


**THE MEDIATING EFFECT OF DYNAMIC CAPABILITIES ON THE RELATIONSHIP BETWEEN STRATEGIC FORESIGHT AND STRATEGIC RENEWAL: EVIDENCE FROM ISLAMIC BANKS IN JORDAN**

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ARTICLE INFO	<u>ABSTRACT</u>
<p><b>Article history:</b></p> <p><b>Received</b> 30 Dezember 2021</p> <p><b>Accepted</b> 07 February 2022</p>	<p><b>Purpose:</b> The present study aimed to examine the mediating effect that dynamic capabilities may have on the relationship between strategic foresight and strategic renewal.</p>
<p><b>Keywords:</b></p> <p>Strategic foresight; Dynamics capabilities; Strategic renewal; Islamic banks; Jordan; Structural Equation Modeling (SEM).</p>	<p><b>Design/methodology/ approach:</b> The present study relied on quantitative and qualitative methods. More specifically, the authors used a cross-sectional design and survey strategy. Three hundred and three participants were selected randomly from four Islamic banks operating in Jordan completed the study questionnaire. A structural equation modeling technique was employed to test the study hypotheses by using SmartPLS 3 software package.</p>
<div data-bbox="172 1173 480 1413">  </div>	<p><b>Findings:</b> The results demonstrated that strategic foresight and dynamic capabilities have a significant and positive effect on strategic renewal. Also, the results illustrated that the dynamic capabilities have a partial mediating effect on the relationship between strategic foresight and strategic renewal.</p>
	<p><b>Research limitations:</b> The results of the present study relate to Islamic banks in Jordan; hence the ability to generalize the findings to other sectors is limited. Another limitation is respondent bias because the study design relies heavily on the participants' perceptions.</p>
	<p><b>Practical implementation:</b> Used properly, strategic foresight allows managers to see how events in the external environment influence their organizations' performance. Thus, managers can use strategic foresight for making corrections in plans, policies, strategies, and objectives to get performance back on track using their organizations' dynamic capabilities.</p>
	<p><b>Originality:</b> Despite the amount of research and studies that have been devoted to understanding strategic foresight, dynamic capabilities, and strategic renewal over the last decades, the relationship between these three constructs has never been studied collectively. Therefore, the present study fills this gap in the literature.</p>
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## O EFEITO MEDIADOR DAS CAPACIDADES DINÂMICAS NA RELAÇÃO ENTRE PREVISÃO ESTRATÉGICA E RENOVAÇÃO ESTRATÉGICA: EVIDÊNCIAS DE BANCOS ISLÂMICOS NA JORDÂNIA

### RESUMO

**Objetivo-** O presente estudo teve como objetivo examinar o efeito mediador que as capacidades dinâmicas podem ter na relação entre previsão estratégica e renovação estratégica.

**Desenho/metodologia/abordagem-** O presente estudo contou com métodos quantitativos e qualitativos. Mais especificamente, os autores usaram um desenho transversal e uma estratégia de pesquisa. Trezentos e três participantes foram selecionados aleatoriamente de quatro bancos islâmicos que operam na Jordânia preencheram o questionário do estudo. Uma técnica de modelagem de equações estruturais foi empregada para testar as hipóteses do estudo usando o pacote de software SmartPLS 3.

**Resultados-** Os resultados demonstraram que a previsão estratégica e as capacidades dinâmicas têm um efeito significativo e positivo na renovação estratégica. Além disso, os resultados ilustraram que as capacidades dinâmicas têm um efeito mediador parcial na relação entre previsão estratégica e renovação estratégica.

**Limitações da pesquisa-** Os resultados do presente estudo referem-se a bancos islâmicos na Jordânia; portanto, a capacidade de generalizar os resultados para outros setores é limitada. Outra limitação é o viés do respondente, porque o desenho do estudo depende muito das percepções dos participantes.

**Implementação prática -** Usada corretamente, a previsão estratégica permite que os gestores vejam como os eventos no ambiente externo influenciam o desempenho de suas organizações. Assim, os gerentes podem usar a previsão estratégica para fazer correções em planos, políticas, estratégias e objetivos para recuperar o desempenho usando os recursos dinâmicos de suas organizações.

**Originalidade -** Apesar da quantidade de pesquisas e estudos dedicados ao entendimento da previsão estratégica, capacidades dinâmicas e renovação estratégica nas últimas décadas, a relação entre esses três construtos nunca foi estudada coletivamente. Portanto, o presente estudo preenche essa lacuna na literatura.

