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# The Impact of Strategic Flexibility in Reducing Financial Risks in Iraqi Commercial Banks

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**Abstract**

The study aims to find the impact of strategic flexibility on financial risks in Iraqi commercial banks. This study used the quantitative approach. Historical data were used to measure financial risks for the period from 2005 to 2023. While primary data represented by the questionnaire were adopted to measure strategic flexibility. The results of this study concluded that strategic flexibility negatively affects financial risks in general. It is also has a negative effect on liquidity risks in Iraqi commercial banks. However, it does not have effect on the exchange rate risk, credit risks and interest rate risks. The results of the study demonstrate the importance of strategic flexibility in reducing financial risks. This study focused on Iraqi commercial banks only. Future studies can focus on other markets and sectors. The implications indicate that banks need to be rational when making decisions regarding the strategy followed to reduce financial risks. In addition, Iraqi commercial banks should be concerned and committed to applying strategic flexibility to achieve the desired goals. The originality of this study lies in providing insight into the importance of strategic flexibility in reducing financial risks. The results of this study are important for shareholders, managers and investors.

**Keywords***:* Strategic Flexibility, Financial Risk, Credit Risk, Liquidity Risk, Exchange Rate Risk, Interest Rate Risk.

## Introduction

Rapid adaptation to dynamic environmental changes that financial institutions are exposed to at all economic levels has become important, it can help to exploit opportunities and avoid risks for success and survival. Therefore, institutions must have the ability to adapt to dynamic changes to achieve strategies that are consistent with expectations. Financial institutions have focused on shedding light in recent years on strategic flexibility in order to develop and understand this concept more clearly and accurately. Because of its importance and role in adapting to changes, many researchers have been interested in this regard, such as the study (Lirios et al., 2024; Kafetzopoulos and Katou, 2024; Yang and Gan, 2021).

In the fierce competition that banks face as a result of rapid changes, strategic flexibility is the basis for enabling banks to adapt to rapid changes. Strategic flexibility also has the ability to enable banks to quickly transform to reach new strategies and develop financial products. By enhancing the use of strategic flexibility, banks will be able to take advantage of the opportunities available as a result of changes and avoid risks (Dehghan-Dehnavi and Nadafi, 2011).

The strategy that relies on sensitivity is considered the cornerstone in light of rapid changes, for the role it plays in enabling institutions to adapt in an easy way. The role and position that strategic flexibility has gained has emerged in times when many institutions have stumbled as a result of rapid changes, as it has supported many institutions in confronting risks and obtaining opportunities (Nkoda, 2017; Khoshnoud & Nematizadeh, 2017). Strategic flexibility means rapid responses to changes, expectations that occur in market transformations, and responding in a way that is consistent with market requirements (Termeer, 2022; Angraini & Sudhartion, 2019). Banks that deal in a flexible manner are able to face sudden shocks by proactively preparing to develop solutions and reach alternatives (Kosonen Doz, 2008, 2010). Agile work also facilitates banks to find the right paths that can keep pace with changes, take advantage of opportunities, and reduce risks (Kurniawan et al., 2020), in addition to reducing costs and increasing efficiencies (Dehaghi & Navabakhsh, 2014). Flexibility is an effective means of establishing assurances that make institutions ready to put proactive measures to address them before they occur (Khochand and Nemat Zadeh, 2017).

In addition, financial risks are among the problems affected by rapid changes. They are among the serious phenomena that have made many researchers focus on them to find solutions to avoid them, such as the study of (Hamdi & Hassen, 2022; Akash et al., 2024; Martin-Oliver et al., 2020; Sathyamoorthi et al., 2020; Naifar, 2023; Wang & Yang, 2023;; Ruan and Jiang, 2024; Lassoued, 2017; Shah et al., 2023;). The results of these studies indicated that many factors have an impact on financial risks and that avoiding these risks has a good return on banks. In addition, the strategic management that is compatible with market fluctuations that banks adopt in practicing their business contributes to reducing the risks that affect them (John, et al., 2022). Therefore, the relationship between strategic flexibility and financial risks is clear, due to its role in adapting to sudden market changes and diversifying investments to reduce risks by distributing those risks. It is also considered a vital tool in mitigating financial shocks. Flexible and rapid adaptation improves financial performance and good management in times of crises.

