



THE MEDIATING ROLE OF STRATEGIC RENEWAL IN THE RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP AND IMPROVING FINANCIAL PERFORMANCE

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| Article history: | Abstract: |
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| <p>Received: 4th June 2023 Accepted: 6th July 2023 Published: 4th August 2023</p> | <p>Many variables have appeared in the work environment and have a direct impact on the organization's activity. As a result of technological developments and the intensification of competition, the need has emerged to address these obstacles, find quick solutions and address their effects on the organization's environment. The current research deals with important and necessary variables in the activity of the organization. Transformational leadership as an independent variable and its dimensions are represented by (ideal influence, intellectual stimulation, individual considerations, and empowerment) and the Mediating variable is strategic renewal. As for its dimensions, they are (exploration, entrepreneurship, investment opportunities, leadership participation). The dependent is the financial performance. Strategic renewal plays a partial "mediating role in the relationship between (transformational leadership and financial performance)". It is concluded through the relationship between the three variables that is the independent variable (transformational leadership) whose influence is maximized on the dependent variable (financial performance) through the interaction of the intermediate variable exploratory strategic renewal at the macro level. And there is a direct significant effect of the independent variable (transformational leadership) on the dependent variable (financial performance). Therefore, the researchers recommend supporting new and innovative ideas at work, urging individuals to participate in decision-making and expressing their views at work.</p> |

Keywords: strategic renewal, financial performance, transformational leadership, entrepreneurship, ideal influence.

RESEARCH METHODOLOGY:

First: Research problem: The changes observed in the past decades had a significant impact on the competitive landscape, as today business environment has become more dynamic and complex, both locally and globally. The main challenges for organizations that live in this environment because they have realized many traditional concepts, it is no longer possible to use the skills that previously succeeded in dealing with new changes in the competitive environment that require coordination between the continuity of organizations and development requirements, as well as internal and external challenges that affect its survival. Growth, and since the products of the Iraqi industry are facing intense competition due to the openness of the Iraqi market to Arab and foreign products, this was a motive for searching for other entries, including (current research variables). It is one of the issues of great importance at the present time and requires increased field knowledge and analysis. From here came the research problem to find out the interest of the studied

organization, the research sample, in transformational leadership and the impact of this interest in improving financial performance through the mediating role of strategic renewal. In light of the above, the research problem can be explained by the following questions:

1. what is the perception of individuals (the research sample) in the researched organization about the concepts of strategic renewal, transformational leadership, and improving financial performance?
2. To what extent does the studied organization apply the concepts of transformational leadership and its impact on improving financial performance through the mediating role of strategic renewal?
3. What kind of connection exists between strategic innovation, enhanced financial performance, and transformational leadership?
4. What role does strategic innovation play in the relationship between transformational leadership and improving financial performance?
5. Does transformational leadership contribute to the impact of strategic renewal in the organization in question?



6. Does transformational leadership increase impact by improving financial performance through strategic renewal?

Second: The importance of research: The significance of the variables the current study deals with gives it importance, as the practice of transformational leadership effectively and efficiently and possessing unique capabilities to improve financial performance through strategic renewal is one of the most important questions,

Therefore, the importance of the research can be embodied in the following:

1. Providing both the Arab Library and the Iraqi Library with simple scientific effort and endeavor that deals with the basic and important issues of management, which are distinguished and characterized by modernity.

2. Theoretical framing of the importance of research variables (strategic innovation, transformational leadership, and finally improving financial performance) and deepening the process of understanding and absorbing them to be organized in previous research and studies with the aim of intellectual and knowledge enrichment.

3. The importance of the current research stems from its handling of an important sector, which is the industrial sector, as this sector is characterized by its important and most effective role in the process of economic progress and development, as it is noted that the developed countries worked to develop the industrial sector and had the lead in the strategic priorities.

4. The current research is one of those that can be an important database to guide organizational work and a guide for the researched organization and a guide at all levels because of the nature of the variables that have been dealt with and their role in improving the effectiveness of research organizations and developing their performance

Third: Research Objectives: The current study seeks to accomplish several of the following goals.:

1. Presentation of the theoretical framework related to the research variables (strategic innovation, transformational leadership and financial performance improvement) and clarification of its concepts.

2. Knowing the extent to which the researched organization (the State Company for Textile Industries / Babylon) adopted the concept of transformational leadership and employing it to improve financial performance through strategic renewal.

3. Diagnosing the level of contribution of strategic renewal in increasing the impact of transformational leadership on improving financial performance.

