading commercial banks in Laos, this chapter discusses the important findings that were extracted from the data results with the support from the literature in the chapter two. All vital findings are discussed and structured based on the categorised themes under the headings of the research sub-questions.

5.2 Discussion of interviews

5.2.1 Research question one

What key capabilities of strategic leadership should Lao commercial banking strategic leaders have in order to promote competitive advantage for their organisations?

The first aim of this study is to investigate what key capabilities of strategic leadership that Lao commercial banking strategic leaders should have in order to promote competitive advantage for their banks over the long term. This section addresses the research sub-question 1.4 (a).

The findings of this research project showed that competitive advantage stems from the effectiveness of strategic leaders. This is because an individual effective strategic leader is a crucial element of the top management team to create competitive advantage for an organisation. However, to be an effective strategic leader, it is necessary for leaders to have sufficient key capabilities as depicted in Figure 7. If not, leaders are unlikely to be effective strategic leaders in the 21st century.
5.2.1. Capability to develop and communicate a vision

The most interesting finding related to vision is that many participants could see the importance of vision. They said that leaders needed to have capabilities to determine, develop, and communicate vision to their employees to help them move in the same direction. In essence, vision should be suitable or achievable and give a clear pathway to employees. Vision can help an organisation succeed with a strategy. Communicating vision is also very significant because it can motivate and help employees understand the right direction and work actively in the same trend.

These significant findings are supported with the literature by many researchers who emphasise the key elements of vision. As Alabduljader (2012) state, it is important for banking leaders to create an effective vision and communicate it to employees. He adds that leadership is one of the most effective elements to promote success of a bank. Nafei et al. (2012) affirm that leaders have to know how to create an effective vision statement that should be specific, measurable, attainable, results-driven, and time sensitive.

Based on Hitt et al. (2013), vision statement provides an organisation the direction where it desires to be in the future. A vision statement is used to capture the heart and mind of each employee and of
stakeholders, including the top management level, staff who work in different divisions of organisation, suppliers, and clients. As Daft (2011) and Daft and Pirola-Merlo (2009) point out, vision is not just a dream. Vision is a desirable perspective of a better future that people in an organisation can believe in. Vision must be something that can realistically be achieved.

5.2.1.2. Capability to build dynamic core competencies

The capability to build dynamic core competencies was considered as the second key capability of effective strategic leaders. To compete with rivals, strategic leaders need to clearly determine what core competencies should be developed further or what new competencies should be created to make their banks the leader in targeted markets. It is important for leaders to know what resources, core competencies, strengths, weaknesses, and competitive advantage of their banks are. Then, they need to know how to build and promote those elements to sustain competitive advantage.

These findings are consistent with a study by Hitt et al (2010) who say that leaders need to know how to prepare and develop new competences to substitute existing competences when it is urgent to maintain competitive advantage. This is because core competencies arise out of resources and capabilities that act as sources of competitive advantage for companies to outperform their competitors (Cherian & Farouq, 2013; Greve, 2009). These capabilities are always evolving due to the fact that companies learn from their actions (Hitt et al., 2013; Thompson et al., 2010).

5.2.1.3. Capability to develop and effectively use human capital

This capability is likely to be one of the most important and basic capabilities of every leader. Leaders need to put the right person in the right job to maximise benefits to their banks. This capability can help leaders to retain talented staff. Leaders need to know how to manage, develop and nurture knowledge and abilities of their subordinates.

The findings are highlighted by Fung (2008) who say that the workforce is considered to be the most important input of banking business in a production process. Employees play a significant role in determining service quality and profitability of the bank (Mukherjee et al., 2003). Thus, success of a bank depends on an effective human resource system that complies with a strategy, according to Cherian and Farouq (2013). Human resource is a foundation for creating core competencies, capabilities, and competitive advantages, according to Coff (2010). Hence, according to Hitt et al. (2013), the most crucial skill of strategic leaders may be an ability to attract, retain, and then manage human capital, if not, the lack of talented staff can constrain the growth of an organisation.
5.2.1.4. Capability to invest and use the development of new technologies

Several commercial banking leaders in Laos confirmed and agreed that new technologies are important for the business of their banks. New technologies enable a bank to minimise operating costs and time consuming and provide new products to customers. They expressed that new technologies could be one of the resources for competitive advantage. As many leaders said that: *new technologies help the bank decreases expenses and time consuming. Hence, Leaders cannot underestimate it* (G1-SL1, SL7, SL8, SL9; G2-SL11).

These findings are emphasised by Guimaraes et al. (2010) and Fung (2008) who state that in the high competition, banks are forced to adopt new technologies to improve business processes, redesign products and services in order to have better performance. Fung adds that the emergence of labour-saving technologies enables commercial banks to save a lot of operating costs. Greve (2009) points out that organisations adopting new technologies early often gain higher market shares and achieve higher returns. As Hitt et al. (2010) suggest, effective strategic leaders need to make the right decision to sustain the leading position of new technologies.

5.2.1.5. Capability to engage in a strategy

All participants affirmed that without the capability to engage in a strategy, strategic leaders could not play their roles well. Strategic leaders are people who should know strategies, strengths, weaknesses, environment, and direction of their banks. If not, they cannot effectively work and find opportunities for their banks. Without knowledge on strategy, leaders will fail to create effective strategies. In addition, strategic leaders need to know how to formulate and implement strategies in order for them to succeed. They should also know both the short and long-term plans as well. If not, their short and long-term plans may not be consistent.

These findings are supported by Lee et al. (2011) who say that it is important for strategic leaders to know how to formulate and implement strategies because they have to often re-examine their strategies to ensure that they are effective choices for their banks. Strategic leaders have to carefully choose or engage the right pathway or strategy for their organization (Hitt et al., 2013). The selected strategies need to be able to deal with both the challenges and opportunities of an organisation, according to Delmas and Toffel (2008), by exploiting the nature and quality of core competencies of the internal organisation, according to Sirmon et al. (2011).
5.2.1.6. Capability to build and maintain an effective organisational culture

Strategic leaders need to have the capability to build and retain an effective culture for their banks. Culture is one of the most important factors that enable a bank to succeed in its strategy. Hence, a bank should set the unique culture and share it through the bank. An effective culture can support in terms of sharing vision or value across a bank. In essence, strategic leaders need to act as a good model in developing and maintaining an effective culture. This is because culture is the factor that can influence competitive advantage and reputation of banks and impact behaviour of employees.

These findings are consistent with studies by many researchers (Nafei et al., 2012; Wallace et al., 2011). As Stevens (2008) states, culture is one of the key elements to help employees work ethically. Culture is when employees share similar beliefs, customs, norms and ‘mental programming’ (Kelley et al., 2006). Ingram and Silverman (2002) (as cited in Delmas & Toffel, 2008) highlight that organisational culture significantly influences strategic decisions. This complies with a study by Klein (2011) who says that culture impacts on how an organisation performs its business. Additionally, culture helps an organisation regulate, manage, and control behaviour of staff. Therefore, culture can be a source of competitive advantage.

5.2.1.7. Capability to develop and implement balanced controls

Research participants from both G1 and G2 strongly confirmed that balanced controls play an important role in monitoring and evaluating their strategies and helping their banks show progress in strategy implementation. Controls are needed to help organisations make sure that banks can gain desired outcomes (Costa & Bijisma-Frankema, 2007). Controls enable strategic leaders to create credibility, illustrate value of strategies to stakeholders of their organisations, encourage and support strategic changes (Shields et al., 2000).

Hence, to overcome rivals, the commercial banks in Laos need to increase the speed of development in this capability. As Nafei et al. (2012) suggest, banking leaders have to provide needed tools to their subordinates to help them effectively achieve goals of their banks. Additionally, it is necessary for strategic leaders to know how to develop and use certain tools to evaluate, monitor and control their plans and strategies, such as the balanced scorecard. This complies with a study by Shutibhinyo (2013) who say that there are many organisations that perceive benefits from using the balance scorecard as a tool.

The balanced scorecard is a tool that organisations, including the banking sector, can employ to evaluate whether they achieve a suitable balance among the strategic and financial controls to achieve their desired outcomes (Hitt et al., 2013; Kaplan & Norton, 2005). Kaplan and Norton
add that it is most appropriate for using when evaluating strategies because it is a set of measurements that provides leaders fast but comprehensive views of their businesses.

5.2.1.8. Capability to engage in ethical practices

In the banking industry, ethics play a very significant role. This is because risk can happen in any position of the banking business. Thus, strategic leaders should not only focus on profit as the main purpose but also ethical practices to promote sustainable competitive advantage for their banks. Strategic leaders should consider the interest of their bank over their interests. These findings are supported in a study by Daft and Pirola-Merlo (2009) who state that in the era of financial scandal and moral lapse nowadays, ethical practices are considered to be important for organisations because running a business with ethics can help organisations sustain, succeed and promote competitive advantage over the long term.

Trevino (1986) states that ethics act as standards of what is good or bad in practice and decision making. As Driscoll and McKee (2007) say, today an organisation must reconsider and hire ethical leaders who have abilities to consider honesty, trust, and integrity as important values, and who integrate ethical practices into their strategic directions for organisations, and who wish to do the right thing. Actions of leaders can influence or motivate transparency, good corporate governance and top management transparency of banks (Offiong & Ewa, 2013). In essence, ethical practices enable organisations to increase the effectiveness of a strategic process. Additionally, it motivates and enables employees at all levels of companies to act ethically when actions are needed to implement strategies (Hitt et al., 2013).