The motivation for studying the impact of strategic flexibility on financial risks is to face the challenges faced by commercial banks as a result of rapid environmental changes, as these changes affect the increase in financial risks. Therefore, developing a flexible strategy enables banks to adapt to difficult circumstances. The flexible strategy also enhances financial stability by reducing financial risks, and it achieves sustainability and growth in an unstable environment. The mechanism followed in strategic flexibility contributes to bridging the gap, as the relationship between strategic flexibility and financial risks has not received sufficient research in Iraqi commercial banks.

This paper is organized as follows: Reviewing the literature related to strategic flexibility and financial risks. The methodology of this study is used through field work and historical data in collecting data and verifying its accuracy, then discussing the results reached by the study and its conclusions and making appropriate suggestions.

**Risk Management Theory**

The importance of this theory is based on the good method of managing the risks that institutions suffer from as a result of the rapid changes in the markets. This theory was developed by (David, 1997). The model adopted in risk management consists of assessing the risks of institutions that confuse work, then working to find ways to improve performance to reduce those risks and then exploit opportunities. Risk management has an important role in addressing the internal and external confusion of institutions, which contributes to improving work at the internal and external levels of the institution. One of the most important problems that affect institutional work is the sudden changes that affect economies, which confuses work and increases risks. This increases the difficulty of administrative work inside and outside institutions. Therefore, institutions need a good and thoughtful choice of strategy that can suit the changes in order to know the capabilities of the people being dealt with, whether companies or individuals. A good and thoughtful reading of events in advance facilitates the development of solutions before administrative problems worsen and the achievement of the desired goals. Strategic management and strategic agility are also considered essential in administrative work, so relying on them in preparing and choosing appropriate methods for administrative work will make solutions available to reduce financial risks.

**Literature Review**

The importance of strategic flexibility increases at all times and at various economic levels because it provides support and assistance to institutions when they are exposed to administrative problems resulting from sudden fluctuations in the markets, so many studies have focused on this topic such as (Lirios et al., 2024; Shahzad and Jasińska, 2024; Kafetzopoulos and Katou, 2024; Bashir, 2023; Beraha et al, 2018; Yang and Gan, 2021; Yousuf; 2021) The importance of these studies has emphasized the importance of strategic flexibility in various fields, as well as the important role in dealing with changes and finding important outlets to get out of crises. The study (Shimizu and Hitt, 2004) concluded that flexibility plays an important role in dealing with fluctuations in unstable markets and addressing problems in more flexible and rapid ways. The study (Arslan-Ayaydin and Ozkan, 2014) also confirmed that institutions that deal in a flexible manner are more secure than institutions that are more rigid and committed to instructions that limit flexibility when exposed to shocks. Financial flexibility varies from one economy to another according to the economic policy in that country.

In addition, the risks faced by financial institutions such as commercial banks are complex and affected by many factors and determinants. Many studies have focused on financial risks because this problem is the most complex and deadly for financial institutions (Sudarsono, et al., 2024; Ghabri, et al. 2021; Ali & Dhiman, 2019; Abbas, et al. Al-Eitan & Bani-Khalid, 2019;2019; Canh et al., 2021; Kotaskova et al. 2020; Dai, et al., 2023; Ismail, 2023 and Ahmed Weerasinghe and Ekanayake, 2023; ).However, the results reached by these studies showed that the results are different due to differences in markets, whether they are changing or stable. Nguyen and Boateng (2015) also showed that institutions that hold more money than they need will be exposed to risks. While institutions that balance invested money with money available to meet needs when necessary are less exposed to risk. Some other studies have found that there is a clear relationship between performance and risk despite the difference in the strength and stability of work in these markets, such as the study of (Mushafiq et al., 2023; Hamdi & Hassen, 2022; Ko et al., 2019).