4. Testing and studying the nature of the correlation and the direct and indirect effects between the studied variables.

5. demonstrating the relative importance of the components of the independent variable (transformational leadership) in terms of their influence on the dependent variable, enhancement of financial performance, and mediation of strategic renewal.

6. An attempt to present and clarify a set of recommendations supported by a number of mechanisms in light of the results to be reached, which would raise the cognitive and organizational level of the sample studied.

Fourth: the hypothetical research scheme

Based on the theoretical framework of the research variables (strategic innovation, transformational leadership, and financial performance improvement) and based on the research problem, its importance, and its objectives, a hypothetical research scheme was prepared that shows the relationship between the research variables and the directions of direct and indirect influence on them, and this is what this is shown in the following figure (1):

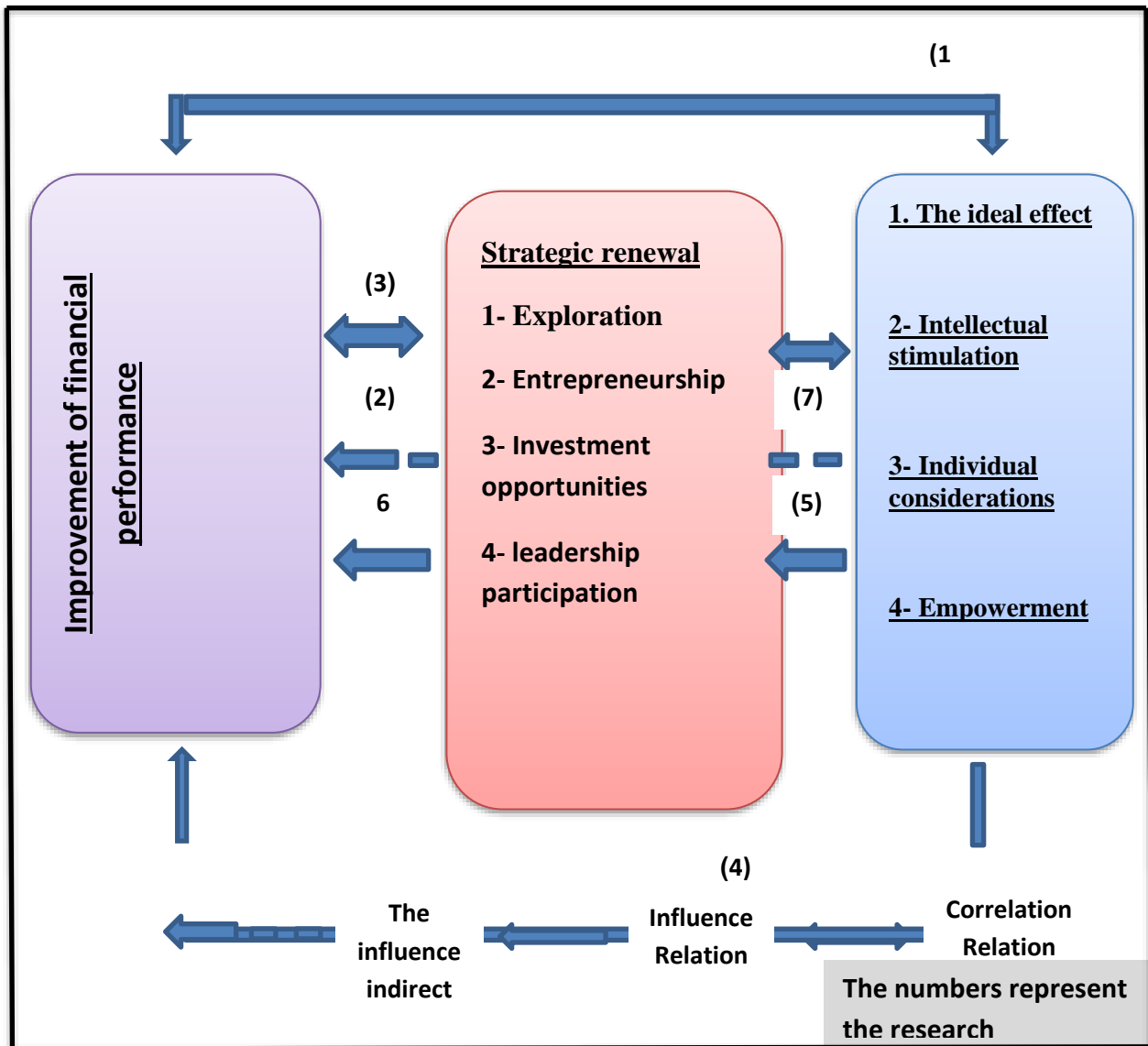


Figure (1) Scheme of the hypothetical research
 It is clear from Figure (1) that:

