



## EMPLOY STRATEGIC FLEXIBILITY IN ACHIEVING SUSTAINABLE COMPETITIVENESS OF IRAQI BANKS: A SURVEY OF BANKS IN SALAH AL-DIN GOVERNORATE

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### Abstract:

The research aims to identify the possibility of employing strategic flexibility in banks and adapting to environmental changes is one of the most important tools for gaining a sustainable competitive advantage. sustainable Iraqi banks. To achieve the objectives of the research, the opinions of a sample of employees were taken and analyzed using Partial Least Squares (PLS) application. And, we reached many results, the most important of which is the existence of a vital role for strategic flexibility in achieving sustainable competitive advantage. The researchers suggest to the management of Iraqi banks (Rasheed Bank & Rafidain Bank) the study sample with interest in applying the requirements of sustainable competitive advantage to interact with the banking environment effectively.

**Keywords:** Strategic flexibility, Sustainable competitiveness, Iraqi banks,

### INTRODUCTION.

The business environment is witnessing rapid development due to technological changes. Banks are considered among the most important institutions affected by this development, and there are environmental variables that are difficult to predict. So we need a high ability to respond and adapt quickly and effectively to unexpected changes in the business environment. Hence, the term strategic flexibility has become a requirement in financial institutions, to enable them to reach a major sustainable competitive advantage in the market. Another issue that has doubled the importance of flexibility is the fact that environmental changes Today it is faster and more complex than in the past. Strategic resilience is a new topic, which in recent years has attracted researchers to adapt. Products and services must be tailored to the customer's demand, and in some cases they must stimulate that demand from customers, while this

demand depends on strategic flexibility. In other words, the strategic flexibility of organizations must be directed towards having an internal viewpoint in order to obtain the necessary competency for sustainable competition, and having an external view to take advantage of opportunities arising from change. In recent decades, Iraqi banks have tended to compete. With the increasing competition in the Iraqi banking system, banks are adopting various methods to increase or at least maintain their market share. In this regard, banks can consider and enhance their competitive advantages, to ensure their success in competing with other competitors.

### THE FIRST AXIS: THE METHODOLOGICAL FRAMEWORK

#### 1.1: The Study Problem

Financial institutions in general and banking institutions in particular face many challenges



represented by financial challenges, and the secretions of globalization through competition pressures and the requirements of the diverse and rapidly changing labor market. and the surrounding environmental conditions, so strategic flexibility and its dimensions were considered one of the important methods in facing these challenges and one of the main ingredients in owning the sustainable competitive advantage of these banking institutions, marketing and competitiveness that enable banking institutions to face all challenges and problems in the business environment and put them in a great and sustainable competitive position, in the field of banking service quality, speed of response to the customer, and good reputation, and through field visits, the researchers noted the lack of sufficient knowledge and the importance of the dimensions of strategic flexibility In achieving sustainable competitive capabilities of the banks investigated And its role in achieving a sustainable competitive advantage for the researched institutions, and based on that, the research problem can be crystallized with the following questions:

1. What is the level of achievement of the dimensions of strategic resilience in the surveyed institutions?
2. What is the level of achievement of the dimensions of sustainable competitive advantage in the surveyed institutions?
3. Strategic flexibility, with all its dimensions, affect the achievement of sustainable competitive advantage?

#### **1.2: The Importance of The Study**

The research derives its importance from the importance of its variables in the context of revealing the relationship between strategic flexibility and sustainable competitive advantage. In addition, the importance of the research is summarized in the following data:

- 1- The importance of banks in the practical life, as they are considered one of the most important elements that all customers deal with at the present time.

- 2- The importance of research is embodied in two dimensions, the theoretical dimension represented by a philosophical study according to the strategic perspective that seeks to achieve integration between the dimensions of strategic flexibility in order for banking institutions to gain a sustainable competitive advantage. As for the second procedural dimension, it is embodied in providing what can serve the institution in question to achieve a sustainable competitive advantage.

- 3- Providing information that can be employed in the institutions investigated in order to confront current and future developments, update their methods of work, and modify their structures.

