



## INFLUENCE OF STRATEGIC FORESIGHT CAPABILITIES ON PERFORMANCE OF BANKS: EVIDENCE FROM BALTIC STATES

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### ABSTRACT

The modern business organizations are increasingly paying attention toward strategic foresight. Strategic foresight denotes the methods, the actors, the process and the system needed to enhance the competitive position of a company. The aim of this paper was to study the influence of strategic foresight capabilities on the performance of banks evidence from Baltic States. Data from 150 respondents was analyzed using structural equation modeling (SEM). There are five strategic foresight dimensions such as information scope, method usage, people, formal organization and culture are identified with the help of factor analysis. The results revealed that strategic foresight capabilities viz., information scope, method usage, people and formal organization strongly influence on the performance of banks in the Baltic States. One strategic foresight capability culture does not influence the performance of banks.

**KEYWORDS** : Strategic Foresight, Performance Of Banks, Baltic States, Factor Analysis, Structural Equation Modeling.

### INTRODUCTION

The modern business organizations are increasingly paying attention toward strategic foresight. Looking forward is a key factor that influences the firms to stay ahead (Hamel and Prahalad, 1994). According to Gavetti et al. (2012) only recently the forward looking behavior of firms has received attention. An increase in the number of publications concerning strategic foresight proves that this field has become more important, especially in Europe (Neef and Daheim, 2005; Daheim and Uerz, 2006; Alsan, 2008). Nowadays, the business environment is faced with rapid changes due to discontinuities caused by emerging technologies, socio-cultural shifts, political and legislative environment, or alternative business models (Becker, 2002; Day and Schoemaker, 2005; Rohrbeck, 2008). Foresight development seeks to provide sufficient information and insight to assist decision-makers in choosing between alternative courses of action, so that the best possible outcome is achieved for their organization in the future. Strategic Foresight denotes the methods, the actors, the process and the system needed to enhance the competitive position of a company. Strategic foresight can be directed or undirected (Reger, 2001; Porter et al., 1981). The term strategic foresight was developed to refer to research focused on the company level (Slaughter, 1997; Roll, 2004; Rauscher, 2004). Today, to a large extent, future analysis has substituted strategic foresight as the preferred term (Durr et al., 2004; Kreibich, 2006; Burmeister et al., 2002; Porter et al., 2004). Strategic foresight dispenses with the identification, assessment and usage of weak signals to recognize and give warning about threats and opportunities at an early stage. Strategic foresight – future studies in business – is a system of capabilities that allows firms 'to navigate through volatile, complex and uncertain environments' (Rohrbeck, 2008). Strategic foresight is the capability to create and maintain a high-quality, coherent and functional forward view and to use the insights arising in organizationally useful ways; for example: to detect adverse conditions, guide policy, shape strategy; to explore new markets, products and services. It represents a fusion of futures methods with those of strategic management. In contexts of great complexity and high uncertainty, strategic foresight plays a crucial role in the creation and capture of sustainable competitive advantage (Ahuja et al., 2005); Performance measurement has significant influence in supporting the achievement of the organization's goals and the effectiveness and efficiency of its strategic foresight. Thus, in order to assess the level of success or otherwise of a corporate body, its established strategic foresight in connection with the performance of the company on all fronts of operations had to be established. Neely et al. (2005) see performance measurement as the process of quantifying, and more specifically define it as "the process of quantifying the efficiency and effectiveness of action". The main function of performance measurement in a strategic context, as claimed by Letza (1996), is to provide the means of control to achieve the objectives required to

fulfill the company's mission/ strategy statement. Ittner and Larcker (2003) found and suggest that performance measurement is used to help direct the allocation of resources, assess and communicate progress towards strategic objectives and evaluate managerial performance.

The advent of the euro has had, and continues to have, a major impact on the European financial sector, with the main direction of impact being one of the further integration. Further combination of the financial sector throughout the euro area is of significant interest to the ECB, as it will strengthen the effectiveness of monetary policy transmission and contribute to greater efficiency and competitiveness of the euro area's real economy. In order to assess the level of success of a corporate body, its established strategic foresight plans relative to the performance of the organization in all fronts of operations have to be ascertained. Framing, implementing and evaluation of a strategic foresight indisputably becomes a major activity in both profit and nonprofit organization especially, the financial sector. Therefore, this study aims to study the influence of strategic foresight capabilities on the performance of banks specifically from Baltic States.

