



## **THE ROLE OF STRATEGIC FORESIGHT IN FINANCIAL DECISIONS IN BANKS**

Krar Muhsin Thajil

Ahmed Abd Aziz

Laith Zzji Danouf

1Department of Business Administration,  
Rafidain Bank, Souq Al-Shuyukh Bank 113, Iraq,  
Krarmohsin92@gmail.com, 0000-0002-7145-0813.

2Department of Business Administration,  
Mazaya University College, Thi-Qar, Iraq,  
Krarmohsin33@gmail.com, 0000-0002-7145-0813.

3Department of Business Administration,  
alzyadylyth592@gmail.com, 0000-0002-7124-0812.

### **Abstract**

This research aims to study the growing role of strategic foresight in improving the quality of financial decisions within public and private institutions, given the rapidly evolving and increasingly uncertain economic environments. Institutions are facing financial challenges related to sudden market changes, resource volatility, and intensifying global competition. This necessitates the use of foresight tools and methods capable of supporting financial decision-makers in understanding future trends and evaluating potential paths. The research addresses the concept of strategic foresight as a systematic process that aims to analyze the future by leveraging data, indicators, and weak signals to develop a future vision that aids in long-term financial planning.

### **Introduction**

In recent decades, economic and financial institutions have witnessed a wave of unprecedented transformations. Markets have become more dynamic and volatile due to globalization, increased global competition, accelerated technological innovation, and the emergence of new economic models heavily reliant on data and artificial intelligence (Godet, 2010). This complex environment has presented



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institutions with significant challenges in financial planning and decision-making. Traditional methods that rely solely on analyzing past data or short-term forecasts are no longer sufficient to address the scale of future risks and changes (Kuosa, 2016). Hence, the importance of strategic foresight has emerged as a scientific and methodological framework that helps institutions anticipate the future, understand its potential trajectories, and assess their impact on financial management (Godet, 2010).

Strategic foresight is an advanced tool that aims to analyze the factors influencing the future—whether economic, technological, political, or social—through data collection and analysis, exploring megatrends, and predicting emerging transformations (Glenn et al., 2020). This approach enables financial management to anticipate events and develop flexible financial strategies capable of handling a wide range of potential scenarios (Rohrbeck & Kum, 2018). Financial planning is no longer a rigid process, but rather relies heavily on proactive thinking, scenario analysis, future financial modeling, and accurate long-term risk assessment (Brealey et al., 2020).

Strategic foresight also contributes to improved financial decisions by enhancing the ability to identify potential future risks such as exchange rate fluctuations, tax changes, decreased demand, and increased production costs, in addition to risks associated with scientific and technological advancements (Brealey et al., 2020). Its importance lies in enabling organizations to design flexible financial plans that can adapt to changing circumstances, thus helping to protect financial resources and mitigate the impact of economic shocks (UNIDO, 2019). Recent literature confirms that organizations with strong foresight capabilities outperform their competitors because they can make financial decisions based on a comprehensive understanding of the future, rather than simply reacting to current variables (Rohrbeck & Kum, 2018).

In the context of risk management, foresight plays a crucial role in developing an early warning system to detect subtle signals that may reflect impending changes in the financial environment (Glenn et al., 2020). This contributes to improving the quality of resource allocation, preparing accurate budgets, prioritizing spending, and developing investment plans based on multiple future scenarios (Brealey et al., 2020). Strategic foresight also supports organizations' efforts to



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achieve long-term financial sustainability by building capabilities that enable them to face future challenges and avoid hasty or ill-considered decisions that could jeopardize their stability (UNIDO, 2019).

Integrating strategic foresight into the financial decision-making process is a crucial step towards building a resilient organization capable of adapting to rapidly evolving circumstances. It not only provides financial management with advanced analytical tools but also helps it formulate a clear, data-driven vision for the future, rather than relying on intuition or knee-jerk reactions (Mintzberg et al., 2009; Voros, 2017). Therefore, adopting foresight has become a strategic imperative for organizations seeking to enhance their competitiveness, avoid crises, and achieve sustainable growth in an increasingly complex and volatile environment (Godet, 2010; UNIDO, 2019).