Based on what was discussed above, the relationship of impact between strategic flexibility and financial risks is a clear relationship. Despite the importance of the relationship between these variables and the role that strategic flexibility plays in reducing financial risks, which is considered one of the problems that still hinders many financial institutions in conducting their business in volatile markets, the relationship between these variables has not been linked in either local or foreign studies to the best of the researcher's knowledge. Therefore, this study is interested in linking the relationship between these variables to reduce risks and clarifying the relationship between strategic flexibility and strategic agility. The current study can also contribute strongly to many of the literatures that are interested in the variables specific to this study.

**Hypothesis Development**

*The Effects of Strategic Flexibility on Financial Risk*

Strategic flexibility has become an urgent necessity for many organizations due to the continuous changes in the business environment. Strategic flexibility is also an important means of facing changes and easily adapting to them. In this regard, Chroust (2015), concluded that strategic flexibility contributes to the process of building capabilities and innovations that enable the organization to change and adapt smoothly. Yang et al (2015), concluded that strategic flexibility works to manage uncertainty and financial risks through the ability to quickly transfer resources and reduce risks. Li et al (2016), concluded that strategic flexibility is strongly associated with transformational leadership and institutional performance. Flexibility also contributes effectively to implementing the decisions and participations necessary to address the problems that organizations are exposed to (Radomska', 2015). Some other studies have shown the important role of strategic flexibility and its relationship to leadership and management styles, such as (Dhar et al., 2022; Kafetzopoulos et al., 2022). Yang and Gan (2021), showed that strategic flexibility has an important relationship with human resources. Xiao et al (2021), concluded that strategic flexibility plays an important role in improving performance in companies, so this study can conclude the important role of strategic flexibility in improving financial risk management.

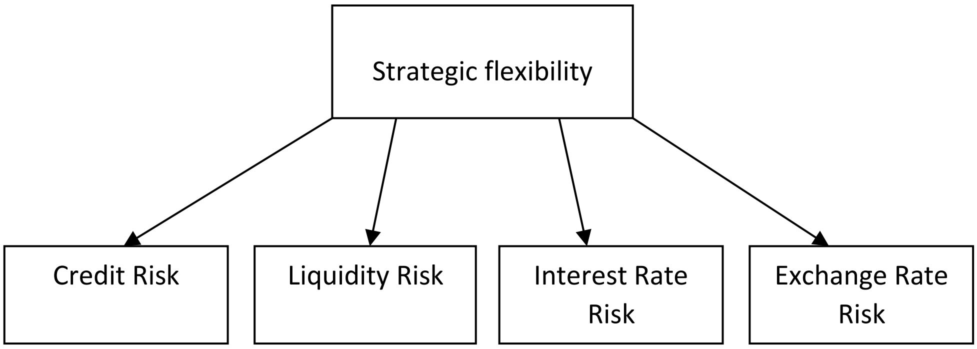
In addition, many studies have focused on linking the relationship between strategic flexibility and performance, such as the study of (Nadkarni and Narayanan, 2007; Wei and Cao, 2014; Nadkarni; Chen et al., 2017; Zahoor and Lew, 2023; Hensellek et al., 2023). The results of these studies have shown the important role of strategic flexibility in improving the performance of institutions, which gives an important and clear picture of the important role in improving risk management within financial institutions. Flexibility also plays an important role in enhancing financial performance, which contributes to the growth and survival of institutions in the markets (Sushil, 2015). As for the study of Shekarin et al. (2020), it concluded that strategic flexibility has an important impact in improving the response to disturbances resulting from rapid changes in the market. While the study of Sriboonlue et al. (2015), concluded that financial risks can be managed by responding quickly to changes to seize available opportunities and avoid risks.

