Strategic Orientation for Improving Financial Performance Case Study in Al-Qadissiya Governorate Banking

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ABSTRACT
This study investigated the relationships between market turbulence, competitive intensity, customer orientation, competitor orientation, inter-functional coordination, organizational commitment and financial performance in the banks of Al-Qadissya governorate. A survey questionnaire was conducted for investigation and data was collected from 170 mangers that work in these banks. To test these relationships, the authors examined all the variables under (SPSS V 20). In order to reveal the effects of the variables, the findings showed that market instability and competitive intensity have effect on strategic orientation, while market instability has no effect on organizational commitment and financial performance. At the same time, inter-functional coordination has no effect on organizational commitment. Furthermore, the study findings showed correlations between competitive intensity and organizational commitment, while there is no correlation between competitive intensity and financial performance. At last, organizational commitment influences financial performance. According to the study results could be improved by all types of strategic orientation and enhance organizational commitment that increase financial performance.

KEYWORDS: *market turbulence, competitive intensity, strategic orientation, organizational commitment, financial performance.*

JEL CLASSIFICATION: *M19, M31*

1. INTRODUCTION

For many decades during the last century and at the beginning of the present century, both organizations and scholars have increased their interest on strategic orientation that improves organizational performance (Suliyanto & Rahab, 2012; Idar, Youssef & Mohammed, 2012; Zhou, Yim & Tse, 2005a; Song, Wei & Wang, 2015). Strategic orientation represents the most used in strategic management and marketing management. It reflects the organization's behavior based on strategies to obtain proper performance (Liu & Fu, 2011). Strategic orientation could influence performance in a positive or negative manner (Pleshko & Nickerson, 2008; Aragon-Sanchez & Sanchez–Marin, 2005).

After 2003, Iraqi government has been trying to create a free trade environment and to allow permissions for establishing Iraqi banks and for entering foreign banks on the Iraqi market. In order to reach their goals of having active banks and satisfied customers, the government has implemented new strategies in the banking system in Iraq.

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In this paper, the authors are focusing on the banks active in Al-Qadissiya governorate, because many of the banks at this time are under the pressure of environmental conditions and of the increasing competition. Also, some managers haven't understood yet strategic orientation and how it impacts performance (Sen, 2014).

Literature in strategic management has focused on strategic orientation, but the interest hasn't been enough (Kirca, 2011). The authors agree that the choice of strategic orientation is extremely important, although strategy researchers credit it with more importance than researchers in the marketing field (Hult & Ketchen, 2001).

Many of the studies in literature take a developed country when studying a strategic orientation, disregarding its role in emerging markets. Therefore, the present study aims to fill this gap. It is useful to study the strategic orientation in Iraqi banks to improve performance. First, the literature interest needs to be extended to examine the role of strategic orientation in enhancing financial performance. Second, it is important to clarify how external environment influences strategic orientation, like market turbulence and competitive intensity. Third, the study suggests the idea that organizational commitment is the main reason for improving financial performance as it represents a key reason for successful organizations.

2. LITERATURE REVIEW

The strong relationship between strategic orientation and performance depends on the type of industry, customers' characteristics and the type of performance measurements (Voss & Voss, 2000). Strategic orientation cannot influence organizations in a positive way, without the organization's ability to activate information that are taken from its environment (Suliyanto & Rahab, 2012). Likewise, Theodosiou, Kehagias and Katsikea (2012), indicated that the organization is maximizing its performance by implementing strategic orientation with other orientations that are appropriate for its environmental conditions and organizational characteristics. Some scholars relate that with activities, such as describing strategic orientation as principles that guide and impact the activities of an organization to renew an excellent behavior for preserving the organization and improving performance (Deutscher et al., 2016; Ho, Plewa & Lu, 2016).

The study of Lau (2011) attempted to determine how managers realize the resources and capabilities of the organization. Some managers do not understand and evaluate a new market opportunities, while some managers take the risks of penetrating new markets. This behavior is different according to skills and cultural background and it is aimed at reducing costs as a result to higher operational performance. This leads to a high profitability.

