Relationship between Environment, Organizational Structure, Top Management and financial Performance: A Case of Retailer Stores of Amman, Jordan

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ABSTRACT

This study investigates how changes in the environment due to Jordan's market opening have affected Jordan retailing firms' strategy, top management's willingness to adapt to changing market conditions, environment, and organizational structure, and firm or financial performance. The number of respondent is 60 respondents of some stores that located in Amman and some other cities in Jordan. Through the survey research method, the questionnaire sees a complete picture of the way different things are connected, what to focus on and measure environment, organizational structure, top management and store's or financial performance of representing in used seems to look up the capacity to make things appear to be connected, making a kind of wholeness or optimum solution .moreover, the structural equations model to test the hypotheses concerning the relationships between the research variables, and the store performance. However, we found that a positive relationships between perceived environmental uncertainty, top-management's organizational structure willingness and financial performance.

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CHAPTER ONE

BACKGROUND

1.0 INTRODUCTION

The radical transformation of global business environment nowadays was resulted from growing economies and international trade all over the world. Firm currently are exposed to unstable environment of operations that is represented by rapid growth and change in technologies and markets which can be considered as opportunities and challenges in the same time. Changes in the environment that causes transformation which has been followed by retail business over years to keep the system on track with all challenges and opportunities. However, environmental changes has been in interest of many researchers over time, researchers have investigated including, ecological, cyclical, and conflict factors.

Retail business competition among firms in Jordanian retail industry started to be more strong and intense since Jordan has started to be more open to the global market, and therefore many foreign firms have started to access businesses in Jordan among many industries such as retail industry. Foreign firms that have entered retail industry was larger and have more experience in such business than Jordan local companies, which have made some the local companies to struggle in their business and to be limited in their operations, and some of the local companies was collapsed accordingly. Furthermore, domestic and global competition that was emerging in Jordan has decreased the market share of the domestic firms, and also forced Jordanian firms to reevaluate their businesses and organizations.

1.1 OVERVIEW OF JORDAN ECONOMY [1]

Jordan is a small country with limited natural resources, but has improved much since its inception as a country. Jordan's small emerging open economy can only depend on limited natural resources. There is very little percentage of lands in Jordan that is arable; furthermore, Jordan has very limited water resources that give another challenge for the country in all aspects. However, there are sizeable mining resources, primarily potash and phosphates, of which it is the third largest world exporter.

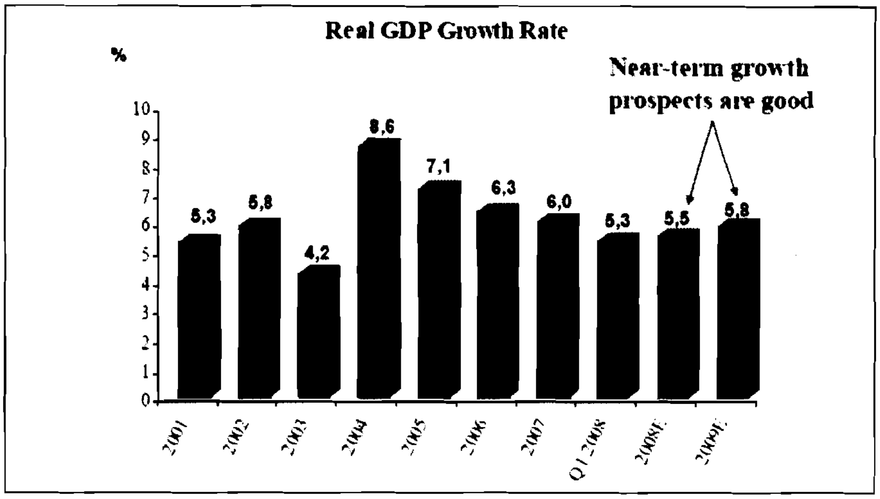
Economy in Jordan was heavily affected by the war Iraq, especially when Iraq is the main exporter of Jordanian goods, disruption of trade took place. Moreover, tensions in the region contributed to a significant drop in foreign investor interest in Jordan, in addition to marked deterioration of income from tourism.

Despite high oil prices and ongoing instability in the region Jordanian economy continues to perform reasonably well, due to these improvements:

[1] Toukan., (2008). Jordanian Economic Performance and Prospects for 2008 and 2009, Governor of the Central Bank of Jordan

1. The economy was able to achieve an average of 6% growth in real GDP over the last seven years, 5.3% in the first quarter of 2008. Figure 1 illustrates how the economy was able to achieve the average.

Figure 1.1: Real GDP Growth Rate

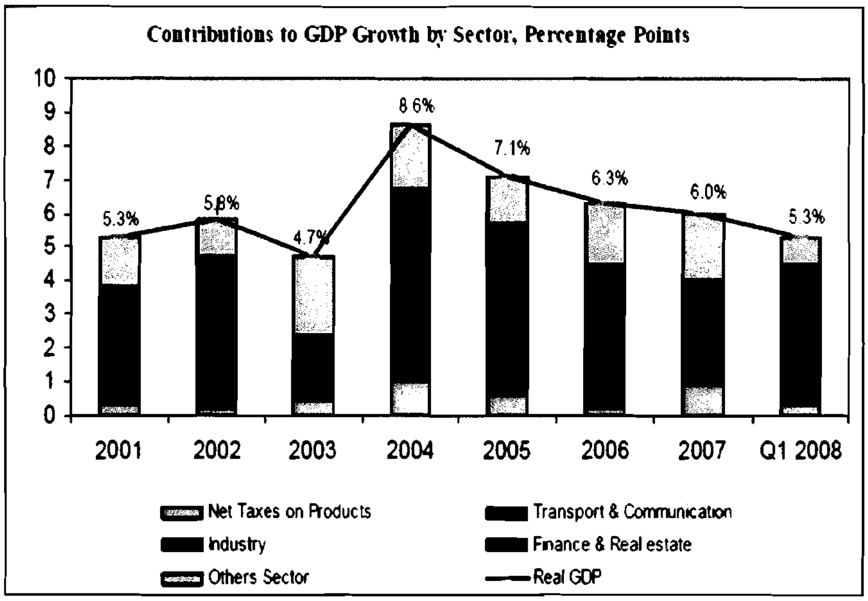


Source: according to Toukan (2008)

Figure 1.1 shows that Jordanian GDP growth has improved noticeably, reaching its peak of 8.6% in financial year 2004 when the instability in the middle east region -due to the gulf war- has been of benefit to the Jordan economic growth. 3 years after, the consequential effects started to diminish again due to the stability of political situations that started to drive the GDP back again to its original ratios until it reached its average of 5.3% in 2008, so, excluding instability that started early in 2003, the GDP is still between 5.3% and 5.8%. This GDP growth can be considered as highly sensitive and responsive towards the middle-eastern political measures.

2. GDP growth was driven mainly by transport and communication, industry, finance and real-estate sectors.

Figure 1.2: Contribution to GDP Growth by Sector, Percentage



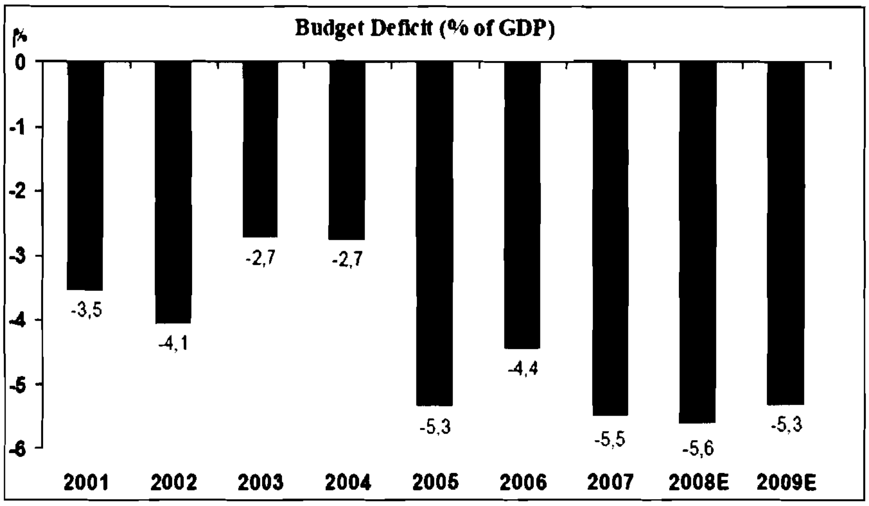
Source: according to Toukan (2008)

Figure 1.2 shows demonstrate the ratios of contributions that mostly determine the growth of the Jordanian GDP. It shows clearly that industry sector represents the main actor that had the major effect particularly in the years 2002 and 2004 because of the enormous external reserve capitals supplied and invested in industry which caused the net taxes on products to be raised. Accordingly, the successful investment on industrial production improved much investment on transportation sector, with finance and real estate as the second main contributors. Other minor sectors had slight effect on the GDP.

1.1.1 FISCAL PERFORMANCE:

The fiscal deficit has widened, with sharply higher oil and food “compensatory” and “direct” subsidies. As a result, the deficit increased in 2007 to JD615 million (5.5 % of GDP) from JD 443 million (4.4 % of GDP) in 2006. The deficit is projected to narrow gradually over the next couple of years. Figure 1.3 shows the fiscal performance.

Figure 1.3: Budget Deficit (% of GDP)



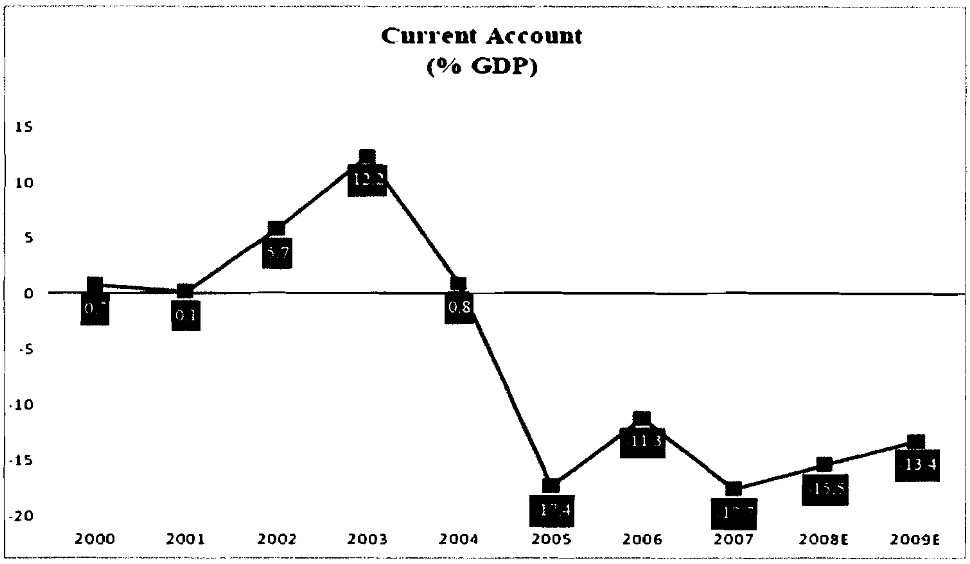
Source: according to Toukan (2008)

1.1.2 CURRENT ACCOUNT PERFORMANCE:

Although the current account deficit has widened to 17.7 % of GDP in 2007, a significant increase in foreign direct investment (FDI) inflows has financed the deficit. High oil prices and strong growth in capital imports suggest that the current account deficit will remain uncomfortably large at around 13.4 % of GDP over the next couple of years.