According to the interviews, most of the participants did not mention anything about an ethical mechanism, except G2-SL10, SL11. It is likely that G1 do not have a strong ethical mechanism. This may cause a bad affect for their banks sooner or later. As Pinto et al. (2008) states, poor mechanism may cause unethical practices, and unethical practices might be a common ground for everyone. This may cause some managers to work with unethical actions to achieve their desired outcomes (Schweitzer et al., 2004). Nel et al. (2011) suggest that organisations should have formal ethical mechanisms, including code of ethics, ethical structures, training program, and disclosure mechanisms to maximise the effectiveness of ethical practices.

5.2.1.9. Create an effective team

Apart from the eight capabilities as depicted in Figure 3 and discussed above, eight participants strongly suggested that effective strategic leaders also need to have a capability to ‘create an effective team’, particularly in the top management level. Without an effective team, especially the
team of the top management, it is hard for a bank to promote its competitive advantage. This is because ineffective members of the team may find it difficult to work with other leaders. They may make decisions against a necessary change because of their misunderstandings. This can cause a bank to move more slowly than its rivals.

The findings are supported by a research study on Saudi Bank by Nafei et al. (2012) who said that leaders play a vital role in creating high-performing teams who have high levels of job satisfaction and organisational commitment. An effective team is created by leaders who have a capability to gather talented people as a team (Bushe & Coetzer, 2007; Curry, 2013). An effective team has characteristics such as trust, healthy conflict, commitment, accountability, and result orientation (Daft, 2011; Lencioni, 2002). Each team member needs to support and cooperate with each other to reach a shared vision (Sterling, 2003).

An ineffective senior management team can be one of the silent killers or a big barrier of strategy implementation (Beer & Eisenstat, 2000). In contrast, an effective team enables both organisations and employees to gain benefits through higher productivity, quality improvements, greater flexibility and speed, a flatter management structure, increased employee involvement and satisfaction, and lower turnover (Daft, 2011; Glassop, 2002; Lee et al., 2011; Osborn, Moran, Musselwhite, & Zenger, 1990). A team is necessary for an effective strategy implementation (Beer & Eisenstat, 2000). The structure of a team is a unit of two or more employees who work and coordinate to achieve a common purpose or goal (Larson & LaFasto, 1989; Lee et al., 2011).

The findings of nine key capabilities, above, answered the research question 1.4 (a) of ‘what key capabilities of strategic leadership should Lao commercial banking strategic leaders have in order to promote competitive advantage for their banks?’ The findings showed that effective commercial banking strategic leaders in Laos should have at least nine key capabilities to promote and sustain competitive advantage for their banks, including the capability to:

1. Develop and communicate a vision;
2. Build dynamic core competencies;
3. Develop and effectively use human capital;
4. Invest and use the development of new technologies;
5. Engage in a strategy;
6. Build and maintain an effective organisational culture;

7. Develop and implement balanced controls;

8. Engage in ethical practices;

9. Create an effective team.

5.2.2 Research question two

What are the understandings of Lao commercial banking strategic leaders on ‘strategic leadership’ in terms of promoting competitive advantage?

- Hypothesis one:

Ho₁ The term and concept of ‘strategic leadership’ is not common for commercial banking strategic leaders in Laos

This section addresses the research sub-question 1.4 (b) and Ho₁. The data showed that several banking strategic leaders in Laos did not know the term ‘strategic leadership’ in terms of promoting competitive advantage before this research study.

There were six out of eleven strategic leaders that stated that they had not ever heard the term ‘strategic leadership’. The term was not common in Laos. They added that were familiar with hearing separately either the term ‘leadership’ or ‘strategy’, but not the combined term such as ‘strategic leadership’ at the same time. However, five leaders, less than half of all participants, are familiar with and understand about strategic leadership in terms of promoting competitive advantage.

The findings on those five research participants answered the research question 1.4 (b) of ‘what is the understanding of Lao commercial banking strategic leaders on ‘strategic leadership’ in terms of promoting competitive advantage for their banks? They explained that strategic leadership is the ability to anticipate challenges and opportunities that will occur in the future and then determine the direction for organisations. Strategic leaders are people who have a clear vision and can communicate that vision to others to influence employees to achieve the goals of organisations as well as promote competitive advantage for their organisations. Furthermore, strategic leaders know how to formulate an appropriate strategy for the long-term.

These thematic findings of the empirical data were supported by many notable authors:
Strategic leaders are people who have abilities to predict and envisage the future, maintain flexibility, think and work strategically with others to initiate changes as necessary to establish competitive advantage for their organisations (Daft, 2011; Hitt et al., 2013; Ireland & Hitt, 2005). Moreover, Hughes and Beatty (2005) add that strategic leaders are people who strategically think, act and influence others in order to promote competitive advantage.

According to studies by Hambrick (1989), Cohen and Levinthal (1990), Black and Boal (1996), and Malan and Kriger (1998), Boal and Hooijberg (2000) summarise that strategic leadership is about capacities to learn, change, and apply managerial wisdom.

Hughes and Beatty (2005) and Kjelin (2009) and Du Plessis (2012) state that strategic leadership is likely to act as a system that focuses on the future and is change-oriented. Strategic leaders stress the importance of fostering strategic clarity, making better connections between strategies and tactics. Leaders enhance their own and others’ perspectives, and then contribute to sustaining successes of their organisations.

However, most of the understandings of the research participants did not pay attention to day-to-day making-decision to support the long-term performance and the short-term financial stability of an organisation. Hence, their perspectives are likely to contrast with a study by Rowe (2001) who defines strategic leadership as an ability to influence people to be voluntary in making day-to-day decisions that can support the long-term viability of companies, while maintaining their short-term financial stability at the same time.

The findings support Ho$_1$ that the term and concept of ‘strategic leadership’ is not common for commercial banking strategic leaders in Laos as more than half of the research participants have not heard the term before.

5.2.3 Research question three

What are the understandings of leaders on the role of strategic leadership in an organisation?

One of the aims of this study is to investigate the role of strategic leaders in an organisation. The role has been divided into three major aspects for discussing, including the role in promoting competitive advantage for an organisation, creating the effective strategic management process, and increasing the effectiveness of the top management team.
5.2.3.1. Promoting competitive advantage for an organisation

Without strategic leaders, a bank cannot promote competitive advantage or ever survive. Especially in the highly competitive environment, they are people who have capabilities to capture opportunities and create competitive advantage for a bank by anticipating the future situation and then providing the long-term direction to a bank. Additionally, strategic leaders play a vital role in motivating and inspiring employees to reach the goals of a bank. They are key people who put or interpret a strategy into practices. Therefore, strategic leadership plays a significant role in promoting competitive advantage for a bank.

The research findings indicated that strategic leaders were expected to promote competitive advantage for their banks. This thematic finding is consistent with a study by Hinterhuber and Friedrich (2002) who say that strategic leaders can significantly influence competitive advantage and the long-term performance of their organisation. Leaders with strategic leadership provide vision and a pathway to help employees effectively work, evolve and innovate their work, according to Kjelin (2009).

Without strategic leaders, competitive advantage of an organisation could finish as soon as its rivals can duplicate or imitate its strategy (Hitt et al., 2013). In the complex and turbulent environment, it is necessary for an organisation to hire strategic leaders to survive and promote good performances for the long-term (Hitt et al., 2013; Phapruke, 2012). Strategic leadership is the best type of leadership to protect profit (Rowe, 2001). Strategic leaders can help organisation get out of chaos and stasis. Without strategic leaders, organisations cannot make a significant change (Marion & Uhl-Bien, 2001).

5.2.3.2. Creating the effective strategic management process

Regarding research question 1.4 (c), participants agreed and confirmed that leaders with strategic leadership play a significant role in formulating and implementing a strategy for a bank. Without this leadership style, the effectiveness of a strategic management process may be highly compromised. In essence, leaders in teams will find it difficult to work together to make strategic decisions. Furthermore, leaders and managers at lower levels cannot support and provide the useful information to the top management team.

Strategic leadership is primarily associated with the top management teams or high-ranking executives (Lee et al., 2011). Strategic leaders are people who develop and communicate vision to employees, craft and execute a strategy. Without effective strategic leaders an organisation cannot successfully formulate and implement strategies and achieve above-average returns, according to Holcomb, Holmes, et al. (2009). Hence, strategic leadership is considered as the fundamental of a strategic management.

5.2.3.3. Increasing the effectiveness of the top management team

To absolutely maximise competitive advantage for a bank the top management team members need to have strategic leadership. An individual high-ranking executive who lacks strategic leadership will hardly develop their performance and will have difficulty working with other leaders. This could make a strategic management process fail to generate or maximise competitive advantage for a bank. The study showed that some participants are deeply aware of the role of strategic leadership has on the success of an organisation. They said that without strategic leadership, leaders might be ineffective in supporting a strategic management process. As one participant said: leaders who lack strategic leadership are difficult to understand a strategy and work with other leaders to create a necessary change (G1-SL4).

These perspectives are supported by Guimaraes et al. (2010) who say that strategic leadership is a representative of abilities of the top management team. Particularly in the banking sector, leadership is very significant in influencing and determining service quality and business performance (Lee et al., 2011). Therefore, if high-ranking executives lack the right leadership, they may lead their organisations to a compromised performance or fail to succeed over the long term (Du Plessis & Frederick, 2010).

Hitt et al. (2013) point out that the top management team needs to have effective strategic leadership and superior managerial skills because they are key elements of success of an organisation. Moreover, Morrow et al. (2007) add that the top-level managers must ensure that their capabilities are able to effectively formulate and implement strategies for their organisations.