Moreover, strategic flexibility is the possibility of dynamic transformation of capabilities, which are the capabilities that can be transformed with the degrees of change that occur in the environment on the original strategy (Li et al., 2010; Nadkarni and Herrmann, 2010). Strategic flexibility can also improve the good performance of rapid response and appropriate adaptation to sudden changes (Farnese et al., 2016). Therefore, institutions that have good flexibility are less susceptible to being affected by sudden changes, while other institutions should move towards strategic flexibility to keep pace with the dangerous reality of transactions and sudden changes. Financial institutions such as banks, which have high uncertainty and dynamic changes, need the above-mentioned approach, as the strength obtained by strategic flexibility stems from the ability to adapt to rapid changes in the environment (Cingöz Akdoğan, 2013).

While other studies focused on the role of strategic flexibility in improving bank performance, such as the study of Muheisen et al (2022), and Hussein (2023). As for the studies that focused on linking financial risks to performance, such as the study (Almustafa et al., 2023; Zhao et al., 2023; Murithi, 2016; Wani & Ahmad, 2015; Jacobs et al., 2016). Which concluded that good performance reduces the financial risks to which financial institutions are exposed. Therefore, we can conclude that strategic flexibility has a positive relationship with performance, and it also has an important role in reducing financial risks. This was confirmed by the study of Kamasak et al (2017), that strategic flexibility can play an important role in reducing financial risks through agile solutions in volatile environments. Based on what was presented above, the following main hypothesis can be formulated:
H1 There is a negative impact of strategic flexibility on financial risk in Iraqi commercial banks
H1a There is a negative impact of strategic flexibility on credit risk in Iraqi commercial banks.
H1b There is a negative impact of strategic flexibility on exchange rate risk in Iraqi commercial banks.
H1cThere is a negative impact of strategic flexibility on liquidity risk in Iraqi commercial banks.
H1d There is a negative impact of strategic flexibility on interest rate risk in Iraqi commercial banks.

**Conceptual Framework**

The theory adopted in this study was discussed with the variables that were chosen, then the hypotheses that will be relied upon to measure the impact between all variables were developed. The risk management theory (David, 1997) was relied upon. The independent variable represented by strategic flexibility was chosen, while financial risks were chosen based on the study (Mohammed & Onyigi, 2018; and Maniagi, 2018). The aim of this model was to find the effect of strategic flexibility on financial risks in Iraqi commercial banks. Figure No. 1 shows the effect of flexibility on financial risks in Iraqi commercial banks.




Figure(1) :Conceptual Framework
Source: Prepared by Researchers depending on the Previous study

**Risk Management in Iraqi Commercial Banks**

Countries around the world are particularly interested in the banking sector because of the role it plays in economic growth. The banking sector also plays a fundamental role in providing financing in various fields, whether in the field of investment or otherwise (Mahmoud et al., 2015). Therefore, countries are constantly trying to preserve this vital sector. Many economies are still suffering from fluctuations that cause these important institutions to collapse, so we notice many countries finding appropriate solutions to keep pace with developments. One of these countries is Iraq, which works periodically to identify administrative systems that can improve performance to reduce the risks it is exposed to. Despite the continuous work and efforts made by the banking sector in general and the Iraqi banking sector in particular, it still needs to develop and find expertise that can contribute to using resources in the most appropriate ways (Sam and Khadir, 2019). Lopez (2003), also concluded in his study that institutions that have the capabilities that help them choose the appropriate strategy in times of fluctuations are able to manage the risks they are exposed to well. Banks also need a mechanism to follow and follow to achieve good risk management (Hussein and Al-Ajmi, 2010). The Central Bank of Iraq confirmed that many Iraqi commercial banks do not have the policy and capabilities that qualify them to choose the strategy that can keep pace with changes to manage risks effectively. Many Iraqi banks also suffer from fluctuations that increase the risks to which these banks are exposed. A healthy economy needs a sound banking system that has the appropriate flexibility and agility in work in order to keep pace with developments. Mahmoud et al.'s study (2015), also aims to find the reasons that increase financial risks in Iraqi banks, as the main reasons for these risks were sudden fluctuations that hinder the achievement of goals.