However, financing difficulties are not expected to emerge due to anticipated inflows of FDI. Figure 1.4 illustrates about the current account performance.

Figure 1.4: Current account performances (% GDP)



Source: according to Toukan (2008)

1.2 PROBLEM STATEMENT

The beginning of the Jordan retail industry will most likely continue to have both positive and negative impacts. Over time, market opening could be beneficial to domestic market growth, the creation of more jobs for Jordanian, the improvement of Jordan's logistical and distribution systems, and the expansion of consumer choices. Foreign retailers opening stores in Jordan create high competition for Jordan retailers. Jordan firms facing struggling against multinational giants advancing into the domestic industry with more financial resources and sophisticated marketing know-how. Foreign retailers are receiving financial support from their parent companies, in many cases outpacing the support Jordan retailers receive from their parent companies.

Jordan retailing industry did not accumulate the experience or skill to compete with foreign retailers who are highly experienced in competing with others and have more skilled managers. Jordan's many small, traditional stores are particularly affected by competition from foreign companies.

In order to survive and prosper in the new environment of participation in a global economy, Jordan retailers must identify effective strategies, implement them properly, and evaluate them appropriately. Management strategies that emphasize the systemic relationships among the important components of strategic management, including the business environment, strategy itself, organizational structure, and strategy implementation, can lead to better firm performance. In spite of the importance of strategy and the match among the components of strategic management for successful operation of a firm in an extremely competitive business environment (Kor and Mahoney, 2005). No research has addressed strategic management in Jordan retail industry, either prior to or since the advent of market opening.

Research on strategic management, in general, has been conducted to examine the interrelationships among the components of strategic management and the impact of these relationships on firms' performance (Dev, 1988; Elwood, 1991; Ketchen, Snow, & Street, 2004; Kor & Mahoney, 2005; Murthy, 1994).

However, no study has investigated how changes in the environment due to Jordan's market opening have affected Jordan retailing firms' strategy, top management's willingness to adapt to changing market conditions, environment, and organizational structure, and firm or financial performance, either before or after market opening. Several studies over the years have analyzed the role of the strategic management process in firms' performance. Kwock (1999) defined strategic management as consisting of an organization's strategy formulation in relation to its environment, strategy implementation to design the organization to achieve its objectives, and evaluation of the organization's performance.

This study involves the development of a model that incorporates interrelationships among components of strategic management, and the application of the model in the case of Jordan retailing, since market opening. Researchers (Bourgeois, 1978; Harrington, Lemak, Reed, & Kendall, 2004; Mador, 2000; Paine & Anderson, 1977; Pearce II, 1981; Shrivastava & Grant, 1985) have been interested in the effect of the business environment on strategy formulation and processes. A firm's management must be aware of and respond to the external environment in order to formulate strategy (Kwock, 1999).

1.3 RESEARCH QUESTIONS

1. Is there any significant relationship between environment and financial performance?
2. Is there any significant relationship between top management and financial performance?
3. Is there any significant relationship between organizational structure and financial performance?

1.4 RESEARCH OBJECTIVES

1. To determine the effects of perceived environmental uncertainty on the management strategies.
2. To examine the effects of stores' management strategies on financial performance,
3. To identify the effect of organizational structure and financial performance.

1.5 SIGNIFICANCE OF STUDY

This study is designed to help the Jordanian organizations whether to improve their financial performance. In addition to, this study also is helpful for the financial manager in the organizations. Moreover, this study is beneficial to chief executive officer in making decision to achieve the goal of the organizations.

1.6 CONCLUSION

This chapter starts with the introduction, followed by a brief overview of Jordanian economy and fiscal and financial performance, research problem, research objectives, research questions, and the significance of the study. However, according what is mentioned in the previous sections of this chapter, we find it necessary to examine the relationship between strategic management and financial performance in the Jordanian retail stores industry.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter discusses the previous studies for each variables that used in this study, In defining the empirical evidence of the effect of perceived environmental uncertainty on the management strategies, the effects of stores' top management strategies on financial performance, as well as the effect of organizational structure and financial performance.

2.1 ENVIRONMENT

Bourgeois (1980) summarized the discussion of the environment as treated in the organizational theory literature, both in terms of the main ways of conceptualizing the environment and some examples of their operationalization in empirical research. According to Kunz (1995), environments, including cultural, ecological, economic, political, regulatory, social, and technological, may strengthen or limit an apparel firm's behavior. For apparel firms, environment is the complex of conditions that impact the nature of a firm's operation, including the above factors. As defined by Duncan (1972), environment consists of "the totality of physical and social factors that are taken directly into consideration in the decision-making behavior of individuals in the organization." West (1990) discussed the business environment on the basis of the work of Selznick (1948). Selznick characterized the business environment as the flows of information that pertain to setting and achieving goals and that influence the decision making process due to management's perceptions and the objective dimensions of the structure of the industry.

The marketing environment is a set of forces that directly or indirectly influence a business' acquisitions of inputs or generation of outputs (Zuperkiene, Zilinskas, 2008; Harmaakorpi, Niukkanen, 2007) Dibb (1996). Kotler (1991) defined the marketing environment as "the actors and forces that affect the company's ability to develop and maintain successful transactions and relationships with its target customers. It comprises 'non-controllable' actors and forces that impact on the company's market and marketing practice.

2.2 TOP MANAGEMENT

This study focuses on top management's perceptions of uncertainty in the business environment. Perceived environmental uncertainty refers to the absence of information with regard to organizations, activities, and events in the environment (Daft, Sormunen, & Parks, 1988). Ebrahimi (2000) observed that major emphases of research have been perceived environmental uncertainty and the subjective rather than the objective data produced and used by strategic decision makers. Uncertainty has been characterized as either an objective component of the external environment or as the end result of the process of decision makers' perceptions through which they designate meaning and interpret situations (Milken, 1987). Coping with uncertainty is one of the central issues of organizations' adaptations to their environments in order to remain competitive (Crozier, 1964; Thompson, 1967). Adorno, Frenkel-Brunswick, Levinson, and Sanford (1950) and Berlyne (1968) indicated that people differ in their perceptions and tolerance for ambiguity or uncertainty.

The extensive research on the concept of the external environment has focused on distribution channels (Achrol, Reve, & Stern, 1983; Achrol & Stern, 1988; Arndt, 1983; Dwyer & Welsh, 1985; Stern & Reve, 1980). These studies have identified decision making uncertainty as the key outcome of external environmental uncertainty. Uncertainty in decision making has been characterized as perceptual. Many researchers have stated that the environment could be considered certain or uncertain only to the extent that decision makers perceive it to be so (Achrol & Stern, 1988; Aldrich, 1979; Duncan, 1972a; Emery & Trist, 1965; Pfeffer & Salancik, 1978).

Organizational theorists emphasize that organizations must adapt to their environments if they are to remain viable. One of the main issues in this process is coping with uncertainty. Duncan (1972), based on the work of Dill (1958) and Emery and Trist (1965), investigated perceived environmental uncertainty. He identified a two-dimensional view of environment: the simple-complex, and the static-dynamic. The number of factors taken into consideration in making decisions in the simple-complex and the static-dynamic dimensions is affected by the degree to which those factors in the decision unit's environment remain basically the same over time or are in a continual process of change. Empirical results have indicated that individuals in decision units facing dynamic, complex environments experienced the greatest amount of uncertainty in decision making.

Dibb (1996) stated that, when the marketing environment changes, companies face uncertainty, threats, and opportunities. He suggested that retailers must be ready to predict likely outcomes and act quickly in order to capitalize on such opportunities. Keegan (1989) said that retailers need to particularly watch consumer goods because these products are very sensitive to environmental factors. Dibb, Simkin, Pride, and Ferrell (1994) stated that, when marketing managers fail to recognize changes in environmental factors, their firms are left unprepared to take advantage of marketing opportunities and may suffer from threats that are created by environmental changes.

In the model proposed in this research, market turbulence and competitive intensity are identified as two factors of perceived environmental uncertainty included in the environment construct.

Changes in the environment facing a firm can be both dramatic and sudden. As environments become more dynamic, threatening, and complex, traditional managerial orientations are proving to be deficient. The result is all too often a loss in market position, declining profits, or outright business failure (Cooper, 1979; Covin & Slevin, 1989; Hayes & Abernathy, 1980; Waterman, 1987). Early researchers of this proposition identified the concepts of turbulence and its opposite, placidity (Emery & Trist, 1965). Smart and Vertinsky (1984) broadly defined turbulence 25 as change that occurs in the factors or components of an organization's environment. One end of the change continuum is a static environmental state (no change), and the other end is a turbulent or dynamic state where all factors are in constant flux. The amount of environmental turbulence closely relates to the degree of uncertainty facing a firm. As the environment becomes increasingly turbulent, factors become less predictable and more uncertain, and the values of important variables and the variables themselves move in an unpredictable manner (Smart & Vertinsky). According to Drucker (1980) and Huber (1984), turbulence displays dramatic increases in the number of events that occur within a given period.

According to Wang and Chan (1995), "high complexity requires top managers to consider a large number of factors from various environmental segments (e.g., competitive, economic, political, technological, global) to make decisions. High novelty means that relevant events and trends are discontinuous and unfamiliar to top managers. High dynamism indicates that relevant environmental factors are in a continuous process of change. Low visibility means that, by the time that top managers must make decisions, the content of available information is very vague and ambiguous". Wang and Chan determined that top managers faced a turbulent environment when prevailing information was highly complicated, novel, dynamic, or ambiguous.

Yasai-Ardekani and Haug (1997) stated that, in highly competitive environments, advanced environmental signals must be detected, environmental information must be transmitted to key decision makers in a timely fashion, and the speed of decision making in the implementation of strategic decisions becomes critical to attainment of organization-environment alignment. Eisenhardt (1989) characterized highly competitive environments as those with intense price and non-price competition. Such intense rivalry is often associated with rapid and sometimes discontinuous changes in the market and in competitive and technological conditions. Competitors' actions and reactions may be highly unpredictable, and the speed of adjustment to market and technological conditions become the key to survival of participants in such environments (Eisenhardt).

Among retailers, intra-type competition and inter-type competition are the most common and representative models of modern retail competition today (Berry, 1995; Miller, Reardon, & McCorkle, 1999; Mishra. 2004). Yet, for most retailers, inter-type competition is the most challenging (Berry). Increasing inter-type competition has made it harder for retailers to identify and monitor their competition. Intra-type competition is defined as "competition between two retailers of the same type, such as two drugstores" (Mason & Mayer, 1987). Inter-type competition is defined as "competition between different types of retail outlets selling the same merchandise" (Mason & Mayer).