### Literature Review

A comprehensive review of the literature is important because it provides an up-to-date understanding of the subject and its significance to practice; identifies the methods used in previous research on the topic; helps you to work out how to answer the questions - and indeed, what questions need to be asked and provides comparisons for researcher own research findings.

### Foresight and Performance

Foresight is a key business skill and, as part of the "knowledge economy", has links with other "knowledge" business areas such as innovation (Horton, 1999). Foresightedness is a combination of developing an understanding of possible futures for an organization and acting upon that understanding in a way which brings benefits to the organization. Foresight is linked to the field of strategy is very often practice oriented: it is seen as an operation able to produce a collective strategy for change at the scale of firms, other organizations, or a whole national innovation system (Treyer, 2009). Foresight in a strategic context is described as a process that designates the activities that decision makers takes on the task of deciding the company's future course of actions (Vecchiato 2012; Voros 2003; Amsteus 2008). The general consensus within the research field is that in order to ensure and maintain a prosperous business model as well as competitive advantage companies and managers needs to prepare for the inevitable future (Ringland 2010; Amsteus 2008; Rohrbeck, Arnold & Heuer 2007; Bootz 2010; Fink et al. 2005). Measurement is a fundamental component of scientific query and today there is no generally accepted way of measuring

foresight (Grim 2009). There is a need for such a measurement system since it could help define what would be best practice, add credibility to the field and also to evaluate the practice of foresight in order to move the field forward. The foresight maturity model uses a set of disciplines to help define best practices within the foresight field (Grim 2009). Performance, or organizational performance, is a measure of effectiveness within an organization. According to Richard et al. (2009) it can generally be divided into three different areas. Financial performance is the first area and it may incorporate return on assets, return on sales and various ratios. This is followed by market performance, which consists of sales and market share. The last area is stakeholders' performance, this uses shareholder return and economic value added. There are several aspects to review in terms of how maximum performance or profit is achieved. Seeing as there are multiple choices when it comes to measuring financial results only one aspect could logically be maximized at a time (Harrison & Wicks 2013). Petersson et al. (2013) identified that the practices of foresight are greatly contextual and a clear relationship between how the foresight practices affect financial performance is difficult to map out and is need of further research. Tendencies of foresight practices influencing financial performance were, however noticed. These tendencies indicated that there is a positive relationship between foresight practices and financial performance.

### Corporate Foresight

Corporate foresight has been discussed as a means to create competitive advantage (Ashton, Johnson, & Stacey, 1996). Daheim and Uerz (2008) found that Corporate Foresight (CF) as a future intelligence gathering process that has come into widespread use in a business context where – as foresight – it is tackled with specific contexts, process and methodological difficulties. Rohebeck and Schwarz (2013) revealed that there is an absence of structured approaches or frameworks towards the competitive dimension in corporate foresight. An illustrative case study is discussed, with a first attempt to provide a framework for structuring the competitive dimension variables in corporate foresight. Jannek and Burmeister (2007) conducted a study to identify the foresight requirements of German small and medium-sized enterprises (SMEs), their corporate foresight activities, to the extent that they exist, and limiting factors for systematic foresight approaches. Its aim is to make executives more aware of the indispensability and the potential foresight offers in changing markets and business environments, and supporting them in their foresight approaches. Ratcliffe (2006) recounted throughout the text, the main conclusion drawn is that new kinds of corporatism will require the "proactivity" of prospective founded on the "Imagineering" of scenarios to shape their future in a changing world. Rohrbeck and Gemünden (2011) identified three roles that corporate foresight should play to maximize the innovative capacity of a firm: (1) the strategist role, which explores new business fields; (2) the initiator role, which increases the number of innovative concepts and ideas; and (3) the opposing role, which challenges innovation projects to increase the quality of their output.

### Strategic Foresight and Performance

The scientific society is increasingly paying attention toward strategic foresight. Increase in the number of publications concerning strategic foresight proves that this field has become more important especially in Europe (Neef and Daheim, 2005; Daheim and Uerz, 2006;; Alsan, 2008). Nowadays, the business environment is faced with rapid changes due to discontinuities caused by emerging technologies, socio-cultural shifts, political and legislative environment, or alternative business models (Becker, 2002; Day and Schoemaker, 2005; Rohrbeck, 2008). Discontinuities or disruptions are defined as major shifts that can become threats or opportunities for a firm (Ansoff, 1980; Day and Schoemaker, 2005; Christensen, 2013). While product-life cycles and innovation cycles become shorter, complexity and uncertainty increases. Strategic foresight — futures studies in business — is a system of capabilities that allows firms "to navigate through volatile, complex and uncertain environments" (Rohrbeck, 2008).

