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THE IMPACT OF STRATEGIC FORESIGHT AND INVESTMENT IN HUMAN CAPITAL ON THE FINANCIAL SUSTAINABILITY OF IRAQI BANKS

Dr.Sajjad Mohemmed Atiyah,
Faculty of Administration and Economics, University of Kufa, Iraq
sajiadm.adatiah@uokufa.edu.iq

Dr. Amer Abed Kareem Al-Thabhawee
Ak.amer@atu.edu.iq
Al-Furat Al-Awsat Technical University / Management Technical College/ Kufa

Abstract
The impact of strategic foresight capabilities on the financial sustainability of Iraqi banks ,The research aims to identify the impact of strategic foresight capabilities on the financial sustainability of Iraqi banks. The research was applied to a sample of Iraqi banks listed on the stock market, and a structural model was formulated and tested within the qualitative and quantitative mixing model method. The results proved that strategic foresight plays a vital role in financial sustainability. Strategic foresight contributes through the ability to predict future transformations and changes, evaluate their impact on financial business, and take early strategic actions.

Keywords: Strategic Foresight, Environmental Scanning Capabilities, Integration Capabilities, Strategic Choice Capabilities, Financial sustainability.

Introduction

The literature is concerned with metrics that measure an organization's performance, such as current and potential lenders and investors. The facility obtains its own benefits when indicators measuring the facility's performance show that it is growing in a way that ensures continuity in the medium to long term, or even achieving high profit margins that meet requirements. With the emergence of social awareness of sustainable development and its problems, indicators of financial profit are no longer indicators of quality performance (Lavy et al., 2010). Rather, it has become necessary for enterprises to search for modern financial systems or develop their own financial systems. Existing systems produce information and indicators that reflect performance more when dealing with sustainability issues such as sustainable profits (Montabon et al., 2016). Sustainability, especially in the banking sector, has become an essential element of competitive advantage, as it represents the ability to obtain the necessary flows of capital to begin transforming its operations towards the philosophy of sustainability, which is the first step in achieving this goal (Laszlo & Zhexembayeva, 2017). Studies indicate that the planning and forecasting are crucial to the organizations and require strategic tools capable of achieving this goal. One of the most important strategic tools that have given positive results in many situations and events is strategic foresight of the market situations (Wayland, 2015). Recently, the role of human resources management in most countries has become not limited to attracting labor, but rather has become a strategic contributor to preparing the real source of wealth for any institution or organization, which is the effective human resource that helps in competing globally (Dessler,2020). Competition is no longer between large companies and even countries through the possession of technology or capital, but rather extends beyond them to the basic component of those wealth, which is human and intellectual capital (Pattanayak, 2020). The human capital is one of the factors of production, and contemporary management focuses greatly on creative minds, so many countries have worked to invest the mental and creative energies and capabilities of individuals in order to create the best competitive advantages that are superior and cannot be imitated.

Hence, human capital can be an important source of financial sustainability in organizations, which can work alongside foresight to achieve sustainable competitive ability.

Since ideas about the future, unlike predictions, a prediction does not tell us what the future will look like, nor what future developments will be. Instead, it identifies all kinds of plausible and implausible scenarios (Melnikovas, 2018). to inform of a variety of possible futures. This opinion was confirmed by (Rohrbeck & Schwarz, 2013) that foresight is to provide business managers and government policy makers with ways to see the future in different ways (Rhisiart et al., 2015).

Accordingly, this research adopts a mixed analysis method to identify the impact of strategic foresight and investment in human capital in achieving financial sustainability.