Douglas (1999) maintained that firms must become more flexible in responding to changes in an external environment characterized by intense competition. As competition becomes stronger, the choices available for consumers increase. Kohli and Jaworski

(1990) suggested that a business must become more aggressive in discovering customer wants and building superior customer value in order to satisfy consumers in the face of increased competition. An organization must monitor and respond to consumers' changing needs and preferences to insure that they select its products/services over its competitors' (Egeren & O'Connor, 1998).

Kohli and Jaworski (1990) noted that market turbulence is a subset of environmental turbulence that is characterized by rapid change in the composition of customers and their preferences. In support of this notion, Egeren and O'Connor (1998) determined that market instability or dynamism could come from changes in consumers and in consumer preferences. They stated that an organization has little need to adjust its marketing mix in environments characterized by unchanged consumer preferences. On the other hand, in an environment remarkable because of rapidly changing sets of consumers and consumer preferences, the possibility is greater that the organization's offerings will differ from consumer needs. Miller (1987) developed measures of the dynamism, heterogeneity, and hostility components of environmental turbulence.

Kohli and Jaworski's market turbulence is similar to "heterogeneity." Miller described heterogeneity as the change in diversity of production methods and marketing tactics required to address customers' needs. Pelham and Wilson (1999) indicated that it seemed likely that the greater the change in customer preferences, the greater the required diversity of value-creation efforts to satisfy those needs; therefore, they noted that the Miller construct of heterogeneity adequately captured the meaning of market turbulence.

They also stated that market turbulence implies changing market strategies in the face of changing customer needs. In a continually changing business environment, the ability to adapt and respond to the shifting needs of customers is important to business success. In order to analyze and fulfill customer needs, and also to assist in monitoring the competition, the small-business executive may develop externally focused activities.
Douglas (1999) maintained that firms must become more flexible in responding to changes in an external environment characterized by intense competition. As competition becomes stronger, the choices available for consumers increase. Kohli and Jaworski (1990) suggested that a business must become more aggressive in discovering customer wants and building superior customer value in order to satisfy consumers in the face of increased competition. An organization must monitor and respond to consumers' changing needs and preferences to insure that they select its products/services over its competitors' (Egeren & O'Connor, 1998).

Business strategy has its main value, for both profit-seeking and non-profit organizations, in determining how an organization defines its relationship to its environment in the pursuit of its objectives (Bourgeois, 1980b). Although this view would probably receive little dispute in the field, it is only implicit in most of the definitions found in the literature. Uniform treatment of the concept is not evident in these definitions, and this lack of uniformity has led writers such as Hatten and Schendel (1975) to point out that it is still not clear "what strategy is," or, more recently, for Anderson and Paine (1978) to decry the field's difficulty in defining what is meant by the term.

Two general types of literature have historically characterized the field of business policy. The normative works of several researchers have typically instructed managers on "how to" formulate strategy by scanning the firm's environment to seek opportunities that could be matched with the firm's capabilities (Ackoff, 1970; Andrews, 1971; Ansoff, 1965; Cannon, 1968; Katz, 1970; Steiner, 1979; Uyterhoeven, Ackerman, & Rosenblum, 1977; Vancil, 1976). The descriptive literature tends to rely on case analyses to explain how strategy is "really" formed (Allison, 1971; Bower, 1970; Chandler, 1962; Cyert & March, 1963; Lindblom, 1959).

Among the many definitions of strategy are two underlying connotations: one that refers to the differentiation and definition of that segment of the environment in which the organization will operate, and one that refers to the provision of guidance for subsequent goal-directed activity within that environment. Strategy can be conceptualized in a hierarchical manner into the following two levels. Domain strategy refers to the organization's choice of domain and/or the change of domain that occurs when a firm diversifies into particular products or markets (Chandler, 1962; Miles & Snow, 1978). Although Ansoff's (1965) limited focus concentrates entirely on this level, Hofer (1973), Hofer and Schendel (1978), Vancil (1976), and Vancil and Lorange (1975) referred to this level of strategy as "corporate" or "portfolio" strategy, in contrast to "business" strategy. Their concepts are related to the domain direction-finding strategy. Domain direction-finding strategy refers to competitive decisions made within a particular task or product market environment. Thus, once a "domain consensus" has been achieved and a competitive arena defined, the organization then becomes subject to the environmental constraints to which the contingency theorists attribute primacy (Levin & White, 1961).

Egeren and O'Connor (1998) stated that market orientation is a business strategy. Andrews (1980) defined corporate strategy as "the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals; and produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities".

Because market-oriented businesses resemble customer-led businesses, confusion exists about what is market oriented and what is customer-led (Slater & Narver, 1998). Compared to customer-led businesses, market-oriented businesses scan the market more broadly, have a longer-term focus, and are much more likely to be generative learners (Senge, 1990). Slater and Narver (1995, 1998) described the foundation behaviors of market-oriented businesses. They indicated that, through the processes of acquiring and evaluating marketing information in a systematic and anticipatory manner, market-oriented businesses are committed to understanding both expressed and latent needs of the customers. And, the businesses develop superior solutions to those needs and the capabilities and plans to be competitive (Day, 1994; Kohli & Jaworski, 1990; Narver & Slater, 1990; Slater & Narver, 1995, 1998). By sharing market knowledge broadly throughout the organization and by acting in a coordinated and focused manner, market-oriented businesses continuously create superior customer value (Slater & Narver, 1995).

Although market orientation has been generally seen in a positive light, customer orientation has been criticized for contributing such negative outcomes as trivial product development efforts (Bennett & Cooper, 1979), confused business processes (Macdonald, 1995), and a decline in U.S. industrial competitiveness (Hayes & Wheelwright, 1984).

2.3 ORGANIZATIONAL STRUCTURE

Theorists have defined organizational structure in various ways. Miller and Droge (1986) defined structure as capturing centralization of authority, formalization, complexity, and integration. Organ and Battement (1986) defined structure as the formal, systematic arrangement of the operations to one another. Griffin and Moorhead (1986) perceived structure as including the organization's task reporting and the various relationships within the organization. Although these definitions appear similar, Daft's (1989) definition of organizational structure is more comprehensive than the others above. Daft (1989) defined structure as consisting of formal reporting relationships, including the number of levels in the hierarchy, the span of control of managers and supervisors, and the communication across the organization's departments.

Many researchers have worked to dimensionalize and explain diversity and variety in the structure of organizations (Colin 2006, Savory 2006, Burns & Stalker, 1961; Lawrence &

Lorsch, 1967; Woodward, 1965). They have drawn a principal contrast between mechanistic or bureaucratic structures and organic ones. A mechanistic structure has vertical hierarchies, numerous departments, limited decentralization, and many rules and procedures. It tends to have authority centralized at the top of the system, considerable standardization and formalization, and tight specification of duties, and interaction is primarily in the vertical direction (Bantel, 1993; Marsden, Cook, & Kalleberg, 1994). On other hand, an organic structure tends to be open; it has less structural complexity, fewer rules, extensive decentralization, and a less rigid definition of methods, duties and powers, and it is prone to rich, horizontal interaction (Bantel, 1993; Johnson & Scholes, 1993; Marsden, Cook, & Kalleberg, 1994). Ozsomer, Calantone, and Benedetto (1997) stated that the appropriate organizational structure can change through time and, therefore, must be explicitly managed by the firm.

Burns and Stalker (1961) investigated 20 manufacturing firms and concluded that, depending on the nature of a firm's external environment, either the mechanistic or organic organizational form could be successful. The more bureaucratic form, mechanistic, thrives when the environment is stable, but experiences difficulty when the environment is rapidly changing and uncertain. In this environment, the much less bureaucratic organic form performs best. Utterback (1979) suggested that firms with flexible production processes and organizational structures tend to be better at product and process innovation than more rigidly structured firms. Mechanistic organizations are highly bureaucratic in form and have the characteristics of centralization, many rules, precise division of labor, narrow spans of control, and formal coordination (Peters & Waterman, 1982; Schermerborn, 1993).

Several studies have found that, in unpredictable environments, organic structures allow rapid organizational response to changing external forces, whereas mechanistic structures are better suited to predictable environments where rapid organizational responses are not typically required (Burns & Stalker, 1961; Covin & Slevin, 1989; Khandwalla, 1977; Lawrence & Lorsch, 1967). Bourgeois, McAllister, and Mitchell (1978) supported the idea that organic structures allow rapid response in the face of turbulent environments. Burns and Stalker showed that organic structures were effective in conditions of environmental dynamism. They found that such structures were likely to be more positively related with firm performance under dynamic than under stable environmental conditions. Because environmental dynamism influences structure/performance relationships, the effects of this variable were controlled in the data analysis.

According to contingency theory, differences in structure largely relate to the level of uncertainty and complexity that an organization faces. Uncertainty could be a result of conditions in the customer environment or of technological requirements or limitations. Mechanistic structure is often found under stable and well-understood conditions, in situations requiring efficient execution or repetitive tasks. Organic structure would be found in the presence of substantial uncertainty, in conditions involving innovation or adjustment to changing circumstances. Researchers attempting to explain coordination strategies have looked, therefore, beyond organizational boundaries.

Ozsomer, Calantone, and Benedetto (1997) proposed that the firm should adapt not only its strategic posture to the environment, but also its organizational structure. Bourgeois (1985) and Porter (1980, 1985) explained that, through its strategic posture, a firm selects and interprets its environment, responds to those elements it considers fixed, and adapts its strategy to the requirements of the environment.

Morris, Avila, and Allen (1993) found that environmental turbulence could lead to increased formalization in decision making and that such turbulence was also associated with higher levels of entrepreneurship (Covin & Slevin, 1989; Davis, Morris, & Allen, 1991). Schaffer (1984) discovered that organizations operating in relatively stable environments had a tendency to be more mechanistic and could better utilize prescribed procedures, methods, and rules for governing and controlling their operations. Conversely, organizations operating in dynamic environments did better with organic structures, which provided more flexibility in uncertain environments.

2.4 FINANCIAL PERFORMANCE

Both in terms of definition and measurement, performance is a difficult concept. Organizational performance is central to the study of business strategy or policies (Bourgeoise & Astley, 1979; Cheng & McKinley, 1983; White & Hamermesh, 1981 Kirca, Jayachandran, & Bearden, 2005, Dutton, Dukerich, & Harquail,2007).

Researchers frequently take the performance of organizations into account when investigating such organizational phenomena as structure, strategy, and planning; however, in the literature, researchers disagree on what creates effective performance of a firm and how to measure performance. Various researchers have focused on modelling the antecedents and consequences of market orientation and on developing a valid measure of the construct to test its effect on organizational performance (Jaworski & Kohli, 1993; Kohli, Jaworski, & Kumar, 1993; Narver & Slater, 1990; Siguaw, Brown, & Widing, 1994; Slater & Narver, 1994, Elstak, 2008. Schwaiger, Raithel, & Schloderer, 2009).

Measuring firms' performance has been a major challenge for researchers. Strategic management researchers have raised questions about how performance should be measured (Connolly, Conlon, & Deutsch, 1980; Ford & Schellenberg , 1982.) Because performance is a multidimensional construct, any single index may not provide a comprehensive understanding of the performance implications related to the constructs of interest (Chakravathy, 1986). Firm performance can be measured according to many different methods. According to Welch (1993), the three most important things to measure in business are customer satisfaction, employee satisfaction, and cash flow. Bart and Baetz (1998) indicated that the relationship of firms' mission statements to performance can be assessed with five measures, four of them financial and one behavioral.

