

# Environmental Analysis and its Impact on the Competitive Capabilities of the Commercial Banks Operating in Jordan

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**Abstract** *The study aimed to measure the impact of Environmental analysis on the competitive Capabilities of the commercial banks operating in Jordan. The study population consisted of the general managers, and their assistant of the commercial banks operating in Jordan that amount (10) banks that estimated (93) managers. The Unit of Analysis included the whole population that estimated (93) managers. To achieve the objectives of the study, statistical analytical method was used through A questionnaire that used a major tool for data collection developed at the hands of elite researchers and writers in the field of management, which consisted of (51) items. A number of statistical tools and methods were used such as Mean, Standard Deviation, and Multiple Regression. After the analysis of the collected data and hypotheses, the result of the study showed that there was a significant impact of Environmental analysis represented by (strength, weakness, threats and opportunity) on the competitive Capabilities of the commercial banks operating in Jordan at level ( $\alpha \leq 0.05$ ). Based on the study results the researcher recommends the banks manager to concentrate on the study and analysis of information as one of the most important sources of competitiveness and to make interest how to reduce costs as reflected in the price of the service provided.*

**Key words** Environmental analysis, competitive capabilities, commercial banks, Jordan

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## 1. Introduction

The steady developments in all areas paid business organizations to focus on strategic management, particularly with regard to environmental and strategic analysis, that forms the basis from which the organization can reach its goals, because of the information provided about the opportunities and threats in the external environment, the strengths and weaknesses of the internal environment. These factors have an effect on determining the appropriate strategic option which is one of the stages of the strategic management, which ends with determining the strategic paths which are important to the Organization to harmonize the strengths and weaknesses of the internal environment, opportunities and threats in the external environment. Competitive capacities and their development is the incentive factor that drives all toward tender and creativity, and achieve competitive advantage of superiority over competitors, leading to a higher rate of profit or return. Competitive capabilities play a big role in improving performance, as well as play a big role in achieving high standards of performance, and also at various levels concerning the financial performance of the organization and its processes, at various aspects of industrial and commercial activities, and service and reflection that naturally affects the customer satisfaction (Al-Doury, 2003).

Developments in applications of strategic management and its effect in performance, particularly in the developed world, has pushed business organizations to analyze the internal and external environment elements, to enable them to determine the best strategic options available to them. As well as find out weaknesses and revitalized, and analysis of the external environment to learn to draw and exploit opportunities and challenges that may encounter, especially if those risks on the economies of developing countries, including Jordan, and it became necessary to enhance competitiveness in general, therefore, this study focused on linking environmental analysis elements to improve competitive capabilities in general, and commercial banks operating in Jordan especially, to clarify this important impact.

## **2. Theoretical framework**

### **2.1. Strategic analysis**

The Organization's environment is part of the factors that contribute and increase their success, which encounter business environment at a high degree of change and complexity, because what happens in changes and modifications in the rules, as well as the policies and methods used, in order to achieve the organization mission and objectives; not enough to identify opportunities or environmental constraints in the environment of the Organization, but the Organization must be familiar with those opportunities and constraints, threats, and develop strategies that lead to invest opportunities and identify constraints or threats or narrowed or adapt to achieve goals and maximizing potential and resources (Al-Moursy, 2007).

The business world has become quick and variable, and this change was reflected on the business environment, where impose them to develop strategies to respond with this change that appeared as a result of the enormous developments occurring in the organizational environment (Al-Omari and Al-Samurai, 2008). Business organizations need to disclose internal and external environment, by collecting data by traditional and untraditional methods, and delivered to managers to analyze and determine the future strategy of the organization (Habtour, 2005), and changes in the internal and external environment is one of the most important issues affecting organizational performance (Al-Omari and Al-Samurai, 2008).

Strategic analysis is the main ingredient to determine the appropriate strategic choices, which is important to pursue environmental changes, in order to identify strengths and weaknesses in the Organization's internal environment and discover the opportunities and potential threats in the external environment, and therefore contains a set of operations focused to determine the dimensions and overall enterprise environment variables, as great importance in the interaction between the enterprise as an open system and its environment, and a main way to building and maintaining competitive advantages (Ghanema, 2005).

Strategic planning effectiveness lies in the strategic analysis of the external environment of the Organization to extrapolate the opportunities and potential threats, and analyze the internal environment to identify strengths and weaknesses, and thus generate alternatives and make coordination and cooperation between all activities to implement organization strategy to their goals and mission. Organizations must – at the same time-not to rely on the past as a guide for planning, and remain under the influence of previous thinking, will lose the flexibility to turn change into opportunity (Ghanema, 2005).