#### **1.3: - The Objectives of The Study.**

The research aims to analyze the requirements for adopting the philosophy of strategic flexibility as an entry point to achieve the sustainable competitive advantage of Iraqi banks, which aims this research, in addition to what was previously mentioned, to achieve the following goals:

- 1- Description and diagnosis of the research variables, strategic flexibility, and sustainable competitive advantage in the institutions investigated.
- 2- Analyzing the relationship between strategic flexibility, in its dimensions, and sustainable competitive advantage in the institutions investigated.
- 4- Analysis of the influence relationship between strategic flexibility and its dimensions, and sustainable competitive advantage in the institutions investigated.
- 5- Presenting a set of proposals based on the results of the research, that would develop the current research variables in the research institutions.

#### **1.4: The hypothetical scheme of research.**

The first hypothesis: There is a significant effect of strategic flexibility with its combined dimensions in achieving sustainable knowledge in its combined dimensions.

The second hypothesis: There is a significant effect for each dimension of strategic flexibility in all of the sustainable knowledge.

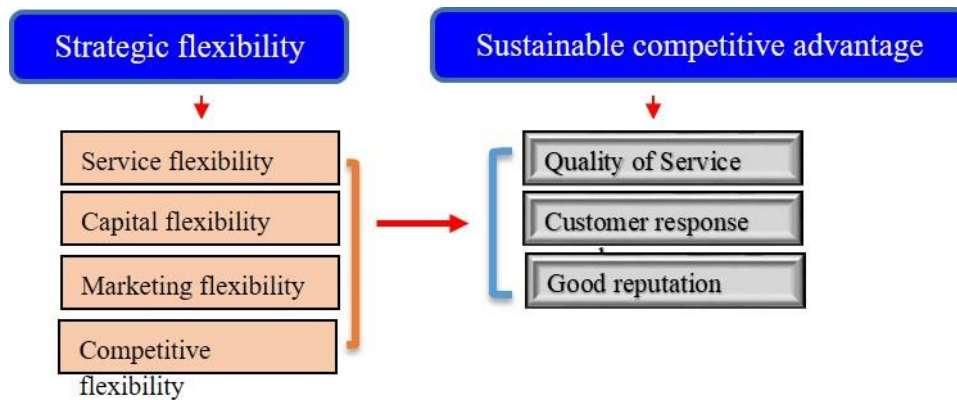


Figure 1. The study samples hypothesis

### 1.5: Study Hypotheses:

The first hypothesis: There is a significant effect of strategic flexibility with its combined dimensions in achieving sustainable competitive advantage with its combined dimensions.

The second hypothesis: There is a significant effect for each dimension of strategic flexibility in achieving sustainable competitive advantage in its combined dimensions.

The second axis is the theoretical framework

### 2.1 Strategic Flexibility

The change in information technology and the rapid technological development of the environment today has made flexibility a necessary and even imperative for institutions to survive and compete effectively. Its structure in all its aspects is not easy to implement, and to be flexible enough to change with rapidly changing environmental conditions. (Shalender, 2015) Below we discuss the concept of strategic flexibility and its importance and review its types.

#### 2.1.1. Concept

Before addressing the concept of strategic flexibility, we review the concept of flexibility. There are those who point out that flexibility is "a continuous process through which the institution shows a positive adaptation in the face of changes and their sources, by linking the institution's internal administrative factors with the external factors that the environment produces for it" if it reflects the institution's ability to take the appropriate reaction to rapid changes in the competitive environment. It depends on its ability to anticipate and anticipate these environmental changes before they occur, and then find appropriate solutions for them (Tamayo-Torres, Ruiz-Moreno & Verdú, 2010). As for the concept of strategic flexibility, despite the use of this term by many researchers in the field of strategic management, it did not specify a concept that researchers agree on as a result of changes the rapid and continuous updating of this

concept and the result of different opinions and perceptions of researchers.

According to the Oxford Dictionary, strategic flexibility means "the quality of preparedness and the ability to adapt to different circumstances, or to be able to change smoothly and easily in response to changing circumstances". (Srou, 2016).

Strategic flexibility plays a key role in the competition, the flexibility option allows organizations to adapt to uncertain and rapidly changing environments (Kandemir & Acur, 2022). and believes that strategic flexibility can be measured through two types: external flexibility through diversification, and internal flexibility from through the fluidity of enterprise resources. (Roberts & Stockport, 2009).

According to Palmer and Nilson, the institution's ability to be flexible in its strategic choices at the upper, middle and lower levels at the same time (Al-Tai, 2016).