Many researchers agree that "hard" measures, such as economic measures, are more reasonable for use in measuring a firm's performance than subjective measures. The advantages of hard measures, such as economic or financial measures of performance, are their usefulness for practitioners (Cheng & McKinley, 1983). Bourgeois (1980a) suggested that the use of hard measures increases the level of confidence in the reported relationships and is more meaningful to managers than soft measures. Several financial performance measures are return on sales (ROS) (Brush & VanderWerf, 1990; McDougall, Covin, Ribinson, & Herron, 1994); return on assets (ROA) (David, 1989; Roth & Ricks, 1994); the percentage of annual change in sales (Brush & VanderWerf, 1990; McDougall, Covin, Ribinson, & Herron, 1994); and the percentage of annual change in profits. ROA is a presumed aim of most businesses and is a measure often used in research (Bettis & Hall, 1982; Hambrick, 1983a; Hoskisson, 1987). When the sample includes small, privately-held firms, growth measures are also useful performance measures (Bagby & Shull, 1987; Dess & Robinson, 1984). Hofer and Schendel (1978) suggested sales growth as one reflection of how well an organization relates to its environment. Schaffer and Litschert (1990) suggested that revenue and profit are important variables for measuring a firm's performance. They used the percentage change in total revenue and the average change in operating profit to measure firm performance.

Pearce (1998), Morgan and Rego (2006) argued that a focus on retail performance can and should occur at several levels in a firm. He stated that the measures of retail performance in use vary greatly in terms of level. Overall measures of both financial performance (return on common equity) and marketing performance (image positioning in the competitive marketplace) are used at the firm level, whereas units' asset-use performance measures, such as dollar contribution per square meter of selling space, are used at various operational levels (divisions, regions, stores, departments). Many merchandising levels (groups, classifications, categories, lines, items) use buying and selling indicators, such as gross margin return on investment in inventory and direct product profitability, to measure performance.

In the present study, retail store performance was measured with a modified version of an instrument developed by Gupta and Govindarajan (1984). The respondents were asked to indicate on a five-point Likert-type scale, ranging from highly dissatisfied to highly satisfied, the extent to which they were currently satisfied with their own stores' performance on each of the following financial performance criteria: return on investment, earnings growth, sales growth, market share, return on assets, and cash flow.

According to Dess and Robinson (1984), researchers face major problems in allocating the assets and sales of multi-industry firms among the various industries in which they do business. Because of the confidential nature of the data and the variation among participating firms with regard to accounting procedures, accurate estimates are difficult to obtain by survey techniques and represent a major source of measurement error. Many studies have addressed the problems associated with the accuracy of performance data from documentary sources (Anderson & Paine, 1975; Buzzell, Gale, & Sultan, 1975; Glueck & Willis, 1979; San Miguel, 1977). The researcher investigating small firms is often confronted with an inability to obtain objective performance measures on a consistent basis because of restricted access to performance data on privately-held firms. Even if access to such information is obtained with a sample of privately-held firms, there is great risk of error attributable to varying accounting procedures in these firms. Owners of privately-held firms are very sensitive about releasing any performance-related data. Also, organizational forms, such as sole proprietorship, partnership, or corporation, can evince artificial differences (Dess & Robinson).

2.5 CONCLUSION

This chapter discusses the previous studies that related to strategic management and financial performance. Each variable that used in this study has been discussed in order to figure out the effect of perceived environmental uncertainty on the management strategies, the effects of stores' top management strategies on financial performance, as well as the effect of organizational structure and financial performance.

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTIONS

The overall purpose of this research is to investigate the effects of perceived environmental conditions, such as those brought about by market opening and other changes in the economy, on the strategic management and financial performance of Amman- Jordan retail stores. The model represents an integration of relationships among pertinent constructs determined from the review of literature, especially drawing from the models of Jaworski and Kohli (1993) and Kwock (1999). Besides showing the pertinent constructs and the relationships among them, Figure 3.1 indicates the variables that are used to operationalize the constructs in the model.

Jordanian retail stores were selected for the study for the following methodological and practical reasons: (a) Amman- Jordan retailing companies are recognized as forming a major industry that is affected by the external environment; (b) stores operated by these companies are believed to provide a diverse set of strategic management types that are expected to create varying responses from the research participants; and (c) no prior research has analyzed strategic management in this industry.

3.1 DATA

Researchers have utilized various data collection methods, including field experiments, laboratory experiments, judgment tasks, and critical simulation (McGrath, Martin, & Kulka, 1982). Each of these methods has advantages and disadvantages. In selecting a research method, it is important to maximize generalizability, have control over variables, and have existential realism. This study utilized a population-sampling survey method to satisfy these objectives with regard to the stated hypotheses and conditions. The advantage of such a sample survey method is that it maximizes effective sampling of the population units under study, thus maximizing population generalizability. On the other hand, according to McGrath et al., the sample survey method has relatively low levels of precision and realism of context.

3.2 SAMPLE

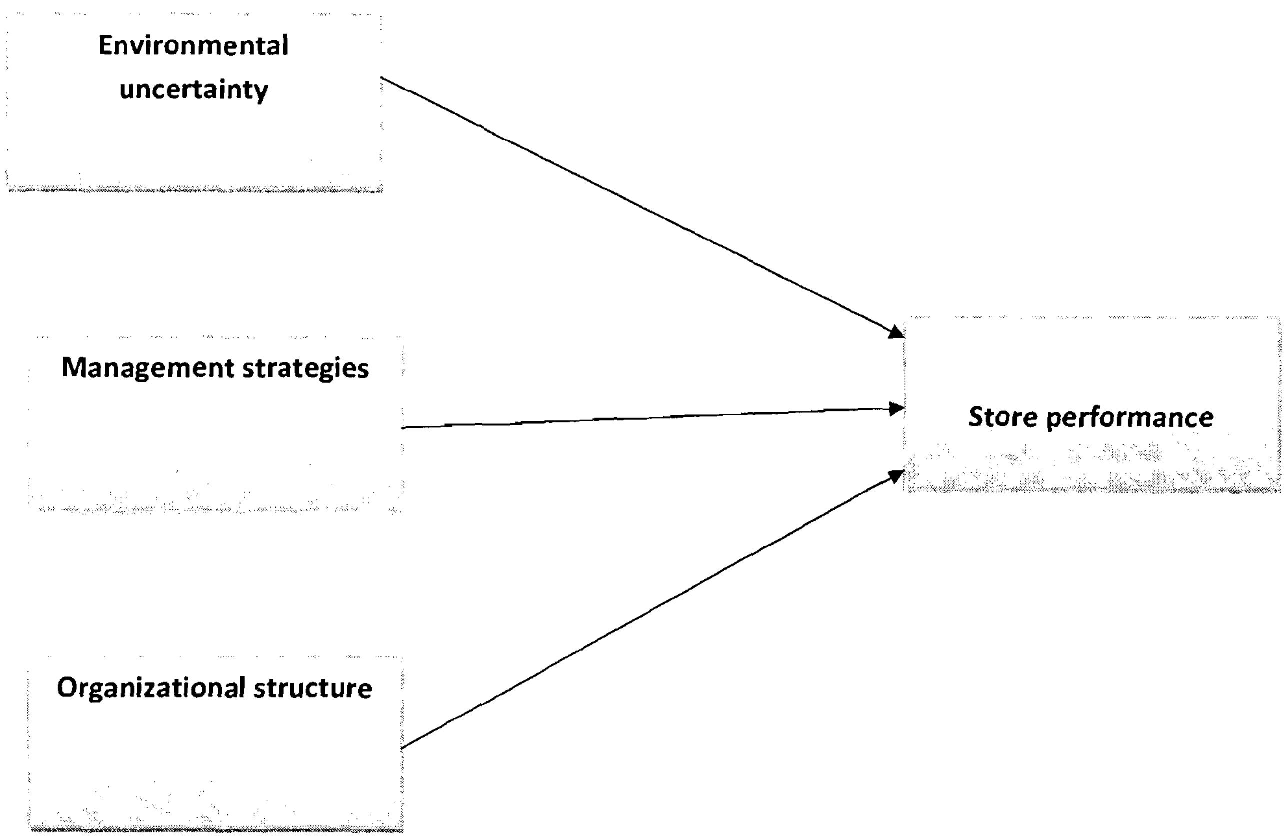
The unit of analysis is Amman- Jordan retail stores that carry apparel products. The questionnaire was sent to such retailers in major cities and towns within the largest citiy in Jordan (Amman). This city was selected because is a relatively high level of economic development and a relatively high density of retail stores that offers apparel, and it is fashion-oriented. The retailers to which the questionnaire was sent include department stores, discount stores, specialty stores, membership stores, chain stores, and boutiques.

The retailers were systematically selected from the ministry of trade yearbook. The sample needed to include at least approximately 25 respondents because a minimum of about 25 responses is required for the structural equations statistical technique that was used in the main part of the data analysis. Past studies that have used this technique in analyzing other industries have had response rates of 10.5% to 30.7% (Crawford-Welsch, 1990). The expected response rate in the present study was 20-25%, which required a target sample size of approximately 175. A total of 175 firms were systematically drawn from the sample pools in the manner described above, and a questionnaire was sent to each of those.

The primary data collection was through self-administered, mailed questionnaires that were sent to top managers in the retail stores. In the pilot test of the questionnaire (described later), it was determined that it took about 15 minutes to complete the questionnaire. The mailing to each manager included a cover letter the questionnaire and a postage-paid return envelope. The cover letter indicated the nature of the research, a request for cooperation, and an outline of benefits to the organization, which included a summary of the research results. In addition, the letter requested that the recipient or another of the store's top managers complete the questionnaire. The questionnaire contained questions that so what information concerning the operational profile of each store, such as the store's age and number of employees, and the recipient's perception of the store's business environment, the business strategies the store employed, and the store's structure and performance. The questionnaires were sent by mail to stores. To increase the response rate, Dillman's (1978) total design method was used. One week after the questionnaires were mailed to the stores, a reminder phone call was made to each.

3.3 THEORETICAL FRAMEWORK

Figure 3.1 Theoretical Framework



3.3.1 INDEPENDENT VARIABLES

3.3.1.1 PERCEIVED ENVIRONMENTAL UNCERTAINTY

According to Selznick (1948), the business environment includes all events, including physical and social factors that could influence a business or the decision-making behavior of individuals in an organization (as cited in Duncan, 1972a). As discussed in Chapter 2, the business environment can be categorized into the internal and external environments. According to whether the decision makers in an organization consider environment in their strategic planning, both the internal and external environments can be objective or perceived (Bourgeois, 1980b). This study focuses only on the perceived external environment. Environmental uncertainty as perceived by a firm's top management is important in an investigation of the relationships among the components of strategic management because the dimensions of environment are closely related to degrees of uncertainty, which relate to all the external events that affect the organization and evolve from the dynamic and complex relationships of all the variables comprising the environment, and because perceptions of the environment vary according to the type of management in an organization.

- H1: Perceived environmental will have significant positive effects on the degree of satisfaction within financial performance.