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Literature Review

Strategic Foresight

Thinking about the future and what might happen in the future has a long history. People are curious about the future. This was the "success" of the ancient Greek Church (Moskos, 2017). In fact, the future cannot be predicted even if future predictions are considered less accurate than current policy and decision making. (Rialland & Wold, 2009). In the 1950s and 1960s, foresight techniques were applied first to American defense and later to energy. The RAND Corporation and the Hudson Institute are two leading institutions in the field of foresight. (Hines, 2020). Over time, governments and organizations began to consider investments related to improved technology in the 1970s. Japan is a major player in technology foresight initiatives, most of which are based on surveys. In the 1990s, Western Europe began to conduct survey-based foresight, especially in formulating science and technology policies. The field of foresight continues to grow with government focus on developing basic science and increasing recognition at the regulatory level of the need for future orientation and uncertainty about the future. (Blind et al., 1999). According to Costanza and Tzoumba (2009), foresight gives corporate executives and government policy makers the ability to look into the future and fully understand the potential impacts of different technological and societal trends. The ability to recognize patterns before they occur, to identify developments before they become trends, and to understand the characteristics of social currents likely to have an impact is known as foresight. Reducing the momentum of future predictions should be one of the goals of foresight, as people are unlikely to stop making them. A group of techniques known as "insight" helps discover new markets by pointing out factors that will bring about change and realization.(Højland & Rohrbeck, 2017).

Strategic foresight requires a longer and broader vision of the surrounding environment, as we give more precise attention and awareness in the organization to the vision in the environment to choose the best scenarios (Bezold, 2010). Futurology is a new scientific discipline that attempts to create various possible future images, and at the same time it is interested in studying environmental variables that can lead to the possibility of achieving these future images. This science also aims to draw a possible estimated picture of the future. Strategic foresight consists of a number of steps, beginning with the scanning process, then interpretation, and ending with learning (Rohrbeck, 2013), as shown in Figure 1.

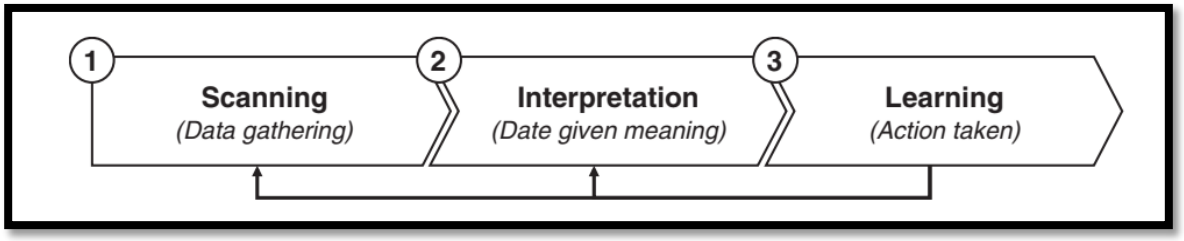

Figure1 : Strategic Foresight As (Interpretation) Model

- Source: Rohrbeck, 2013

Dimensions Of Strategic Foresight

The dimensions of strategic foresight in general are (environmental scanning capabilities, strategic choice capabilities, integration capabilities) (Paliokaitė et al, 2014).

Environmental Scanning Capabilities

Analysis of the internal and external environment to identify key drivers of change, organizational structures, technological advances and organizational procedures is known as "environmental scanning" (Blaique et al., 2024). The choice of time frame determines the period of time to be covered and often determines the conduct of the investigation. Rapid change and uncertainty are hallmarks of high-speed situations. Since the environment needs constant scanning, the time frame may be very limited in order to keep up with possibilities that come and go. A narrow investigation may only cover a firm's immediate environment and value network, while depth of investigation refers to the number of competitive areas it covers (Haarhaus & Liening, 2020).

Integration Capabilities

Due to global competition and technological revolution in the competitive landscape, it is now difficult for organizations to rely solely on internal resources and capabilities. Inter organizational collaboration has also emerged as a key driver of organizational creativity and long-term superior performance (Annarelli et al., 2021). The fact that organizations are increasingly interconnected in terms of resources is one of the main reasons. Important information is not kept within the organization, which helps enhance capacity building and knowledge transfer. To do this, organizations must establish specialized procedures (i.e., integration capabilities) to consciously and continuously allocate resources between different groups to meet current performance requirements and encourage innovation. (Ramakrishnan et al., 2021). Integration capabilities are the crucial and he key process that converts knowledge and valuable resources into an organization's competitive advantage is integration skills. The organization works to unite these capabilities to reach pioneering performance and excellence in organizational work to benefit from the energies and knowledge possessed by employees in the organizations to produce innovation and creativity (Amengual & Fine,2017).