**Research Design**

The current study tends to rely on the descriptive and analytical approach. This approach has two aspects: the theoretical aspect and the field aspect. In the first aspect, represented by the theoretical aspect, the focus and interest was on the logical description and the use of analytical processes to reach the targeted results. As for the field aspect, the researchers focused on using primary data to measure strategic flexibility, while historical data was adopted to measure financial risks. The questionnaire was distributed to obtain the primary data at all administrative levels in the various departments that have a role in decision-making. The workers selected for the questionnaire must also work in the fields related to financial and administrative aspects. Approximately 300 questionnaires valid for statistical analysis were obtained out of 400 questionnaires, and they were distributed in paper form. As for the secondary data, it included 16 banks out of 25 commercial banks for the period from 2005 to 2023.

**Study Tool**

After a careful study of the literature related to the research variables, the researchers were able to formulate the questionnaire, which included the following sections:

**The first section**: This section focused on demographic variables, as it focused on collecting data related to age, gender, qualifications and experiences, and the questions were closed in this section.

**The second section** focused on strategic flexibility, which consists of 6 paragraphs, and these paragraphs were based on the five-point Likert scale, while the secondary data to measure financial risks were based on the following formula: The liquidity risk measure was based on the following formula: The ratio of liquid assets to total assets, credit risk on Total loans /total deposit ratio, interest rate risk on Interest income /total assets, and exchange rate risk on the following formula Standard deviation of foreign exchange rate. The following references will be adopted in measuring the dependent variable. (Aspal & Nazneen, 2014; Panda & Mohanty, 2015. Taiwo et al., 2017; Steven & Toni, 2020; Mohammed & Onyigi, 2018; Maniagi, 2018).

**Statistical Tests**

The analyses that show the impact of strategic flexibility on financial risks in Iraqi commercial banks were adopted based on the Statistics for Social Sciences (SPSS version 23) and smart pls for statistical and inferential operations. Statistical methods were used that are consistent with the objectives of the drawn research. These analyses included (reliability, (AVE), percentage, deviation test, Cronbach's alpha, standard deviation, frequency of distribution, arithmetic mean, and the direct effect of strategic flexibility on financial risks).

Table (1)
*The Reliability for the Study Variables*

| Variables | Cronbach’s alpha value | CR | AVE |
|---|---|---|---|
| Strategic flexibility | **0.948** | 92 | 0.756 |
| | **0.948** | 92 | 0.756 |
| | | | |

Source: Prepared by researchers based on field study.

Table (1) shows that the Cronbach's alpha value is consistent with the study by (Hu & Bentler, 1999), which concluded that the results should be equal to or greater than 0.60. While the CR value was consistent with the study by (Fornell & Larcker, 1981), which concluded that the values should be equal to or greater than 0.70. As for the values related to (AVE), the results were consistent with the study by (Malhotra & Dash, 2011), which concluded that the values should be greater than or equal to 0.5. Therefore, the results showed that the reliability criteria are good.

**Discussing the Results of the Analysis and Testing Hypotheses**

*Characteristics of the Study Sample*

Table (2)

*Demographic variables of the study sample*

| Variables | Categorization | Frequency | Percent |
|---|---|---|---|
| Age | From 21 to 25 years | 99 | 32.5 |
| | From 26 to 35 years | 80 | 26.3 |
| | From 36 to 45 years | 71 | 23.4 |
| | From 46 to 55 years | 50 | 16.5 |
| | From 56 to 65 years | 4 | 1.3 |
| Gender | Male | 105 | 34.5 |
| | Female | 199 | 65.5 |
| | Diploma | 94 | 30.9 |
| Qualification | B.sc | 110 | 36.2 |
| | M.SC | 25 | 8.2 |
| | PHD | 10 | 3.3 |
| | Other | 65 | 21.4 |
| Job title | Top management | 11 | 3.6 |
| | Director/Assistant Director | 7 | 2.3 |
| | Senior executives | 15 | 4.9 |
| | Other | 271 | 89.1 |
| Experience | Less than 5 Years | 125 | 4.11 |
| | 6 to 10 years | 140 | 46.1 |
| | More than 10 years | 39 | 12.8 |

Source: Prepared by researchers based on field study.

