

## STRATEGIC BEHAVIOR AND NATIONAL CULTURE: THE CASE OF THE BANKING INDUSTRY IN JORDAN

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### EXECUTIVE SUMMARY

*This paper examined the relationships between national culture and strategic behavior in the banking industry in Jordan and U.S. The study first developed a strategic posture and secondly a cultural profile for the top management of the research domain. The strategic posture suggested the readiness for strategic response from managers. The degree of readiness was correlated with the constructed cultural profile of the managers and financial performance of the banks. The study found significant relationships between certain national cultural strategic characteristics, (risk propensity, time orientation, and openness to change, uncertainty avoidance and managerial perception of control over the environment) strategic behavior and financial performance.*

### INTRODUCTION

Despite the socio-political and economic volatility of the Arab world and its economic potential, there is little research exploring the strategic orientation of Arab management. The distinct characteristics of the Arab culture, inevitably invite the question: What type of strategic posture optimizes Arab management performance? Does national/regional culture impact strategic behavior? Do attitudes towards planning reflect underlying cultural values, norms, assumptions and beliefs. There are a limited number of studies conducted about strategic management practices and theories in Arab countries (Al-Faleh, 1987; Al-Shaikh and Hamami, 1994; Kassem, 1989; Khan and Al-Buarki, 1992) and the few who have tried have had difficulties in implementing them (Kassem, 1989). The perceptions of time, change, and risk as they relate to national culture have suggested (Hofstede, 1980, 1980b, 1993) an important role in decision-making, thus, rendering the relationship of culture and strategic planning critical in establishing optimal performance of the Arab firm. This study will provide an *exploratory launch pad* to suggest the relationship between strategic behavior, national

culture and financial performance. The research domain selected to operationalize the research was the banking industry of Jordan because of accessibility and the necessity to have respondents in top decision-making capacities.

The initial approach of this study was to establish a managerial profile based on established cultural characteristics and previous research on cross-cultural management. Secondly, we wanted to build a strategic posture profile for our respective research population based on developed typologies and previous research. Considering that firms engage in a variety of strategic activities and top decision-makers exercise strategic choices based on internal capabilities and perceived exogenous threats and opportunities, we wanted to explore the relationship between the strategic activities, cultural characteristics, and performance. We constructed a research model to facilitate the conceptualization of the variables and their relationships (Figure 1).

### JORDANIAN MANAGEMENT AND THE BANKING INDUSTRY.

The capacity of management education and training programs is not sufficient to meet the country's management development needs. This was confirmed by a study involving 300 managers from both the private and public sectors in Jordan (Al-Faleh, 1987).

Management development is one of the most critical issues facing Jordan. There is a direct correlation between economic stability and development (Al-Faleh, 1987). As a result, a major organizational and development program was initiated in 1989 by the Jordanian Institute of Public Administration with the help of the United Nations (Atiyyah, 1993).

The Jordanian Central Bank was established in 1964 and the Amman Financial Market was established in 1978. It is reported that the Jordanian banking sector is conservative and even over-banked and that the future trend is moving toward a period of mergers (Banker, 1996), for example the mergers of 1997 when the Amman Investment Bank was liquidated and sold to the Arab Bank (The Jordan Times, November, 1997). The Business Bank and the National Bank merged and formed the country's fourth largest bank (Euromoney, 1996).

While banks operate under the same commercial banking principles and activities of the banking industry in Europe and the United States, Islamic banking is well established in Jordan.

**TABLE 1**  
**Literature Relevant To the Research Problem**

Category	Descriptive Studies	Empirical Studies
<b>Strategic Management:</b>	Austin and Kohn (1990)	Kassem (1989)
Lack of practice and Research in Developing And Arab countries	Hanna (1987) - Jaeger (1990) Kiggundu (1985) - Paul (1983)	Kassem & Habib (1989) Khan & Al-Buraki (1992)
<b>Arab Management:</b>	Ali (1990, 1992) - Ali & Swiercz (1986) - Atiyyah (1993)	Ali (1995) Abdalla, et al. (1998)
The need for development Management Style and Cultures Nepotism	Anwar, & Chaker, (2003)	
<b>Indigenous Management:</b>	Adler (1983) - Al-Aiban & Pearce (1993) - Arora (1972) - Atiyyah (1992b) - Hunt (1981) - Kiggundu, et. al. (1983)	Ali (1987) - Bjerke & Al-Ameer (1993) - Hofstede (1980a, 1980b) - Triandis (1983) Trompenaars (1993)
<b>The Need for Research</b>	Geletkanycz (1997) Razzouk & Masters (1986)	Hambrick & Brandon (1988) Kassem (1989) Khan & Al-Buraki (1992) Schneider & De Meyer (1991)