### **2.2. Concept of strategic analysis**

Strategic analysis is an important stage of strategic management process includes detecting and discuss a range of issues that require strategic solutions, meaning identify opportunities and threats contained in the external environment and match internal strengths and weaknesses of the organization, and this match enable organization to determine the possible strategic orientations, taking into account the objectives and goals (Lastrada, 2011). Strategic analysis is a 'clarifying the future to decide what constitute opportunities, possible threats, strengths and weaknesses to chose the strategy to invest opportunities and threat protection in light of the strengths and weaknesses of the organization' (Bernoti, 1992).

Al-Husseini (2006) refers that strategic analysis is a set of sequential stages and slipstreamed aims to study and analyze the factors influencing changes in the trends and future of economic unity, and determine the effects of these changes within the internal environment and external environment and study the nature of internal relations and interactive between these changes. Al-Doury (2003) agrees with the previous concept indicates that strategic analysis is a set of tools used by strategic management to diagnose the extent of change in the external environment and identify opportunities and threats, and to diagnose the attributes or features in the economic unit to control their environment, in a way to helps achieving a positive relationship between strategic analysis of environment and determining the goals of economic unit and the strategy required.

The goal of strategic analysis is to constitute a clear vision of the strategic situation of the organization, the basic factors that will affect the organization in the short and medium term, and choose the appropriate strategy, information is gathered from several sources, it takes time to collect them, this requires accurate information collection method for validity, and this also requires from the people

responsible for analytical process to have the experience, expertise, and foresight, to have honest analysis (Al-Hariri, 2007).

Strategic analysis defined by Yazed (2010) as 'a careful analysis of organization situation through two foundations, firstly in the external environment, and the second is the internal environment, where the first dimension requires environmentally analysis externally to detect opportunities and threats, and the second requires internal analysis to determine strengths and weaknesses'.

### **2.3. Environmental analysis elements**

Environment analysis of organization may be defined as: 'environmental scan of political, economic, social, technological, legal and strategic factors to identify strategic factors (Wheelen and Hunger, 2004). And when doing environmental analysis (strategic); this analysis involves analyzing the internal and external environment analysis.

- *Internal Environment:* Internal environment analysis means a detailed look into the organization, to determine performance levels, the areas of strength, and areas of weakness, in addition to the restrictions, through a comprehensive analysis of the current situation, input elements and the actual position of the organization, to identify the true potential, and its ability to build effective strategies contribute to take advantage of the strengths, and compensate of weaknesses (Omary, 2007). Organizations care to analyze and evaluate all internal factors, to identify strengths and weaknesses of each factor of internal factors, using the results of the analysis of the external factors, which helps to make strategic decisions and choose appropriate alternatives (Hines, 2007).

Yusuf (1999) refers that the analysis of the external environment for any organization (opportunities and challenges) insufficient from strategic point since it has to analyze internal environment (strengths and weaknesses). They must look at detailed within organization for determining performance levels and areas of strength and areas of weakness, as well as limitations, such analysis be richer and deeper; analogy to analyze the competition due to its importance in building the strategy and too much information about the areas covered, builds internal analysis to detailed information on sales, profits, costs, organizational structure, management style (Idris and AlMoursy, 2006).

Internal environment includes two elements:

- Strengths are the available things that contribute positively to the work, or properties that give the organization a good potential foster strength and contribute to complete work with skills and experience. Strengths are represented by financial resources, availability of managerial and organizational competencies, high capacity to compete, and a prominent name and strong reputation.

- Weaknesses: represented by the points that indicate to low or poverty in the organization's potential, especially when compared with competing organizations resources, or is the situation that makes them unable to compete, or in the case that forcing organization not to reach competitive advantage such as poor physical and human resources, and failed by research and development, as well as poor marketing skills.

- *External Environment:* Daft (2004) defines the external environment as: ' is a holistic framework for the range of factors affecting the Organization, where they form a complex relationship, and is located outside the organization that possesses the ability to influence at all or part of the organization. The external environment includes two elements ' (Al-Doury, 2005):

- Opportunities: are those circumstances surrounding the organization in a particular place, in a specific time period, the organization can exploit those conditions to achieve strategic goals, successful organizations don't wait for opportunity to come forth, but must work hard and constant research to create and exploit them to maximize their goals and achieve competitive advantage.

- Threats: are those possible events which if it happens, will cause a danger or adverse effects to the organization.

Hunger and Wheelen (2010) finds that the analysis of the external environment to identify opportunities and threats are not sufficient to achieve competitive advantage, but also to be seen within the organization to determine the strengths or weaknesses.