- 1- The independent variable is transformational leadership, symbolized by TL and its dimensions (for ideal effect, intellectual stimulation, individual considerations, empowerment)
- 2- The intermediate variable, strategic renewal, is symbolized by the symbol SR and its dimensions: (Exploration, entrepreneurship, investment opportunities, leadership participation)
- 3- The dependent variable is the improvement of financial performance, and it is symbolized by the symbol (IFP).

Fifth: research hypotheses

Correlation hypotheses

- 1- There is no significant correlation between transformational leadership and improving financial performance
- 2- There is no significant correlation between transformational leadership and strategic innovation.
- 3- There is no significant correlation between the strategic renewal and the improvement of financial performance

Hypotheses of impact



4- Transformative leadership has no discernible impact on raising financial performance.

5- Strategic renewal is not significantly influenced by transformational leadership.

6- There is no significant impact relationship of the strategic renewal in improving the financial performance.

Test hypotheses of indirect effect between variables

7- The link between transformative leadership and increased financial performance is not mediated by strategic renewal..

Sixth: Research Methodology: The two researchers used the "analytical descriptive approach", as the questionnaire was used as a main tool for collecting data from the research community in order to reach the most accurate data, classify it, analyze it, and then interpret it.

Sixth: Statistical means

Among the statistical methods used to test and measure research hypotheses is through the use of ready-made statistical programs for social and administrative sciences (SPSS V.23), correlation coefficient (Pearson), and simple linear regression coefficient.

INTRODUCTION :

Strategic renewal has attracted the attention of academics and researchers as one of the main advantages that organizations seek in the business environment. Being the continuous means to improve the capabilities and skills of workers in organizations and increase their productivity. Therefore, organizations seek to adopt a new approach within their mission, vision, and methods to adapt to new developments in various organizational fields. It is an attempt to establish methods and concepts commensurate with the circumstances and crises experienced by organizations. Thus, participation in the processes of strategic innovation and creativity allows organizations to seek a sustainable strategic competitive advantage. Where organizations should always think about rearranging their strategy and pooling their resources to provide products and services that meet the needs of their customers in line with their tastes. Where strategic innovation leads organizations and helps them explore products and markets. It tends to introduce new and more modern concepts to all sectors. To enhance mutual understanding and deal with external challenges. The need for strategic renewal never ends, because it is one of the elements of responding to various changes

by applying new technologies and reaching markets faster than competitors. Therefore, the competitive drive has forced organizations to introduce new concepts and ideas in many areas, which may be applicable in all economies by finding the common components and characteristics of large companies that are market leaders, which become high performers.

The concept of strategic renewal: The idea of strategic renewal includes purposeful change to achieve better results by utilizing all the organization's resources. It is a prominent topic in various fields of organizational research and management. Scientists have discovered the relationship between managerial perception, core capabilities and learning processes underlying corporate excellence and strategic renewal (Salvato, 2009:38 5). This means that changing one part has an impact and repercussions on the functions of the entire organization. (Teece 2019) Defined by (Agarwal and Helfat, 2009: 282) "Prosperity is the process, content, and outcome of prosperity. It is the replacement of the attributes of an organization that has the potential to change and significantly affect its plans in the long term." It includes changes in organizational competencies and organizational resources (Danneels, 2011). Schmitt and others 2018: 85) consider strategic renewal as "focusing on transforming one competitive strategy into another rather than exploring the antecedents and consequences of specific competitive strategies." While Coulter, 2010, pp48 defined it as the process that the organization resorts to when its performance deteriorates as a result of the desire of strategic managers to reverse this deterioration by bringing about organizational changes that include renewal to return the organization to its normal position on the right track and on the appropriate path in a way that ensures the achievement of its current goals and futuristic. (Crossan and Berdrow 1999: 1090) explained that it is the organization's ability to reinterpret its environment and its perceptions of new products, processes, and strategies.

