

THE IMPACT OF STRATEGIC FLEXIBILITY ON THE PERFORMANCE OF PRIVATE BANKS DURING THE CRISIS IN SYRIA

Moinuddin Ahmad¹, Ahmad Kahwaji¹, Omar Durrah¹ and Kamaal Allil¹

***Abstract:** Dynamism is an important matter in the strategy and an essential challenge for organizations to adopt with a war crisis. This study aims to investigate how strategic flexibility can improve the private banks' performance during a war crisis in Syria. It examined the effect of strategic flexibility with four sub-dimensions on bank performance through a survey data collected from 50 top-level managers working in five private banks in Syria. This study finds a significant relationship between strategic flexibility and the performance of operations and the ability to face crisis. It also finds a significant effect of strategic flexibility on bank performance. These findings add valued insights of the strategic flexibility and bank performance research by testing them in the war context.*

***Keywords:** Strategic Flexibility, Performance, Private Banks, Crisis.*

1. INTRODUCTION

Syria is facing a fierce war for more than five years. The effects of this war were reflected in all areas of life, people and organizations. Companies have adapted new strategies to help them in facing threats and challenges and to cope with the new circumstances of war that engendered in the last five years. Strategic planning and flexibility are considered as an urgent necessity for organizations that operate in a very complex and uncertain environment. These organizations must make an in-depth strategic analysis of their internal and external environment to achieve excellence performance and enhance the competitiveness. In dynamic environment, crisis has emerged as a necessity for many organizations so they could survive under the impact of the crisis, therefore, increased attention to strategic planning has emerged as a way to face crisis to adapt to unexpected changes.

¹ Department of Management and Marketing, College of Commerce and Business Administration, Dhofar University, Salalah, Sultanate of Oman, E-mails: mahmad@du.edu.om; akahwaji@du.edu.om; odurrah@du.edu.om; kallil@du.edu.om

2. THEORETICAL FRAMEWORK

2.1. Strategic flexibility

Flexibility generally refers to the ability of the control system of the organization to monitor the changes that occur in the work environment in all respects and adapt to variables (Sanchez, 1995). Matthyssens *et al.* (2005) defined flexibility as the organization's ability to change or respond to the risk of low returns in time, effort, cost and performance. Strategic flexibility is the ability of the organization to adopt to the political and economic risk management by responding to the opportunities and threats in a way the market reaction speed and reaction (Grewal & Tansuhaj, 2001)

Hayes and Pisano (1994) defined strategic flexibility as the ability to change the organization's strategy capabilities selected, developed and engaged, according to their strategies, in other words, should the organization be able to modify its market share and quickly adapt to market trends and variables and other crises and work dynamically adjusted to focus on strategies. Sanchez (1995) noticed that the concept of strategic flexibility includes the ability of organizations to respond to opportunities and environmental variables. Abbott and Banerji (2003) showed that the strategic flexibility is the organization's ability to adapt and respond in reaction to the data environment in which the organizations engaged in activities appropriate manner and reflect the ability to produce and sell the right products at the right time in the right place and at the right price. Bhandari *et al.* (2004) defined the concept of strategic flexibility refers to the ability of organizations to develop new products, entering new markets and new industries.

Organizations success in today's business environment depends on its ability to adapt to changing market conditions and adapt to crises. Although most of the international organizations adopt new practices as structural total quality management and deliver management in a timely manner to stay within the framework of the competition, but these practices are not enough, as they contribute only in continuous improvement and not working to generate a competitive advantage; whereas their interest is supposed to be directed towards the strategic flexibility because it supports the development of future strategies, it will enable the organization to adapt and respond quickly to various changes that occur during crises. The concept of strategic flexibility includes the ability of organizations to respond quickly to opportunities and changes. It is imperative for organizations to realize the strategic flexibility as a result of necessity to achieve new competitive advantage for several reasons, including: the strategic flexibility clause to increase the organizations' ability to cope with changes, crises and it is necessary to be adopted to manage the case of the constant change in market high-tech products, and it is important for the growth and survival of business organizations. (Sanchez, 1995). Therefore, flexibility becomes necessary to work with especially in the competitive business environment, as it can accomplish the right thing at the right time.