3.3.1.2PERCEIVED TOP MANAGEMENT

Although researchers have analyzed the process by which managers come to perceive, interpret, and act upon environmental information, an increasing number have attempted to understand the cognitive aspects of organizational life (Daft & Weick, 1984; Eisenhardt, 1989; Isabella, 1990; Thomas & McDaniel, 1990). Ireland, Duane, Hitt, and Porras (1987) studied differences in environmental uncertainty perceptions across managerial levels. They found significant differences in uncertainty perceptions between top and lower managerial levels in organizations, but not between top and middle managers. In the case of strategic management, one of the major problems has been the increasing turbulence and uncertainty of many firms' external environments, which can lead to misperceptions by top management of environmental changes. How top managers perceive the environment affects the strategic decisions they make for their firms and, by implication, the firms' performance (Analoui & Karami, 2002; Ansoff & McDonnell, 1990; Daft & Weick, 1984; Hambrick & Mason, 1984; Hatten & Scendel, 1975; Papadakis & Barwise, 2002; Smircich & Stubbart, 1985; Talaulicar, Grundei, & Werder, 2005; Yasai-Ardekani, & Nystrom, 1996). Duncan (1972a) observed that, as the rate of change increases in the environment, top managers become more uncertain and less confident about courses of action anticipated in the future. Even though managers recognize the external environment's importance and attempt to collect as much information as possible, they may face the uncertainty that accompanies a fast-changing environment. The way top managers interpret the environment leads them to create organizational structures capable of responding to characteristics of the environment and to the environmental demands.

- H2: top management will have significant positive effects on the degree of satisfaction with financial performance.

3.3.1.2 ORGANIZATIONAL STRUCTURE

In the present study, organizational structure is considered an organizational component. David (1997) defined organizational structure as "a collection of people in a division of labor working together to achieve a common purpose or common direction". Organizational theory has extensively covered the dimensions and determinants of organizational structure. Campbell, Bownas, Peterson, and Dunnette (1974) identified 63 different organizational structure qualities. Their definition of organizational qualities relates those qualities to physical characteristics, such as size/sub-unit size, span of control, flat/tall hierarchy, and administrative intensity, which can be utilized as tools for strategy implementation. Structuring, on the other hand, includes policies and activities, such as specialization, formalization, and centralization that prescribe or restrict the behavior of organization members. From the viewpoint of organization theorists, these dimensions of structuring are critical to the definition of structure. The present research focuses on the specialization, formalization, and centralization, aspects of structuring because business strategies and organization theorists suggest that structuring is a core concept of organizational structure and that structure is a sub-category of strategy implementation. For the purpose of this study, the three dimensions of organizational structure– specialization, formalization, and centralization–are used as the indicators of the degree to which a firm has a mechanistic versus organic structure. Those three dimensions of organizational structure are the ones that researchers have most commonly examined. Centralization is defined as the locus of decisions about structure (Pugh, Hichson, Hinings, & Turner, 1969). A measure of the degree of centralization is the degree of participation in decision making at lower organizational levels (Aiken & Hage, 1968). Formalization can be characterized as the degree to which norms, rules, and regulations are explicit to an organization's members (Hage & Aiken, 1970). It can be measured by the extent to which rules, procedures, communication methods, and regulations are written and made available (Pugh et al., 1968). Pugh et al. suggested that specialization, which is similar to complexity, has to do with the division of labor, the distribution of official duties among a number of positions, and the degree of individual expertise in an organization. It can be measured through an assessment of the existence of various functional activities, including advertising, personnel hiring and training, purchasing and inventory control, financial resource management, operations and quality control, research and development, and administrative procedures (Tse, 1988). A number of researchers have examined the three dimensions of structure mentioned above (Cunningham & Rivera, 2001; Fredrickson, 1986; Krokosz-Krynke, 1998; Miller & Dröge, 1986; Paszkowska, 1998; Reimann, 1973; Schaffer, 1986; Tse, 1988; Vasiu & Vasiu, 2004). The measures of these dimensions that were described above were applied to measuring the organicity of Amman- Jordan retail stores in the present study.

H3: Perceived organizational structure will have significant positive effects on the degree of satisfaction within financial performance.

3.3.2 DEPENDENT VARIABLE

This study focuses on the performance of Jordanian retail stores, of which some may be independent and others may be part of companies that operate multiple stores and possibly additional types of businesses. The stores' performance were assessed using performance measures normally associated with firm performance. Generally, the choice of firm performance measures depends on the purpose and context of the research. Performance has been conceptualized and measured under various schemes, depending on such factors as the research questions, disciplinary focus, and data availability. In this research, the economic or financial performance of a store is measured according to several performance measures that were discussed in the previous chapter. It is important to note that business performance is a multidimensional construct and may be characterized in a number of ways, including effectiveness, efficiency and adaptability. Further, performance on one dimension may run counter to performance on another dimension. Therefore, in this study, different measures were used to obtain a comprehensive view of the performance of the business while reducing the impact of individual bias of any particular dimension (Schlegelmilch & Ross, 1987; Shoham & Ross. 1993). It is difficult to compare absolute performance across companies (Dess, Ireland, & Hitt, 1990). Because of this difficulty, respondents were asked about their stores' return on investment, earnings growth, sales growth, market share, return on assets (ROA), and cash flow compared to those of other stores in their industry. Each respondent was also asked his/her level of satisfaction with his/her store's ROA, cash flow, return on investment, earnings growth, sales growth, and market share relative to those of the store's key competitors. Measurement of these performance-related variables affords a multi-dimensional view of performance.

3.4 CHAPTER SUMMARY

This chapter discusses the methodology that is used in this research. It also explains the hypotheses that are tested in this study. The chapter also provides an explanation for research framework and reliability of measurement for the methods of study. The procedures for collecting, measuring and analyzing data of this study are also discussed.

CHAPTER FOUR

RESULTS OF THE STUDY

4.0 INTRODUCTION

This chapter shows the finding, of the study. This chapter is divided into three sections, the first section discuses the personal information. The second section show the mean and standard deviation for the environment, organizational structure, top management, and store's performance. variables, and the third section discuses the correlation analysis among the variables following which is all about test hypotheses.

4.1 DEMOGRAPHIC ANALYSIS

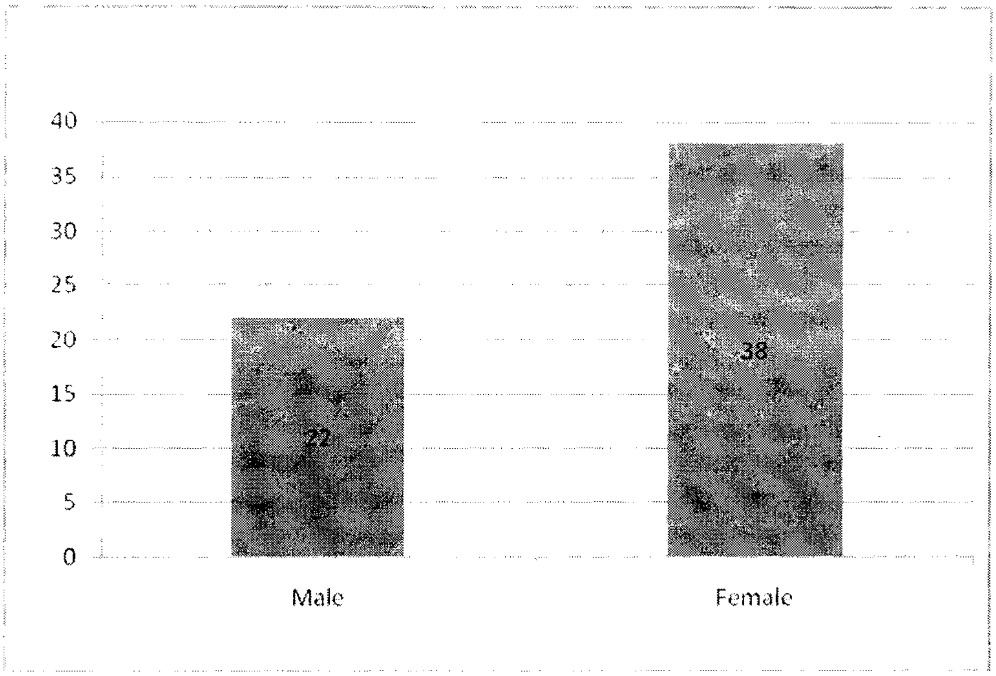
4.1.1 GENDER

Table 4.1 illustrates the gender of the respondents who are working in Retailer Stores of Amman, Jordan. It can be observed that the gender of the respondents were 22 (37 %) male respondents and 38 (63%) female respondents.

Table 4.1: Gender, N = 60

Gender	Male	Female
	22	38
%	0.37	0.63

Figure 4.1: Gender



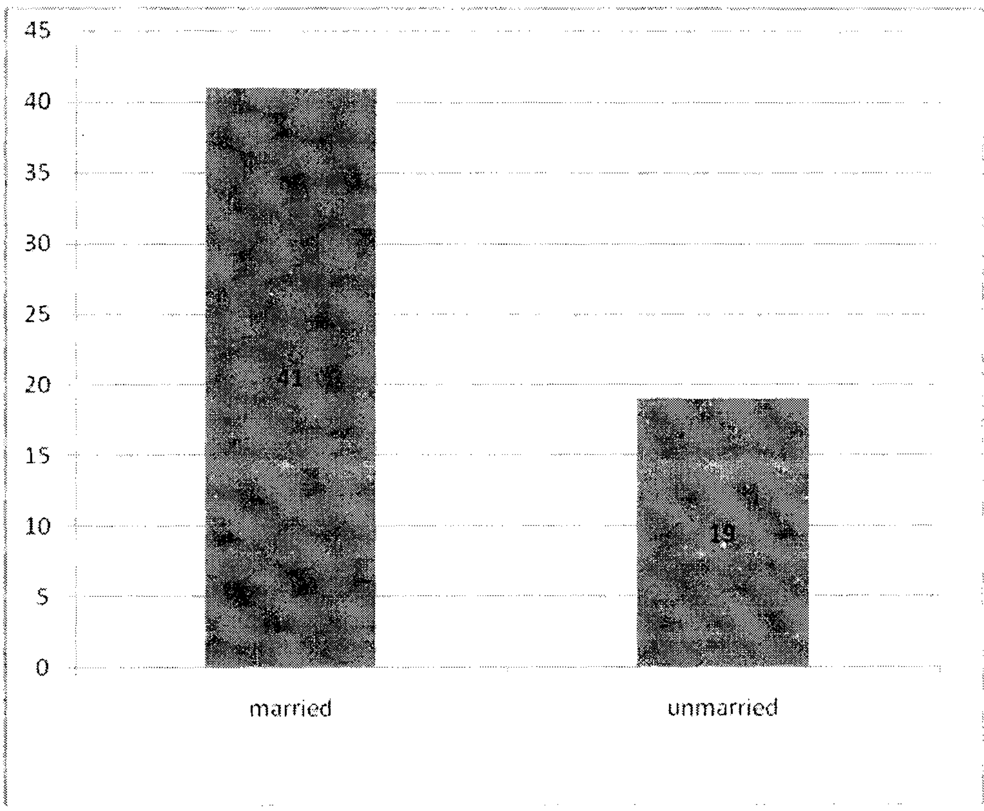
4.1.2 STATUS

Table 4.2 illustrates the marital status of the respondents. There were 41 (68 %) respondent married, in the other side of the marital status, it can be observed that there were 19 (32 %) respondent unmarried.