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Capabilities Of Strategic Choice

After the organizations analyze and diagnose their internal and external environment and become aware of the available opportunities and potential threats facing the organization, the strengths and weaknesses and the integration of its resources, and the organization is faced with many and numerous options, the organization determines the appropriate strategic option that is compatible with the direction of the organization and works to protect and develop it from among the available alternatives (Krzakiewicz, 2017). In the field of analysis, the pros and cons of the strategic alternatives are presented. You must choose one of them for implementation and choose from among many acceptable alternatives the best strategy. Therefore, the alternative must take into account the environment and common strengths and avoid the organization from environmental threats (Wheelen & Hunger, 2011).

The dimensions are briefly in Figure 2.

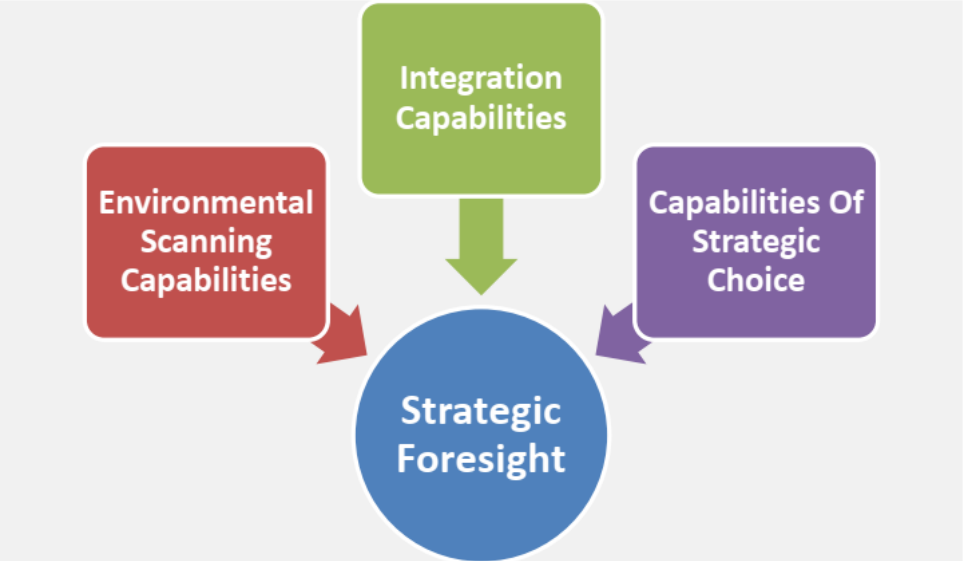

Figure 2: Dimensions Of Strategic Foresight

Human Capital

Intellectual and human capital is the only resource that cannot be exploited by competitors, and investing and spending in it will bring future benefits. It is the real wealth that developed countries cannot do without. The better they are at developing this human capital, the more they will be able to advance, grow, and challenge the depletion of natural resources (Dessler, 2020). Human capital is the sum of human energies and capabilities that can be exploited in the production of economic resources. It is a path to creating and disseminating knowledge and developing the capabilities and competencies of individuals, which takes place in institutions (Gunawan, 2024). Human capital has been defined as a mental power possessed by an individual that makes him distinguished by intelligence, and its main source is his possession of knowledge and affects the enhancement of the market and operational share of the organization. Human capital is also referred to as the set of human capabilities and skills . It is the set of future human capabilities and skills in the organization currently or that will be prepared for work that vary in their level of performance, working or disabled due to organized work injuries and vacations, which meet the minimum job description and specifications at the very least, and are responsible for implementing the general goals of the organization (Mahapatro, 2021). Likewise, human capital is the sum of the experiences, knowledge, talents, enthusiasm, creativity, and qualities that the company's employees possess and invest in their work. Investing in human capital achieves a set of benefits that individuals achieve by reaching higher levels of education and knowledge and increasing their productivity. It is the process of spending time, money and effort on developing the skills and talents of individuals in a way that encourages them to double their productivity (Ateej, 2015).