The research findings indicated that several banking strategic leaders in Laos understand the important role of strategic leadership in terms of promoting competitive advantage for their banks. Thus, based on their perspectives and the literature support above, the research findings answered the research question 1.4 (c) of ‘what are the understandings of leaders on the role of strategic leadership in their organisations?’ Without strategic leaders, the banks will find it difficult to promote, sustain, and maximise competitive advantage.
Based on the findings of the three key roles associated with strategic leadership in an organisation, the researcher noted that success or superior performance is from the competitive advantage of an organization. This situation results from an effective strategic management process. It is from an effective strategic leadership team that a successful management process is directed. Therefore, the researcher developed a Competitive Advantage Model (CAM) as depicted below:

**Figure 8: Competitive Advantage Model (CAM)**

Source: Developed by the author based on this study (2013)

### 5.2.4 Research question four

**What are the perspectives of leaders on the role of strategic leadership in terms of the real practices of their banks?**

- **Hypothesis two:**

  \[ Ho_2 \text{ Commercial banks in Laos do not have sufficient strategic leaders to promote and maximise competitive advantage for their banks in the future } \]

Apart from the understandings of participants on the role, this research project studied further into the real practices of their banks to investigate how banking strategic leaders in Laos play roles in their banks in terms of the practices. This section also tests Ho₂.
5.2.4.1. Promoting competitive advantage for an organisation

Based on the real practices of the commercial banks in Laos, six out of eleven participants observed that several strategic leaders in their banks have not played their role properly. For example, most of them have focused on the short-term plans or performances rather than long-term planning or performance. In addition, they failed to provide clear pathways to employees to sustain the competitive advantage of their banks. Moreover, several strategic leaders, especially leaders who have worked for the banks over the long-term lack knowledge and capabilities associated with strategy and strategic leadership. Thus, without strategic leadership, these leaders cannot maintain flexibility and formulate the long-term plan to promote the competitive advantage of their banks.

The data findings indicated that although some participants know and understand the importance of strategic leadership, in reality, many other strategic leaders in their banks still lack that leadership style. As a result, these leaders cannot help their banks to maximise or promote competitive advantage. This meant that commercial banks in Laos might not have sufficient strategic leaders in the managerial positions, including the top management team. Hence, in the real practices, the banks are likely to be constrained to promote and sustain competitive advantage over the long term. This is highlighted by studies by notable researchers (Boal & Schultz, 2007; Fung, 2008; Guimaraes et al., 2010; Hinterhuber & Friedrich, 2002; Wallace, De Chernatony, & Buil, 2013).

5.2.4.2. Creating the effective strategic management process

With regard to the real practices, seven out of eleven participants explained that many strategic leaders still play a poor role in the strategic management process of their banks. As some participants stated, that… *I think the strategic management process in our bank is poor (G1-SL6, SL7, SL9).* This is because their banks focus on the short-term outcomes rather than on both short- and long-term outcomes.

Moreover, their top leaders have not paid much attention to research about competitors. As a result, many leaders complained that… *Our bank has not seriously studied about our rivals, such as strengths and weaknesses of competitors. The banking leaders just has analysed or discussed about competitors based on their previous experience and the information from word of mouth (G1-SL1, SL2, SL3, SL5, SL6, SL7, SL9).*

This finding demonstrates that the banks do not have enough effective teams because some individual members still lack strategic leadership. This can cause the banks to have poor strategic management processes. This matter is reflected in the literature by researchers on the strategy topic

5.2.4.3. Increasing the effectiveness of the top management team

The findings show that there were several leaders who lacked effective strategic leadership. For instance, our vision is not a clear vision (G1-SL1, SL6, SL9). I observe that there are many leaders who have not had strategic leadership. Some leaders have only management skills, but not strategic leadership (G1-SL4, SL9). Our strategic leaders have a weak capability to create core competencies (G1-SL7). In addition, the learning process in our bank is quite poor (G1-SL6, SL7, SL9). The top leader formulated a strategy for us without directing or providing a clear pathway to us (G1-SL5). These comments reflected poor key capabilities of the strategic leaders of the banks as highlighted by several researchers (Beer & Eisenstat, 2000; Guimaraes et al., 2010; Hughes & Beatty, 2005; Lee et al., 2011; Morrow et al., 2007; Thompson et al., 2010).

The research findings indicated that several banking strategic leaders in Laos understood the important role of strategic leadership. However, in the real practices, many strategic leaders of their banks could not maximise the effectiveness of the strategic management processes while at the same time maximising competitive advantage. This may be because of their colleagues did not have strategic leadership. In the other words, their banks did not have enough effective strategic leaders in managerial teams, particular in the top management team. As a result, the understanding of the role of strategic leadership and the real practices of the banks are obviously different.

Therefore, based on the findings related to the three key roles, above, the study answered the research question 1.4 (d) of *what are the perspectives of leaders on the role of strategic leadership in terms of the real practices of their bank?* as explained with literature support above.

In addition, this study supports Ho3 that commercial banks in Laos do not have sufficient effective strategic leaders to promote and maximise competitive advantage for their banks in the future. Null hypothesis.

5.2.5 Research question five

How effective are key capabilities of strategic leaders in Lao banking in real practice?

- Hypothesis three:
In addition to the interviews about the views and understandings of the research participants related to strategic leadership to determine the key capability for effective commercial banking strategic leaders in Laos, this study gathered relevant information about the real practices of all participating banks. This was designed to give a comparison between the participants’ views and the real practices of their banks in terms of key capabilities of banking strategic leaders. This section addresses the research sub-question 1.4 (e) and tests $H_0^3$.

### 5.2.5.1. Capability to develop and communicate a vision

Based on the real practices, one participant stated that his bank did not have vision statement. Ten leaders stated that their banks have vision statements while only five of them are confident to achieve their vision on time. These findings showed that the top management teams of some participated banks still lack effective communication with all key managers, including the research participants. As a result, six of eleven participants were still in doubt about the vision statements of their banks. This poor communication is one of the silent killers of strategy implementation (Beer & Eisenstat, 2000). Moreover, an ineffective vision statement can lead an organisation to compromised outcomes. This concept was highlighted in the literature review in chapter two (Alabduljader, 2012; Daft, 2011; Daft & Pirola-Merlo, 2009; Nafei et al., 2012).

### 5.2.5.2. Capability to build dynamic core competencies

The second findings of key capabilities showed that five participants complained about the capability to build the dynamic core competencies of their banks. This is because several other banking strategic leaders are lacking this capability. One participant said that *her bank is quite weak on creating core competencies (G1-SL7)*; another leader said that *her bank mainly pay attention to only one competency (G1-SL9)*. These results indicated that apart from these five participants, there are many other leaders and managers in the commercial banks in Laos who do not know what the competencies of their banks are and how to develop competencies. This can undermine competitive advantage of their organisations (Cherian & Farouq, 2013; Greve, 2009; Hitt et al., 2010; Hitt et al., 2013; Thompson et al., 2010).

### 5.2.5.3. Capability to develop and effectively use human capital

These findings showed that seven of eleven leaders were not satisfied with using, and the developing of the human resources of their banks, including learning and training programs. For
example, sometimes, we put people in the right jobs, but sometimes it is not (G1-SL4). Learning process in our bank is quite poor (G1-SL6, SL7, SL9). These findings affirmed that some participated banks have insufficient effective leaders in the top management team. As a result, their banks need to improve this capability to effectively develop and use their human capital. This matter is reflected and abound in the literature by many notable researchers on the human resource topic (Cherian & Farouq, 2013; Du Plessis & Frederick, 2010; Fung, 2008; Mukherjee et al., 2003; Nel & Du Plessis, 2011; Thomas, 2009).

5.2.5.4. Capability to invest and use the development of new technologies

The findings demonstrate that some banks could not maximise benefits of new technologies, especially in the labour-cost aspect. As several strategic leaders stated, At the moment, I observe that our new technology cannot significantly reduce expenses for the bank, especially in labour-cost aspects (G1-SL2, SL6, SL7, SL8). Maybe, because we focus on improve security, speed, and quality of services as the main purposes, not reduce cost (G1-SL2, SL7, SL8). These findings indicated that the banks, which four participants were working for, needed to exploit more benefits from new technologies, particularly in the cost of labour. This is because new technologies can help organisations to promote competitive advantage (Fung, 2008; Greve, 2009; Guimaraes et al., 2010).

5.2.5.5. Capability to engage in a strategy

The findings affirmed that the capability to engage in a strategy is important for the banking sector. As four leaders expressed, they wanted their banks to develop further this capability on strategic leaders in all levels. The banks should not develop this capability on only for the top leaders.

Other findings showed that, at the moment, most of the banks in Laos have a special team or division to formulate a strategy for strategic leaders. This causes many disadvantages to the banks as pointed out by many research participants in this project that: the team formulated it for us without directing or providing a clear pathway to us. It is very hard for us to implement a strategy (G1-SL5). The top leaders poorly direct how to formulate and implement a strategy... how the strategy of the bank will be successful (G1-SL7). Our strategy provides unclear directions for implementing (G1-SL9). These findings showed that only the specific team makes decisions about a strategy without concerned implementing issues related to implementers or interpreters or lower levels. Thus, the team provides unclear strategy to implementers. These issues are one of the big barriers to lead an organisation to success (Beer & Eisenstat, 2000; David, 2013; Lee et al., 2011; Moore, 2008; Speculand, 2011; Thompson et al., 2010).
5.2.5.6. Capability to build and maintain an effective organisational culture

Based on the data findings, all the participants confirmed and agreed that their banks see the capability to develop and maintain an effective culture as the important capability. That is why their banks keep developing and maintaining effective cultures so far. This is likely to be the only capability that all participants agreed that their banks are doing well. Hence, the capability to build and maintain an effective organisational culture has been seen as one of the most important factors to help an organisation, including commercial banks, to succeed their strategies (Cristian-Liviu, 2013; Delmas & Toffel, 2008; Klein, 2011; Nafei et al., 2012; Thompson et al., 2010; Wallace et al., 2011)

5.2.5.7. Capability to develop and implement balanced controls

The findings indicated that strategic leaders from G1 are not familiar with tools of balanced controls, such as the balanced scorecard and KPI. As they said, our bank has not used the balanced scorecard or KPI ... Our bank does formulate a strategy and point out several targeted figures for achieving each year but the way that we monitor or evaluate our plans and strategies may not be rigorous as the international standard (G1).