According to Kirca (2011), the strategic orientation refers to the organizational philosophy of coordinating and integrating the activities that achieve customer satisfaction and bring a high profit. Likewise, Idar, Youssef and Mohammed (2012) and Ozsahin et al. (2013) argued that strategic orientation is in a positive relation with excellent performance which maximizes profits, brings on sales growth and market share (Flegueira and Rodrigues, 2015). The organization's capability to respond to customers and stakeholders in order to increase profit and continue in its business is what strategic orientation is (Naidoo, 2010). The vast majority of scholars indicated that strategic orientation creates competitive advantages that are impossible to imitate by competitors (Hult, Ketchen & Slater, 2005; Wei, Zhao & Zhang, 2014). Therefore, performance is the last objective of any organization. Strategic orientation does not bring high performance. It brings certain behaviors that in turn affect performance.

The need to test the role of some variables in the relation between strategic orientations and performance is clear.

3. DIMENSIONS OF STRATEGIC ORIENTATION

Although most scholars have pointed out numerous dimensions of strategic orientation, the present study focuses on the three dimensions in the cultural perspective developed by Narver and Slater (1990). These dimensions are:

- Customer orientation is what determines the organization to understand the needs and wants of the customer in present time and in future while trying to create a superior value for customer (Ergun & Kuscu, 2013; Song, Wei & Wang, 2015). Likewise, Liu, Li and Xue. (2011) pointed out that an organization needs to stay in the race of competition and to do so, it needs to satisfy its customers by putting more emphasis on understanding the needs and wants of the customers. Auh and Menguc (2007) refer to listening to the voice of the customer and introducing solutions that attract more interest. Acar et al. (2013) also mentioned putting customer needs and satisfaction as priority for organizations by focusing on customers and other competitors on the market.

Altinay (2010) concluded that the customer needs, as well as the competition are constantly shifting. Thus, organizations should embrace the idea to constantly collect information about both customers, as well as competitors. This information should be updated to reflect the current situation. Organizations should show interest in analyzing the customers' needs and their responsiveness (Dahan & Shoham, 2014). Organizations need to bring additional value by looking for their customers. Therefore, strategic abilities are important by creating a strategic orientated environment which leads to superior performance.
Theodosiou, Kehagias and Katsikea (2012) indicated that customer orientation represents the organizational understanding of customer needs/preferences and added value for them. Organizations need to maintain their relation with current and potential customers according to the environmental conditions.

- Competitor orientation means understanding competitors active in the same field and how they satisfy their customers. It also means determining latent competitors to understand the strengths and weaknesses of collecting information from the intelligence market (Dahan & Shoham, 2014). Theodosiou, Kehagias and Katsikea (2012) shows that competitor orientation reflects the behavior of sales people in understanding competitors on both short term and long term and identifying the strengths and weaknesses of all current and potential competitors. This way, a sales person is able to compare, observe and assess all the actions taken by competitors, such as goals, strategies and capabilities from their resources. This is possible by dissemination of all information gathered by all departments. Therefore, a seller on short term should gather strengths and weaknesses besides capacities and strategies for the current and potential rivals (Narver & Slater, 1990). Competitor orientation is still essential for an organization to understand its competitors in spite of divergent findings (Wong and Tong, 2012),therefore , banks need to know whether competitors are open to complaints by customer and trying to keep customers continue in the attract ,and this is essential to defeat the competitors by regularly monitor competitors actions from collecting information.

- Interfunctional coordination means the optimal use of resources in order to get competitive advantage. This can happen by sharing information among departments (Hult, Ketchen & Slater, 2005; Flegueira & Rodrigues, 2015; Altinay, 2010; Ozsahin et al., 2013).

Therefore, interfunctional coordination is done by encouraging the resources to collect and disseminate market intelligence (Al-Mohammad, 2010). In other words, interfunctional coordination means to capture competitive advantage at any function of the organization and with the effort of all employees, to contribute at bringing value to customers (Ozsahin et al., 2013). Furthermore, Auh & Menguc (2007) concluded that in order to benefit from the advantages of customer orientation in enhancing performance, one of the most important strategies is to use formalization in conjunction with decentralization.