Financial Sustainability

Financial sustainability promises to maintain the organization's current profitability over a future period. When the resources needed to direct the value creation process are sufficient, the business achieves sustainable financial performance. Companies with sustainable performance that continue to create value in the future in current operations are those that are less vulnerable to external shocks that affect value creation within the business (Banker, et al., 2014).

Financial sustainability is defined as the financial state in which the organization uses surplus revenues to achieve its goals in order to continue achieving its mission in the long term (Stanley & Lambert, 2020). Financial sustainability refers to the ability to maintain the financial capacity of the organization over time (Edeling et al., 2020). Or it is the ability to start, grow, and maintain a business with financial stability in the short and long term (Klam & Townsend, 2021). In general, sustainability is the process of using resources to avoid resource depletion (Tyler & King, 2020). An organization

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is said to be sustainable when it is able to continue operating and fulfilling its mission in the long term. The concept of sustainability includes financial sustainability, succession planning, adaptation and strategic planning. The organization's leaders must be able to raise enough funds to cover these costs to make it sustainable. (Hertog et al., 2021). Financial sustainability is defined as the ability of public administration to continue implementing current and future policies without causing a sustainable increase in debt ratios, while businesses that achieve financial sustainability are those that sell products or services at prices that cover their expenses in addition to achieving financial sustainability. Profits from sales (Hoffman, 2019). Financial sustainability is defined as a company's ability to launch, grow and maintain a recruitment business while maintaining financial stability in the short and long term. Achieving financial sustainability requires developing a plan that sets long-term goals, identifies the resources needed to achieve those goals, and closely monitors cash flow to ensure that outgoing expenses do not exceed incoming funds (Hubbard & Vetter, 2023). There are several ways to measure financial sustainability, as summarized by (Zabolotnyy & Wasilewski,2019) in Table 1

Table 1: Factors Of Financial Sustainability

Factor	Construction	Vector
X_1	Net Profit/Equity	Value
X_2	Total Assets/Current Assets	Value
X_3	Price/Book Value	Value
X_4	Revenue/Total Assets	Value
X_5	Current Assets/Current Liabilities	Continuity
X_6	Total Liabilities/Total Assets	Continuity
X_7	Retained Earnings/Revenue	Continuity
X_8	Interest Expense/EBIT	Continuity

Material And Methods

The materials and methods are intended to explain the specific methods used to test and describe the empirical relationships between the variables studied: Strategic Foresight Capabilities (SFC) ,Environmental Scanning Capabilities (SFC1) , Integration Capabilities(SFC2) , Strategic Choice Capabilities (SFC3), Investment in human capital (IHC) ,Financial Sustainability (FS), the sample is applied in Iraq Stock Market to test the model in Figure 3 a MixeMode was used which requires the time series must be equal and use data aggregation