**Palavras-chave:** Previsão Estratégica, Capacidades Dinâmicas, Renovação Estratégica, Bancos Islâmicos, Jordânia, Modelagem de Equações Estruturais (SEM).

## EL EFECTO MEDIADOR DE LAS CAPACIDADES DINÁMICAS EN LA RELACIÓN ENTRE LA PREVISIÓN ESTRATÉGICA Y LA RENOVACIÓN ESTRATÉGICA: EVIDENCIA DE LOS BANCOS ISLÁMICOS EN JORDANIA

### RESUMEN

**Propósito-** El presente estudio tuvo como objetivo examinar el efecto mediador que las capacidades dinámicas pueden tener en la relación entre la previsión estratégica y la renovación estratégica.

**Diseño/metodología/enfoque:** el presente estudio se basó en métodos cuantitativos y cualitativos. Más específicamente, los autores utilizaron un diseño transversal y una estrategia de encuesta. Trecientos tres participantes fueron seleccionados al azar de cuatro bancos islámicos que operan en Jordania y completaron el cuestionario del estudio. Se empleó una técnica de modelado de ecuaciones estructurales para probar las hipótesis del estudio utilizando el paquete de software SmartPLS 3.

**Hallazgos:** los resultados demostraron que la previsión estratégica y las capacidades dinámicas tienen un efecto significativo y positivo en la renovación estratégica. Además, los resultados ilustraron que las capacidades dinámicas tienen un efecto mediador parcial en la relación entre la previsión estratégica y la renovación estratégica.

**Limitaciones de la investigación:** los resultados del presente estudio se relacionan con los bancos islámicos en Jordania; por lo tanto, la capacidad de generalizar los hallazgos a otros sectores es limitada. Otra limitación es el sesgo de los encuestados porque el diseño del estudio depende en gran medida de las percepciones de los participantes.

**Implementación práctica:** utilizada correctamente, la previsión estratégica permite a los gerentes ver cómo los eventos en el entorno externo influyen en el desempeño de sus organizaciones. Por lo tanto, los gerentes pueden usar la previsión estratégica para hacer correcciones en los planes, políticas, estrategias y objetivos para volver a encarrilar el desempeño utilizando las capacidades dinámicas de sus organizaciones.

**Originalidad:** a pesar de la cantidad de investigaciones y estudios que se han dedicado a comprender la previsión estratégica, las capacidades dinámicas y la renovación estratégica en las últimas décadas, la relación entre estos tres constructos nunca se ha estudiado colectivamente. Por lo tanto, el presente estudio llena este vacío en la literatura.

**Palabras clave:** Previsión Estratégica, Capacidades Dinámicas, Renovación Estratégica, Bancos Islámicos, Jordania, Modelado de Ecuaciones Estructurales (SEM).

## INTRODUCTION

Many business organizations are faced with unprecedented challenges related to aggressive competition, constant technological advancement, significant innovation, and a rapidly changing environment, subsequently; finding themselves needing to refresh to survive (Friesl *et al.*, 2019; Shah *et al.*, 2019). In responding to those challenges, some organizations have updated their strategies, strategic orientation, and intent; and overcame their diverse challenges. Other organizations that did nothing have stayed sluggish, downsized their products/ services, or other organizations acquired them. Therefore, a strategic renewal approach became an urgent need for organizations to be able to refresh and replace their strategic activities to deal with the business environment challenges (Albert *et al.*, 2015).

Scholars described strategic renewal as the process that helps organizations change their overall strategic direction for adapting to environmental changes (Schmitt *et al.*, 2016). Strategic renewal also is considered a key driver for organizational sustainability (Klammer *et al.*, 2017). For instance, organizations, irrespective of their size or age, need to renew themselves to adapt to the environmental changes to stay in the market (Klammer *et al.*, 2017).

Even though strategic renewal is an important approach for organizations in overcoming environmental challenges, such an approach alone would not rescue organizations. Scholars reported that many organizations failed to implement a strategic renewal process either because they lack preparedness for renewal (Schmitt *et al.*, 2016; Teece, 2007) or because they are reactive rather than proactive when dealing with environmental changes (Staber and Sydow, 2002). Therefore, organizations sought to improve their proactive abilities and preparedness for renewal by adopting a strategic foresight approach.

Strategic foresight refers to the organization's ability to predict events before they occur and prepare itself to deal with those events; in a complex and uncertain environment (Mostafa and Chitbeer, 2021). Consequently, strategic foresight is an important tool for discovering the changes in the business environment; and keeping focused on what matters in the external environment.

