

## Application of “Schmitt *et al.*” for the Environmental Scarcity and Strategic Renewal in the Iraqi Environment

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**Abstract:** The end of the last century witnessed the rise and fall of some organizations in various industrial and service areas. Organizations that have experienced and adapted to environmental change have been able to survive due to the strong pressure of change in the competitive environment. The source of these pressures is reflected in the majority of technological development which led to the globalization of markets and the abolition and decline of the role of the public sector. All of this and the other was the motivation of contemporary organizations to adopt the entrance to the strategic renewal in order to achieve a state of balance between what it has learned from the environment and its ability to find new solutions to cope with and respond to the situation of change. The problem of research was to know the nature of the relationship between the conditions of environmental scarcity and strategic renewal activities. The researchers chose samples that are consistent with the problem of study (The Newspaper Industry, the Postal Services Industry, the General Company for Electrical and Electronic Industries, the General Company of Iraqi Airways) and all the hypothesis of the study have been achieved and the research has reached a number of conclusions and recommendations.

**Key words:** Environmental scarcity, strategic renewal, organizations, globalization, public sector, motivation

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### INTRODUCTION

One of the main challenges facing contemporary organizations is how to distribute their resources to the available investment opportunities. In this sense, it requires the management of organizations to choose from attractive alternatives to achieve the desired goals. The process of choosing often involves between developing, strengthening and expanding the knowledge, capabilities and skills of the organization internally and externally. What happened in the last two decades of the last century of changes at the level of the external environment made the competitive landscape more complicated whereas business organizations have found that the traditional strategic approaches do not have the necessary capacity to deal with the changes of the new competitive landscape which led researchers and practitioners in the field of strategic management to search for new entrances in order to meet the requirements of the competitive environment and the various environmental scarcity. One of these approaches

is the strategic renewal which is a way to achieve sustainability for organizations in a rapidly changing environment.

**Definition of strategic renewal:** Researches on strategic change and renewal suggest that adaptation to environmental changes such as cultural trends, changes in customer preferences and others, requires organizations to rearrange their resources and capacities (Baden-Fuller and Volberda, 1997). On the other hand, Helfat *et al.* (2009) sees that several factors that lead organizations to strategic renewal, for example, new entrants, loss of competitive advantage to competitors, rapid growth and so on is forcing organizations today to work seriously to update the elements of its sustainability to ensure its ability to compete with others. In this regard, researchers have a number of views on renewal whereas “Henkmn” has pointed out that strategic renewal is centered around two alternative concepts (Fuller and Stopford, 1994): the first one depicts the strategic renewal as a set of activities undertaken by the organization which

takes the form of modifying or changing the pattern of resources and the strategic path to improve its economic performance in general, so that, the renewal becomes (transformation for the organizations), according to this concept and accordingly this will have an impact on the organization's strategy, structure, systems and culture. On the other side, the second one portrays strategic renewal as being the impact of the search for new varieties of available techniques which is based upon knowledge creation and its using throughout products and markets. From this point on, renewal is an ongoing process of continuous creativity is embodied in the emphasis on two fundamental features namely that renewal is based on technological development that supports product innovation and that the process of renewal is constantly undertaken (Ravasi and Lojaco, 2005). Covin and Miles (1999) agree with this concept. For them, strategic renewal is the phenomenon of entrepreneurship through which the organization seeks to redefine its relationship with its markets and competitors in industry by changing the way it competes. According to Huang (2009), organizations need to revitalize their operations by changing its business scope, its competitive practices or both. It should be noted that the existing or available capacities of the organization provide the basis for a current competitive position, however, without the organization's adoption of the entry of renewal, these capacities will become a kind of organizational stalemate or contribute to its creation which greatly limits the future competitiveness of the organization. In this regard Venkataraman *et al.*, (1992) and Floyd and Wooldridge (1999) describe entrepreneurship as a process of renewal which is constantly changing. This change may be either cumulative or radical to the organization as the current capacities of the organization can expand and develop new capabilities when the staff of the organization research or investigate the entrepreneurial opportunities. Entrepreneurial activities lead to the creation of new knowledge which in turn can be used to develop or review existing capabilities and skills in the organization. Wiklund (1999) indicated that the field data collected from the small Swedish companies indicated that there is a significant relationship between the leading trend represented by the strategic renewal and the performance and it was significant and in evolution over time. In the view of Lieberman and Montgomery (1988), the content of this positive relationship is related to the so-called the advantages of (first move) whereas organizations can reap the benefits or advantages of a first move through work or early acting in comparison with competitors. These advantages may be embodied in the form of economies of scale, high conversion costs, entry into new markets,

launch of new products/services and other initiatives that produce useful results and at the same time they are expensive, if competitors want to imitate them (Saez-Martinez and Gonzalez-Moreno, 2011).