2.2. Banking Performance

The banking performance is an important indicator from which to measure the success of the organization in utilizing its available resources and to ensure the achievement of its goals. Robins and Wiersema (1995) defined banking performance as an organization's ability to accomplish long-term goals. Whereas, Leseure (2013) defined banking performance as the level of achievement in the organization in the field of value creation for the public market. Durrah, *et al.* (2016) indicated to the importance role of suitable managerial decisions and its effect on the performance through good management of the financial performance and the liquidity related to financial posture.

The concept of efficient performance comprises three dimensions which make up an integrated model help to measure and assess the performance and efficiency of the organization, which are: economy in the use of resources, efficiency, and effectiveness. (Khafaji, 2003). Performance evaluation process requires the availability of a set of criteria for the purpose of performance level made by the unit and stand on the level of development of any aspect of the activity. There are many standards that can be followed which include comparison of the level of performance achieved which are historical, specific and competitive norm (Khafaji, 2003). There are tools and techniques of financial analysis for banks and financial institutions and include analysis in absolute terms from time to time and change paragraphs averages (including moving averages), the relative horizontal or historical analysis and analysis based on the index and rates of change over time (trend analysis), analysis using the funds revealed, and the analysis using financial and credit ratios.

In a team setting, team performance and leadership style and are essential concerns affect the service quality performance of banking. Lee *et al.* (2011) argued that they found that dimensions of transformational leadership and team performance have a significant impact on service quality of the banks.

Therefore, from the mentioned above, the current study measured the bank performance through four sub-variables namely: Performing Operation, Ability to Compete, Facing Crisis, and Participation of Executive Leadership.

2.3. Strategic flexibility and Banking Performance

Strategic flexibility has a positive influence on firm's performance during crisis, which is enhanced by competitive intensity and moderated by demand and technological uncertainty (Eryesil, *et al.*, 2015). In the global economy, several weaknesses had led to crisis in many aspects, thus, it is time to identify and develop an understanding of organizational capabilities that can help the firms in managing and leading their organization to overcome such crises (Grewal & Tansuhaj, 2001). A study of Hatch and Zweig (2001) illustrated the importance of the strategic flexibility in the growth and survival of organizations. The study used a model where Porter competitive advantage identified by providing a commodity / service which has three main characteristics: the uniqueness, value to the customer, and harmony with the core

activities of the organization and capacity. Another study of Hilhorst, et. al. (2005) determined whether the companies need flexibility in the organizational level, which requires different types of infrastructure for information technology and it examined the role of investment in information technology to support strategic flexibility.

Many researchers has examined the relationship between strategic flexibility and overall direction of the market and their performances such as Voola and Muthaly (2005) who designed a measure scale and distributed it to department managers of companies in the United States; they measured both the strategic flexibility and market orientation in respect of performance; the study found that the overall trend of the market comes either as a reaction or an effect on the market, in addition to that there was no positive relationship between strategic flexibility and performance. Kokil and Sharma (2006) studied the nature of the strategic flexibility in a sample of selected companies in the telecommunication sector in India; they found that the telecommunications companies in India need to utilize the strategic flexibility to face the challenges of intense competition. Jha (2008) developed a framework for understanding the importance of flexibility in organizations and how it helps in moving towards business excellence. Lee and Makhija (2009) also investigated the value of the strategic flexibility during an economic crisis provided by international investments and they have suggested that to avoid below-par performance, organizations need to adapt quickly to the change in their environment.

Some researchers have investigated the relationship between flexible strategic thinking and problem solving performance with students. They have offered an evidence for the role of flexible strategic thinking in problem solving (Heuvel-Panhuizen)

Jubouri and Baghdadi (2015) made a study on a sample consisting of 72 managers distributed on several administrative levels indicated a significant impact of organizational dexterity dimensions (the best investment opportunities, search for new opportunities in the market, the organizational structure) on the strategic flexibility sub-dimensions (flexibility productivity, flexibility and competitive, flexible marketing and capital elasticity).

In small and medium-sized business organizations, Etawi (2012) identified a significant impact of the dimensions of strategic flexibility (flexibility productivity, market flexibility, the flexibility of capital, flexibility productivity) on orientation initiative, grab opportunities, take risks and to maximize resources.