#### **2.4. SWOT analysis matrix**

The term strategic analysis (SWOT) is developed first Harvard Business School and based on two dimensions: first, external and give importance to competitive business environment analysis to diagnose the chances for growth and excellence (Opportunities) and avoid (Threats) that might lead to a weakening of competition, the second dimension, take care to resource and capability analysis (Strengths) that support the incompatibility of business building and development issues in sustainable strategic advantage any properties, attributes and core competencies that contribute in determining the competitive performance, and avoid the weak points (Weakness) set out to build a strategic centre featured to business (Abid, 2008)

The method of SWOT Analysis of the most common ways into internal and external environmental analysis, reveal the strengths and weaknesses of the internal environment and the opportunities and threats that exist in the external environment, the organization that sets the strategic plan and did not take the important elements of internal and external analysis; will put itself in danger (Al-Daher, 2009). SWOT Analysis support to create a strategy that will enable the organization to focus on strengths and investing opportunities or strategic path changes, resorting to defensive strategies when there are changes in the external environment (Al-Tikriti and Al-Alaq, 2006)

This is known as 'SWOT Analysis' where stands the character (S) to the word 'Strength' or force elements, symbolic character (w) to the word 'Weaknesses' of any elements of vulnerability and were related to the internal environment, as symbolized by letter (O) to the word 'Opportunities' any chance of success, symbolized by a character (T) to the word 'Threats' any threats, which relate to the external environment, these short and easy way to collect and process information (Davies and Ellison, 2003).

#### **2.5. Competitive capabilities**

The world is experiencing great economic transformations, especially with the emergence of the phenomenon of economic globalization, which arose on new economic conditions impact on the liberalization of international trade and rapid access to institutions around the world, leading to increased competition among them, and make many developing countries turning to thinking towards building an economic base make them gain a competitive position in the global market, so any organization to reach those objectives, should improve the best use of available resources, and to control the various costs and find ways to reduce them, because the costs are no longer just a way to measure the actual expenses within the organization, but have become an important reduction of lower product prices, especially given that many economists believe that the strength and competitiveness of the Organization lies in their ability to reduce the prices of their products, as cost minimization became used as a competitive strategy work through the organization to achieve less expensive than competitors in their products and services as permitted by occupying a better position in the market, as well as increase their profitability (Ibrahim, 2011).

The survival of small and medium-sized enterprises linked to their effectiveness and speed in interaction with environment, among the most effective means is to promote and strengthen its status and its competitive capabilities (Ahmed, 2013). The concept of competitiveness has filled an important space and places in the areas of strategic management and business economics, competitive capability represents the important strategic element which helps to seize opportunities and offers significant and real opportunity, to provide sustained profitability organization compared with its competitors. Competitiveness is the source that enhances the company's position to achieve economic benefits (Bashiti *et al.*, 2009).

#### **2.6. Competitive capability concept**

Competitive is the source that promotes the company position through achieving economic benefits, through their excellence on its competitors in the areas of product, price, cost (Al-Nady *et al.*, 2013), and therefore focus on productive processes (Betlis *et al.*, 2010). competitive capability defined as: the organization's capacity to formulate and implement strategies that make them a better competitive position for similar organizations working in the same activity (Mustafa, 2008), which requires the availability of essential elements of the organization's resources, the most important of these elements:

distribution and appropriate allocation of all stakeholders (Al-Qoutb, 2002), and from these basic elements-also-company resources and follow international standards which allow transmission of the organization to global market competition (Richard *et al.*, 2012).

Covin *et al.* (2010) defines competitive capability as (feature or group of features owned by the organization and distinguishes it from other organizations, attain organization a strong stand on various parties. competitive capability may be defined: as the means through which the organization could beat its competitors (Macmillan and Mahan, 2010), competitive capability is a skill or technique or outstanding resource which enables the organization to provide values and benefits for customers than provided by competitors, and confirms the excellence and diversity of these competitors from the viewpoint of customers who accept this difference and distinction, so bring them more benefits and values that transcend their other competitors offer (Al-Selmy, 2011).

Lui (2008) pointed out that competitive capability of the company: is the company ability which brings perspective to the Organization more competitive position in the product market, means that the company's access to advanced competitive position in the market. Abraham (2011) defines competitive capability of the organization: it expresses the capacity of the organization to obtain a competitive centre of the other organizations, which are working with the same activity, whether local or foreign, and its ability to implement strategies enabling continuous monitoring of these competitors.