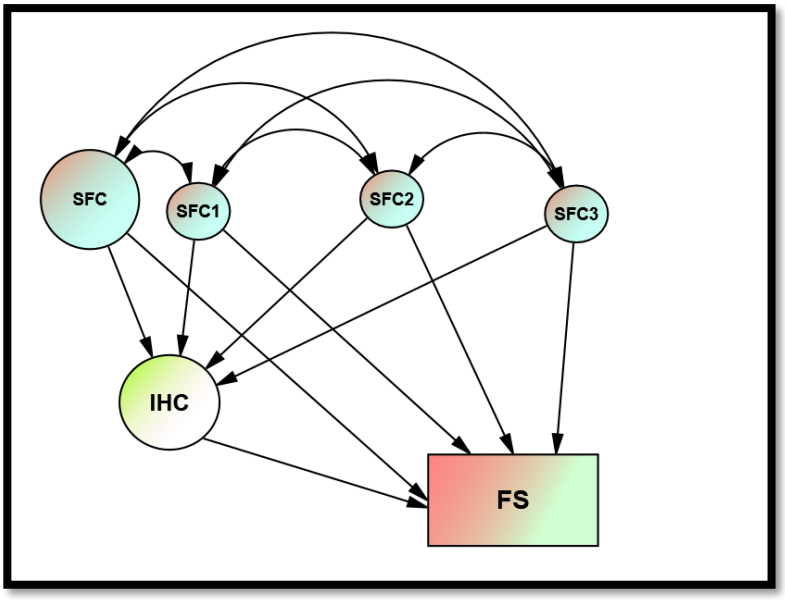

Figure 3: Study Model

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Data Linearity Test

In order to test the linearity of the data, the linearity test is used, which indicates that the data must be distributed around the scattering line to confirm that the data is linear. Figure 4 indicates that the data is distributed in an acceptable manner around the scattering line, and this confirms that it has acceptable linearity.