Dimensions of strategic renewal

Strategic renewal has many indicators and dimensions through which it is measured. Researchers have addressed many of them. (Afif and Aishoush, 2018) indicated that strategic renewal can be measured through (investment strategic renewal, exploratory strategic renewal), and (Al-Moajdeh, 2021) confirmed: 213) the dimensions of strategic renewal (exploratory, investment, formation of new ideas). (Khanjar, 2021)



defined the dimensions of strategic renewal with (work context, work content, and process). Driving share)

Exploration: The process of strategic renewal requires creating something new or exploring, motivating and encouraging brainstorming for individuals in a way that seizes opportunities and avoids future threats and expectations. Therefore, it is an inevitable task that reflects the urgent need that requires permanent and continuous renewal of resources, capabilities and skills. Avoid routine patterns. This requires experimenting with various and innovative techniques, concepts, models, frameworks, visions and methods in order to discover innovative solutions to prevailing issues (existing problems). The future aspect of the organization that differs from the past. (Rasheed and Al-Aboudi, 18:2015) and (Kazem, 2015: 301) believes that exploration activities work to discover opportunities and create and develop new products. The organization works to develop these opportunities and prepares them to adapt to changes in the work environment and requires new, flexible and different knowledge. Exploration leads to the development of modern ideas. The basic aspects of the research process contribute to expanding intellectual, scientific and social horizons.

Investing of opportunities: The importance of paying attention to the work environment has emerged in order to make optimal use of opportunities to achieve financial returns for the organization. He indicated (Al-Taie and Al-Kalabi, 2017: 1004) that following a renewed exploratory strategic method leads to close compatibility among all current working individuals, as senior management expects (compatibility) to lead to valuable and rare strategic competitive advantages for the organization. Both of them (Kazem et al., 2021: 74) explained that the process of investing in new opportunities is based mainly on (production, efficiency, application, selection), so they have large central activities and are linked to renewable systems, and investment is through continuous change efficiently and effectively. Investing of opportunities enables the organization to develop its activities to be of value (short term). And by developing current and future skills, capabilities and knowledge, and providing the requirements of individuals in the organization.

Entrepreneurship: Many organizations work to change themselves from time to time to ensure their long-term survival, success, and prosperity, so they work to create pioneering projects, which increases their chances of success. Many terms appear in the organization, such as the internal organization of joint

projects, new projects, and the spirit of internal initiative. And the internal organizational adventure, and this refers to entrepreneurship in the organization. It is considered one of the sources of strategic behavior, as it is a process that contains innovation and self-renewal, which are the two main elements in the process of strategic renewal (Al-Shall and Al-Zuhairi, 103: 2022). Likewise, (Khalil 5: 2006, 2006) believes that entrepreneurship is the extent of the ability of individuals to create and innovate for the methods and means of production. Markets, goods and services provided, and sources of resources. The researchers believe that entrepreneurship includes creating new innovative projects and businesses outside and within the organization and exploiting opportunities in a way that guarantees superiority organization and its success, prosperity and permanence

Leadership participation: Organizations seek to constantly renew themselves. Leadership participation has an important and effective role in the process of strategic renewal and sustainable changes in the organization (2: 2016 Gilbert,). David Omari defines the concept of leadership participation as the ability of organization leaders to create a psychological climate that suits individuals to make appropriate effort and production to reach the highest possible level. Through the participation of subordinates in the decision-making process, it is possible to achieve compatibility between the interests of working individuals (subordinates) and the interests of the organization. Between the organization's departments and its various activities (Afolio: 2003: 87).

The concept of transformational leadership: Transformational leadership's influence is credited with advancing and maturing corporate goals. According to Al-Ghazali (2012) on page 28, transformational leadership is leadership that goes above and beyond using rewards to accomplish the desired outcome. It is necessary to enhance the intellectual and creative growth of subordinates while redirecting their attention and interests. To be part of the higher mission and mission of the organization. It is the ability of the leader to clearly convey to his followers the organization's message and vision for the future, motivate them, demonstrate high ethical behavior, and build trust and respect between the two parties to achieve organizational goals., (2005: 131, Murpy). Researchers believe that the transformational leader plays a vital role in leading positive changes within organization, these changes aim to close gaps and



improve the achievement of goals, both at the individual level and for the organization as a whole.