The study found that the largest proportion of respondents fell within the demographic range of 21 to 35 years, and the noticeable predominance of respondents was female. In addition, the majority of their educational attainment was a bachelor's degree. As for their professional experience, most of them had a service period ranging from 6 to 10 years. This gives them the possibility that the respondents possess the information required for the study.

Table (3)

*Descriptive analysis of Strategic flexibility*

| Strategic flexibility | N | Mean | Std. Deviation |
|---|---|---|---|
| 1- If circumstances change, our organization can easily change its current plans. | 304 | 2.473 | 1.242 |
| 2- Is prepared to react in a modified and viable manner. | 304 | 2.526 | 1.218 |
| 3- Can control a shift in strategy. | 304 | 2.569 | 1.285 |
| 4- Has the necessary practical knowledge to make shifts in daily routines and practices. | 304 | 2.588 | 1.334 |
| 5- Can pro-actively develop a new project . | 304 | 2.582 | 1.307 |
| 6-Can shift projects with a high probability of success. | 304 | 2.483 | 1.210 |

Source: Prepared by researchers based on field study.

Table No. (3) shows the minimum and maximum values of the standard deviation and arithmetic mean of the answers obtained from employees working in the Iraqi commercial banking sector. The results were as follows: Paragraph No. (4) obtained an arithmetic mean of (2.588), which is considered the highest value among the values, as the focus of this paragraph was on the knowledge that the bank possesses to change work when necessary. As for the standard deviation of the same paragraph, it was (1.334), which is the highest value among the values. When referring to the table, paragraph No. (1) had the lowest value among the six paragraphs with an arithmetic mean value of (2.473), while the standard deviation of the same paragraph was (1.242), which is considered the lowest value among the values.

Table (4)

*Statistical summary of the quantitative variables*

| Variables | Mean | Median | Std. Dev. | Variance | Min | Max |
|---|---|---|---|---|---|---|
| ▪ Dependent variable: | | | | | | |
| Financial Risks | 0.566 | 0.542 | 0.23 | 0.05 | 0.060 | 1.803 |
| 1) Credit risk | 0.739 | 0.597 | 0.70 | 0.50 | 0.002 | 4.525 |
| 2) Liquidity risk | 0.523 | 0.568 | 0.27 | 0.07 | 0.012 | 0.985 |
| 3) Interest rate risk | 0.040 | 0.029 | 0.04 | 0.00 | 0.000 | 0.333 |
| 4) Exchange rate risk | 0.960 | 0.995 | 0.56 | 0.32 | 0.025 | 1.929 |

From Table No. (4), it can be noted that Iraqi commercial banks are exposed to financial risks at different rates. These risks ranged between (0.060 - 1.803) with a general median of (0.542), and the standard deviation of the risks to which these banks are exposed reached (0.239). This shows that the actual values of the risks to which each bank is exposed are within the range of (0.542±0.239). From the median values, it can be seen that the most risks to which these banks are exposed are exchange rate risks with a median of (0.995), then credit risks (0.597), followed by liquidity risks (0.568), and finally interest rate risks (0.029).

**Hypothesis Testing**

1- *There is a negative impact of strategic flexibility on Fınancical Risk in Iraqi commercial banks.*

Table (5)
*Testing the first hypothesis of the study "Linear Regression Analysis"*
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p > \|z\| |
|---|---|---|---|---|---|---|
| ▪ Financial Risks Equation: | | | | | | |
| ▪ Strategic flexibility → Financial Risks | - | -0.193 | -0.912 | 0.089 | - 2.171 | 0.030* |

Note: **, * indicates statistical significance at the 1%, 5% level respectively
Source :Prepared by researcher based on the data from the field study.