It started in 1979 with the Jordan Islamic Bank, which ranked the third largest Islamic bank in the world in 1987 (Shallh, 1989). Islamic banks have two types of accounts; investment and saving accounts. The saving accounts do not earn interest. The investment accounts receive dividends from the bank's various investment activities. Islamic loans take the form of partnership or joint ventures, therefore, the Islamic banks' earnings are derived from investments and from the different services they

offer to their customers (Mossavar-Rahmani, 1997). A study conducted in Jordan by Erol, Kaynak, and El-Bdour (1990) on customers' attitudes, beliefs, and perceptions about services offered by Islamic and conventional-commercial banks found that customers had no differentiation between the services offered by the two categories. In light of the many changes in the environment, the banks in the Arab countries just like their economies are being transformed, yet this transformation process is slow and conservative (Timewell, 1995). Nevertheless, globalization is changing managerial philosophies and technology in banking to redefine Arab banking (Azzam, 2000).

### THEORIES SUPPORTING THE DEVELOPMENT OF A STRATEGIC POSTURE

Theoretical and empirical support for our investigation is drawn from a variety of disciplines (organizational theory, strategic management, etc.). Exploring environmental turbulence and the managerial capability for strategic response strategy leads to the examination of the basic environment-organization relationship. Historically and empirically, the philosophical arguments have evolved around the degree and nature of the relationship between the organization (i.e. dependence, transactional, manipulative) and its environment. Various selected theories have delved into the relationship of organization and environment. Adaptations of such theories to the context create an alternative launch pad of investigating the environment-organization relationship. Such analysis provides the mechanism necessary for an exploratory study. A brief overview of relevant theories provides a context for our investigation.

**Resource dependence:** Organizations actively engage in exchanges with the political and economic environment in order to reduce uncertainty, to improve performance, and to increase the chances of survival. (Aldrich & Pfeffer, 1976; March & Simon, 1958; Pfeffer, 1982, and Pfeffer & Salancik, 1978),

**Institutional:** Environmental constituents determine the degree of success of an organization; it must conform to social norms. (Meyer & Rowan, 1977; DiMaggio & Powell, 1991; Scott, 1987),

**Stakeholder:** Environment is constituted by stakeholders seeking influence and/or power (Freeman, 1984; Wood, 1991).

**Organizational Ecology:** Effects of environments on the structure, functioning, and effectiveness of the firm (Hannan & Freeman, 1989)

**Contingency:** Optimal performance is the result of appropriate alignment between the environmental turbulence and managerial behavior and capability.

Resource allocations must be consistent with the firms' environment (Ansoff, 1979; Ansoff & McDonnell, 1990; Child, 1972; Lawrence & Lorsch, 1967; Mintzberg, 1973).