Although the outputs of the strategic foresight process are considered inputs to the strategic renewal process and increase its effectiveness, the efforts of both strategic foresight and strategic renewal cannot succeed without the presence of dynamic capabilities.

The dynamic capabilities concept is rooted in the literature related to the resource-based view of the firm (Chiarelli, 2021; Ferreira *et al.*, 2021). More specifically, dynamic capabilities refer to "capabilities that are continually being changed and reconfigured to make them more adaptive to an uncertain environment" (Wheelen and Hunger, 2012, P 138). The utilization of

dynamic capabilities permits organizations to discover new opportunities in the surrounding environment, exploit the most proper ones, and restructure the activities to obtain the resulting benefits (Hussein *et al.*, 2021; Teece, 2007). To illustrate, dynamic capabilities improve organizations' ability to deal with possible opportunities or threats that may occur in the business environment and are discovered through strategic foresight activities. In contrast, dynamic capabilities facilitate the strategic renewal process by increasing the organizations' ability to restructure and reconfigure their resources to avoid threats or benefit from opportunities (Lin and Huang, 2012).

Despite the amount of research and studies that have been devoted to understanding strategic foresight, dynamic capabilities, and strategic renewal over the last decades, the relationship between these three constructs has never been studied collectively. Therefore, the present study contributes to the literature in several ways. Firstly, the study will provide empirical evidence regarding the expected mediating role that dynamic activities may have on the relationship between strategic foresight and strategic renewal. Secondly, the findings of the present study will enrich the body of knowledge related to those themes.

Islamic banks in Jordan face high competitive pressure from other commercial and foreign banks. Moreover, the banking sector in Jordan witnessed a significant technological revolution, which resulted in an increased need for Islamic banks to constantly update their strategies, structures, and processes to survive. Therefore, the present study was applied to Islamic banks operating in Jordan.

## **THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT**

### **Strategic foresight**

The term "strategic foresight" has taken increased attention from organizations in the last decade since it is considered a significant part of the strategic planning process (Amniattalab and Ansari, 2016). Scholars introduced the strategic foresight concept in the 1960s as a tool that enables organizations to anticipate future events in the business environment; and accordingly prepare themselves to face a potential threat or exploit a prospect opportunity (Canyon, 2018).

Early in its definition, strategic foresight was defined as the organization's ability to utilize the opportunities available in the surrounding environment that the competitors ignored (Heger and Rohrbeck, 2012) or as the organization's efforts directed toward predicting events in the business environment before they happen and thus dealing with future conditions effectively (Proskuryakova *et al.*, 2015).

Even though it is impossible to anticipate future events precisely, strategic foresight can enable organizations to deal with uncertain and complex future situations that are related to the business environment by analyzing the past and present events and then predicting the future ones (Durst *et al.*, 2015).

Increasing an organization's strategic foresight ability will result in an increase in innovation opportunities (Leandro da *et al.*, 2021), reduce the uncertainty and complexity of the business environment (Andresen *et al.*, 2022), improve organizational flexibility and decision rationality (Haarhaus and Liening, 2020), facilitate organizational learning processes (Bootz, 2010), and a better understanding of customer' changing needs (Gentner *et al.*, 2018). Consequently, organizations can maintain their survival.

Researchers have shown that organizations with strong strategic foresight ability are more adaptive to changing business environments (Sarpong and O' Regan, 2014).

Strategic foresight also has been studied as a significant aspect of environmental scanning activities and strategy formulation in a period of high competition (Eskandari *et al.*, 2020; Iden *et al.*, 2017).

Literature has identified technological foresight, competition foresight, and costumers and markets foresight as the different types of strategic foresight (Haddawee, 2018).

### **Dynamic capabilities**

Dynamic capabilities are the core of strategic management because they address how organizations can confirm adaptability to environmental shifts over time (Strønen *et al.*, 2017). Therefore, the concept of dynamic capabilities has acquired the attention of researchers and scholars in the fields of strategic management (Arend and Bromiley, 2009; Laaksonen and Peltoniemi, 2018; Vogel and Güttel, 2012). Scholars like Wheelen and Hunger (2012) defined dynamic capabilities as "Capabilities that are continually being changed and reconfigured to make them more adaptive to an uncertain environment" (P 138).