Hence, these findings explain that strategies of some commercial banks in Laos are facing challenges to be successful in a certain period of time because of the lack effective tools. In contrast, strategic leaders from G2 believe that their banks have effective control systems that are better what are in textbooks. They think that their banks have effective and modern tools to monitor and evaluate strategies to succeed in a certain period of time (G2-SL10, SL11). As one leader said, our bank has used the balanced scorecard and KPI as a tool for a long time (G2-SL11).

The findings indicated that in the recent past, the majority of the top leaders who work at the same banks with the participants in G1 have lacked this capability. This can cause their banks to fail to achieve both short and long-term goals and succeed their strategies in a certain period of time as emphasised in the literature review in chapter two (Costa & Bijisma-Frankema, 2007; David, 2013; Hitt et al., 2013; Kaplan & Norton, 2009; Kaplan & Norton, 2005; Nafei et al., 2012; Rowe, 2001; Shields et al., 2000; Shutibhinyo, 2012, 2013).

5.2.5.8. Capability to engage in ethical practices

Other findings showed that five strategic leaders expressed that: So far our banks do not have the code of conduct... we just have regulations (G1-SL2, SL3, SL5, SL6, SL9). One leader said that his bank has a code of ethics but the bank currently lacks training in this area and the previous training
was also ineffective (G1-SL7). These indicated that some banks did not have effective formal ethical mechanisms. There is a great potential for their employees to be involved with unethical practices as reflected in the literature (Daft & Pirola-Merlo, 2009; David, 2013; Driscoll & McKee, 2007; Nel, Nel & Du Plessis, 2009; Nwagbara, 2012; Offiong & Ewa, 2013; Trevino, 1985).

5.2.5.9. Create an effective team

The data findings showed that some banks have a poor capability to create an effective team. As some participants said, I think now our top management team is an ineffective team (GL1-SL1). I saw many top leaders are difficult to work with others, in essence, they do not understand what strategic decisions are (GL1-SL4). These findings demonstrated that their banks are facing difficulties with creating effective teams to provide an effective strategic management process. This can be one of the silent killers of strategy implementation (Beer & Eisenstat, 2000; McConnell, 2013). This is supported by studies by many notable researchers (Bushe & Coetzer, 2007; Curry, 2013; Daft, 2011; Glassop, 2002; Lee et al., 2011; Lencioni, 2002; Nafei et al., 2012; Osborn, Moran, Musselwhite, & Zenger, 1990; Sterling, 2003).

Based on all findings of the real practices of the banks associated with the nine key capabilities, above, the findings answered the research question 1.4 (e) of ‘how effective are key capabilities of strategic leaders in Lao banking in the real practices?’ The study showed that there are many ineffective strategic leaders in the commercial banks in Laos. These leaders have not played their role well because there is a lack of effectiveness in these key capabilities. The data findings show that:

Six participants explained that their banks lack effective vision statements. Five leaders complained there was a lack of capability to build the core competencies of their banks. Moreover, seven out of eleven strategic leaders are not satisfied with the human capital issues. Four participants explained their banks could not maximise benefits from new technologies yet. In essence, the banks of G1 have only a single strategy for directing the banks overall. Furthermore, these banks have not previously used the balanced scorecard and KPIs. The banks of five of the participants do not have a code of conduct to help them manage issues related to ethics while one participant stated that her bank lacks effective training on ethics. Finally, five strategic leaders expressed that their banks should pay more attention to capability to create an effective team.

In addition, this study supports Ho3 that banking strategic leaders in Laos do not have sufficient key capabilities for promoting and maximising competitive advantage for their banks. Null hypothesis.
Based on all findings, this study developed the full process associated with strategic leadership for promoting competitive advantage for an organisation over the long-term, especially in the Lao banking sector. The process acts as the model, below, to answer the main research question of ‘How can commercial banks in Laos promote and sustain competitive advantage through practicing strategic leadership’?

**Figure 9: Competitive Advantage Creating Process Model (CACP)**

Source: Based on the mixed model between CAM and KCBS developed by the author

The research findings indicated that commercial banks in Laos could promote and sustain competitive advantage over the long-term by applying the CACP model as depicted in Figure 9, above. This model stressed that if Lao commercial banking strategic leaders want to promote competitive advantage for their bank, they should have at least nine key capabilities, including the capability to:

1. Develop and communicate a vision;
2. Build dynamic core competencies;

3. Develop and effectively use human capital;

4. Invest and use the development of new technologies;

5. Engage in a strategy;

6. Build and maintain an effective organisational culture;

7. Develop and implement balanced controls;

8. Engage in ethical practices;

9. Create an effective team

In essence, the top management team should include sufficient effective strategic leaders to create an effective strategic management. Whenever, a bank has the effective strategic management process, a bank has a high potential to succeed in promoting and sustaining competitive advantage for a bank over the long-term.

5.3 Summary

Chapter five answers all the research questions raised in chapter one. In addition, it also indicated its supports on all hypotheses. The findings of this research study affirmed that competitive advantage stems from an effective strategic management process, in which the strategic management process is created by an effective strategic leadership team. To develop an effective strategic leadership team, it is necessary to include sufficient effective strategic leaders in that team. In essence, each individual strategic leader is expected to have sufficient key capabilities as depicted on Figure 7. If not, they cannot be effective strategic leaders.

Furthermore, the data indicated that several strategic leaders were not familiar with ‘strategic leadership’ in terms of promoting competitive advantage before this research study. However, the research findings indicated that some Lao strategic leaders still understand the importance of the role of strategic leadership. They explained that without strategic leaders, organisations will find it difficult to promote and maximise competitive advantage over the long term.

Other research findings demonstrated that several banking strategic leaders in Laos saw the important role of strategic leadership but in the real practices, they could not maximise the effectiveness of strategic management processes of their banks as well as competitive advantage.
This indicates the understanding and views of these participants on the role of strategic leadership and the real practices of their banks are significantly different. In essence, this study supported that commercial banks in Laos do not have sufficient effective strategic leaders to promote and maximise competitive advantage for their banks in the future.

Finally, based on all findings of the real practices of the participated banks, there are many ineffective strategic leaders in the commercial banks in Laos. These leaders have not played their role well and lack the effectiveness of the nine key capabilities. As a result, some commercial banks in Laos currently do not have enough effective strategic leaders who have sufficient key capabilities for promoting and maximising the competitive advantage for the banks in the future.

Chapter six provides research conclusions and recommendations on the study. Furthermore, it will include findings, limitations and future research opportunities.
Chapter Six: Conclusions and Recommendations

6.1 Introduction

This study concludes and recommends key aspects and models revealed by the research project and their relevance in the banking sector in Laos. The research study focused on investigating how commercial banks promote competitive advantage over the long term through practicing strategic leadership. Collecting data and studying the real practices related to strategic leadership in the commercial banks were carried out in order to develop the practical model. This is to help banking strategic leaders in Laos see the pathway in order to help their banks to promote competitive advantage. This study answered all the research questions with the strong support of the empirical evidence and literature review.

Chapter five detailed the important findings that were extracted from the data results in chapter four and were well supported by the literature in chapter two. All findings and relevant literature are discussed and structured based on the five research sub-questions.

This chapter focuses on five main areas. Firstly, it addresses the conclusions drawn from the study and demonstrates these under the five key research questions. The chapter then provides the recommendations for banking strategic leaders in Laos. Finally, it moves onto strengths and limitations before indicating future research opportunities, and provides a summary.

6.2 Research conclusion

By using the qualitative, interpretive approach, the researcher generated descriptive data from 11 different perspectives in the range of participants from CEO and chairman to manager. The conclusions and recommendations have been drawn from the empirical data that was gathered and analysed from the 11 research participants by using semi-structured interviews as the data collecting methods.

6.2.1 Research question one

What key capabilities should Lao commercial banking strategic leaders have in order to promote competitive advantage for their organisations?
The findings directed that competitive advantage of the bank stems from the effective strategic leaders. This is because an individual effective strategic leader is a key element of the top management team to create competitive advantage for an organisation. However, to be an effective strategic leader and to help the bank achieve competitive advantage over the long term, it requires commercial banking strategic leaders in Laos to have at least nine key capabilities as depicted in Figure 7, below. Without these capabilities, leaders are unlikely to be considered as effective strategic leaders in the 21st century.

**Figure 7: Key Capabilities of Effective Banking Strategic Leaders Model (KCBS)**

− Capability to develop and communicate a vision

The findings showed that capability to develop and communicate a vision is an important part of modern leaders. The study supported that leaders who have this capability can determine, develop, and communicate the vision of their banks to employees in order to help employees move in the same direction. In essence, the vision should be suitable or achievable and give a clear pathway to employees. Vision can help an organisation succeed with a strategy. These findings were in line with the literature by many researchers, including Alabduljader (2012), David (2013), Cristian-Liviu (2013), Nafei et al. (2012), Daft (2011), Daft and Pirola-Merlo (2009), and Sashkin (1988).
vision statement provides an organisation the direction where it desires to be in the future. A vision statement is used to capture the heart and mind of each employee and of stakeholders, including the top management level, staff who work in different divisions of organisations, suppliers, and clients (Hitt et al., 2013).

- **Capability to build dynamic core competencies**

To compete with rivals, the study indicated that banking strategic leaders in Laos, who have the capability to build dynamic core competencies, can determine clearly what core competencies of their banks should be developed further or what new competencies should be created to make their banks the leader in targeted markets. The findings were supported by a study by Hitt et al. (2010) who say that effective strategic leaders are likely to know how to prepare and develop new competences to substitute existing competences when it is urgent to maintain competitive advantage.