Table 4.2 : Status

status	married	Unmarried
	41	19
%	0.68	0.32

Figure 4.2: Status



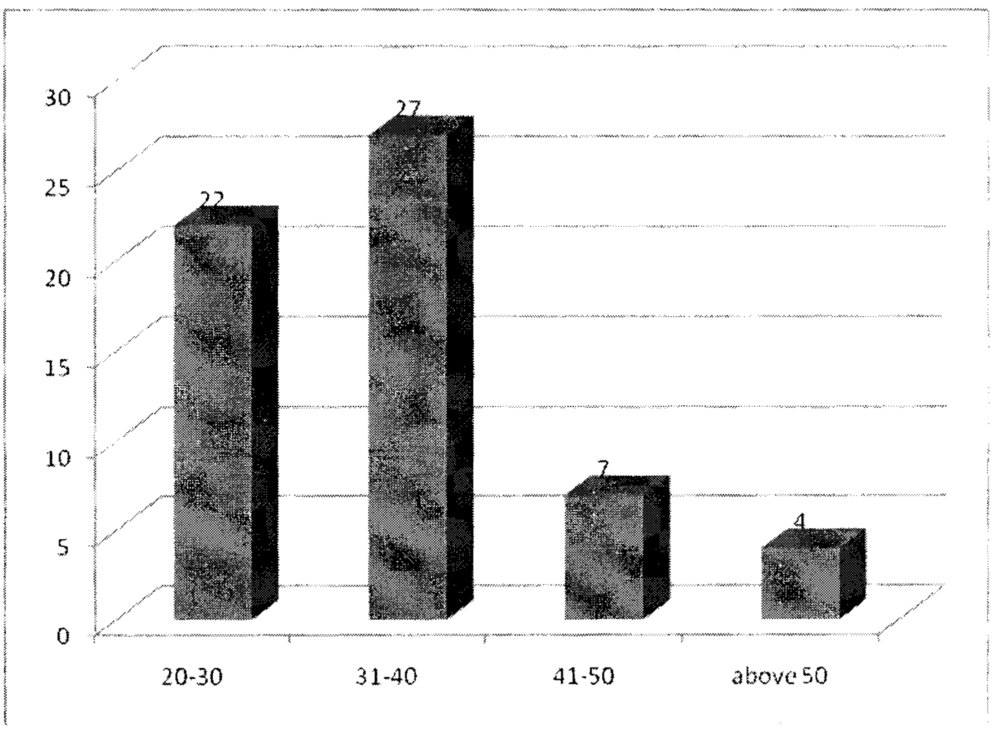
4.1.3 AGE

Table 4.3 shows the age of the respondent. The age of the respondents were 22 (37 %) respondents between 20-30 years, 27 (45 %) respondents between 31-40, 7 (12 %) respondents between 41-50, and 4 (7 %) respondents more than age of 50.

Table 4.3: Age

Age	20-30	31-40	41-50	above 50
	22	27	7	4
%	0.366667	0.45	0.116667	0.066667

Figure 4.3: Age



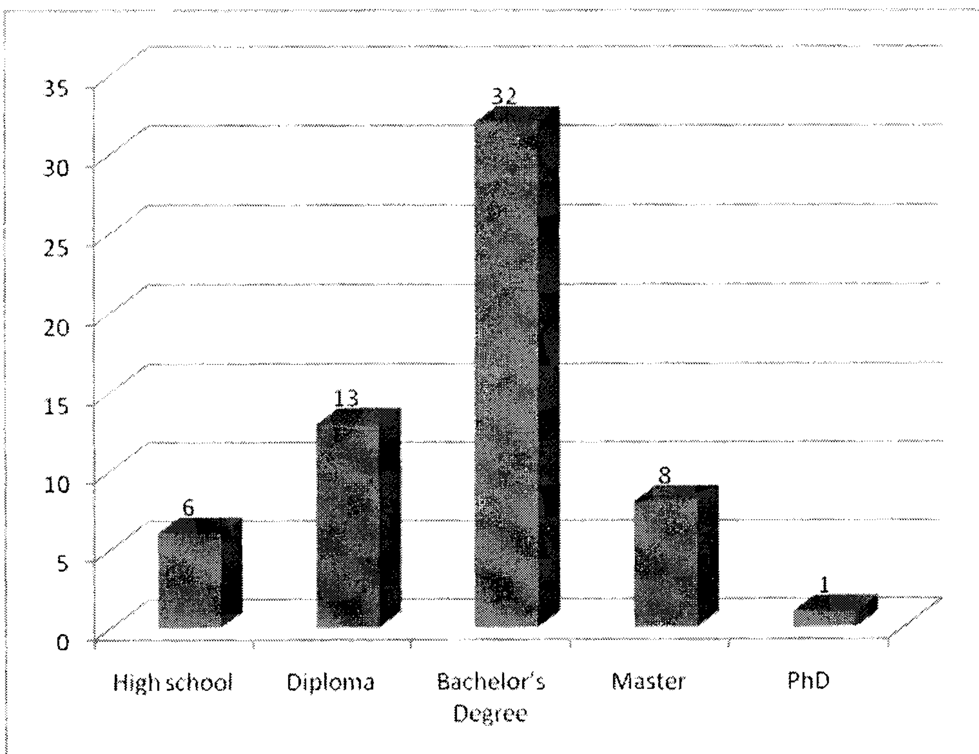
4.1.4 LEVEL OF EDUCATION

Table 4.4 shows the level of education of the respondents. It can be clearly seen that there were 32 (53 %) Bachelor's Degree holding, 13 (22 %) respondents were diploma, 6 (10 %) respondent were high school. However, in term of postgraduate level it can be observed in the table that there were 8 (13 %) respondent were master holders and one respondent who is a PHd holder.

Table 4.4: Level of education

Level of education	High school	Diploma	Bachelor's Degree	Master	PhD
	6	13	32	8	1
%	0.1	0.22	0.53	0.13	0.02

Figure 4.4: Level of education



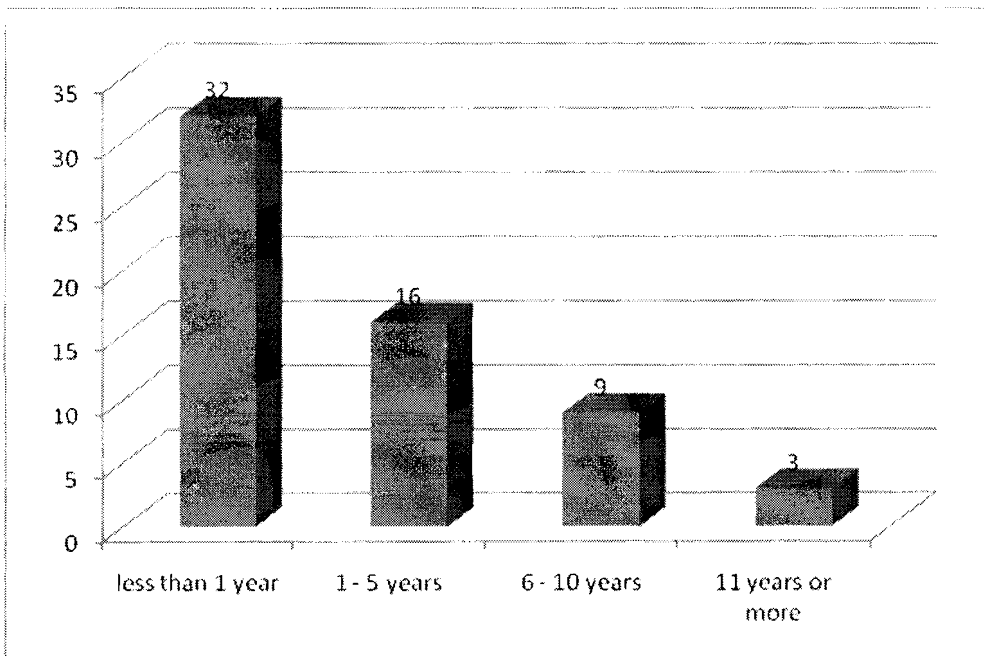
4.1.5 YEARS OF EXPERIENCE

The experience of the respondents is shown in table 4.5. It can be observed that most of the respondents have experience less than one year, following by 16 (27 %) respondents have experience between 1-5 years. In addition there are 9 (15 %) respondents with experience between 6-10 years, and 3 (5 %) respondents with experience more that 11 years.

Table 4.5: Years of experience

Years of experience	less than 1 year	1 - 5 years	6 - 10 years	11 years or more
	32	16	9	3
%	0.53	0.27	0.15	0.05

Figure 4.5: Years of experience



4.2 MEANS AND STANDARD DEVIATION

4.2.1 ENVIRONMENT

The mean and standard deviation for environment is shown in table 4.2. There are 10 items for the environment. The mean environment ranged from 2.8333 for "Sometimes our customers are very price sensitive, but on other occasions, price is relatively unimportant to them" and "We are witnessing demand for our products and services from customers who never bought them before" to the highest mean score of 3.2833 for "The current business environment is threatening the survival of our store". Moreover, the standard deviation for the environment ranged from 0.86095 for "Anything that one competitor in our industry can offer, others can match readily" to the highest standard deviation score of 1.26446 for "We are witnessing demand for our products and services from customers who never bought them before".

Table 4.6 (Mean and Std. Deviation) for environment.

Items	N	Mean	Std. Deviation
Sometimes our customers are very price sensitive, but on other occasions, price is relatively unimportant to them	60	2.8333	.88618
We are witnessing demand for our products and services from customers who never bought them before	60	2.8333	1.26446
New customers tend to have product-related needs that are different from those of our existing customers	60	3.1167	.99305
Our customers tend to look for new products all the time	60	3.1333	1.19981
Many promotion wars occur in our industry	60	3.1333	1.01625
Anything that one competitor in our industry can offer, others can match readily	60	3.2667	.86095
One hears of new competitive moves in our industry almost every day	60	3.1333	1.03280
The current business environment is threatening the survival of our store	60	3.2833	1.02662
Tough price competition is threatening our store	60	2.8667	1.09648
Competitors' product quality or novelty is threatening our store	60	3.1167	1.05913

4.2.2 ORGANIZATIONAL STRUCTURE

The mean and standard deviation for organizational structure is shown in table 4.7. There are 20 items for the organizational structure. The mean for organizational structure ranged from 2.6333 for the "We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners)" to the highest mean score of 3.3167 for "Data on customer satisfaction are disseminated at all levels in our store on a regular basis". Moreover, the standard deviation for the organizational structure ranged from 0.91117 for "Data on customer satisfaction are disseminated at all levels in our store on a regular basis" to the highest standard deviation score of 1.14931 for "We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners).