Table No. (5) shows that strategic flexibility has a negative impact on financial risks. Based on the non-standard regression coefficient, increasing strategic flexibility by one degree will lead to a decrease in the financial risks to which Iraqi commercial banks are exposed by (0.193) degrees on average. This shows that financial risks will decrease by 19.3% from the increase in the use of strategic flexibility. These results are consistent with the correlation matrix, which shows that there is an inverse relationship between strategic flexibility and financial risks. This is consistent with what this study has reached in the theoretical framework, which concluded that strategic flexibility reduces financial risks.

2- *There is a negative impact of strategic flexibility on credit risk in Iraqi commercial banks.*

Table (6)
*Testing the second hypothesis of the study "Linear Regression Analysis"*
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p > \|z\| |
|---|---|---|---|---|---|---|
| ▪ Credit Risks Equation: | | | | | | |
| ▪ Strategic flexibility → Credit risks | - | -0.043 | -0.478 | 0.071 | - 0.606 | 0.544 |

Note: **, * indicates statistical significance at the 1%, 5% level respectively
Source :Prepared by researcher based on the data from the field study.

Table No. (6) shows that strategic flexibility has no effect on credit risk. Based on the unstandardized regression coefficient (-0.478), increasing strategic flexibility by one degree does not lead to a decrease in credit risk to which Iraqi commercial banks are exposed. This shows that credit risk will not decrease from the increase in the use of strategic flexibility. Although the sign is negative and could have decreased when combined with other financial risks.

3- *There is a negative impact of strategic flexibility on Liquidity Risks in Iraqi commercial banks.*

Table (7)
*Testing the the third hypothesis of the study Linear Regression Analysis*
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p > \|z\| |
|---|---|---|---|---|---|---|
| ▪ Liquidity Risks Equation: | | | | | | |
| ▪ Strategic flexibility → Liquidity risks | - | -0.266 | -1.076 | 0.080 | 3.331 | 0.001** |

Note: **, * indicates statistical significance at the 1%, 5% level respectively
Source :Prepared by researcher based on the data from the field study.

From Table No. (7), it is clear that strategic flexibility has a negative impact on liquidity risks. Based on the non-standard regression coefficient, increasing strategic flexibility by one degree will lead to a decrease in liquidity risks to which Iraqi commercial banks are exposed to (0.266) degrees for the average. This shows that liquidity will decrease by 26.6% from the increase in the use of strategic flexibility. These results are consistent with the correlation matrix, which shows that there is an inverse relationship between strategic flexibility and liquidity risks. This is consistent with what this study has reached in the theoretical framework, which concluded that strategic flexibility reduces liquidity risks.

4- *There is a negative impact of strategic flexibility on Interest rate Risks in Iraqi commercial banks.*

Table (8)
*Testing the fourth hypothesis of the study "Linear Regression Analysis"*
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p > \|z\| |
|---|---|---|---|---|---|---|
| ▪ Interest rate Risks Equation: | | | | | | |
| ▪ Strategic flexibility → Interest rate Risks | - | -0.133 | -3.413 | 0.128 | -1.041 | 0.298 |

Note: **, * indicates statistical significance at the 1%, 5% level respectively
Source :Prepared by researcher based on the data from the field study.

Table No. (8) shows that strategic flexibility has no effect on interest rate risk. Based on the non-standard regression coefficient, increasing strategic flexibility by one degree will not lead to a decrease in interest rate risk to which Iraqi commercial banks are exposed. Because the probability value is greater than 5%, this shows that interest rate risk will not decrease from the increase in the use of strategic flexibility. This is consistent with what this study has reached in the theoretical framework, which concluded that strategic flexibility has a negative relationship with interest rate risk.

*5- There is a negative impact of strategic flexibility on Exchange rate risk in Iraqi commercial banks.*

Table (9)
*Testing the fourth hypothesis of the study "Linear Regression Analysis"*
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p > \|z\| |
|---|---|---|---|---|---|---|
| ▪ Exchange rate Risks Equation: | | | | | | |
| ▪ Strategic flexibility → Exchange rate risk | - | -0.179 | -0.357 | 0.102 | -1.753 | 0.080. |

Note: **, * indicates statistical significance at the 1%, 5% level respectively
Source :Prepared by researcher based on the data from the field study.