The study of Zhou and Li (2007) refers to the importance of using all the resources in the organization with more integration and coordination between functions in the management. Likewise, Dev et al. (2009) discussed interfunctional coordination from the point of view that the organizational culture guides employees and departments in the entire organization on knowing and understanding the market that depends on competitors' movements and customers' needs and wants.

4. EXTERNAL ENVIRONMENT

4.1. Market turbulence

The work of Kumar et al. (2012) refers to the organization's resort to take into consideration the evaluation of the external environment, or market changes when adopting any modifications in strategy (Conseugra and Esteban, 2007).

Likewise, Kirca, Jayachandran and Bearden (2005) clarify that market turbulence represents the most important factor that has effect on strategic orientation. It evaluates the perceptions of market complexity and the uncertainty of environment. Changes in offers in reaction to changing customer preferences, are facilitated by customer orientation which raises with market turbulence (Saboo & Grewal, 2013). According to Zhou et al. (2005b), market turbulence refers to the instability of customer needs and wants (preferences and expectations). Also, customer preferences and expectations are rapidly changing, therefore ,according for literature review , the variable of market turbulence is very important for determining of customer preferences change , sometimes the customer is very price –sensitive ,but from other occasions ,price is relatively unimportant , and this tend customers to have service that related needs and different from those of our existing customers and this is greater for the bank to keep their customer to deal with the bank in present and future times.

For handling such a turbulent and uncertain business environment as today, the adaptability and the competitiveness have become two key components for organizational growth and profitability. Lately, many concepts, such as market dynamism, organizational modification, competitive intensity and others have already been specific to be important mediators in the relationship between markets.

4.2. Competitive intensity

Competitive intensity refers to the degree of competition that an organization faces within industry (Zhou et al., 2005b). The need to understand competitive movement increases with competitive intensity and therefore gives value to competitor orientation (Soboo and Grewal, 2013). According to Asikhia and Binuyo (2012), competitive intensity represents one of the factors contributing to the environmental hostility. Competitive intensity improves the

positive effects of market orientation on performance by raising the effectiveness of market responsiveness when the organization is competing against many aggressive rivals (Foreman et al., 2014).
Some scholars discussed the competitive intensity based on rivals' response. First, if competitive intensity is weak, the responses of rivals are not aggressive and they are slow in reaction. Therefore, strategic orientation depends on the predominant environmental conditions. Second, when competitive intensity is strong, the organization needs to be more risk–taking and initiate proactive activities to adapt to competition. It should take more interest to avoid stress of this competition and transfer all resources into strategies according to situations, like identifying a new segment, having new customers and creating new services or products with special characteristics (Deshpande et al, 2012).

When increasing the competitive intensity, the organization needs to simplify all procedures, to reduce bureaucracy and to be more flexible in strategies (Tutar, Nart & Bingöl, 2015). Therefore, competitive intensity deals in the same way by combining the needs and wants of customer and the aggressiveness of competitors. Likewise, Johnson, Martin and Saini (2012) and Tutar, Nart and Bingöl (2015) show that any strategic orientation in any organization is difficult to explain on its own. It must be taken together with the external environment, like market turbulence and competitive intensity. Therefore, this study chose a variable that represents the external variable, which is called antecedent variable, like market turbulence and competitive intensity.

5. ORGANIZATIONAL COMMITMENT

The good contribution and employee commitment to market orientation is the real key to success and work satisfaction by sharing information about market. This creates a competitive advantage by reinforcing internal and external information based social and behavioral influences and it can lead the organization to high performance (Flegueira & Rodrigues, 2015).

Organizational commitment was defined by loyalty of employees who feel motivated to work in the future for the same bank. There are three dimension of commitment: the first one is called affective commitment or emotional attachment to stay with the bank, the second is called normative, meaning that employees socialize with other employees and the third is continuation, which means that employees feel ready to sacrifice for their organization (Zaman et al., 2012).