In banks, Yasseri et al. (2014) made a study of 100 managers working in five private commercial banks in and listed in the Iraq Stock Exchange determined; this study show a significant impact of the strategic flexibility dimensions (proactive maneuvers, investment maneuvers, preventive exercises and maneuvers corrective) on banking performance from the financial, customer, internal processes education and growth perspectives.

3. HYPOTHESES AND RESEARCH MODEL

H1: There is a significant relationship between strategic flexibility and performing operations.

H2: There is a significant relationship between strategic flexibility and ability to compete.

H3: There is a significant relationship between strategic flexibility and facing crisis.

H4: There is a significant relationship between strategic flexibility and participation of executive leadership.

H5: Strategic flexibility has significant effect on banks' performance during the crisis in Syria.

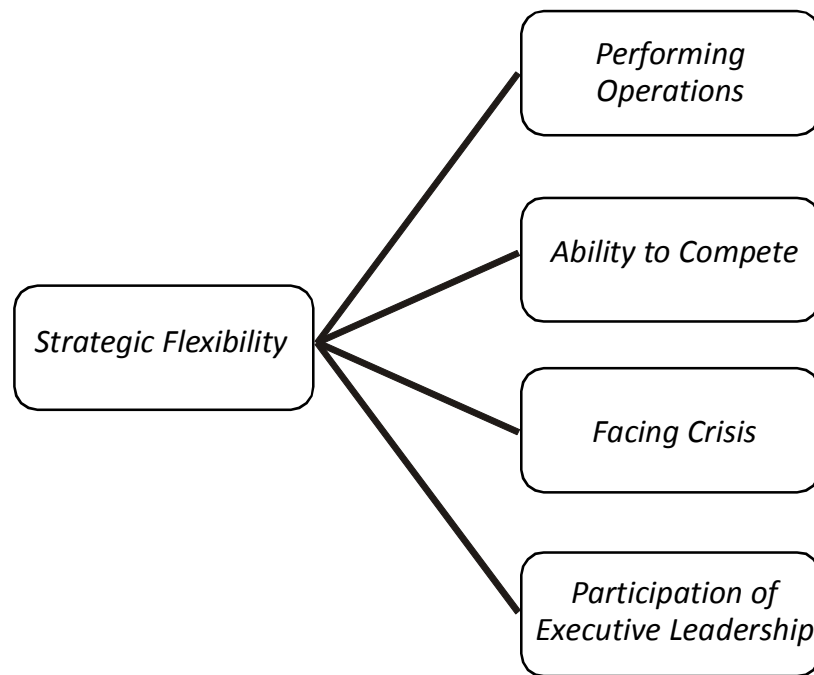


Figure 1: Research Model

4. METHODOLOGY

The current study is analytical and descriptive in nature. The sample of the study comprised managers working in five private banks in Damascus, the capital of Syria namely: 1) Bemo Bank Saudi Fransi (BBSF), 2) Jordan Bank of Syria, 3) Al Baraka Bank, 4) Bank of Syria and Overseas, and 5) Syria Gulf Bank. Data was collected using a structured questionnaire developed. SPSS has been used to test the hypotheses of

the study using the following statistical methods: Mean, standard deviations, coefficient of correlation and simple regression analysis.

5. RESULTS

Table 1 shows the demographic descriptions of the sample of the study. It shows that the male-mangers exceeded the female mangers, it shows also that the majority of them are 50 years of age and above, while the bachelor degree the most dominant degree among mangers in Syrian private banks.

Table 1
Demographic Description

<i>Variable</i>	<i>Categories</i>	<i>Frequency</i>	<i>Percentage</i>
Gender	Male	35	70.0
	Female	15	30.0
Age	Less than 30 years	6	12.0
	From 30 to less than 40	12	24.0
	From 40 to less than 50	15	30.0
	50 years and more	17	34.0
Education	Bachelor	38	76.0
	Master	9	18.0
	Ph.D.	3	6.0
	Total	50	100.0

The reliability of the scales has been estimated using Cronbach's Alpha where the results showed high values of consistency, all the values were above (0.60) (Please, see table 2). Also the data showed average levels of strategic flexibility and all dimensions of banks' performance where ranged between (3.04 and 3.60) as shown in Table (2).