Competitive capability arise once the company has reached to employ new methods more effective than those used by competitors, they come by offering new services and development through learning capabilities, market supervision and control, competitive capability also arise once the company has reached to discover new ways more effective than those employed by competitors (Stevenson, 2007).

### **2.7. Dimensions of competitive capability**

There are several dimensions of Competitive capability when providing their services and meet market demands to enhance Competitive capability (Wearawardena and Mccoll-kennedy, 2012):

- *Quality provided:* Quality means different individuals or different worldview to banks against expectations of individuals (Al-Hawary and Metabis, 2012; Al-Hawary, 2012; Al-Hawary, 2013a; Al-Hawary, 2013b), so that the properties of the product will meet customer satisfaction, so it should be reliable and efficient product to meet the needs of the customer (Atem and Yella, 2007). The quality is closely associated with two concepts, first, focus on provided product, second customer focus, from the perspective of a beneficiary means the design quality and from the perspective of product, it does mean conformity to specifications. The perceived value is a comparison between the cost of providing the product for customers, and the benefit from the product (Kotler and Keller, 2009).

Quality is a process includes: meeting the needs of current and future customers needs, Quality is a renewed concept, because it is linked to the needs of customers. The concept of quality is not limited to products, but also to services, quality process that starts from the customer and also end customer (Al-Hawary and Haddad, 2016; Al-Hawary and Abu-Laimon, 2013; Al-Hawary and Metabis, 2013).

- *Cost minimization:* organizations-particularly banks focus on cost reduction through its attempt to provide goods and services to their customers at a lower cost than its competitors, by having the best and most appropriate technology elements to compete, as well as the recruitment of human resources optimally and efficiently marketing processes, and efficient delivery service (Dilworth, 2006).

- *Responsiveness:* Responsiveness is an important dimension of competition between organizations by reducing the duration and speed in the design and delivery of new products to customers in the shortest possible time, and that means reducing the time it takes when receiving customer requests for services, and handing them such services permanently (Slack *et al.*, 2004).

To achieve a competitive advantage of the Bank based on reducing the time for customers, through several components, including: rapid delivery and rapid development, where speed of service provision, the time between the emergence of an idea through design to provide service in its final shape, cut a new servicing markets, reduce cycle time, and reduce the cost of service rendered, rendering elasticity (reducing time of the conversion or change of service delivery processes) comply with specific timetables in dealing with clients (Mostafa, 2006).

• *Innovation*: 'New idea is implemented in order to develop production, process or service, and can range from the impact of innovation in organizations of minor improvements to performance, to make substantial development and enormous, and can incorporate these improvements, production, and new ways of technology, organizational structures, management systems, as well as new plans and programs relating to individuals'. In the same context, innovation may be defined as 'applying the idea developed within the Organization, or borrow it from outside the Organization, whether related to the product, method,, system, process, policy, program or service, it is new to the organization where it is applied' (Al-Harashseh, 2006).

### 3. Research hypotheses

Based on the above literature reviewed, the research hypothesis is:

H1. Environmental analysis directly influences competitive capabilities of commercial banks working in Jordan

More specifically:

H1a. Opportunities directly influence competitive capabilities of commercial banks working in Jordan.

H1b. Threats directly influence competitive capabilities of commercial banks working in Jordan.

H1c. Strengths directly influence competitive capabilities of commercial banks working in Jordan.

H1d. Weakness directly influence competitive capabilities of commercial banks working in Jordan.

### 4. Research framework

Based on study hypothesis, the following theoretical framework, shown in Figure 1. As can be seen from the framework, the study investigates the impact of Environmental analysis on competitive capabilities of commercial banks working in Jordan, where Environmental analysis are the independent variable and are positively related to competitive capabilities as the dependent variable.

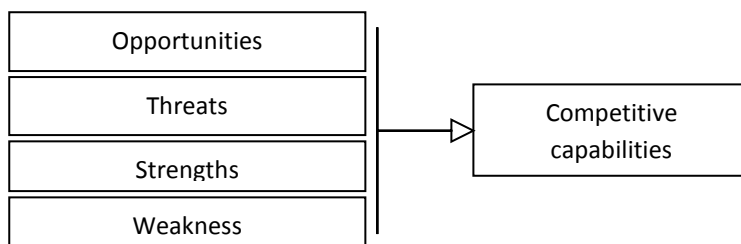


Figure 1. Theoretical Model

### 5. Methodology of research

The methodology section of the current research depicts the sample of the study, the measurements, the statistical analysis to test the validity and reliability of the study tool, and to test the study hypotheses employed to test the relationship between study constructs (of Environmental analysis and competitive capabilities).