It was also defined as "a strategic choice that reflects the organization's ability to realize environmental changes and choose the best strategic scenarios to respond to the changes, by relying on the necessary resources and tools in order to respond to opportunities, confront environmental threats and achieve the best performance of the organization" (Phadnis & Darkow, 2021).

Through the definitions that were presented, we conclude that the strategic flexibility:

- Ability to respond quickly to unexpected circumstances.
- Strategic scenarios that include all levels of the organization at the same time.
- Knowledge of environmental opportunities and threats and speed of response to achieve the best possible performance.

#### 2.1.2. Importance.

Strategic flexibility is very important for organizations because of their advanced dynamic capabilities, as the



organization's possession of strategic flexibility means having the ability to change easily and quickly in key aspects of the business strategy, and then improve its ability to keep pace with competition, and possessing strategic flexibility enables the organization to be Quick in responding to the following aspects (Shimizu & Hitt, 2004):

- Change in total customer requests.
- Allocating a banking service to suit individual customer requests.
- New services launched by competitors.
- New pricing schedules in response to changes in prices and competition.
- Ease of expansion in new areas.
- Adopting the application of new technologies in production and service faster, cheaper and better.
- Fundamentally renew products and services.
- Easy transformation and cooperation by participating in design or purchase to take advantage of time, reduce costs, improve quality and better delivery dates.

Institutions have also realized the importance of strategic flexibility as a result of the necessities it provides through the following: (Wali, 2016)

Strategic flexibility is a condition for increasing the ability of institutions to face important and rapid environmental changes in the markets efficiently and effectively, and to enable them to manage their activities under these circumstances.

Strategic flexibility supports the ability of institutions to respond to the changing needs and desires of customers and to detect any modifications that occur to customer preferences, through the process of interaction between them and their environment.

Strategic flexibility enhances the institution's ability to improve the quality and life of the strata of societies.

### 2.1.3. Types of Strategic Flexibility

There are many types of strategic flexibility that differ according to researchers who dealt with this topic, and they are classified into homogeneous groups, and these types are considered as indicators for measuring strategic flexibility in organizations. In this research paper, we address the following types:

#### A- Flexibility of Banking Services

The flexibility of the banking service is the ability of the bank to change the characteristics of the services provided to customers, as well as the ability to change the volume of services in dealing with the rapid fluctuations in the level of customer demand (Kasim, Haracic & Haracic, 2018). Thus, giving them strategic options for banking services in a large way to deal with environmental technologies, and thus the bank can

stay with the changing needs of the customer (Haeckel, 1999).

In order for banks to achieve flexibility in banking services and succeed in this field, they must adopt a set of the following factors (Alloush, 2015):

- Confidentiality in dealing: and thus the customer feels more security, which helps to ensure the customer's loyalty to the bank and not to leave the list of large customers.
- The need to provide professional services and qualifications with diverse and deep experience that can provide comprehensive and rapid solutions that suit the customer's needs.
- The need to understand the nature of the customer and his expectations and provide the convenience of dealing, through the official of the banking services department.
- The bank has a clear and understandable investment policy, on the basis that the main objectives of the bank are based on building long-term relationships based on mutual trust and understanding of financial events.
- Present and future customers and provide knowledge-based service in accordance with the needs, objectives and requirements of the customer.

#### b- Flexibility of Human Capital

The flexibility of human capital represents a valuable value as it adapts the characteristics of the human resource such as knowledge, skills, behavior, that is, a statement of the flexibility of the worker's skills and capabilities for alternative uses that can be applied, as well as the extent to which those skills are rearranged, and the extent to which they possess broad behaviors that enable them to adapt. According to certain cases. Workers may have flexibility in skills, i.e. they may be skilled but lack the behavioral incentive to change, or they may be highly motivated but lack the necessary skills or knowledge to make change decisions. (Bhattacharya, Gibson & Doty, 2005).

Lengnick-Hall and Lengnick-Hall (2002) believes that human capital is a group of working individuals who possess rare and valuable knowledge, skills and capabilities for the organization in increasing its material and economic wealth. While Christensen and Rog (2008) believes that the organization supports its competitive advantage by supporting and strengthening its the means of implementation, the most important of which is human resources, which is one of the important means of implementing the strategy.