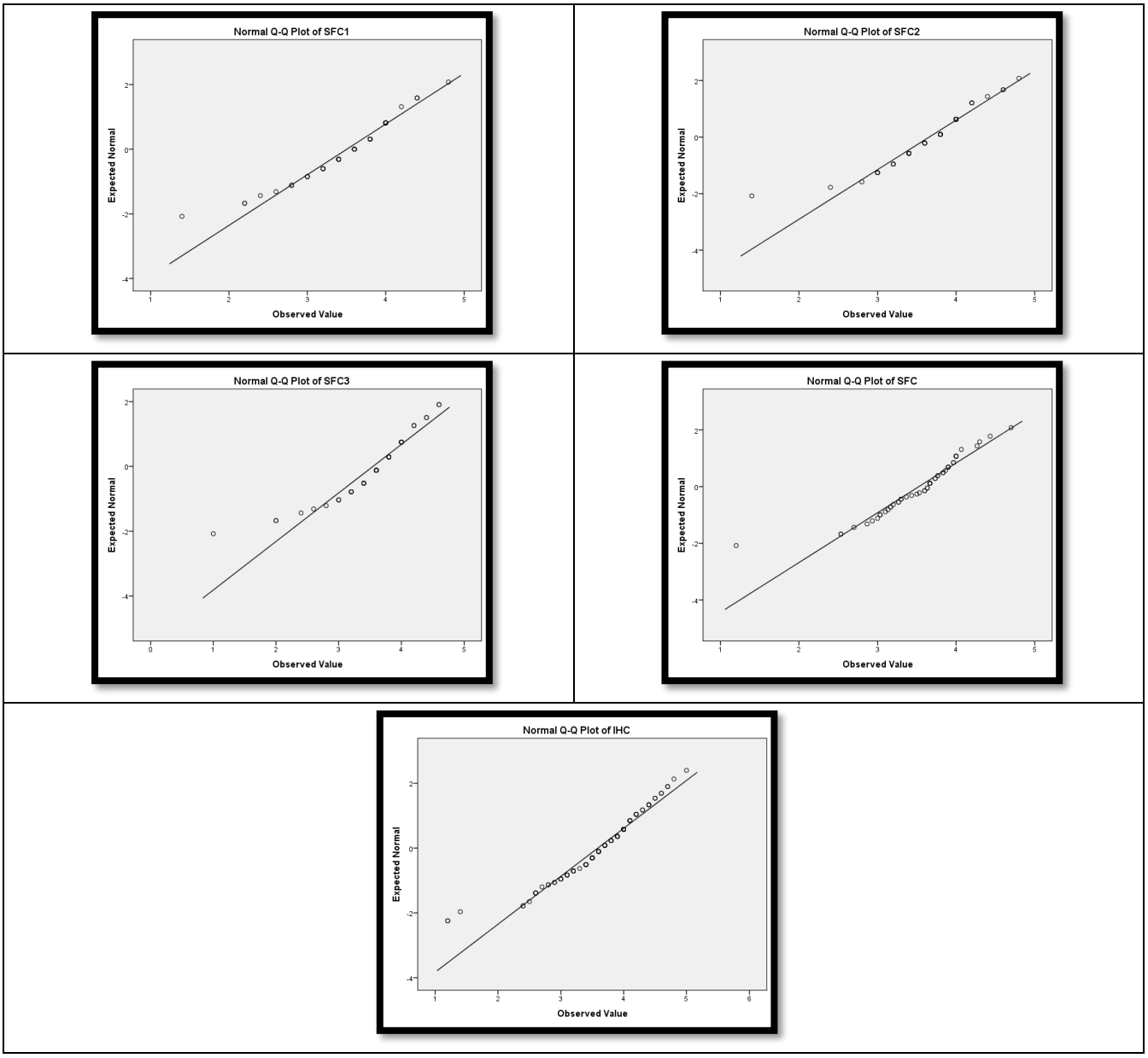

Figure 4: Data Linearity Test

Model Quality

To test the strength of the data model and its ability to mix and obtain accurate results, this requires extracting the quality and strength of the model for the data, and for the strength and quality to be greater than 50%. Figure 5 indicates that the data models had an acceptable percentage.

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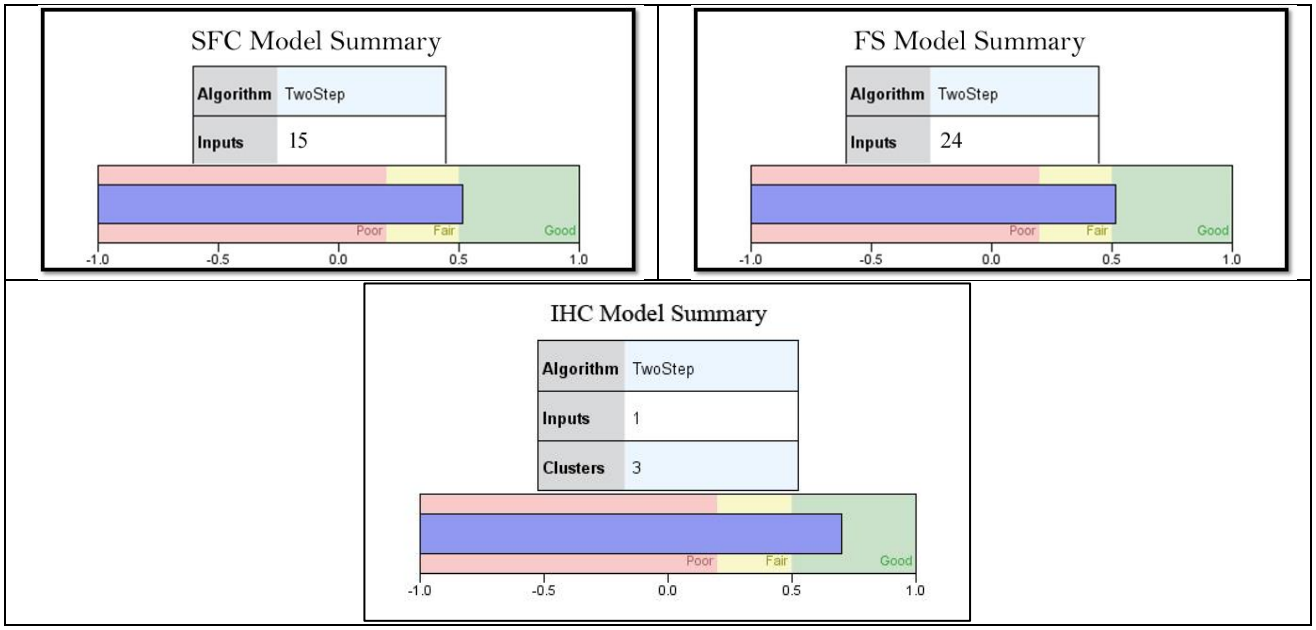

Figure 5: Quality And Strength Of The Data Models

Results

Confirmatory Factor Analysis (CFA)

A confirmatory factor analysis model was used to verify the validity of the scale and the items that were reached along with their dimensions. The researcher used confirmatory factor analysis using the Amos program to ensure that the factor structure matched the study data. The results in Table 1 and Figure 6 indicate that the models for the variables are acceptable models. The loading values for the factor analysis were greater than 0.50, the model quality indexes (GFI) were greater than 0.90, the CFI was greater than 0.95, the critical ratio was less than 5, and the RMSEA index was less than 0.08, accordingly, the models are acceptable and conform to the conditions of the models and factor analysis.