#### 5.1. Measures

The constructs in this study were developed by using measurement scales adopted from prior studies. Modifications were made to the scale to fit the purpose of the study. All constructs were measured using five-point Likert scales with anchors strongly disagree (= 1) and strongly agree (= 5). All items were positively worded. Environmental analysis consist of opportunities, threats, strength, and weakness were adapted from previous studies (Davies and Ellison, 2003). Based on the means of answer of study population, the researchers separating dimensions of strengths and weaknesses, in the event that the mean expressions were higher than 3 are considered strengths and, in the case of the arithmetic means less than 3 are considered weaknesses. Competitive capabilities consist of quality; cost, responsiveness, and innovation were adapted from previous studies (Wearawardena and Mccoll-kennedy, 2012).

### 5.2. Population

The study population consisted of the top managers of the commercial banks working in Jordan, because the study population is small in number, the researchers considered all the top manager mounted (85). The unit of analysis of this study was top managers of the commercial banks working in Jordan. The questionnaires, with instructions of how to complete them, were distributed to respondents by an interviewer. Subjects were asked to assess their perceptions of various items of different constructs. Assessments were based on A Five-point Likert scale ranging from “strongly disagree (1) to “strongly agree (5) was used to measure the 51 items. In order to minimize possible response bias, instructions emphasized that the study focused only on their personal opinions. There was no right or wrong answers. After completion, the questionnaires were checked and collected by the interviewer. Table 1 shows the characteristics of the sample.

Table 1. Sample characteristics

Variable		Frequency	%
Age group	less than 30	15	17.6
	30- less than 40	13	15.3
	40- less than 50	31	36.5
	50 years and more	26	30.6
Gender	Male	78	91.8
	Female	7	8.2
Educational level	Bachelor	20	23.5
	Master	56	65.9
	PhD	9	10.6

### 5.3. Data gathering

The research data was collected through the questionnaire. The questionnaire began with an introductory statement that asked respondents to administer their own responses, assured them of confidentiality, and so forth. This was followed by a request for demographic information and the measures. Data were collected through random questionnaires users. The study was based on the development and administration of a self-administered survey and conducted in Jordan.

### 5.4. Reliability and validity of the survey instrument

The survey instrument with 45 items was developed based on two variables environmental analysis as independent variables with four dimensions: Strength (ST1-ST9), Weakness (WE1-WE10), Opportunities (OP1-OP7), and Threats (TH1-TH6). Competitive capabilities as dependent variables with four dimensions: Quality (QU1-QU5), Cost (CO1-CO5), Responsiveness (RE1-RE4), and Innovation (IN1-IN5).The instrument was evaluated for reliability and validity. Reliability refers to the instrument's ability to provide consistent results in repeated uses (Gatewood and Field, 1990). Validity refers to the degree to which the instrument measures the concept the researcher wants to measure (Bagozzi and Phillips, 1982).

Table 2. Factor analysis of Environmental analysis

Construct and item	Loadings	Communalities	Eigenvalue	Variance	Reliability
<b>Strengths (ST)</b>			<b>2.954</b>	<b>58.232</b>	<b>0.83</b>
ST1	0.38	0.63			
ST2	0.59	0.55			
ST3	0.66	0.58			
ST4	0.71	0.76			
ST5	0.64	0.62			
ST6	0.70	0.75			
ST7	0.75	0.72			
ST8	0.73	0.68			
ST9	0.58	0.77			

Construct and item	Loadings	Communalities	Eigenvalue	Variance	Reliability
<b>Weakness (WE)</b>			<b>3.021</b>	<b>68.222</b>	<b>0.82</b>
WE1	0.70	0.75			
WE2	0.75	0.72			
WE3	0.73	0.68			
WE4	0.71	0.75			
WE5	0.79	0.74			
WE6	0.86	0.71			
WE7	0.85	0.75			
WE8	0.85	0.70			
WE9	0.86	0.76			
WE10	0.86	0.67			
<b>Opportunities (OP)</b>			<b>2.849</b>	<b>62.312</b>	<b>0.79</b>
OP1	0.58	0.77			
OP2	0.75	0.56			
OP3	0.64	0.68			
OP4	0.73	0.76			
OP5	0.70	0.61			
OP6	0.64	0.74			
OP7	0.63	0.74			
<b>Threats (TH)</b>			<b>3.149</b>	<b>53.811</b>	<b>0.87</b>
TH1	0.67	0.76			
TH2	0.61	0.73			
TH3	0.64	0.68			
TH4	0.76	0.70			
TH5	0.73	0.73			
TH6	0.67	0.76			