The dynamic capabilities approach is rooted in the literature related to the resource-based view of the organization. Accordingly, dynamic capabilities have been considered the most significant source of sustaining the competitive advantage in organizations (Helfat and Peteraf, 2003; Rotjanakorn *et al.*, 2020). In this regard, Teece (2007) stated that the dynamic capabilities aim to "explain the sources of enterprise-level competitive advantage over time, and provide guidance to managers for avoiding the zero-profit condition that results when homogeneous firms compete in perfectly competitive markets" (p. 1320).



The literature has identified absorptive, adaptive, and innovative capabilities as the major types of dynamic capabilities. The absorptive capability is the organization's capacity to utilize information from its external and internal environment for its interest. Cohen and Levinthal (1990) defined absorptive capability as the organization's capacity to exploit the information obtained from the external and internal environment for business purposes. The adaptive capability includes the organization's ability to facilitate complexity and disruption in their context through the continuous learning process resulting in the organization becoming more proactive to its surrounding environment. Staber and Sydow (2002) defined adaptive capability as the organizations' ability to benefit from new opportunities by quickly reconfiguring its resources and activities. The innovative capability is related to the organization's ability to discover new processes, introduce new products and services, and expand to different markets. Eng and Okten (2011) defined innovative capability as the organization's ability to run innovation activities by reconfiguring its resources, knowledge, and processes.

Generally speaking, previous studies have proved that dynamic capabilities can benefit organizations in several ways. For instance, dynamic capabilities help organizations to improve their products or services (Ur Rehman and Saeed, 2015), enhance their performance (Takahashi *et al.*, 2017; Teece, 2007), sustain their competitive advantage (Wang and Ahmed, 2007), and increase their ability to adapt with the environmental changes (Bleady *et al.*, 2018).

### **Strategic renewal**

Organizational sustainability is considered one of the most important topics in strategic management science. Maintaining sustainability is heavily based on organizations' ability to adapt to changing environments by exploring new capabilities (Raisch *et al.*, 2009). Literature is defined this adaptation process as strategic renewal (Agarwal and Helfat, 2009).

Strategic renewal is the change process and the outcomes of modification in overall strategic direction and intent that can create the competitive capability of the organizations in the long term (Sammot-Bonnici and McGee, 2015). Moreover, strategic renewal is a modern management philosophy that intends to focus the organizations' direction effectively and continually towards innovation, generating opportunities, discovering new capabilities, and investing in the current capabilities to overcome environmental risks in the long run (Youb, 2021).

More specifically, strategic renewal occurs when the organizations attempt to raise or keep their competitive advantage by developing new strategies; or changing their internal processes, structures, and capabilities (Sáez-Martínez and González-Moreno, 2011).

Strategic renewal can benefit organizations in different ways. For instance, organizations that adopt a strategic renewal approach can discover and learn new methods for using their essential competencies resulting in improving their competitive capabilities (Floyd and Lane, 2000).

Organizations in need of strategic renewal in overcoming their environmental challenges require a skillful leader to implement the strategic renewal process successfully and efficiently (Agarwal and Helfat, 2009). In response to environmental changes, skilled leaders exploit a strategic renewal approach to thrive and survive. Consequently, they are constantly adjusting their organizations' strategies, processes, and structures to suit environmental changes by using the resources effectively and efficiently (Umeir and Awad, 2021).

Literature indicated that there are two major types of strategic renewal. The first is an incremental renewal that occurs when organizations modify their activities gradually to adapt to the changes in the business environment. The second is a transformational renewal that occurs when organizations eliminate or replace their essential functions and divisions; or change their overall strategic direction and intent (Sammut-Bonnici and McGee, 2015).

## **Hypotheses development**

### **Strategic foresight and strategic renewal**

Prior research confirmed that strategic foresight is considered an effective way that demonstrates possible future changes (Adegbile et al., 2017; Højland and Rohrbeck, 2018). As a result, strategic foresight facilitates the strategic renewal process (Ringland, 2010).

The literature research demonstrated that strategic foresight steers the strategic renewal process within organizations through understanding business environment change drivers, predicting the change, determining its consequences, and preparing an appropriate response to cope with this change (Moqaddamerad, 2020; Rasmussen *et al.*, 2010; Vecchiato, 2012). In this regard, Mostafa and Chitbeer (2021) provided empirical evidence regarding the positive effect of strategic foresight on strategic renewal.

Accordingly, the first hypothesis states:

H1: Strategic foresight has a significant and positive effect on strategic renewal.