Dahan and Shoham (2014) indicate that performance is the most important for the organization. There are two levels of behavior: organizational behavior and employees' behavior, namely team spirit and commitment. Ozsahin et al. (2013) demonstrated that the organizational commitment occurs when employees need to integrate and coordinate with each other in all functions of the organization when handling problems with more ideas and it becomes necessary to implement these ideas to create loyalty for organization. Zaman et al. (2012) argued that organizational commitment creates employees loyal to the organization if they wish to stay with the organization and work there in the future. According to Powpaka (2006), for reducing the employees' stress, the organizations resort to strategic orientation. These organizations do not promote conflict and that creates job satisfaction and organizational commitment.

6. FINANCIAL PERFORMANCE

Financial performance depends on the activities of the management like sales, profit and growth. The main objective of this performance is improved competitiveness, increased market share and better strategic position (Dahan and Shoham, 2014). Tomar and Bino (2012) refer to the difficulties of defining and measuring the bank's performance. It depends on the organization to evaluate its situation and its goals. The positive relationship among dimensions of strategic orientation and performance were supported by various studies.

Lau (2011) refers to dividing performance into financial and operational aspects with adding the satisfaction of stakeholders. He concluded that strategic orientation emphasis on overall low costs related to organizational performance. Scholars have different opinions on how to measure organizational performance. Salyova et al. (2015) mention financial and nonfinancial measures to determine performance. According to Zafer et al. (2013) refer for importance of banking industry but there is no study has been found about strategic orientations and influence on organizational performance but there were many literature in strategic orientation abounds of many evidences. The methods used to determine performance were either objective or subjective. In this paper, the financial measures used were profit, market share and return on investment. However, respondents were asked to assess their financial performance over the last three years, relative to their competitors.

7. HYPOTHESES DEVELOPMENT

The purpose of this study is to investigate the relationship between strategic orientation and financial performance based upon the literature review. The hypotheses were proposed based on groups of relationship between variables under to test:

- H1 there is a relationship between market turbulence and strategic orientation.
- H2 there is a relationship between market turbulence customer orientation, competitor orientation, interfunctional coordination and organizational commitment.
- H3 there is a relationship between market turbulence, customer orientation, competitor orientation, interfunctional coordination, organizational commitment and financial performance.
- H4 there is a relationship between competitive intensity and strategic orientation.
- H5there is a relationship between competitive intensity, customer orientation, competitor orientation, interfunctional coordination and organizational commitment.
- H6 there is a relationship between competitive intensity, customer orientation, competitor orientation, interfunctional coordination, organizational commitment and financial performance.
- H7 there is a relationship between competitive intensity and competitor orientation.
- H7 there is a relationship between organizational commitment and financial performance.

8. RESEARCH METHODOLOGY

8.1. Population and data collection

The focus population for this paper is represented by banks in Al-Qadissiya Governorate in Iraq, covering 10 banks represented by 185 managers. We took all population in this study. Before distributing the questionnaire forms, we offered these forms to professionals in the banks to ensure content validity, relevance and representativeness.

The second procedure was done by pre-testing through 19 pilot interviews for some managers. All of them knew the questionnaire will be used for academic purpose. The T-test performed on the two groups. It can be concluded that there is no significant bias in this study.

The questionnaire was translated to Arabic and to ensure there are no faults in translation, they were translated again to verify if they keep exactly the same meaning.

185 questionnaire forms were distributed and only 175 questionnaire forms returned. The authors found five responses missing and therefore they were removed from the test. The rest of the questionnaire forms was 170 in total and they were assessed as being useable and valid. These questionnaire forms were suitable to conduct SPSS V 20.0 analysis.

Table 1. Demographic of respondents

Respondents	Categories	Frequency	Percentage
Age		10	5.9
	20-30	30	17.6
	30-40	75	44.2
	40-50	30	17.6
	50-60	15	8.8
	<60	25	5.9
Gender	male	110	64.7
	female	60	35.3
Education level			
	Secondary	54	31.7
	College Graduate	112	65.9
	Master	2	1.2
	PhD	2	1.2
Period of experiences	< 5	33	19.4
	5-10	35	20.6
	10-15	32	18.9
	15-20	40	23.5
	20-25	30	17.6
Position in the bank	Manager	10	5.9
	Head	65	38.2
	Assistant	75	44.2
	Consultant	20	11.7

Formal training	Managerial Financial Both None	69 25 68 8	40.6 14.7 40 4.7

Source: prepared by authors

The main goal of this study is to understand the relationship between external environment (market turbulence and competitive intensity), strategic orientation (customer orientation, competitor orientation and interfunctional coordination), organizational commitment and financial performance.