Therefore, it is important for strategic leaders to know what the resources, core competencies, strengths, weaknesses, and competitive advantage of their banks are. Then, they need to know how to build those kinds of things to sustain competitive advantage. This is because core competencies arise out of resources and capabilities that act as sources of competitive advantage in order for an organisation to overtake their competitors (Cherian & Farouq, 2013; Daft, 2011; Grant, 2010; Greve, 2009; Hoskisson et al., 2008; Thompson et al., 2010).

- **Capability to develop and effectively use human capital**

The findings revealed that 11 participants agreed and confirmed that the capability to develop and effectively use human capital is one of the most important and basic capabilities of Lao banking leaders. This is because strategic leaders need to know how to put the right person in the right job to maximise benefits for their banks. This capability helps leaders retain talented staff. As a result, leaders need to know how to manage, develop and nurture knowledge and the abilities of their subordinates. The findings were supported by the literature of Fung (2008) who state that the workforce is recognised as the most important input of banking business in a production process.

In essence, Cherian and Farouq (2013) argue that the success of a bank depends on an effective human resource system that complies with a strategy. Employees play a significant role in determining service quality and profitability of a bank (Mukherjee et al., 2003). According to Coff (2010), Du Plessis and Frederick (2010), Hitt et al. (2006), Nel et al. (2011), and Zhang and
Gimeno (2010) human resources is the foundation upon which to promote and sustain competitive advantage.

– Capability to invest and use the development of new technologies

The findings supported that a capability to invest and use the development of new technologies is crucial for strategic leaders because new technologies play an important role in the banking business. New technologies enable a bank to minimise operating costs and time consuming and provide new products to customers. In addition, the study revealed that new technologies can be one of the resources for generating a competitive advantage. These findings are emphasised by Guimaraes et al. (2010) and Fung (2008) who state that in the highly competitive environment, banks are forced to adopt new technologies to improve business processes, redesign products and services in order to improve performance.

On the other hand, Greve (2009) states that organisations that are early adopters of new technologies often gain higher market share and achieve higher returns. As Hitt et al. (2010) suggest, effective strategic leaders need to make the right decision to sustain the leading position using new technologies.

– Capability to engage in a strategy

The findings reinforced that strategic leaders without the capability to engage in a strategy cannot play their roles well and are ineffective leaders. This is because strategic leaders need to know strategies, strengths, weaknesses, business environment, and the direction of their banks. If not, they cannot effectively work and find opportunities. These were in line with studies by Delmas and Toffel (2008) and Sirmon et al. (2011) who say that selected strategies need to be able to cope with both the challenges and the opportunities of an organisation.

Without knowledge on strategy, strategic leaders will fail to create effective strategies (Beer & Eisenstat, 2000; David, 2013; Thompson et al., 2010). Thus, strategic leaders need to know how to formulate and implement strategies in order to lead their bank to success. Leaders need to know about and to undertake both the short and long-term planning to ensure that the short and long-term plans are consistent. These findings were supported by a study by Lee et al. (2011) who say that it is important for banking leaders to know how to formulate and implement strategies because they are the people who have to regularly re-examine their strategies to ensure that they are effective choices for their banks.
− Capability to build and maintain an effective organisational culture

The findings revealed that capability to build and maintain an effective organisational culture is one of the crucial capabilities that enable strategic leaders to lead the banks to success and implement its strategy effectively. Ingram and Silverman (2002) (as cited in Delmas & Toffel, 2008) pointed out that culture considerably impacts strategic decisions. This was supported in a study by Klein (2011) who says that the culture of organisations can influence how organisations perform their businesses. Culture is considered as a source of competitive advantage. Therefore, the banks need to set a unique culture and share it throughout the bank. An effective culture can be supportive in terms of sharing vision or value across the bank. In essence, strategic leaders need to act as a good model in developing and maintaining an effective culture. This is because culture is the factor that can influence competitive advantage and the reputation of banks and impact on the behaviour of employees. These findings were consistent with studies by many researchers (Cristian-Liviu, 2013; Kelley et al., 2006; Nafei et al., 2012; Stevens, 2008; Wallace et al., 2011).

− Capability to develop and implement balanced controls

The study showed that both G1 and G2 considered capability to develop and implement balanced controls as one of important capabilities to assist the banks monitor and evaluate strategies and follow progresses of strategy implementation. Thus, control is required to help leaders ensure that their banks can achieve desired objectives within a certain time (Costa & Bijisma-Frankema, 2007; David, 2013). Control enables strategic leaders to create credibility and illustrate value of strategies to stakeholders of companies, and encourage and support strategic changes (Shields et al., 2000).

In order to control strategies, banking leaders have to provide effective tools to employee to help them achieve the objectives of banks (Nafei et al., 2012). Additionally, it is necessary for strategic leaders to know how to develop and use certain tools to evaluate, monitor and control their plans and strategies such as the balanced scorecard. This complies with studies by many notable researchers who believe that an organisation should use an effective tool, such as the balance scorecard, to achieve a suitable balance between the strategic and financial controls to achieve desired outcomes (Hitt et al., 2013; Kaplan & Norton, 2005; Rowe, 2001; Shutibhinyo, 2013). Furthermore, Kaplan and Norton (1992) state that the balance scorecard is very appropriate for using in evaluating strategies.
- **Capability to engage in ethical practices**

The research study revealed that capability to engage in ethical practices is very significant for strategic leaders, particular in the banking sector. This is because risk can occur in any position at any time. As a result, several participants suggested that strategic leaders should operate their business with ethical practices. This can help their banks to promote sustainable competitive advantage over the long term.

Moreover, strategic leaders need to consider the interest of their bank over their personal interests. These findings are supported in a study by Daft and Pirola-Merlo (2009) who state that in the present era of financial scandal and moral lapse, ethical practices are considered to be important for organisations because running a business with ethics can help business sustain successes and competitive advantage over the long term. This is supported in studies by Trevino (1986) and Driscoll and McKee (2007).

Moreover, actions of leaders can influence or motivate transparency, good corporate governance and top management transparency of banks (Offiong & Ewa, 2013). In essence, ethical practices enable organisations to increase the effectiveness of a strategic process. Additionally, it motivates and enables employees at all levels of a company to act ethically when actions are needed to implement strategies (Hitt et al., 2013). According to Nel et al. (2011), Pinto et al. (2008), and Schweitzer et al. (2004) banks need to have a good ethical mechanism to manage behaviour of employees.

- **Create an effective team**

Apart from the eight capabilities discussed above, the research study revealed that eight of the 11 participants recommended that effective strategic leaders also need to have a capability to ‘create an effective team’, particularly at the top management level. Research participants explained that without an effective team, it is difficult for a bank to succeed in promoting competitive advantage and gaining above-average return. This is because ineffective members of a team may be against a necessary change because of misunderstanding. This can drag a bank from its competitive position. These findings were supported by a research study on Saudi bank by Nafei et al. (2012).

The capability to help leaders create an effective team is essential. It enables an organisation and staff gain several benefits via higher productivity, quality improvements, greater flexibility and speed, a flatter management structure, increased employee involvement and satisfaction, and lower turnover (Daft, 2011; Glassop, 2002; Osborn, Moran, Musselwhite, & Zenger, 1990). Teams can
support an effectiveness of strategy implementation (Beer & Eisenstat, 2000; Lencioni, 2002). As a result of gathering talented people together leaders can create an effective team (Bushe & Coetzer, 2007; Curry, 2013).

Based on the study associated with the research question 1.4 (a), to help a bank achieve a competitive position and promote competitive advantage, strategic leaders need to have at least nine key capabilities. Therefore, having capability in each of the following areas is important: developing and communicating a vision; building dynamic core competencies; developing and effectively using human capital; investing and using the development of new technologies; engaging in a strategy; building and maintaining an effective organisational culture; developing and implementing balanced controls; engaging in ethical practices; and creating an effective team. These capabilities directly reflect the effectiveness of individual effective strategic leaders.

6.2.2 Research question two

What are the understandings of Lao commercial banking strategic leaders on strategic leadership in terms of promoting competitive advantage for their banks?

This study revealed that several Lao commercial banking strategic leaders had not heard the term ‘strategic leadership’ before this study. This supported hypothesis one of the research study that the term and concept of ‘strategic leadership’ is not common for Lao commercial banking strategic leaders. The findings indicated that six strategic leaders were new with the term ‘strategic leadership’.

In contrast, the remainder, less than half of all participants, understand about strategic leadership in terms of promoting competitive advantage for their banks. They explained that strategic leadership is the ability to anticipate challenges and opportunities that will occur in the future and then determine the pathway for an organisation. Strategic leaders are people who have capabilities to provide clear vision and communicate that vision to encourage staff to achieve goals of an organisation. Furthermore, strategy leaders need to know how to formulate an appropriate strategy for creating competitive advantage over the long-term.

The research thematic findings that were from the empirical data complied with studies by several researchers. Strategic leaders are people who have abilities to anticipate and foresee the future, maintain flexibility, think and work strategically with others to initiate changes as necessary to establish a competitive advantage for their organisations (Daft, 2011; Hitt et al., 2013; Ireland &
Hitt, 2005). Moreover, Hughes and Beatty (2005) add that strategic leaders are leaders who think, act and influence others with a strategic mindset to promote competitive advantage.

Strategic leadership is about capacities to learn, change, and apply managerial wisdom, according to studies by Hambrick (1989), Cohen and Levinthal (1990), Blace and Boal (1996), Malan and Kriger (1998), and Boal and Hooijberg (2000). Hughes and Beatty (2005) and Kjelin (2009) and Du Plessis (2012) add that strategic leadership acts as a system that focuses on the future and is change-oriented.