### **Strategic foresight and dynamic capabilities**

Many scholars argue that strategic foresight activities such as sensing environmental changes force organizations to build their dynamic capabilities (Almansoori and Asmai, 2021). These capabilities are necessary to make organizations more proactive when coping with change. The findings of prior studies showed a positive relationship between strategic foresight and dynamic capabilities. For instance, Haarhaus and Liening (2020), Rohrbeck and Schwarz (2013), and Schwarz (2019) provided empirical evidence regarding the positive effects of strategic foresight on dynamic capabilities.

Accordingly, the second hypothesis is:

H2: Strategic foresight has a significant and positive effect on dynamic capabilities.

### **Dynamic capabilities and strategic renewal**

Dynamic capabilities are defined as the organization's "capabilities that are continually being changed and reconfigured to make them more adaptive to the changing environment" (Wheelen and Hunger, 2012, P 138). Therefore, strategic renewal heavily depends on dynamic capabilities (Nonaka *et al.*, 2016). Furthermore, scholars confirmed that dynamic capabilities are considered the foundation of strategic renewal initiatives (Helfat *et al.*, 2007). However, prior studies demonstrated that dynamic capabilities positively affect strategic renewal (Ali *et al.*, 2020; Hussein *et al.*, 2021).

Therefore, the third hypothesis is:

H3: Dynamic capabilities have a significant and positive effect on strategic renewal.

### **Strategic foresight, dynamic capabilities, and strategic renewal**

Research revealed that strategic foresight is positively related to strategic renewal because it helps organizations anticipate possible changes in the business environment and prepare an appropriate response for those possible changes (Mostafa and Chittheer, 2021), which leads to implementing the strategic renewal process effectively and proactively. Furthermore, the outputs of strategic foresight activities are considered the basis of strategic renewal initiatives. However, without dynamic capabilities, the strategic renewal process becomes more difficult. Therefore, organizations that built their dynamic capabilities reaped the benefits of opportunities and eliminated the risk related to threats identified by strategic foresight practices (Haarhaus and Liening, 2020); Rohrbeck and Schwarz; 2013) by implementing the strategic renewal process effectively (Ali *et al.*, 2020; Hussein *et al.*, 202; Semke and Tiberius, 2020).

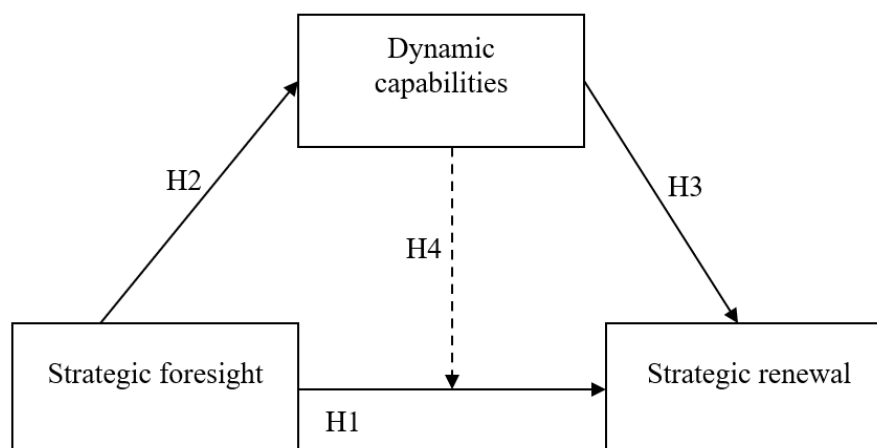


Accordingly, the fourth hypothesis is:

H4: Dynamic capabilities have a mediating effect on the relationship between strategic foresight and strategic renewal.

The study model was developed based on the above arguments, as shown in figure (1).

Figure 1: The study model



## RESEARCH METHODOLOGY

### Method and design

The present study relied on quantitative and qualitative methods. More specifically, the authors used a cross-sectional design and survey strategy. A structural equation modeling technique was employed to test the study hypotheses by using SmartPLS 3 software package.

### Study population and sample

The present study involved 303 participants chosen randomly from four Islamic banks operating in Jordan. The questionnaire was completed by 191 males (63%) and 112 females (37%). Twenty-three percent of the questionnaires were completed by top management members, 30% by functional managers, and 57% by supervisors including branch managers. The majority of participants had experience within the 10 to 15 years category (54%). The age of participants ranged from 18 to 60 years ( $M = 37$ ;  $SD = 1.05$ ).