## RESEARCH MODEL

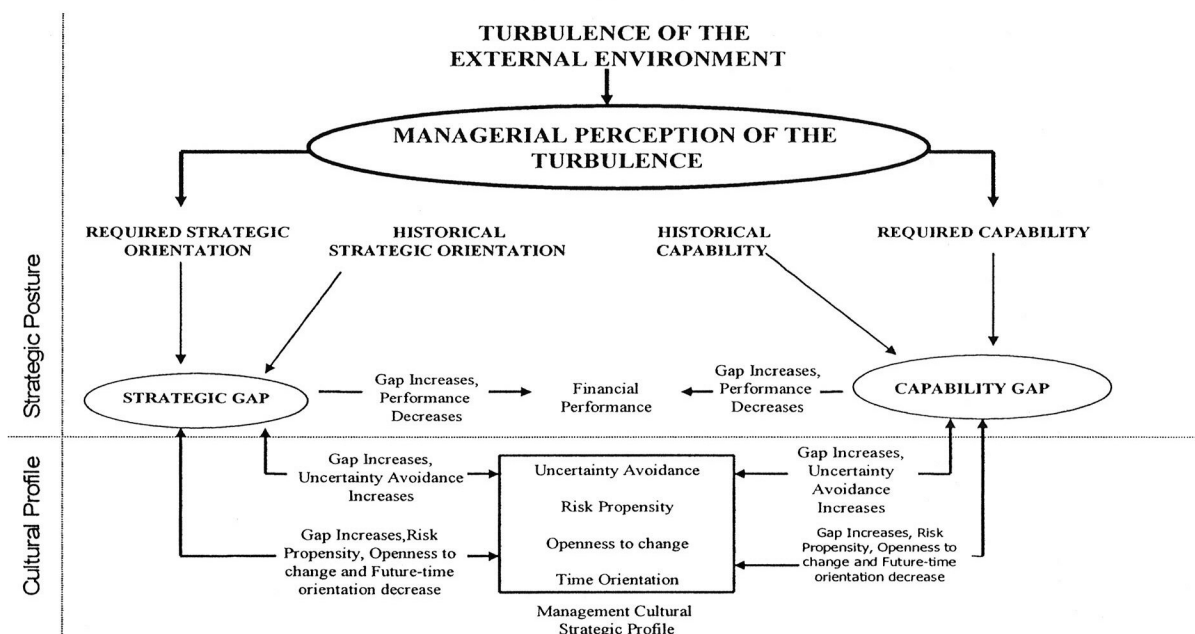
Accurate environmental scanning does not necessarily lead to comparable organizational response. Corporate managers exercise strategic choice (Child, 1972; Miles & Cameron, 1982; Miles & Snow, 1978; Mintzberg, 1983; Murray, 1978), often choosing what environmental factors to consider (Ryan, Swanson & Buchholz, 1987), and therefore, respond differently (volatility of strategic behavior) to external factors. Strategy decision-makers will often select a single option and robustly justify it as the only viable path (Schwenk, 1985). For example, an environmental diagnosis may produce a technologically intensive industry with a highly innovative future (a fast rate of change, very complex, high degree of novelty, etc.) while corporate management's preferred strategic behavior is reactive ("We will respond aggressively to any visible threats"). Subsequently, the firm may fail to develop/integrate the required entrepreneurial/creative strategic behavioral posture to respond effectively. Potentially, as the gap increases between the environmental requirements of an industry and the strategic capability of the organization to respond (which we have defined in this research as *a strategic capability gap*) and/or between the environmental requirements and applied strategic behavior (defined as *strategic aggressiveness gap*), financial performance will diminish. (Ansoff and Sullivan, 1993). Figure 1 represents a conceptual description to facilitate research. It illustrates how top management receives information from the external environment (environmental turbulence) and develops the managerial perception of environmental turbulence. The changing environmental conditions (i.e. rate of change, novelty) indicate an appropriate corresponding managerial behavior, which will optimize the organization's economic performance. The anchoring research question is: given the environmental conditions (independent variable), what type of capability and strategic behavior will generate an optimal financial performance (dependent variable)? Moreover, how does the cultural profile relate to the gaps between the environmental conditions and the strategic capability and/or strategic aggressiveness? In general, the contingency approach has suggested that if the firm's financial performance is optimal there is an alignment between the environmental turbulence and

the managerial capability and propensity to respond. (Ansoff & Sullivan, et al. 1993; Lamont, Marlin & Hoffman, 1993; Lawrence & Lorsch, 1967; Miles & Snow, 1978; Mintzberg, 1979; Thwaites & Glaister; 1992). However, previous research has not shown the relationship of cultural characteristics and the environment-organization fit. Thus, this study introduces the cultural profile of a manager as it relates to the strategic fit of the organization. Based on previous research (Moussetis et al. 1999; Ansoff & Sullivan, et al.1993; Thwaites & Glaister; 1992), this paper also postulates that strategic fit is the alignment of the external volatility with corresponding managerial behavior and capability.

The research model (Figure 1) consists of two parts (modified from Moussetis et al., 1999). The first part will explore the environment-organization alignment. Managers receive information from the external environment and then decide what strategic choices to exercise, based on their assessment. More importantly, the perceived information becomes the reality upon which the managers will attempt to act. Hence, the strategic propensity will play a critical role. For example, the manager will perceive an upcoming threat as a legitimate issue for strategic response or simply decide that it is not important. Hypothetically, two managers are exposed to the same information and arrive at different action plans. Moreover, if the environment indicates a high rate of change, extreme turbulence, complexity, etc., it demands an appropriate managerial capability to respond effectively to such environmental demands. Therefore, a deviation from such capability and behavior constitutes a gap. We argue that as the gap increases financial performance will decrease. For example, a manager receives information of the external environment and formulates a perception of the level of turbulence of the external environment. If the turbulence level is, for example, at level four (see Table 2) but managerial aggressiveness and capability is at level two, then we have a gap of two. We suggest that as the gap increases performance decreases (Moussetis et al. 1999; Ansoff & Sullivan, et al.1993; Thwaites & Glaister; 1992).

Similarly, we explored how these gaps correlate with the cultural components (openness to change, risk propensity, future orientation, and uncertainty avoidance). Operationalization of this part (see figure 1) is supported by previous instruments and research (Ansoff & Sullivan, et al., 1993) which suggests that the greater the fit between environment-organization, the better the performance (Ansoff & Sullivan, et al. 1993; Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Miles & Snow, 1978; Mintzberg, 1979; Miller & Friesen, 1994; Kamallesh, et al., 2001).

