
Ling Seng Wah
Bachelor of Civil Engineering
Universiti Teknologi Malaysia
1989

Submitted to the Faculty of Business and Accountancy University of Malaya, in partial fulfillment of the requirements for the Degree of Master of Business Administration

February 2002
ACKNOWLEDGEMENT

I would like to express our gratitude to Associate Professor Dr. Mohd Nazari Ismail, my supervisor. Despite his busy schedule as the Head of Department of Strategy and Business Policy, he had spared his most valuable time providing assistance, guidance and suggestions to me in carrying out this research project.

I also wish to acknowledge the librarians of the Bank Negara Malaysia and KLSE; and all the local commercial banks; for their kindness and willingness to supply materials and consent to allow us to use the data and library facilities.
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.
CONTENTS

CHAPTER 1 : INTRODUCTION

1.1 General
1.2 Theoretical Backgrounds
1.3 Scope of the Study
1.4 Limitations and Assumptions of the Study
1.5 Organization of the Study : Local Commercial Banks

CHAPTER 2 : LITERATURE REVIEW

2.1 Strategic Management Theory : An Organization should be Different
2.2 Population Ecology and Institutional Theory : An Organization should be the Same
2.3 Strategic Balance Theory : An Organization should be Balanced between Differentiation and Conformity

CHAPTER 3 : RESEARCH METHODOLOGY

3.1 Research Hypotheses
3.2 Selections of Measures
3.3 Sampling Design and Data Collection
3.4 Data Analysis Techniques

CHAPTER 4 : RESEARCH RESULTS

4.1 Summary Statistics of Sampling and Data Collection
4.2 Analysis of Measures
4.3 Hierarchical Regression Analyses : Testing of the Hypotheses
4.4 Summary of Research Results

CHAPTER 5 : CONCLUSION AND RECOMMENDATIONS

5.1 Summary and Conclusions
5.2 Other Suggestions and Comments

BIBLIOGRAPHY
APPENDICES

Appendix 1 : Sampling Frame

Appendix 2 : Preliminary Test on Linear and Curvilinear Relationship between RROA and SD.

Appendix 3 : SPSS Output of Hierarchical Regression Analyses Using Original Data Sets.

Appendix 4 : Residual Distribution vs Variables Using Original Data Sets for All Models.

Appendix 5 : SPSS Output of Hierarchical Regression Analyses Using Treated Data Sets for Heteroscedasticity Phenomena for Model 2 and Model 3.

Appendix 6 : Residual Distribution vs Variables Using Treated Data Sets for Heteroscedasticity Phenomena for Model 2 and Model 3.

Appendix 7 : Scatter Diagram of Variables Using Original Data Sets