Table 2
Mean, standard deviation, Cronbach's alpha

<i>Variables</i>	<i>Mean</i>	<i>St. D.</i>	<i>Cronbach's alpha</i>
Strategic Flexibility	3.31	0.609	0.836
Operations Perform	3.53	0.528	0.734
Ability to Compete	3.35	0.752	0.789
Crisis Face	3.04	0.648	0.829
Participation of Executive Leadership	3.60	0.824	0.756

The results show significant relationship between the strategic flexibility and performing operations where $R= 0.464$, with significant level (.043), Also the results showed significant relationship between the strategic flexibility and facing crisis where $R= 0.313$, with significant level (.036). While the results indicate to no relationship between the strategic flexibility and each of ability to compete and participation of executive leadership (Table 3).

Table 3
Coefficient of correlation between strategic flexibility and banks' performance

Variables		Performing Operations	Ability to Compete	Facing Crisis	Participation of Executive Leadership
Strategic Flexibility	R	.466	.070	.313	.099
	Sig.	.043	.630	.036	.495
	N	50	50	50	50

According to the results of the correlation coefficient, hypotheses H1 and H3 can be accepted, while hypotheses H2 and H4 can be rejected.

Table 4
Model summary for strategic flexibility and banks' performance

F	Sig	R	R2	Adjusted R2	Std. Error of the Estimate
44.46	.000	.540	.292	.285	.383

Table 5
Regression coefficients for strategic flexibility and banks' performance

	B	Std. Error	Beta	T	Sig.
Constant	1.72	.389		4.42	.000
Banks' Performance	.598	.090	.540	6.66	.043

According to the data in table (4), the value of F (44.46) with significant level of (.000). Therefore, the validity of the model used in test of the effect of strategic flexibility on banks' performance. The results in Table 5 shows that strategic flexibility has significant effect on banks' performance during the crisis in Syria where the value of T is (6.66) with significant level of (.043). Also the correlation coefficient R between the independent variable and the dependent variable is (.540), and the coefficient of determination R² is (.292), this means that the strategic flexibility explains amount (29.9%) of the changes in the banks' performance. According to the results of the analysis of simple regression, hypotheses H5 can be accepted.

6. IMPLICATIONS AND LIMITATIONS

The results referred to the important and positive role of strategic flexibility in private banks and direct reflection on the improvement of the level of bank's performance during the crisis in Syria. This study draws several implications, where the managers can utilize this information when evaluation of performance in banks. So, the banks should pay more attention to strategic flexibility through preparation of an integrated study for demonstrate the feasibility of strategic flexibility and its main requirements. Bank managers should have interest in the strategic flexibility to take benefit from it in facing of all the changes and crises. They have to put a target standard for all areas

of banking activity and should raise the efficiency of internal processes for providing banking services for customers, continuing banks to work on the development of mechanisms to promote strategic flexibility. In addition to, necessity the focus on the strategic flexibility by the banks and benefit from its reflection in the strategic development and integration with the competitive challenges.

There are several limitations in this study. The first limitation that the data collection was limited to managers in the private banks in Syria. The second limitation in this study that the main variables were strategic flexibility and banks' performance. Future researcher may make future studies more deeply about the strategic flexibility and link it with another variable such as liquidity, profitability and quality of services in private banks.

From the results this study allows us to conclude there is relationship between the strategic flexibility and each of performing operations and facing crisis, while there is no relationship between the strategic flexibility and each of ability to compete and participation of executive leadership. In addition to strategic flexibility has effect on banks' performance during the crisis in Syria.