Table 3. Factor analysis of competitive capabilities

Construct and item	Loadings	Communalities	Eigenvalue	Variance	Reliability
<b>Quality (QU)</b>			<b>2.987</b>	<b>55.687</b>	<b>0.86</b>
QU1	0.57	0.61			
QU2	0.59	0.63			
QU3	0.68	0.71			
QU4	0.66	0.72			
QU5	0.57	0.58			
<b>Cost (CO)</b>			<b>3.057</b>	<b>59.632</b>	<b>0.84</b>
CO1	0.61	0.67			
CO2	0.58	0.59			
CO3	0.62	0.64			
CO4	0.64	0.69			
CO5	0.57	0.61			
<b>Responsive (RE)</b>			<b>2.953</b>	<b>62.375</b>	<b>0.94</b>
RE1	0.52	0.56			
RE2	0.51	0.53			
RE3	0.53	0.57			
RE4	0.62	0.68			
<b>Innovation (IN )</b>			<b>3.112</b>	<b>57.362</b>	<b>0.84</b>
IN1	0.54	0.59			
IN2	0.59	0.64			
IN3	0.67	0.73			
IN4	0.56	0.59			
IN5	0.55	0.58			



Factor analysis and reliability analysis were used in order to determine the data reliability for the Environmental analysis, and Competitive capabilities measures. A within factor, factor analysis was performed to assess convergent validity. The results of the factor analysis and reliability tests are presented in Table (2) and Table (3). All individual loadings were above the minimum of 0.5 recommended by Hair *et al.* (1998). For exploratory research, a Chronbach  $\alpha$  greater than 0.70 is generally considerate reliable (Nunnally, 1978). Chronbach  $\alpha$  statistics for the study contracts are shown in Table (2) and Table (3). Thus it can be concluded that the measures used in this study are valid and reliable. On the basis of Cattell (1966) and Hair *et al.* (1998) criterion, factors with eigenvalues greater than 1.0 and factor loadings that are equal to or greater than 0.50 were retained. 51 items, loading under four factors of Environmental analysis and four factors of Competitive capabilities.

## 6. Descriptive statistics analysis

Table (4) indicates that managers of commercial banks working in Jordan evaluate Strength (with the highest mean scores, i.e.  $M = 3.50$ ,  $SD=0.57$ ) to be the most dominant of environmental analysis and evident to a considerable extent, followed by Weakness ( $M= 3.39$ ,  $SD=0.50$ ), Opportunities ( $M = 3.31$ ,  $SD=0.67$ ), and Threats (with the lowest mean scores  $M = 2.27$ ,  $SD=1.39$ ). With regard to Competitive capabilities managers of commercial banks working in Jordan perceived Quality (with the highest mean scores, i.e.  $M = 3.59$ ,  $SD=0.68$ ) to be the most dominant Competitive capabilities dimension within their institution and evident to a considerable extent, followed by Innovation ( $M= 3.58$ ,  $SD=0.52$ ), Cost ( $M= 3.46$ ,  $SD=0.69$ ) and Responsiveness (with the lowest mean scores  $M = 3.45$ ,  $SD=0.64$ ).

Table 4. Descriptive analysis of Environmental analysis and Competitive capabilities

Dimension	Mean	Standard deviation
<b>Environmental analysis</b>	<b>3.09</b>	
Strength	3.50	0.57
Weakness	3.39	0.50
Opportunities	3.31	0.67
Threats	2.27	1.39
<b>Competitive capabilities</b>	<b>3.53</b>	
Quality	3.59	0.68
Cost	3.46	0.69
Responsiveness	3.45	0.64
Innovation	3.58	0.52

## 7. Test of hypothesis

Multiple regression analysis was employed to test the hypotheses. It is a useful technique that can be used to analyze the relationship between a single dependent variable and several independent variables (Hair *et al.*, 1998). In this model, Environmental analysis acts as the dependent variable and Competitive capabilities, as the independent variables. From the result as shown in Table (5), the regression model was statistically significant ( $F = 239.65$ ;  $R^2 = 0.78$ ;  $P = .000$ ). The  $R^2$  is 0.78, which means that 78.0 per cent of the variation in Competitive capabilities can be explained by Environmental analysis. The proposed model was adequate as the F-statistic = 239.65 were significant at the 5% level ( $p < 0.05$ ). This indicates that the overall model was reasonable fit and there was a statistically significant association between Environmental analysis and Competitive capabilities.