Table No. (9) shows that strategic flexibility may affect the change in exchange rates at 0.10, based on the non-standard regression coefficient, increasing strategic flexibility by one degree may lead to a decrease in the exchange rate risks that Iraqi commercial banks are exposed to. Because the probability value is less than 10%, this shows that exchange rate risks may decrease from the increase in the use of strategic flexibility. As explained in the previous tables, financial risks in general decrease from the use of strategic flexibility, which increases and improves financial risk management in a manner that suits the continuous changes in the Iraqi market.

**Conclusion**

This study aimed to find the impact of strategic flexibility on financial risks in Iraqi commercial banks. Strategic flexibility is adopted in keeping pace with changes as a form of management that limits the risks to which banks are exposed. Also, banks that operate flexibly can identify risks and opportunities in advance, which allows for preparation for those changes. The results of this study concluded that strategic flexibility has a negative impact on financial risks in general. There is also a negative impact of strategic flexibility on liquidity risks. While there was no strong impact of strategic flexibility on exchange rate risks, as the impact rate was at 10%. It also did not affect credit risks and interest rate risks. These results illustrate the important role of strategic flexibility in reducing financial risks.

In addition, strategic flexibility plays an important role in providing banking services because it has the ability to provide the necessary times when needed, as it reduces financial setbacks, increases confidence among investors, and enables banks to deal with borrowers. The results also concluded that strategic flexibility is underused within Iraqi commercial banks. Therefore, the level of knowledge of employees in Iraqi commercial banks is low in the methods of dealing and practicing strategic flexibility, so many employees need to develop skills in practicing risk management. Moreover, the results concluded that the reason for the increase in financial risks in Iraqi commercial banks is due to sudden changes and not dealing flexibly with these changes. Strategic flexibility has a clear role in dealing with these changes. It also has the appropriate methods to adapt to these fluctuations to contribute to improving administrative work to avoid the risks that banks are exposed to.

This contributes to enhancing stability in the Iraqi banking sector and increasing the confidence of investors and customers in these institutions. This study also aims to provide decision-makers and CEOs in commercial banks with a comprehensive vision of the importance of adopting strategic flexibility as a key tool for adapting to the challenges facing banks. It also provides appropriate recommendations to enhance the efficiency of banks in managing financial risks. In addition, this study is an important contribution to studies related to financial risk management in the Iraqi banking environment, and it opens up horizons for implementing actions that support stability and growth in Iraqi commercial banks.

**Suggestions**

Based on the results of the study, Iraqi banks need to follow a set of proposals to reach a strategy that reduces financial risks. Understanding the use of strategic flexibility to reduce risks is considered one of the basics of this study. Therefore, Iraqi commercial banks should work on developing skills that remove obstacles to the practice of flexible work in Iraqi banks. Strategic flexibility is considered one of the basic pillars that contribute to enhancing the capabilities of institutions to facilitate work in volatile and unstable times. It also plays an important role in improving the administrative level to reduce financial risks. Therefore, Iraqi commercial banks need to focus on using strategic flexibility in stable and volatile times.

In addition, banks need to focus on working more quickly and more flexibly. It is also necessary to focus on addressing liquidity risks more flexibly because strategic flexibility has a negative and adverse effect on these risks. Banks also need to follow the appropriate mechanism and study the decisions taken more accurately to be consistent with the expected changes. These adaptations cannot be made unless the flexibility of liquid resources is achieved. All these proposals should be consistent with the path followed by banks to reduce financial risks.

Moreover, the procedures followed by these banks should be planned to be consistent with reducing the obstacles to adopting the practice of strategic flexibility. This mechanism requires the development of skills for all administrative levels to be able to practice flexibility in a way that contributes to reducing risks. These skills can be developed through leadership that contributes to directing its employees in a manner that is consistent with strategic flexibility.

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