### Measurements

**Strategic foresight.** To assess the strategic foresight construct, the authors selected ten items from the study of Paliokaitė and Pačėsa (2015).

Dynamic capabilities. To assess the dynamic capabilities construct, the authors adopted nine items from the study of Teece (2007).

Strategic renewal. To assess the strategic renewal construct, the authors have chosen nine items from the study of Kreiser *et al.* (2010).

Demographic information. Participants were asked to complete a demographics questionnaire that inquired about their managerial position, experience, gender, and age.

## DATA ANALYSES

### Descriptive statistic

Table (1) shows the values of arithmetic means and standard deviations of the measured variables. Participants reported that their banks have moderately practiced strategic foresight. Also, participants pointed out that their banks often apply the strategic renewal process. Finally, participants reported that their banks have a moderated level of dynamic capabilities.

Variable	Mean	Standard Deviations	Level
Strategic Foresight	3.45	0.592	Moderate
Dynamic Capabilities	3.27	0.602	Moderate
Strategic Renewal	3.34	0.641	Moderate

### Structural equation modeling

Hypotheses were tested using the structural equation modeling – partial least square technique (SEM-PLS) through SmartPLS 3 software. The data analysis followed the approach consisting of two steps. The first step involves assessing the measurements. Measurement assessment includes assessing internal consistency reliability through Cronbach's alpha and composite reliability values, evaluating convergent validity using the values of factor loadings and average variance extracted, and verifying the discriminant validity by the values of HTMT confidence interval. The second step contains assessing the structural model by evaluating the relationship among constructs and assessing the model's predictive capability. Accordingly, table (2) shows the results of the measurement assessment. Results in the table (2) and figure (2) show that all factor loading values are more than (0.70) except Q12, Q20, and Q 25, which will be deleted. Moreover, results show that the average variance extracted values were more than (0.50), proving the convergent validity of the model (Hair *et al.*, 2014).

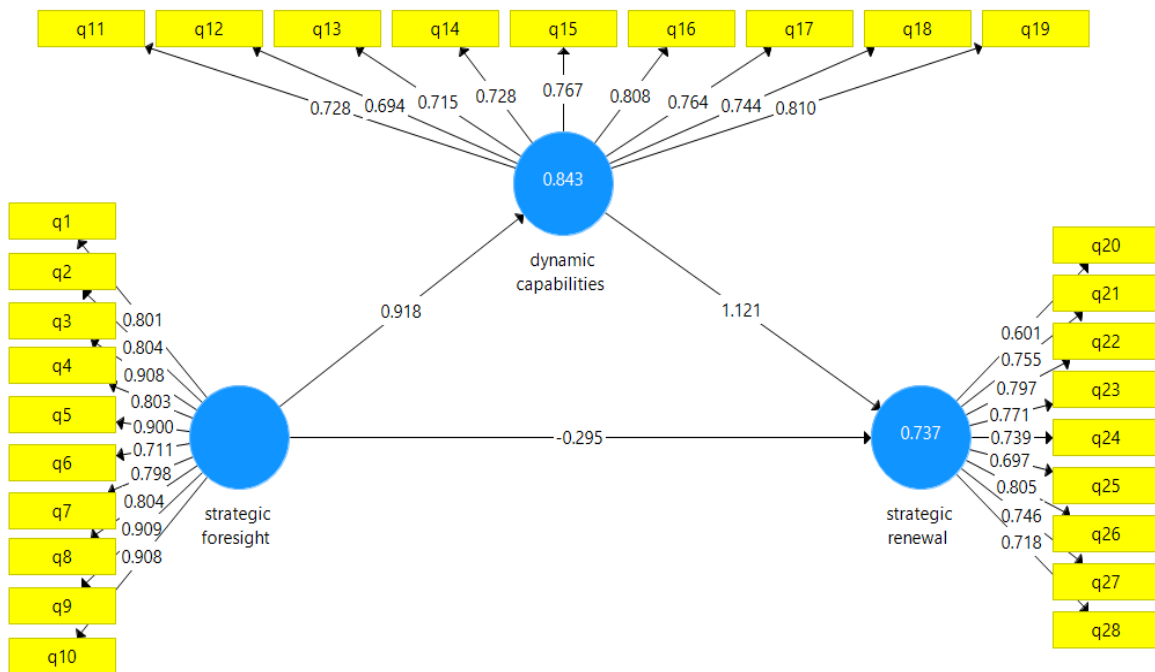
Furthermore, the results in table (2) show that all Cronbach's alpha values are higher than (0.70) and composite reliability values were also higher than (0.70), confirming the measurements' internal consistency reliability. Finally, the results in a table (2) show that the

HTMT confidence interval does not include 1, indicating that the discriminant validity of measurements is met (Hair *et al.*, 2014).