Figure 1  
Research Model



In order to operationalize the top part of Figure 1, we used environmental turbulence (exogenous variable), strategic orientation, and managerial capability (endogenous variables) to indicate the environment-organization alignment. The researched population established a perceived level of environmental turbulence (five point Likert scale) and the deviation from the corresponding strategic behavior and organizational capability identified the *strategic aggressiveness gap* and the *strategic capability gap*.

The bottom part of Figure 1 will correlate the degree of this alignment against the cultural profile of Jordanian bank managers as indicated primarily by the typology suggested by Hofstede (1980). Such cultural dimensions include risk propensity, uncertainty avoidance, time orientation, openness to change, and perception of control over the environment. The cultural response provided by the managers was then correlated to the environment-organization alignment. The basic premise of this research suggests that as the gap increases the cultural characteristics have a greater impact on the financial performance.

## DEVELOPMENT OF HYPOTHESES

This research effort builds on two sets of theoretical foundations: *strategic management* and *national culture*. In order to develop the top part (strategic posture), we will need to investigate the fit between exogenous (environmental turbulence) and endogenous variables (strategic orientation of managers and managerial capability to respond).  
**Environmental Turbulence:** The foundational element of this study is the managerial perception of control over the environment (environmental turbulence), which shapes managerial response of environmental turbulence. Control over the environment indicates an internal locus of control. However, when one ascribes to control an outside power of force, then one has an external locus of control (Rotter, 1966; Spector, 1982). The locus of control beliefs in developing countries tend to be more external, indicating a sense of fatalism in the work culture (Jaeger and Kanungo, 1990) and thus, perceived turbulence and control over the environment plays a significant role among Jordanian managers who see themselves as being at the mercy of environment events (Jaeger, 1990). Moreover, environmental scanning tends to produce reactive behavior when managers believe that they have no



control over the environment (Pascale, 1984). However, superior performance was achieved among leaders who displayed an internal locus of control (Anderson & Schneier, 1978). Furthermore, external locus of control is associated with coercive power as opposed to persuasive forms of power (Goodstadt and Hjelle, 1973; Mitchell et al., 1975). Currently, strategic management primarily endorses the open-systems models of organization, scholars postulated the dependence and influence of managerial decisions upon the environment (Aldrich & Pfeffer, 1976; Child, 1972; Hannan & Freeman, 1989; Lawrence & Lorsch, 1967; Pfeffer & Salancik, 1978; Thompson, 1967). Furthermore, the research typology depicted environments primarily as stable, uncertain, complex, static, dynamic, discontinuous, and turbulent (Ansoff, 1979; Emery & Trist, 1965; Duncan, 1972, Lawrence & Lorsch, 1967; Post 1978). Hence, we adopt similar approach.

Environmental turbulence was defined as the rate of change of the environment (Jurkovich, 1974; Ansoff, 1979) and degree of complexity (Ansoff, 1979; Emery, 1985; Thompson, 1967). However, a caution is needed since there is a lack of distinction in the literature between whether environmental turbulence measurements are for long-term objectives (strategic work) or near future/short-term objectives (competitive work). Some environmental turbulence measurement tools are future oriented (Ansoff & Sullivan et al., 1993) while others are past oriented (Tan and Litschert, 1994) and a third group maintains no clear distinction (Naman and Slevin, 1993). Typically, strategic management associates with future developments and issues that may affect the firm (Ansoff & McDonnell, 1990; Armstrong, 1982; Hamel & Prahalad, 1994) while competitive management (Porter, 1980) primarily considers the present and near-future (depending on the industry) strategy. Table 2 represents the basic levels of top management's perceived turbulence.

**Strategic Behavior and Managerial Capability:** Strategic behavior leads to different levels of performance (Morrison & Kendall, 1992). However, what type of strategic behavior produces better performance? The typology developed by Miles & Snow (1978) provided a foundation for other scholars of organizational behavior interested in the relationships between strategy, structure, and process. The validity and reliability have also been affirmed as usable to explore organizations and their strategies (Shortell & Zarac, 1990). The typology is also consistent to theoretical and empirical studies over the last fifteen years (Ansoff, 1979; Ansoff & Sullivan, et al. 1993, Hambrick, 1983; McDaniel & Kolari, 1987; Tan & Litschert, 1993; Ramaswamy, Thomas & Litschert, 1994). Porter's (1980) typology

focuses on concentrated industries (Segev, 1989) and represents an excellent tool for an existing industry (therefore addressing the primary premise of low cost, differentiation), but offers little guidance for industries in highly entrepreneurial, creative, and innovative settings, which are still in a pre-infancy stage. Previous research has indicated the various types of strategic response such as inactive, reactive, proactive, defender, analyzer, entrepreneurial, creative, prospector, anticipatory, etc. (Post, 1978 & 1980; Buchholz, 1995; Frederick, Post, and Davis, 1992; Miles & Snow, 1978; Ansoff and McDonnell, 1990).