Dimensions of transformational leadership:

Transformational leadership has many indicators and dimensions through which it is measured. Researchers have dealt with many of them. (Fawzi, 2022: 91) referred to the dimensions of transformational leadership represented by (elements, features, characteristics). The researcher identified (Murkoush, 2022) dimensions of transformational leadership represented by ideal influence, self-distance, inspirational motivation, and mental stimulation). Intellectual stimulation, and individual consideration) and define (Jiblaq and Sidqi, 2018) Ideal influence, charm, and intellectual stimulation are the components of transformational leadership, inspirational stimulation, and finally individual interest) and we will rely on the scale developed by the researcher (Hamad, 2014: 11) in measuring transformational leadership It is as follows :

The ideal effect: or what is called (charisma), as it is represented by leadership behaviors that set an example for subordinates and enjoy their admiration and gain their appreciation and respect, which requires the transformational leader to participate in facing risks and put the needs, interests and desires of subordinates above personal interests and show moral integrity that prevents him from using his authority to achieve It is his personal gain (Tahaina and Oudat, 2014: 120). It is the ability of the leader to attract individuals towards a common goal, and to emphasize the importance of this purpose and the moral consequences of decisions, and his commitment to basic values shows firm faith in his dealings with subordinates, and he has the ability to make decisions in Situations and issues are difficult to set an example.

<https://www.maktabtk.com/>)

Intellectual consulting: Transformational leaders look for new ideas and encourage subordinates to solve problems in an organized and creative manner. Subordinates are entitled and encouraged to innovate in a way that ensures finding new and innovative ways and ideas to improve the performance of the organization's work and achieve its future goals successfully (Al-Harbi, 2008: 156). The leader aims to motivate employees by making them aware of the problems that prevent them from achieving performance that exceeds expectations, and to show the role of the leader by empathizing with others, listening to their ideas and suggestions, and sharing their feelings and emotions. : 29)

Individual considerations: They are the personal capabilities possessed by the leader, represented by the extent of his interest in his subordinates, responding to them, managing the principle of individual differences, treating each employee in a specific way according to their interests, assigning them tasks, and directing them to achieve further growth and development (Ggio & Bass 2006). . The leader identifies strengths and weaknesses in the performance of subordinates, and therefore works on training and directing them to raise the level of their performance at work, improve and develop it, and build their confidence (Hamad, 2014: 12). It also includes, according to the opinion of (Tahaina and Odat), the transformational leader pays attention to the employees' personal goals and aspirations and what they desire in addition to their needs for achievement and career growth. Likewise, leaders take seriously workers' grievances that hinder their work. They strive to help, give advice and guidance, listen calmly to their points of view, discuss them with them and seek compromise solutions with a common formula between the goals and aspirations of individuals and organizational goals. The transformational leader aims to empower individuals and obtain their satisfaction, thus generating enthusiasm and positive motivation at work. The transformational leader delegates some of his tasks to his subordinates in the organization to develop their capabilities and follow through on these delegations, supervising them and providing guidance and additional support when needed without making them feel that they are being watched (Tahaina and Oudat, 2014: 120).

Empowerment: The empowerment dimension includes the participation of the transformational leader with subordinates in most decision-making processes and giving them a degree of authority to deal with different situations and problems independently. He believes (Al-Ghazali, 2012: 30) that it is one of the basic dimensions of transformational leadership. Its main assumption is that the decision-making process should be decentralized and granted to front-line workers and enable them to respond directly to customer requirements, problems and needs. This means abandoning the traditional leadership model and moving towards leadership that she believes in sharing and counseling, which in turn requires radical changes in work roles, and empowerment includes practices such as job enrichment, self-work teams, and work team autonomy. The ability to help him make decisions and



choose the results he wants to achieve, while empowerment is the ability to increase employees' awareness of the organization's vision, mission and values by motivating them to be creative and proactive so that the organization has a certain degree of flexibility.

<https://www.starshams.com/2021/05/transformational-leadership.html?m=1>

The concept of improving financial performance: It is one of the important terms in the organizational work environment that requires attention because of its important impact on the future of the organization. It is one of the indicators on which it is based to know the extent to which the organization achieves its objectives, profit gains, and its market position. Financial performance is viewed as what the organization achieves. Material gains during a certain period. He defined it (Al-Shutteri and Mandour, 2022: 23) as the ability of the organization to optimally exploit and use the available resources in a way that leads to the correct and successful operation of its operations to achieve a large financial return (high profits). While (Ghanem, 15, 2022) believes that financial performance is a means that enables the organization to know its financial position, as it is a compass through which the organization works to develop employees and develop all its operations. Financial performance is one of the ways and methods through which strengths and weaknesses can be known. When evaluating, the performance actually achieved is compared with the expected performance by means of financial ratios that are used in financial analysis. Good financial performance works to improve the value of the organization in front of competitors (Student, 2011: 67) From the foregoing, the researchers believe that the financial performance is the means through which the financial position of the organization can be stated, and the financial position can be known by comparing what has been achieved of goals and what is expected, and the comparison processes are carried out through a number of indicators and financial ratios.