### **The Importance of the Research**

The importance of this research stems from the increasing role of strategic foresight in developing financial decision-making systems within modern institutions, particularly in an environment characterized by rapid volatility and uncertainty. The importance of the research can be highlighted through the following points:

- 1- **Enhancing Institutions' Ability to Adapt to Future Changes:** This research helps clarify how strategic foresight can enable institutions to understand and respond effectively to future trends, thus contributing to increased flexibility in financial decisions.
- 2- **Supporting Financial Management in Risk Management:** The research highlights the importance of foresight in the early detection of potential financial risks and the development of proactive plans to mitigate their impact, thereby increasing the institution's financial stability.
- 3- **Improving the Quality of Financial Decisions:** The research demonstrates how foresight tools and techniques—such as scenario analysis and trend forecasting—can be used to support more accurate and objective financial decisions based on future insights rather than relying solely on historical data.
- 4- **Enhancing the Efficiency of Financial Planning and Budgeting:** This research highlights the vital role of foresight in improving the accuracy of preparing



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long-term budgets and financial plans by exploring potential future paths and assessing their impact on financial resources.

- 5- Providing a Modern Knowledge Framework for Institutions: This research contributes to the academic literature by discussing the latest methods and models related to strategic foresight and its direct relationship to financial decisions, benefiting both researchers and decision-makers.
- 6- Enhancing the Competitiveness of Institutions: This research supports the understanding of how foresight contributes to creating a competitive advantage by enabling institutions to make informed investment decisions based on accurate future projections.
- 7- Bridging a Knowledge Gap in Arabic Studies: The importance of this research also stems from the scarcity of Arabic studies that have thoroughly explored the relationship between strategic foresight and financial decisions, thus giving this research added value in enriching the scientific and practical aspects of this field.

### **Research Objectives**

This research aims to analyze and interpret the role of strategic foresight in supporting and improving financial decisions within organizations. This is achieved through a set of academic objectives, most notably:

- 1- Clarifying the concept of strategic foresight and its theoretical foundations: This research aims to provide a comprehensive conceptual framework that clarifies the nature of strategic foresight, its dimensions, components, and the tools it relies on to analyze the future and develop potential scenarios.
- 2- Analyzing the relationship between strategic foresight and financial decisions: This research seeks to reveal the nature of the correlation between foresight methodologies and their role in guiding financial decisions within organizations, focusing on how to utilize future projections in formulating sustainable financial policies.
- 3- Demonstrating the impact of foresight on improving the quality of financial planning: This research aims to study the contribution of foresight to preparing accurate and flexible financial plans and to enhancing organizations' ability to predict long-term financial needs.



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## **Research Problem**

Organizations across various sectors are facing increasing financial challenges due to the accelerating pace of economic change, the growing complexity of business environments, and the escalating risks associated with global markets. While many organizations recognize the importance of developing their financial decision-making processes, the application of strategic foresight methodologies remains limited or unsystematic. This often leads to financial decisions being based on immediate reactions or short-term forecasts. Under these circumstances, a clear deficiency emerges in organizations' ability to anticipate future variables, whether related to price fluctuations, technological transformations, or changes in demand levels. This negatively impacts the quality of financial decisions and increases the likelihood of errors that could affect financial stability. Furthermore, the lack of a future vision leads to weak long-term financial planning, inadequate risk management, and a diminished capacity for efficient resource allocation. Hence, the research problem stems from: "The lack of effective integration of strategic foresight methodologies into the financial decision-making process within organizations, resulting in a limited ability to address future variables and make financial decisions based on a comprehensive and long-term vision".?

## **Conceptual Framework for Study**

The conceptual framework of the main variables was based on a set of basic assumptions, namely:

- H 1 :Applying strategic foresight in financial institutions contributes to improving the quality of financial decisions and increasing their accuracy and flexibility in the face of future economic changes.
- H 2 :Relying on strategic foresight tools, such as scenario analysis and monitoring future trends, reduces financial risks and enhances institutions' ability to engage in long-term financial planning.