In terms of the relationship of strategic renewal to organizational learning, recent studies have pointed to the growing importance of accessing external knowledge to facilitate strategic renewal (Jones and Macpherson, 2006; Laursen and Salter, 2006), since, organizations that are open to external knowledge are more effective in possessing innovative capabilities than organizations that focus on internal knowledge as the latter one misses the important opportunities because the sources of external knowledge are more than the internal ones. This, of course, generates an important incentive for organizations to participate in the learning process in order to access knowledge that is not available internally. On the other hand, this issue requires the adoption of the so-called learning strategy between organizations to enhance the organizational learning capabilities that are necessary to achieve strategic renewal (Al-Kwafi, 2012). In this regard, Crossan and Berdrow (2003) argue that strategic renewal is the process of using new knowledge and innovative behavior to support the transfer of organizational capabilities and leading to the development of new opportunities and markets. This definition shows the importance of organizational learning and its role in understanding the relationship between innovation and strategic renewal of the organization.

In this regard, Volberda *et al.* (2001a, b) identified four types of strategic renewal; the first type is called the emerging renewal that relates to the extent of the organization's control over the process of renewal, the second type is called the directed renewal in which the organization's the senior management take the lead and manage the operation activity, the third type is called the facilitated renewal in which the central administration plays a key role in understanding and giving meaning to the process of renewal of units and organizational teams and the fourth type is called the transformational renewal in which all components of the organization are actively involved in the strategic renewal process.

Volberda *et al.* (2001a, b) and Smith (2014) have pointed out that each type of renewal mentioned above faces certain challenges. For example, the main challenge of emerging renewal is represented in the ability to reconcile market pressures when it occurs, the challenge for the directed renewal is focused on the ability to adapt organizational knowledge to changes in the market environment while the challenge of the facilitated renewal lies in the promotion of exploration which are contradictory and finally, the challenge of the

transformational renewal is represented in the involvement of all employees and at all organizational levels in the process of renewal and the need to develop their awareness of the importance of renewal and that it is required to be achieved.

Eggers and Kaplan (2013) and Agarwal and Helfat (2009) have defined strategic renewal as a phenomenon that includes both cognition and capabilities and it represents the way organizations think and act as well as they are key elements in responding to changes and in the renewal of organizations. In this regard, the study of Maijane and Jantunen (2014) focused on three basic dimensions of strategic renewal: managerial and organizational cognition, dynamic capabilities and organizational structure. All of these dimensions affect strategic renewal as they are needed and necessary for the success of the renewal as well as the process of accumulating the organization's past experiences in thinking and implementation.

Several studies have pointed out that the structural and background characteristics of the organization's senior management and its attitudes play a crucial role in understanding and pursuing strategic choices (Hambrick and Mason, 1984; Wiersema and Bantel, 1992), however, some of these studies have shown how these characteristics influence choices and strategic actions (Goodstein and Boeker, 1991) and that led researchers such as Kwee *et al.* (2011) to examine how the top managers in the organization have addressed governance mechanisms as an important determinant of the organization's strategic renewal routes.

According to Saez-Martinez and Gonzalez-Moreno (2011), the strategic renewal can occur when the organization tries to maintain competitiveness by improving the implementation of the adopted strategy or developing a new strategy and in either case it may involve a change in organizational structures, internal processes and organizational capacities.

Agarwal and Helfat (2009) believes that strategic renewal includes many characteristics including that it fundamentally affects the organization's long-term prospects. In this sense, the strategic renewal includes the process of renewal and its content and results and also involves the recovery or replacement of the features of the organization and this recovery or replacement aims to provide a basis for future growth and development, so, strategic renewal can be defined as it includes a set of dimensions that are the process, the content, the results of the renewal or replacement of the features of the organization and in such a way as to guarantee the ability to significantly affect the prospects for its long-term development. This view is consistent with Agarwal and

Helfat (2009) Volberda *et al.* (2001a, b), Flier *et al.* (2003) and March (1991) who pointed out that the strategic renewal involves three dimensions: context, content and process. As for the content dimension of the strategic renewal, it relates to two types of activities. The first relates to exploratory activities and refers to long-term initiatives such as starting new businesses, launching new products/services and entering new markets or geographical areas. The other type is related to exploitation activities which is a short-term approach and consists of actions that focus on the current range of activities within the prevailing geographical range and it often focuses on expansion of existing markets, improvement of existing capacities and so forth.