Dimensions of financial performance: There are many indicators and dimensions through which it is measured. Researchers have dealt with many of them. (Sahnoun, 2021: 1) indicated that financial performance can be measured through indicators of

financial ratios, which are (exploitation ratios, liquidity ratios, Profitability ratios, activity ratios, and financing ratios), and they can be measured through (return on investment, return on sales, return on assets, return on equity) (Al-Kababji and Abu Awwad, 2018: 401), and (Rahahleh and Al-Nusour, 2019: 3) indicated that the dimensions of Improving financial performance, including (profitability, financial liquidity, market share, and finally indebtedness). The indicators and criteria adopted by many researchers have been determined based on the nature of the researched organizations, so they were done in a scientific, non-random manner stemming from the interest or responsibility center of the organization whose performance is to be evaluated. Many researchers have sought to develop a curriculum and scientific methods that reflect the actual performance of the organization, and it consists of three main steps:

- 1- Determining the main goals, tasks and objectives.
- 2- Determine the elements and factors of success that leaders and subordinates rely on to achieve their goals, and these elements and factors can be viewed as effective means and ways to achieve organizational goals.
- 3- Searching for measures and indicators to control, control and monitor success factors. (Amin, 32: 2020), (Hatel and Shaalan, 2018: 315) and they will be adopted in this research to achieve a distinguished financial position for the researched organization.

Research hypothesis testing

1. Testing hypotheses of association and direct influence

This axis is devoted to testing hypotheses and discussing the correlations and direct influence between the variables of the current research at the macro level. The correlation coefficient (Pearson) was relied upon to find correlation coefficients and indicate the type of relationships between the variables in order to build a preliminary perception towards the levels of influence of the independent variable (transformational leadership) and the mediating variable (strategic renewal) in the dependent variable (financial performance) by relying on the coefficient Simple linear regression. A questionnaire of 130 was distributed, and 125 of them were valid in the Babylon Textile Factory



Table (1) Pearson correlation coefficient values and simple linear regression

| Explanatory variable Independent) (variable | Sig | F | β_1 | β_0 | R ² | R | Dependent variable |
|--|--------------------|---------|-----------|-----------|----------------|---------------------|-----------------------|
| Transformational leadership | 0.000 ^b | 117.216 | 0.794 | 0.535 | 0.488 | 0.699 ^{**} | Financial performance |
| Ideal effect | 0.000 ^b | 73.182 | 0.573 | 1.184 | 0.373 | 0.611 ^{**} | |
| Intellectual consulting | 0.000 ^b | 82.953 | 0.574 | 1.218 | 0.403 | 0.635 ^{**} | |
| Individual considerations | 0.000 ^b | 17.162 | 0.358 | 1.781 | 0.122 | 0.350 ^{**} | |
| Empowerment | 0.000 ^b | 72.181 | 0.579 | 1.196 | 0.370 | 0.608 ^{**} | |
| Transformational leadership | 0.000 ^b | 54.666 | 0.657 | 0.892 | 0.308 | 0.555 ^{**} | Strategic renewal |
| Ideal effect | 0.000 ^b | 31.088 | 0.439 | 1.526 | 0.202 | 0.449 ^{**} | |
| Intellectual consulting | 0.000 ^b | 71.456 | 0.571 | 1.194 | 0.367 | 0.606 ^a | |
| Individual considerations | 0.000 ^b | 21.115 | 0.408 | 1.609 | 0.147 | 0.383 ^a | |
| Empowerment | 0.000 ^b | 63.299 | 0.578 | 1.167 | 0.340 | 0.583 ^a | |
| Strategic renewal | 0.000 ^b | 239.050 | 0.791 | 0.780 | 0.637 | 0.813 ^a | Financial performance |
| Exploration | 0.000 ^b | 140.901 | 0.684 | 0.919 | 0.534 | 0.731 ^a | |
| Entrepreneurship | 0.000 ^b | 104.829 | 0.497 | 1.471 | 0.460 | 0.678 ^a | |
| Investment opportunities | 0.000 ^b | 169.512 | 0.582 | 1.252 | 0.580 | 0.761 ^a | |
| Leadership participation | 0.000 ^b | 109.085 | 0.684 | 0.903 | 0.470 | 0.686 ^a | |

(**). Correlation is significant at the 0.01 level 2-tailed).
 b. Predictors: (Constant).