Table (5) also shows that Strength ( $p < 0.05$ ;  $\beta = 0.18$ ), and Opportunities ( $\beta = 0.30$ ,  $p < 0.05$ ), had a significant and positive effect on Competitive capabilities. This provides evidence to support H1a, and H1c. Weakness ( $p < 0.05$ ;  $\beta = - 0.16$ ), and Threats ( $\beta = - 0.40$ ,  $p < 0.05$ ), had a significant and negative effect on Competitive capabilities. This provides evidence to support H1b, and H1d. Based on the  $\beta$  values Threats has the highest impact on Competitive capabilities followed by Opportunities.

Table 5. Regression results between Environmental analysis and Competitive capabilities

Independent variables	Standardized beta	t	Sig.	Tolerance	VIF
Strength	0.18	2.38	0.02	0.17	5.88
Weakness	-0.16	-3.35	0.00	0.40	2.48
Opportunities	0.30	4.01	0.00	0.18	5.67
Threats	-0.40	-6.45	0.00	0.25	3.99

**Notes:** R<sup>2</sup> = 0.79; Adj. R<sup>2</sup> = 0.78; Sig. F = 0.000; F-value = 239.65; dependent variable, **Competitive capabilities**; p < 0.05

## 8. Discussions and conclusions

Commercial banks face a lot of variables imposed by economic, social, cultural, political and others, where these variables resulted in many problems that require thinking, and to be addressed to solve it creatively ways different from traditional ways, making it more attention to environmental analysis.

- *Strength*: Commercial banks seeking to achieve success in its operations and activities, to build a strategic and competitive status, ensures its survival and development, and an efficient performance under the environment in which it operates, which requires commercial banks to own strategic vision, the result of the study can be interpreted as the Jordanian banking is currently unprecedented change rapidly, responding to this change by acquiring strengths to enable them to provide their services in a way that is distinctive and high quality, Through the possession of creative capabilities help create new services of high quality to keep up with changes in its environment, the application of the quality guarantees Bank to stay competitive and achieve competitive advantage.

- *Weakness*: Jordanian commercial banks use all its potential to support its reputation by focusing on the customer and meet the needs of existing customers to provide new services and attract new customers by creating a kind of human promotion through contact and exchange of information among existing customers and prospect customers, researcher explains this result that commercial banks don't care enough to develop leadership styles and rationalization of administrative decisions and build effective internal communications base, making them less interested in articulating its policies, thus reducing the sense of belonging and loyalty to the Bank. This result was attributed to the availability of attractive career opportunities in other banks.

- *Opportunities*: Jordan Commercial Bank witnessed growth and development in the field of marketing services lately, where managers have to reliance on technology and providing better services to achieve customer satisfaction and in accordance with their needs and desires, and supports their competitive position in the market for growth and profitability.

- *Threats*: The banking sector witnessed rapid changes and multiple and interrelated elements, where banks work in a highly complex environment and changes, imposed a lot of pressures that are threatening its survival and continuity. It accelerated the pace of innovation, and continuing volatility in demand for banking services was among the most important factors that made the banking environment full of opportunities and threats, that have become a major source of pressure on all commercial banks for improvements, not for competition; to ensure continuity.

- Banking sector witnessed an insensitive competition among banks, and need every bank to increase market share through providing high quality service, and the researchers find that controlling costs and prices of services while maintaining the quality of the leading concerns of commercial banks in Jordan, so these banks seek to achieve competitive advantage through customer needs at the lowest possible cost while maintaining high level of quality to gain satisfaction and promotion of services by building confidence between customers and bank.

- *Quality*: commercial banks in Jordan concentrate to provide banking services which are characterized by high levels of quality and safety, thus generating a sense of confidence to the customers, also banks sought to eliminate errors and problems facing their customers while using of banking services, which requires commercial banks responding to this change and provide services in a way that is distinctive and high quality through possession of abilities to help them provide banking services at a high degree of

quality, to keep up with changes in its environment, the application of the quality guarantees banks to stay competitive and achieve competitive advantage.

- *With regard to cost*: Jordanian commercial banks operate to employ innovation and creativity within the bank to do banking works at the lowest possible cost, the researcher also refers that Jordanian banks have awareness about assistance provided by innovation and creativity, especially in the field of technology, replacing traditional banking methods with electronic banking, which reduces costs and achieves efficiency with high quality.

- *With regard to responsiveness*: The Jordanian banks respond quickly to customer needs and requirements through strengthening the Bank's potential with the latest tools to accelerate service delivery, and organizational structure facilitates quick decision making and operational procedures with speed and high responsiveness that makes the customer more loyal with the bank which dealt with, the customers become fully convinced the bank's ability to secure their needs permanently which enhance confidence in the Bank.