Table 1: CFA Results and Conditions

Path			Estimate
q1	<---	SFC 1	.708
q2	<---	SFC1	.700
q3	<---	SFC 1	.569
q4	<---	SFC 1	.636
q5	<---	SFC 1	.857
q6	<---	SFC 2	.672
q7	<---	SFC 2	.659
q8	<---	SFC 2	.808
q9	<---	SFC 2	.634
q10	<---	SFC 2	.576
q11	<---	SFC 3	.801
q12	<---	SFC 3	.776
q13	<---	SFC 3	.730

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q14	<---	SFC 3	.731
q15	<---	SFC 3	.685
q16	<---	IHC	.715
q17	<---	IHC	.769
q18	<---	IHC	.716
q19	<---	IHC	.807
q20	<---	IHC	.696

Mix Mode Analysis

Table 2 Figure 6,7 indicate that there is a non-significant direct effect for SFC1 on the dependent variable FS, the value of the path is (0.054), which is not significant due to the T statistics is less than tabled value and P-value more than 0.05 , and the indirect effect through IHC is significant (0.648) the result support H1a.

Also, there is a significant direct effect for SFC2 on the dependent variable FS, the value of the path is (0.146), which is significant due to the T statistics is more than tabled value and P-value less than 0.05 , and the indirect effect through IHC is significant (0.296) the result support H1b. likewise, there is a significant direct effect for SFC3 on the dependent variable FS, the value of the path is (0.226), which is significant due to the T statistics is more than tabled value and P-value less than 0.05 , and the indirect effect through IHC is significant (0.285) the result support H1c. Also, there is a significant direct effect for SFC on the dependent variable FS, the value of the path is (0.362), which is significant due to the T statistics is more than tabled value and P-value less than 0.05 , and the indirect effect through IHC is significant (0.811) the result support H1.