The results shown in Table (1) indicated:

1. There is a statistically significant (directive) correlation between the independent explanatory variable (transformational leadership) and the dependent responsive variable (financial performance). The value of the correlation coefficient between the two independent and dependent variables was (0.699) at the level of significance (Sig = 0.000) less than the level of significance (0.01), which indicates the significance of the correlation between the two variables at the macro level. As for the level of the relationship between the dimensions of the independent variable and the dependent variable, the values of the Pearson correlation coefficient ranged between (0.350) and (0.635), all of which are statistically significant at a significant level less than (0.01).

2. There is a statistically significant (directive) correlation between the independent explanatory variable (transformational leadership) and the mediating responsive variable (strategic renewal). The value of the correlation coefficient between the two independent variables and the mediator was (0.555) at the level of significance (Sig = 0.000) less than the level of significance (0.01), which indicates the significance of the correlation between the two variables at the macro level. As for the relationship between the dimensions of the independent variable and the mediating variable, the values of Pearson's correlation coefficient ranged between (0.383) and (0.606), all of which are statistically significant at a significant level less than (0.01).

3. There is a statistically significant (directive) correlation between the mediating explanatory variable



(strategic renewal) and the dependent responsive variable (financial performance). The value of the correlation coefficient between the two variables, the intermediate and the dependent, was (0.813) at the level of significance (Sig = 0.000) less than the level of significance (0.01), which indicates the significance of the correlation between the two variables at the macro level. As for the level of the relationship between the dimensions of the intermediate variable and the dependent variable, the values of the Pearson correlation coefficient ranged between (0.686) and (0.761), all of which are statistically significant at a significant level less than (0.01).

4. There is a statistically significant (directive) effect between the independent explanatory variable (transformational leadership) and the dependent responsive variable (financial performance). The value of the regression coefficient between the independent and dependent variables was ($\beta_1 = 0.794$), while the value of the determination coefficient was ($R^2 = 0.488$), which indicates that the independent variable contributes (49%) to explaining the variation in the dependent variable. While the value of ($F = 117.216$) was at a significant level (Sig = 0.000b) less than (0.01), which indicates the quality of the regression model in predicting the variation in the dependent variable. As for the level of the influence of the dimensions of the independent variable on the dependent variable, the percentages that represent the coefficient of determination that explain the variation in the dependent variable ranged between (12%) and (40%).

5. There is a statistically significant (directive) effect between the independent explanatory variable (transformational leadership) and the mediating responsive variable (strategic renewal). The value of the regression coefficient between the two independent variables and the mediator was ($\beta_1 = 0.657$), while the value of the determination coefficient was ($R^2 = 0.308$), which indicates that the independent variable contributes (31%) to explaining the variation in the dependent variable. While the value of ($F = 54.666$) was at a significant level (Sig = 0.000b) less than (0.01), which indicates the quality of the regression model in predicting the variance in the mediating variable. As for the level of influence of the dimensions of the independent variable on the mediating variable, the percentages representing the determination coefficient that explain the variation in the mediating variable ranged between (15%) and (37%).

6. There is a statistically significant (directive) effect between the independent explanatory variable (strategic renewal) and the dependent responsive variable (financial performance). The value of the regression coefficient between the two dependent and intermediate variables was ($\beta_1 = 0.791$), while the value of the determination coefficient was ($R^2 = 0.637$), which indicates that the intermediate variable contributes (64%) to explaining the variation in the dependent variable. While the value of ($F = 239.050$) was at a significant level (Sig = 0.000b) less than (0.01), which indicates the quality of the regression model in predicting the variation in the dependent variable. Regarding the extent to which the dependent variable's dimensions are influenced by the intermediate variable's dimensions, the percentages that represent the coefficient of determination that explain the variation in the dependent variable ranged between (46%) and (58%).