#### C - Marketing Flexibility

The concept of marketing flexibility is to the extent of its application in the marketing field, and (Ozer, 2002)



shows that organizations can follow a marketing flexibility strategy to reduce uncertainties and be more responsive to the constantly changing requirements of their marketing activities, including banking services, and market research, pricing, and public relations, and mentioned (Shalender, 2017) that marketing flexibility represents the organization's ability to configure its marketing efforts, both proactively and reactively, in order to meet all challenges in a rapid manner consistent with changes Rapid response to environmental customer needs and services.

**D- Competitive Flexibility**

It is represented in the bank's ability to confront the behavior of its competitors from the current and new banks, and its ability to rearrange and arrange its main resources, publish them, dedicate them to banking operations and respond quickly to customer's requests by studying the requirements, and working on diagnosing changes in the external environment, as well as the bank's ability to change The prices of its services are in line with competitive requirements. (De Toni, 2005).

**2.2: Sustainable Competitive Capabilities**

The topic of sustainable competitive advantage has become one of the important topics that take a large part of the organizations' attention because it plays a key role in the organization's survival and continuity in

the race for survival and excellence with other organizations. Those organizations, especially in the present era, as a result of the rapid and continuous developments and changes that the world is witnessing at all levels. In this axis, we discuss the concept of sustainable competitive advantage, its importance and the elements of sustainable competitive advantage.

**2.2.1. Concept**

The sustainable competitive advantage is the developed model for the competitive advantage that business organizations target in the market position, because it contains elements that guarantee continuity and maintain this advantage for the longest possible period. The Webster dictionary defines these three terms as the advantage as (the position, status, or distinctive benefit resulting from the course of the organization's work), and competitiveness is defined as (the characteristics that characterize the organization in balancing its competitors), in When he defined sustainable as (that can be kept as long as possible) (Hoffman, 2000).

Many scholars and researchers have tried to provide a variety of definitions about sustainable competitive advantage, according to their views of the subject, and table (1) presents some of these definitions.

Table (1) Some researchers' definitions of sustainable competitive advantage

Sources by page	Publication year	Definition
Lynch: 153	2000	Excellence and uniqueness that distinguishes an organization from competing organizations.
Hoffman: 10	2000	The long-term benefit achieved through the application of a unique value creation strategy, which provides financial confidence and high performance to an organization, and is built by integrating core skills and capabilities into the organization in unique and lasting ways that competitors cannot imitate or emulate.
Shimizu and Hitt	2004	Benefits or benefits obtained by the organization to the greatest extent possible that cannot be imitated or reproduced by other organizations.
Nel: 149	2007	The organization's ability to achieve the highest returns on investment in the industry and continue to maintain this progress.
Dyer., et al,	2017	The ability of an organization to create economic value from its valuable, scarce and irreplaceable core resources by competitors.
Daft: 113	2015	The ability of the organization to increase market share by keeping costs low compared to competitors.

Source: Prepared by researchers based on the sources mentioned in the table

In light of the foregoing definitions contained in Table (1), it is possible to refer to six main trends that revolve around an integrated concept of sustainable competitive advantage, which are as follows:

Based on what is presented, the sustainable competitive advantage is "the organization's ability to excel and innovate over other organizations through its optimal and unique exploitation of its internal





resources, investment of opportunities, and turning the threats it faces from the external environment into opportunities in order to provide products and services of high value to its current and future customers that competitors cannot imitate or her competitor."

### 2.2.2. Importance

Today in the business world, how to sustain competitive advantage and make it difficult to imitate or even understand by competitors, and here lies the importance of sustainable competitive advantage. Competitors and increase the volume of sales and profits Czepil (1997) and Rastogi (2010) agreed that its importance lies as follows:

- a. Providing important support that contributes to the success of the business.
- B. It is durable and difficult to imitate its competitors.
- T. Provides direction and motivation to the whole organization.
- d. Provides a basis for future improvements.
- c. Determined based on the needs and desires of the customer.
- h. Provides a unique harmony between the organization and the opportunities in the environment.

Therefore, sustainable competitive advantage helps to increase the flexibility of the organization to adapt to environmental changes and technology. Whitehill has clarified about the importance of competitive advantage as a weapon to meet the challenges of the market and corresponding organizations, through the work of the organization in developing its competitive activities and its ability to meet the needs of customers in the future. (Whitehill, 1997).