Based on the interviews, the researcher noted that research participants mainly focused on their future performance rather than focusing on both the short- and long-term performance. This finding indicated that the understandings of research participants do not comply with a study by Rowe (2001) who stresses that strategic leadership should focus on both the long-term viability of companies and the short-term financial stability at the same time.

A conclusion to be drawn from this study is that strategic leadership is likely to be a new subject for a large number of Lao commercial banking strategic leaders. This is because a small number of participants understood about strategic leadership in terms of promoting competitive advantage as they explained above in this section. Their understanding aligns with the literature around strategic leadership (Boal & Hooijberg, 2000; Du Plessis, 2012; Hitt et al., 2013; Hughes & Beatty, 2005; Kjelin, 2009; Rowe, 2001). In addition, most of the strategic leaders in Laos understood that strategic leaders are people who often address long-term performance.

**6.2.3 Research question three**

**What are the understandings of leaders on the role of strategic leadership in an organisation?**

The findings emphasised that many participants understood the important role of strategic leadership. Strategic leadership plays an important role in an organisation (Phapruke, 2012; Rowe, 2001). The research participants said that without strategic leaders, a bank could not promote competitive advantage or even survive. This view is in line with a study by David (2013) who say that the competitive advantage of an organisation can terminate as soon as its rivals are able to duplicate or imitate its strategy.

However, most of the participants did not mention the important role of strategic leadership on making a necessary change for an organisation. This did not align with the literature by Boal and Hooijberg (2000), Boal and Schultz (2007), and Marion and Uhl-Bien (2001) who state that without strategic leadership, organisations cannot make a significant change.
– **Promoting competitive advantage**

The findings showed that strategic leaders are people who have capabilities to capture opportunities and create competitive advantage for the banks in Laos because strategic leaders can anticipate the future situation and then provide the long-term direction to the banks. Additionally, strategic leaders play a vital role in motivating and inspiring employees to reach the goals of the banks. They are key people who put or interpret a strategy into practice. Therefore, strategic leadership plays a significant role in promoting competitive advantage for a bank. The thematic findings are consistent with studies by Daft (2011), Hinterhuber and Friedrich (2002) and Kjelin (2009).

– **Creating the effective strategic management process**

Participants agreed and confirmed that strategic leaders play a significant role in formulating and implementing a strategy for a bank. Without strategic leadership, the effectiveness of a strategic management process may be highly compromised. Moreover, such leaders will find it difficult to work with others to make strategic decisions. Furthermore, leaders and managers without strategic leadership at lower levels cannot support and provide useful information to the top management team to make strategic decisions. The thematic findings were consistent with studies by Hitt et al. (2013), Lee et al., (2011) and Holcomb, Holmes, et al. (2009).

– **Increasing the effectiveness of the top management team**

The study strongly supported that the top management team without strategic leadership, is likely to create an ineffective strategic management process for their banks. Moreover, they recognised can minimise the competitive advantage of their banks. Therefore, members of the top management team need to have strategic leadership. These perspectives comply with the literature by Guimaraes et al. (2010) who state that strategic leadership is a representative of the abilities of the top management team. Particularly in the banking sector, leadership is very significant in influencing and determining service quality and business performance (Lee et al., 2011).

An individual high-ranking executive who lacks strategic leadership will hardly develop their performance and will have difficulty working with other leaders. In essence, this could make the strategic management process fail to generate a competitive advantage for a bank. This finding was in line with the literature by Du Plessis and Frederick (2010) who say that if high-ranking executives lack the right leadership, they may lead their organisations to a compromised performance or fail to succeed over the long term. Likewise, Finkelstein and Hambrick (1996) point
out that the top management team need to have effective strategic leadership and superior managerial skills because they are key elements for the success of an organisation.

Therefore, a conclusion that can be drawn from this study is that competitive advantage stems from the effective strategic management process. Therefore, the top management teams that include sufficient effective strategic leaders create that effective strategic management process. Hence, this study summarises the process of promoting and sustaining competitive advantage leading to the development of the Competitive Advantage Model (CAM) as depicted below:

**Figure 8: Competitive Advantage Model (CAM)**

![Competitive Advantage Model](image)

Source: Developed by the author based on this study (2013)

### 6.2.4 Research question four

**What are the perspectives of leaders on the role of strategic leadership in terms of the real practices of their banks?**

This research study has identified a range of issues associated with the role of strategic leadership from both the views of participants and the real practices of their banks.

The findings indicate that although the research shows that several Lao commercial banking strategic leaders understood the important role of strategic leadership, in real practice, they could not maximise the effective strategic management processes of their banks along with a competitive advantage. The situation has arisen because their banks did not have enough strategic leaders. This resulted in the differences in understanding by the research participants of the role of strategic leadership and the real practices of their banks.
This study supported Ho: that commercial banks in Laos do not have sufficient effective strategic leaders to promote and maximise competitive advantage for their banks in the future.

- **Promoting competitive advantage for an organisation**

Six research participants observed that the majority of strategic leaders in their banks have paid less attention to their strategic roles. They added that many strategic leaders have mainly focused on performance in the short-term plan rather than the long-term plan. This meant that some Lao commercial banks do not have sufficient effective strategic leaders and teams, particular in the top management team, to help the banks maximise competitive advantage.

In addition, the findings showed that some strategic leaders of some of the participating banks failed to provide clear pathways to employees to sustain the competitive advantage of their banks. Hence, this significantly affects the long-term plan to promote the competitive advantage of the banks.

- **Creating the effective strategic management process**

Seven out of eleven participants explained that as there is a lack of effective strategic leaders, this leads their banks to a poor strategic management process. Furthermore, this means their banks could not balance between short- and long-term plans. Some banks have undertaken little research study of their competitors. The findings are likely to demonstrate that some banks have unproductive strategic management processes because several members of the top management team still lack strategic leadership.

- **Increasing the effectiveness of the top management team**

While the findings showed that strategic leaders could increase the effectiveness of the top management team, research participants explained that their banks have several leaders who lacked strategic leadership. This caused their banks to have a weak capability to create core competencies. In addition, the learning processes of the banks are poor. In essence, the top leader formulated a strategy for a bank without directing or providing a clear pathway to the employees. These reflect poor capabilities of strategic leaders of the banks, particularly at the top level.

The conclusion showed that in the real practices, some commercial banks in Laos still have poor strategic leaders in the key positions, including at the top management level. This causes their banks to be unable to maximise competitive advantage to the level that their banks should achieve. This matter was highlighted in the literature review (Barney & Hesterly, 2012; Beer & Eisenstat, 2000; Boal & Schultz, 2007; Collins, 2001; Daft, 2011; Du Plessis, 2012; Freedman & Tregoe, 2003;
Fung, 2008; Grant, 2010; Guimaraes et al., 2010; Hinterhuber & Friedrich, 2002; Hrebiniak, 2005; Hughes & Beatty, 2005; Lee et al., 2011; Morrow et al., 2007; Thompson et al., 2010; Thompson & Strickland, 2001; Wallace, De Chernatony, & Buil, 2013).

6.2.5 Research question five

How effective are key capabilities of strategic leaders in Lao banking in real practice?

Along with the findings of the views and the understanding of research participants relating to strategic leadership to determine the key capability for effective Lao commercial banking strategic leaders, this study gathered relevant information about the real practices of all participated banks. The purpose was to investigate the effectiveness of those nine key capabilities of banking strategic leaders in Laos in terms of the real practices.

The findings revealed that there are many ineffective strategic leaders in commercial banks in Laos. These leaders have not played their roles well because they lack the effectiveness of the key capabilities. As a result, the findings supported Ho3 that banking strategic leaders in Laos do not have sufficient key capabilities for promoting and maximising competitive advantage for their banks.

Relating to the literature review and the findings of this study, the researcher developed the full process through the practice of strategic leadership for promoting competitive advantage for an organisation over the long-term, especially in the Lao banking industry, as below:
Figure 9: Competitive Advantage Creating Process Model (CACP)

Source: Based on the mixed model between KCBS (Figure 7) and CAM (Figure 8) developed by the author.

– Capability to develop and communicate a vision

The research findings indicated that ten leaders stated that their banks have vision statements but only five of them are confident about achieving the vision on time. This finding showed that the top management teams of some banks still lack effective communication with all key managers. Moreover, six participants are not confident with the vision statements of their banks. One participant said that his bank did not have a vision statement.

– Capability to build dynamic core competencies

The second findings of key capabilities indicated that five participants were not satisfied with the capability to build dynamic core competencies of their banks. They observed that many other
strategic leaders in their banks lack this capability and did not know what core competencies of their banks are. The results clearly showed that apart from five participants, there are many other leaders and managers who did not know what the competencies of their banks are nor how to develop those competencies.

− **Capability to develop and effectively use human capital**

Seven of eleven leaders are unlikely to be satisfied with using and developing of human resources of their banks. The finding affirmed that some participating banks have insufficient effective leaders to successfully develop and use human capital. In essence, some banks cannot maximise the benefits from human resources.

− **Capability to invest and use the development of new technologies**

Some banks in Laos are unable to maximise the benefits of new technologies, especially in the labour-cost aspect. This is because presently the banks use new technologies for security and improving speed of service quality as the main priority rather than saving labour-cost. The findings indicated that the banks in which four research participants are working, needed to exploit more benefits from new technologies, particularly in the labour-cost perspectives.

− **Capability to engage in a strategy**

The findings affirmed that the capability to engage in a strategy is the basic capability that strategic leaders should have. Four participants stressed that their banks need to provide more training about this capability to key leaders, particular in the managerial levels. Furthermore, the findings showed that some banks have a specific team or one division that makes decisions about a strategy without communicating with relevant parties that will be implementers or interpreters of that strategy. This is causing more disadvantages than advantages to the banks.