Table 4.7 (Mean and Std. Deviation) For organizational structure

	N	Mean	Std. Deviation
In my store, we do a lot of in-house market research	60	3.2833	.97584
We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners)	60	2.6333	1.14931
We periodically review the likely effects of changes in our business environment (e.g., regulations) on customers	60	2.8500	1.10200
A lot of informal talk among employees in our store concerns our competitors' tactics or strategies	60	3.0000	1.05766
We have interdepartmental meetings at least once a quarter to discuss market trends and developments	60	3.0833	1.06232
Marketing personnel in our store spend time discussing customers' future needs with other functional departments in the store	60	2.9333	1.10264
When something important happens to major customers or market segments, all the store's employees know about it in a short period	60	3.1167	1.00998
Data on customer satisfaction are disseminated at all levels in our store on a regular basis	60	3.3167	.91117
It takes us a long time to decide how to respond to our competitors' price changes	60	3.0167	1.04948
We periodically review our product development efforts to ensure that they are in line with what customers want	60	2.9000	1.05284
Several departments in my store get together periodically to plan responses to changes taking place in our business environment	60	3.1833	1.08130
If a major competitor were to launch an intensive campaign targeted at our store's customers, we would implement a response immediately	60	3.1833	1.01667
When my store finds out that customers are unhappy with the quality of our service, we take corrective action immediately	60	3.0167	1.06551
We are quick to respond to significant changes in our competitors' pricing structures	60	2.9667	1.07304

Employees in our store are allowed to make their own decisions without checking with anybody else	60	2.8500	1.08651
My usual experience with our store involves doing things "by the rule book."	60	2.9000	1.08456
Many activities in my store are not covered by formal procedures	60	2.8833	.92226
Even small matters in our store must be referred to someone higher up for a final answer	60	2.6667	.98577
Any major decisions that employees make must have the approval of a top manager	60	3.0167	.98276
Employees who want to make their own decisions would be quickly discouraged	60	2.9500	1.04840

4.2.3 TOP MANAGEMENT

The mean and standard deviation for top management is shown in table 4.8. There are 6 items for the management. The mean for the management ranged from 2.6833 for "I often tell employees to be sensitive to the activities of our competition" to the highest mean score of 3.2500 for "I believe that serving customers is the most important thing our business does". Moreover, The standard deviation for the management ranged from 0.93201 for "I believe that serving customers is the most important thing our business does" to the highest standard deviation score of 1.04908 for "I believe that it is worth taking high financial risks for high rewards".

Table 4.8 Mean and Std. Deviation For management

	N	Mean	Std. Deviation
I believe that our store's survival depends on its adapting to market trends	60	3.1667	1.01124
I often tell employees to be sensitive to the activities of our competition	60	2.6833	.98276
I believe that serving customers is the most important thing our business does	60	3.2500	.93201
I believe that it is worth taking high financial risks for high rewards	60	2.8667	1.04908
Top managers in my store like to take big financial risks	60	3.1667	1.01124
Top managers in my store like to implement plans only if they are very certain that they will work	60	2.6833	.98276

4.2.4 STORE'S PERFORMANCE

The mean and standard deviation for store's performance is shown in table 4.9. There are 6 items for the store's performance. The mean for the store's performance ranged from 2.8167 for "Market share" to the highest mean score of 3.2500 for both items "Return on investment" and "Earnings growth". Moreover, the standard deviation for the store's performance ranged from 0.93201 for both items "Return on investment" and "Earnings growth" to the highest standard deviation score of 1.08130 for "Market share".

Table 4.9 Mean and Std Deviation For store's performance

	N	Mean	Std. Deviation
Return on investment	60	3.2500	.93201
Earnings growth	60	3.2500	.93201
Sales growth	60	2.8833	1.00998
Market share	60	2.8167	1.08130
Return on assets	60	2.8667	1.06511
Cash flow	60	2.8500	1.00549

4.3 RELATIONSHIP BETWEEN ENVIRONMENT, ORGANIZATIONAL STRUCTURE, TOP MANAGEMENT AND STOR'S PERFORMANCE

Correlation analysis is executed to test the strength of relationships between variables. Statistical test at 5% level is used to test the significance of the relationships between the independent variables in this study. It is also used to examine the potential issue of multicollinearity that exists when two explanatory variables are highly correlated. A Pearson product-moment correlation coefficient describes the relationship between two continuous variables or when the researcher is interested in defining the important variables that are associated with the problem (Sekaran, 2000).

Correlation is appropriate for interval and ratio-scale variables and is the most common measure of linear relationship. This coefficient has a range of possible values from -1 to +1. The value indicates the strength of the relationship, while the sign (- or +) indicates positive or negative correlation. Table 4.10, 4.11, and 4.12 show the correlation matrix among the independent variables and dependent variable.

4.3.1 THE RELATIONSHIP BETWEEN ENVIRONMENT AND STOR'S PERFORMANCE

Table 4.10: Correlation between environment and store's performances

Performance	Environment	R	Sig. level
Return on investment	New customers tend to have product-related needs that are different from those of our existing customers	.444**	0.01
Return on investment	Many promotion wars occur in our industry	.465**	0.01
Return on investment	Anything that one competitor in our industry can offer, others can match readily	.338**	0.01
Earnings growth	New customers tend to have product-related needs that are different from those of our existing customers	.444**	0.01
Earnings growth	Many promotion wars occur in our industry	.465**	0.01
Earnings growth	Anything that one competitor in our industry can offer, others can match readily	.338**	0.01
Return on assets	The current business environment is threatening the survival of our store	-.383**	0.01
Return on assets	Competitors' product quality or novelty is threatening our store	-.286*	0,05

The correlation between environment and store's performance is shown in table 4.10. As shown there are eight significant correlations between environment and stores performance. The correlation coefficient ranged from -.383 to .465, the significant level is 0.01.

4.3.2 THE RELATIONSHIP BETWEEN ORGANIZATIONAL STRUCTURE AND PERFORMANCE

Table 4.11: Correlation between organizational structure and performance

performance	organizational structure	R	Sig. level
Return on investment	My usual experience with our store involves doing things "by the rule book."	-.260*	0.05
Earnings growth	My usual experience with our store involves doing things "by the rule book."	-.260*	0.05
Sales growth	We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners)	.269*	0.05
Market share	It takes us a long time to decide how to respond to our competitors' price changes	-.296*	0.05
Return on assets	If a major competitor were to launch an intensive campaign targeted at our store's customers, we would implement a response immediately	-.274*	0.05
Return on assets	We are quick to respond to significant changes in our competitors' pricing structures	.293*	0.05

The correlation between organizational structure and performance is shown in table 4.11. As shown there are six significant correlation between organizational structure and performance. The correlation coefficient ranged from -.296 to .293, the significant level is 0.05.

4.3.3 THE RELATIONSHIP BETWEEN TOP MANAGEMENT AND PERFORMANCE

Table 4.12: Correlation between top management and performance

performance	Top management	R	Sig. level
Return on investment	I believe that serving customers is the most important thing our business does	1.000**	0.01
Earnings growth	I believe that serving customers is the most important thing our business does	1.000**	0.01
Market share	I believe that serving customers is the most important thing our business does	.349**	0.01
Market share	I believe that it is worth taking high financial risks for high rewards	-.321*	0.05
Return on assets	I believe that our store's survival depends on its adapting to market trends	.257*	0.05

The correlation between top management and performance is shown in table 4.12. As shown there are five significant correlations between top management and performance. The correlation coefficient ranged from .349 to 1.00, the significant level is 0.01.

4.4 CONCLUSION

This chapter explained the results of the statistical analysis. The results comprised background of the respondents, the mean and standard deviation for the major variables namely environment, organizational structure, top management and store's performance. In addition the results of the correlation among the variables are also provided.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.0 INTRODUCTION

This chapter summarizes the interpretations of results presented in the previous chapter and provides conclusion of this study. In addition, this chapter discussed the findings in this study with relation to the research objectives. The chapter begins discussion, followed by the implication of study, after that limitation of the study will be discussed, and finally the conclusion.

5.1 DISCUSSION

This study discusses the changes in the environment due to Jordan's market opening have affected Jordan retailing firms' strategy, top management's willingness to adapt to changing market conditions, environment, and organizational structure, top management and firm or financial performance. In other words, the study attempts to investigate whether there is a significant relationship, environment, and organizational structure, top management and firm or financial performance. The results show that the environment, and organizational structure, and top management have the significant impact on store's performance. The objectives of this study that are achieved are:

- To determine the effects of perceived environmental uncertainty on the management strategies. According to the correlation analysis that is shown in table 4.10 (the correlation between environment and store's performance) shows that there are eight significant correlations between environment and stores performance. The correlation coefficient ranged from -.383 to .465, the significant level is 0.01.

- To examine the effects of stores' management strategies on financial performance. The correlation between top management and performance is shown in table 4.12. As shown there are five significant correlations between top management and performance. The correlation coefficient ranged from .349 to 1.00, the significant level is 0.01.

- To identify the effect of organizational structure and financial performance.

The finding and their implications were discussed in the following section. As a result achieving this objective, the correlation analysis that is shown in table 4.11 (correlation between organizational structure and stores performance) shows that there are six significant correlations between organizational structure and performance. The correlation coefficient ranged from -.296 to .293, the significant level is 0.05.

5.2 IMPLICATION OF THE STUDY

5.2.1 IMPLICATION TO ACADEMICALS PERSPECTIVE

Managers who display environment, and organizational structure, top management encourage employee to look beyond their own needs and focus instead on the interests of the group in order to strengthen employee and organizational performance.

This study involves the development of a model that incorporates interrelationships among components of strategic management, and the application of the model in the case of Jordan retailing, since market opening, i.e. within the regimes of representation and classification in which practitioners operates. Such regimes of representation and classification are imminent in a verity of managerial tools and organizational systems and must therefore, be examined in greater details.

5.2.2 IMPLICATION TO PRACTITIONERS

Environment, organizational structure, top management and firm or financial performance contribute significantly in the success and failure of an organization. Leaders are symbolic managers and managers of meaning for the followers. By virtue of their formal position in the hierarchy, leaders' interpretation, actions and decisions are given special attention and consideration from their direct reports. People believe top management is important, often crediting them with the successes or blaming them for the failures that take place within organization.

Motivation in other hand also being agreed as a main factor in the process of development. Motivated environment within organization brings better efficiency thus bringing better competency. In term of top management, managers are the person in the right place and right time to have a great opportunity to help their organization grow to greater levels of success.

5.3 LIMITATION OF THE STUDY

As with any study, the findings obtained in the thesis display some shortcomings, this limitation need to be recognized when interpreting the findings of this thesis while also recognizing the opportunities they present the future research. The sample that was employed in this thesis has limited generalizability because of the sampling plan used since the questionnaire distribution was conducted only in four organizations in Amman-Jordan.

An extension of this study for future study can be developed in several areas; first, interested parties can develop a study for different places such as other cities in Jordan with different sectors that can be helpful for the organizations and managers to achieve their goals.

5.4 CONCLUSION

This study is attempt to investigate how changes in the environment due to Jordan's market opening have affected Jordan retailing firms' strategy, top management's willingness to adapt to changing market conditions, environment, and organizational structure, and firm or financial performance.