The research model developed within the context of this study is presented in Figure 1.

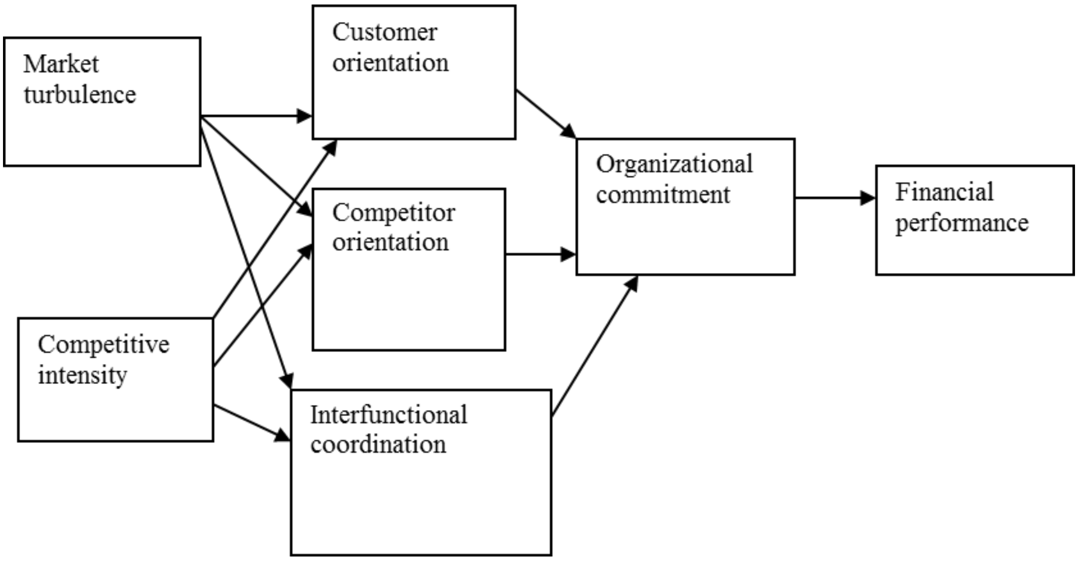

Figure 1. The conceptual framework
Source: prepared by authors

The hypothesis measurement model is shown above in Figure 1. The data were obtained from developing a questionnaire with dimensions of the external environment (market turbulence and competitive intensity) from Auh and Menguc (2007) and Kirca (2011), strategic orientation from Langerak, Hultink and Robben (2004) and Naidoo (2010), organizational commitment from Ozsahin et al. (2013), financial performance from Reulink (2012), Hult, Ketchen and Slater (2005), Chung, (2012) and Idar, Youssef and Mohammed (2012). The questionnaire was used with likert from five points ranging from 1 (strongly disagree) to 5 (strongly agree). The gathered data from questionnaires were analyzed through SPSS 20.0. The items of the questionnaire were divided into 3 items for market turbulence, 5 items for competitive intensity, 5 items for customer orientation,4 items for competitor orientation, 3 items for interfunctional coordination, 8 items for organizational commitment and 3 items for financial performance.

Table 2 shows all the items from each of the dimensions and Cronbach's Alpha for each one of them.