European foresight monitoring network (EFMN) reported that foresight is used for seven reasons within public and private sectors: (a) To foster innovation, provide input for policy formation, (b) indulge in strategic thinking, (c) discover investment opportunities, (d) generate visions for the future, (e) anticipate significant challenges (f) trigger actions and (g) promote public debate (May, 2009). Rohrbeck et al. (2007) building on an in-depth case study of the Deutsche Telekom Laboratories they shed light on the implementation of Strategic Foresight activities and focused on the interaction of methods from Consumer Foresight and Technology Intelligence. Taking an example project, they explored how Strategic Foresight is used on the operational level of innovation management and they concluded that Strategic Foresight can successfully contribute to coping with uncertainty and difficulty and can feed the front-end of innovation from the market (customer needs) and technology (realization opportunities) perspective. The first task of strategic foresight is thus to develop mechanisms to help companies to detect these weak signals, interpret them, and trigger a response. According to Day and Schoemaker (2006): "The key is to quickly spot those signals that are relevant and explore them further, filter out the noise, and pursue opportunities ahead of the competition or recognize the early signs of trouble before they escalate into major problems." Vecchiato and Roveda (2010) carried out multiple case studies of some large companies that have established an organizational unit dedicated to strategic foresight. Overall, the results of their research may contribute to improve the effectiveness of strategic foresight and to increase its value added to the planning process of corporate firms, while providing helpful insight to public organizations that promote foresight exercises for enhancing the competitiveness of local firms.

### Strategic Planning and Performance

Strategic planning can be described as the process of using systematic criteria and rigorous investigation to formulate, implement, and control strategy and formally document organizational expectations (Higgins and Vincke, 1993; Mintzberg, 1994; Pearce and Robinson, 1994). Past studies of manufacturing firms (Ansoff *et al.*, 1971; Eastlack and McDonald, 1970; Herold, 1972; Karger and Malik, 1975; Thune and House, 1970) have revealed that strategic planning results in highest financial performance, measured in terms of 'generally accepted' financial measures (e.g., sales, net income, ROI, ROE, ROS). Subsequent studies (Armstrong, 1986; Greenley, 1986; Mintzberg, 1990; Shrader, Taylor, and Dalton, 1984) have contradicted the notion of a strategic planning–superior performance relationship. One stream of strategic planning research has raised the issue of whether the length of time a firm has been involved in the strategic planning process has any impact on performance. Gup and Whitehead (1989) investigated the notion that strategic planning only pays off after a period of time. They found no relationship between the length of time banks had been engaged in the strategic planning process and their financial performance. Hopkins and Hopkins (1997) identified that the intensity with which banks engage in the strategic planning process has a direct, positive effect on banks' financial performance, and mediates the effects of managerial and organizational factors on banks' performance. They found a reciprocal relationship between strategic planning intensity and performance. Poku (2012) assesses the effect of strategic planning on the performance of banks in Ghana with reference to the operations of the Agricultural Development Bank (ADB). This study indicates that, ADB as a corporate body has a clear strategic plan which is articulated to all of its employees at various levels and departments within the bank. It reveals that, the strong influence of factors of various dimensions of strategic planning indicates the effectiveness and efficiency of such planning adopted by employees of the bank and hence affects the bank's performance positively. Ansoff, (2003) found that the interest in strategy grew out of the realization that a firm needed a well-defined scope and growth direction not just extrapolations of past performances which were being used to project into the future. Taiwo and Idunnu (2007) examined the impact of strategic planning on organizational performance and survival. The results of this study are that Strategic planning enhances better organizational

performance, which in the long run has impact on its survival and that strategic planning intensity is determined by managerial, environmental and organizational factors. Tapinos et al. (2005) investigate the impact of performance measurement in the strategic planning process. The results indicate that performance measurement stands as one of the four main factors characterizing the current practice of strategic planning. This research has determined that difficulties coming from organizational size and rate of change in the sector create variation in the impact of performance measurement in strategic planning.