As for the context dimension of the strategic renewal, it reflects the interaction of the organization with its external environment when initiating the strategic renewal procedures. Finally, the last dimension deals with the temporary processes of renewal activities and includes the speed and volatility of the strategic renewal procedures (Capron and Mitchell, 2009; Flier *et al.*, 2003).

Horst and Moisander (2015) believes that the success of a strategic renewal process may require central administrations in organizations to look for new ways of managing the contradictions or paradoxes of their organizations that is to make employees of these organizations familiar with management of the contradiction. For example, it may be necessary to balance the needs of employees of stability, the need for the organization to change, meet the need for workers for safety of the job in return for their need to learn and take risks and also, their need to focus on themselves in return for the need for the organization to collaborate among individuals in order to achieve collective success (Clegg *et al.*, 2002; Smith, 2014).

According to Volberda *et al.* (2001a, b), strategic renewal is the organization's activities to modify or change adopted course in order to achieve alignment between the organization and its environment. Venkatraman and Camillus (1984), Venkatraman and Prescott (1990), Cohen (1983), Zajac *et al.* (2000) and Lewin and Volberda (1999) have indicated that the strategic management literatures suggest that for the principle of survival over time, it requires organizations to conform or harmonize with their environment. This can only be achieved through the internal harmony of the process of strategic renewal of opportunities and threats arising in the external environment of the organization. In fact, this matter indicates the intellectual debate about the possibility of self-renewal by organizations to maintain this dynamic harmony over time as we find certain streams

of research that depicts organizations inability to change and become increasingly ineffective or inactive as it progresses in its life cycle. However, there are other studies that see otherwise, especially, in the presence of organizations that have existed for a long time but these organizations have the ability to maintain their competitive advantage and thus, face change through the adoption of the process of strategic renewal. On the other hand, Cooper (1963) believes that strategic renewal is the process of changing the strategic direction and adjusting it to make significant impact on determining the long-term competitiveness of the organization, since, the fundamental objective of strategic renewal is to create a strategic harmony between the internal capabilities of the organization and the transformations that occur in the external environment. These transformations usually include a combination of variables, notably technology, markets, industries and economics that require a change in the status quo of doing business. It should be noted that there are two types of strategic innovation, gradual or cumulative which occur through a series of modifications or regular adaptations to environmental changes. The other type is transformational renewal that occurs through radical shifts in strategic management and the removal or replacement of key functions and units of the organization. In this regard, Lewin and Volberda (1999) and Hannan and Freeman (1984) considered that there are two aspects of the subject of (FIT) through two perspectives: environmental selection and environmental adaptation. With regard to the first perspective (environmental selection), it is the environmental factors that determine the regulatory characteristics that can best fit or suit the environment as well as the response of the environment to achieve fit with its environment which is a response to external change only and that is so-called "Responsive Fit". With regard to the (adaptive perspective or environmental adaption), it departs from the idea that the management of the organization is unable to overcome the stalemate but rather the strategic renewal can be achieved through "intentional change management" and this means that organizations can act proactively to achieve alignment or harmony with its environments or in other meaning through "Proactive Fit" to enable the organization to achieve "FIT" with the environment in which it operates.

According to Mallette and Hopkins (2013) and Lechner and Floyd (2012), argue that the organizations under the business environment that are constantly changing and characterized by increased global competition, product short courses and accelerating technological breakthroughs will face, sooner or later, the conditions of scarcity which will make it vulnerable to

stalemate or strategic shortcomings, so, it is necessary to adopt the process of strategic renewal. In this regard, Schmitt *et al.* (2016) noted in their article entitled "The Strategic Renewal in Times of Environmental Scarcity", published in the long range planning journal in 2015 that the types of environmental scarcity are numerous whereas they adopted the model of Cameron and Zammuto to make some adjustments to it as their model was trying to explain that the behavior of the strategic renewal of the organizations is only a reaction to environmental scarcity, in other words, organization's responses for the activities of the strategic renewal vary according to the environmental scarcity conditions. According to the model, the interrelationship between management perceptions and interpretations and strategic renewal activities will describe four types of strategic renewal in times of environmental scarcity: strategic renewal in times of environmental dissolution, strategic renewal in times of environmental erosion, strategic renewal in times of environmental collapse, strategic renewal in times of environmental contraction. The following is a brief explanation of each of these four types:

**Strategic renewal in times of environmental**

**dissolution:** The environmental dissolution describes the environmental niche's gradual decline to another situation that makes organizational activities obsolete or irrelevant. Due to this situation, the current business model does not work which means the emergence of a new situation or a new position through which customers can gain new value, therefore, the former status will begin to decline because of the emerging niche. Such a situation can be seen in the newspaper industry, for example, the industry has undergone the transition from traditional newspapers to electronic newspapers or so-called online newspapers. The main challenge facing CEO's lies in their ability to recognize the gradual and ambiguous changes that characterize the state or status of environmental dissolution. Studies have indicated that CEO's perceptions associated with their attitudes determine the type of strategic renewal activities in the organization which means that the CEO's internally directed perceptions are positively associated with incremental renewal activities, unlike the CEO's externally directed perceptions are positively associated with discontinuous renewal activities.

**Strategic renewal in times of environmental erosion:**

Environmental degradation is a gradual decline in volume due to a decrease in resources/or demands inputs. Several studies have analyzed the conditions of such

environments in the context of different industries such as railway industry, shipbuilding industry and world postal services market whereas we can find the increasing use of internet-based communications such as e-mail, social networking and others has led to a gradual decline in demand for postal services in most Western countries, since, 2001. At such times, companies' CEO's, whether internally or externally will receive the same weak environmental signals, so, in the absence of high environmental signals, management perceptions will depend more on the depth of the CEO's affiliation or entrenchment with the organization's current identity. If the self-identity of CEO's is highly integrated with organizational identity, they are expected to continue to reinforce existing strategies through cumulative renewal activities. If the self-identity of those CEO's is less integrated with the organizational identity, they will doubt existing business models and move towards the discontinuous renewal activities.

**Strategic renewal in times of environmental collapse:** In times of environmental collapse, organizations face situations in which the current environmental situation collapses surprisingly through the development of another situation, so that, the organizations cannot avoid the consequences associated with performance whereas sudden changes in the form of industry may impose radically different competitive requirements, for example with the Analog camera industry where it faced a collapse due to the high share of digital cameras in the global market from 3% in 1998 to market dominance in 2000. Under this type of collapse, organizations in formulating their response to renewal rely less on primary management perceptions than on how CEO's interpret environmental changes and this is because the environmental collapse involves uncertainty and unpredictability with current markets shifting to new markets with radically different competitive requirements. Thus, the CEO's main challenge in times of environmental collapse is the correct interpretation of the urgent situation, in which the organization should adjust itself with the transformation of the business model. Thus, the CEO's tendency to adopt cumulative or discontinuous renewal activities rely on their interpretation of the urgent situation. In other words, in times of environmental collapse, the CEO's interpretations relate to the urgent situation positively to respond to discontinuous renewal activities and negatively with cumulative renewal activities.

**Strategic renewal in times of environmental contraction:** Environmental contraction is a sudden decline in the size of the ecological environment (ecological's size).

Economic downturns or demand shocks are important examples of environmental contraction. These external shocks threaten the survival of the organization as they suddenly emerge and the matter is reflected on the profit margins quickly. Several studies have analyzed environmental contraction in the context of a variety of organizations, for example, the global aviation industry whereas the international demand for air travel has declined by up to 40% following the global recession after the September 11 attacks and the SARS epidemic. As the environmental situation contracts or reduced in size and not in form, the response of organizations is less dependent on the perceptions of the CEO's as they depend on their interpretation of the attractiveness of the current situation in the future. For example, CEO's are trying to predict the characteristics of future markets to determine whether opportunities have potential value during times of environmental contraction, therefore, the expectation of potential gains will be paid to the said CEO's to adopt cumulative renewal activities. On the contrary, CEO's who believe that environmental factors can ultimately change the current economic landscape and make it unattractive to survive and thus, seek new opportunities in the market which means interest in discontinuous renewal activities. It is therefore, possible to say that the CEO's interpretation of attractiveness of the place or environmental status is related positively to cumulative renewal and negatively to discontinuous renewal.