Table 2. Results of reliability for Cronbach's Alpha

Construct	No. of items	Cronbach's alpha
Market turbulence (mark)	3	.747
Competitive intensity (compin)	5	.749
Customer orientation (cus)	5	.758
Competitor orientation (com)	4	.762
Interfunctional coordination (inter)	3	.715
Organizational commitment (org)	8	.766
Financial performance (fin)	3	.739

Source: prepared by authors

This paper was developed from previous studies. Some few questions were a slightly modified to be relevant for the purpose of this study. For reliability, the internal consistency of scales used in this study was determined and it resulted that it is higher according to Hair et al. (2006). The Cronbach's alpha values indicated for all factors exceeded 0.70. That means the reliability of the scale used in this survey has acceptable reliability coefficient in order to eliminate the factors with low reliability

8.2. Analysis

To test the hypothesis for finding the relationships among the variables, a Pearson correlation analysis was conducted. To achieve this purpose, all variables in this study were included: external environment (market turbulence and competitive intensity), strategic orientation (customer orientation, competitor orientation and interfunctional coordination), as well as organizational commitment and financial performance. In a later step, we used regression analysis to determine all the effects. First was determined the effect of external environment (market turbulence and competitive intensity) and strategic orientation (customer orientation, competitor orientation and interfunctional coordination). Second, it was determined the relationship between strategic orientation (customer orientation, competitor orientation and interfunctional coordination) and organizational commitment. Third, it was determined the relationship between organizational commitment and financial performance.

8.3. Results and discussions

Table 3 shows the results of correlations analysis and descriptive statistics.

Table 3. Results of correlations analysis and descriptive statistics

Construct	Mean	S.D	mark	compin	Cus	com	inter	Org	fin
Mark	3.968	1.276	1						
Compin	3.700	.754	.429**	1					
Cus	3.790	.696	.432**	.821**	1				
Com	3.933	.798	.451**	.868**	.738**	1			
Inter	4.166	..368	.055	.269**	.329**	.227**	1		
Org	3.799	.536	.419**	.881**	.754**	.845**	.298**	1	
Fin	3.892	.663	.167*	.502**	.680**	.457**	.397**	.457**	1

**correlation is significant at the 0.01 level.
*correlation is significant at the 0.05 level.

Source: prepared by authors

Market turbulence is significantly correlated with competitive intensity (r = 0.429; p>0.01), and significantly correlated with customer orientation (r=0.432, p<0.01). In the same case, there is a significant correlation with competitor orientation (r= 0.451, p<0.01), but no significant correlation with interfunctional coordination (r=0.055 / NS). There is a significant correlation with organizational commitment (r=0.419, p< 0.01), as well as with financial performance (r=0.167, p<0.05). There is a significant correlation between competitive intensity and the other variables: customer orientation, competitor orientation, interfunctional coordination, organizational commitment and financial performance (0.821, 0.868, 0.269, 0.881, 0.502) at the o. In the same case, for customer orientation there is a significant correlation among the other variables as follows - 0.738, 0.329, 0.754, 0.680, and (p<o.01). For competitor orientation with other variables, the values are as follows: 0.227, 0.845, 0.457, and p<0.01. In the same case, for interfunctional coordination the values were 0.298, 0.397 and, finally, between organizational commitment and financial performance the correlation was 0.457 and p<0.01. The overall correlations were positive, which means that all hypotheses were significant. The test of the relationships among the variables revealed that most of variables in our paper model were correlated and positive and had significant effect on each other. All these correlations are shown in Table 3.

After pearson correlation analysis, the authors used a linear regression analysis to search any interactions among variables, as can be seen in Table 4.

Table 4. Regression results

Regression model	Independent variable	Dependent variable	Standard Beta	Sig.	Adjusted R2	F value	Sig
1-	Mark	stra	.416***	.000	.168	35.222	.000
2-	Mark Cus Com Inter	org	.034 .326*** .576*** .012	.426 .000 .000 .763	.754	130.506	.000
3-	Mark Cus Com Inter Org	fin	-.065 .677*** -.043 .210*** -.045	.311 .000 .768 .001 .700	,455	29.231	.000
4-	compin	stra	.877***	.000	.768	558.988	.000
5-	Compin Cus Com Inter	Org	.511*** .141* .293*** -.002	.000 .024 .000 .966	.803	173.291	.000
6-	Compin Cus Com Inter Org	fin	-.048 .683*** -.046 .216*** -.033	.754 .000 .707 .000 .800	.452	28.882	.000
7-	Org	fin	.775***	000	.221	48.933	

Significance *p<0.05; **p<0.001; p<***p<0.001.