The number of respondent is 60 respondents of some stores that located in Amman and some other cities in Jordan. Their perspectives were translated into reports based on environment, organizational structure, top management and stores' or financial performance. Through the survey research method, the questionnaire sees a complete picture of the way different things are connected, what to focus on and measure environment, organizational structure, top management and store's or financial performance of representing in used seems to look up the capacity to make things appear to be connected, making a kind of wholeness or optimum solution.

The result of correlation analysis is assessing the variables or the empirical relationship between environment, organizational structure, top management and store's or financial performance. From the correlation results, it can be observed that there was few items of each variables that are significant and have the effect on the sore's performance. However, tables 4.10, 4.11, and 4.12 show the significant relationship between environment, organizational structure, top management and store's performance.

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Appendix

Section A : correlation between enviornent and stores' performance

		Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
Q37	Pearson Correlation	-.236	.137	.444**	.182	.465**	.338**	-.018	-.146	.083	-.202
	Sig. (2-tailed)	.069	.298	.000	.164	.000	.008	.894	.265	.529	.122
	N	60	60	60	60	60	60	60	60	60	60
Q38	Pearson Correlation	-.236	.137	.444**	.182	.465**	.338**	-.018	-.146	.083	-.202
	Sig. (2-tailed)	.069	.298	.000	.164	.000	.008	.894	.265	.529	.122
	N	60	60	60	60	60	60	60	60	60	60
Q39	Pearson Correlation	-.079	-.082	.064	-.071	.015	-.042	-.115	.180	-.060	.092
	Sig. (2-tailed)	.549	.534	.624	.591	.907	.752	.382	.170	.648	.484
	N	60	60	60	60	60	60	60	60	60	60
Q40	Pearson Correlation	-.068	.163	.178	.124	.177	-.129	.007	.017	-.064	.137
	Sig. (2-tailed)	.607	.213	.173	.346	.176	.327	.957	.897	.628	.295
	N	60	60	60	60	60	60	60	60	60	60
Q41	Pearson Correlation	-.221	.021	-.161	.094	-.140	-.053	-.030	-.383**	.086	-.286*
	Sig. (2-tailed)	.089	.874	.218	.476	.286	.688	.821	.002	.513	.026
	N	60	60	60	60	60	60	60	60	60	60
Q42	Pearson Correlation	-.048	.073	.154	-.011	.070	-.070	-.176	.173	-.157	.208
	Sig. (2-tailed)	.718	.578	.241	.932	.597	.593	.178	.186	.232	.111
	N	60	60	60	60	60	60	60	60	60	60

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Section B: correlation between orgoniazational structure and stores' performance

		Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21	Q22	Q23	Q24	Q25	Q26	Q27	Q28	Q29	Q30
Q37	Pearson Correlation	-.154	.024	.120	.172	-.021	.033	-.212	-.075	-.074	.060	-.080	.094	-.124	.076	-.247	-.260*	-.143	-.148	.051	-.039
	Sig. (2-tailed)	.241	.857	.363	.189	.871	.802	.105	.570	.576	.646	.544	.475	.346	.562	.057	.045	.276	.260	.699	.767
	N	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Q38	Pearson Correlation	-.154	.024	.120	.172	-.021	.033	-.212	-.075	-.074	.060	-.080	.094	-.124	.076	-.247	-.260*	-.143	-.148	.051	-.039
	Sig. (2-tailed)	.241	.857	.363	.189	.871	.802	.105	.570	.576	.646	.544	.475	.346	.562	.057	.045	.276	.260	.699	.767
	N	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Q39	Pearson Correlation	.172	.269*	-.107	.032	-.086	-.114	.014	-.107	-.062	.037	.051	.186	-.203	-.019	.107	.020	-.051	.028	.173	-.198
	Sig. (2-tailed)	.190	.038	.414	.810	.516	.387	.918	.418	.637	.781	.699	.154	.120	.884	.414	.879	.697	.830	.187	.130
	N	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Q40	Pearson Correlation	.034	-.096	.176	-.074	.117	.004	-.058	.026	-.296*	.088	.000	.016	-.086	.155	-.168	-.146	-.022	-.074	-.268*	-.143
	Sig. (2-tailed)	.796	.466	.179	.574	.374	.977	.662	.847	.022	.505	.999	.905	.516	.236	.199	.266	.869	.573	.038	.276
	N	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

Q41	Pearson Correlation	-.175	-.027	.170	.075	.250	.151	-.159	-.165	-.119	.063	-.126	-.274*	.151	.293*	-.105	.091	.036	.086	.132	.161
	Sig. (2-tailed)	.181	.839	.193	.568	.054	.249	.226	.207	.364	.630	.339	.034	.248	.023	.423	.489	.787	.513	.316	.219
	N	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Q42	Pearson Correlation	.096	.098	-.112	-.112	-.179	-.116	-.083	.090	.002	.066	-.161	.027	-.235	-.130	-.114	.095	-.092	-.205	-.152	-.039
	Sig. (2-tailed)	.466	.455	.392	.396	.172	.377	.530	.495	.985	.618	.218	.836	.071	.321	.386	.471	.483	.116	.247	.765
	N	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Section C : correlation between top mamangement and stores' performance

		Q31	Q32	Q33	Q34	Q35	Q36
Q37	Pearson Correlation	.225	.106	1.000**	-.104	.225	.106

	Sig. (2-tailed)	.084	.418	.000	.429	.084	.418
	N	60	60	60	60	60	60
Q38	Pearson Correlation	.225	.106	1.000**	-.104	.225	.106
	Sig. (2-tailed)	.084	.418	.000	.429	.084	.418
	N	60	60	60	60	60	60
Q39	Pearson Correlation	-.130	-.038	-.167	-.143	-.130	-.038
	Sig. (2-tailed)	.322	.774	.203	.276	.322	.774
	N	60	60	60	60	60	60
Q40	Pearson Correlation	.028	-.215	.349**	-.321*	.028	-.215
	Sig. (2-tailed)	.829	.099	.006	.012	.829	.099
	N	60	60	60	60	60	60
Q41	Pearson Correlation	.257*	.169	.034	.181	.257*	.169
	Sig. (2-tailed)	.047	.195	.796	.166	.047	.195
	N	60	60	60	60	60	60
Q42	Pearson Correlation	-.058	.140	.041	-.132	-.058	.140
	Sig. (2-tailed)	.658	.287	.758	.316	.658	.287
	N	60	60	60	60	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Section D: Questionnaire

Questionnaire on Retail Management

Section A: Demographic Profile

Please tick (?) the appropriate box to answer the questions.

1.1 Gender Male Female

1.2 Status Married Unmarried

1.3 Age 20 – 30 31 – 40

41 – 50 Above 50

1.4 Level of Education   High school   Diploma

Bachelor's Degree   Master's Degree

PhD Degree

1.6 Years of Experience

Less than 1 year   1 – 5 years

6 – 10 years   11 years or more

Section B

Please indicate your degree of agreement with the following items about your environment.

with 1 = strongly disagree and 5 = strongly agree. Circle the most appropriate number.

Strongly disagree   Strongly agree

Sometimes our customers are very price sensitive, but

on other occasions, price is relatively unimportant to them.......................1 2 3 4 5

We are witnessing demand for our products and services from customers who never bought them before……………………..1 2 3 4 5

New customers tend to have product-related needs

that are different from those of our existing customers……………………..1 2 3 4 5

Our customers tend to look for new products all the time……………………1 2 3 4 5

Many promotion wars occur in our industry……………………………….1 2 3 4 5

Anything that one competitor in our industry can offer,

others can match readily……………………………………………………1 2 3 4 5

One hears of new competitive moves

in our industry almost every day…………………………………………1 2 3 4 5

The current business environment is

threatening the survival of our store………………………………………1 2 3 4 5

Tough price competition is threatening our store……………………………1 2 3 4 5

Competitors' product quality or novelty is threatening our store……………. 1 2 3 4 5

Section C

Please indicate your degree of agreement of the following items about your organizational structure for the store, with 1 = strongly disagree and 5 = strongly agree. Circle the most appropriate number.

	Strongly disagree				Strongly agree
In my store, we do a lot of in-house market research..........................	1	2	3	4	5
We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners)....................	1	2	3	4	5
We periodically review the likely effects of changes in our business environment (e.g., regulations) on customers.....................	1	2	3	4	5
A lot of informal talk among employees in our store concerns our competitors' tactics or strategies...	1	2	3	4	5
We have interdepartmental meetings at least once a quarter to discuss market trends and developments......................................	1	2	3	4	5
Marketing personnel in our store spend time discussing customers' future needs with other functional departments in the store.... ..	1	2	3	4	5

When something important happens to major customers or market segments, all the store's employees know about it in a short period……………………………………………………………1 2 3 4 5

Data on customer satisfaction are disseminated at all levels in our store on a regular basis…………………………………1 2 3 4 5

It takes us a long time to decide how to respond to our competitors' price changes………………………………………………1 2 3 4 5

We periodically review our product development efforts to ensure that they are in line with what customers want…………………………1 2 3 4 5

Several departments in my store get together periodically to plan responses to changes taking place in our business environment…………………………………………………1 2 3 4 5

If a major competitor were to launch an intensive campaign targeted at our store's customers, we would implement a response immediately……………………………………………………1 2 3 4 5

When my store finds out that customers are unhappy with

the quality of our service, we take corrective action immediately…………..1 2 3 4 5

We are quick to respond to significant changes in

our competitors' pricing structures…………………………………………..1 2 3 4 5

Employees in our store are allowed to make

their own decisions without checking with anybody else……………………..1 2 3 4 5

My usual experience with our store involves

doing things "by the rule book."…………………………………………… 1 2 3 4 5

Many activities in my store are not covered by formal procedures…………1 2 3 4 5

Even small matters in our store must be referred to

someone higher up for a final answer………………………………………..1 2 3 4 5

Any major decisions that employees make must have

the approval of a top manager…………………………………………….…….1 2 3 4 5

Employees who want to make their own

decisions would be quickly discouraged…………………………………..1 2 3 4 5

Section D

Please indicate your degree of agreement of the following items about your management style, with 1 = strongly disagree and 5 = strongly agree. Circle the most appropriate number.

	Strongly disagree				Strongly agree
I believe that our store's survival depends on its adapting to market trends……………………………………………..	1	2	3	4	5
I often tell employees to be sensitive to the activities of our competition…………………………………………..	1	2	3	4	5
I believe that serving customers is the most important thing our business does…………………………………………	1	2	3	4	5
I believe that it is worth taking high financial risks for high rewards………	1	2	3	4	5

Top managers in my store like to take big financial risks……………………1 2 3 4 5

Top managers in my store like to implement plans

only if they are very certain that they will work……………………………1 2 3 4 5

Please rate your degree of satisfaction with your store's performance in each of the following areas compared to other stores in your industry, with 1 = highly dissatisfied and 5 = highly satisfied. Circle the most appropriate number.

	Highly dissatisfied				Highly satisfied
Return on investment……	1	2	3	4	5
Earnings growth……	1	2	3	4	5
Sales growth……	1	2	3	4	5
Market share……	1	2	3	4	5
Return on assets……	1	2	3	4	5
Cash flow……	1	2	3	4	5

Thank you for your time and cooperation in completing this questionnaire!