## MATERIALS AND METHODS

**The problem of the study:** Organizations of different types face environments that are characterized by extreme competition, complexity and rapid volatility and this makes it face unfavorable circumstances that require rapid action and serious handling of all environmental changes in order to adapt to them. The researchers in the field of strategic management developed several concepts to deal with the state of volatility in the external environment and strategic renewal is among the most important of these concepts. Therefore, the problem of the current study can be shaped by the following question (What is the nature of the relationship between the conditions of environmental scarcity and the strategic renewal activities practiced by organizations of all kinds?).

**The importance of the study:** The importance of research is highlighted by the following: it can be used to guide organizations related to strategic renewal activities necessary to improve their reality. It highlights the nature of assumptions that govern the relationship between environmental scarcity conditions and strategic renewal

activities. It deepens the understanding and informing the concerned organizations about the importance of environmental conditions and the nature of the complicated relationships which links a number of its variables.

**The objectives of the study:** Testing the Schmitt *et al.* (2016) model for strategic renewal in light of environmental scarcity in the Iraqi environment. Knowledge of the strategic renewal patterns prevailing in Iraqi organizations, according to each environmental circumstance. Providing the necessary recommendations to the investigated organizations that enable it to deal with the conditions of environmental scarcity and overcome it.

### **Research's hypothesis**

**Key hypothesis 1:** CEO's perception of strategic renewal affects the adoption of strategic renewal.

- Sub-hypothesis 1: the directed internal perceptions of CEO's are linked positively with cumulative renewal activities
- Sub-hypothesis 2: the directed external perceptions of CEO's are linked positively with discontinuous renewal activities

**Key hypothesis 2:** The integration of personal identity with organizational identity affects the identification of the type of strategic renewal.

- Sub-hypothesis 1: strong integration is positively associated with cumulative renewal
- Sub-hypothesis 2: poor integration is positively associated with discontinuous renewal

**Key hypothesis 3:** CEO's interpretation of the importance of environmental change affects the adoption of strategic renewal.

- Sub-hypothesis 1: the strong interpretation of the importance of environmental change is positively associated with discontinuous renewal
- Sub-hypothesis 2: the weak interpretation of the importance of environmental change is positively associated with cumulative renewal

**Key hypothesis 4:** The attractiveness of the current environmental situation affects the type of strategic renewal activities.

- Sub-hypothesis 1: the attractive environmental situation is positively associated with cumulative renewal

- Sub-hypothesis 2: the unattractive environmental situation is positively associated with discontinuous renewal

### **The practical side of the research**

**Firstly, research's criteria:** The researchers relied on this study on building a scale that has been introduced to a group of experts in the field of strategic management competence. All of the research criteria are based on the five-point Likert scale and the Cronbach's alpha which measures the stability of the scale (0.86) which is an acceptable value.

**Secondly, metadata (descriptive statistics):** The researchers adopted different samples according to the type of environmental circumstance experienced by the industry (dissolution, erosion, collapse and contraction). According to the recommendation of Schmitt *et al.* (2016), in the case of environmental dissolution, a sample of (50) employees employed in the Karbala newspaper (issued by the provincial council) was taken but in the case of environmental erosion, a sample of 50 employees was taken who work in postal services in the provinces of Babylon and Karbala. In the case of environmental collapse, a sample of (35) employees of the general company for electrical and electronic industries was taken and finally in the case of environmental contraction, a number of offices of Iraqi Airways working in the governorates of Babel and Karbala were selected with 60 employees. Below is a table of matrices of correlation and descriptive statistics of the study variables.

## **RESULTS AND DISCUSSION**

**The state of environmental dissolution:** The weighted arithmetic mean of the internal trends has reached to (2.86) with a standard deviation of (1.52) while the weighted arithmetic mean value of the external trends dimension has reached to (2.40) with a standard deviation of (1.50). The researchers conclude from the above results that the workers in the newspaper industry in Karbala Province are more inclined to internal trends than external trends. With regard to cumulative and discontinuous renewal, the results showed that the weighted arithmetic mean of the cumulative renewal dimension has reached to (2.56) with a standard deviation of 1.87 while the arithmetic mean of the discontinuous renewal dimension has reached to (2.08) with a standard deviation of (1.49). It is noted that the workers in the newspaper industry in the province of Karbala are more inclined to cumulative renewal but their answers are more consistent in terms of discontinuous renewal. Table 1 shows that correlation relationships support the assumption that correlation between internal

**Table 1: The correlation matrix, arithmetic means and standard deviations for research search variables (N = 50)**

Variables	Internal trends	External trends	Cumulative renewal	Discontinuous renewal
Internal trends	1	-	0.10	0.06
External trends	-	1	-0.17	0.11
Arithmetic mean	2.86	2.40	2.56	2.08
Standard deviation	1.52	1.50	1.87	1.49