References

- Abbott, A. and Banerji, K., (2003). Strategic Flexibility and Firm Performance: The Case of US Based Transnational Corporations, *Global Journal of Flexible Systems Management*, 4 (1/2) 1-8.
- Bhandari, G., Bliemel, M., Allan, H., & Hassanein, K. (2004). Flexibility in e-business strategies: A requirement for success. *Global Journal of Flexible Systems Management*, 5(2/3), 11.
- Durrah, O., Abdul Rahman, A., Jamil, S., and Ghafeer, N., (2016). Exploring the Relationship between Liquidity Ratios and Indicators of Financial Performance: An Analytical Study on Food Industrial Companies Listed in Amman Bursa, *International Journal of Economics and Financial Issues*, 6(2), 435-441
- Eryesil, K., Esmen, O., & Beduk, A. (2015). The Role of Strategic Flexibility for Achieving Sustainable Competition Advantage and Its Effect on Business Performance. *World Academy of Science, Engineering and Technology*, 9(10), 587-593.
- Etawi, M., (2012). The Impact of Strategic Flexibility in the Leadership of Business Organizations: A Prospective Study of the Views of a Sample of Managers of Small and Medium- Sized Companies Operating in the Construction Materials Industry in the Province of Najaf, *Journal of Business and Economics*, 1(3), 134-149.
- Grewal, R., & Tansuhaj, P. (2001). Building Organizational Capabilities for Managing Economic Crisis: The Role of Market Orientation and Strategic Flexibility, *Journal of Marketing* 65(2), 67-80.
- Hatch, J., & Zweig, J., (2001). Strategic Flexibility: The Key to Growth, *Ivey Business Journal*, 65(4), 23-44.
- Hayes, R. H., & Pisano, G. P. (1994). Beyond world-class: the new manufacturing strategy. *Harvard Business Review*, 72(1), 77-86.
- Hilhorst, C., Martin, S., and Heck, E., (2005). Strategic Flexibility and IT Infrastructure Investments: Empirical Evidence in Two Case Studies, *Proceedings of the 13th European*

- Conference on Information Systems, Information Systems in a Rapidly Changing Economy, ECIS 2005, Regensburg, Germany, May 26-28.*
- Jha, V., (2008). Strategic Flexibility for Business Excellence –The Role of Human Resource Flexibility in Select Indian Companies, *Global Journal of Flexible Systems Management*, 9(1), 30-41.
- Jubouri, H., & Baghdadi, A., (2015). The Influence of Organizational Ambidexterity to Achieve Strategic Flexibility, *AL-Qadisiya Journal for Administrative and Economic Sciences*, 17(1), 17-32.
- Khafaji, M., (2003). Performance Evaluation in Light of the Price Change, *Higher Diploma Thesis*, Higher Institute for Accounting and Financial Studies, University of Baghdad, 14.
- Kokil, P., & Sharma, M., (2006). Strategic Flexibility: Study of Selected Telecom Companies in India, *Global Journal of Flexible Systems Management* 7(3), 45-67.
- Lee, P. K., Cheng, T. E., Yeung, A. C., & Lai, K. H. (2011). An empirical study of transformational leadership, team performance and service quality in retail banks. *Omega*, 39(6), 690-701.
- Lee, P. K., Cheng, T. E., Yeung, A. C., & Lai, K. H. (2011). An empirical study of transformational leadership, team performance and service quality in retail banks. *Omega*, 39(6), 690-701.
- Lee, S., & Makhija, M., (2009). Flexibility in Internationalization: Is it Valuable During an Economic Crisis? *Strategic Management Journal*, 30(5), 537–555.
- Leseure, M. (2013). Integrated Performance Management: A Guide to Strategy Implementation. *Journal of Manufacturing Technology Management*. 17(1), 133 - 136.
- Matthyssens, P., Pauwels, P., & Vandenbempt, K. (2005). Strategic flexibility, rigidity and barriers to the development of absorptive capacity in business markets: Themes and research perspectives. *Industrial Marketing Management*, 34(6), 547-554.
- Nutt, P. C. (1993). Flexible decision styles and the choices of top executives. *Journal of Management Studies*, 30(5), 695-721.
- Robins, J., & Wiersema, M. F. (1995). A resource based approach to the multibusiness firm: Empirical analysis of portfolio interrelationships and corporate financial performance. *Strategic Management Journal*, 16(4), 277-299.
- Sanchez, R., (1995). Strategic Flexibility in Product Competition, *Strategic Management Journal*, 16(1), 135-159.
- Voola, R., & Muthaly, S., (2005). Strategic Flexibility and Organizational Performance: The Mediating Effects of Total Market Orientation, *ANZMAC 2005 Conference: Strategic Marketing and Market Orientation*, 23-26 April.
- Yasseri, A., Ikhalidi, A., and Humairi, B., (2014). The Impact of the Strategic Flexibility to Banking Performance, A Prospective Study of the Views of A Sample of Managers in a Number of Private Commercial Banks in Iraq, *Magazine of College Administration Economics for Economic and Administration and Financial Studies*, 194(12), 1-43.