Table (2) Measurement Model Assessment

Latent Variable	Indicators	Convergent Validity		Internal Consistency Reliability		Discriminant Validity HTMT Confidence interval does not include 1
		loadings > 0.70	AVE > 0.50	Cronbach's Alpha > 0.70	Composite Reliability > 0.70	
Strategic foresight	Q1	0.801	0.565	0.903	0.921	Yes
	Q2	0.804				
	Q3	0.908				
	Q4	0.803				
	Q5	0.900				
	Q6	0.711				
	Q7	0.798				
	Q8	0.804				
	Q9	0.909				
	Q10	0.908				
Dynamic capabilities	Q11	0.728	0.701	0.952	0.959	Yes
	Q12	0.694				
	Q13	0.715				
	Q14	0.728				
	Q15	0.767				
	Q16	0.808				
	Q17	0.764				
	Q18	0.744				
	Q19	0.810				
Strategic renewal	Q20	0.601	0.546	0.895	0.915	Yes
	Q21	0.755				
	Q22	0.797				
	Q23	0.771				
	Q24	0.739				
	Q25	0.697				
	Q26	0.805				
	Q27	0.746				
	Q28	0.718				

Figure (2) Structural model



After the authors verified the validity and reliability of the measurements, the next step was the assessment of the measurements' predictive capability. This stage included calculating  $R^2$  values. According to the results in a table (III), the values of  $R^2$  are (0.589) for strategic foresight and strategic renewal, (0.873) for strategic foresight and dynamic capability, (0.742) for dynamic capabilities and strategic renewal, and (0.737) for strategic foresight, dynamic capabilities, and strategic renewal; indicating that all these values can be considered moderate, except the value (0.873) can be considered substantial (Hair *et al.*, 2011). Hence, the next step is testing the study hypotheses.

### Hypotheses testing

The bootstrapping technique was used with 5000 subsamples to assess the significance of the structural model (Hair *et al.*, 2014). Table (3) shows the results of the analysis. The results show that strategic foresight has a significant and positive effect on strategic renewal ( $t = 33.05$ ,  $\beta = 0.768$ ,  $p = 0.000$ ). Thus, hypothesis 1 is accepted. Also, the results in a table (3) show that strategic foresight has a significant and positive effect on dynamic capabilities ( $t = 48.002$ ,  $\beta = 0.934$ ,  $p = 0.000$ ). Therefore, hypothesis 2 is accepted. Moreover, the results in table (3) show that dynamic capabilities have a significant and positive effect on strategic renewal ( $t = 57.139$ ,  $\beta = 0.862$ ,  $p = 0.000$ ). Hence, hypothesis 3 is accepted.

Table (3) Hypotheses testing results

Variables	R <sup>2</sup>	R <sup>2</sup> Adjusted	B	SD	t -test	Sig	Decision
H1 S F → S R	0.589	0.588	0.768	0.023	33.055	0.000	Accepted
H2 S F → D C	0.873	0.872	0.934	0.006	48.002	0.000	Accepted
H3 D C → S R	0.742	0.742	0.862	0.015	57.139	0.000	Accepted
H4 S F → D C → S R	0.737	0.735	1.029	0.071	14.500	0.001	Accepted

Significant at the level of 0.05.

To test the fourth hypothesis, the authors have followed the procedures described by Preacher and Hayes (2008). Consequently, table (4) shows the results of the mediation analysis. The results indicated that the intersection between upper and lower confidence interval levels does not include zero, confirming that the dynamic capabilities have a mediating effect on the relationship between strategic foresight and strategic renewal. Since both the direct and indirect effects are positive, the mediation is considered partial.

Table (4) Mediation analysis

	Path a	Path b	Indirect effect	S.E	t-value	Bootstrapped Confidence Interval		Decision
						95% LL	95% UL	
H4	0.918	1.121	1.029	0.071	14.493	0.890	1.168	Mediation

## RESULTS AND DISCUSSION

The findings show that strategic foresight has a significant and positive effect on strategic renewal. This finding is consistent with the results of Mostafa and Chitbeer's (2021) study, which found that strategic foresight positively affects strategic renewal. Scholars such as Adegbile et al. (2017) and Højland and Rohrbeck (2018) reported that strategic foresight enables organizations to discover possible future events that may affect their activities and operations; accordingly, organizations update their strategies, directions, intent, processes, and structure to cope with environmental changes emerging from identified possible future events (Ringland, 2010). Moreover, strategic foresight helps organizations understand business environment change forces, anticipate change, and prepare an appropriate response to deal with it (Moqaddamerad, 2020; Rasmussen *et al.*, 2010; Vecchiato, 2012).