Therefore, the importance of sustainable competitive advantage is that it is a criterion for determining the nature of successful organizations from others, as it is characterized by the formation of a new model that is difficult to imitate and simulate constantly, as it knows that its old models have become known and available and that competitors are aware of them.

(MacMillan, 2000), competitive advantage must be deeply embedded in the resources, activities, skills, and culture of the organization. (Lynch, 2000). It is also an important criterion for organizations that want to survive and grow, and whenever a model is difficult to imitate and high standards, the more the organization maintains its sustainability, if successive innovations and accelerated knowledge make the competitive advantage temporary (Daft, 2015).

The sustainable competitive advantage is also the main weapon to meet the challenges of the market and corresponding organizations. Through the organization's development of its competitive knowledge and ability to meet the needs of customers

in the future. Through its intrinsic capabilities that enable it to adapt to rapidly changing opportunities. (Al-Ani, 2004)

While, Donate, Pena, and Sanchez de Pablo (2016) believes that the importance of sustainable competitive advantage lies as follows: Lead to the achievement of superiority over competitors; It originates from within the organization through its core resources and unique skills, and to achieve superior value through the added value it provides to customers; Reflected in the efficiency of the organization's performance of its activities, or in the value of what it offers to customers, or in both; It lasts a long time and does not go away quickly when it is developed and renewed; It represents an intrinsic value to the organization because it cannot be imitated or imitated by competitors.

### 2.2.3. Dimensions of Sustainable Competitive Advantage

here are many dimensions that institutions can possess to obtain a sustainable competitive advantage that the organization can employ to achieve the goals. Through our research, we address the dimensions that we see as important for financial institutions, which are the quality of service, the speed of response, and the good reputation, as explained, and then we address their concepts separately.

#### A- Quality of Service:

Quality is one of the best and most important metrics for judging organizations in general and service organizations in particular, as it is a competitive weapon between organizations and a tool through which organizations want to obtain a large market share, gain customer satisfaction, and raise the reputation of the organization. Many researchers have sought to express different points of view on quality. Each according to its scientific and cultural orientations. Clair (2012) defined it as "the ability to provide guests with high-value or high-value solutions". In addition, (Novak & Schwabe, 2009; Summers, 2010) considered them as "the systems that follow to provide products or services in a good way to the consumer and are able to satisfy him in the present and the future, with the exception of times of crises or changes surrounding them, whether internal or external".

As for service quality, it is the degree of satisfaction that the service can achieve to the beneficiaries and consumers by satisfying their needs, desires and expectations (Dyer, Godfrey, Jensen, & Bryce, 2017). Therefore, it is the degree of actual performance of the service matching the expected desires of the customer.



### b- Response Speed:

This dimension reflects the extent of the institution's ability to develop plans and programs necessary to respond to the desires and needs of customers, and the response indicates the constant readiness of service providers to serve their customers and their ability to perform it when they need it. The response is related to the element of time in the first place (Benzidia & Makaoui, 2020).

The advantages of rapid response to customers' requests reflect the institution's some positives through the following: (O'cass & Ngo 2012; Suh & Lee, 2018)

- 1- Focusing on customers and serving their needs, which increases their satisfaction and loyalty to the institution.
- 2- Reducing the costs of operations and reducing the waste of time and work.
- 3- Faster revenue generation and increased cash flow with faster delivery and completion.
- 4- With less time for delivery, there is less time for changes in customer orders and requests.
- 5- The institution's ability to retain its customers, and then increase its market share.

### C- Good Reputation:

The interest in the reputation of the institution has increased over time, in order for managers and workers in institutions to realize its importance in the sustainability of the institution, achieving the highest profits, and gaining the loyalty of customers and

employees. It is one of the most important intangible assets that developed organizations seek to preserve due to its active role in its survival and growth in the conditions of the crises they are exposed to. (de Marcellis-Warin, 2012)

Rashid and Al-Ziyadi (2014) indicated that the reputation of the organization can be determined by three basic elements, which are as follows:

1. Awareness: People's awareness of the existence of the institution in society will gradually lead to the formation of a culture for them about the type and nature of this organization.
2. Evaluation: As for their evaluation of the organization's behavior within the community in which it operates, it will lead it to work on rationalizing the conduct of its business and the quality of its products and services, thus giving a certain picture.
3. Integration: where the institution becomes linked to the society in which it operates, which leads to the merger between the two parties. It should be noted, however, that the stages of awareness and evaluation evolve over time.