Source: prepared by authors

The first regression model tested the effect of market turbulence on strategic orientation in model (1). A linear regression revealed that there was a correlation between the previous variables (β=0.416; p<0.000). This supported H1 and the findings were consistent with previous studies (Langerak, Hultink and Robben, 2004; Narver & Slater, 1990; Hult, Ketchen & Slater, 2005; Hult & Ketchen, 2001; Aragon-Sanchez & Sanchez–Marin, 2005). The results in the model 2 of analysis regression showed that the variables (market turbulence, customer orientation, competitor orientation, interfunctional coordination) have significant effect on organizational commitment. At the same time, the variable market turbulence and interfunctional coordination do not have a direct effect on organizational commitment. The same model shows a significant P<0.000, which supported H2 and was consistent with Ozsahin et al. (2013), Powpaka (2006), Martin-Consuegra and Esteban (2007), Song, Wei and Wang (2015). In model 3 of the regression analysis effect of variables (market turbulence, customer orientation, interfunctional coordination and organizational commitment) on financial performance was tested. This model revealed a significant among variables and P<0,000. This supported H3 and is consistent with previous studies (Salyova et al., 2015). Market turbulence, competitor orientation and organizational commitment do not a have a direct effect on financial performance and this consistent with previous studies (Acar et al., 2013), in the model 4 of the regression analysis. There is a correlation between competitive intensity and strategic orientation and it showed to have significant (β=0.877; p<0.000). This result supported H4. In model 5 the correlations between variables (competitive intensity, customer orientation and interfunctional coordination) on organizational commitment was tested. The results showed that there was effect and (p<0.000). This supported H5, but there is no direct effect between customer orientation and interfunctional coordination. In the model 6 of the regression analysis the effect between variables (competitive intensity, customer orientation, competitor orientation, interfunctional coordination and organizational commitment) on financial performance was tested. The model has a significant effect at (p<0.000) and this supported H6, but there a direct effect on competitive intensity, competitor orientation and organizational commitment. Lastly, the effect between organizational commitment and financial performance can be seen that is significant (β= 0.775; p<0.000). This supported H7 and the findings are consistent with previous studies (Zaman et al., 2012; Ozsahin et al., 2013).

9. CONCLUSIONS

This paper highlights the association and impact of external environment (market turbulence and competitive intensity), strategic orientation (customer orientation, competitor orientation and interfunctional coordination), organizational commitment and financial performance. This study also provides initial empirical evidence of relationships among external environment, strategic orientation, organizational commitment and financial performance. Therefore, banking industry managers can use the current results to develop strategies that benefit from external environment, avoid threats to enhance financial performance and to maintain a high level of commitment at organizational level. However, based on our findings, the authors presented some managerial implications, such as strategic orientation should include customer orientation, competitor orientation and interfunctional coordination. Managers should focus on these activities separately to keep in track with the market. Firstly, the customer is the main goal of the bank as well as maintaining customer satisfaction. A bank should establish set of corner stones in its functions to ensure customers' commitment. Secondly, for respecting competitor orientation, the bank should monitor competitors' movements to keep its position on the market and to renew its tactics for increasing market share. Thirdly, for interfunctional coordination, a bank should improve all its activities to attain the best financial performance and that's done by sharing all information among department and functions. After this has been implemented, a parallel strategy for creating value for customer needs to be developed. All these strategies should be responsive to the external environment.

Another important factor that should be followed is organizational commitment. This may bring employees' loyalty to work in the bank all their lives. It must be employed when determining the conditions needed to improve financial performance.

According to the understanding of the importance of external environment, there are many steps for Iraqi banks to take in order to increase the role of developing their procedures for increasing activities and developing the Iraqi banking system. Our results revealed that these associations were statistically positive and significant in the Iraqi banks.
The mediator effect of organizational commitment on the relationship between external environment and improving financial performance in this study is done through the survey which presented a different view than other studies.