− **Capability to build and maintain an effective organisational culture**

All participants confirmed that their banks have an effective culture that can support the successes of their banks. As a result, the findings showed that strategic leaders in all participated banks presently have the capability to build and maintain an effective culture.

− **Capability to develop and implement balanced controls**

The findings indicated that strategic leaders from G1 are not familiar with specific tools that use for control, monitor, and evaluate a strategy. This finding showed that strategies of these banks are
facing challenges to be successful because of lacking effective tools. In contrast, the banks, G2, have tools and control systems that participants believe are better than those that are in textbooks. As a result, they strongly think that their banks can succeed in a certain period of time.

- **Capability to engage in ethical practices**

Another finding showed that the banks of five strategic leaders did not have a code of conduct. Furthermore, one leader said that his bank has a code of ethics but the bank lacks in providing training and the training is also ineffective. These indicated that some banks do not have an effective formal ethical mechanism.

- **Capability to create an effective team**

Finally, the research findings demonstrated that the top management teams of some banks are ineffective. This is because several participants expressed that many top leaders have difficulty working with others among the team. In essence, these leaders do not understand much about strategy. The finding indicated that their banks are facing difficulties in developing effective teams that will create an effective strategic management process.

Therefore, the conclusion that can be drawn is many banks do not have effective vision statements. In addition, several strategic leaders lack the capability to build core competencies. In essence, the banks need to pay more attention to human capital; and the use of new technologies issues. The banks of G1 have only a single strategy for directing the overall banks. These banks have not used any specific tools such as the balanced scorecard or KPIs.

The capability to build and maintain an effective culture is likely to be only one capability that all participants explained that their banks are good at. On the other hand, the banks of five participants do not have a code of conduct to help them manage issues related to ethics. Finally, five strategic leaders expressed that their bank should pay more attention to create an effective team.

The findings and literature showed that several strategic leaders in Laos lack key capabilities of effective strategic leaders, thus, they are not effective strategic leaders. This can be barriers for their banks to implement strategies successfully and sustain competitive advantage over the long-term. However, the finding indicated that the capability to build and maintain effective culture is likely to be only one capability that all participants explained that their banks are good at.
6.3 Recommendation for Lao commercial banking strategic leaders

6.3.1 Recommendation one

The banks should enhance strategic leadership in key positions in the range of managers to the top leaders in order to make them aware of their roles in promoting and sustaining competitive advantage for the banks over the long term.

The findings showed that leaders with strategic leadership played an important role in promoting and sustaining a competitive position and gaining competitive advantage for the banks over the long term. Strategic leaders hold a central role in increasing the effectiveness of the top management team, creating the effective strategic management process, and then promoting sustainable competitive advantage. Those roles are reflected and abound in the literature of many notable researchers on leadership topics.

Hence, what might be the first recommendation is that all managers should understand what strategic leadership is, pay more attention to the role of strategy in contributing to their banks, and see the crucial importance of the strategic decisions that their strategic leaders make. This would strengthen their contributions to the banks and help them build more of their capabilities as well as those of the banks to promote and sustain competitive advantage over the long term.

6.3.2 Recommendation two

Managers at all levels need to clearly understand the vision of the banks and core competencies and strategies that are relevant to their tasks in order to effectively communicate to their subordinates. This can inspire and encourage employees to work effectively and move in the same direction to reach objectives of the banks.

In relation to perspectives of effective strategic leaders, the research study showed that effective strategic leaders need to pay more attention to vision, core competencies, and strategies of their banks. This is because they are key people who communicate vision, analyse core competencies, and interpret strategies to employees. Without clear understanding and effective communication of these things, they can cause conflicts between employees in terms of decision making and direction of their banks. These can cause employees to work without inspiration. In essence, they might move in different directions or against each other. These affects are echoed in the literature review (Alabduljader, 2012; Beer & Eisenstat, 2000; Bell, 2007; Collins & Porras, 1996; Daft, 2011; Daft & Pirola-Merlo, 2009; Hitt et al., 2010; Moore, 2008; Nafei et al., 2012; Sashkin, 1988; Thompson et al., 2010).
According to these main findings, it is therefore recommended that the banks, especially the banks of G1, should have a clear vision, core competencies, and effective strategies. Leaders then effectively communicate these things to employees to ensure that every staff member understands correctly what is expected of them and works effectively so that they can achieve their goals in the period of time determined in the strategies of the banks.

6.3.3 Recommendation three

*The banks should provide training associated with strategic planning or formulating and implementing a strategy to key leaders to help them understand the strategic management process. It is the important process that is fundamental for promoting and sustaining competitive advantage for the banks.*

The third recommendation is related to the strategic management process. The study noted that several leaders did not know the whole process in creating a strategy. This creates a disadvantage for the banks because these leaders cannot gather the necessary information that can support the effectiveness of strategies. These leaders will find it difficult to implement the strategies because of a lack of knowledge related to a strategy. In addition, these leaders cannot carry out their role effectively to interpret strategies and policies into their divisional practices, and direct their subordinates to succeed on time. Therefore, without strategic leaders or leaders with knowledge on strategy, the banks cannot implement successfully their strategies as echoed in the literature (Collins, 2001; Freedman & Tregoe, 2003; Hrebiniak, 2005; Kaplan & Norton, 2004; Lynch, 2006; Pearce & Robinson, 2007; Thompson & Strickland, 2003; Ulrich et al., 1999).

Hence, a further recommendation for these is that the banks should provide training to key leaders, especially leaders who have the tasks of interpreting and implementing strategies, to ensure that they have sufficient knowledge about a strategic management process and work effectively with others. This is to avoid doing a strategy only to satisfy titles or accreditation or regulatory requirements.

6.3.4 Recommendation four

*The banks, especially G1, should intensively research and apply the international standard tools for monitoring, controlling and evaluating their strategies to ensure that their tools enable the banks to achieve their vision in a certain period of time.*

The findings showed that balanced control is important for the banks to gain desired outcomes. To do that, it requires the banks to have sufficient and effective tools to control, monitor, and evaluate
their plans and strategies. Without these tools, the banks are unlikely to achieve goals on time or likely to gain compromised outcomes. These themes are reflected in the literature by several researchers.

Thus, what might be a recommendation is that the banks, particularly in G1, should see the significance of the tools used for monitoring, controlling, and evaluating their strategies. This study strongly recommends that some banks need to pay more attention to and apply tools and KPIs that are widely recognised by the international banking strategist to ensure that the control of the banks are in the global manner. In addition, this is to ensure that the banks can have the global standard management tools.

6.3.5 Recommendation five

_The banks, especially G1, should create an effective ethics mechanism to ensure that all ethical issues are reported and solved in an effective way._

With regard to the ethical issue, the study revealed that an effective ethics mechanism enables organisations to manage well their ethical issues. Meanwhile, the key elements of the mechanism include code of ethics, ethical structures, training program, and disclosure mechanisms. Particularly in the banking sector, the formal ethical mechanism plays an important role in enabling banks to manage behaviour of employees in a suitable manner. These key elements are echoed in the literature review (Nel & Du Plessis, 2011; Pinto et al., 2008).

Hence, a significant recommendation for these is that the banks should create the formal ethics mechanism that include code of ethics, ethical structures, training programs, and disclosure mechanisms rather than a code of ethics alone.

6.3.6 Recommendation six

_Leaders, especially the top management team, should continuously improve their capabilities associated with strategy, at least nine capabilities as depicted in Figure 7, to ensure that their capabilities are effective and sufficient to bring their banks to success over the long term._

The recommendation is that strategic leaders, especially the top management team and heads of divisions, should develop themselves with at least nine capabilities as depicted in Figure 7 to enable them to work effectively. The capabilities are fundamental to create, promote and sustain competitive advantage for an organization, as depicted in Figure 9, to lead an organisation to
success over the long term. Hence, leaders nowadays should not only have a few capabilities but also have sufficient and effective capabilities to create an effective strategy.

Today’s high competition and too much information is difficult to digest and filter. Thus decisions are likely to be too complex to make. Without sufficient and effective capabilities, leaders seem to fail to sustain competitive advantage for their organisation. As a result, successes of the organisation are too dependent on a blending of capabilities of leaders throughout the organisation as highlighted by many researchers referred to in chapter two (Adair, 2010; Beer & Eisenstat, 2000; Boal & Hooijberg, 2000; Daft, 2011; Daft & Pirola-Merlo, 2009; Grant, 2010; Hitt et al., 2010; Hughes & Beatty, 2005; Lee et al., 2011).

6.3.7 Recommendation seven

Strategic leaders should pay more attention to both the short and long-term performances. In addition, they should stress on achieving above-average performance by creating an effective strategy.

The recommendation is that strategic leaders should not focus only either the short-term or long-term performances. They should establish a suitable balance between the short and long-term goals that are consistent. For instance, they should create an effective strategy that can lead their banks to vision while short-term goals still remain. This concept was highlighted in the literature review (Hitt et al., 2010; Kaplan & Norton, 1992; Kaplan & Norton, 2007; McConnell, 2013; Rowe, 2001).

6.4 Strengths and limitations

6.4.1 The strengths of the research study

The significant strengths of this study were the validity and reliability of the data collection. Although this project used one data collection method, the data collection process was carefully conducted in the effective manner as highlighted by many notable researchers (Cohen et al., 2011; Easterby-Smith et al., 2008; Ghauri and Gronhaug, 2005; Robson, 2002; Saunders et al., 2012). In essence, this study has kept rigour through the study process. In addition, based on the knowledge and experience of the researcher, this assisted the researcher in gaining credibility, assess accuracy of the responses and to encourage the participants to provide more useful information associated with the research questions.