He stressed Shamma (2012) the need to separate the reputation of the organization from the concepts related to this concept, as the reputation of the organization is a broad concept that includes all aspects of the identity of the organization, the image of the organization, the trademark of the organization, as well as the legal personality of the organization, which is at the same time:



Figure 2 Organization reputation classification

Figure (2) shows the starting point for the organization's reputation is the identity of the organization that reflects the nature of the organization and is represented in the company's internal culture and values. Corporate identity is seen as a set of codes drawn from internal values and beliefs. This then leads to the formation of the organization's images that are generated through the organization's communications, the organization's branding, and the organization's visuals. This results in the formation of impressions of the organisation. The formation of judgments by observers is a reflection of the reputation of the organization. Ultimately, this

results in the organization's reputation capital which is an intangible economic asset. The organization strives to achieve it.

### The Third Axis: The Field Framework

This axis deals with the validation of the hypotheses of the study regarding the influence relationships between the variables of the study that were formulated by the study based on the study problem. Positive effect between the dimensions of strategic flexibility and the dimensions of sustainable competitiveness. The following figure shows the relationship of influence between the two variables of the study sample banks

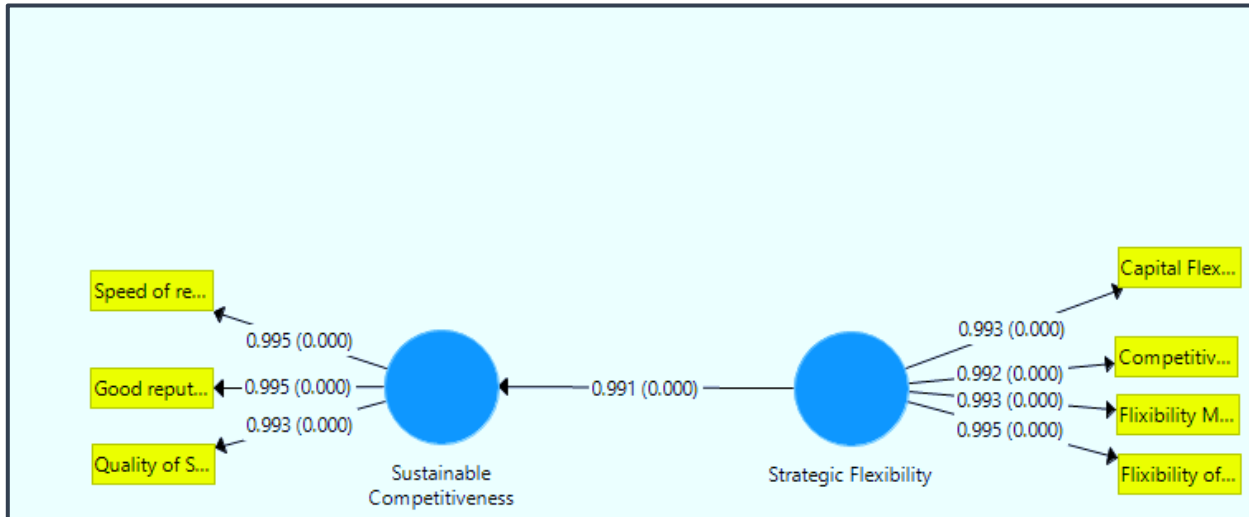


Figure 4. The relationship between variables using the program (SmartPLS)

\*From the researcher's preparation based on the data of the program (SmartPLS)

Table 2 showed the kronbach Alfa test for stability, contrast, and composite reliability

Variables	Cronbach alpha	Rho-a	Composite reliability	Average variance extracted
Strategic flexibility	0.995	0.995	0.997	0.997
sustainable competitiveness	0.994	0.994	0.996	0.989

\*From the researcher's preparation based on the data of the program (SmartPLS)