### Strategic Orientation and Organizational Performance

Strategic orientation is related to the decisions that businesses make to achieve superior performance. Strategic orientation is an organization's direction for reaching a suitable behavior in order to attain superior performance. Competitor and customer orientations are the most important for organizations to achieve long term success (Hult et al., 2005; Yang et al, 2012; Al-Mohammad, 2010; Langerak et al, 2004; Kumar et al, 2011; Nasution et al, 2011; Lau, 2011). On the other hand, some research indicates that strategic orientation does not automatically lead to better performance (Hao and Song, 2016). Obeidat (2016) found that innovation significantly affected organizational performance. The results also indicated that innovation mediated the path between strategic orientation and organizational performance, but only partially. Strategic orientation of the firm results its operational, marketing, and entrepreneurial posture. By doing so, a firm achieves its goals in markets by taking risks, investing in innovation, becoming proactive, and developing future-oriented foresight (Kumar et al., 2012). Morgan and Strong (2003) found that firms' emphasis upon analysis, defensiveness, and futurity in strategic orientation related to business performance. Lee et al. (2015) revealed that, technology, entrepreneurial, and learning orientations significantly influence firm innovativeness, firm innovativeness has a significant effect on firm Performance and also found that firm innovativeness has a statistically significant mediating role in the relationships of technology, entrepreneurial, and learning orientations to firm performance. Jassmy and Bhaya (2016) discovered that strategic orientation is positively related to the bank performance. The study revealed that competitive advantage represented mediating variable and it also influences performance.

### Strategic Intelligence and Firm Performance

Strategic intelligence is future-oriented, allowing a firm to make educated decisions regarding future conditions in its particular marketplace or industry. Strategic intelligence allows the firm's decision makers to forecast the future direction of the business. A firm's strategic intelligence helps it to recognize emerging trends and patterns within the particular industry and subsequently predict potential problems that may affect the current operating environment, (Tzu, 2013). The strategic aspect of business intelligence deals primarily with planning for the future direction and growth of the firm, in accordance with its stated mission and goals, (Gayer, 2004). Atwa (2013) investigates the impact of strategic intelligence (foresight, visioning, and motivation) on firm performance, and to examine the mediating role of strategic flexibility and its dimensions (production, marketing and competitive) on such an impact in biotechnology industry companies. The research concluded that there are significant positive impacts of strategic intelligence on firm performance and positive impacts on strategic flexibility, and positive impacts of strategic intelligence, (foresight, visioning, motivation) on firm performance in the presence of strategic flexibility as a mediator variable.

### Performance Measurement and Business Strategy

McAdam and Bailie (2002) explore the longitudinal alignment between performance measures and business strategy. The findings of the study confirm that performance measures linked to strategy are more effective. The measures, measurement framework and the strategy must be continually reviewed and treated as a

dynamic and crucial issue, rather than a linear mechanistic relationship. It is inadequate to state the need for closer links between performance measurement and business strategy: the process of alignment must be addressed. Neely et al. (1994) argue that one of the key factors of alignment is that of "consistency of both decision making and action". This stability can only exist, in times of rapid change, if the performance measures and strategic process are dynamically linked as suggested by Franklin (1996). Light (1998) in supporting a wider range of performance measures to achieve alignment with strategy states that intangibles such as "management performance and quality of strategy, customer satisfaction and employee retention" must be addressed.

### Purpose of the Study

Based on the theoretical constructs and the literature reviewed, this study aims to study the influence of strategic foresight capabilities on the performance of banks specifically from Baltic States.

### Research Hypotheses

To find the influence of strategic foresight capabilities on performance of, the following hypotheses are framed

- H1: Information scope significantly influence on the performance of the banks.
- H2: Method usage significantly influence on the performance of the banks
- H3: People significantly influence on the performance of the banks
- H4: Formal Organization significantly influence on the performance of the banks
- H5: Culture significantly influence on the performance of the banks

### METHODOLOGY

The study used the descriptive research design as it explores and intends to study the influence of strategic foresight capabilities on the performance of banks specifically from Baltic States. The quantitative research method was conducted by self-administered surveys which contained structured questions in order to gather primary data. The target population of this study was the executives of the banks in the Baltic States. This study employed simple random sampling method. The primary data had been collected from 150 (N=150) respondents.