The present study also found that strategic foresight has a significant and positive effect on dynamic capabilities. This finding is in line with the results of Haarhaus and Lienen (2020), Rohrbeck and Schwarz (2013), and Schwarz (2019) studies, which found a positive effect of strategic foresight on dynamic capabilities. Scholars reported that strategic foresight activities such as sensing environmental changes force organizations to build their dynamic capabilities

(Almansoori and Asmai, 2021) to be more proactive when dealing with environmental changes, benefit from emerging opportunities, or avoid possible threats.

Furthermore, the current study found that dynamic capabilities have a significant and positive effect on the strategic renewal process. This finding harmonizes with the results of Ali *et al.* (2020) and Hussein *et al.* (2021) studies, which found that dynamic capabilities positively affect strategic renewal. The strategic renewal process is based heavily on dynamic capabilities (Nonaka *et al.*, 2016). Because; dynamic capabilities like innovation and adaptability enable organizations to update their processes, procedures, strategies, and structures to cope with environmental changes (Helfat *et al.*, 2007).

Finally, the study findings reveal that dynamic capabilities partially mediate the relationship between strategic foresight and strategic renewal, which indicates that some of the strategic foresight effects on a strategic renewal; are explained through dynamic capabilities.

This finding is consistent with the related literature. Literature proved that strategic foresight is related positively to dynamic capability; the literature also proved that dynamic capabilities are related positively to strategic renewal. More specifically, strategic foresight enables organizations to predict possible changes in the business environment and prepare an appropriate response for those possible changes (Mostafa and Chitbeer, 2021), which leads to implementing the strategic renewal process effectively and proactively. A proper response includes that the organizations build their dynamic capabilities to reap the benefits of opportunities and eliminate the risk related to threats identified by strategic foresight practices (Haarhaus and Liening, 2020); Rohrbeck and Schwarz; 2013) by implementing the strategic renewal process effectively (Ali *et al.*, 2020; Hussein *et al.*, 202; Semke and Tiberius, 2020)

## **PRACTICAL IMPLEMENTATION**

Strategic foresight is a vital tool that helps managers keep their organizations on track. Used properly, strategic foresight allows managers of Islamic banks to see how events in the external environment influence their banks' performance. Hence, managers can use strategic foresight for making corrections in plans, policies, strategies, and objectives to get performance back on track through a strategic renewal approach based on dynamic capabilities. Moreover, to maximize the benefits of strategic foresight practices and facilitate the strategic renewal process, Islamic banks are required to invest constantly in building their dynamic capabilities. Finally, managers should keep in mind that the strategic renewal process is a constant process that maintains their banks' survival.



## CONCLUSION

Even though strategic renewal is an important approach that helps organizations overcome environmental challenges, many organizations fail to implement this approach because they are reactive when dealing with environmental changes or they lack dynamic capabilities. To ensure the success of the strategic renewal process, organizations should effectively utilize strategic foresight practices and build their dynamic capabilities constantly.

However, the literature shows that scholars dedicated significant efforts to explaining the conceptual side of topics related to strategic foresight, strategic renewal, and dynamic capabilities, ignoring the practical side. Therefore, the field still needs more empirical studies. To fill this gap in the literature, the present study examined the mediating effect of dynamic capabilities on the relationship between strategic foresight and strategic renewal. The present study has contributed to the literature in several ways. Firstly, by providing empirical evidence regarding the mediating effect of dynamic capabilities on the relationship between strategic foresight and strategic renewal from Islamic banks operating in Jordan. Secondly, by expanding the body of knowledge related to the study topic.

## LIMITATIONS AND FUTURE RESEARCH

The results of the present study relate to Islamic banks in Jordan; hence the ability to generalize the findings to other sectors is limited. Another limitation is respondent bias because the study design relies heavily on the participants' perceptions. Therefore, the authors advise other researchers; to conduct similar studies in other sectors by using different mediating and moderating variables such as strategic thinking, strategic awareness, and knowledge management because this field still needs more empirical studies.

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