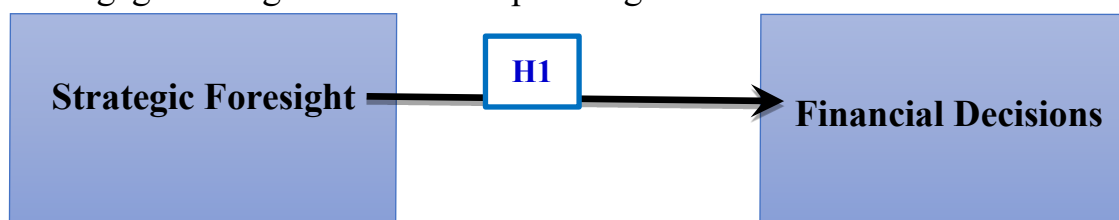


Figure 1: Scheme of the Hypothetical Study



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## **The Conceptual Framework of Strategic Foresight**

### **The Concept of Strategic Foresight**

Strategic foresight is a modern concept in contemporary management thought. It refers to a scientific and systematic process aimed at exploring the future and analyzing its potential trends. This is achieved through studying internal and external environmental variables, monitoring early signs of change, and developing multiple future scenarios and projections. This helps organizations prepare in advance for challenges and opportunities and make sound strategic decisions. Some Arab researchers define strategic foresight as an intellectual and analytical approach that supports decision-makers by providing a future vision based on systematic analysis, rather than random predictions or immediate reactions. This enhances the ability of institutions to adapt to changing environments and achieve organizational sustainability (Al-Arabi, 2020). Strategic foresight is also viewed as a management tool that contributes to the shift from short-term to long-term thinking by anticipating future alternatives and linking them to the organization's strategic goals, thus achieving a balance between the present and the future (Abdul Ali & Al-Hasnawi, 2024).

### **Characteristics of Strategic Foresight**

Strategic foresight is characterized by several features that make it an effective tool in supporting planning and decision-making. Among the most prominent of these characteristics are:

- **Its Future-Oriented Nature:** Strategic foresight focuses on studying the long-term future and is not limited to addressing current problems. Rather, it seeks to understand potential trends and transformations before they occur.
- **Scientific Methodology:** Forecasting relies on systematic scientific methods, such as trend analysis, scenario building, and indicator study, making it analytical rather than based on intuition or guesswork.
- **Comprehensiveness:** Strategic foresight addresses various dimensions of the organization's environment, including economic, political, social, and technological dimensions, thus providing a holistic vision of the future (Sharifa, 2021).



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- Flexibility:** Foresight is characterized by its ability to handle multiple future scenarios, granting organizations high flexibility in adapting to unforeseen changes.
  - Proactive Approach:** Foresight aims to enable organizations to take preventative measures before crises occur, rather than merely addressing them afterward (Al-Qudah, 2022).
  - Direct Support for Decision-Making:** Foresight is not an end in itself, but rather a means to support strategic, financial, and administrative decisions, improving their quality and effectiveness.

## **Financial Decisions in Organizations**

### **The Concept of Financial Decision-Making**

Financial decisions are among the most important administrative decisions an organization makes, given their direct impact on its financial stability and its ability to achieve its strategic objectives. A financial decision is defined as the decision concerning how to acquire, use, and allocate funds optimally, ensuring a balance between return and risk, and maintaining the organization's liquidity and financial sustainability (Al-Saadi, 2019). Several Arab researchers view financial decision-making as an analytical process that relies on comparing multiple financial alternatives under conditions of uncertainty, with the aim of selecting the alternative that achieves the highest possible benefit for the organization with the lowest degree of risk. Financial decisions are also viewed as a strategic tool that contributes to directing financial resources towards the most efficient uses, serving long-term growth and stability (Abdullah, 2020).