The questionnaire was divided into three sections. The first section began with the personal profile of the respondents. The second section was about measurement of strategic foresight dimensions and third section contained questions measurement of performance of the banks. A seven-point Likert scale was used in the questionnaire, with responses ranging from 1 = Strongly disagree, 2 = Moderately Disagree, 3 = Slightly Disagree, 4 = Neutral, 5 = Slightly Agree, 6 = Moderately Agree and 7 = Strongly Agree. The pre-test reliability results scale showed that 20 measurement items of strategic foresight capabilities used in the questionnaire were reliable ( $\alpha = 0.852$ ) and 14 performance measurement items are also reliable ( $\alpha = 0.728$ ). The performance of banks measured with the help of the variables such as new product success, new product innovation and financial performance.

### Analysis and Discussion

Two statistical programs SPSS 20 and Visual PLS were utilized for data analysis in this study.

### Descriptive Statistics

The majority of the respondents were female at 64%; male represented 36% of total respondents. In terms of position in the organization most of the respondents were middle management executives (43.3%); followed by operational level executives (26.7%) and top management (30%). As for the work experience in concerned, 50 % are more than 10 years work experience, 26.7% are 5 to 10 years and remaining 23.3% are worked less than 5 years work experience.

### Factor Analysis

20 statements relating to measurement of strategic foresight capabilities were factor analyzed with the principal component

analysis along with orthogonal varimax rotation, to identify the underlying dimensions of strategic foresight explained the variance in these statements. From the varimax rotated factor matrix, five factors with Eigen values greater than one representing 74.825% of the explained variance extracted from the original 20 variables. Five strategic foresights factors with 20 variables were loaded most heavily (loading > 0.5) on them. Reliability analysis (Cronbach's Alpha) was calculated to test the reliability and internal consistency of each factor. In evaluating scale reliability, researcher followed the suggestions of Fornell and Larcker (1981). The results showed that, alpha coefficient for the five factors ranged from 0.80 to 0.92, well above the minimum value of 0.5 considered acceptable as an indication of reliability for basic research. Kaiser – Meyer – Olkin (KMO) measure of sampling adequacy of 0.854, which is mediocre as per guideline (Heir et al., 2003). The factors were given names in accordance with their nature keeping in mind the statements that had a higher load on a specific factor.

**TABLE 1: Factor Analysis for Strategic Foresight Capabilities**

	Factor Load	Eigen Value	% of variance	Cronbach alpha
<b>Factor 1: Information Scope</b> Our organization performs environmental scanning by using a large variety of information sources. Our organization performs environmental scanning also outside our current business Our organization performs environmental scanning proactively in both time horizons, long and short term Our organization performs environmental scanning by using also restricted or exclusive sources (such as personal contacts and specialized databases)	0.805 0.842 0.768 0.643	2.332	22.390	0.84
<b>Factor 2: Method Usage</b> Our organization uses structured ways to integrate future-related market and technology information Our organization uses structured ways to integrate future-related information from different time horizons. For processing future-related information our organization uses structured ways that fit the specific context of our firm (e.g. volatility of the environment). For processing future-related information our organization uses structured ways that fit a specific objective or business issue.	0.867 0.853 0.792 0.764	2.146	16.035	0.92
<b>Factor 3: People</b> People in our organization that engage in future-related research activities have a strong internal network People in our organization that engage in future-related research activities have a strong external (outside the organization) network People in our organization that engage in future-related	0.837 0.815 0.746	1.645	13.776	0.85

research activities have a broad knowledge reaching beyond their own domain People in our organization that engage in future-related research activities are good communicators	0.623			
<b>Factor 4: Formal Organization</b> In our organization top management strongly supports future-related research In our organization future-related research is formally implemented In our organization future-related information is rapidly diffused through formal channels In our organization future-related research activities are triggered top-down (e.g. by top management).	0.847 0.726 0.667 0.572	1.562	12.072	0.80
<b>Factor 5: Culture</b> In our organization every employee is encouraged to transmit weak signals (i.e. signals that announce a possible external change early) In our organization every employee is encouraged to detect weak signals (i.e. signals that announce a possible external change early). In our organization most employees are receptive to signals from the external environment (outside the organization). In our organization basic assumptions are challenged explicitly and frequently	0.866 0.812 0.783 0.687	1.410	10.552	0.87

Source: by author, based on SPSS Output

The above table indicates the factor analysis for strategic foresight capabilities. The five factors are named as Information scope, Method Usage, People, Formal Organization and Culture.