10. LIMITATION

The authors considered these results to encourage the development of this sector to match external environment to enhanced financial performance. As most studies, this study also has its limitations. Firstly, the survey is aimed at the banking industry in Iraq. Therefore, this study is not valid for other sectors, so the results should be viewed carefully because our study for external environment, strategic orientation, organizational commitment and financial performance are set in banking industry in Al-Qadissiya governorate in Iraq. For generalizing these findings, other sectors should be analyzed. Secondly, this study should also be applied in other countries. Another aspect worth mentioning is that the questionnaire forms were filled out by mangers and this may bring some bias. To avoid this bias in future researches, the surveys should be filled out by various respondents in various levels of functions in the organization. Despite these limitations, this study is the first one, according to the authors' knowledge, that investigated the effects of external environment, strategic orientation, organizational commitment on financial performance within the context of banking industry in Iraq.

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APPENDIX: The study questionnaire

You are invited to participation in a research project entitled " strategic orientation for improving financial performance – case study in AL-Qadissya governorate banking " ,the questions simply require you to choose an answer from a list of options and then tick(√) for your corresponds for choice .your participation is voluntary and all information will be kept anonymous and treat in security therefore don't mention your name , all the information will be using for scientific purposes , we are appreciated your helpful.

Section 1: respondents profile

1- age
<20 ☐ 20-30 ☐ 30-40 ☐ 40-50 ☐ 50-60 ☐ < 60 ☐

2- gender

Male ☐ Female ☐

3- education level
Secondary ☐ college graduate ☐ master degree ☐ PhD ☐

4- period of experiences
<5 ☐ 5-10 ☐ 10-15 ☐ 15-20 ☐ 20-25 ☐

5- position in the bank

Manager ☐ head of department ☐ assistant manger ☐ consultant ☐

6- formal training

Management ☐ financial ☐ both ☐ none ☐

1-Market turbulence

	SD				SA
Statement	1	2	3	4	5
1- customer services preferences change					
2- customer looking new service all the time					
3-new customer services need differ from existing customers					

2- competitive intensity

	SD				SA
Statement	1	2	3	4	5
1- competition in our industry is cutthroat					
2- there are many promotions wars in our industry					
3- anything that one competitor offers is readily matched by others					
4- price competition is a hallmark of our industry					
5- in our industry you hear of new competitive more almost every day					

3- customer orientation

	SD				SA
Statement	1	2	3	4	5
1- we meet with customers frequently to find out what services they will need in the future					
2- we carry out a great deal of market research to understand customer needs					
3- we ask customers for advice during the product development process					
4- we conduct customer satisfaction surveys frequently and systematically					
5- we considerate of customer needs when developing the services					

4- competitor orientation

Statement	1 (SD)	2	3	4	5 (SA)
1- we know of competitors new services launch in advance					
2- we usually consider competitors action before determining the action plan					
3- we collect information on competitors systematically					
4- we respond to competitors actions in time					

5- Interfunctional coordination

Statement	1 (SD)	2	3	4	5 (SA)
1- different functional departments often collaborate together in the development of new services					
2- different functional departments share their experiences in services development					
3- there is a good team spirit among functional departments involved in new services development					

6- Organizational commitment

Statement	1 (SD)	2	3	4	5 (SA)
1- I am loyal to our bank					
2- I am willing to put in a great deal of effort beyond normally expected in order to help our bank to achieve its aims					
3- I care about the future prospects of our bank					
4- I am willing to stay with the bank in good times or bad times					
5- I am willing to work hard for success of our bank					
6- I am totally dedicated to my job in this bank					
7- I am satisfied with my colleagues in this bank					

7- Financial performance

Please select your choice with the following statement under below .1 is much lower (M L) and 5 is much higher (M H)

	ML				MH
Statement	1	2	3	4	5
1- over the last 3 years ,relative to major competitors ,our bank 's overall profits has been …..	__	__	__	__	__
2- over the last 3 years ,relative to major competitors ,our bank 's overall market share has been …..	__	__	__	__	__
3- over the last 3 years ,relative to major competitors ,our bank 's overall return on investment has been …..	__	__	__	__	__