Table 2 summarizes the three main variables used to develop the strategic posture without lessening consistency with previous studies and theoretical propositions.

The suggestion is that organizations employ a different organizational response (endogenous driven behavior) depending on the environmental (exogenous driven process) conditions (contingency) (Raman, 2003). The aspiration of this research is to develop a strategic behavior profile that reflects Jordanian managers. Existing research then was modified to facilitate the diagnosis of strategic orientation among Jordanian managers.

In general, managerial capability in the Arab world relies on intuition, instincts, personal contacts, social position, and family relations (Bakhtari, 1995; Kassem, 1989; Badawy, 1980) thus, the status of information impacts the quality of the decision making process (Atiyyah, 1992; Omar, 1984). Nepotism, personal connections, and favoritism significantly influence Arab manager's decisions (Al-Hussaini, 1985; Atiyyah and Al-Hassani, 1981; Harastani, El-Sayed and Palmer, 1985; Hagen, et al. 1998). Change management is subject to the forces of old and new and continues to face conflicting approaches, rendering it fragmented and inefficient (Abbas, 1990). Clearly, Arab management is caught between the forces of change and stability. Specifically, the Arab banking industry is imposed with forces of adaptation due to dramatic economic, financial, and social changes (Azzam, 2000). Thus, the capability to change becomes paramount for effective implementation of change and strategic activities.

The first level of research was to establish the strategic posture of the research sample. Considering the supporting theory and empirical work developed previously (Ansoff and Sullivan, 1993) and the various typologies for strategic behavior, it is postulated that for optimal financial performance *the environmental turbulence must match the corresponding strategic aggressiveness*

**TABLE 2**  
**Environment Turbulence, Strategies Aggressiveness and Capability Descriptions**

Environmental Turbulence	Stable Repetitive	Static-Slow Change	Dynamic - Changes Fast but predictable	Discontinuous but Changes Are Foreseen	Unpredictable Unanticipated
Strategic Aggressiveness	Stable	Reactive	Anticipatory	Entrepreneurial	Creative
Strategic Capability	Suppresses Change	Adapts to Change	Seeks Familiar Change	Seeks Related Change	Seeks Novel Change
Level of Turbulence	1	2	3	4	5

*Modified from Ansoff and McDonnell, 1990*

and strategic capability (same level) (Ansoff and Sullivan, 1993). Hence:

**Strategic Aggressiveness Gap** is the absolute deviation from the top management's perceived level of environmental turbulence

**Strategic Capability Gap** is the absolute deviation from the top management's perceived level of environmental turbulence.

Therefore, the first two hypotheses facilitate the development of the strategic posture

H1: As the gap increases between required and historical **strategic aggressiveness**, the financial performance of the bank will diminish

H2: As the gap increases between required and historical **strategic capability**, the financial performance of the bank will diminish

**Uncertainty Avoidance:** Uncertainty avoidance is the extent to which a society feels threatened by uncertain or ambiguous situations (Harris and Moran, 1982; Hofstede, 1980a). Studies have indicated that the national culture determines the way a given society deals with ambiguity, unpredictability, and uncertainty of future events (Yusuf, 2002). The tolerance for uncertainty and ambiguity differs from one society to another because of domains such as technology, law, and religion (Hofstede, 1980a). Perception of environmental uncertainty impacts strategic behavior and since national culture impacts perceptions, different cultures respond to strategic issues differently (Schneider and De Meyer, 1991). Previous research has shown that developing countries displayed higher levels of uncertainty avoidance when compared to developed countries (Faucheux al., 1982; Jaeger & Kanungo, 1990; Kiggundu; 1990b; Mendonca & Kanungo, 1990; Bjerke and Al-Meer, 1993; Elsayed-Ekhoully & Buda, 1996).