**Table 2: The correlation matrix, arithmetic means and standard deviations for research search variables (N = 50)**

Variables	Strong integration	Poor integration	Cumulative renewal	Discontinuous renewal
Strong integration	1	-	*0.29	-0.24
Poor integration	-	1	0.08	0.15
Arithmetic mean	3.06	2.32	3.16	2.72
Standard deviation	1.43	1.45	1.50	1.60

**Table 3: The correlation matrix, arithmetic means and standard deviations for research search variables (N = 35)**

Variables	Strong integration	Poor integration	Cumulative renewal	Discontinuous renewal
Strong interpretation	1	-	0.10	0.42*
Weak interpretation	-	1		0.09
Arithmetic mean	2.08	2.54	2.42	2.08
Standard deviation	1.53	1.55	1.26	1.22

\*The correlation is significant at 5%

trends and cumulative renewal was greater than the strength of interrelationship between internal trends and discontinuous renewal and vice versa which supports the validity of the first hypothesis, although, the correlation relationship is insignificant.

**The state of environmental erosion:** The weighted arithmetic mean of the strong integration dimension has reached to (3.06) with a standard deviation of (1.43) while the weighted arithmetic mean of the weak integration dimension has reached to (2.32) with a standard deviation of (1.45). The researchers conclude from the above findings that workers in the postal services industry in both the provinces of Babylon and Karbala are firmly integrated into the culture of their organizations. In terms of cumulative and discontinuous renewal, the results showed that the weighted arithmetic mean of the cumulative renewal dimension has reached to (3.16) with a standard deviation of (1.50) while the arithmetic mean of the discontinuous renewal dimension has reached to (2.72) with a standard deviation of (1.60). It is noticed that the workers in the postal services industry in the provinces of Babylon and Karbala are more inclined to cumulative renewal and their answers are more consistent with respect to the cumulative renewal. Table 2 shows that correlation relationships support the assumption that correlation between strong integration and cumulative renewal was greater than the strength of the relationship between strong integration and discontinuous renewal and vice versa which supports the validity of the first hypothesis, although, some correlation relationships are insignificant.

**The state of environmental collapse:** The weighted arithmetical mean of the strong interpretation dimension

of the significance of the current situation has reached to (2.08) with a standard deviation of (1.53) while the weighted arithmetical mean of the weak interpretation dimension of the significance of the current situation has reached to (2.54) with a standard deviation of (1.55). The findings from the above indicate that the employees of the general company for electrical and electronic industries are characterized by a weak interpretation of the importance of the current situation. With regard to cumulative and discontinuous renewal, the results showed that the weighted arithmetical mean of the cumulative renewal dimension has reached to (2.42) with a standard deviation of (1.26) while the arithmetical mean of the discontinuous renewal dimension has reached to (2.08) with a standard deviation of (1.22). It is notable that the employees of the general company for electrical and electronic industries are more inclined to cumulative renewal but their answers are more consistent with continuous renewal. Table 3 shows that correlation relationships support the assumption that the correlation between strong integration and cumulative renewal was greater than the strength of the relationship between strong integration and discontinuous renewal which supports the validity of the first hypothesis, although, some correlation relationships were insignificant.

**The state of environmental contraction:** The weighted arithmetical mean of the attractive position dimension has reached to (3.01) with a standard deviation of (0.56) while the weighted arithmetical mean of the unattractive dimension has reached to (2.93) with a standard deviation of (0.77). The researchers infer from the above results that according to those who are working at the offices of the General Company of Iraqi Airways view the current

Table 4: The correlation matrix, arithmetic means and standard deviations for research search variables (N = 35)

Variables	Attractive situation	Unattractive situation	Cumulative renewal	Discontinuous renewal
Attractive situation	1	-	0.27*	0.11
Unattractive situation	-	1	-0.12	0.23
Arithmetic mean	3.01	2.93	3.10	2.96
Standard deviation	0.56	0.77	0.65	0.68