### **Types of Financial Decisions**

Financial decisions vary according to their nature and time horizon. Most researchers in financial management agree on classifying them into three main types:

**Investment Decisions:** Investment decisions relate to allocating available funds to various assets and projects, whether short-term or long-term investments, and aim to achieve suitable future returns. These decisions are among the most



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important and risky financial decisions, given their connection to large sums of money and long timeframes (Al-Najjar, 2018).

**Financing Decisions:** Financing decisions concern identifying the sources of funds needed to finance the institution's activities, whether internal sources such as retained earnings, or external sources such as loans and issuing shares. These decisions aim to choose the optimal financing structure that achieves the lowest possible cost of financing while maintaining financial stability (Al-Zubaidi, 2021).

### **Dividend Distribution Decisions**

Dividend distribution decisions are related to determining the appropriate policy for distributing realized profits among shareholders or reinvesting them. Investment within the organization. These decisions affect shareholder satisfaction and the organization's ability to finance future expansions (Al-Ubaidi, 2017). Third: Challenges Facing Financial Decision-Making. Financial decisions in modern organizations face a range of challenges that increase their complexity. Among the most prominent of these challenges are:

1. Uncertainty and volatility of the economic environment: Economic fluctuations, changes in exchange rates, interest rates, and inflation affect the accuracy of financial forecasts and the effectiveness of decisions made.
2. Lack of or inaccurate financial information: Sound financial decisions depend on the availability of accurate and up-to-date information. However, weak financial information systems can lead to unsound decisions (Al-Saadi, 2019).
3. High levels of financial risk: This is especially true in light of intense competition, market volatility, and unstable fiscal and tax policies.
4. Legal and regulatory constraints: Such as tax laws, banking regulations, and government controls that may limit the freedom to make financial decisions (Al-Zubaidi, 2021).
5. Rapid technological development: This has imposed new challenges on organizations related to the necessity of Updating financial analysis tools and keeping up with digital financial systems.



### **Sample Study**

A number of managers (individuals working in banks) were selected in a number of (8) government banks in Dhi Qar Governorate and their opinions were surveyed. The study sample consisted of 301 working individuals from a community of 521 based on (Sekaran, 2003: 294) In a table to the appropriate sample size for each population.

### **Skewness & Kurtosis**

The "Skewness & Kurtosis" test, which is distinguished by high accuracy and gives a clear picture of the nature of the data whether it is distributed normally or not when the collected data is for one sample, is one method for testing the normal distribution of data (Hardy & Bryman, 2009: 42). To do this, subtract the Skewness & Kurtosis values from the standard deviation of each of the variables and their dimensions. This yields the Z value (Khine, 2013:36). If the estimated Z value of "Skewness & Kurtosis" falls within the range of 1.96 at a significant level of 0.05, the data are considered to be normally distributed (Hair et al., 2010:71). The results are shown in Table No. 1:

Table (1) Normal distribution test

Kurtosis			Skewness			
Z Kurtosis	Std. Error	Statistic	Z Skewness	Std. Error	Statistic	
0.622	0.337	0.215	-1.837	0.171	-0.318	<b>Strategic Foresight</b>
-1.874	0.337	-0.652	0.146	0.171	0.038	<b>Financial decisions</b>

### **The gold standard of internal integrity**

Utilizing Cronbach's Alpha to assess internal consistency, the final study measures' stability and consistency are verified (Pallant, 2011:6). The degree to which the scale items are accurately represented for each scale utilized in the study is referred to as internal consistency (Hair et al., 2010:4). Cronbach's Alpha coefficient values are statistically acceptable in the field of administrative research if their value is more than (0.70) (Pallant, 2011:100).



Table (2) Cronbach's Alpha

after deletion Cronbach's Alpha	before deletion Cronbach's Alpha	Variables
.887	.776	Strategic Foresight
.889	.770	Financial decisions

### Correlation coefficients and descriptive statistics

The goal of Pearson correlation is to determine the strength and direction of the relationship between the variables. In terms of trend, a positive correlation between the two variables denotes a direct relationship, where a negative correlation denotes an offset between an increase in one variable and a decrease in the other. The association is inverse for the other variable (Pallant, 2011:103). In terms of strength, the correlation is entirely positive or negative when its value falls between (1.0) and (0.7), strong positive or negative when it falls between (0.3) and (1.0), and weak positive or negative when it falls between (0.3) and (0) (Bryman & Cramer, 2002: 173).