**Hypothesis 3.** There is a direct relationship between uncertainty avoidance and strategic aggressiveness gap.

**Hypothesis 4.** There is a direct relationship between uncertainty avoidance and strategic capability gap.

**Time Orientation:** National culture, as it relates to time perspective, affects the sense of urgency in responding to strategic issues and thus influences strategic behavior (Schneider and De Meyer, 1991). Perception of urgency is a function of time orientation. When time is polychronic, the sense of urgency tends to be reduced (Schneider, 1989). Time is an open-ended concept and relationship dependent (Badawy, 1980). The conception of time differs and different cultures approach time differently (Triandis, 1982; Trompenaars, 1993; Moore, 1976). The unpredictable and volatile environment in developing countries has created a time perspective that excludes future orientation and long-range planning. Although time orientation could be attributed to structural dynamics (political upheaval, frequent change of policies), thus rendering planning a meaningless activity. Nevertheless, fostering such cultural behavior leads to cultural diminishing of propensity for planning (future orientation). Present-oriented cultures tend not to be guided by tradition or planning but live for the moment (Adler, 1986). Present orientation leads to a more short-term orientation to activities. A past time orientation leads to a planning philosophy, which believes that the future is an extension of past behavior, therefore, the decision criteria emphasizes precedence and reward systems are historically determined (Jaeger, 1990). Ultimately, perceptions about time among Arab managers facilitate the formulation of strategic orientation (past oriented, reward historical success, etc.) attitudes towards change, perceived control

over the environment, adherence of traditions and, speed of decision-making (Schneider & Barsoux, 1997).

*Hypothesis 5.* There is an inverse relationship between future-orientation and strategic aggressiveness gap.

*Hypothesis 6.* There is an inverse relationship between future-orientation and strategic capability gap.

**Openness to Change:** There is minimal research associating the relationship between openness to change and Arabic management. Nevertheless, peripheral reference introduces indicative theoretical and empirical suggestions, which will facilitate the construct development of openness to change. Openness to change is the opposite of dogmatism (Al-Hadramy, 1992; Rokeach, 1960), which is a cognitively closed organization of beliefs about reality (Rokeach, 1960). Empirical research has concluded that individuals who are open to change are likely to welcome novelty and seek information that is counter to their historical beliefs (Durant and Lambert, 1975; Feather, 1969; Hunt and Miller, 1968; Miller and Bacon, 1971; Zagona and Kelly, 1966). In contrast, executives who were closed-minded (resisted change) showed a tendency to avoid searching for novel information (Wilson, 1973). Time orientation also influences the degree of openness to change (Geletkanycz, 1997). Past and present oriented cultures, which Hofstede (1993) calls short-term oriented cultures, favor stability and tradition. They are less open to change and thus new initiatives, innovations, and change are more likely discouraged in these cultures (Hofstede, 1991) in comparison with long-term oriented cultures, which place more value and emphasis on the future.

*Hypothesis 7.* There is an inverse relationship between openness to change and strategic aggressiveness gap.

*Hypothesis 8.* There is an inverse relationship between openness to change and strategic capability gap.

**Risk Propensity:** Risk propensity and Arab management is also an area with minimal research. However, considering the impact of various cultural characteristics composing the cultural profile of Arab managers, it is important to differentiate between their uncertainty avoidance and risk propensity. Uncertainty may be associated with the lack of knowledge regarding the outcome of a coin toss while risk propensity may be associated with an undesirable outcome of a coin, toss (Collins, 1992). Miles and Snow (1978) characterized risk-taking firms as 'prospectors' and risk-avoiding firms as 'defenders'. Research on risk propensity has shown that, generally, executives and managers who are risk

takers are more successful (McCrimmon & Wehrung, 1990). In addition, the internal locus of control is not only associated with control over the environment (as stated earlier), but also with higher degree of risk propensity (Miller, Kets de Vries, & Tolouse, 1982). Specifically, Arab managers practice risk minimization and display a strategic orientation that is past based (Kassem, 1989) thus, indicating a strong avoidance of any risk (Abbas, 1993; Abbas and Camp, 1995; Badawy, 1980; Bakhtari, 1995; Kaynak, 1986).

*Hypothesis 9.* There is an inverse relationship between risk propensity and strategic aggressiveness gap.

*Hypothesis 10.* There is an inverse relationship between risk propensity and strategic capability gap.

## RESEARCH DESIGN.

The environment-organization fit-alignment theory and previous empirical results provide a foundation to explore strategic posturing as an indicator of financial performance. Furthermore, the fit-alignment between the exogenous factors (environmental turbulence) and the endogenous factors (strategic behavior and managerial capability) optimizes performance.

As Figure 1 indicates, the researchers established numerical gaps between the present strategic posture (observed or historical) and the desired (required posture). Subsequently, those gaps were correlated with the financial performance and the cultural profile characteristics. Constructs were created on a five-point scale utilizing existing instruments with appropriate modifications reflecting the Arab management. The five-point scale will facilitate the numerical establishment of the gaps. A preliminary investigation and phone survey suggested excellent reception for such study. The purpose of this study was to examine the relationship between national culture and strategic behavior. Jordan (due to its size and concentrated banking industry) also provided an ideal launch pad for this exploratory study. The gaps established in Jordan do not offer useful information unless we contrast them with another culture. We selected U.S. based banks. All research indicates contrasting cultural profiles (Hofsted, 1980 & 1991; Hofsted et al., 1993b; Ronen and Shenkar, 1985).