\*The correlation is significant at 5%

Table 5: The effect of independent variables in dependent variables

Environmental status	b-values			
	Values	Sig.	Values	Sig.
<b>State of environmental dissolution</b>				
Internal trends	0.13	0.47	0.03	0.69
External trends	-0.21	0.22	0.09	0.74
<b>State of environmental erosion</b>				
Strong integration	0.35	0.039	-0.27	0.086
Poor integration	0.06	0.570	0.09	0.900
<b>State of environmental collapse</b>				
Strong interpretation	0.13	0.36	0.33	0.012
Weak interpretation	0.15	0.28	0.12	0.360
<b>State of environmental contraction</b>				
Attractive situation	0.15	0.31	-0.004	0.97
Unattractive situation	0.02	0.88	0.110	0.50

situation as an attractive situation. With regard to cumulative and discontinuous renewal, the results showed that the weighted arithmetical mean of the cumulative renewal has reached to (3.10) with a standard deviation of (0.65) while the arithmetical mean of the discontinuous renewal dimension has reached to (2.96) with a standard deviation of (0.68). It is notable that the employees working at the offices of the General Company of Iraqi Airways are more inclined to cumulative renewal and their answers were more consistent. Table 4 shows that correlation relationships support the assumption that the correlation between the attractive situation and the cumulative renewal was greater than the strength of the relationship between the attractive situation and the discontinuous renewal and vice versa which supports the validity of the first hypothesis, although, some correlations are insignificant.

**Thirdly; testing the relationship of influence:** The researchers relied on simple linear regression to test the effect of independent variables in dependent variables as follows (Table 5):

With regard to the state of environmental dissolution, internal trends are found to have a greater impact on cumulative renewal whereas external trends have had a greater impact on discontinuous renewal. The effect of external trends on cumulative renewal is negative while the internal effect of discontinuous renewal has a weak effect despite its positivity. The above findings support the research hypothesis that internal-oriented managers are more likely to adopt the cumulative renewal but the managers who tend to external trends are more inclined to adopt discontinuous renewal.

With regard to the state of environmental erosion, the integration of managers significantly with the culture of the organization shows a greater impact on their adoption to the activities of the cumulative renewal while the weak integration has had a greater impact on the discontinuous renewal. The effect of strong integration on cumulative renewal has had a negative effect while the effect of weak integration on the discontinuous renewal has been weak, despite its positive positivity. The above findings support research hypothesis that managers with the strong integration are more likely to adopt cumulative renewal and managers with weak integration are more likely to adopt discontinuous renewal.

With regard to the state of environmental collapse, strong interpretation of the current situation strongly influences the adoption by those managers of the discontinuous renewal activities while the weak interpretation of the current situation has had a greater impact on the cumulative renewal. The effect of strong interpretation on cumulative renewal was positive and the effect of weak integration on the discontinuous renewal was weak, although, its positivity. The above findings support research hypothesis that managers with a strong interpretation of the current situation are more likely to adopt the cumulative renewal while managers with weak interpretation are more likely to adopt the discontinuous renewal.

With regard to the state of environmental contraction, the attractive situation of the current situation is more pronounced in the adoption of those managers for the cumulative renewal activities but if the situation is unattractive, it affects more on the discontinuous renewal. The effect of the attractive state of the discontinuous renewal was found to have had a negative effect and the effect of the unattractive situation in the cumulative renewal was weak, although, its positivity. The above findings support research hypothesis that managers who see that the current situation as attractive are more likely to adopt the cumulative renewal and managers who do not enjoy the status quo are more likely to adopt the discontinuous renewal.

## CONCLUSION

Organizations need to have an appropriate way and a specific area to highlight the various impacts in the environment in order to achieve success in the process of



strategic renewal which is an important step to achieve more foresight. Many organizations face a contradiction between encouraging renewal and choice to maintain it. Stability is necessary to achieve internal cohesion and prevent self-destruction. Strategic renewal is necessary because most organizations cannot innovate as fast as markets require, especially, in times of instability or over-innovation by other competing organizations. Therefore, it requires organizations to reorganize and activate competencies and to work on continuous comparison with competing organizations, so that, the process of strategic renewal is continuous and uninterrupted. Senior managers must keep pace with the changing environment. The deteriorating conditions of the industry can make the organization in the middle of a downward spiral. Thus, adding fast momentum to the industry can leave some organizations behind whose managers have failed to look at important new areas of technological opportunities or developments, even in relatively stable environments. Organizations whose senior managers cannot acquire new concepts are severely handicapped over time. All organizations must assume that their actions must be adapted to the changing environment. Here, the leaders of the organizations must be able to achieve strategic renewal through attention to environmental changes and to achieve some kind of matching between existing problems and solutions proposed and explain the stimuli that appear in the environment.