**Factor 1: Information Scope:** This factor reflects the information scope. High scores on this factor indicate that the organization performs environmental scanning also outside our current business. This scale is considered reliable with Cronbach Alpha of 0.84. This factor accounts for 22.390 per cent of variance and Eigenvalue of 2.332 and may be named as information scope.

**Factor 2: Method Usage:** High score on this factor denotes that the organizations use structured ways to integrate future-related market and technology information. An alpha of 0.92 for this scale considered reliable. This factor explains 16.035 per cent of variance and Eigenvalue of 2.146 and may be named as method usage.

**Factor 3: Interaction:** This factor measure involvement of people in the strategic foresight. High scores on this factor reflect that people in the organization that engage in future –related research activities have a strong internal network. This scale is considered reliable with Cronbach Alpha of 0.85. This factor accounts for 13.776 per cent of variance and Eigenvalue of 1.645 and may be named as people.

**Factor 4: Formal Organization:** High score on this factor denotes that top management strongly supports future related research. An

alpha of 0.80 for this scale considered reliable. This factor explains 12.072 per cent of variance and Eigenvalue of 1.562 and may be named formal organization.

**Factor 5: Culture:** This factor measure organizational culture. This scale is considered reliable with Cronbach Alpha of 0.87. This factor accounts for 10.552 per cent of variance and Eigenvalue of 1.410 and may be named as culture.

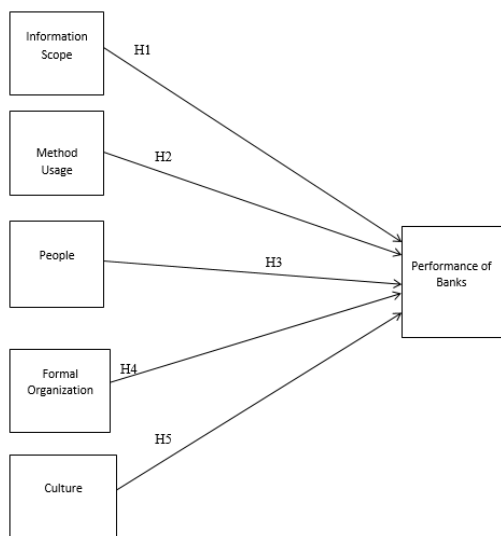
**Structural Equation Modelling**

Structural Equation Modelling (SEM) is a family of statistical models that seek to explain the relationship among multiple variables. In doing so, it examines the structure of interrelated expressed in a series of equations. These equations depict all the relationships among constructs

(the dependent and independent variable) involved in the analysis.

**Model specification**

To identify the influence of strategic foresight capabilities on performance of the bank, SEM has been developed. Based on the assumptions and hypotheses, the following expected model has been developed. Figure 1 shows the expected SEM model.



**FIGURE 1.** Influence of strategic foresight capabilities on performance of the banks

**Model fit results**

To test the model fitness, various analyses were conducted. The model fit values were found using Visual PLS software. Each linkage in the model was set with the hypotheses to test the relationship between constructs

**TABLE 2: Independent and dependent variables**

Hypothesis	Independent Variable	Dependent Variable	Correlation	Sig,
H1	Information scope	Performance of Banks	0.2200	Significant
H2	Method usage		0.3190	Significant
H3	People		0.1958	Significant
H4	Formal Organization		0.2080	Significant
H5	Usage		0.0839	Not Significant

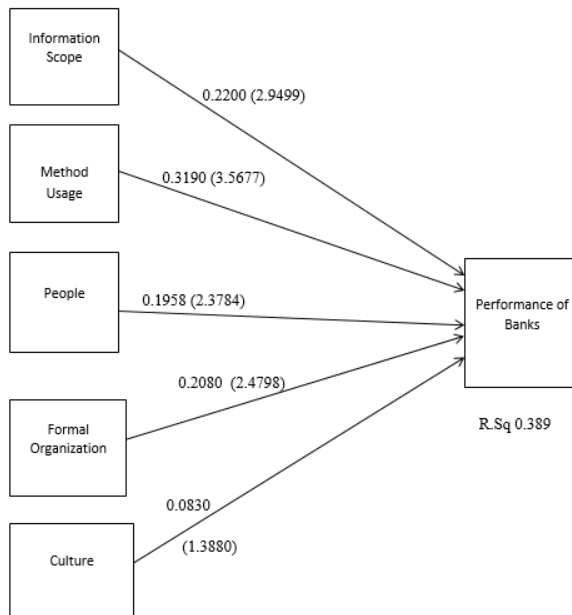
**TABLE 3: Structural Model – Boot strap Summary**