Other strengths of this research project were that all research participants in the range of CEO and chairman to manager of four leading banks had sufficient time to prepare themselves before
becoming involved in the project. Moreover, they were willing to participate and provided their perspectives and their views on the real practices of their banks. In essence, all interviews were conducted in the appropriate places and manner, these enhanced the confidence of the participants in expressing their opinion and information. As a result, biased information was minimised, and helped to give quality to the audio-recording. This has provided the researcher with an accurate and unbiased recording.

6.4.2 The limitation of the research study

This study has some limitations that readers should keep in mind when reading the research study. The first limitation is that there was limited research on strategy and strategic leadership subjects in Laos. As a result, there was a gap in the literature that was related to strategy and strategic leadership within the Lao context.

The literature associated with strategy and strategic leadership was mainly conducted and critiqued in developed countries, for instance, the United State of America, England, Australia, New Zealand and South Africa. However, this literature was reviewed and applied to the banking sector in Laos, the least developed country and the issues raised corresponded to the study findings in the Lao context.

The final limitation is that some commercial banks and strategic leaders in Laos did not understand the importance of a research study. This may be because a research study on strategic leadership is unknown to them. As a result, two banks and four participants refused to participate in this research project. It would be useful if the researcher could execute a further study with participants from other banks.

6.5 Future research opportunities

The researcher would like to recommend that future research study should conduct and collect data with a larger base from more commercial banks across the banking industry in Laos involving both local and foreign banks. This would either support or challenge the findings of this study and contribute to a broader knowledge base of the study on the role and capabilities of strategic leaders in promoting and sustaining competitive advantage for commercial banks in Laos over long term.

In essence, commercial banks in Laos could apply the findings into their practices. These would help commercial banking strategic leaders and managers to be more aware of their roles and the capabilities that they should have in order to deal with new challenges and to capture new opportunities for their banks when Laos integrates into the AEC.
Finally, the researcher would like to stress that further study should address that missing perspective, such as gathering data with a larger base from more commercial banks. This would give contrasts and comparisons to the findings of this study thus providing a wider range of perspectives.

6.6 Summary

It can be concluded that strategic leadership is fundamental for promoting and sustaining competitive advantage. It does not matter how long an organisation spent on creating superior performance over its rivals in the past, without effective strategic leadership, competitive advantage could be lost in an incredibly short time. Therefore, it is important for key leaders, especially, the top management team, to have strategic leadership with at least nine capabilities.

Since Laos integrated into the global market, a large number of foreign banks flowed into Laos. This has increased the number of commercial banks and high competition between the existing banks and new entrants. Hence, to deal with the challenges, commercial banks in Laos need to have enough effective strategic leaders to create an effective strategic management process in order to promote and sustain competitive advantage for the banks over the long term.

The new proposed Competitive Advantage Creating Process Model (as depicted in Figure 9) developed by the researcher is considered to be one of the most suitable models for strategic leaders to apply within the Lao context. The researcher strongly believes that this model could provide at least the basic pathway for leaders to see the process about how to promote sustainable competitive advantage for their banks over the long term. This enables commercial banks in Laos to handle and compete with both local and international banks in the present and future. Finally, this study provided seven useful recommendations that the researcher strongly believes that commercial banking strategic leaders in Laos should focus their attention on.
References


APPENDICES

APPENDIX 1: Semi-structured interview

SEMI-STRUCTURED INTERVIEW QUESTIONS FOR THE RESEARCH

I./ The understanding of strategic leader on the term ‘strategic leadership’

1. In your view, what are the key capabilities of leaders in the commercial banking sector?

2. Are you familiar with the term ‘strategic leadership’?
   - If yes, what is your understanding about ‘strategic leadership’ in terms of promoting competitive advantage for your banks?
   - If no, the researcher will give a brief explanation of the term.

II./ The understandings and perspectives of strategic leaders on the role of strategic leadership

3. Do you think your bank has strategic leaders?
   - If yes,
     3.1 what is your understanding on the role of strategic leadership?
     3.2 How effective do leaders in your bank play their role associated strategic leadership?
   - If no, how does your bank sustain competitive advantage?
4. How can your organisation develop strategic leadership to sustain competitive advantage?

III. The key capabilities of effective strategic leaders

5. In your view, what core capabilities should strategic leaders have in order to promote and sustain competitive advantage for a bank over the long-term?

6. Do you think it is important for strategic leaders in the Lao banking sector to have the following capabilities:
   6.1 Developing and effectively communicating the vision to all employees? Why or why not?
       - What is the real practice about this capability in your bank?

   6.2 Building dynamic core competencies? Why or why not?
       - What is the real practice about this capability in your bank?

   6.3 Developing and using effectively human capital? Why or why not?
       - What is the real practice about this capability in your bank?

   6.4 Investing and using the development of new technologies? Why or why not?
       - What is the real practice about this capability in your bank?

   6.5 Engaging in the formulation and implementation strategy? Why or why not?
       - What is the real practice about this capability in your bank?

   6.6 Building and maintaining an effective organisational culture? Why or why not?
       - What is the real practice about this capability in your bank?

   6.7 Developing and implementing balanced controls? Why or why not?
       - What is the real practice about this capability in your bank?

   6.8 Engaging in ethical practices? Why or why not?
       - What is the real practice about this capability in your bank?
APPENDIX 2: Information sheet: For participants

Information for participants

“How can commercial banks in Laos promote and sustain competitive advantage through practicing strategic leadership?”

My name is Phonephet Manichith, and I am a Post-graduate student at Unitec Institute of Technology, New Zealand, studying a Master of Business qualification. To fulfil the programme’s requirements, I will undertake a study on the role of strategic leaders in the Lao commercial banking sector in sustaining competitive advantage in the long-term for their organisations. In my thesis, I will focus on the Lao commercial banks as this sector has a highly competitive environment, which will be enhanced when Laos integrates into the ASEAN Economic Community in 2015.

What I am doing

The aim of my project is to investigate the perspectives of Lao commercial bank leaders on strategic leadership and determine key capabilities for Lao commercial banking strategic leaders to sustain competitive advantage for their organisations. By taking part in this project you will help me to understand more about Lao commercial bank leaders’ perceptions and how strategic leadership plays a role in organisational performance. Finally, this study will determine the key capabilities of strategic leaders in the Lao commercial banking sector.
What it will mean for you

I would like to interview you and ask some questions related to strategic leadership. I would like to meet you for between 30 to 60 minutes to discuss the topic. I will visit your organisation at a convenient time as pre-arranged between us.

Your comments will not be identified as coming from you or reported back to your organisation. Additionally, all information that I collect from you will be treated confidentially. The interview will be recorded with a recording device and then transcribed by the researcher. After that, I will send a copy of the transcript to you to check for accuracy and amend as you see fit. You also have the right to access to the final report if you wish.

If you agree to participate, you will be signing a consent form that includes contact information so that I may be in touch with you. At that point I will confirm with you that you meet the selection criteria that were explained as part of the recruitment process. If you are selected to participate, you can still change your mind if you wish to withdraw from the project. However, because of our schedule, any withdrawals must be done within two weeks after you receive the transcript.

Your name and personal information which may identify you will be kept completely confidential. All information collected from you will be stored on a password protected file and only you, the researcher and my supervisors will have access to this information. The bank where you work will be identified by name in the study, and some interview data you provide may be linked to the bank. It is possible that some of your work colleagues or fellow interviewees could identify you through their knowledge of your views or specific role in the bank; however interviews will not cover any sensitive topics, and you may amend the transcript you receive accordingly if you have any concerns. In addition to the thesis, the information you provide may also appear in future publications or conference presentations.
If you have further queries about the research, please feel free to contact my primary supervisor at Unitec, New Zealand, Dr Andries Du Plessis, telephone is +64-9- 815 4321 ext. 8923 or email aduplessis@unitec.ac.nz. My secondary supervisor Jeff Marriott, +64-9-815 4321 ext 8131 or email jmarriott@unitec.ac.nz.

If you agree to participate in this study, please sign the consent form, providing contact information where indicated, and return it to a sealed box in the staffroom. I will collect the box once all the consent forms have been lodged there.

**UREC REGISTRATION NUMBER: 2013-1042**

This study has been approved by the UNITEC Research Ethics Committee from June 28, 2013 to June 28, 2014. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162. Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.
APPENDIX 3: Participant consent form

Participant consent form

Research Project Title:
“How can commercial banks in Laos promote and sustain competitive advantage through practicing strategic leadership?”

I have had the research project explained to me and I have read and understand the information sheet given to me.

I understand that if the pool of interested parties exceeds places available, I may not be selected to participate. I also understand that I don't have to be part of the project if I don't want to.

If I am selected to participate:

I understand that I can withdraw from the project within two weeks of receipt of the transcript.

I also understand that everything I say is confidential and none of the information I give will identify me; the only persons who will know what I have said will be the researcher and his supervisor. I understand that all the information that I give will be stored securely on a computer at Unitec Institute of Technology for a period of 5 years.

I understand that my discussion with the researcher will be taped and transcribed. I have an opportunity to review and amend a transcript.

I understand that I can see the finished research document.

I have had time to consider everything and I give my consent to be a part of this project.
Participant Name: ............................................................... 

Participant Signature: ......................... Date: .................

Participant contact details:

Researcher Name: ............ Phonephet Manichith .........................

Researcher Signature: ... ......................... Date: .................

Please return the consent form to a sealed box in the staffroom, and then the box will be collected by the researcher.

UREC REGISTRATION NUMBER: 2013-1042

This study has been approved by the UNITEC Research Ethics Committee from June 28, 2013 to June 28, 2014. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.
Organisational Consent

I (name) (position in organisation) of (organisational name) give consent for Phonehet Manichith to undertake research in this organisation as discussed with the researcher.

The consent is subject to approval of research ethics application no 2013-1042 by the Unitec Research Ethics Committee and a copy of the approval letter being forwarded to the organisation as soon as possible.

Signature:

Date: