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**Better Organization's Performance in  
Local Commercial Banking Industry Through  
Strategic Balance Strategy.**

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## **ABSTRACT**

Similarity among firms has received a great deal of attention in strategic management and organization theories. Past researches observed that firms face pressures to be different and to be the same. By differentiating, firms reduce competition. By conforming, firms demonstrate their legitimacy. Both reduced competition and legitimacy improve performance.

This study addresses the performance consequences of firm-level strategic similarity with Strategic Balance Strategy, which states that moderately differentiated firms have higher performance than either highly conforming or highly differentiated firms.

This study examines the relative performance of local commercial banks in Malaysia from 1995 to 2000. The study investigates whether the organizations in the sample with similar resources requirement will perform better through Strategic Balance Strategy. Three models were developed to test differentiation hypothesis, conformity hypothesis and strategic balance hypothesis. Hierarchical regression analysis method was used in the model testing.

Empirical support for the strategic balance theory is found in this longitudinal study of local commercial bank. The result shows that the integrated hypothesis of a curvilinear relationship receives stronger empirical support than either the differentiation or conformity hypothesis. Several suggestions for further development conclude the study.

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