- *With regard to innovation*: Commercial banks in Jordan pay interest with creativity and innovation for competitive advantage which contribute in supporting their competitiveness to face competition on the local and regional level, as the researchers attribute this result to an increase in the number of commercial banks operating in Jordan, the Jordanian commercial banks sought to acquire as much of the innovation and creativity to enable them to compete and access to products and services and new markets faster than its competitors.

- There is a statistically significant impact of the environmental analysis on competitive capabilities of commercial banks operating in Jordan. This result can be explained also that the Jordanian commercial banks start caring about environmental analysis through the development of plans concerned with identifying the strengths and weaknesses, and the main opportunities and threats, and that they are interested in the training of human resources to keep up with the rapid changes in the banking sector, which requires banks to attract human resources capable of production and creativity in providing banking services, and the growing of competition among commercial banks had a clear impact on caring about human resources in commercial banks, as these banks becoming provide services depend on the element human recourses requiring banks to attract highly qualified cadres and train existing personnel to provide services live up to the level of customer satisfaction and achieve competitive advantage, and this result may be explained by increasing competition among commercial banks, and increasing numbers of providers of banking services, and the need for each bank to increase market share on high quality service delivery, pushing banks to focus on strategies and policies for environmental analysis to achieve competitive advantage through meeting customer needs with high quality

- The study results showed a statistically significant effect of strengths on competitive capabilities in commercial banks operating in Jordan, this shows that attention to strengths increases competitive capabilities of commercial banks, due to the concentration of commercial banks to acquire more power points to manage all bank departments and management innovation process through its long experience that allow bank to develop future plans and set goals, and how to lead the staff in different departments, so that banks concerned with worker knowledge and their skills, and experience to emphasize the delivery and receipt of services by time, when banks have employees knowledgeable with delivery dates which help to build reputation and prestige which enhances the competitive advantage of these banks. Internal factors also help commercial banks to reduce costs compared to their competitors, which in turn consist of resources, capacities, financial and material resources, social, human and technological recourses, as well as the organizational factors that help Bank to create value for customers, which impacts positively on the ability of the Bank to achieve competitive capabilities.

- The results showed a statistically significant effect of weakness on competitive capabilities of commercial banks operating in Jordan, this result indicates that competitive priorities linked and interrelated, as the foundations for the successful management of business organizations turn to competitive capabilities which depends primarily on the ability of the organization and its staff to excellence, creativity and innovation, and this relates to the description of the current era as knowledge era, hence the researchers find that creativity not only through the bank's own strengths, this result can be interpreted as that the chances come from external sources of competitive advantage, which may be

positive or negative interaction with banks; Banks can use this opportunity to improve its competitive position and this result agreed with a study (Ben Sedira, 2013).

- The results showed a statistically significant effect of opportunities on competitive capabilities of commercial banks operating in Jordan, this result may be attributed to that commercial banks are trying to exploit their resources and capacities to gain opportunities that help build and maintain competitiveness, as they seek to get strong competitive status through possession of a broader market share, which pays them to try to achieve substantial efficiencies of strength and excellence. Although competitive capabilities give banks a strong status in the market.

- The results showed a statistically significant effect of threats on competitive capabilities of commercial banks operating in Jordan, this result referred that competitive capabilities help banks to overcome external threats, this result can be also interpreted as that building competitive capabilities requires sequential plans, in accordance with a systematic sequence through directed their abilities and competencies toward competitive precedence, such as providing services of high quality with Maintain efficiency and affordability and innovation processes, thus, threats reduce the opportunity of commercial banks to achieve competitive advantage.

### 9. Recommendations

Based on the results of the study, the researchers recommend banks managers and decision makers to:

- Follow the environmental analysis process to identify strengths, weaknesses, opportunities and threats, and track strategic option, which is commensurate with the internal and external conditions, and decide potential and strategic choice scientifically and appropriate and interesting and highlight research and development divisions.

- Making environmental analysis process through which sound decisions are taken in setting goals, introduce other variables can have a potential impact on the targets.

- Focus on the study and analysis of information as one of the main sources of competitiveness, and configure the database to be the basis on which you take all the decisions.

- interest to identify strengths and weaknesses in the internal environment, update the working methods adopted, and the trend towards integration of environmental changes in overall planning processes for the Bank, seeking to monitor changes in the external environment, both elements and continuously competitive and establish awareness of managers of the importance of environmental analysis.

- Interest in reducing costs, reflected on the price of the service provided to the client, by investing in information technology, in proportion and service requirements.

- Diversity of service provided, and diversity in the way of service provided, in proportion as the client time and culture.

- Addressing the weaknesses of commercial banks which contribute to increase their competitive process objects.

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