This depends on the administrative beliefs in the interpretation of causality and this requires some organizations to develop the beliefs of management,

especially, rooted in the mentality of senior managers because they may fail in the face of environmental changes and put the organization in a state of negative and hysterical decline.

Additionally, the participation of managers from all levels strengthens the association in the transition to successful strategic renewal and accordingly managers are faced with a range of options for managing strategic renewal through their acceptance of the contradictions that appear before them at work or the resolution of fundamental tensions, for example, managers may accept contradictions and live with them or make up new rationality in logical thinking and to adopt new ways of thinking. On the other hand, managers may seek contradictions and try to reconcile competing demands or get interested in different interests and divergent needs, so, managers must create an organizational context where they feel mutual trust and openness to accept new ideas and strategic renewal (Appendix).

The study supported the Schmitt *et al.* (2016) model where it was found that internal managers support the cumulative renewal in the case of environmental dissolution as well as managers who are strongly integrated with the culture of their organizations prefer cumulative renewal over the discontinuous one in case of environmental erosion. While managers who interpret the current situation strongly support the trend towards the discontinuous renewal in the event of environmental collapse and in the case of environmental contraction, managers support the cumulative renewal, if they consider the current situation attractive enough.

#### APPENDIX

Questions	Questions
<b>The perceptions of internal-directed managers</b>	<b>The perceptions of external-directed managers</b>
1:Managers try to maintain the current situation despite the risks of environmental disturbances	1: Managers proactively take advantage of opportunities as a result of environmental change
2: Managers focus more on operational efficiency	2: Managers have a keen interest in communicating about customer needs and to identify them accurately
3: Managers focus more on operational efficiency	3: Managers have the ability to recognize gradual and ambiguous changes in the environment and turn them into opportunities that can be utilized
4: Managers employ their current thinking patterns to address the new problems they face	4: Managers abandon their inherent mental models when environmental change occurs and seek new ways of thinking
<b>Low integration of managers with the culture of the organization</b>	<b>Strong integration of managers with the culture of the organization</b>
1: Managers see the possibility of changing organizational goals to adapt to environmental changes	1: Managers feel strongly committed to organizational goals
2: Managers are of the view that there is an urgent need to change management models consistently in line with environmental changes	2: Managers believe there is no justification for replacing current business models of organization

3: Organizational norms and traditions are not the primary focus of managers because they are subject to change continuously depending on environmental conditions	3: Managers are largely immersed in organizational norms and traditions
<b>Weak interpretation of managers</b>	<b>Strong interpretation of managers</b>
1: Managers are not interested in mobilizing the necessary energies to cope with environmental change	1: Managers engage in an urgent and urgent assessment of environmental changes
2: Managers do not respond to environmental changes because the of organization works on a fixed basis that cannot be changed or replaced	2: Responding to environmental change is fast throughout the implementation the necessary mechanisms by the organization
3: Environmental changes are not a priority for managers	3: Managers give priority in responding to environmental events that have a direct and important impact on the work of the organization
<b>The unattractive situation</b>	<b>The attractive situation</b>
1: Current environmental conditions represent a starting point for entirely new environmental conditions	1: Organization's managers predict that there will be improvement in environmental conditions after the state of decline
2: The organization's resources and capabilities are obsolete in relation to the new environmental situation	2: The current resources and capacities of the organization remain competitive with regard to the new environmental situation
3: Managers feel the need for the organization to move quickly to the new environmental situation	3: Managers have a strong desire to continue to practice current activity despite changes in the environment
4: Managers believe that rapid dynamic changes in the environment are destructive and that the organization has no ability to cope with them	4: In the light of the analysis, assessment and interpretation of environmental changes by managers, it does not include destructive dynamic changes of the current situation
<b>Cumulative strategic renewal</b>	<b>Discontinuous strategic renewal</b>
1: When the companies profits and market opportunities decrease, we reduce costs and increase marketing activities	1: When the companies profits and market opportunities decrease, we are working to provide new goods or services
2: We strive to develop our existing products and services to keep up with customer's tastes	2: We adopt the policy of innovation and provide new goods and services in order to achieve the sustainability and prosperity of the company
3: We focus on achieving competitive superiority over our existing competitors	3: Not only are we interested in the activities of the competition companies, we are also following the activities of companies close to our activities
4: We renew our strategies at close intervals	4: We renew our strategies with divergent time periods
We are looking for unexploited opportunities in our current markets	If, we have the opportunity, we will enter new markets that may differ in nature from our current markets

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