## METHODS

**Data Sources and Selection Criteria:** The banking industry was chosen in both countries as the data

source for this study. No selection criteria regarding the size of the banks were established since the banks in Jordan are of different sizes. All of the banks had to be in operation for at least three years. All of the 20 commercial banks in Jordan were selected to be included in this study. In the U.S., 150 randomly selected banks were chosen. The profile of respondents were in top management positions (i.e. VP. Executive), with decision making capacities.

**Data Collection and Research Procedures:** The top managers of the 20 banks in Jordan (Jordan has only 20 banks) were contacted to participate in the study. The questionnaires were hand delivered to them by one of the researchers and picked up upon completion. The response rate was 17 out of the 20 banks in Jordan. In the U.S., the questionnaires were mailed. The response rate in Jordan was 85 percent and in the U.S. 16 percent, (24 banks responded out of 150).

**Validity & Reliability of Instrument:** The instrument was translated into Arabic by one of the researchers. Then, it was checked and back translated into English by a bilingual professor of economics and a business consultant located in San Diego, Dr. Walid Bishawi. After Dr. Bishawi's review and back translation, there were a few changes. Cronbach's Alpha coefficients were calculated to establish reliability of the instrument. Given the small sample size, there is reasonable reliability for the scales to measure the intended variables in this study except for turbulence and uncertainty avoidance.

#### VARIABLES DESCRIPTION-DEFINITION

**Environmental turbulence:** a combined measure of changeability and predictability of the firm's environment (Thwaites and Glaister, 1992; Ansoff and Sullivan 1993).

**Strategic Aggressiveness:** The degree of discontinuity from the past of the firm's new products/services, competitive environments, and marketing strategies. It ranges from stable to reactive, to anticipatory, to entrepreneurial, to creative (Ansoff and Sullivan, 1993; Post, 1978, Buchholz & Rosenthal 1995; Miles & Snow, 1978; Frederick, Post, and Davis, 1992).

**Strategic capability:** Responsiveness is described by climate – which is the will to respond; competence - which is the ability to respond; and, capacity - which is the volume of response.

**Strategic Aggressiveness Gap** is measured by the absolute difference between the bank's observed

strategic aggressiveness and the required strategic aggressiveness .

**Strategic Capability Gap** is measured by the absolute difference between the bank's observed strategic capability and the required capability responsiveness.

Previous research established the corresponding strategic aggressiveness and strategic capability to the environmental turbulence. Gaps then established as the absolute difference (on a five point Likert scale) between the observed and required.

#### VARIABLES

**Independent:** The independent variables measured in this study are the perceived environmental turbulence level, the national cultural-strategic profile of banks' top managers (uncertainty avoidance, perceived control over the environment, risk propensity, openness to change, time orientation), Bank's observed strategic aggressiveness, bank's observed strategic capability, bank's required strategic aggressiveness and the bank's required strategic capability. The required capability and aggressiveness are established based on the volatility of the environment (Ansoff and Sullivan, 1993; Thwaites and Glaister, 1992).

**Intervening:** The following intervening variables were calculated in this study (Strategic aggressiveness gap and Strategic capability gap).

**Dependent:** Financial Performance: Average return on equity over a three-year period.

**Instrument:** The instrument was divided into eight parts and contained 42 questions. Each part was composed of a number of questions on five point Likert scales. Part one measured the Turbulence Level (questions 1 through 5) while part two and three measured the strategic aggressiveness (6-13) and strategic capability (14-22). Questions 23 through 42 measured the cultural profile (uncertainty, time orientation, and openness to change, risk propensity, and perception of control over the environment).

#### RESULTS

The following tables present the findings of the study. There were ten hypotheses and all but three indicated significant relations. Table 3 indicates how the gaps related to the cultural profile and the financial performance. Surprisingly, the uncertainty avoidance did not indicate a significant relationship.



Overall, Table 3 is an indicator of a relationship between cultural characteristics and alignment between the environmental conditions and corresponding strategic behavior and/or strategic

capability. The most significant relationships are the correlation between the strategic aggressiveness/capability and the financial performance.