Through the above table, it was found that Cronbach's alpha test to measure the stability of the study tool and the amount of internal consistency for it. We note that the value of Cronbach's alpha for the variables is greater than the accepted value (0.6), and this indicates the presence of internal consistency for the variables, where the sustainable competitive ability obtained a percentage (0.994). While strategic flexibility has obtained a percentage of (0.995), and this indicates that strategic flexibility has a full impact on sustainable competitive capabilities. While the scale

of composite reliability was (0.997), where the strategic flexibility was obtained, while the sustainable competitiveness was (0.996), and this indicates the strength of the synthetic effect on sustainable competitiveness. While the variance extracted for strategic flexibility was (0.997) more than the sustainable competitive capabilities, which was (0.984), and this indicates the importance of the variance of the dimensions of strategic flexibility and its importance on banking operations

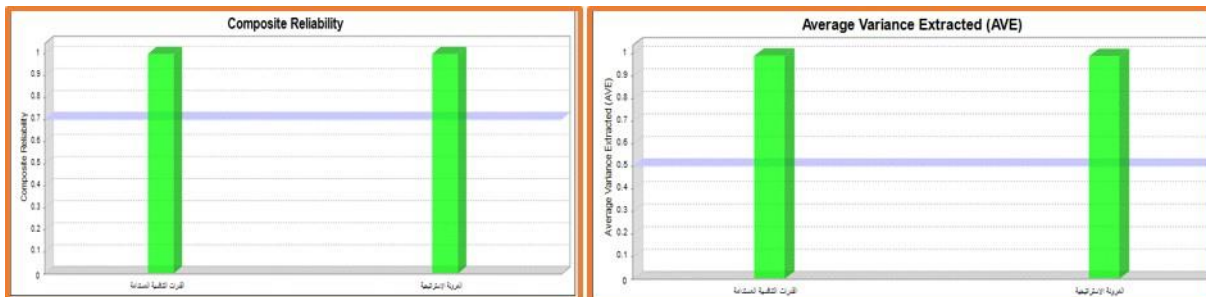


Figure 5. The relationship between dependent and independent variable of composite reliability and variance metrics

\*The format of the researcher's preparation based on the outputs of the program (SmartPLS)





Table 3. The measurement of stability, variability and composite reliability of the dimensions of flexibility and competitiveness

Variables	Strategic flexibility	Sustainable competitive advantage
Capital Flexible	0.993	-
Competitive flexibility	0.992	-
Marketing Flexibility	0.993	-
Flexibility of services	0.995	-
Good reputation	-	0.995
Quality of service	-	0.993
Response speed	-	0.995

\*From the researcher's preparation based on the data of the program (SmartPLS)

Through the above table for the dimensions of strategic flexibility and sustainable competitive advantage, the banking services flexibility dimension obtained (0.995) the highest value among the other dimensions, and this indicates the relative importance provided by the study sample banks with the best services, while it obtained after the good reputation and speed of response to sustainable competitive capabilities. The best percentage was (0.995) for both dimensions, and this indicates the interest of the study sample banks on the speed of response to their customers and maintaining a good reputation.

#### Fourth Axis: Conclusions

1. The results of the statistical analysis of the dimensions of strategic flexibility, which achieved the highest response, showed that they have a significant role in the success of the work of Iraqi banks compared to the dimensions of sustainable competitive advantage.
2. The results of the statistical analysis of the dimensions of the sustainable competitive advantage showed the convergence of the study of its dimensions, which affect the dimensions of strategic flexibility.
3. The results of the statistical analysis of the influence relationships between strategic flexibility and sustainable competitive advantage confirmed that there is a tangible effect between the dimensions, as the good reputation of the study sample banks and the speed of response achieved the highest levels of statistical analysis, and this indicates their importance.

#### Fifth Axis: Suggestions

1. The necessity of obligating the banks of the study sample to pay attention to the speed of response and the good feature as it is the best way to attract customers and clients to the above banks.
2. The interest of the Iraqi banks, the study sample, in strategic flexibility and sustainable competitive

advantage, as they achieve the best services provided to customers.

3. The study sample banks maintain a good reputation in dealing with their customers and develop them continuously.
4. Banks must have a high level of flexibility by providing the best services in order to maintain their position.
4. The results of the statistical analysis showed that the dimension of the independent variable banking services is more influential than the other dimensions on the dimensions of the variable dependent on sustainable competitive capabilities as a whole.

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