Hypothesis	Entire Sample estimate	Mean of Sub samples	Std. error	t-statistics	R <sup>2</sup>	Sig.
H1	0.2200	0.2188	0.0746	2.9499	0.389	Significant
H2	0.3190	0.3110	0.0698	3.5677	0.389	Significant
H3	0.1958	0.1842	0.0573	2.3784	0.389	Significant
H4	0.2080	0.1958	0.0839	2.4798	0.389	Significant
H5	0.0830	0.0854	0.0598	1.3880	0.389	Not Significant

H1	0.2200	0.2188	0.0746	2.9499	0.389	Significant
H2	0.3190	0.3110	0.0698	3.5677	0.389	Significant
H3	0.1958	0.1842	0.0573	2.3784	0.389	Significant
H4	0.2080	0.1958	0.0839	2.4798	0.389	Significant
H5	0.0830	0.0854	0.0598	1.3880	0.389	Not Significant

**RESULTS AND DISCUSSIONS**

The set hypotheses had been tested through SEM and results revealed that information scope found to be significant on the performance of banks with t-statistics value (2.9499) which found to greater than acceptable value 2. It is identified that influence of information scope found to be significant with sample (0.2200) and R<sup>2</sup> (0.389). It reveals H1 is proved. Method usage found in a strong relationship with performance of banks with t-statistics (3.5677) which found to be greater than acceptance value 2. It is identified that the effect of method usage found to be significant with a sample estimate (0.3190) and R<sup>2</sup> (0.389). Therefore H2 is proved. While testing the influence of people on the performance of banks, the results revealed a significant impact of t-statistics value (2.3784) which found to be greater than acceptance value 2. It is identified that people found to be significant with a sample estimate (0.1958) and R<sup>2</sup> (0.389). It portrays H3 is proved. It is found that formal organization elicit a significant influence on the performance of banks with t-statistics value (2.4784) which greater than the accepted value 2. The effect of formal organization found to be significant with a sample estimate (0.2080) and R<sup>2</sup> (0.389). It reveals H4 is proved. While testing the influence of culture on performance of banks, the result indicates that non-significant effect with t-statistics value (1.3880) which found to be less than the accepted value 2. It is identified that the influence of culture found to be not significant with a sample estimate (0.0830) and R<sup>2</sup> (0.389). It indicates H5 is disproved.



**FIGURE 2.** Influence of strategic foresight capabilities on performance of the banks

It is imperative to understand that Information scope, Method usage, People and Formal organization found to elicit a strong influence on the performance of banks, whereas Culture found to be no influence on the performance of banks. Hence it is evident that information scope, Method usage, People and Formal organization are significantly related to performance of banks. The results revealed that the model development indicates that the Information scope, Method usage, People and Formal organization strong influence on the performance of banks. Thus, strategic foresight capabilities strongly influence the performance of banks.

### Conclusions and Managerial implications of the study

The study had been attempted to build a model of influence of strategic foresight capabilities on the performance of banks. The study selected five major dimensions such as information scope, method usage, people, formal organization and culture on the performance of banks. The selected variables were tested among the target respondents in order to study the influence of such variables on the performance of banks. SEM had been used to test the influence of variables and model fit. The results revealed that information scope, method usage, people and formal organization found to be a strong influence on the performance of banks, whereas culture is found to have a no influence with performance of banks. Therefore, it is identified that H1, H2, H3 and H4 are proved, whereas the hypothesis H5 is disproved. It is imperative to understand that performance of banks are affected by information scope, method usage, people and formal organization, whereas culture found to have no influence with performance of banks. The model developed and the results revealed would largely help the practicing strategists to understand the strategic foresight capabilities that influence on the performance of banks. The model developed would provide a cue to further researchers to explore the influence of further strategic foresight capabilities on the performance of banks. The constructs developed would act as a testing agent to future researchers to adopt and investigate the influence of strategic foresight capabilities on the performance of banks. The model developed would act as a vital antecedent to test the influence of strategic foresight dimensions, such as information scope, method usage, people and formal organization for performance of banks in the Baltic States.

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