To test the indirect effect hypothesis

In order to prove the seventh main hypothesis (the influence of the independent variable (transformational leadership) increases in the dependent variable (financial performance) through the interaction of the mediating variable (the exploratory style) at the macro level. The rule (Baron & Kenny, 1986) was adopted to show the growing effect of the independent variable (Transformational leadership) or not in the dependent variable (financial performance) through the interactive role (strategic renewal) as a mediating variable. This rule requires that the following three regression equations must be estimated (the first is the regression of the intermediate variable on the independent variable, the second is the regression of the dependent variable (financial performance) on the independent variable (transformational leadership), the third is the regression of the dependent variable (financial performance) on each of the independent variable (transformational leadership) and the mediator "strategic renewal"). The following conditions (the first, the independent variable represented by transformational leadership must affect the mediating variable "strategic renewal" in the first equation, the second must show that (transformational leadership) the independent variable affects the dependent variable (financial performance) in the second equation, the third must affect (Strategic renewal (the mediating variable on the dependent variable (financial performance) in the third equation). If the three conditions are fixed in the expected direction, then the effect of (transformational leadership) the independent variable on the dependent variable (financial



performance) should be less in the "third equation" than in the second equation.

Table (2) indirect effect (mediation) test forms

| Responding variable | Sig | F | β_1 | β_0 | R ² | R | Explanatory variable | Model |
|-----------------------|--------------------|---------|-----------|-----------|----------------|--------------------|-----------------------------|--------|
| Strategic renewal | 0.000 ^b | 54.666 | 0.657 | 0.892 | 0.308 | 0.555** | Transformational leadership | First |
| Financial performance | 0.000 ^b | 117.216 | 0.794 | 0.535 | 0.488 | 0.699** | Transformational leadership | Second |
| Financial performance | 0.000 ^b | 182.000 | 0.407 | 0.009 | 0.749 | 0.865 ^a | Transformational leadership | Third |

From the results presented in Table (2), it appears that there are the following:

A. In the first model the mediating variable (transformational leadership) is significantly impacted directly by the independent variable. (strategic renewal). In the sense that the change in the independent variable by one unit leaves its effect directly on the mediating variable by (66%), as indicated by the value of the regression slope coefficient. And that the value of the statistical significance of the amount of the effect reached (Sig = 0.000) less than a significant level (0.000). Thus, the first condition of mediation has been fulfilled.

B. In the second model, there is a significant direct effect of the independent variable (transformational leadership) on the dependent variable (financial performance). In the sense that the change in the independent variable by one unit leaves its effect directly on the dependent variable by (79%), as indicated by the value of the regression slope coefficient. And that the value of the statistical significance of the amount of the effect reached (Sig = 0.000) less than a significant level (0.000). Thus, the second condition of mediation has been fulfilled.

C. In the third model, In the presence of the mediating variable, strategic renewal, there is a considerable direct effect of the independent variable (transformational leadership) on the dependent variable (financial success). In the sense that a one-unit change in either the independent variable or the mediating variable has a direct impact on the dependent variable that is equal to (41%) both the independent variable's and (59%) the mediating variable's impact, as indicated by the value of the regression slope coefficient for the two variables. And that the value of the statistical significance of the amount of the effect reached (Sig = 0.001) for each of the two variables less than a significant level (0.000).

Thus, the third condition of mediation has been fulfilled.

Evidence that the previous significant relationship between transformational leadership and financial performance in the second model ($\beta_1 = 0.794$ (Sig = 0.000) did not change to Non-significant relationship in the third model ($\beta_1 = 0.407$) Sig = 0.000) was provided by the inclusion of (strategic renewal) as a mediating variable in the connection between (transformational leadership) and (financial performance)., but the effect size of the independent variable on the dependent variable was regressed. As for the explanatory power of the test, the interpretation of the variation in the dependent variable in the second model was (R² = 49%), and when adding the strategic renewal variable (the mediating variable) in the third model, it contributed to explaining (R² = 75%) of the variation in the variable. approved, which means that the strength of the relationship between (transformational leadership and financial performance) has increased by (26%) added by (strategic renewal) to the model, which confirms that (strategic innovation) plays a partial mediating role in the relationship between (transformational leadership and financial performance).

CONCLUSIONS:

Strategic renewal plays a partial mediating role in the relationship between (transformational leadership and financial performance).

-The influence of the independent variable (transformational leadership) on the dependent variable (financial performance) increases through the interaction of the mediating variable, the exploratory strategic renewal at the macro level.

- There is a direct significant effect of the independent variable (transformational leadership) on the dependent variable (financial performance).



- There is a statistically significant (directive) correlation between the intermediate explanatory variable (strategic renewal) and the dependent respondent variable (financial performance).

RECOMMENDATIONS:

Supporting new and innovative ideas at work, urging individuals to participate in decision-making and expressing their views on work, conducting training courses and urging individuals to participate in them. Using modern technological means and artificial intelligence, attracting individuals with expertise and scientific qualifications, empowering individuals and giving them the necessary powers.

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