Financial decisions	Strategic Foresight	Std. Deviation	Mean	Variables
	1	.580	3.506	Strategic Foresight
1	.399**	.726	3.540	Financial decisions

The presentation of Table No. (3) makes it obvious that there is a linear association between the study's variables. Based on that correlation, we can deduce that banks' Strategic Foresight did not correlate well with the financial decisions, which caused them to reject the change in order to lessen their emotional anguish. This is what allows the banking sector organizations to grow. Her research on the issue of Strategic Foresight and bank financial decisions is extensive.

### Testing Hypotheses

The AMOS program's pathway analysis was used by the researchers. V. 23 in order to match this analysis with models of studies that incorporate intermediate variables and evaluate the primary and supporting hypotheses Model for a mediator Assuming that the causal relationship of the intermediate factors is



added to the relationship of the influence of the independent variables on the dependent variable, the path analysis is based on chains of multiple regression analysis. The effect linkages between the study's variables are displayed in Table (4).

Table (4) Testing the main hypotheses

Label	P	C.R.	S.E.	Estimate	Path			
Accept	***	9.872	.075	.562	financial decisions	<---	Strategic Foresight	H <sub>1</sub>

Table No. 4 makes it evident that the hypotheses were accepted since the results demonstrated the direct negative impact of the link between Strategic Foresight and the financial decisions, with the effect calculated at (0.572).

## Conclusions

Through a theoretical analysis of the scientific literature and previous studies, the research reached a set of conclusions highlighting the growing importance of strategic foresight in supporting financial management and improving the quality of financial decisions within organizations. Among the most prominent of these conclusions are the following:

- 1- The research demonstrated that strategic foresight is a modern management tool capable of enabling organizations to effectively deal with changing economic environments by shifting from traditional reactive thinking to proactive thinking based on forecasting and future analysis.
- 2- The research results showed that integrating strategic foresight into financial planning contributes to enhancing the efficiency of financial plans, increases the accuracy of budget preparation, and improves the allocation of financial resources, in line with the organization's long-term strategic objectives.
- 3- The research indicated that strategic foresight plays a pivotal role in managing financial risks by monitoring early indicators of potential changes and building multiple future scenarios, which reduces uncertainty and mitigates the negative effects of financial crises.
4. The research concluded that the quality of financial decisions improves significantly in institutions that adopt a structured foresight approach. Foresight



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contributes to expanding the information base available to decision-makers, enabling deeper analysis of financial alternatives, and reducing reliance on personal experience or ad hoc decisions.

5- The research emphasized that strategic foresight is not limited to predicting the future, but also includes building flexible frameworks that help institutions adapt to various potential scenarios, thus enhancing financial stability and institutional sustainability.

### **Recommendations**

Based on the research findings, a set of recommendations can be offered to contribute to activating the role of strategic foresight in improving the quality of financial decisions within institutions. The most prominent of these are:

1. Institutions, especially public and private ones with economic influence, must adopt a strategic foresight approach as a fundamental part of their financial management system, and not rely solely on traditional methods of planning and decision-making.
2. The capabilities of financial personnel should be enhanced through continuous training in strategic foresight tools and techniques, such as scenario analysis, future financial modeling, and economic trend analysis.
3. Establish specialized strategic foresight units or committees within institutions to monitor economic and financial changes and provide periodic reports to support financial decision-makers.
4. Develop financial information systems and leverage big data and modern digital technologies to provide accurate and up-to-date information that supports future-oriented financial decisions.
5. Encourage researchers and graduate students to conduct applied studies linking strategic foresight to financial performance, given the increasing scientific and practical importance of this field.

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