**TABLE 3**  
Cultural-Strategic Profile's Elements in Terms of their Correlation with  
the Strategic Aggressiveness and Capability Gap

Number of Cases N=41 Correlation between:	Rho	P
H1: The Correlation Between Strategic Aggressiveness Gap and Performance	-0.811	<0.0005
H2: The Correlation Between Strategic Capability Gap and Performance	-0.744	<0.0005
H3: Uncertainty Avoidance and Strategic Aggressiveness Gap	-0.298	0.059 (N/S)
H4: Uncertainty Avoidance and Strategic Capability Gap	-0.246	0.121 (N/S)
H5: Future - Orientation and Strategic Aggressiveness Gap	-0.702	<0.0005
H6: Future - Orientation and Strategic Capability Gap	-0.665	<0.0005
H7: Openness to Change and Strategic Aggressiveness Gap	-0.531	<0.0005
H8: Openness to Change and Strategic Capability Gap	-0.496	0.001
H9: Risk Propensity and Strategic Aggressiveness Gap	-0.532	<0.0005
H10: The Correlation Between Risk Propensity and Strategic Capability Gap	-0.530	<0.0005

**TABLE 4**  
Spearman Rank Correlation Matrix of the Research Variables

	1	2	3	4	5	6	7
2	.825**						
3	-.523**	-.530**					
4	-.702**	-.665**	.499**				
5	-.502**	-.554**	.145	.499**			
6	-.531**	-.494**	.494**	.523**	.406**		
7	-.298	-.246	.424**	.228	.176	.065	
8	-.811**	-.744**	.403**	.646**	.479**	.342*	.366*

1 = Strategic Aggressiveness Gap

2 = Strategic Capability Gap

3 = Risk Propensity

4 = Time-Orientation

5 = Perception of Control over the Environment

6 = Openness to Change

7 = Uncertainty Avoidance

8 = Performance (Average Return on Equity for a period of three years)

\*\* Correlation significant at the .01 level

\* Correlation significant at the .05 level

## DISCUSSION

The study found that managers in the two countries are responding differently when considering cultural characteristics. The most critical observation (Table 3 & 4) is the future orientation and risk propensity between the two cultures and the correlation of the gaps to the financial performance.

Considering the Islamic religion belief in destiny, it is not surprising that Jordanian managers are less comfortable with future orientation. This may also explain that the perceived control over the environment was not significant, thus, indicating that managers may have an accurate perception, but are unable to respond due to cultural characteristics. However, it may also suggest that Jordanian

managers are not scanning the environment at all. Uncertainty avoidance was not a significant indicator of difference between American and Jordanian managers, but it was consistent with earlier studies (Hofstede, 1983; Ronen & Shenkar, 1985). In addition, the alignment between environmental conditions and corresponding strategic behavior (strategic aggressiveness) and strategic capability is a strong indicator of financial performance. Previous studies (Salameh, 1987) had shown similar results, hence, further suggesting that the strategic aggressiveness and capability gaps are indicators of financial performance. The study found a strong relationship between these cultural. Secondly, the study was concentrated in Jordan as a representative of Arab countries and Arab culture. Thirdly, only one person from the top management in every bank responded to the questionnaire. No other managers were involved in the study. The responses to the questions were based on their personal perceptions.

### IDEAS FOR FUTURE RESEARCH

Considering the limitations of the research (low n), the first obvious suggestion is to expand this effort in a similar cultural setting, however, with a large number of banks. The assumption that Jordanian managers are a representative sample of the Arab management style also needs empirical evidence. Additionally, we propose that the same study explores a larger number of managers within the same institution with decision-making capacities. Furthermore, studies in different cultural settings (i.e. South America, Western Europe, China, Japan, Thailand, Kenya, Nigeria, and South Africa) will generate potentially interesting results in terms of the national characteristics and cross-cultural implications. Lastly, longitudinal studies could monitor changes over time considering the volatility of the industry and the political and economic landscape of the countries under investigation.

### CONCLUSION

As an *exploratory study*, this research project provided the underpinning to further research the relationship of national culture and strategic behavior. I used the term exploratory since the implications of this research require much more data in similar settings and cross studies with different settings to validate the cultural dynamics as they related to strategic posture and performance. Furthermore, it is the aspiration of this study to provide an insight of the strategic orientation of Arab

managers as it relates to the culture. However, we must remain cognizant of the inherent danger when attempting to suggest western models of strategies and lack of systematic strategic planning without considering the unique cultural characteristics. Nevertheless, this study successfully established empirical support for a relationship between national culture characteristics and strategic behavior and the relationship of those attributes to financial performance. With the theoretical propositions (Ansoff 1979; Hofstede 1980a; Hofstede, 1980b) and previous findings (Hofstede 1980a; Hofstede 1980b; Ansoff, et al., 1993), this study further strengthened the previous findings and provided additional empirical validation to the environment-organization alignment theory. Most importantly, it creates a context for additional research of how strategic behavior and national culture manifest in organizations and their impact on performance. Additional research is needed to explore regulatory and legal environments, economic conditions, and political climate as forces that potentially shape national culture and manifest strategic behavior.

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