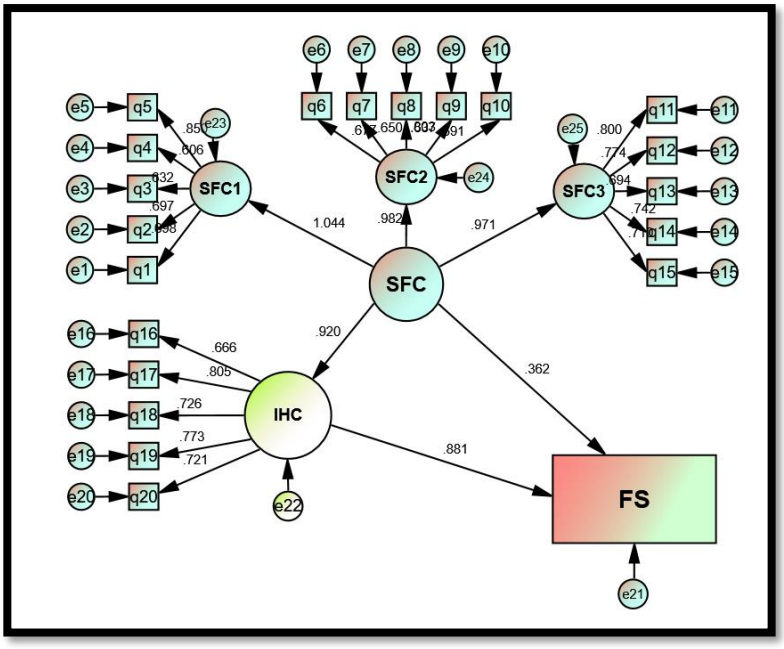

Figure 6: Path Model

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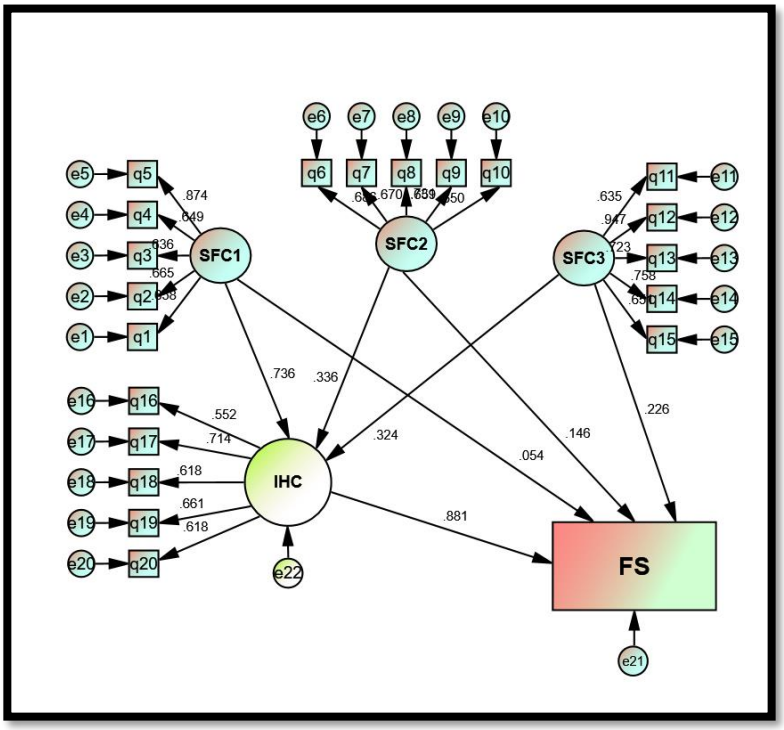

Figure 7: Path Model For Dimensions

Table 2: Path Analysis Of The Effect Of SFC On FS

Hypothesis	Estimate	T	Sig.
SFC1 ..> FS	0.054	0.322	0.154
SFC2 ..> FS	0.146	5.321	0.000
SFC3 ..> FS	0.226	7.048	0.000
SFC ..> FS	0.362	8.314	0.000
SFC1 ..> IHC	0.736	15.482	0.000
SFC2 ..> IHC	0.336	8.245	0.000
SFC 3..> IHC	0.324	8.175	0.000
SFC ..> IHC	0.92	17.16	0.000
IHC..> FS	0.881	16.201	0.000
SFC1 ..> IHC..> FS	0.648	11.541	0.000
SFC2 ..> IHC..> FS	0.296	7.844	0.000
SFC 3..> IHC..> FS	0.285	7.614	0.000
SFC ..> IHC..> FS	0.811	15.847	0.000

Discussion & Conclusions

The successes achieved by financial sustainability have contributed to promoting the construction of new financial policies in many events around the world, which ensure long-term sustainability, as steps were taken to ensure the development of the annual budget in a thoughtful and comprehensive manner, with a good reading of the financial and economic landscape in the coming years, and this helped. It builds confidence and opens the way towards making informed decisions about the financial future. This requires building a future vision based on strategic foresight, which represents determining how the business will manage itself financially to ensure that it achieves its goals and objectives in

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the short and long term. It takes into account every aspect of business operations and the intertwined impact of each on the overall financial position of the organization. The results demonstrated that strategic foresight plays a vital role in financial sustainability. Strategic foresight contributes through the ability to predict future transformations and changes, assess their impact on the financial business, and take early strategic actions to adapt and respond. The results proved that environmental scanning capabilities had a positive impact on financial sustainability, as the organization needs environmental scanning in order to identify positive and negative factors. Also, integration capabilities had a positive impact on financial sustainability. Integration supports the organization's ability to use resources efficiently, and this reflects positively on its goals and financial sustainability. The results also proved that the capabilities of the strategic choice had a positive impact on financial sustainability, as the strategic choice provides a set of alternatives that support the achievement of goals.

The results demonstrated that strategic foresight positively affects financial sustainability, and this effect will increase significantly when relying on investment in human capital. The organization's ability to compete and ensure excellence is mainly reflected in its ability to maintain its human capital, as the sustainability of the organization's knowledge and experience balance ensures its distinction and gives it a competitive advantage.

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